


# The Economics of Immigration

SIRs Branch 5  
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Jon Haveman, Ph.D.  
National Economic Education Delegation




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  - Anna Maria Mayda, Georgetown University
  - Robert Gitter, Ohio Wesleyan University
  - Roger White, Whittier College
- **This slide deck was reviewed by:**
  - Kirk Doran, Notre Dame
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## Outline

- Quiz!
- Why do people migrate?
- The nature of immigration to the US
- Economics of immigration



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## Immigration Quiz

- What % of the U.S. population are immigrants?
  - 14%
- What % of the world's population are immigrants?
  - 3.6%
- How long has the average undocumented immigrant lived in the United States?
  - A. 3 months
  - B. 2 years
  - C. 10 years
  - D. 25 years
- 21% of children born to native parents are high-income earners (above the middle class).
- What % of kids born to immigrants are high-income earners?
  - A. 15%
  - B. 21%
  - C. 28%
  - D. 35%
- In 2021, 8% of Americans lived in poverty. What percent of immigrants lived in poverty?
  - 13%



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Source: Freakonomics – How Much Do You Know About Immigration?

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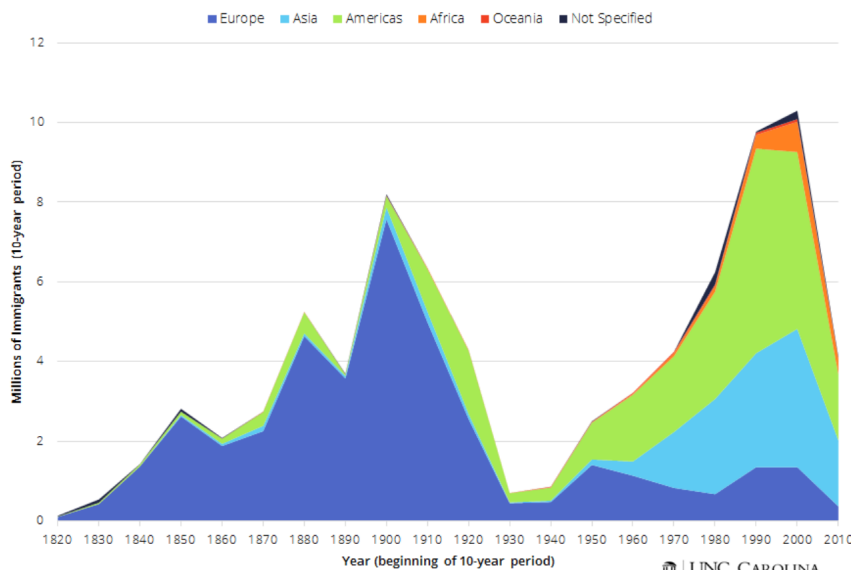
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# Immigration Quiz

- Immigrants are responsible for what % of patents in the United States?
  - **36%**
    - 23% of inventors on record
    - 13% from increase in native born patenting
- What % of green cards go to family rather than employment-based immigration?
  - **66% go to family-based**
- What % of the U.S. workforce are immigrants?
  - **18%**
- Native-born Americans receive \$8k on average in benefits. What is it for immigrants?
  - **\$6,000**
- 100 years ago, most immigrants were from Europe. Today, Latin America and Asia. Is the rate of assimilation:
  - **Faster? Slower? About the same?**

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**Volume of U.S. Immigration & Continent of Origin by Decade, 1820-2013**



Data Source: U.S. Department of Homeland Security

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# Why Do People Migrate?

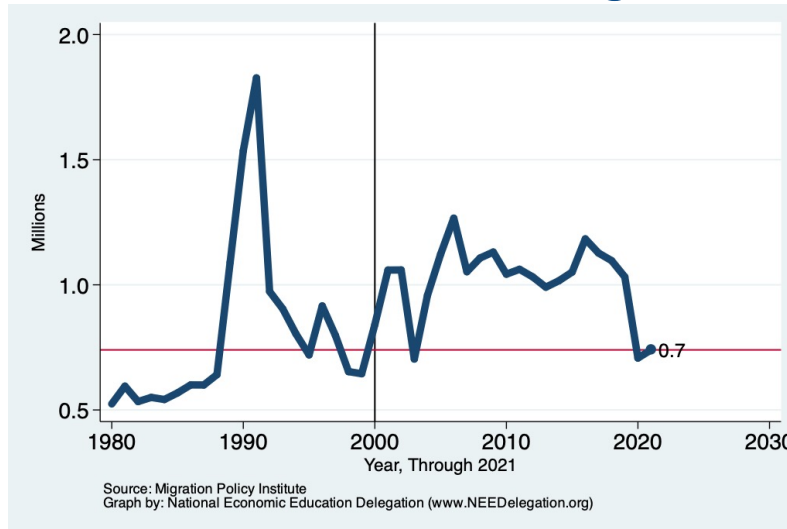
## • Push factors:

- Disparities in income/standards of living, and the availability of jobs, violence/war, climate change, natural disasters, population pressures, economic dislocation, religious persecution, and denial of political rights.

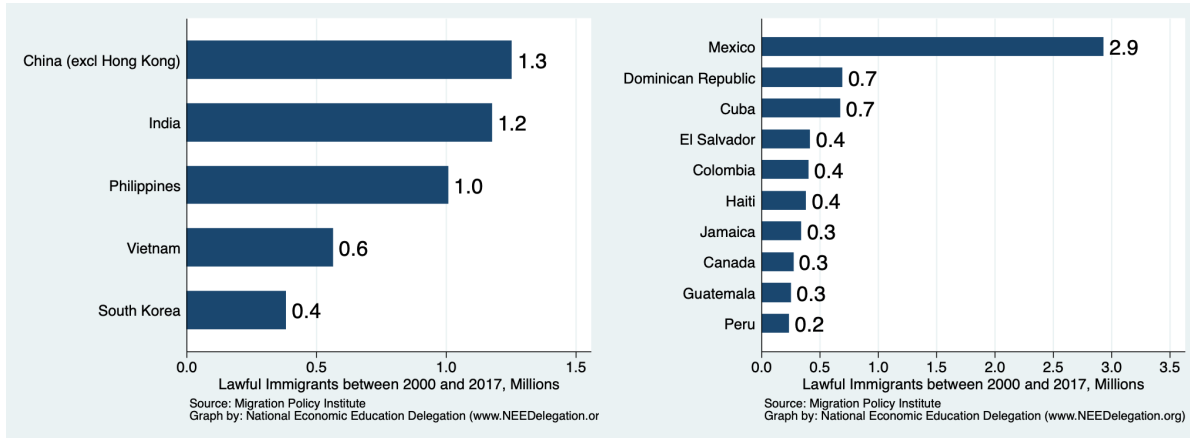
## • Pull factors:

- Potential for economic prosperity (higher wages, job opportunities), physical security, political freedom, and religious liberty.

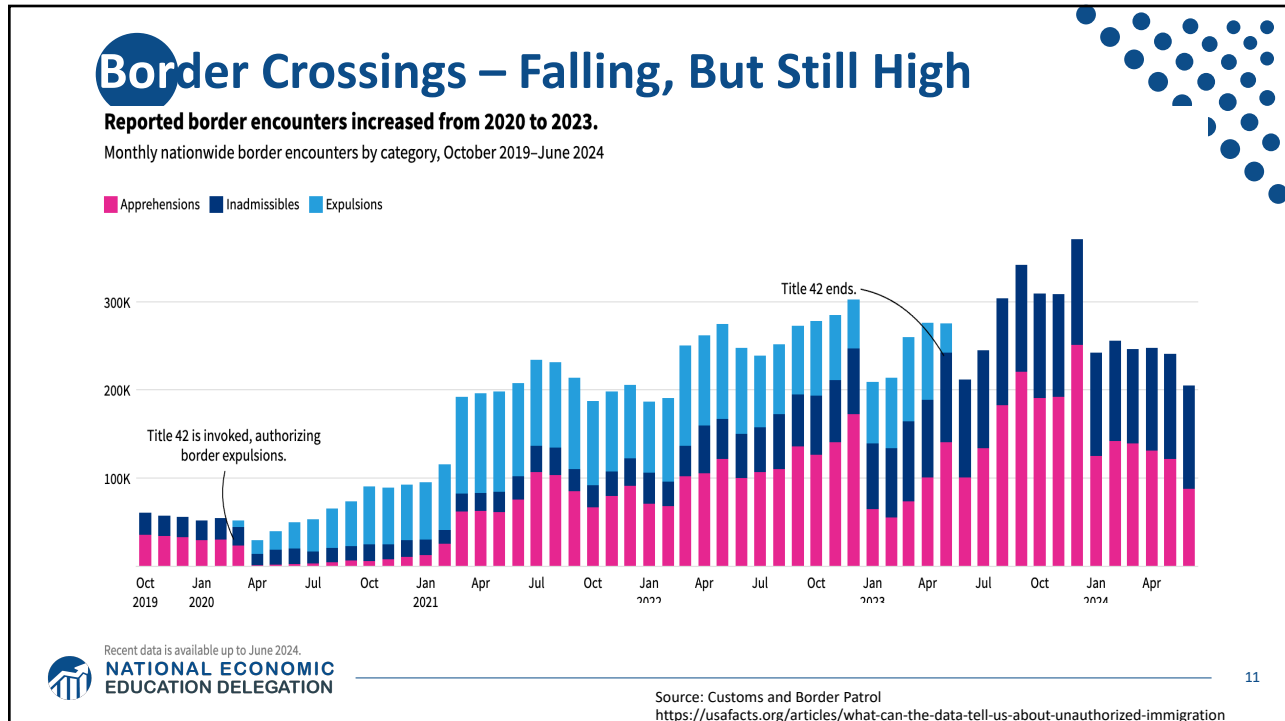
# Recent Trends in Authorized Immigration



