Lecture 10: Migration

Outline: Migration

- Why People Migrate
- Why Wages Differ across Countries
- Effects of Migration
  - On Payments to Factors
    - Labor
    - Other
  - Other Effects
- Policies to Affect Migration
- Facts about Migration

Why People Migrate

- Main Reason for Migration: Better Wages
- Other Reasons
  - Better living conditions
  - Freedom/Persecution
  - Climate
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Why Wages Differ across Countries

(Mostly these are the same reasons we’ve seen before, for why countries trade)

- Relative Factor Endowments
  - Of labor relative to other factors, such as land, capital, natural resources
  - Countries that have an abundance of these other factors tend to have
    - High demand for labor, and thus
    - High wage
    - They are likely to attract migration

- Differences in Technology
  - Advanced technology makes labor more productive
  - Causes higher wages, and attracts migration
Why Wages Differ across Countries

• Other causes for a country to have high wages
  – Infrastructure
  – Competitive and efficient markets
  – Strong institutions ("Intangible wealth")
    • trust among people in a society
    • an efficient judicial system
    • clear property rights
    • effective government

Why Wages Differ across Countries

• Labor Unions?
  Do these contribute to high wages and thus attract migration?
  – This cuts both ways:
    • Labor unions do seek to increase wages and improve working conditions for their members
    • But one way to do that is to keep out migrant labor

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Effects of Migration

(See Deardorff “Migration”)

• Look at supply and demand
  – In two countries with different wages
  – What happens when labor migrates?

Effects of Migration

Labor markets in two countries before migration

Effects of Migration

Effect of migration on labor supplies
Lecture 10: Migration

Effects of Migration

Effect of migration on wages

Migration pulls wages closer together

Effect of migration on welfare

Gain to migrants
Effects of Migration: Labor

Gain to workers left behind

Loss to competing workers already in US

Loss to factors other than labor in Mexico
Lecture 10: Migration

Effects of Migration: Other

Gain to factors other than labor in US

\[ \text{Gain to Mexico as a whole, including migrants} \]

Effects of Migration: All

\[ \text{Gain to factors other than labor in US} \]

\[ \text{Workers who migrate} \]
\[ + (b+c) \]
\[ \text{Workers who don't migrate} \]
\[ +a \]
\[ \text{Other factors in Mexico} \]
\[ -(a+b) \]
\[ +c \]
\[ \text{Workers} \]
\[ -d \]
\[ \text{US as a whole} \]
\[ +d+e \]
\[ \text{Other factors in US} \]
\[ +c+e \]

Effects of Migration: Mexico

\[ \text{Gain to Mexico as a whole, including migrants} \]

\[ \text{Workers who migrate} \]
\[ + (b+c) \]
\[ \text{Workers who don't migrate} \]
\[ +a \]
\[ \text{Other factors in Mexico} \]
\[ -(a+b) \]
\[ +c \]
\[ \text{Workers} \]
\[ -d \]
\[ \text{US as a whole} \]
\[ +d+e \]
\[ \text{Other factors in US} \]
\[ +c+e \]
Effects of Migration

- Losers from migration
  - In country of emigration: owners of factors other than labor
    - Their productivity and incomes are reduced by having less labor to work with
  - In the country of immigration: workers
    - They compete with the incoming workers and their wage falls
  Note that there are different kinds of labor. Only those most similar to the immigrants lose.
  - These tend to be unskilled workers in the most common cases

Example: The Mariel boatlift of April 1980
- See Economist, "Immigration Economics: The Wages of Mariel"
- 125,000 Cubans migrated to Miami, adding 8% to its workforce
- Economists have studied this as a "natural experiment"
- David Card in 1990 found no effect for bottom quarter of workers
- George Borjas in 2016 found substantial lowering of wage of unskilled workers (high-school dropouts)
Effects of Migration

- Wages versus other effects
  - So far I have stressed effects only on wages
  - Economist “Progressive Case for Immigration”
    - Notes that focus on wage effects misses much that is more important
    - See below for some additional effects
  - But the effect on wages of the migrants themselves is huge:

Source: Economist (2017)
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Effects of Migration

• Other effects, not in this simple model
  – Migrants
    • Pay taxes
    • Use government services
    • Which is larger? There is debate on this
    • Griswold cites study saying
      – Typical immigrants and their offspring will pay $80,000 more in taxes than they will collect in government services during their lifetimes

Effects of Migration

• Other effects, not in this simple model
  – Migration changes population density; may cause congestion
    • Eldredge blames immigration for “overcrowded schools, congested highways, deteriorating ecology and lagging infrastructure”
  – Diversity: presence of immigrants adds
    • Cultural enrichment
    • Cultural (ethnic) frictions
      – Xenophobia (fear or dislike of “others”)
Effects of Migration

