



PIIE PETERSON INSTITUTE FOR
INTERNATIONAL ECONOMICS

Migration Restrictions and Damages to the US Economy

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Trump's 2025 migration agenda

Policy	Effect	Authority
Immigration		
Largest domestic deportation operation in American history	Over 1.3 million undocumented immigrants are deported.	Unilateral executive action (Insurrection Act of 1807; Illegal Immigration Reform and Immigrant Responsibility Act of 1996; Alien Enemies Act of 1798; redirect defense budget funds).
End birthright citizenship	Children born to undocumented parents in the United States no longer automatically become U.S. citizens.	Unilateral executive action (Executive Order); likely to be challenged in court.
Travel ban	Foreign nationals from Iran, Syria, Yemen, Libya, Somalia, North Korea, Venezuela, and Gaza are prohibited from travelling to the U.S. Temporary protected status for foreign nationals from these 8 countries living in the United States may also be revoked.	Unilateral executive action (Executive Order).
Title 42	Undocumented immigrants are ineligible for asylum and quickly deported to Mexico, but face few to no legal consequences for crossing the border multiple times.	Director of the Centers for Disease Control and Prevention (Title 42 of the Public Health Service Act of 1944).
Public housing and work permit ineligibility	Undocumented immigrants are ineligible for public housing and for work permits.	U.S. Department of Homeland Security (final rules).
Migrant Protection Protocols ("Remain in Mexico")	Asylum-seeking migrants wait for their U.S. immigration court date in Mexico rather than in the United States.	U.S. Department of Homeland Security (Section 235[b][2][C] of the Immigration and Nationality Act); likely to be challenged by Mexico.
Asylum Cooperative Agreements ("Safe Third Country" agreements)	The United States deports a percentage of asylum-seeking migrants to countries it has an Asylum Cooperative Agreement with.	U.S. Department of Justice and U.S. Department of Homeland Security (joint interim final rule "Implementing Bilateral and Multilateral Asylum Cooperative Agreements Under the Immigration and Nationality Act").
Build the Wall	Undocumented labor supply in the United States either declines or remains unchanged.	Unilateral executive action (Executive Order).
Extreme vetting	The United States issues fewer visas to adult immigrants, refugees, and temporary foreign workers.	Unilateral executive action (Executive Order).

Analysis

- Use a global multi-sectoral macro model to compare scenarios where illegal workers are removed from the US economy over two years during 2025 and 2026
- Scenario 1 - 1.3 million workers are removed
- Scenario 2 - 7.5 million workers are removed

The G-Cubed Model

McKibbin W and Wilcoxon P (2013), "A Global Approach to Energy and the Environment: The G-cubed Model" Handbook of CGE Modeling, Chapter 15, North-Holland, pp 995-1068

www.gcubed.com

The G-Cubed Model

- Hybrid of a dynamic stochastic general equilibrium (DSGE) model (used by central banks) and a computable general equilibrium (CGE) model (sectoral detail).
- Models Inter-industry linkages, international trade, capital flows, consumption, and investment.
- Annual macroeconomic and sectoral dynamics starting away from steady state.
- Captures frictions in labor market and capital accumulation.
 - Unemployment in the short run, full employment in the long run.
 - Physical capital is sector-specific and subject to adjustment costs.
- Labor mobile across sectors but not regions.

The G-Cubed G20 Model

<u>Countries (20)</u>		<u>Regions (4)</u>	<u>Sectors (6)</u>	<u>Agents</u>
Argentina	Italy	Rest of the OECD	Energy	Households
Australia	Japan	Rest of Asia	Mining	Firms
Brazil	Korea	Other oil producing countries	Agriculture	Government
Canada	Mexico	Rest of the world	Durable manufacturing	
China	Russia		Non-durable manufacturing	
Euro zone	Saudi Arabia		Services	
France	South Africa			
Germany	Turkey			
Indonesia	United Kingdom			
India	United States			

