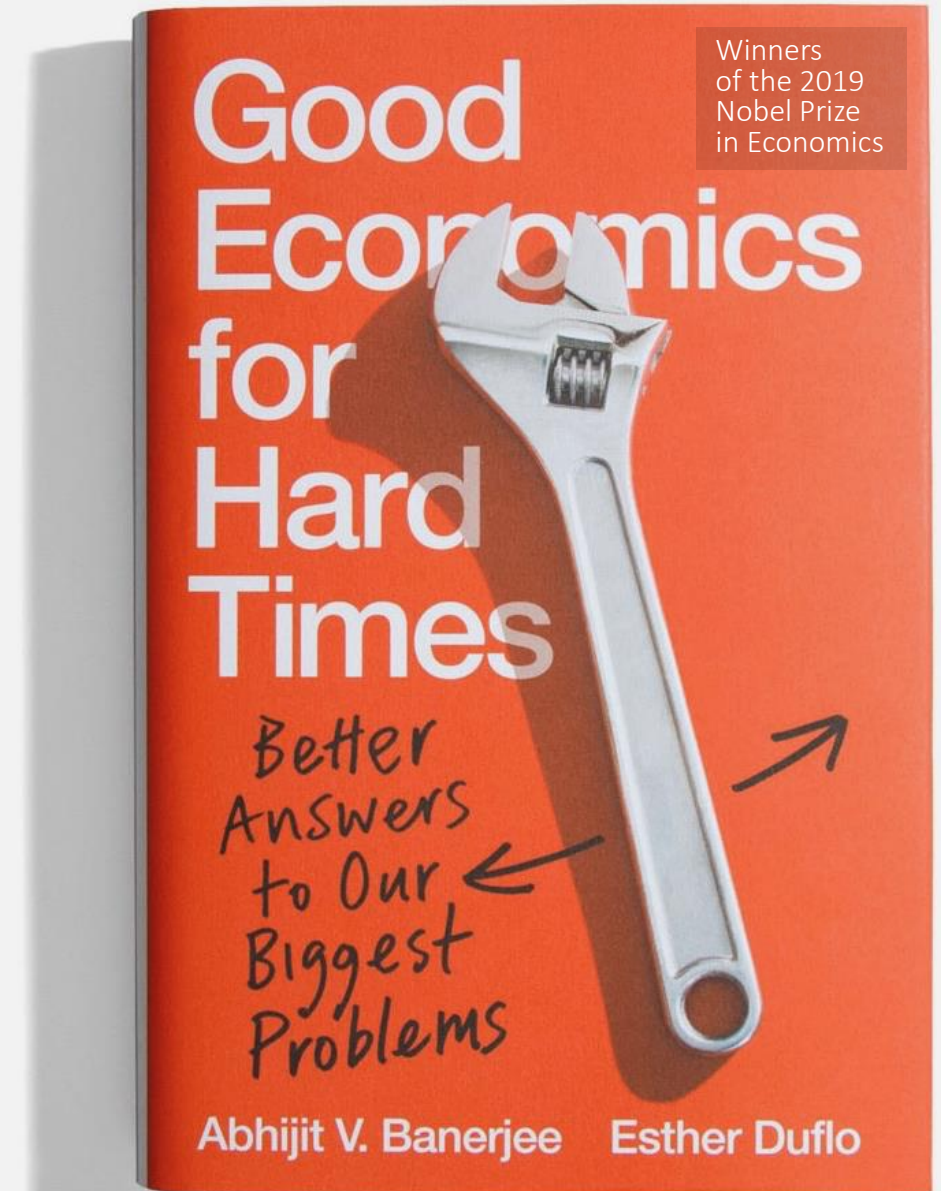


Good Economics For ~~Hard Times~~ ~~Harder Times~~ More Hopeful(?) Times

A course by Abhijit Banerjee
and Esther Duflo



Lectures 2 and 3: Migration

From the mouth of the shark

Welcome!

Migration has an outside influence on political life

The Brexit crew

Marine Le Pen
“99% of migrants are adult men”

Rohingyas in Bangladesh

Donald Trump and the “s*” countries

Zimbabweans in South Africa

Hungary, Slovakia, Italy...

Border panics and children separation

Assamese in India

And nothing is new under the sun

Aigues Mortes massacre

16 and 17 August 1893

20 to 150 Italian migrants
working in salt marshes in
France are attacked and
killed by French workers

Migrants are considered
as “voleurs de travail”
and “malfrats”

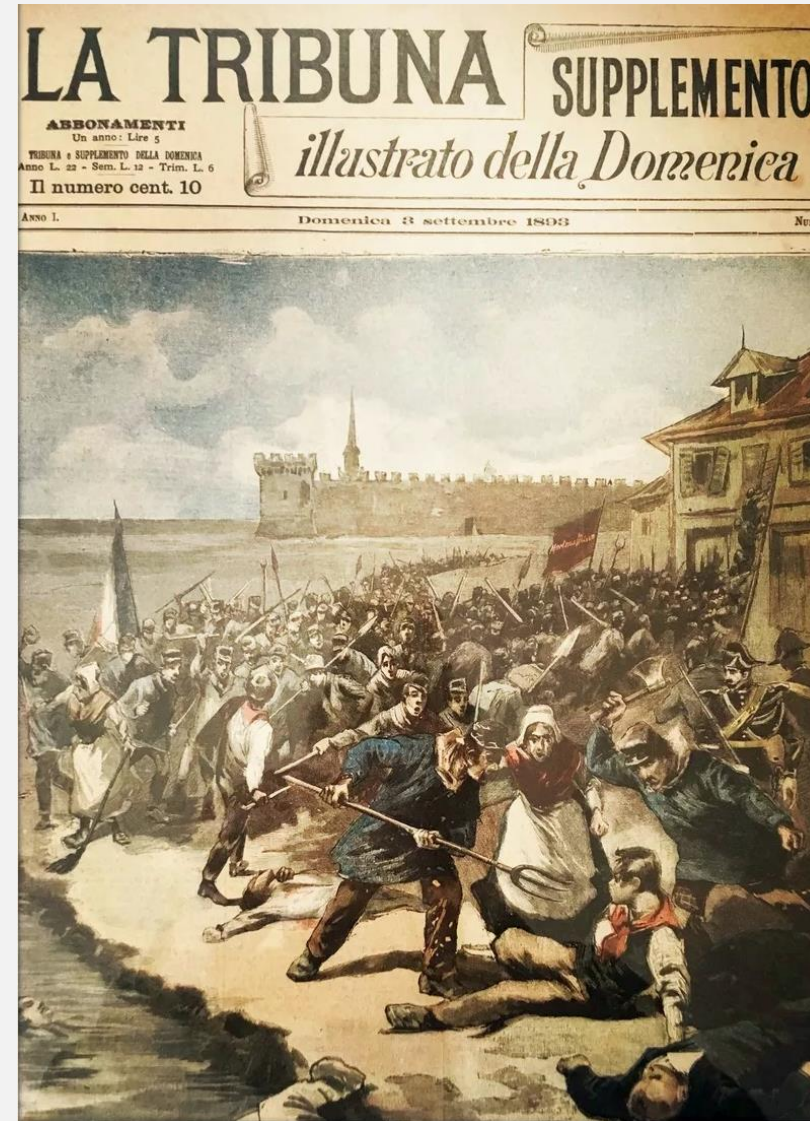


Photo: Public domain, via Wikimedia Commons

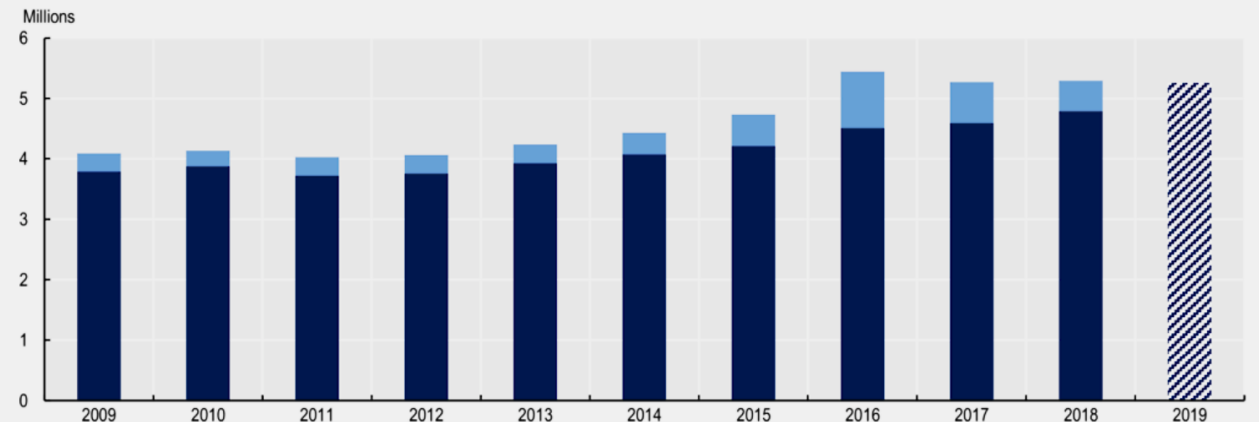
So is there a migration deluge?

