

The Economics of Immigration

Professor Manuela Angelucci

Fall 2008

1 Course Outline

This course focuses on key topics in the economics of immigration. We will look at the US immigration policy, how it changed during the XX century, and how it differs from other countries'; we will study migration determinants and migrant self-selection. We will devote a considerable part of the course discussing the effects of immigration in both the host and the home country. Lastly, we will look at public opinion on immigration, its correlates, and its relationship with culture and identity. This course is intended for students with no previous knowledge of immigration and of labor economics. The only prerequisites are microeconomics (ECON361) and econometrics (ECON418).

2 Logistics

Your Professor: My name is Manuela Angelucci (angelucm@eller.arizona.edu). I do empirical research in the fields of Development and Labor Economics.

My office is McClelland Hall 401AA. My office hours are on Tuesdays 12:50-1:50 and Thursdays, 3:30-4:30.

Meetings: The course meets from 2:00 to 3:15 in MCLND122 on Tuesdays and Thursdays.

Your Teaching Assistant: Joseph Cullen is your TA for this course. Joseph will be the primary grader for the class. His email address and office hours will be made available through Blackboard.

3 Textbooks and Computer Programs

Textbooks: there is no required textbook, as this is a paper-based course. We will make use of various journal articles and unpublished research papers. In most cases you can access the material over the internet, typically JSTOR or the author's web page. If not, I will make them available on Blackboard.

Distribution of Course Materials: All materials for the course will be distributed through Blackboard. You can log in to blackboard at:

<http://blackboard.eller.arizona.edu>

If you have not used blackboard before, it can sometimes take a few days for your name to be set up. See the website above for more information or help.

In a number of cases I will make my lecture notes available on the class web page on Blackboard.

Computer Program: There are going to be required empirical problem sets using an econometrics program called Stata. The department of economics has purchased copies of Stata for all of the computers in the Sands Undergraduate Computing Lab. The interested students may purchase their own copy of Stata, although this is not required. If you are interested, you can buy it for a discounted student rate. See <http://www.stata.com/order/new/edu/gradplans/gp-campus.html> for details. Choose Intercooled (IC) STATA, not SMALL STATA. SMALL STATA is not adequate for many of the applications we will consider. One reasonably good introduction is

<http://www.biostat.au.dk/teaching/software/STATA/Stata8.pdf>

4 Assignments and Grading

During this seminar you will be assigned 8 problem sets, which together account for 56% of the final grade; you will have a midterm exam and a final exam, which account for 20% and 24% each. The problem sets and exams will ask questions on the papers discussed in class. Therefore, attendance is strongly encouraged. In addition, some problem sets will include econometric exercises that replicate the results of some key papers we will read. The problem set with the lowest grade will not count towards the final grade. This means that each problem set has a weight of 8%. There will be no makeup midterm or final, unless unexpected medical problems arise, as documented by a doctor's note.

The problem sets are handed to me at the beginning of class. We will then go through the solutions together. Joseph will return the graded problem sets within a week from submission. Note: some students find it very useful to make two copies of each problem set. They hand one in and keep the other one while we solve the exercises in class.

Working in Groups It is permitted to work together in solving the problem sets, but each student must turn in their own written answers, clearly indicating the names of all group members. Groups for solving the problem sets may *not* be more than 3 students.

5 Topics and reading list

Here is the course schedule, followed by an outline of the topics we'll cover and the related reading list.

Week	Month	Day	PSets	Topic	
1	8	26		Intro+ test	
1	8	28		Econometrics class	
2	9	2		Stata class	
2	9	4		Stata exercise	
3	9	9	PS1A	US and world immigration	
3	9	11		Mig determinants: Income/wages	
4	9	16	PS1D/PS2A		
4	9	18		Mig determinants: Networks	
5	9	23	PS2D		
5	9	25	PS3A	Perm/temp mig	
6	9	30		Life cycle and cohort effect	Theory + papers
6	10	2	PS3A+PS2bisD	Assimilation	
7	10	7		Assimilation	
7	10	9	PS3D+PS4A	Self-selection	
8	10	14			
8	10	16	MIDTERM		
9	10	21	PS4D+PS5A	Effect on HOST country	
9	10	23			
10	10	28	PS5D	Effect on HOST country	
10	10	30	PS6A		
11	11	4		Illegal immigration	
11	11	6	PS6D		
12	11	11			
12	11	13	PS7A		
13	11	18		Public opinion, culture, identity	
13	11	20	PS7D	Effect on home country	
14	11	25			
14	11	27	PS8A		
15	12	2			
15	12	5	PS8D		
15	12	9		REVIEW SESSION	
	12	16	FINAL	2:00pm to 4:00 PM	

Topic 1: US immigration - characteristics, trends, and immigration policy

Required reading:

- Borjas, G. and Katz, L. (2005), "The evolution of the Mexican-born workforce in

the United States,” NBER Working Paper 11281.

