

# Trillion-dollar bills : gains from a borderless world

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Economic Demography  
Econ/Demog C175  
Week 11, Lecture A  
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# Agenda

- Results of our recent labs
- A survey
- A world without borders? A diagram

# Results of recent labs: China

- We didn't see much effect of 1CP on level of fertility
- BUT we did see clearly signs of son-preference
- 2<sup>nd</sup> child
- 3<sup>rd</sup> child?

# China picture

# What else could / should one investigate in China?

- Did 1CP help or hurt girls?
- What was the level of individual suffering (distortions)?
- What kind of income/fertility pattern has emerged, will emerge? (U-shape?)

# Recession

- We saw clear effect of timing of onset of recession and fertility decline
- But we saw have seen little or no fertility recovery, even as fertility has fallen
- One explanation: once-burned, twice shy (uncertainty has increased)
- Our test: maybe it's increased more for less educated?

# Recession Graph

# Positive Pairing of Spouses

- With heterosexual spouses, positive assortative marriage on race, education, and age.
- Close to zero on income?
- Hypotheses for same-sex spouses?



# Likes liking likes more? A table

Characteristic	Opposite-sex	Same-sex	Opposite-sex	Same-sex
Measure	odds ratio	odds ratio	correlation	correlation
Education	11.4	6.7		
Age			0.86	X
Wage Income			0.03	X
Race ("w", "b")	531	X		
Race ("w", "a")	218	X		
Race ("a", "b")	2354	X		

# Immigration: an iClicker survey

- Take advantage of a big class
- Participation optional
- We'll just look at aggregate results (not individual records)

Q0. Please click to show you are  
here

- A, B, C, D, E "I'm here")

# Q1: Your own immigration history?

- A. Born in US
- B. Born outside US, moved here as small child
- C. Born outside US, moved while in school
- D. Born outside US, moved after high school
- E. Here only to study

## Q2. Region of the world? (Only for those born outside US)

- A. East Asia
- B. Central and South America
- C. Africa
- D. Europe
- E. "West Asia" (Bangladesh to Turkey?)

## Q3. Your parents?

- A. Both born in US
- B. 1 born in US, 1 outside US
- C. Both born outside US

# Q4. Region of the world?

(Only for those born in US, with  
parents born outside US)

- A. East Asia
- B. Central and South America
- C. Africa
- D. Europe
- E. "West Asia" (Bangladesh to Turkey?)

## Q5. Your grand-parents?

How many born outside US

A. 0

B. 1

C. 2

D. 3

E. 4



## Q6. Region of the world?

- A. East Asia
- B. Central and South America
- C. Africa
- D. Europe
- E. "West Asia" (Bangladesh to Turkey?)

## Q6. Region of the world?

(Only for those with parents born in US, with grand-parents born outside US)

- A. East Asia
- B. Central and South America
- C. Africa
- D. Europe
- E. "West Asia" (Bangladesh to Turkey?)

## Q7. Reasons for move?

A. Better economic opportunity?

B. Refugees?

C. Something else?

## Q8. Result of immigration?

A. Much better than if stayed in origin country

B. A bit better off

C. A wash: some ways better off, others worse

D. Worse off

E. Much worse off

# Stylized facts?

- Origins have shifted (from Europe to Americas and Asia)
- Pause in immigration from 1920s to 1960s
- Recent change in origins (fewer from Mexico, more from East and West Asia)
- Economic motivations
- We tend to observe "winners" (those who are worse off return)

# Our study plan with immigration

- Today, gains to migrants
- Thursday: Todaro's (Malthusian) model of migrant decision making
- Next Tuesday, effect on natives (labor markets)
- Next Thursday, effect on natives (taxes).  
Guest speaker: Dr. Gretchen Donehower, contributor to recent NAS report.

# Trillion-dollar bills on the sidewalk?

- Compared to gains from mobility of goods (free-trade), mobility of capital ... (a few percent of world GDP)
- Clemens argues that opening borders to migrants has huge potential gains (increases world GDP by 50-150%?!?!?)