Migration flows in normal years represent only about 3% of the world's population.

In 2019, 2.7 million non EU nationals immigrated to the EU.

Permanent Migration Flows to OECD Countries, 2009-19

Other Humanitarian



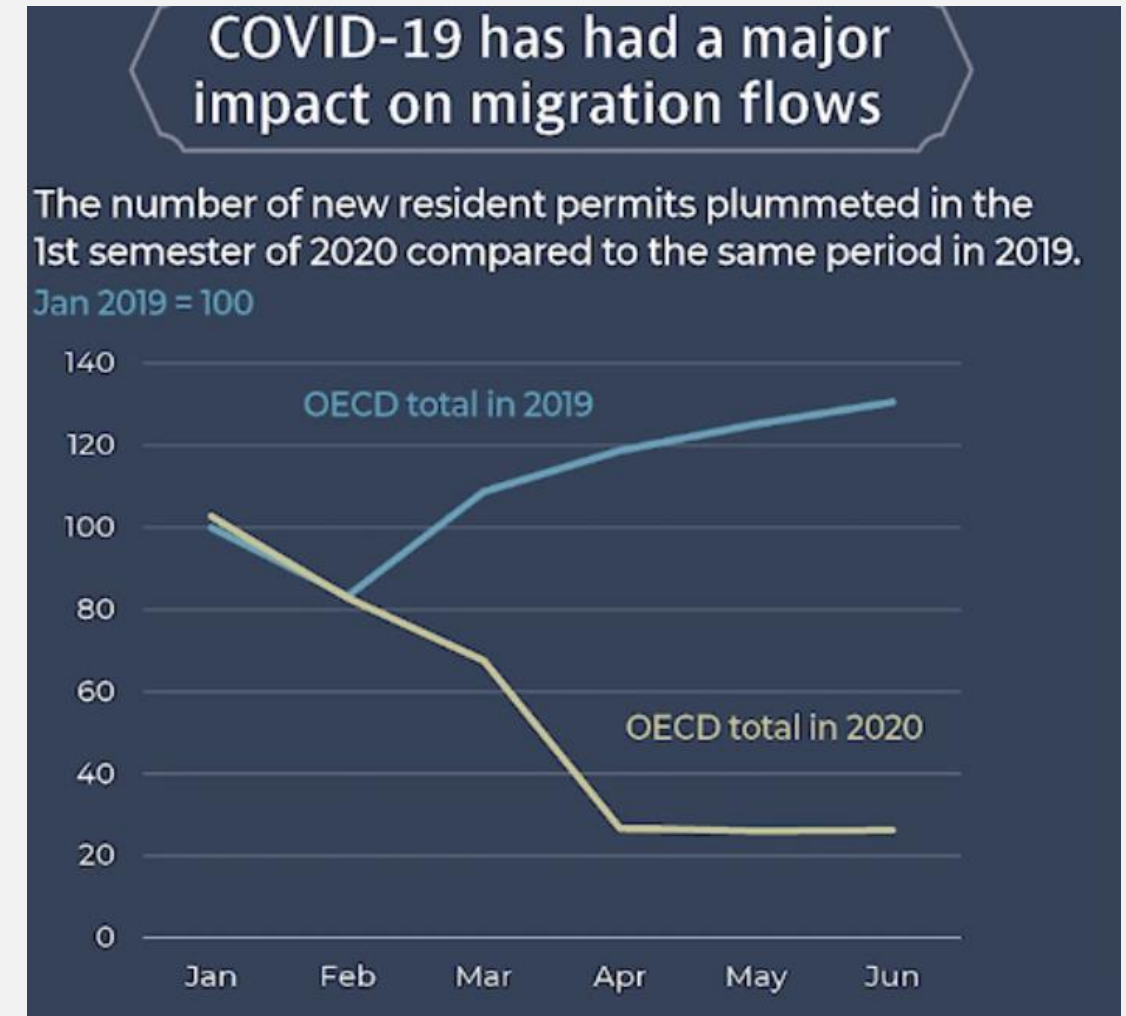
Note: Data for 2008 to 2018 is the sum of standardised figures for countries where they are available (accounting for 95% of the total), and unstandardised figures for other countries (excluding Turkey and Colombia). 2019 data are estimated based on growth rates published in official national statistics and include humanitarian flows.

Source: *OECD International Migration Database*, <https://doi.org/10.1787/data-00342-en>.

 StatLink <https://stat.link/f2bczy>

COVID-19 led to a migration crash

OECD Migration Outlook, 2020



Perception versus reality

Respondents are also more likely
to think that migrants are:

Muslims

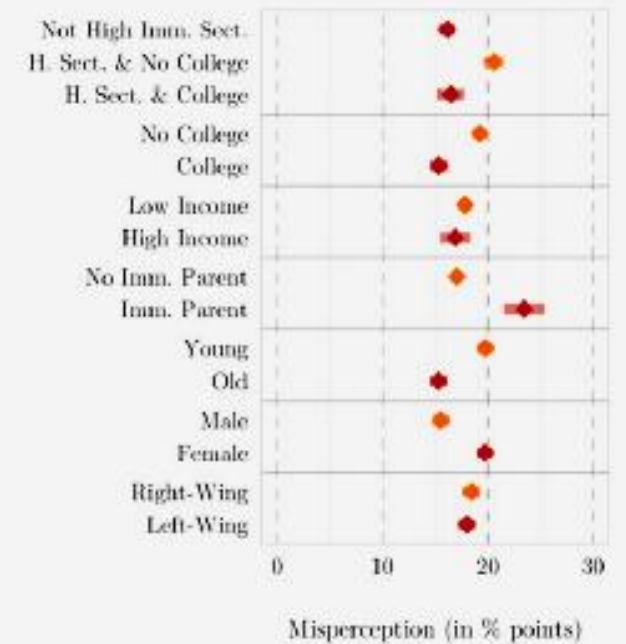
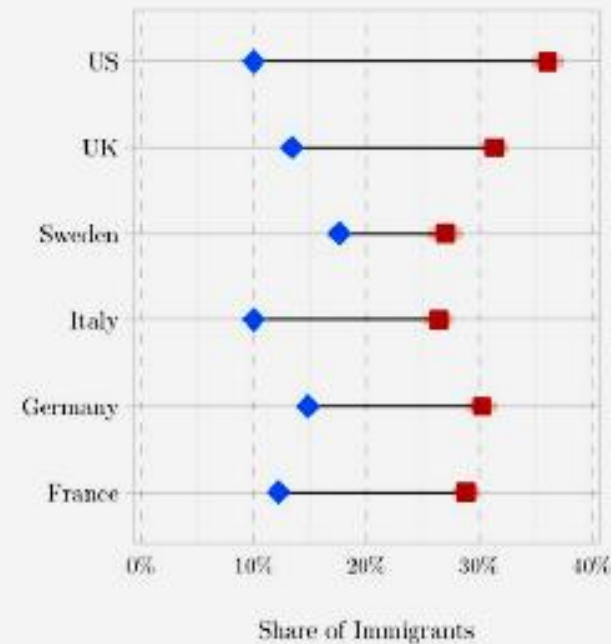
Uneducated

Unemployed...

