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Migration

I. Why People Migrate

Main reason for migration is wages (that is, differences in wages).

Other prominent reasons include: living conditions, freedom, freedom from persecution, climate, etc.

II. Why do Wages Differ Across Countries?

1. Relative factor endowments (Heckscher-Ohlin Model)
Abundant factors tend to be relatively inexpensive
The endowment of labor affects wages, as does the abundance of other factors such as: land, capital and natural resources (all of these could make labor more productive, and thus wages higher).
2. Technology
Can make labor more productive (which, again, raises wages)
3. Miscellaneous
Infrastructure also tends to raise wages by making labor more productive.
Solid institutions, as well as competitive and efficient markets also help to make labor more productive.
4. Labor unions
-Unions negotiate to raise wages and improve working conditions, but they also tend to resist migration (although in certain cases they may support migration).

Examine graphically the Supply and Demand for Labor in Mexico and the United States. See Figure 1.

The wage difference creates an incentive for migration. We could imagine that the demand for labor in the US is higher because of more capital, etc.

Effects of Migration (Mex to US):

Wage in Mexico rises

Wage in US falls

There is a substantial increase in wages for migrant workers; those who stay behind also benefit because labor has become more scarce.

Migrants gain: $+b+c$

Mexican workers gain: $+a$

Owners of other factors in Mexico lose $-(a+b)$

Mexico, including the migrants, gains: $+c$

Excluding migrants, Mexico loses: $-b$

US workers lose: $-d$

Owners of other factors in US gain: $+d+e$

Excluding migrants, US gains: $+e$

Including migrants US gains even more.

World gains: $+c+e$.

Other effects not captured in simple model:

1. Migrants pay taxes and use government services: The tax base of communities that attract workers increases, but communities also have to spend money to provide public services to migrants (police, parks, etc.).
2. Changes in population density can cause congestion, etc.
3. Diversity: persons can benefit from increased exposure to other cultures. However, cultural and ethnic frictions may also result.
4. Migrants carry their wealth with them: Often in the form of human capital (education, skills, training). Often the loss of skilled and educated workers from a country due to migration is called “Brain Drain.”

IV. Policies that Affect Migration (Covered 2/13)

1. Immigration quotas: Throughout history they have been based on race, country of origin, income, skills, and family connections. Before 1965 most immigration to America was restricted based on country of origin, resulting in the fact that mostly western European immigrants were allowed into the US. Now, places are restricted based mainly on skills and family connections (e.g. have a husband in the United States).
2. “Guest Worker” programs
Purpose is to fill a need in the labor market, where some category of labor is in short supply. This may be a particular skill, or sometimes it is unskilled workers willing to do menial jobs.
Almost always intended to be temporary
3. Trade Policy
Recall Factor Price Equalization (more trade implies more equal factor prices across countries). For example, if the US allows free trade, low-wage worker wages in the US should fall, low-wage worker wages in low-wage nations should rise. This should reduce the incentive for migration. This idea was one of the justifications for the NAFTA.

V. The US Experience

Facts About US immigration

See Stelzer article, where it is shown that in 1994, there were fewer immigrants as a percentage of the population than there were in 1913. Recent article from the NYT, assigned as a “handout” for this 2/11, reports results from the 2000 US census. It is still true that the foreign-born percent of the US population is lower than it was a century ago, but it has grown substantially since 1990, and the absolute number of foreign-born is now larger than it was a century ago.

Mexico & United States

Mexico

U.S.

