

# Econ 340

## 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

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2

### Why People Migrate

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

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3

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4

### 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

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5

### Why Wages Differ across Countries

- Differences in Technology
  - Advanced technology makes labor more productive
  - Causes higher wages, and attracts migration

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6

## 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

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7

## 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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8

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9

## Effects of Migration

(See Deardorff “Migration”)

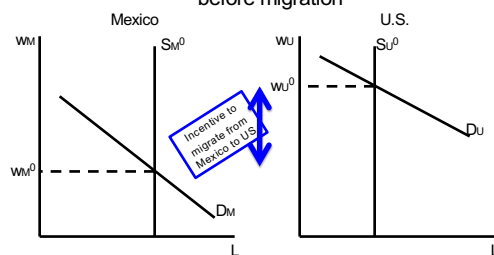
- Look at supply and demand
  - In two countries with different wages
  - What happens when labor migrates?

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10

## Effects of Migration

Labor markets in two countries before migration

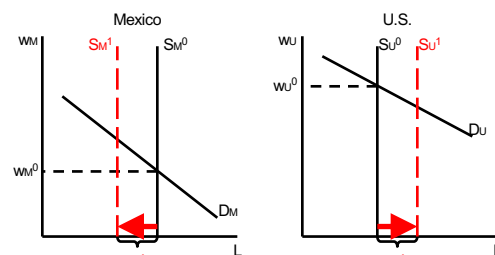


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11

## Effects of Migration

Effect of migration on labor supplies

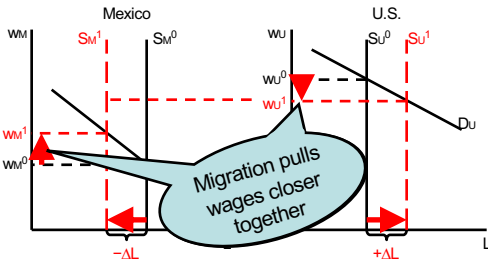


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12

## Effects of Migration

Effect of migration on wages

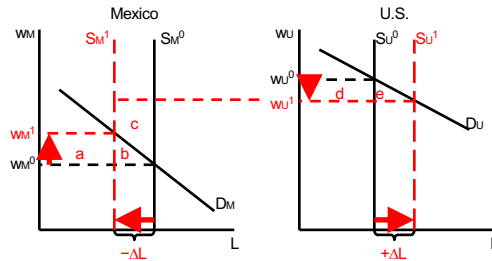


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13

## Effects of Migration

Effect of migration on welfare

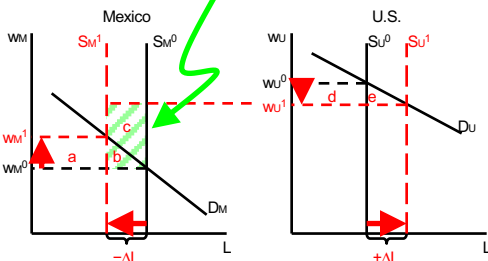


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14