Perceived vs Actual Share of Immigrants

From Alesina, Miano and Stantcheva
“Immigration and redistribution”

◆ Actual ■ Perceived (mean)



**Why gap between
perception and reality?**

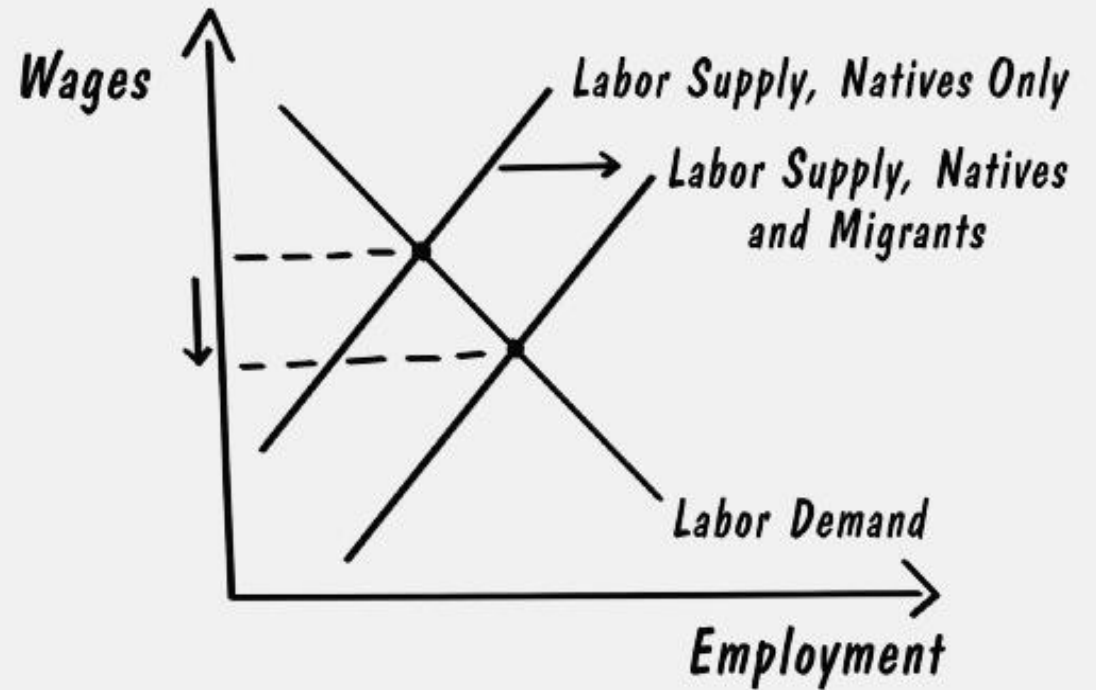
Napkin Economics

Supply and Demand is what you would have been taught for one semester if you had started with economics 101.



The logic is simple,
seductive... and wrong

“Napkin economics.” Why immigrants must make the rest of us poorer.



The argument, part 1

We have it so much better, everybody must want to come here

Leaving home



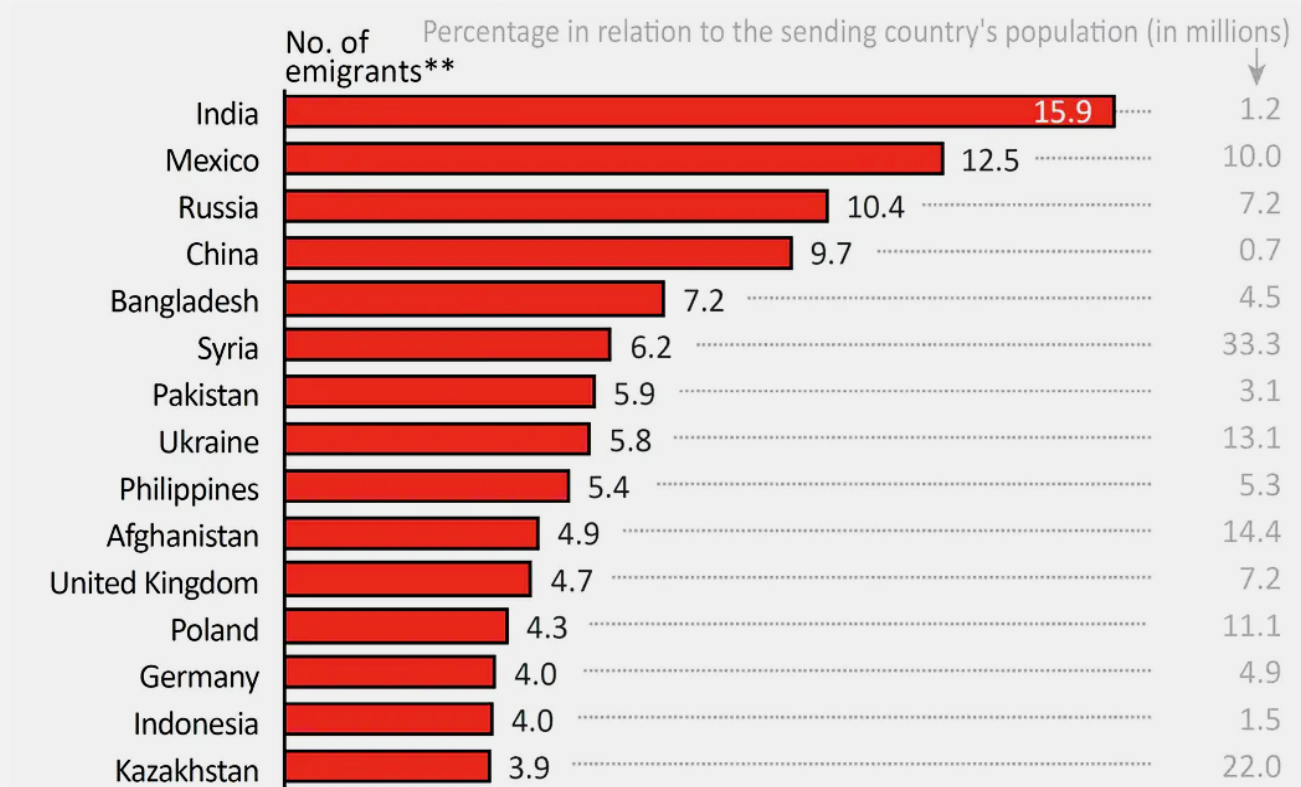
no one leaves home unless
home is the mouth of a shark
you only run for the border
when you see the whole city running as well

your neighbors running faster than you
breath bloody in their throats
the boy you went to school with
who kissed you dizzy behind the old tin factory
is holding a gun bigger than his body
you only leave home
when home won't let you stay.

Warshan Shire

Migrants do not come from the poorest countries

The 15 sending countries that have supplied the highest number of migrants



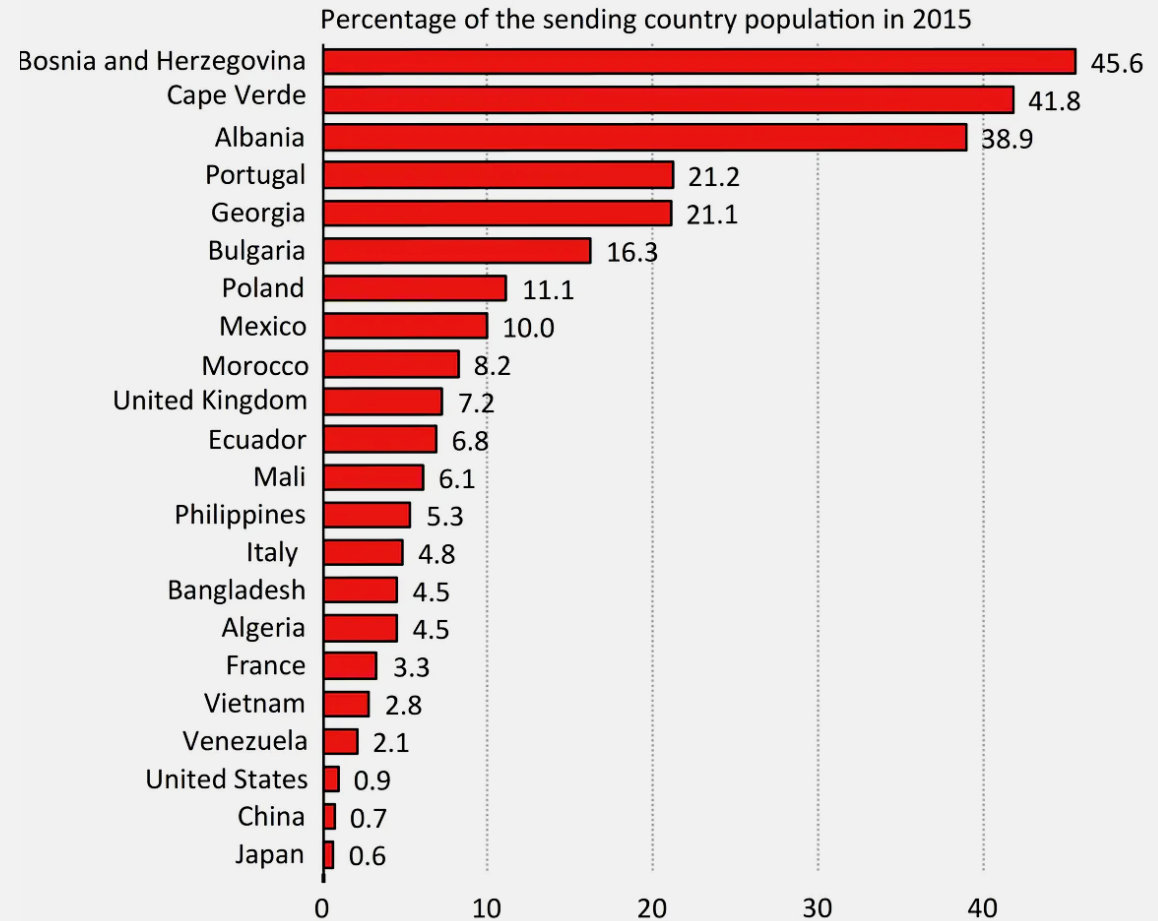
Source: G. Pison, *Populations & Societies* no 563, 2019