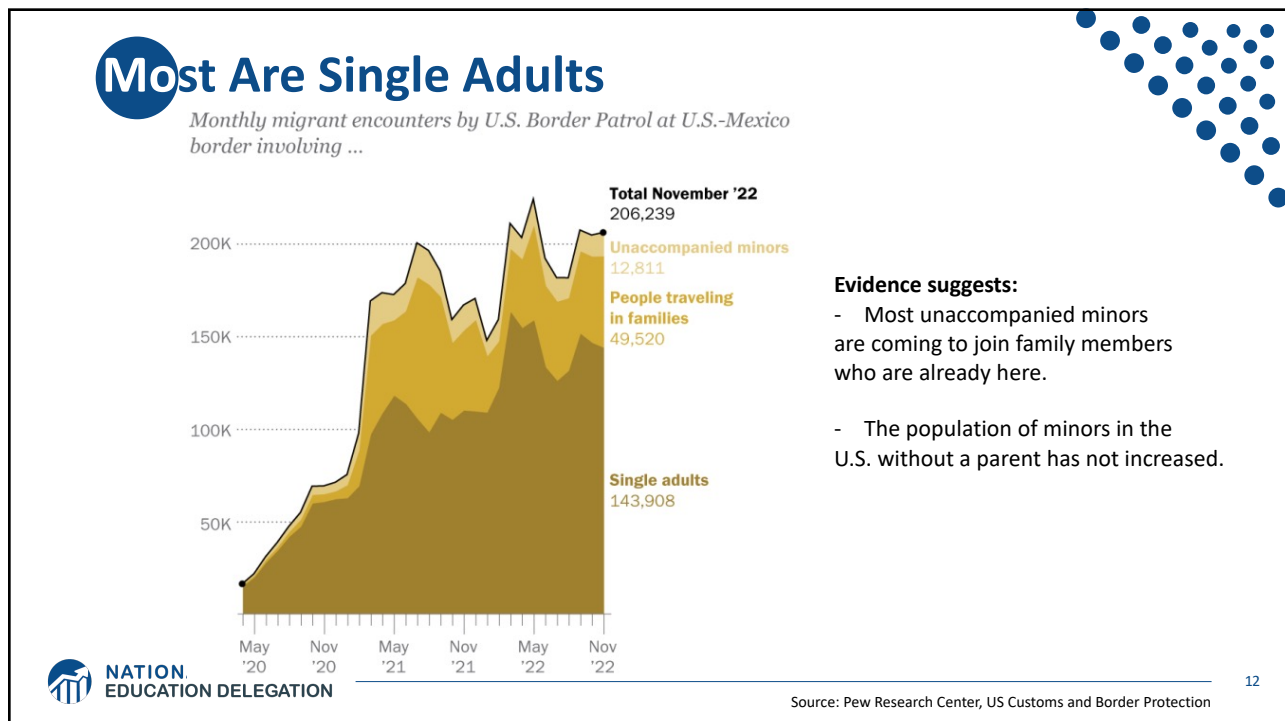
# Authorized Immigration by Source



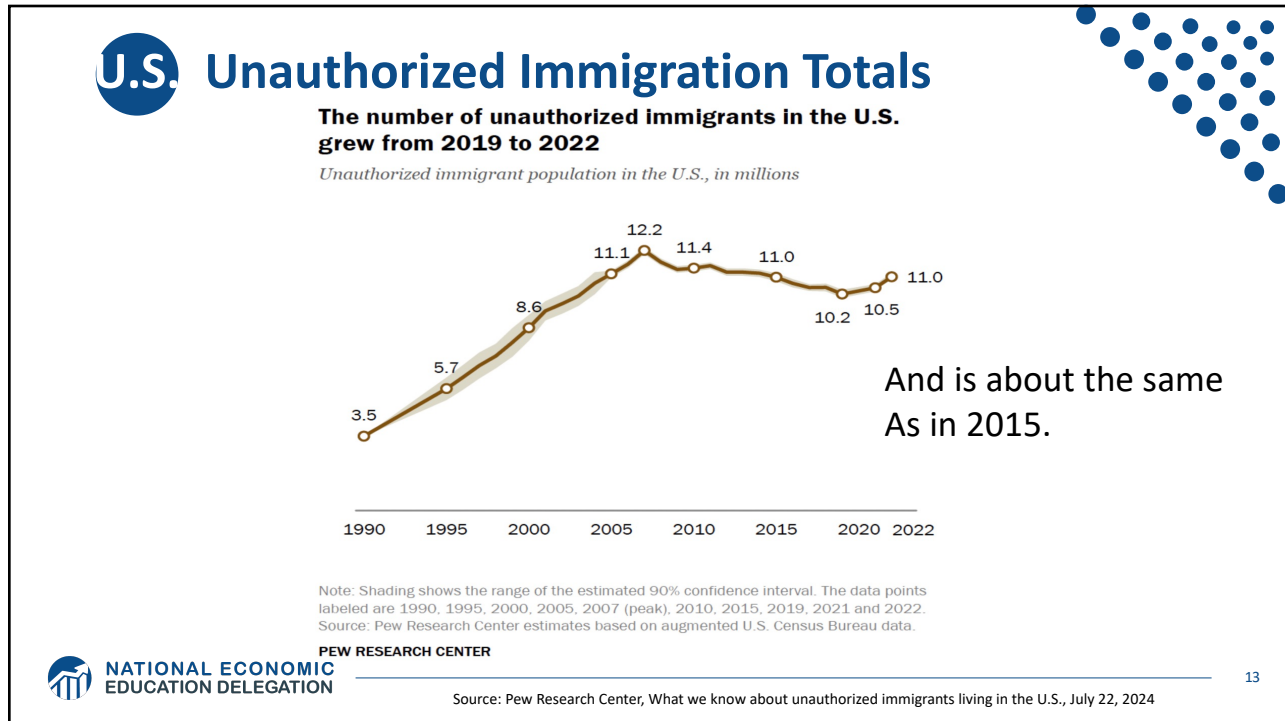
# UNauthorized Immigration



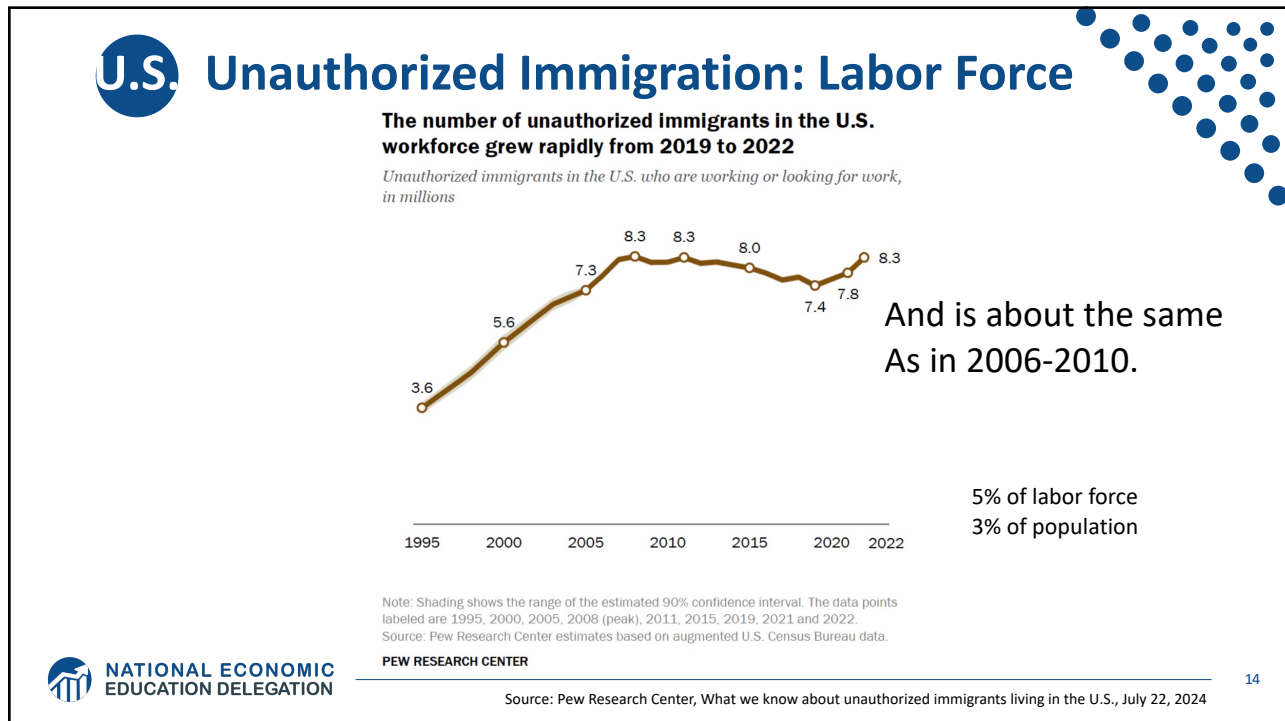
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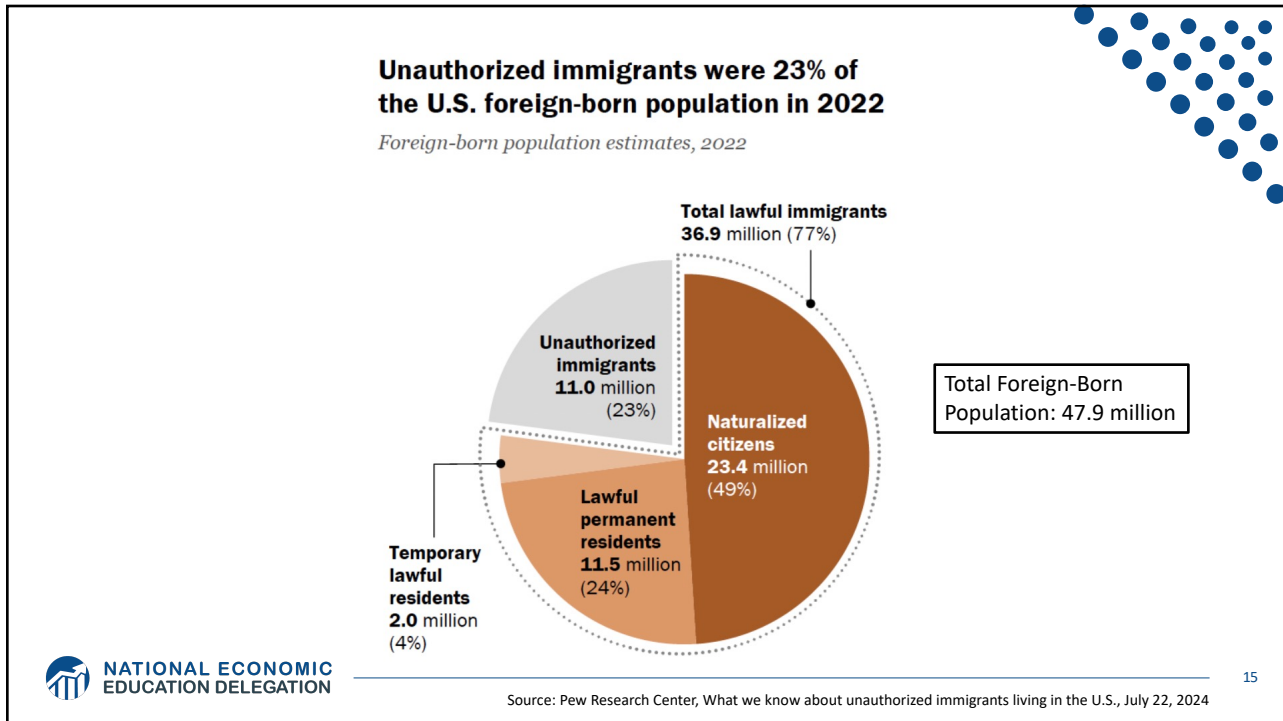
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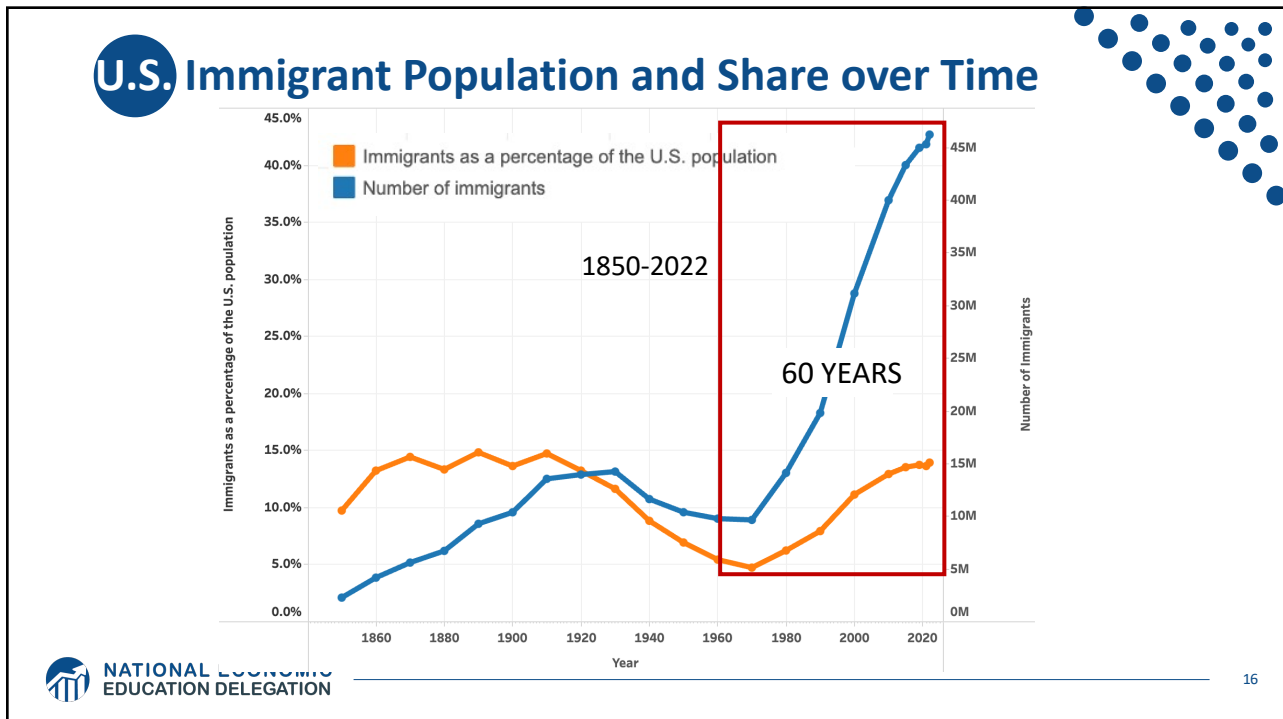
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## Why Do We Care? Economic Implications

- Conventional Wisdom Issues:
  - Labor markets: Wages and Jobs
  - Government Revenue and Spending
  - Crime
- Other issues (that don't get talked about much):
  - Gross Domestic Product (GDP)
  - Innovation and Entrepreneurship