Unauthorized immigrants in the US

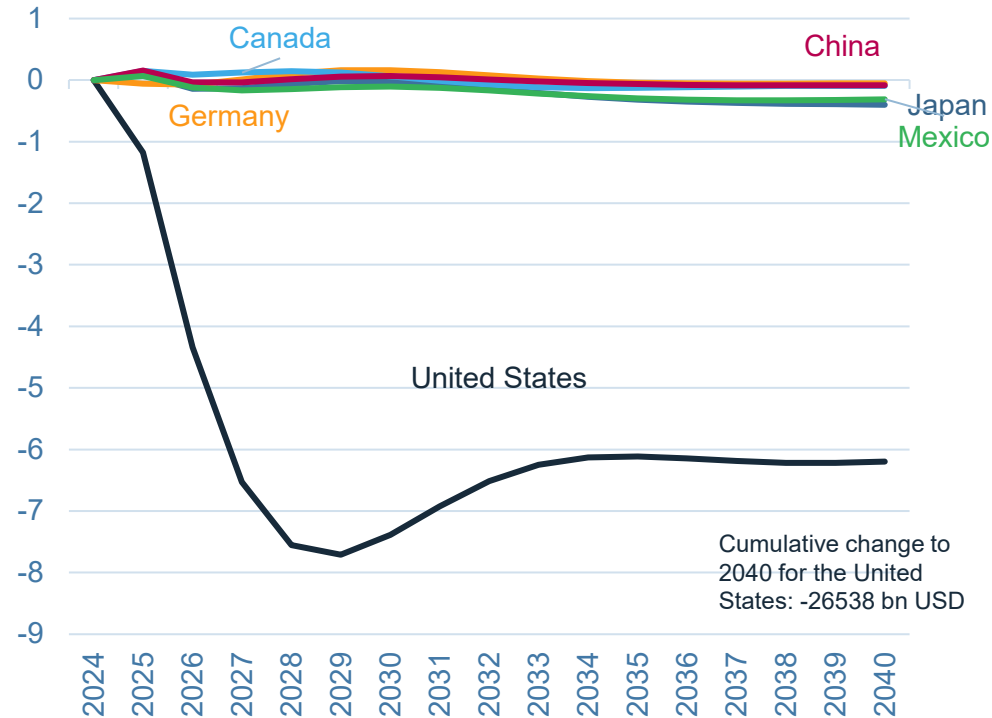
Civilian labor force by G-Cubed sectors, 2017

Source: Pew Research Center

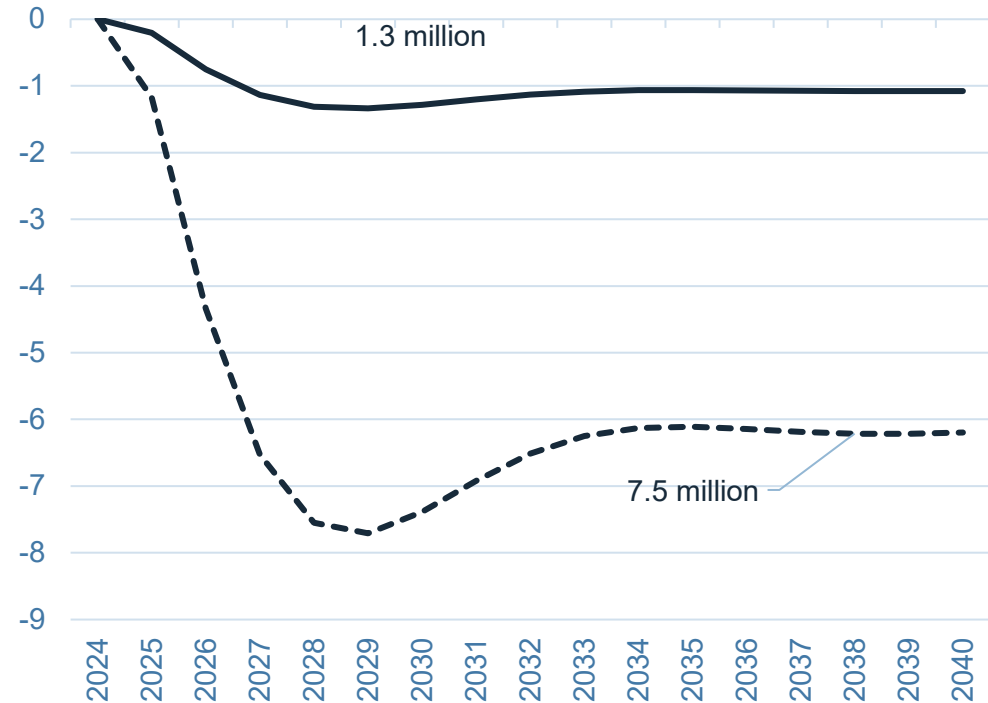
G-Cubed sector	Civilian labor force (in thousands)				Share of unauthorized immigrants
	Total	U.S. born	Legal immigrants	Unauthorized immigrants	
Mining	760	670	65	25	3.3%
Agriculture	2,060	1,470	300	300	14.6%
Durable Manufacture	8,180	6,605	1,100	463	5.7%
NonDurable Manufacture	8,180	6,605	1,100	463	5.7%
Services	143,520	118,930	18,425	6240	4.3%
Total	162,700	134,280	20,990	7490	4.6%