**People born in the country and living abroad.

Migrants do not come from the poorest countries

Source: G. Pison, *Populations & Societies* no 563, 2019

Proportion of emigrants** in selected countries



**People born in the country and living abroad.

Push and Pull

A study by Maheshwor Shreshta looks at the drivers of international migration in Nepal

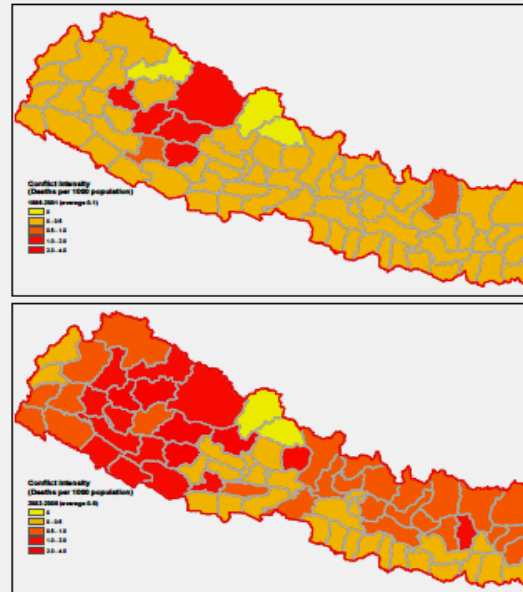
- Bad Monsoon?
- Or Maoist Insurrections?

The study found that, if anything, migration is LARGER, in years following good monsoon.

But is also larger in years following push in insurrections

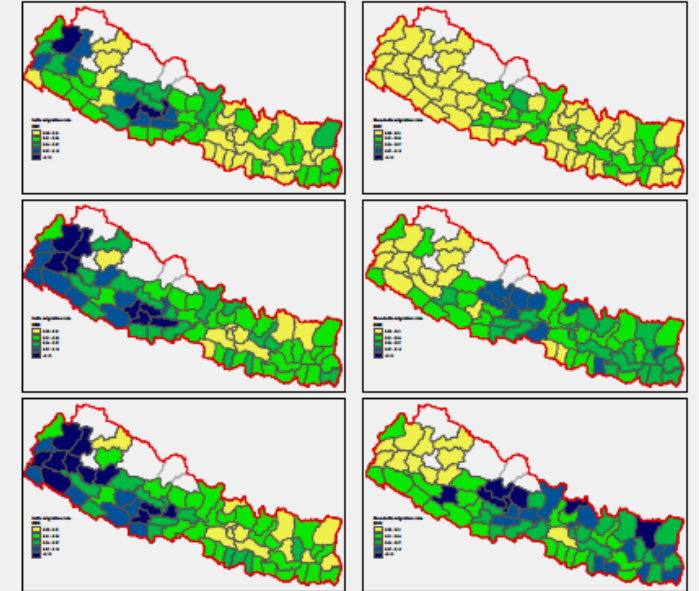
Conflict

Figure 6: Deaths from conflict in 1996-2001 and 2001-2006



Migration

Figure 4: International migration from Nepal



What is going on?

May be migration does not increase wages that much

Or may be it is but many people don't know. If they did they would migrate in large numbers.

Is migration really beneficial?

Why isn't it obvious?
Mexicans make more money in Texas than in Mexico.

- Because migrants are **selected**
- May be the most enterprising travel, and they will earn more money even in Mexico

Visa Lotteries –
compared winners
and losers

- Tonga: within one year of leaving, winners triple their income
- US: Indian professional winning the H1B lottery earn 6 times more than those who don't

But these remain
selected: they
have applied!

Lava bombs

When the volcano erupted, some houses were destroyed

Those who lost their house were given money

42% of those who lost their house left (and 27% of those who did not lose their house)

A generation later, those whose parent's house were destroyed were earning **\$3,000** more per year

Mainly because they went to college and chose a new profession

The Westman Island Volcano eruption in 1973: **A Natural experiment (work by Nakamura, Steinsson and Sigmunson)**



Photo: Visit Westman Islands Archive

Nudging migrants?

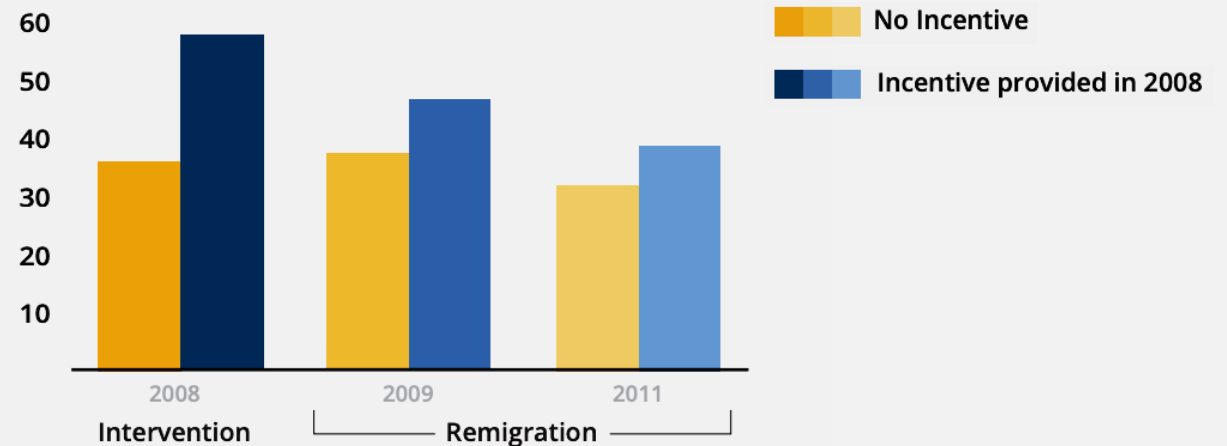
In Bangladesh during
“Monga” season

Random families were offered the
price of a bus ticket IF they migrated;
And some were given information
about earnings and job in the city



A rickshaw driver in Dhaka. Photo: Shutterstock.com

Migration and Remigration from one-off incentive



Benefits of Migration:

30-35% increase in food and non-food expenditures for households who accepted the incentive and sent a migrant.

550-700 calories consumed per person per day, equivalent to an extra meal per person for households who accepted the incentive and sent a migrant.

550-700 calories consumed per person per day, equivalent to an extra meal per person for households who accepted the incentive and sent a migrant.

Source: Bryan, Chowdhury and Mobarak

The argument, part 2

When many people come, our wages must come down

The Mariel Boatlift “experiment”

The mother of all “natural experiments” and one of the most influential papers in the economics of migration



Photo: Miami News Archive

So when the marielitos reached Miami on April 29, 1980, what happened to wages in Miami?

Table 3. Logarithms of Real Hourly Earnings of Workers Age 16–61 in Miami and Four Comparison Cities, 1979–85.

Group	1979	1980	1981	1982	1983	1984	1985
<i>Miami:</i>							
Whites	1.85 (.03)	1.83 (.03)	1.85 (.03)	1.82 (.03)	1.82 (.03)	1.82 (.03)	1.82 (.05)
Blacks	1.59 (.03)	1.55 (.02)	1.61 (.03)	1.48 (.03)	1.48 (.03)	1.57 (.03)	1.60 (.04)
Cubans	1.58 (.02)	1.54 (.02)	1.51 (.02)	1.49 (.02)	1.49 (.02)	1.53 (.03)	1.49 (.04)
Hispanics	1.52 (.04)	1.54 (.04)	1.54 (.05)	1.53 (.05)	1.48 (.04)	1.59 (.04)	1.54 (.06)
<i>Comparison Cities:</i>							
Whites	1.93 (.01)	1.90 (.01)	1.91 (.01)	1.91 (.01)	1.90 (.01)	1.91 (.01)	1.92 (.01)
Blacks	1.74 (.01)	1.70 (.02)	1.72 (.02)	1.71 (.01)	1.69 (.02)	1.67 (.02)	1.65 (.03)
Hispanics	1.65 (.01)	1.63 (.01)	1.61 (.01)	1.61 (.01)	1.58 (.01)	1.60 (.01)	1.58 (.02)

Note: Entries represent means of log hourly earnings (deflated by the Consumer Price Index—1980=100) for workers age 16–61 in Miami and four comparison cities: Atlanta, Houston, Los Angeles, and Tampa–St. Petersburg. See note to Table 1 for definitions of groups.