## Effects of Migration: Labor

Gain to migrants

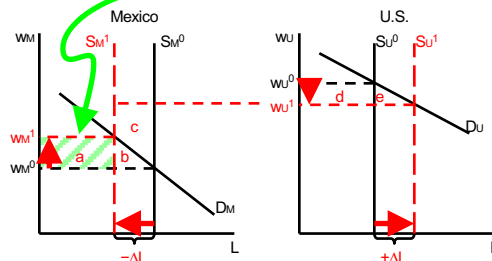


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15

## Effects of Migration: Labor

Gain to workers left behind

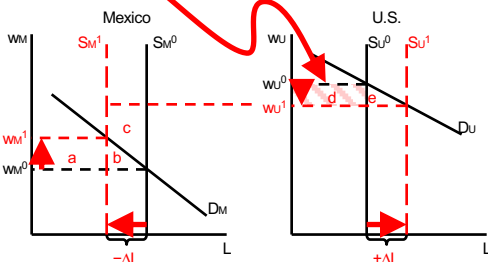


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16

## Effects of Migration: Labor

Loss to competing workers already in US

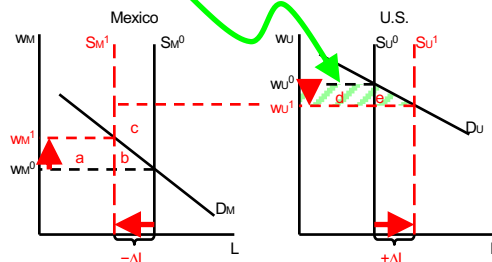


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17

## Effects of Migration: Other

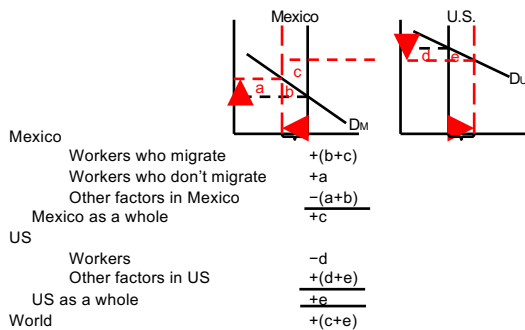
Gain to factors other than labor in US



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18

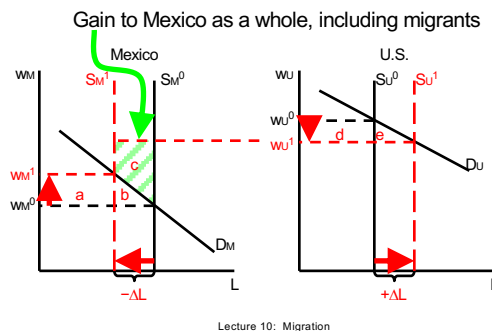
## Effects of Migration: All



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19

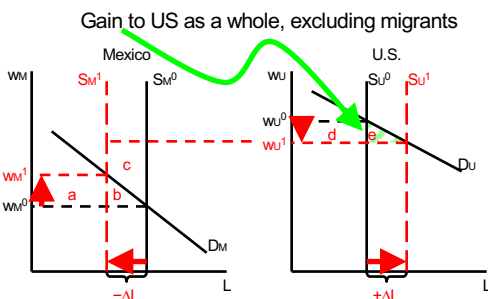
## Effects of Migration: Mexico



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20

## Effects of Migration: US



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21

## 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

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22

## Effects of Migration

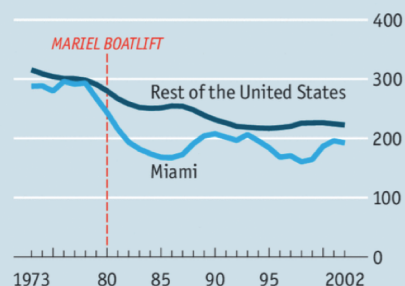
- Example: The Mariel boatlift of April 1980
  - See Economist, "Immigration Economics: The Wages of Mariel"
  - 125,000 Cubans migrated to Miami, adding 8% to its workforce
  - Economists have studied this as a "natural experiment"
  - David Card in 1990 found no effect for bottom quarter of workers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

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23

### Sinking

Weekly earnings\* of high-school dropouts  
United States, men aged 25-59, 2014 \$



Source: George Borjas

\*Three-year moving average

24

## 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:

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25



Source: Economist (2017)