US deports 1.3 versus 7.5 million workers

Real GDP (7.5 million)
Percentage deviation for each year



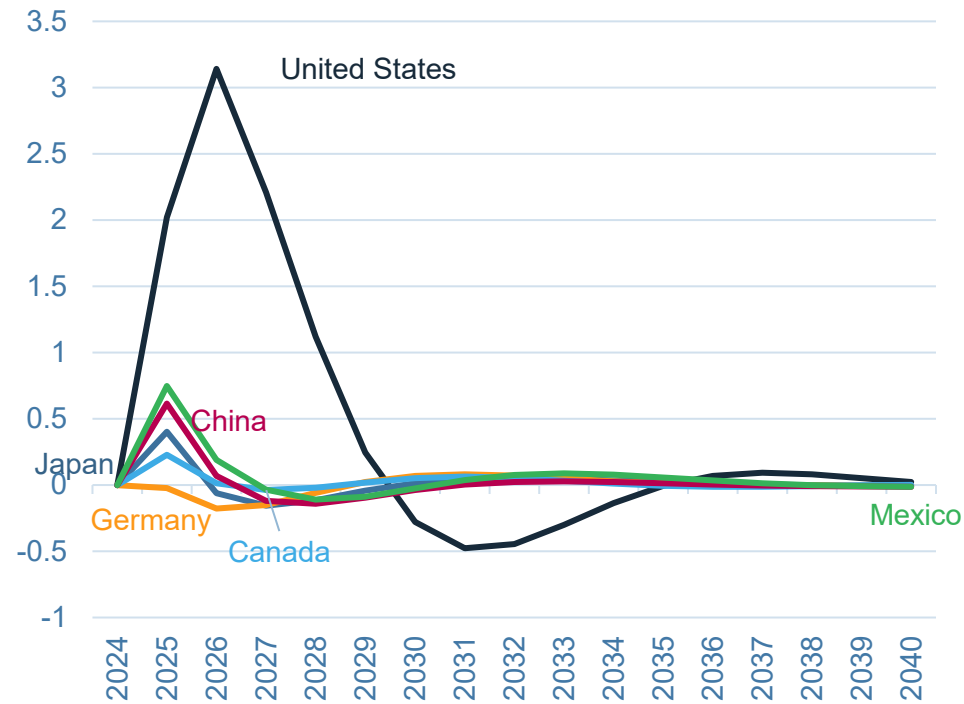
Real GDP (1.3 million vs 7.5 million)
Percentage deviation for each year