Source: Based on samples of employed workers in the outgoing rotation groups of the Current Population Survey in 1979–85. Due to a change in SMSA coding procedures in 1985, the 1985 sample is based on individuals in outgoing rotation groups for January–June of 1985 only.

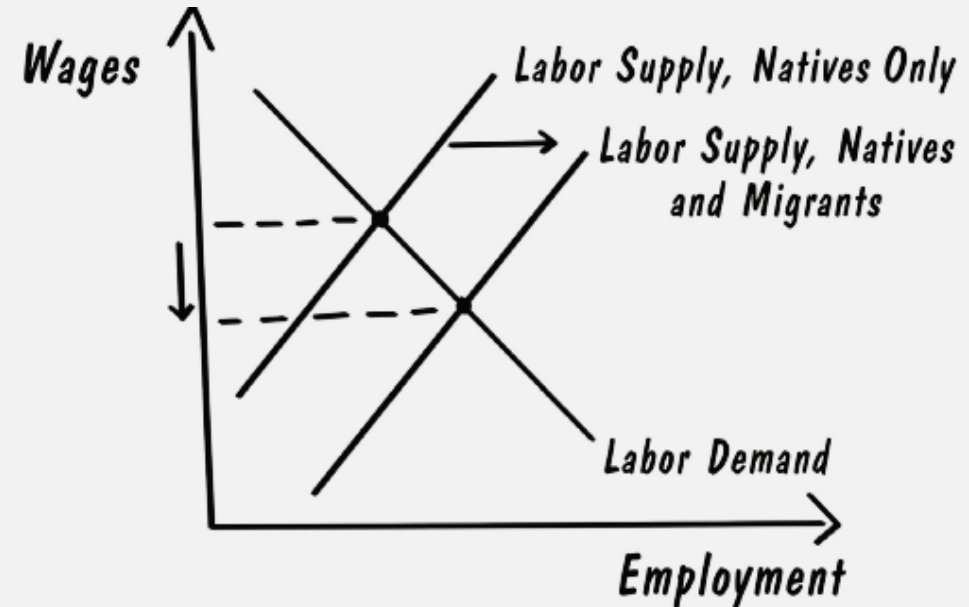
Source: David Card, 1990

Does Labor Demand not slope down?

Card's paper led to a huge controversy: Numerous attempts to prove that this could not be true

Yet the findings held and have been reproduced in many different contexts

“Napkin economics.” Why immigrants must make the rest of us poorer.



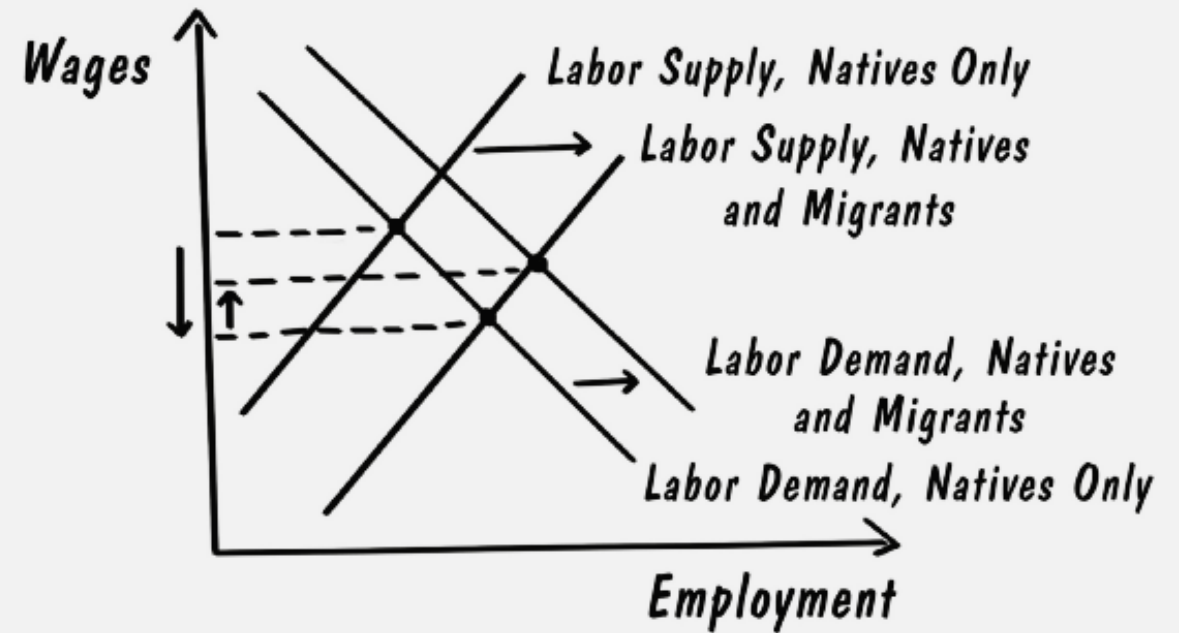
When measured over a period of 10 years or more, the impact of immigration on the wages of native-born workers overall is very small.

Source: National Academy of Science, 2016

**Why does this
logic fail?**

1. Because Migrants also consume

“Napkin economics.” Why immigrants must make the rest of us poorer.



2. Because machines are more docile than native workers

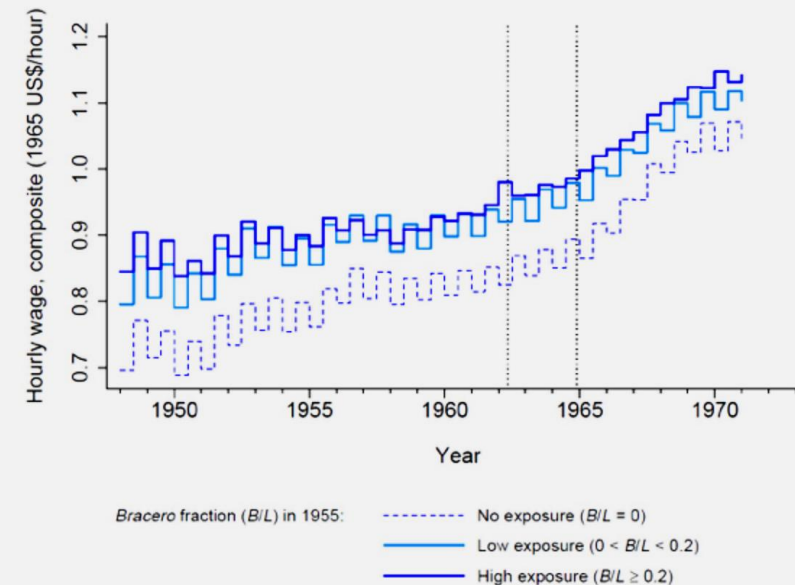
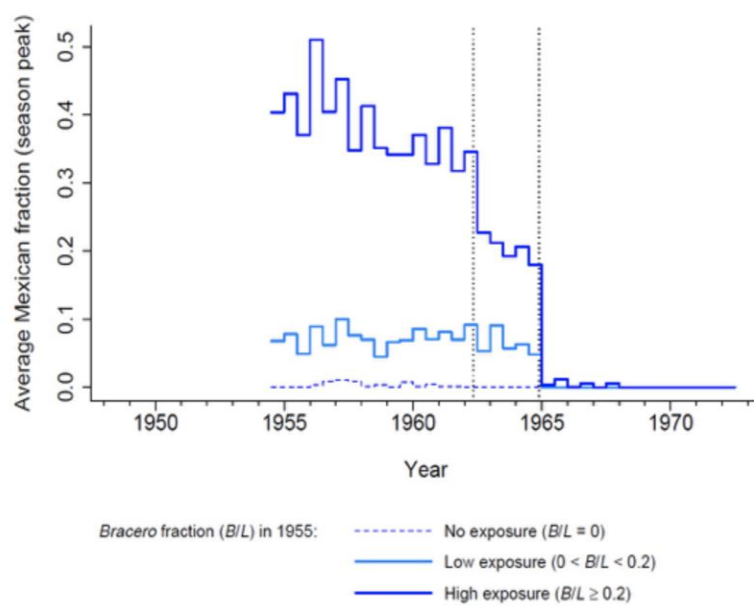
...So they are often replaced by machines rather than local workers

December 1965: Expulsions of the Braceros from California

No impact on wages of natives

Figure 1. Average *bracero* fraction of US hired seasonal farm workforce by state and over time