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Lecture 10: Migration

27

## 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

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28

## 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")

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29

## 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

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30

## 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

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31

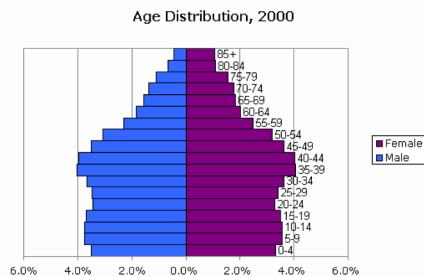
## Effects of Migration

- 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

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32

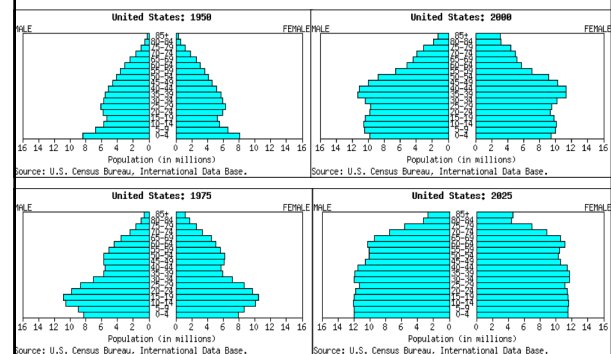
## Population Pyramid: US



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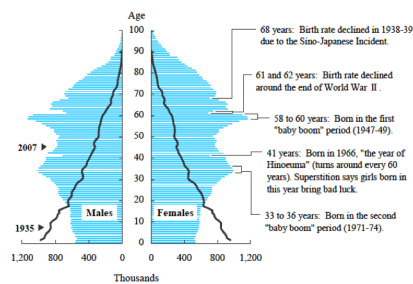
33

## Population Pyramid: US



## Population Pyramid: Japan

Figure 2.1  
Population Pyramid



35

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Lecture 10: Migration

36

## 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

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37

## Policies to Affect Migration

- “Guest worker” Programs
  - Permit workers to enter temporarily to fill a labor-market need
  - Hard to enforce “temporary”

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38

## 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

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39

## 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

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40

## 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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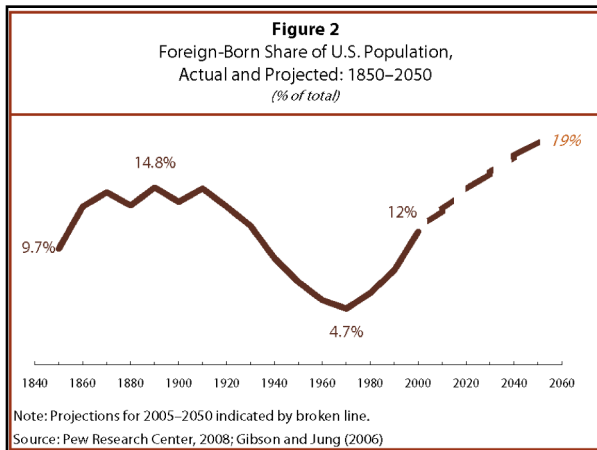
41

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Lecture 10: Migration

42



## 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

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44

## 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

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45

## 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

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46

## 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

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47

## 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

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48





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50



Photo by: Sean Sullivan

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51

## DHS chief marks first section of Trump's border wall. (But it kinda looks like a fence.)

At an event in southern California, Kirstjen Nielsen put up a plaque with the president's name.



Screenshot

?

## 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

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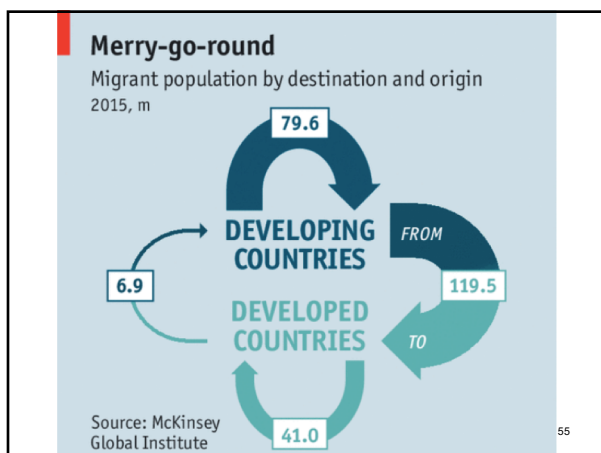
53

## 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

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54



## 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

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56

## Next Time

- International Movements of Capital
  - Multinational Corporations
  - Foreign Direct Investment

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57