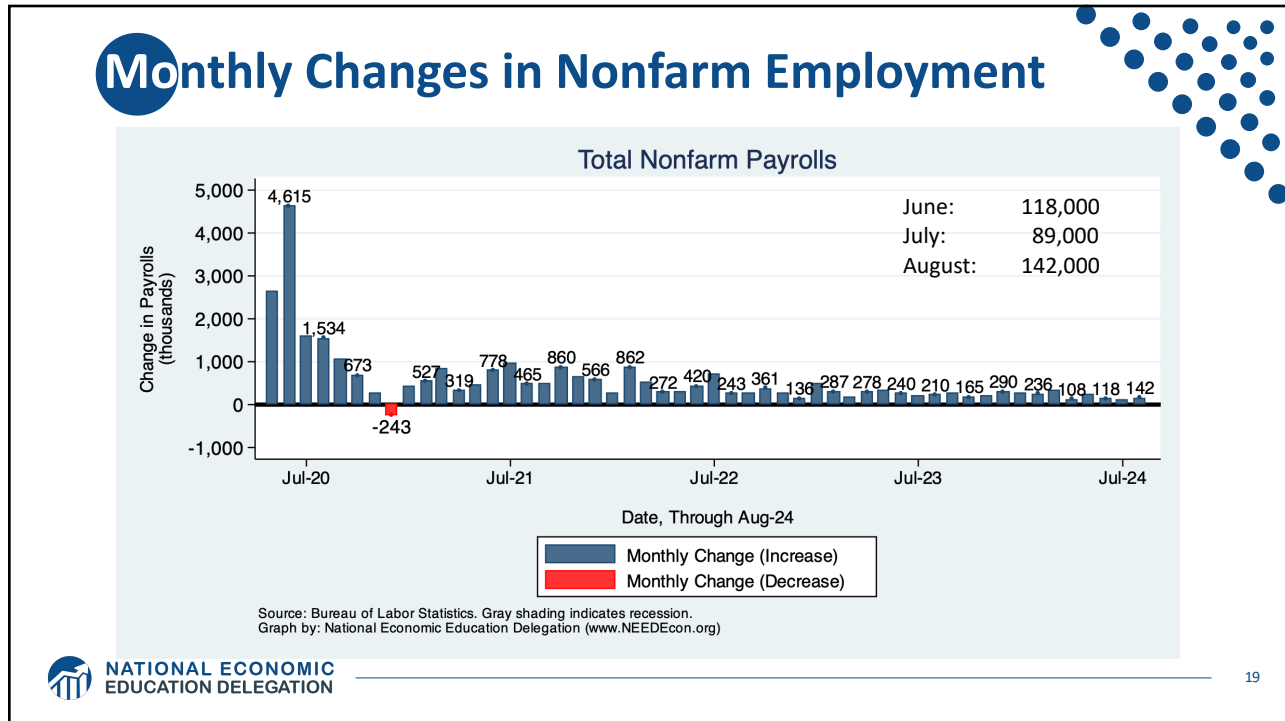
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## GDP: How Does This Work?

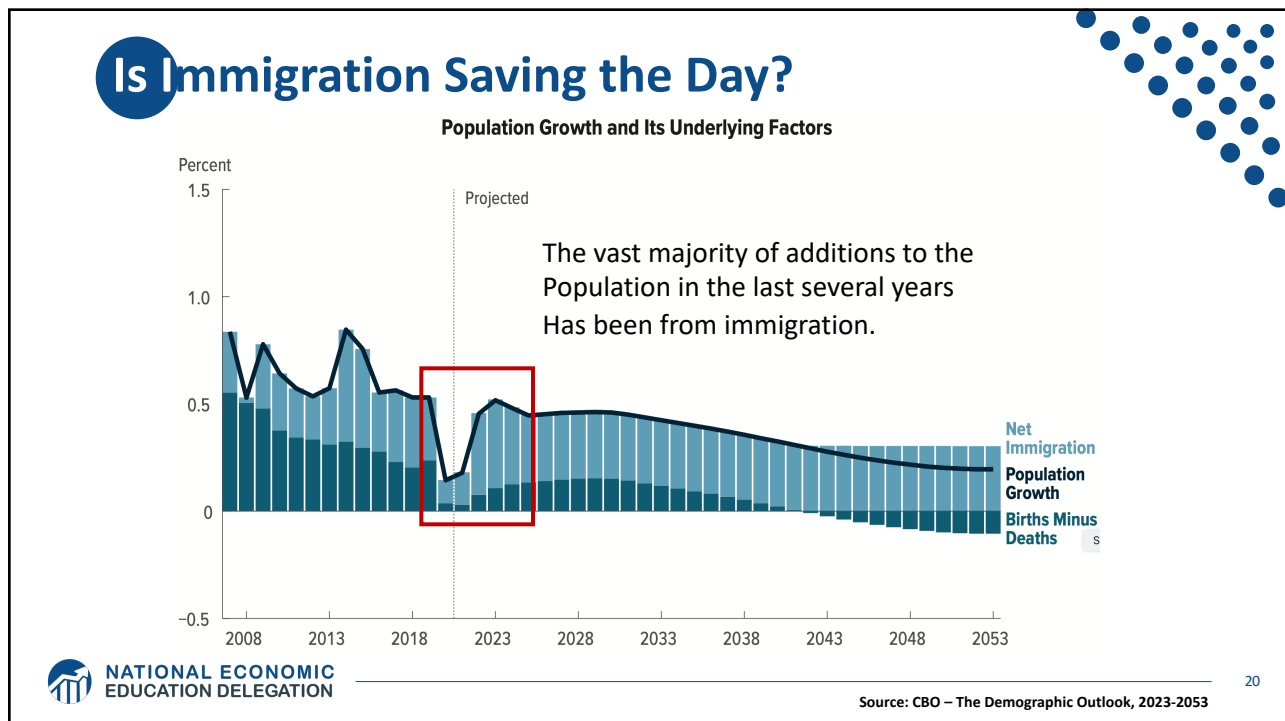
- **What determines the size of an economy?**
  - Physical capital
  - Technology/productivity
  - The number of workers
    - Immigration adds to the number of workers.
- **Number of immigrants in the labor force is high**
  - 33.0 million foreign-born persons ages 16+ in the labor force in August/24.
  - 19.6% of the total US workforce.
- **Evidence**
  - Immigrants added 11% to GDP (\$2 trillion) in 2016.



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## Labor Market Implications: Complicated

- **Depends on the type of immigrant: Skills/education**

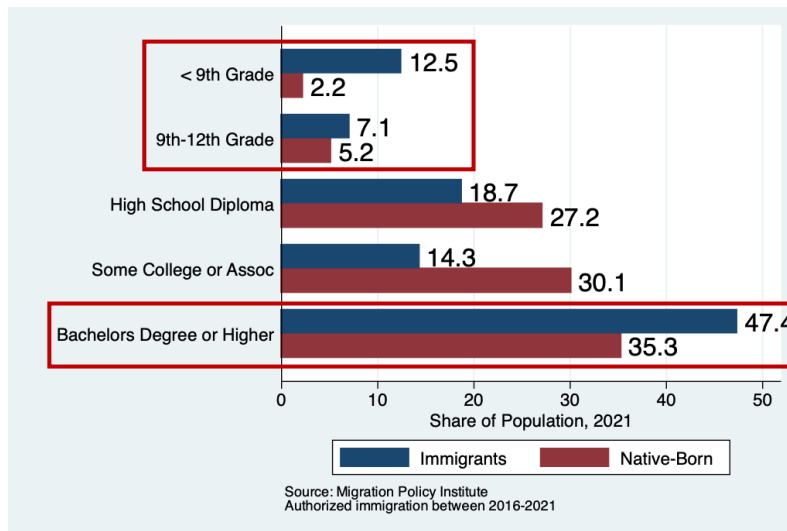
- Similar to native-born population?
- Low-skilled?
- Highly skilled?

- **Brings capital market implications**

- Low-skilled immigrants – capital supplementing
  - o Competing
- Highly skilled immigrants – capital complementing
  - o Mutually beneficial.

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## Recent Immigrants Are Less and More Educated



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## Labor Market Implications

- **Provides net benefits to the receiving economy**
  - Larger labor supply.
  - Changes in labor prices increase production of goods and services that use the type of labor offered by immigrants.
- **Short run: there are winners and losers**
  - Changes in wage structure and returns to capital affect native-born workers differently.
- **Long run: could be no winners, but also no losers**
  - The economy might adjust to pre-immigration wage structure and returns to capital. No change for native-born individuals.

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## Pathway of Wage and Employment Effects

Inflows of Low-Skilled Immigrants



Previous Immigrants



Disadvantaged Minorities



Native-born HS Dropouts



Order of Impact

Impact is negative,  
But is smaller  
at each step.

**Positive influence on wages and employment of other workers.**

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## Skilled Immigrants and Innovation

- **1% increase in the share of the immigrant college graduate population**
  - 9-18% increase in patenting per capita
  - Increased immigration increases patenting by native-born population
  - Nonetheless, the effect is positive
- **In the 1990s**
  - Increased skilled immigration can account for **one-third of increased patenting** in that decade.
  - This translates into a **1.4-2.5% increase in GDP** per capita by the end of the decade.