# The back-of-the-envelope

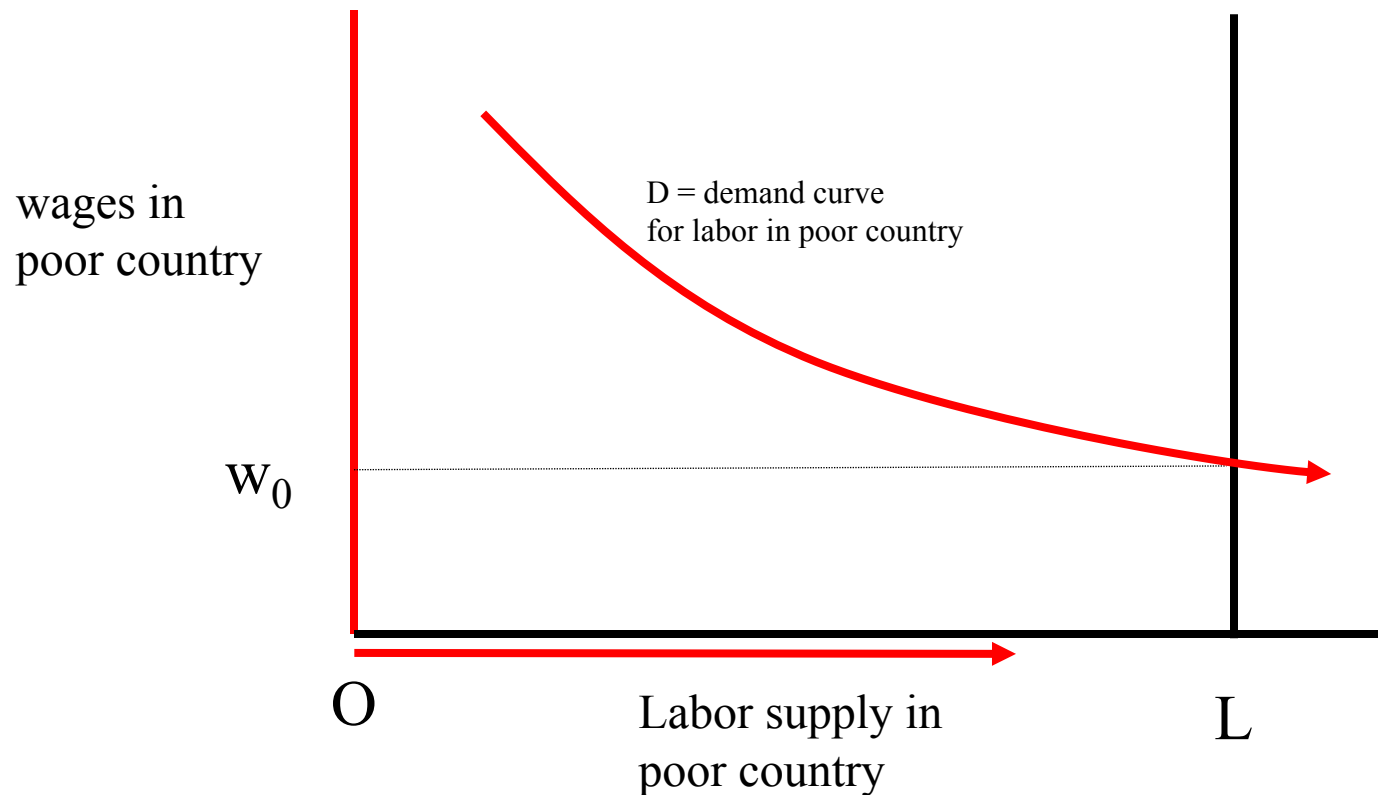
	N	y
poor	6 billion	\$5,000
rich	1 billion	\$30,000
migrants?	3 billion?	\$15,000?