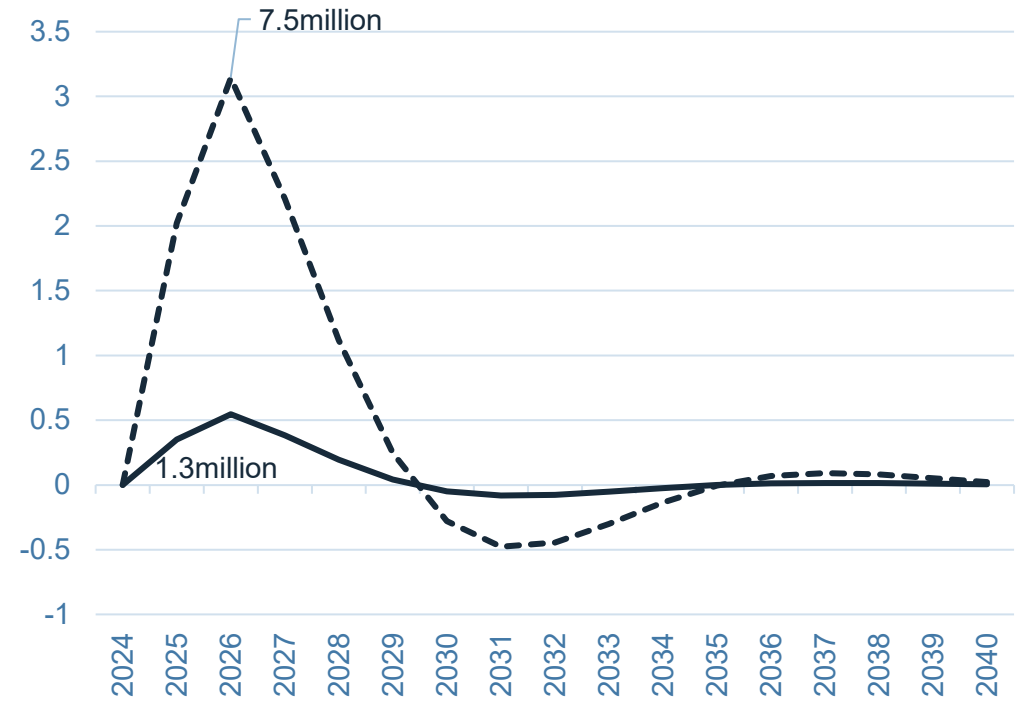
Note: Dotted line shows scenario 7.5 million deportations.

US deports 1.3 versus 7.5 million workers

Inflation (7.5 million)
Percentage points



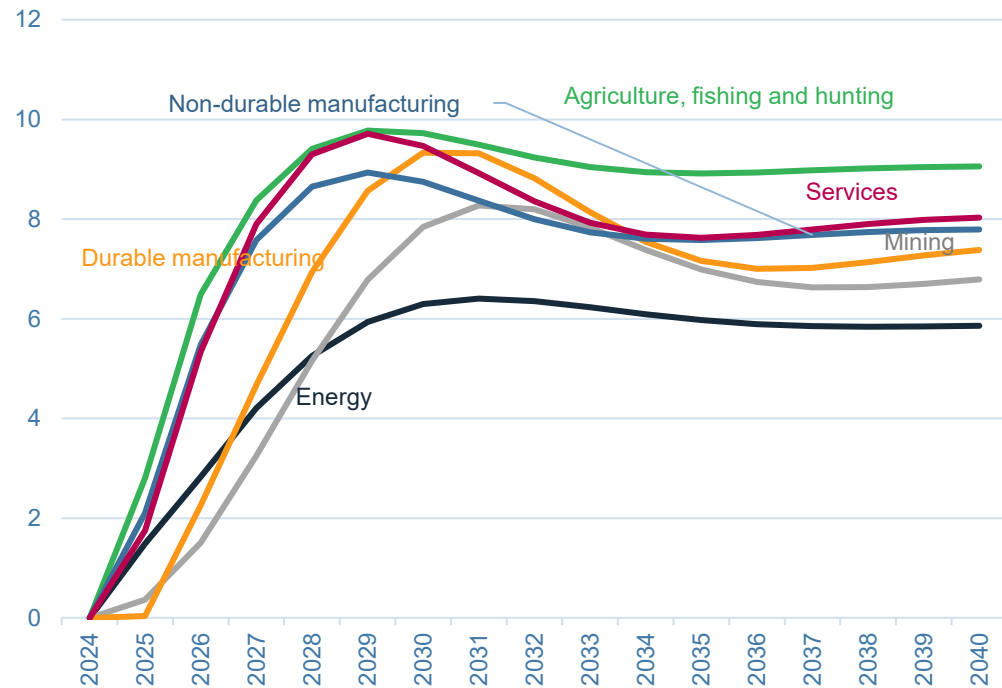
Inflation (1.3 million vs 7.5 million)
Percentage points



