

Third-Country Effects of U.S. Immigration Policy

Discussion

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This paper: Effects of immigration policies can vary in an open economy

Is there a more important question right now?

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- ▶ Incoming Trump government: deport approx. 11 million undocumented immigrants
- ▶ Existing state governments: bus immigrants around country
- ▶ Climate change: projected mass migration from global “South” to “North”
- ▶ Europe: rising far right because of migration

Context

- ▶ Migration is controversial: immigrants (raise/lower) local wages
- ▶ Consensus: output, productivity higher with migration in recipient countries
- ▶ Long-run view: migration is good for recipient countries, short-run mixed evidence
- ▶ Literature rarely emphasizes migration policy effects on “other” countries (e.g. Khanna and Morales 2021)
- ▶ Here: impact of protectionist migration policy can differ if open economy

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- ▶ Here: impact of protectionist migration policy can differ if open economy
- ▶ Multiple contributions
 1. novel policy: restrict H1B workers, mostly IT
 2. Canada relatively close country with open migration policy
 3. unique micro data: policy pushed workers to move to Canada, impacted native worker wages
 4. standard trade model augmented with migration policy
 5. **key:** P.E. policy impact benefits local protected workers, net effect very different in open economy

(Minor) Comments

- ▶ External validity: IT occupations/computer scientists most impacted, impact of ICT on innovation/all sectors/occupations very broad ranging
- ▶ Assumption of common ε between natives and foreign workers within occupation likely misleading...
- ▶ Empirical analysis is of the *short-run* impacts of policy – steady state model implicitly assumes these are the conclusive effects
- ▶ Dynamics will matter: endogenous productivity growth/ agglomeration benefits take time to emerge
- ▶ Quantitative: trade flows will respond very strongly with elasticity of 6.7, in appropriate for a short run setting
 - important for magnitude of offsetting effect of trade on domestic worker welfare
- ▶ Other, confounding, trade policies in quantification?

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- ▶ Other, confounding, trade policies in quantification?
- ▶ Taking this framework to other settings will require thinking more about these issues

Questions (for future work)

- ▶ What are the spatial effects of migration/H1-B policy? Agglomeration important for tech, less for other sectors?
- ▶ Skill-levels and spatial distribution of undocumented workers vary– what are the implications for Mexico/Latin America? (ε)
 - Parraguez-Tala (2024) – quantitative dynamic spatial model of migration, deportation counterfactual
- ▶ What is optimal policy in a world where preferences are anti-immigration?
- ▶ What is the likely inflationary impact of deportation + tariffs? \approx closed economy?

Conclusion

Great paper – a must read when thinking about the current environment