Guess 1: 3 billion x \$10k = \$30 trillion = 50% of world output

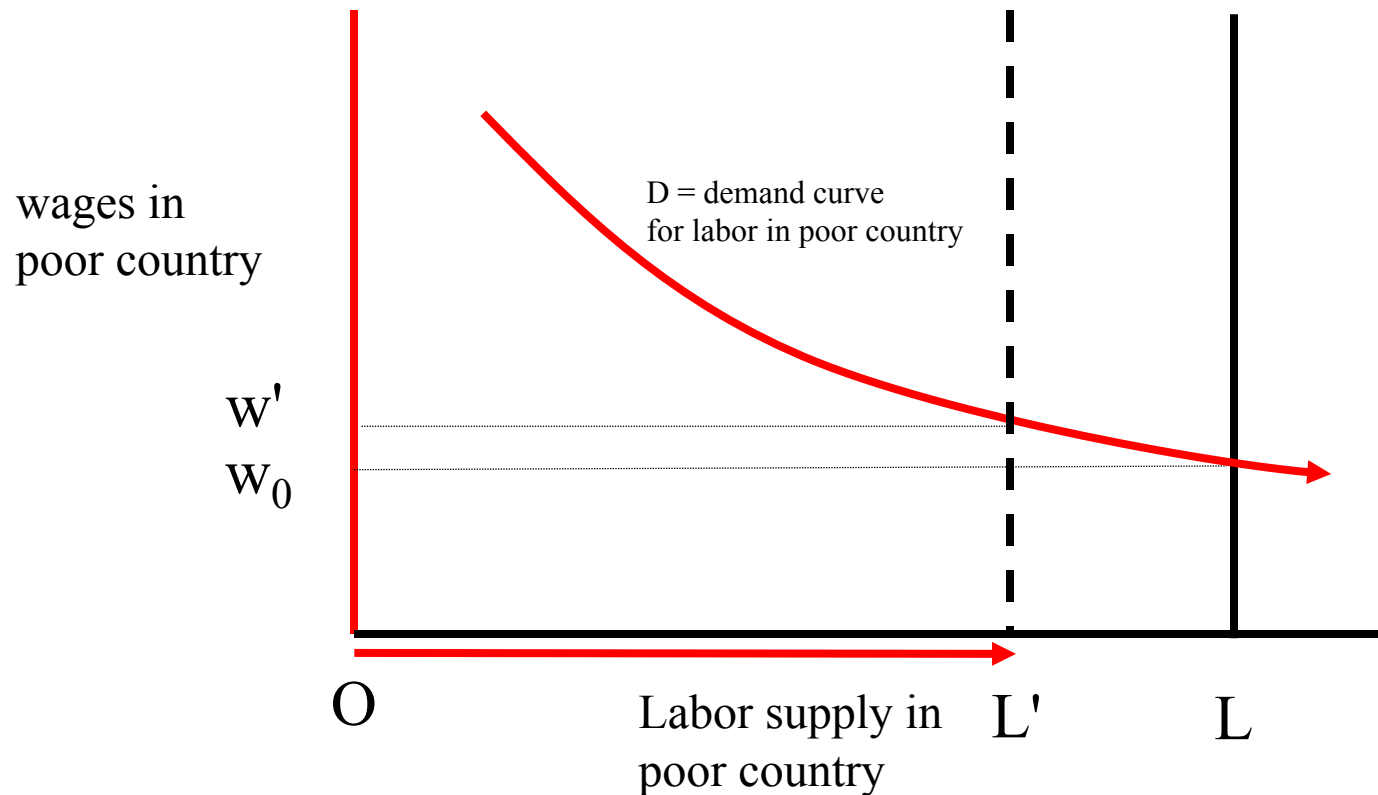
Guess 2: 3 billion x \$7.5 k = \$23 trillion = 38%