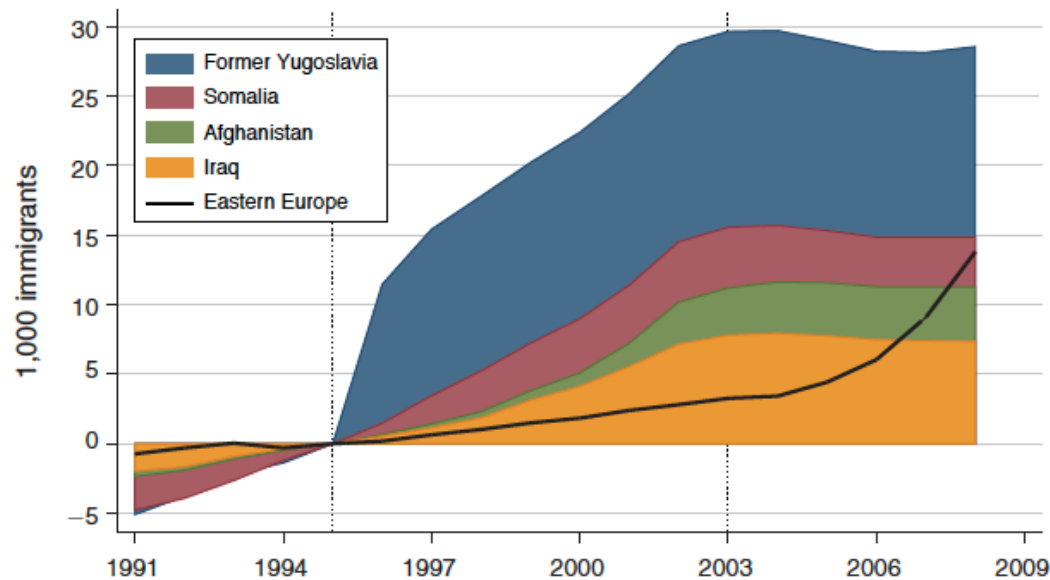
Figure 2. Average farm wages depending on state exposure to *bracero* labour and over time



Source: Clemens et al.

3. Because migrants can be complementary to local labor

Drivers of non-EU immigration growth, 1991-2008

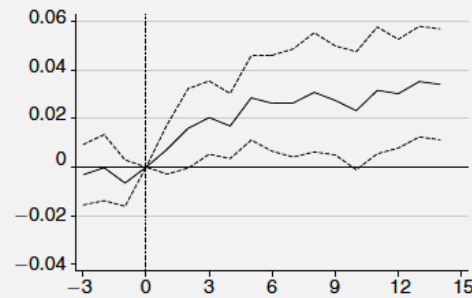


Source: Foged and Peri (2015) | Influx of migrants in Denmark from 1995 to 2009

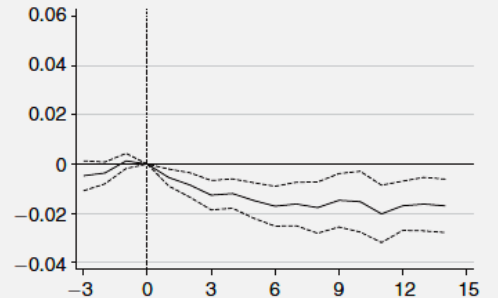
These migrants tended to go towards existing clusters in municipalities, which were near random (due to a prior refugees dispersal policy)

Over time, natives in places that received more refugees gained in occupation complexity and wages

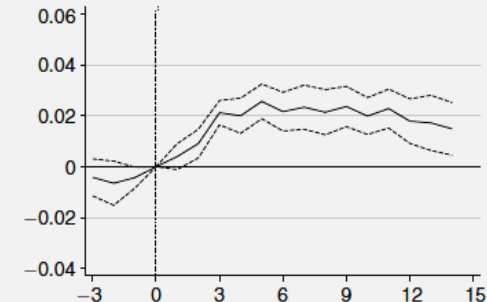
Panel A. Cohort, occupational complexity



Panel C. Cohort, manual intensity



Panel E. Cohort, hourly wage

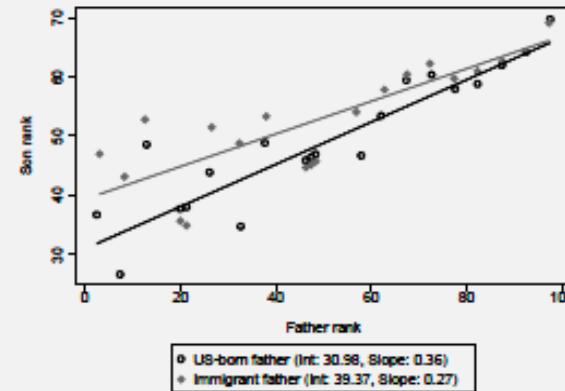


4. Because migrants are particularly gritty

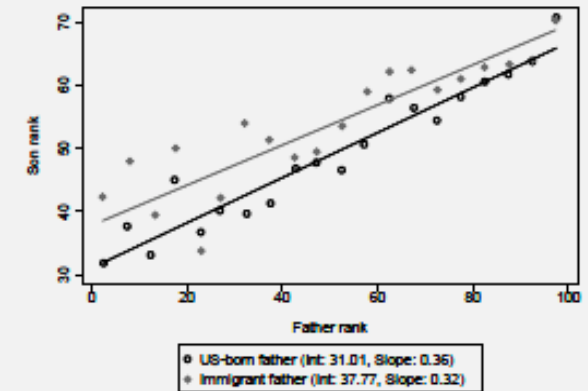
BioNTech, Bezos, Musk,
need I say more?

Intergenerational Mobility of Immigrants and the US-born, Rank-rank Correlations

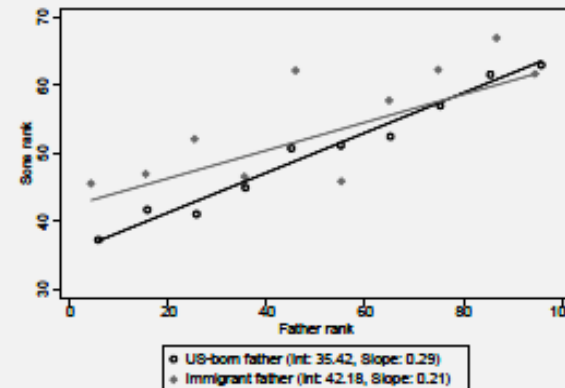
(a) 1880-1910 Cohort



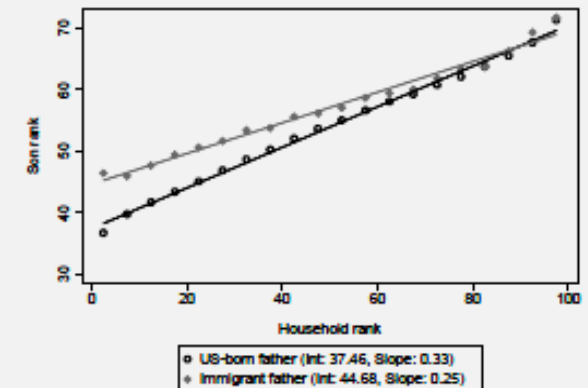
(b) 1910-1940 Cohort



(c) GSS: 1984-2006 Cohort



(d) Opportunity Insights: 1997-2015 Cohort



5. Because migrants do not just compete with natives

Labor is no “Ordinary Commodity”: much about a worker's quality is hard to assess

Employers need to know their workers: new prospective employees cannot just walk in and offer to work for a lower wage.

- For skilled labor, credentials help
- For unskilled labor, referrals are essential

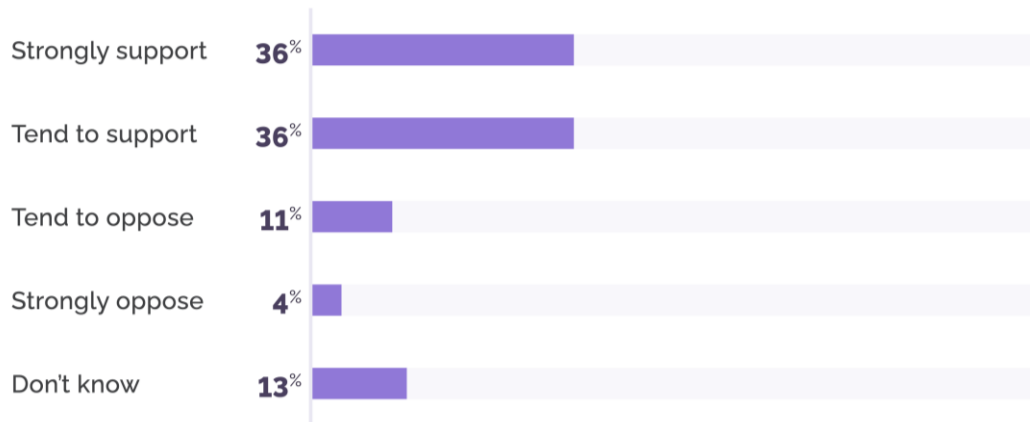


- Incumbents are safe in their job
- Salary cannot be too low (efficiency wages)
- Immigrants cannot offer to work for a lower wage (fairness)

People support skilled migration...