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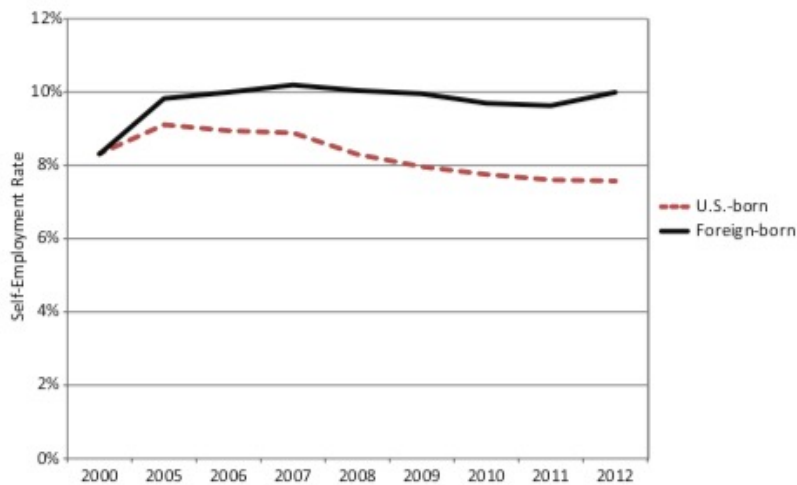
Source: Hunt and Gauthier-Loiselle (2008).

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## Immigrants and Entrepreneurship

Self-Employment Rates by Nativity



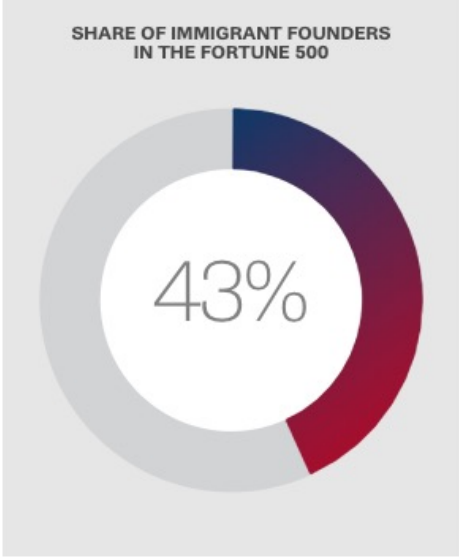
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Source: Magnus Lofstrom from Current Population Survey Data.

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# Fortune 500: First- and Second-Generation Founders



SHARE OF IMMIGRANT FOUNDERS  
IN THE FORTUNE 500

43%

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The slide features a donut chart with a dark blue segment representing 43% of the total. The chart is set against a light gray background. The text 'SHARE OF IMMIGRANT FOUNDERS IN THE FORTUNE 500' is positioned above the chart, and '43%' is displayed in the center. The slide title is 'Fortune 500: First- and Second-Generation Founders'. The logo for the National Economic Education Delegation is in the bottom left, and the number '27' is in the bottom right. A decorative pattern of blue dots is in the top right corner.

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# Government Revenues and Expenditures

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The slide features the title 'Government Revenues and Expenditures' in a large, bold, blue font. The logo for the National Economic Education Delegation is in the bottom left, and the number '28' is in the bottom right. A decorative pattern of blue dots is in the top right corner.

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## Why Is This Important?

- **Important for understanding whether immigrants will be net contributors to the economy.**
- **Two additional reasons:**
  - Taxpayer inequity geographically
  - Necessary to understand the full consequences of admitting additional immigrants into the country

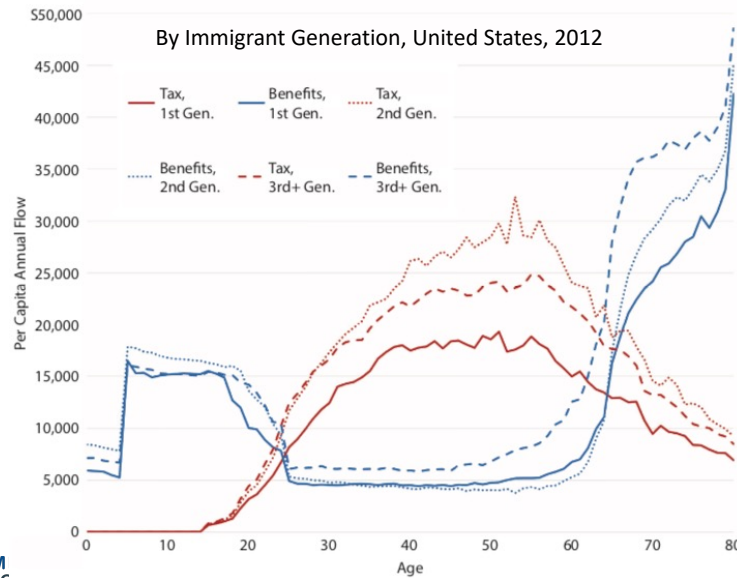


## Topics?

- **Basic Question:**
  - Taxes (income, sales, and other) immigrants pay vs. government expenditures on public benefits and services they receive.
- **More complicated:**
  - Immigrants also affect the fiscal equation for many native-born residents.
    - Indirectly through labor and capital markets.
    - Changes in wages and the return to capital.



## Age-Specific Taxes and Benefits



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## What Do We Know?

- **Immigrants who arrive while of working age:**
  - Are, on average, net contributors.
  - 21-year-old with a high school diploma: +\$126,000 over a lifetime
    - Though this value gradually declines with age at arrival.
    - Turns negative for arrivals of age 35+
- **Net contribution crucially depends on characteristics**
  - Age distribution, family composition, health status, fertility patterns
  - Temporary or permanent relocation
  - Employment in the legal labor market
  - Authorized or unauthorized

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## Bottom Line/Consensus of Estimates

- **Federal level:** fiscal impact is generally **positive**.
- **State and local level:** typically **negative** fiscal impact.



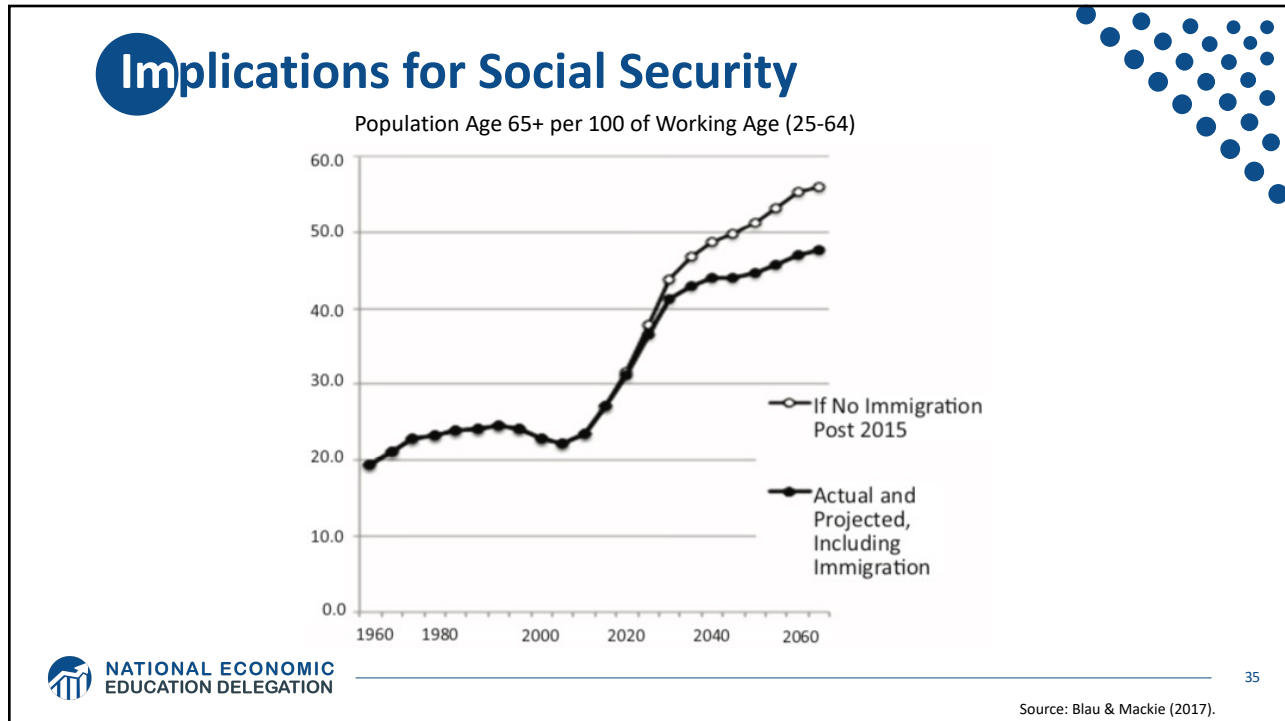
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## Implications for Major Federal Programs