# Remembering Malthus



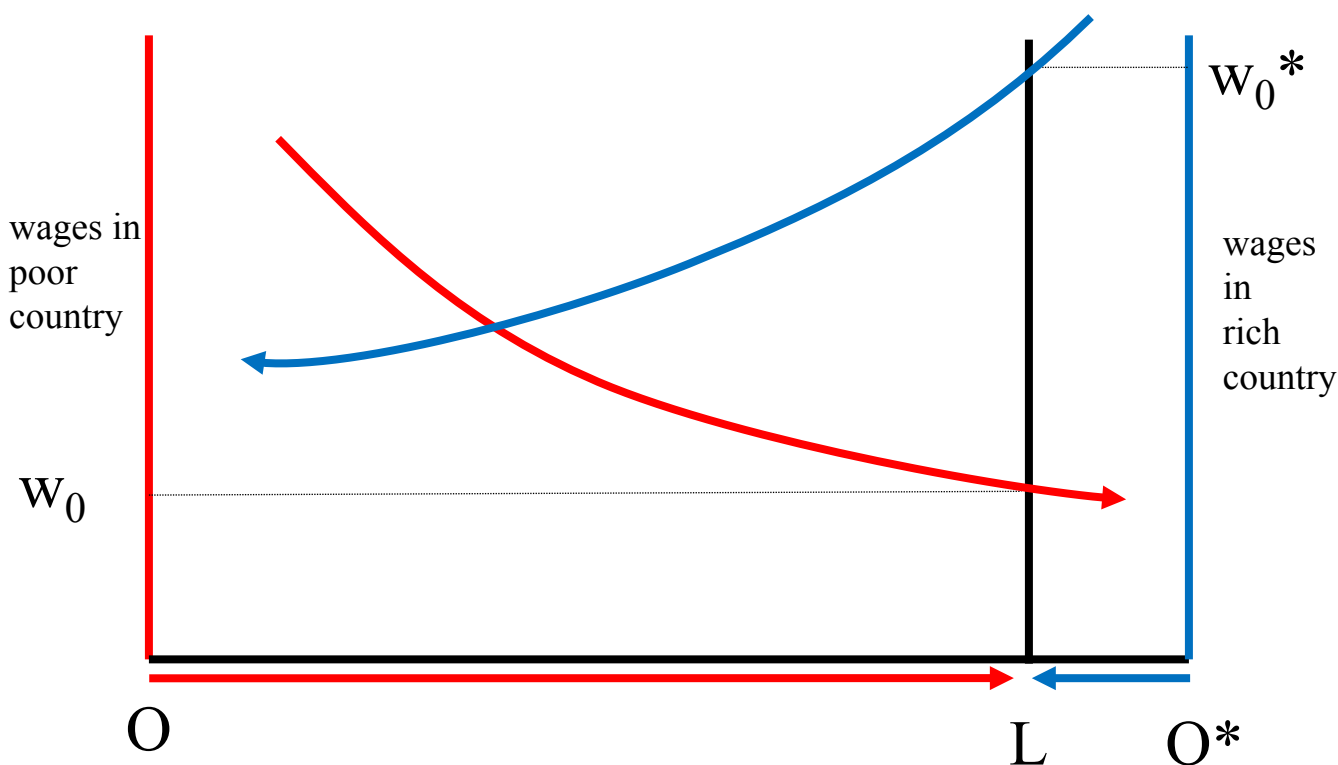
# Remembering Malthus



# What happens if we have a 2-country world?

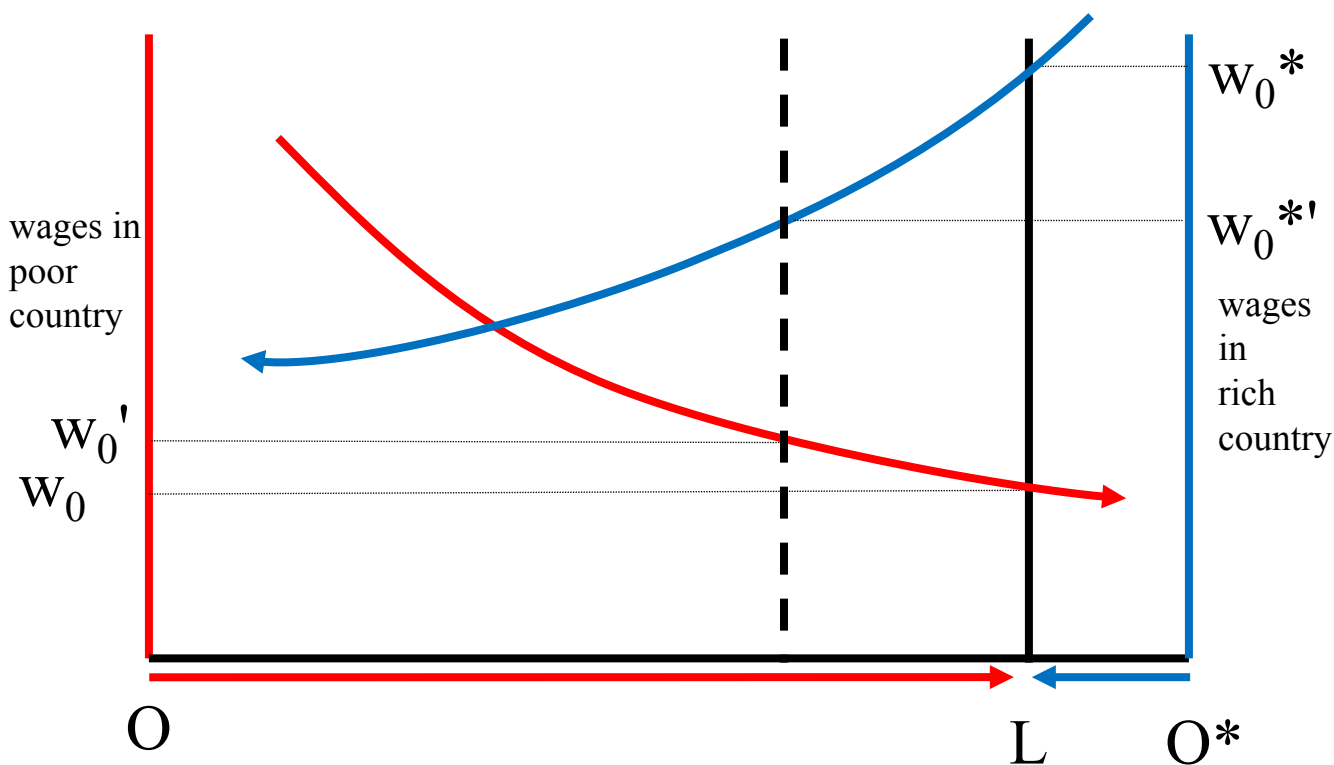
- What happens to population of receiving ("rich") country?
- What happens to wages?
