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
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 Wages Differ across Countries
(These are mostly 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

Why Wages Differ across Countries
- 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

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
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
Effects of Migration

Effect of migration on wages

Migration pulls wages closer together

Lecture 10: Migration

Effects of Migration

Effect of migration on welfare

Lecture 10: Migration

Effects of Migration: Labor

Gain to migrants

Lecture 10: Migration
Lecture 10: Migration

Effects of Migration: Labor

Gain to workers left behind

Loss to competing workers already in US

Gain to factors other than labor in US
Lecture 10: Migration

Effects of Migration: All

- Workers who migrate to U.S.: \((b+c)\)
- Workers who don't migrate in Mexico: \(a\)
- Other factors in Mexico: \(- (a+b)\)
- Mexico as a whole: \(c\)
- Workers in U.S.: \(-d\)
- Other factors in U.S.: \((d+e)\)
- US as a whole: \(e\)
- World: \((c+e)\)

Effects of Migration: Mexico

Gain to Mexico as a whole, including migrants

- Workers in Mexico: \(w\)
- Workers in the U.S.: \(w^U\)
- Mexico as a whole: \(w^M\)

Effects of Migration: US

Gain to US as a whole, excluding migrants

- Workers in Mexico: \(w\)
- Workers in the U.S.: \(w^U\)
- US as a whole: \(w^U\)
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

Effects of Migration

• 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.

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
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
Effects of Migration

• 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
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
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”

• 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

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
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 sited 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 had, before Trump, built a wall along parts of the US-Mexico the border
  – 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