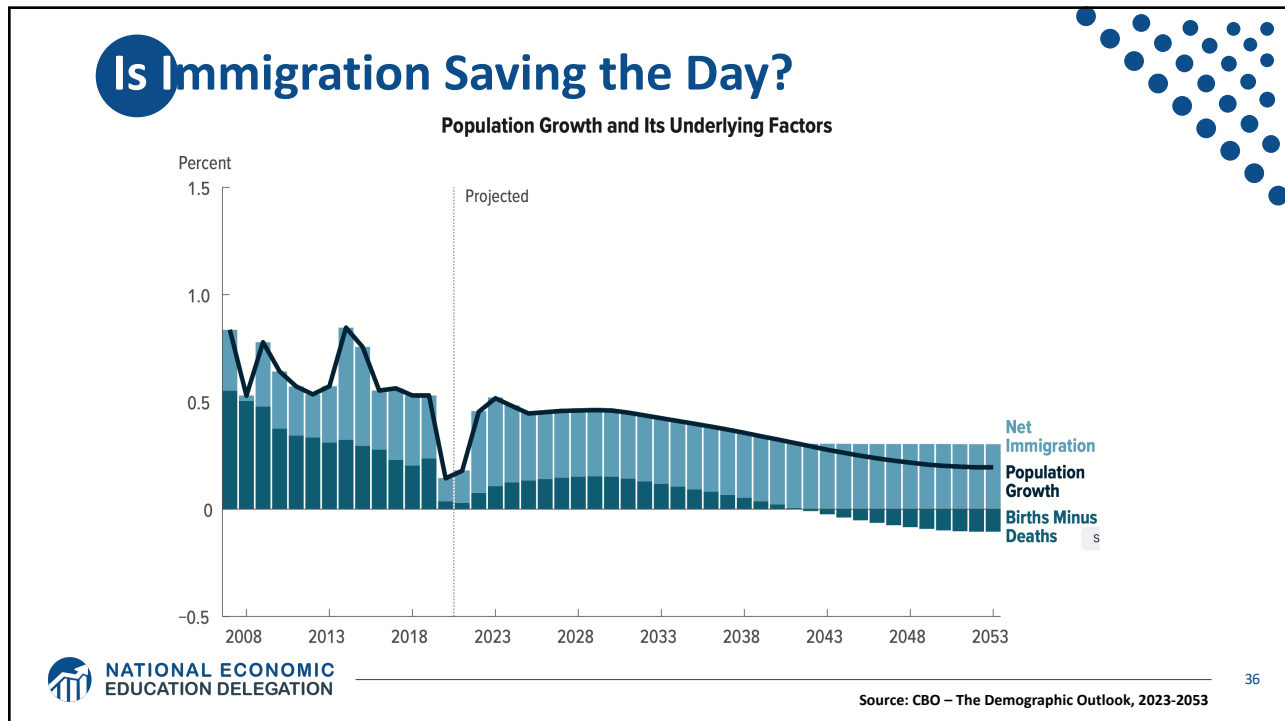
- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
  - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**



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## Non - Economic Implications

### Patterns of Integration

- Education
- Employment and Earnings
- Occupations
- Poverty
- Residential Integration
- Language
- Health
- Family Patterns

### The Big Misconception: Crime



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Source: *The Integration of Immigrants into American Society* (2015).

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## Immigrants and Crime Rates

- **Conventional wisdom:**
  - Immigrants commit crimes more frequently than do native-born residents.
  - Rising immigration leads to rising crime.

### Let's Have a Look!



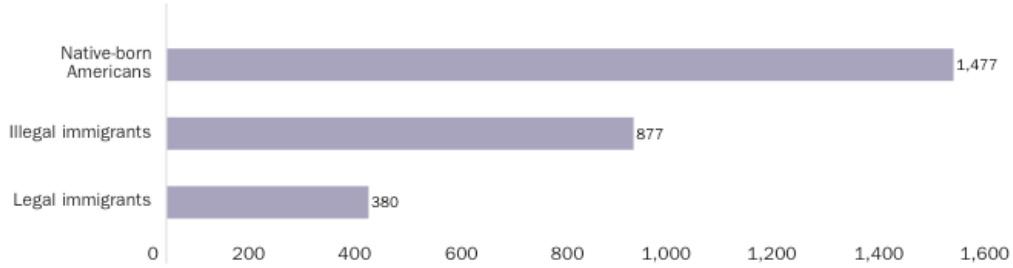
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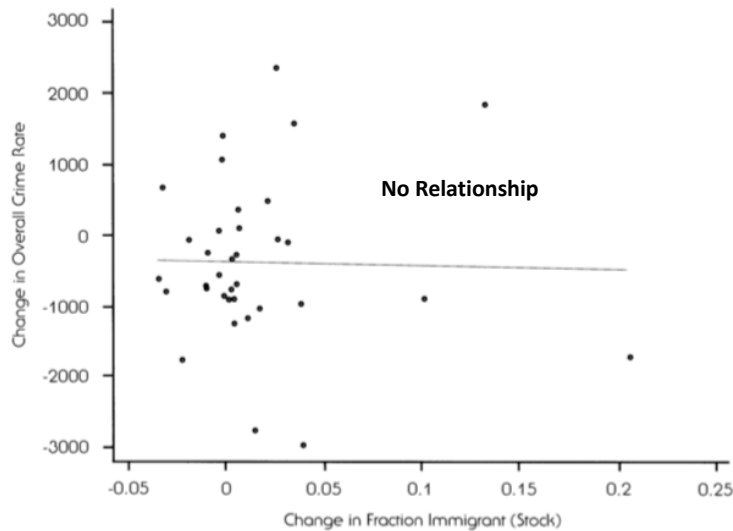
# Incarceration by Immigration Status, 2018

Incarceration rates by immigration status, ages 18–54



Source: Authors' analysis of the American Community Survey data.  
Note: Rates are per 100,000 residents in each subpopulation.

# MSAs: Growing Immigration and Crime



## Immigrants and Crime Rates

- **Conventional wisdom:**

- Immigrants commit crimes more frequently than do native-born residents.
- Rising immigration leads to rising crime.

- **What do the data say?**

- Rates of incarceration are lower for the foreign born than US born.
- Neighborhoods with more immigrants have lower crime rates.
- There is no evidence that deporting noncitizen immigrants affects crime rates.



## Summary

- **Immigration can be thought of as increasing the population of the United States.**
- **This brings economic growth and opportunity, just as does increasing the native-born population.**
- **Including unauthorized immigrants, the supply of low-skilled workers is increased**
  - This lowers the wages of low-skilled workers.
  - But also increases labor force participation among highly skilled workers.



## At the Same Time....

- **Immigrants are often a select group:**
  - Willing to incur an enormous personal or familial cost to better their lives.
- **As a result:**
  - Immigrants tend to be entrepreneurial and to add significantly to economic growth.
- **Although there are distributional issues:**
  - Immigration is an important contributor to economic growth.
  - Immigration helps to sustain vital government programs.



## About Conventional Wisdom

- **Native-born unskilled workers**
  - There is some negative impact on their wages.
  - But who wins and loses depend on the skill mix of immigrants;
    - when this skill mix changes, so do its effects.
- **Crime**
  - Immigrants, both authorized and unauthorized, commit crimes at much lower rates than do native-born residents.
- **Government programs**
  - Federal: immigrants are a source of revenue and stability for some important programs.
  - State and local: because education is funded at the local level, this can be a drain on local government coffers.





**Thank you!**

# Any Questions?

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 Jon D. Haveman, Ph.D.  
 Jon@NEEDecon.org

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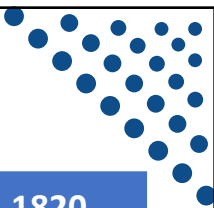
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# History of US Immigration

Source Countries	Pre-1790	Source Countries	1790-1820
African countries*	300,000	African countries*	85,000
England	300,000	Scotland-Ireland	50,000
Scotland-Ireland	100,000	England	45,000
Germany	100,000	France	40,000
Scotland	75,000	Germany	25,000

\* Slave trade and clearly not voluntary or reflective of standard motivations for immigration.

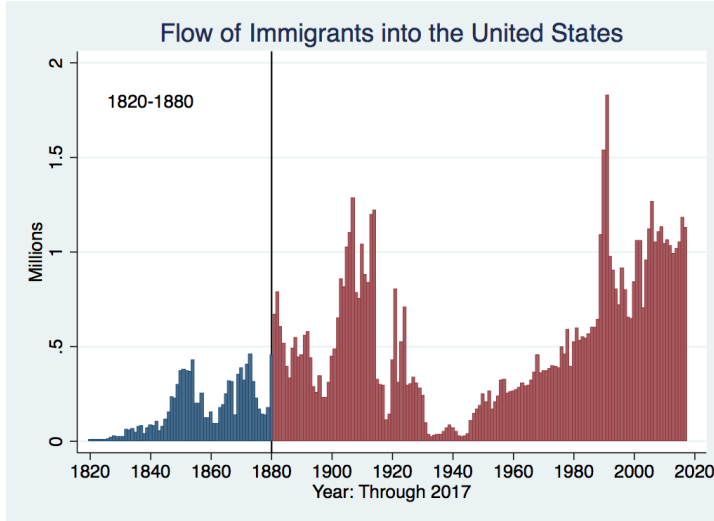


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 Source: <https://www.libertyellisfoundation.org/immigration-timeline/>.