- (What is gain/loss to different kinds of people: workers, owners, and *immigrants themselves*? A diagram helps)

# Now, try a 2-country world



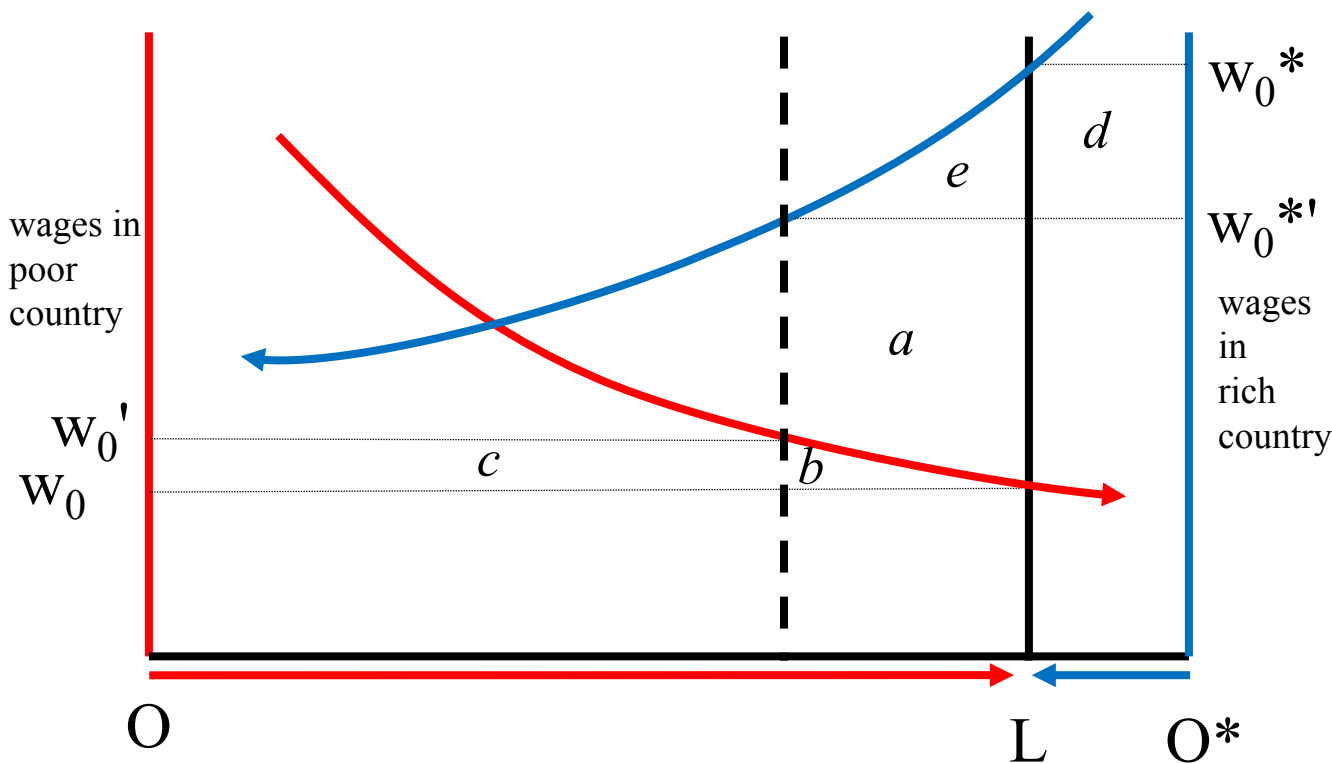
- We read blue backwards
- Big inequality
- What will happen when emigrants from poor country arrive in rich country?