The government has said it will stop the immigration cap from applying to doctors and nurses, so that more doctors and nurses from overseas can come to work in the NHS. Do you support or oppose this policy?

All adults (3144 GB adults – June 15, 2018)



But skilled migration displaces local workers

A study finds that for every new foreign born nurse in a city, there is about **one fewer native nurse**. (Cortes, 2015)

Partly because would be nurse do not even take the exam.

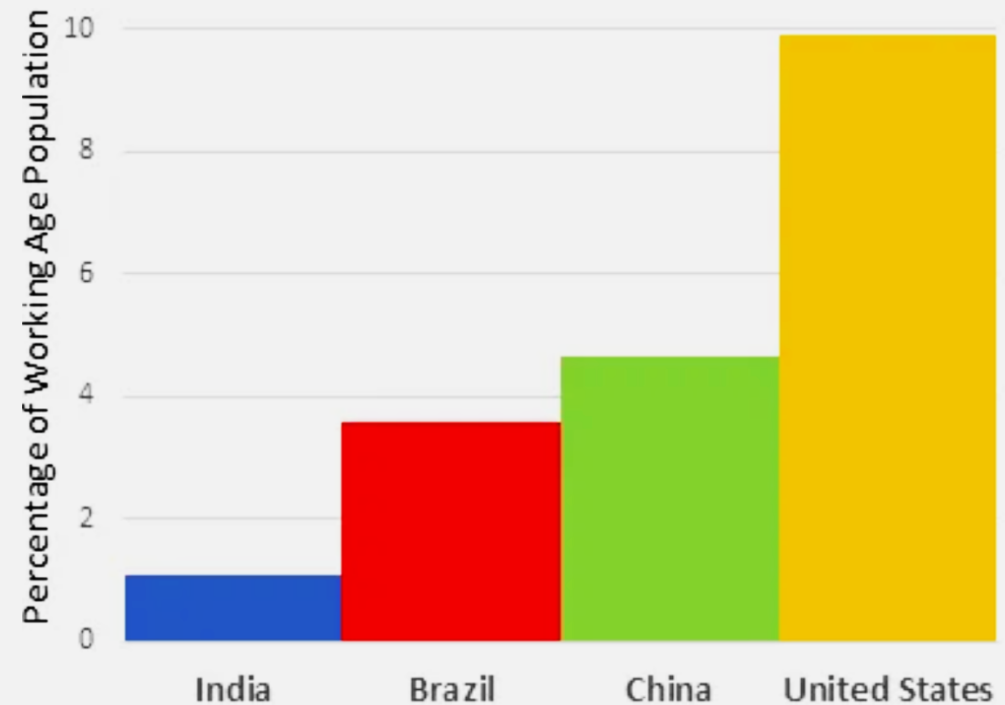
**Why are people
not moving?**

**In normal times,
even within free
mobility zones,
migration is very low**

At the height of the Greek
Financial crisis (2010-2015), fewer
than 350,000 (3% of the
population) left Greece, when
unemployment was 27%

Inter-State Migration in 2001

India (35 states); Brazil (27 states); China (31 provinces);
United States (51 states)



1. Because of barriers in the labor markets

The importance of referrals in the labor market means that migrants must rely on social network

And they do!

- In the US, when people from a village are chased by a drought and go to the US, generations later there are more migrants from that village, they are more likely to be employed and they have better jobs (Munshi)
- Refugees that end up in places with lots of refugees of the same country are more likely to find a job (Beaman)

But what happens for the vast majority of people who do not have such a network?

- A market with network for some and not other can **UNRAVEL**
- (Akerlof: The market for lemons)
- Women, minorities, are the most likely to be left behind

2. Because Home is nice

City infrastructure is insufficient in many developing countries

Strict regulation on building

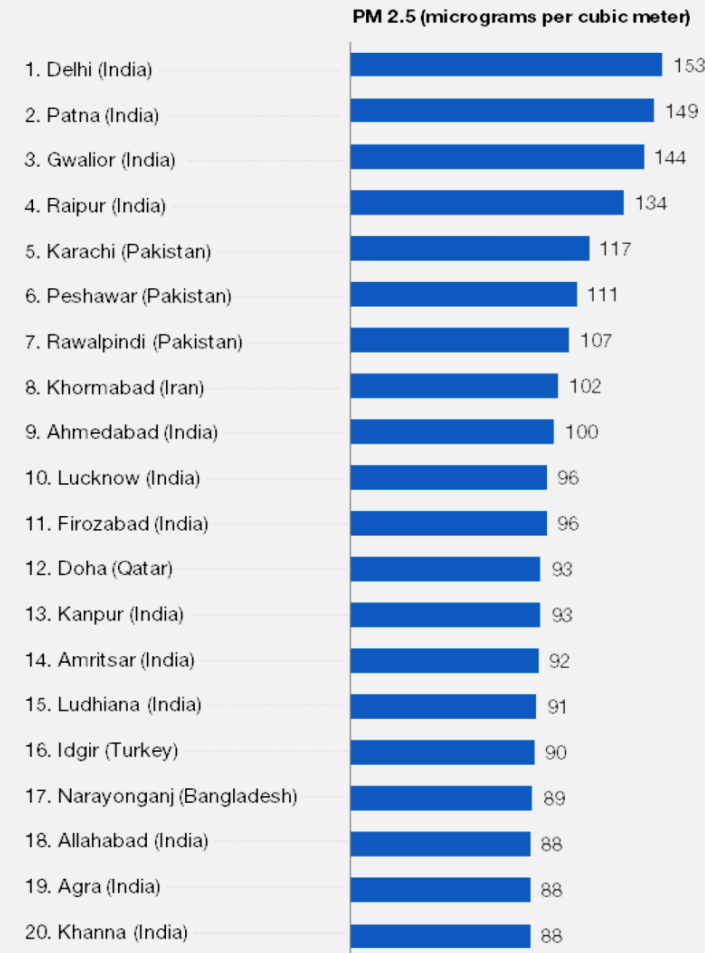
Even in rich countries, there is a severe lack of housing in places where wages are high (e.g. San Francisco).

Results:

- Garden cities for the incumbent
- More dogs than children in San Francisco

The world's most polluted cities

3 of the top 20 cities are in India



3. Because social networks can weigh you down

When you leave to migrate you lose your social network.

Not just for pleasure:

- Insurance in case of disaster
- Help with child care and daily life
- Claims to the family business (Arthur Lewis)

Families may decide not to let sons migrate.

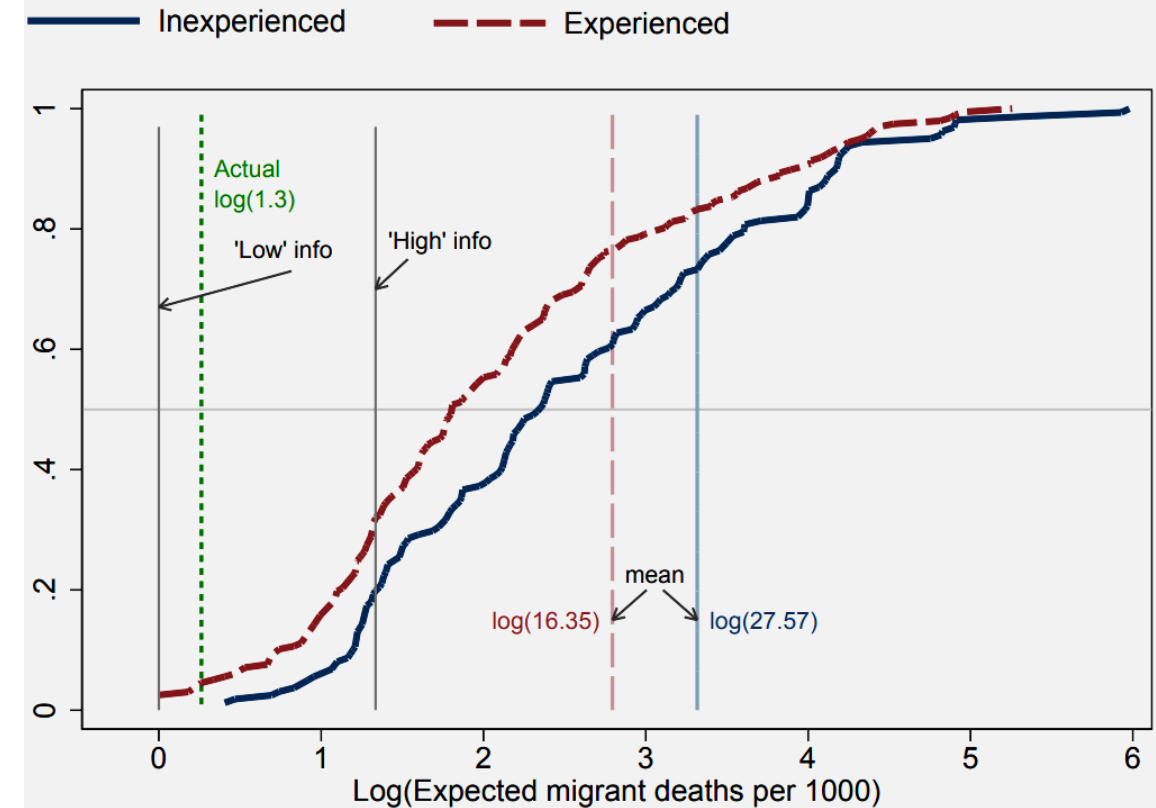
- In one study, one son even got LESS education when more opportunity were available.