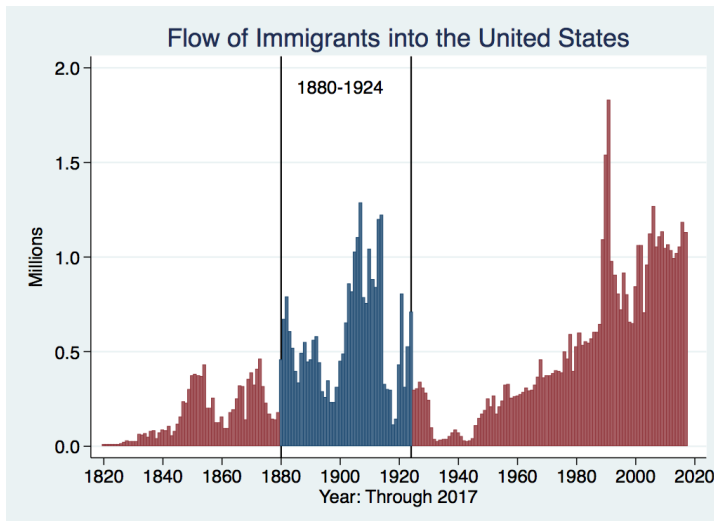
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# History of US Immigration



Source Countries	1820-1880
Germany	3,000,000
Ireland	2,800,000
Britain	2,000,000
Austro-Hungarian empire	1,000,000
Canada	750,000
China	230,000
African countries	50,000

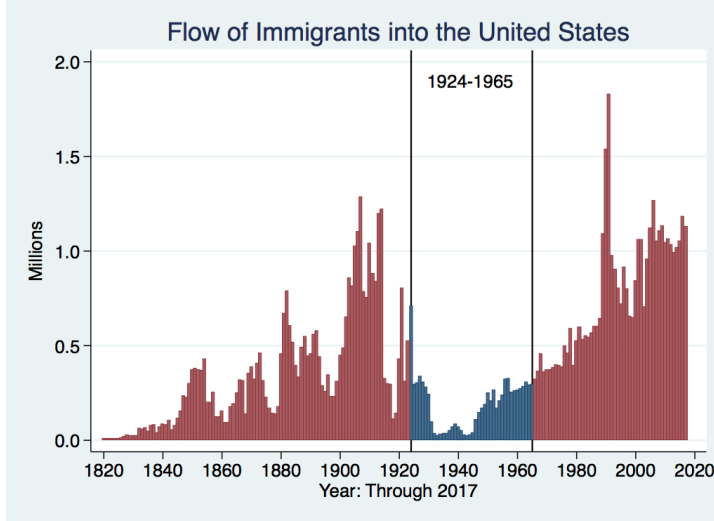
# History of US Immigration



Source Countries	1880-1930
Italy	4,600,000
Austro-Hungarian empire	4,000,000
Russian empire	3,300,000
German empire	2,800,000
Britain	2,300,000
Canada	2,300,000
Ireland	1,700,000

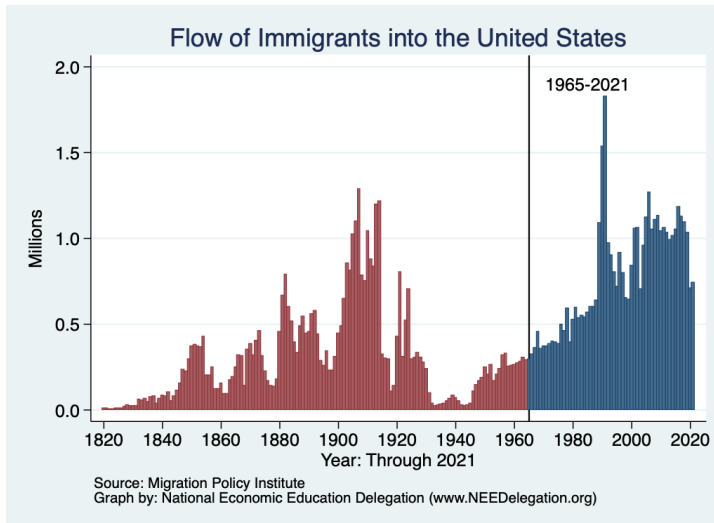


# History of US Immigration



Source Countries	1930-1965
Germany	940,000
Canada	900,000
Mexico	610,000
Britain	480,000
Italy	390,000
Caribbean/ West Indies	310,000

# History of US Immigration: 1965-2017



Source Country	1965-2017
Mexico	4,300,000
Philippines	1,400,000
South Korea	760,000
Dominican Republic	750,000
India	740,000
Cuba	700,000
Vietnam	700,000
Canada	650,000

Source: Migration Policy Institute  
Graph by: National Economic Education Delegation ([www.NEEDelegation.org](http://www.NEEDelegation.org))

## History of US Immigration: 2011-2020

Sources (top 10)	2011-2020
Mexico	1,491,000
China	721,000
India	637,000
Philippines	505,000
Dominican Rep.	487,000
Cuba	473,000
Vietnam	334,000
El Salvador	215,000
South Korea	199,000
Jamaica	198,000

Total immigrant inflow, 2011-2020 = 10,125,000

US population growth, 2011-2020 = 22,700,000

Typical year during decade...

- US population increased by 2.27 million (0.74%)
- Native births contributed approx. 1.35 million (0.44%)
- Immigration contributed approx. 920,000 (0.30%)



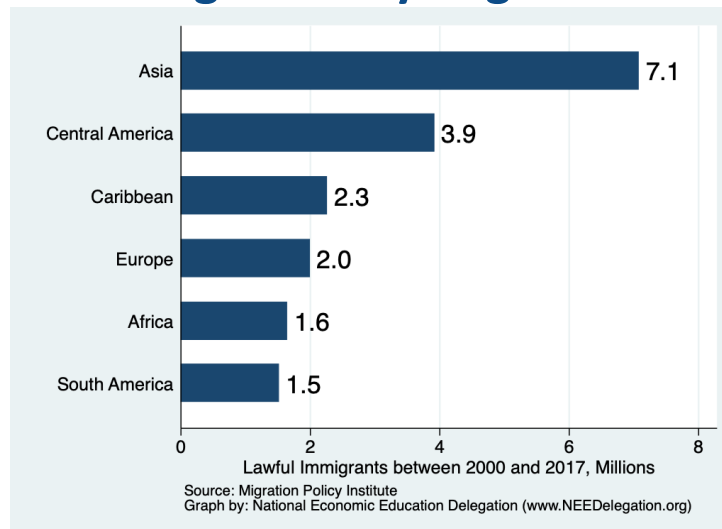
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Sources: UN Population Division (2010 and 2020 immigrant stocks), US DHS (2010-2020 immigrant inflows), US Census (population values).

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## Authorized Immigration by Region



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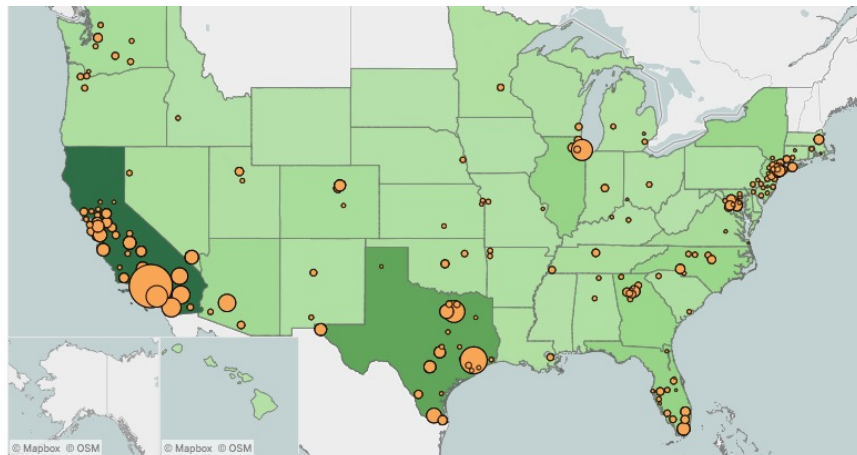
**Total and Average Annual Immigrant Arrivals, 1820-2015**