# Opening borders (slightly)



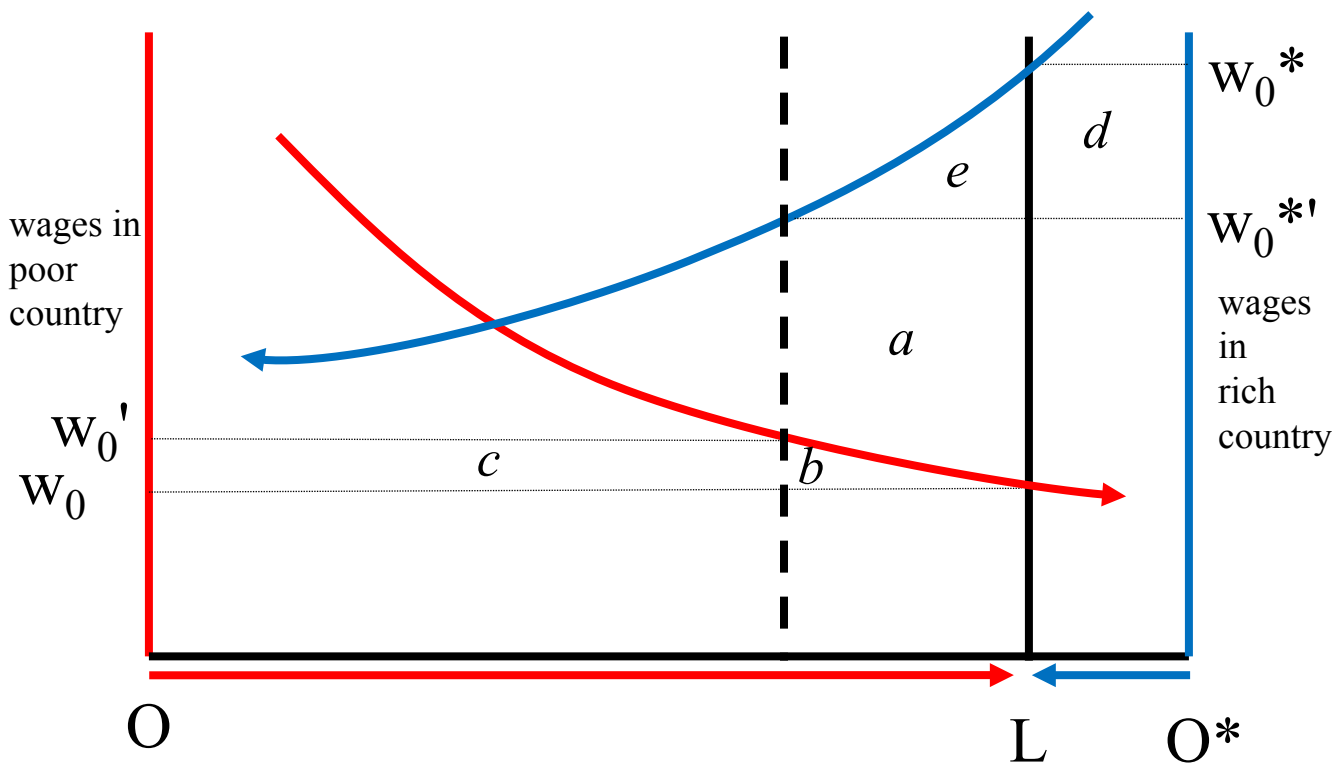
- Wages fall in rich country
- Wages rise in poor country
- But what happens wages of the migrants?