- “Immigration Policy in the United States” (2006), Congressional Budget Office.
- “International migration outlook: recent trends in international migration” (2007), OECD.

Additional reading:

- The Economist, “World on the move,” June 11, 2003.
- The Economist, “Into the suburbs,” March 11, 2004.
- The Economist, “Escape from LA,” March 27, 2007.

Topic 2: Migration determinants; temporary and permanent migration.

Required reading:

- Angelucci, M (2007), “Aid programs’ unintended effects: the case of Progres and migration,” mimeo.
- Da Vanzo, J. (1983), “Repeat migration in the United States: Who moves back and who moves on?”, *Review of Economics and Statistics*, 65(4), 552-559.
- Dustmann, C. (2003), “Return migration, wage differentials and the optimal migration duration”, *European Economic Review*, 47(2), 353-67.
- Munshi, K. (2003), “Networks in the modern economy: Mexican migrants in the U.S. labor market”, *Quarterly Journal of Economics*, 549-99.
- Stark, O. and Taylor, E. (1991), “Migration Incentives, Migration Types: The Role of Relative Deprivation,” *The Economic Journal*, Vol. 101, No. 408, pp. 1163-1178.

Additional reading:

- Faini, R. and Venturini, A. (1993), “Trade, aid and migrations. Some basic policy issues,” *European Economic Review*, 37, 435-442.
- Harris J. and M. Todaro (1970), “Migration, Unemployment and Development: A Two-Sector Analysis,” *American Economic Review*, 60(1):126-42.
- Mincer, Jacob, “Family Migration Decisions,” *Journal of Political Economy* 86 (October 1978): 749-773.
- Rosenzweig, M.R., Stark, O., 1989. “Consumption smoothing, migration, and marriage: evidence from rural India”. *Journal of Political Economy*, 97(4), 905-926.
- Sjaastad, Larry A. (1962), “The Costs and Returns of Human Migration,” *The Journal of Political Economy*, 70(5, Part 2: Investment in Human Beings), pp. 80-93.

Topic 3: Cohort and life cycle effects

Required reading:

- Borjas, G. (1985), “Assimilation, Changes in Cohort Quality, and the Earnings of Immigrants,” *Journal of Labor Economics*, October 1985, pp. 463-489.
- Chiswick, B. (1978), “The Effect of Americanization on the Earnings of Foreign-Born Men,” *Journal of Political Economy* (October 1978), pp. 897-921.

Topic 4: migrant self-selection

Required reading:

- Borjas, G. (1987), “Self-selection and the earnings of immigrants”, *American Economic Review*, 77(4), 531-53.
- Chiquiar, D. and Hanson, G. (2005) “International Migration, Self-Selection, and the Distribution of Wages: Evidence from Mexico and the United States”, *Journal of Political Economy* 113(2): 239-281.
- Chiswick, B. (1999), “Are Immigrants Favorably Self-Selected?”, *The American Economic Review*, Vol. 89, No. 2, Papers and Proceedings, pp. 181-185.

Additional reading:

- Orrenius, Pia M. and Madeline Zavodny, (2005), “Self-Selection among Undocumented Immigrants from Mexico,” *Journal of Development Economics*, October 78(1): 215-240.

Topic 5: effect of migration on host country wages

Required reading:

- Borjas, G. (2003), “The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market,” *Quarterly Journal of Economics*, November 2003, pp. 1335-1374.
- Card, D. (1990), “The Impact of the Mariel Boatlift on the Miami Labor Market”, *Industrial and Labor Relations Review*, Vol. 43, No. 2., pp. 245-257.
- Lewis, E. (2004), “How Did the Miami Labor Market Absorb the Mariel Immigrants?”, *Federal Reserve Bank of Philadelphia Working paper* 04-3.
- Ottaviano, Gianmarco I.P. and Giovanni Peri, (2006), “Rethinking the Effects of Immigration on Wages,” *NBER Working Paper* No. 12947.

Additional reading:

- Card, D. and John DiNardo (2000), “Do Immigrant Inflows Lead to Native Outflows?”, *The American Economic Review*, Vol. 90, No. 2, Papers and Proceedings, pp. 360-367.

Topic 6: effect of migration on prices and public coffers

Required reading:

- Borjas, G. and Linette Hilton (1996), “Immigration and the Welfare State: Immigrant Participation in Means-Tested Entitlement Programs”, *The Quarterly Journal of Economics*, Vol. 111, No. 2., pp. 575-604.
- Borjas, G. (1999), “Immigration and Welfare Magnets,” *Journal of Labor Economics*, October 1999, pp. 607-637.
- Cortes, P (2006), “The Effect of Low-skilled Immigration on U.S. Prices: Evidence from CPI Data,” mimeo, University of Chicago.
- Lee, R. and Timothy Miller (2000), “Immigration, Social Security, and Broader Fiscal Impacts”, *The American Economic Review*, Vol. 90, No. 2, Papers and Proceedings, pp. 350-354.

