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Homework 7

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Two Articles Related Final Project

The Economic Contribution of Unauthorized Workers: An Industry Analysis (Edwards & Ortega, 2016/2017)

In this study, the authors use a confidential extract from the American Community Survey (ACS) provided by the Center for Migration Studies, which identifies documentation status, along with public data from the Bureau of Economic Analysis (BEA). I found this useful because it connects directly to what I want to study - the economic role of immigrants within the U.S. economy. The authors apply a nested CES production model and conduct counterfactual simulations to estimate how much unauthorized workers contribute to GDP and industry value-added. They find that unauthorized workers account for roughly 3% of private-sector GDP, and that legalization could increase this contribution through higher productivity and capital investment. This article helps me understand how to measure immigrants' macroeconomic impact by linking labor data with GDP by industry.

The Earnings of Undocumented Immigrants (Borjas, 2017)

This paper uses ACS and CPS microdata (accessible through IPUMS) and infers undocumented status using Pew's residual methodology, which is something I could also replicate. The author runs Mincer-style wage regressions and Oaxaca decompositions to analyze how the earnings of undocumented immigrants compare to those of natives and legal immigrants. The results show

that undocumented workers face a significant wage penalty - about 40% lower than natives, which narrows to around 20% after controlling for education, age, and location. Over time, this wage gap has decreased, suggesting growing economic integration. I find this study particularly relevant because it offers a clear econometric framework for examining income disparities by legal status, which directly supports my hypothesis that immigrants are an essential and active part of the U.S. economy.

Conclusion

Together, these two studies support my project's goal of showing that immigrants - both legal and undocumented - play a vital role in the U.S. economy. They demonstrate that immigrants contribute significantly to overall GDP, sustain key industries, and participate actively in the labor market despite income disparities. Using similar datasets and econometric approaches, I aim to provide further evidence that immigrants are not only part of American society but also a fundamental driver of its economic growth.