Economics of Immigration

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Green Card Wait Times

How Long Must I Wait?
estimated time to acquire a U.S. green card.

6 months | 40-year-old British, Ph.D., bioengineering
6 months | 75-year-old Kenyan, son is U.S. citizen
3 years  | 24-year-old Iraqi, translator, U.S. military
6 years  | 35-year-old South African, computer programmer
6 years  | 25-year-old Venezuelan, student, father is U.S. citizen
10 years | 31-year-old, Chinese, factory worker
20 years | 25-year-old Filipino, student
35 years | 35-year-old Indian, computer programmer
131 years| 30-year-old Mexican, H.S. diploma, sister is U.S. citizen

Sources: Department of State; U.S. Citizenship & Immigration Services.
# Place Premium

<table>
<thead>
<tr>
<th>Country</th>
<th>Wages in U.S. for Same Worker</th>
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<tbody>
<tr>
<td>Mexico</td>
<td>3x</td>
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<tr>
<td>Guatemala</td>
<td>3x</td>
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<tr>
<td>India</td>
<td>6x</td>
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<tr>
<td>Vietnam</td>
<td>6x</td>
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<tr>
<td>Haiti</td>
<td>10x</td>
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**Average:** 5x
General Equilibrium – Growth

- **$30 trillion to $90 trillion**: If all global immigration barriers were eliminated.  
  - Clemens, JEP (2011)

- Immigrants are more productive in destination countries – increases size of economic pie.

- Location of factors of production impacts productivity.
  - Property rights, capital, security, contract rights, stable government, positive externalities.
Economic Factors & Efficiency

• Production Possibilities Frontier.
• Kaldor-Hicks Efficiency: Amount of extra wealth is more than enough to compensate losers – even if you don’t.
• Division of labor and specialization.
• Stimulates capital formation and productive improvements to land.
  – Relative scarcities.
Wages

• Immigrants increase labor supply.
• Segmented labor markets – complements.
  – Immigrants mostly lower and higher skilled than natives, little labor market competition.
• Language.
  – Task specialization.
  – Marginal productivity determines labor demand.
• Immigrants are more mobile.
  – Age, mortgages, natural disasters, self-selected.
Immigration’s Impact on Wages

Wage Changes Due to Immigration (1990-2006)

Education Quartiles:
- Less than HS
- HS
- Some College
- College & Above
- All U.S.-Born

O&P vs. B&K
Immigrant Entrepreneurship

• In 2011, .55% of immigrants started a business every month (550 per 100,000 immigrants).

• In 2011, .27% of natives started businesses every month (270 per 100,000 natives).
  – Kauffman Foundation, Index of Entrepreneurial Activity (2012)

• Immigrants more entrepreneurial than Americans.
Firms Founded by Immigrants

• Andrew Carnegie
  – Born in Scotland.
  – Immigrated to U.S. in 1848.
  – From humble origins, he founded firms that became U.S. Steel.

• Forbes
Firms Founded by Immigrants

- Sergey Brin – Google
- Andy Grove – Intel
- Pierre Omidyar – eBay
- Jerry Yang – Yahoo!
- Andy Bechtolsheim – Sun Microsystems
- Vinod Kholsa – Sun Microsystems
- Milan Mandarić – Sanmina-SCI
Positive Selection

• Immigrants are more productive than most people from their home country.
  – Energetic, intelligent, ambitious, and educated people leave.
• Immigrants are more productive than 50% of the people in their home countries but less productive than 30%, on average.
• Mexican immigrants are more skilled than 56% of the population in Mexico.

(Clemens, Montenegro, and Pritchett, 2008)
Aggregate Demand

- Immigrants buy things, increasing aggregate demand incentivizing supply side response.
- Consumer goods.
- Real estate.
  - Arizona, Employer Sanction and SB1070.
  - 200,000 unauthorized immigrants left state.
  - Higher rental and home owner vacancy rates.
  - Phoenix had 19th worst MSA housing market.
American Losers and Winners

Winners
- Capital owners.
- Property owners.
- Complementary workers.
- Some consumers.
- Producers.

Losers
- Low skilled workers (probably).
- Some highly skilled workers (maybe).
- Older immigrants.

Winner’s Gain > Loser’s Loss
What Happens to Sending Countries?

• Remittances: $120 billion from U.S. $530 billion globally.
• Export labor, import capital – just like trade. More capital fuels wealth creation, productivity, and higher wages.
  – Heckscher-Ohlin model for factors.
• Sojourners return to home countries with new ideas, capital, creativity, and remake their societies.
• Trade links.
Immigrant Networks

• Reduce asymmetries of information.
• New technology lowers costs of maintaining networks.
• Migrant networks spread slowly but have lasting power.
  – Irish, 19th centuries.
  – Italians, 19th and 20th centuries.
  – Central Americans, 20th and 21st centuries.
  – Chinese, 19th – 21st centuries.
  – Indians, 19th – 21st centuries.
Urban Revitalization

• New York, 1970s: 10.4% population decline.
  – Bankruptcy and low economic growth.
  – Urban and infrastructure decay.
  – Crime.

• Since 1980, the city’s population has rebounded thanks to increasing immigration.
  Increasing population = Fewer urban problems, better infrastructure, more taxpayers.

• Inner city bourgeoisie: Immigrants are almost half of all small business owners in NYC.
Brooklyn

Eendraght Maeckt Maght – Unity Makes Strength (Dutch)

• Brooklyn Chinatown (8th Ave, Sunset Park)
  ▪ Previously known as Little Norway.
  ▪ 1988, 90% of storefronts abandoned.
  ▪ Chinese from Manhattan, fleeing Tianamen Square, and Fuzhou remade area.
Boston

• Allston Village
  • Asians, Hispanics, Russians, and Poles.

• Fields Corner
  • Hispanics and Asian.

• East Boston
  • Salvadorans and Colombians.

• Civil Society
  • Neighborhood watches, church.
Political Externalities - Welfare

- Unauthorized immigrants ineligible. Legal immigrants ineligible for first 5 years.
  - Exception: Emergency medical care.
- Poor immigrants less likely to use TANF, Medicaid/CHIP, SNAP, and SSI than poor natives.
- For immigrants in welfare receiving households, average dollar value is lower than for natives.
Welfare State Continued

• American welfare state designed to help these groups:
  – Sick, elderly, and women.

• Immigrants are mostly:
  – Healthy, young, and men.

• Welfare for elderly (entitlements) dwarf those for immigrants and the poor.

• Better Solution: Build a HIGHER wall around welfare state.
Externalities – Crime

• Incarceration rates:
  – U.S. born: 3.51%
  – Foreign born: .86%
  – Non-Hispanic whites: 1.71%
  – Blacks: 11.6%

• Second generation Hispanic incarceration rates increase, fall in 3rd and 4th generations.

• Part of assimilation?

• Unauthorized immigrants 1/10 as likely to commit violent or prop crime than native.

Crime vs. Immigration, California

Crime vs. Immigration, CA

Crime Rate

% Immigration

Per 100,000

Years

0.00%

5.00%

10.00%

15.00%

20.00%

25.00%

30.00%


Years

National Security

• Decade since 9/11, 37 deportation cases on terrorism grounds.

• Terrorist needle in the haystack: .1% of criminals in FBI’s Integrated Automatic Fingerprint Identification System (IAFIS) are known/suspected terrorists. 73,000 out of 70,000,000.

• Smart laws and specific enforcement.