Additional reading:

- Auerbach, A. and Philip Oreopoulos (1999), “Analyzing the Fiscal Impact of U.S. Immigration”, *The American Economic Review*, Vol. 89, No. 2, Papers and Proceedings, pp. 176-180.
- Borjas, George J., and Stephen J. Trejo (1991), “Immigrant Participation in the Welfare System,” *Industrial and Labor Relations Review*, XLIV, 195-211.

Topic 7: illegal migration

Required reading:

- Angelucci, M (2007), “U.S. border enforcement end the net inflow of Mexican illegal migration,” mimeo.
- Hanson, G. and Spilimbergo, A. (1999), “Illegal immigration, border enforcement and relative wages: evidence from apprehensions at the US-Mexico border”, *American Economic Review*, 89(5), 1337-1357.
- Hanson, G., (2006), “Illegal migration from Mexico to the United States”, *Journal of Economic Literature*, 44, 869-924.
- Hanson, G., (2007), “The Economic Logic of Illegal Immigration”, *Council on Foreign Relations*, Council Special Report n.26.

Additional reading:

- Gathmann, C. (2006), “Effects of Enforcement on Illegal Markets: Evidence from Migrant Smuggling along the Southwestern Border,” mimeo.
- Hanson, G., Robertson, R. and Spilimbergo, A. (2002), “Does border enforcement protect US workers from illegal migration?”, *Review of Economics and Statistics*, 84(1), 73-92.
- Hanson, G. and Spilimbergo, A. (2001), “Political economy, sectoral shocks and border enforcement”, *Canadian Journal of Economics*, 34(3), 612-638.

- Kossoudji, S. (1992), “Playing cat and mouse at the Mexican-American border”, *Demography*, 29(2), 159-180.

Topic 8: public opinion, culture, and identity

Required reading:

- Card, D., Dustmann, C. and Preston, I. (2005), “Understanding attitudes to immigration: the migration and minority module of the first European Social Survey,” CReAM discussion paper 03/05.
- Domke, D., McCoy, K., and Torres, M. (1999), “News Media, Racial Perceptions, and Political Cognition,” *Communication Research*, 26(5), 570-607.
- Dustmann, C. and Preston, I. (2001), “Attitudes to Ethnic Minorities, Ethnic Context, and Location Decisions”, *Economic Journal*, 111, 353-373.
- The Economist, “The Americano dream,” , July 14 2005.
- Huntington, S. (2004), “The Hispanic challenge,” *Foreign policy*, March/April issue.

Additional reading:

- Card, D., Mas, A., and Rothstein (2007), “Tipping and the Dynamics of Segregation,” Forthcoming, *Quarterly Journal of Economics*.

Topic 9: effect of migration in the home country - remittances

Required reading:

- Lucas R. and Stark O. (1985), “Motivations to Remit: Evidence from Botswana,” *Journal of Political Economy*, 93(5): 901-918.
- Rosenzweig, M.R., Stark, O., 1989. Consumption smoothing, migration, and marriage: evidence from rural India. *J. Polit. Econ.* 97 (4), 905-926 (August).
- Woodruff C. and Rene Zenteno (2007), “Migration networks and microenterprises in Mexico”, *Journal of Development Economics* 82, 509-528.
- Yang, D. (2007), “International migration, remittances, and household investment: evidence from Philippine migrants’ exchange rate shocks,” *Economic Journal*, forthcoming.

Additional reading:

- Yang, D and Choi, H. (2007) “Are Remittances Insurance? Evidence from Rainfall Shocks in the Philippines” *The World Bank Economic Review*, 21: 219-248.

Topic 10: other effects of migration in the home country - brain drain, wages, health

Required reading:

- Beine, Michel, Frederic Docquier and Hillel Rapoport (2007), “Brain drain and human capital formation in developing countries: winners and losers”, *Economic Journal*, forthcoming.
- Faini, R. (2007), “Remittances and the Brain Drain: Do More Skilled Migrants Remit More?”, *The World Bank Economic Review*, 21: 177-191.
- Hildebrandt, N. and McKenzie, D. (2005), “The Effects of Migration on Child Health in Mexico,” *Economia*, 257-89.
- Mishra, P. (2007), “Emigration and wages in source countries: evidence from Mexico,” *Journal of Development Economics*, 82: 180-99.

Additional reading:

- Docquier F. and Hillel Rapoport (2007), “Skilled Migration: The Perspective of Developing Countries,” *IZA Discussion Paper No. 2873*.
- Faini, Riccardo (2003): *Is the brain drain an unmitigated blessing?* UNU-WIDER Discussion Paper No 2003/64, September.