• Other effects, not in this simple model
  – Many migrants carry wealth with them out of their country of origin
    • Financial
    • Human capital
      – Raising concern about a “brain drain”
        » But see Economics Focus
          » Possibility of emigration provides incentive to acquire more education
          » Leads to more education even at home

• Other effects, not in this simple model
  – Many migrants send money back to their country of origin
    • Such “remittances” provide important income for poor countries

• Other effects, not in this simple model
  – Demographic effects
    • Immigrants tend to be young and have large families
    • This provides a larger young generation, whose earnings can support the elderly
      – Aging population is less of a problem for the US than for Europe and Japan, because of immigration
Population Pyramid: US

Age Distribution, 2000

Lecture 10: Migration

Population Pyramid: US

Population Pyramid: Japan

Figure 2.1 Population Pyramid

Source: Statistics Japan, 2018
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Policies to Affect Migration

• Immigration Quotas, based on
  1. Race
  2. Country of origin
     • US used to limit or ban immigrants from most of Asia, eastern & southern Europe, and Africa (see Porter)
  3. Income, wealth, skill
  4. Family connections
     – US has recently debated switch from #4 to #3

• “Guest worker” Programs
  – Permit workers to enter temporarily to fill a labor-market need
  – Hard to enforce “temporary”
Policies to Affect Migration

• Trade Policies
  – Recall Factor Price Equalization
  – If this works, it reduces the incentive for migration
  – This was one motive for NAFTA: raise wages in Mexico so that fewer will try to enter the US
    • As we’ll see later, Mexican wages did not rise
    • Mexico-US migration fell anyway, for other reasons

Policies to Affect Migration

• Encourage high-income immigration
  – Provide larger quotas for workers likely to earn high incomes
  – Deny welfare benefits to recent immigrants, so poor won’t be tempted to come

Policies to Affect Migration

• Control the border
  – Make it hard for illegal immigrants to enter
  – But note the costs of doing this (See Skerry and Rockwell)
    • Encourages organized crime to smuggle migrants
    • These make life worse for the migrants
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Facts about US Immigration

- Hostility toward immigrant groups often exists, but it fades over time
- Recall the hostility once felt in the U.S. toward
  - Irish
  - Southern Europeans (Italians, Greeks)
  - Asians ("coolie labor")
- Hispanics are likely to follow the same path
Facts about US Immigration

• But see also Borjas:
  – Compared to 1970, today's immigration is much higher
    • Foreign-born share of US population
      – 1970: 4.7%
      – 2003: 12.7%
  – And he argues that today's immigrants will take longer to assimilate than earlier ones
    • lower incomes and levels of education
    • the decline of manufacturing to employ them
    • the fact that they are less diverse ethnically
    • policies and attitudes of society

Facts about US Immigration

• Borjas is also cited among others by Porter ("Can Immigration Hurt the Economy?: An Old Prejudice Returns")
  – Immigrants from other cultures "bring their culture with them"
  – They are less productive than earlier immigrants
• Porter argues against these views
  – Many studies show they increase productivity and output
  – The critics' arguments lack empirical support

Facts about US Immigration

• 2007 US Immigration Bill
  – Pushed by Bush, McCain, favored by many Democrats
  – Defeated in Congress June 2007
  – Would have
    • Provided legal status (& eventually citizenship) for illegal immigrants
    • Increased border enforcement to reduce future illegal immigration
Facts about US Immigration

• The Wall
  – We are, anyway, building a wall along the border (Already! Does Trump know that?)
  – Problems:
    • Rivers, etc.
    • Wall is often not on actual border, but inside it, cutting properties in two
    • Wildlife movement
Facts about World Migration

• See Donnan (from 2014, before the surge of refugees from Syria)
  – Number of migrants was higher than ever, but not as share of population
  – About 3% of global population lived outside their country of birth
  – Greatest migrations today are inside countries (China)
  – Budgetary cost of new migrants, while probably positive, is generally small

Facts about World Migration

• See Economist “From South to South”
  – Not all migration is from developing to developed countries
  – Much migration takes place from very poor developing countries to others that are just somewhat less poor
  – Why don’t they go to developed countries?
    • Often they can’t afford the trip
    • Less poor neighbors may be ones they can reach by bus or by walking
Facts about US Immigration

• The Future?
  – President Trump has already tried to take several actions
    • To build the wall
    • To stop immigration from certain countries

Next Time

• International Movements of Capital
  – Multinational Corporations
  – Foreign Direct Investment