# Small losers, small winners, and big winners



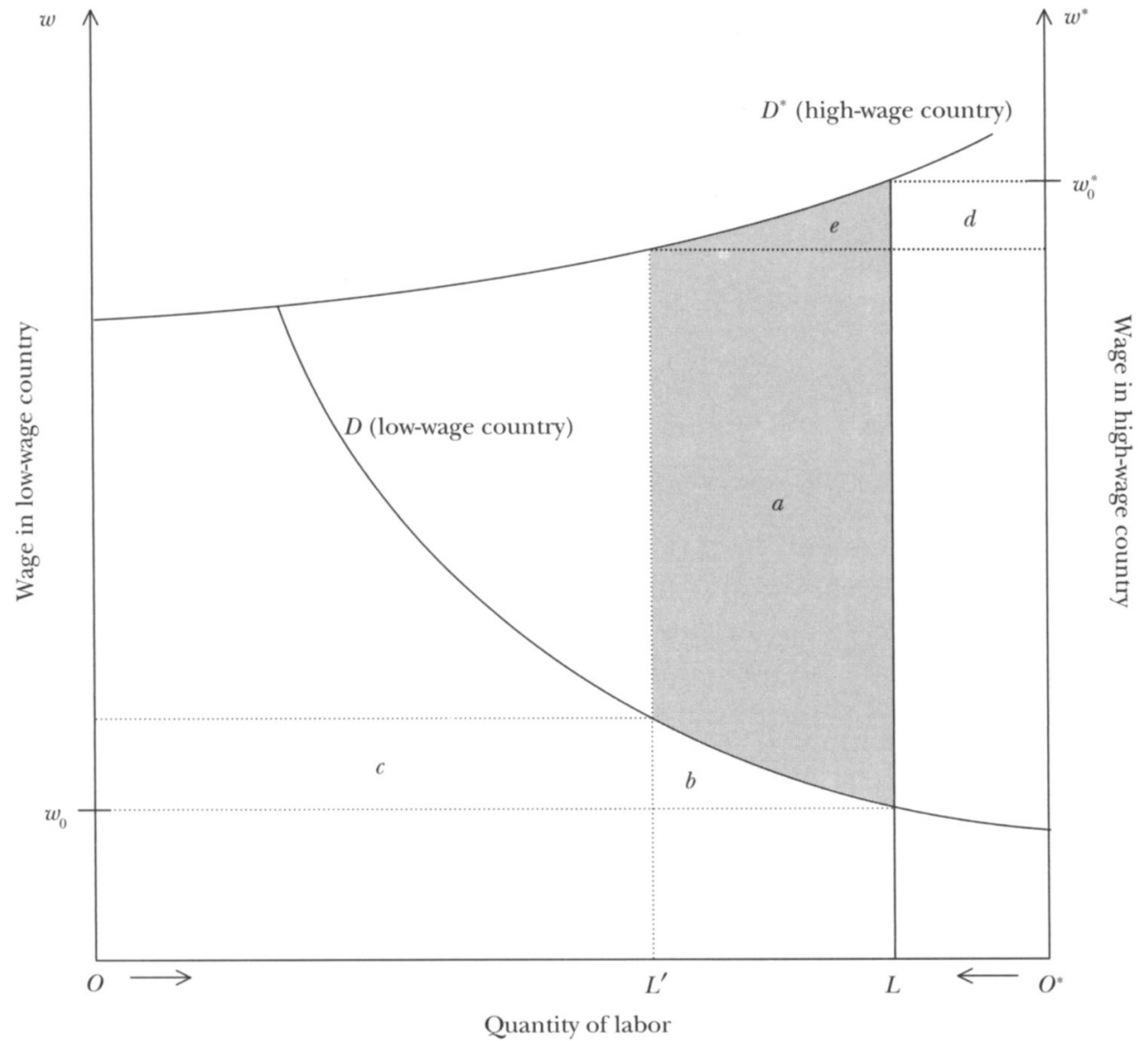
- poor workers get  $c$
- poor owners lose  $b + c$
- *Transfer of  $c$  from owners to workers*
- *Net loss of  $b$  in poor country*
- rich workers lose ?
- rich owners gain ?
- immigrants gain?