4. Because it is seriously scary

Figure 2: Sample information cards shown to respondents



Misinformation on expected mortality rate among potential migrants



Source: Shreshta, 2017



5. Because it is a plunge
into the unknown

Uncertainty and loss aversion

Frank Knight distinguished RISK and UNCERTAINTY.

- With risk you know the odds
- With uncertainty, you don't even (Rumsfeld "unknown unknown")

Kahneman and Tversky: LOSS AVERSION

- You don't like mistake of your own making
- Migration is a risk you take personally...
- And what if you fail?

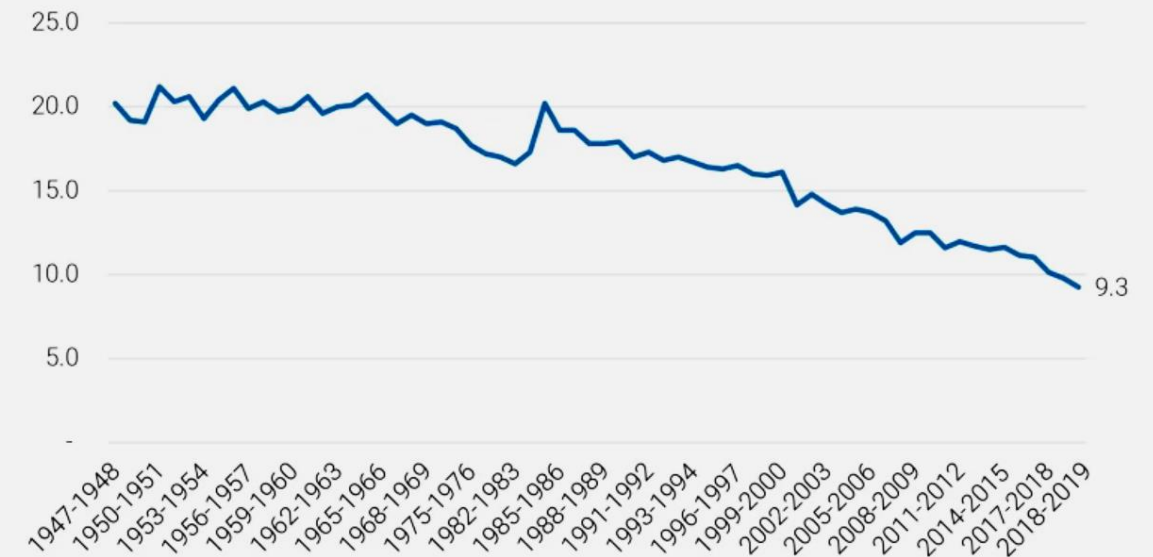
This may be why people are very reluctant to migrate.

**Is the US any
different?**

Tocqueville betrayed...

US annual migration rates, 1947-2020

Figure 1. US annual migration rates, 1947-2020



Source: William H. Frey analysis of U.S. Census Bureau Current Population Surveys.

B Metropolitan Policy Program
at BROOKINGS

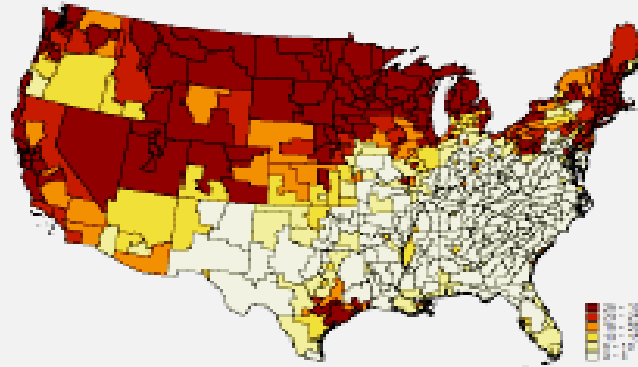
The graph shows the share of the U.S. population that changed residence during a given year.

Migrants go where the jobs are, natives are stuck!

Initial location choice explains a large part of the difference in mobility between sons of migrants and sons of natives

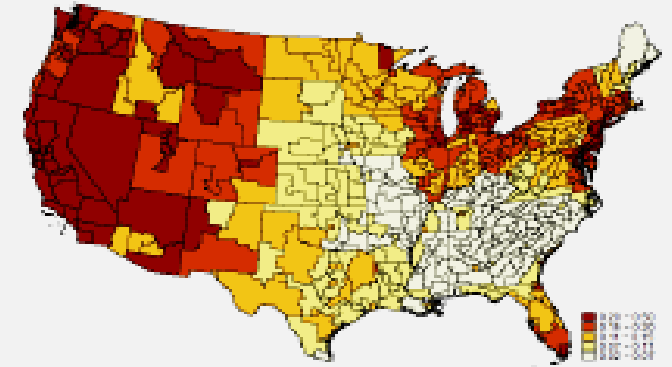
Migrants' location choices

1910-1940

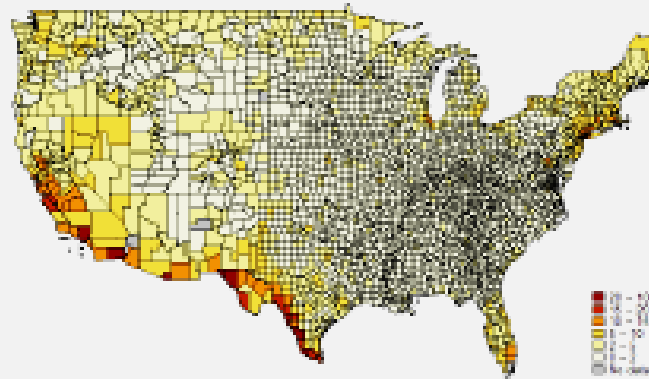


Social mobility

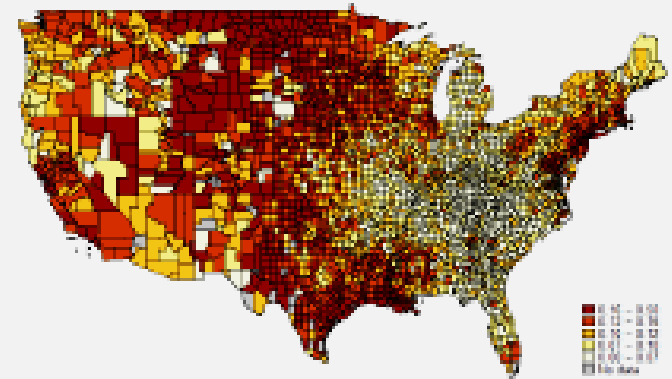
1910-1940



Recent data



Recent data



Why are Americans stuck in place?

All the same reasons apply....

In addition, housing costs have made moving prohibitive for a lot of people

Housing costs are a more important part of the budget of the poor

Compare a lawyer and a janitor. The lawyer would make 45% more in NYC than in the south. The janitor would make 32%. But once you account for housing costs, lawyer would make 37% more and Janitor would make 6% more in the SOUTH



What migration policy?

Ease Mobility

Many governments would like to ease mobility, especially within nations

Streamline the process and give information

Facilitate economic integration:

- Housing
- Job matching
- Child care

Address identity politics: We will get back to that later in the course

Legal limits to migration are not the biggest topic



Photo: Vic Hinterlang | Shutterstock.com

Takeaways...

Takeaways

Anti-immigrant sentiment is not new

And mostly comes from a misunderstanding: migrants do not threaten the wages or jobs of low skilled native

People are not driven only by financial gains

Leaving home is difficult, even within one's own country: A key lever of flexibility in front of shocks is taken away