Area/Region	1820-1874	1875-1920	1921-1967	1968-2015	1820-2015
All countries	8,876,433	24,745,460	10,321,482	36,732,378	80,675,753
Africa	0.0%	0.1%	0.4%	5.0%	2.4%
Asia	1.8%	2.6%	4.9%	31.2%	15.8%
Central Asia	.	.	.	0.4%	0.2%
Eastern Asia	1.7%	1.8%	2.1%	9.8%	5.5%
Southeastern Asia	.	.	0.5%	12.7%	5.9%
Southern Asia	0.0%	0.0%	0.1%	7.7%	3.5%
Western Asia	0.0%	0.8%	0.2%	0.4%	0.4%
Europe	90.1%	88.1%	53.8%	11.9%	49.2%
Central Europe	0.4%	16.3%	4.1%	0.1%	5.6%
Eastern Europe	0.3%	15.0%	5.1%	4.4%	7.3%
Northern Europe	57.0%	26.2%	19.1%	2.7%	18.0%
Southern Europe	1.0%	19.6%	12.2%	3.1%	9.1%
Western Europe	31.5%	10.9%	13.4%	1.7%	9.3%
Latin America and the Caribbean	1.0%	2.7%	21.9%	44.4%	24.0%
Caribbean	0.6%	1.2%	4.7%	12.7%	6.8%
Central America	0.2%	1.1%	11.2%	24.5%	12.9%
South America	.	.	.	7.0%	3.2%
Middle East	.	.	.	5.0%	2.3%
Northern America	4.8%	6.2%	18.4%	1.9%	5.7%
Oceania	0.0%	0.2%	0.5%	0.5%	0.4%
Australia and New Zealand	0.0%	0.2%	0.5%	0.3%	0.3%
Melanesia	.	.	.	0.1%	0.1%
Micronesia	.	.	.	0.0%	0.0%
Polynesia	.	.	.	0.1%	0.0%
Pacific Islands, other	0.0%	0.0%	0.1%	0.0%	0.0%



Sources: US Statistical Abstract (various years), US INS (various years), and US DHS (various years)

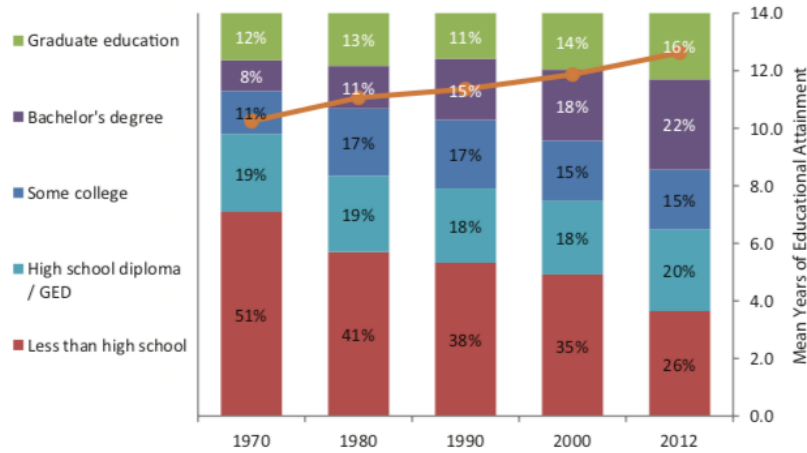
**Unauthorized Immigration: 2012-2016**



<https://www.migrationpolicy.org/programs/data-hub/charts/unauthorized-immigrant-populations-country-and-region-top-state-and-county>

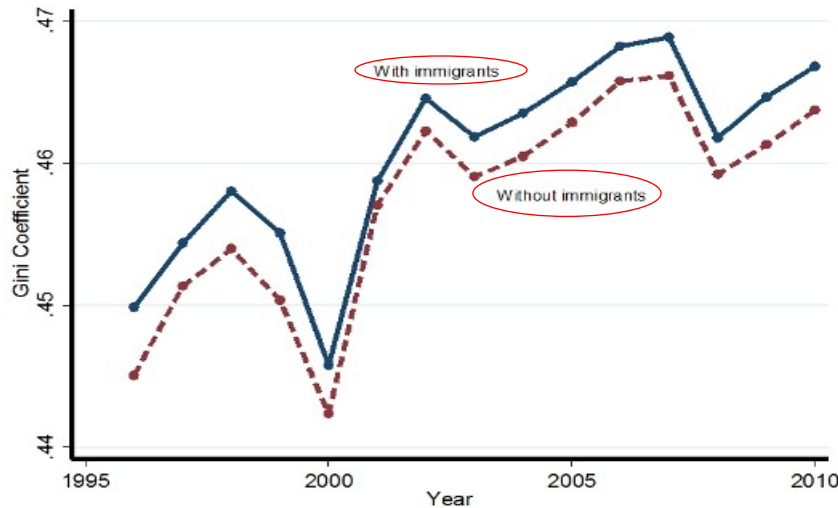
# Pattern of Immigration

Educational Attainment of Recent Immigrants – Last 5 Decades



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# Immigration and Inequality



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## Immigration and Inequality: Summary

- **Beginning in about 1970, the immigrant share of the US population increased dramatically.**
  - 5% in 1970 and 14% in 2016
- **Compared to the native born, immigrants:**
  - Comprise a larger share of less-educated workers (less than HS diploma)
  - Comprise a larger share of highly educated workers (advanced degree)
- **Immigration has likely increased income inequality.**
- **Its effect has likely been small.**
  - ~5% between 1980 and 2000
  - No reason to think it has been bigger since then

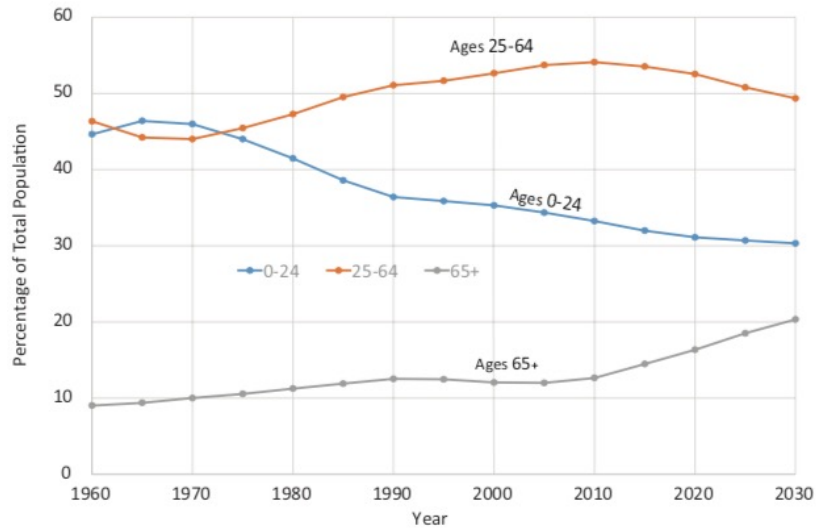


## Implications for Major Federal Programs

- **Documented immigrants are less likely to use Social Security and Medicare.**
- **Unauthorized immigrants are ineligible.**
  - They will pay into the system but cannot receive benefits.
- **Medicaid: not available to legal residents for the first five years.**
- **Provide a source of revenue for an aging population.**

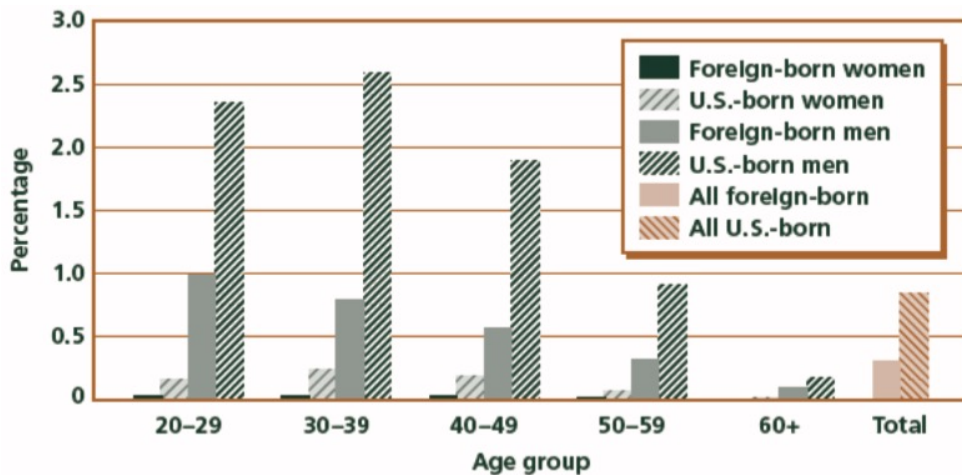


# The Aging US Population



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# Crime: Incarceration Rates in California



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