# Small losers, small winners, and big winners



- poor workers get  $c$
- poor owners lose  $b + c$
- *Transfer of  $c$  from owners to workers*
- *Net loss of  $b$  in poor country*
- rich workers lose ?
- rich owners gain ?
- immigrants gain?

# Clemens version



*Note:* The migrants gain welfare corresponding to area  $a + b$ . In the low-income country, labor gains area  $c$ ; owners of other factors (say, capital and land) lose area  $b + c$ . In the high-income country, labor loses area  $d$ ; owners of other factors gain area  $d + e$ . In sum, the global welfare gain is  $a + e$ , the shaded area.



# Other issues (in reading)

1. Human capital externalities?
2. Labor market elasticities?
3. Who or where?
4. Politics?

# Who or where?

- Migrants earn more than those who stay at home
- Selection vs causal effect of place?
- Attempts to measure (lottery winners, etc)
- Clemens concludes lots of place effects

# Politics, writing before Trump?

A substantial expansion of emigration may thus seem politically impractical, and within a time frame of a few years, this objection holds some force. But the global efficiency gains from even small relaxations of existing barriers to emigration are large relative to the gains from further relaxation of barriers to trade and capital flows (as shown earlier in Table 2).

Furthermore, economists should be open to the possibility that dramatic changes in what is practical can happen over several decades. After all, changes in geographic labor mobility that were unthinkable only a few decades ago have come to pass. Through the 1980s, a Polish national attempting to emigrate to West Germany could be shot by soldiers sealing the Inner German border from the east. Today, Polish jobseekers may move freely throughout Germany. The world has summarily discarded vast systems of restrictions on the labor mobility of medieval serfs, slaves, women, South African blacks, indigenous Australians, and a long list of others.

# What has changed?

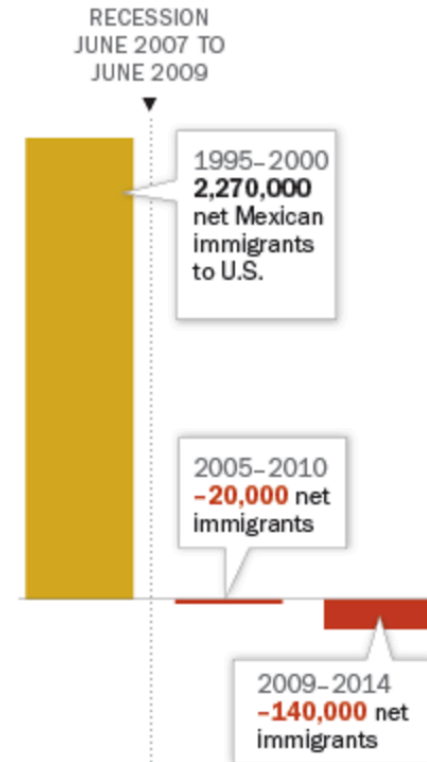
- 15 years of war in the Middle East → unprecedented refugee crisis?
- Great Recession has not left people interested in "others"?
- New evidence about immigrant effects? (Not so much)
- A blip or a turning point?

# Final note on counter-cyclical

- Immigrants come most when labor demand is high (during boom)
- But Anti-immigrant sentiment strongest during bust
- When immigration already slowing

# Trends in Mexican- US migration

## Net migration to the U.S. from Mexico below zero after the Great Recession



Source: For 1995-2000 and 2005-2010, Pew Research Center estimates; for 2009-2014, Pew Research Center estimates from Mexico's micro data samples of 2014 ENDAID, and augmented U.S. Census Bureau's 2014 Current Population Survey and 2012 American Community Survey.

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# Labor shortages?

- California land-owners already complaining they can't find enough workers?
- Wages increasing and benefits (401k?)
- Construction and manufacturing next?
- Is it policy, or is it the economy?