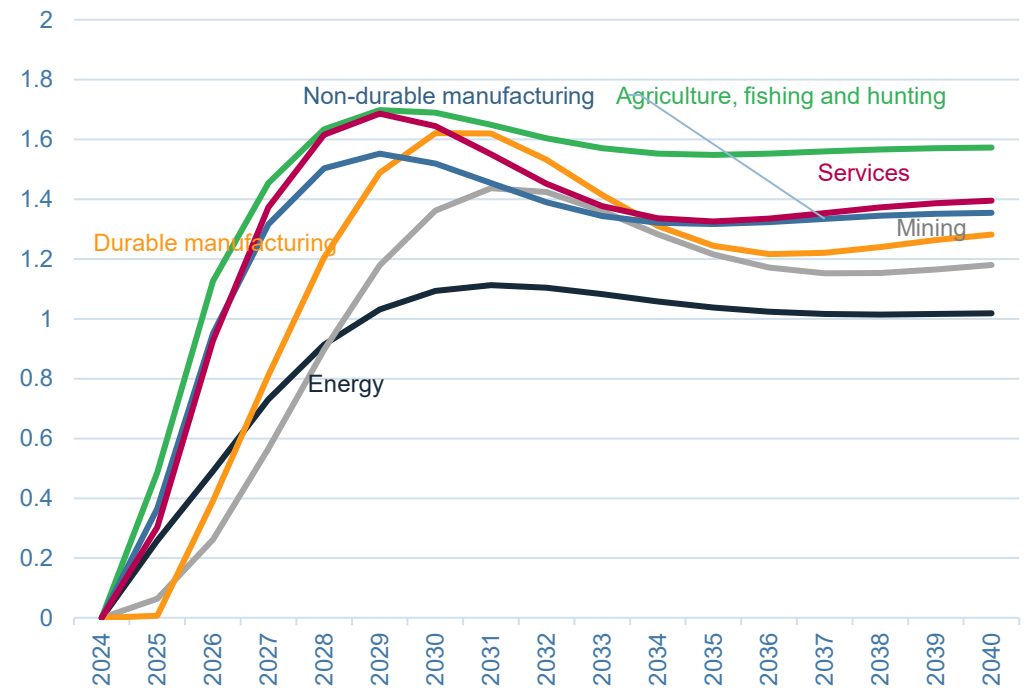
Note: Dotted line shows scenario 7.5 million deportations.

US deports 1.3 versus 7.5 million workers

Prices (7.5 million)
Percentage Change

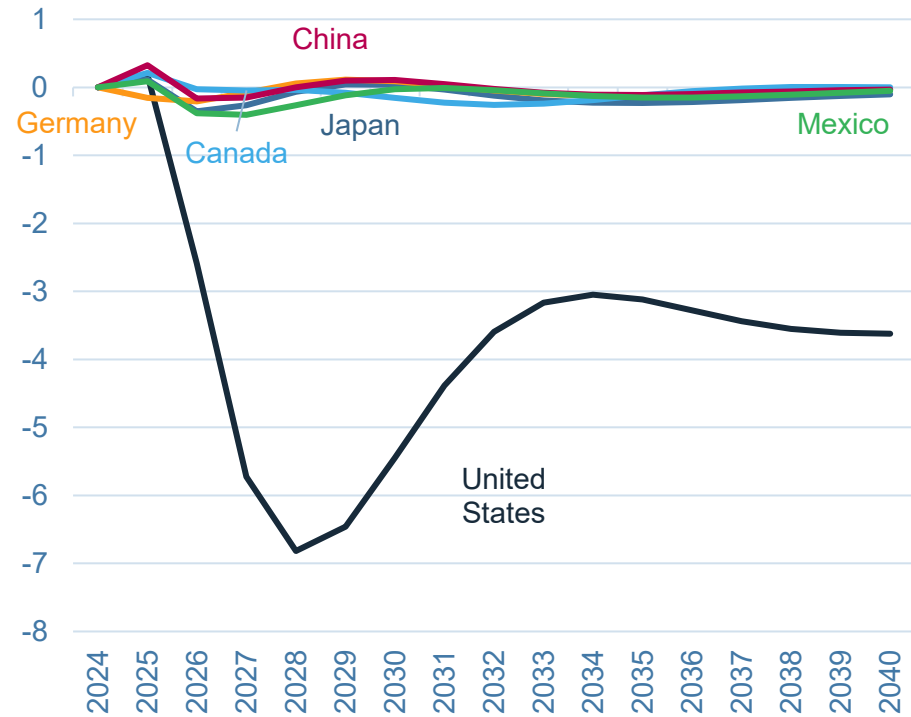


Prices (1.3 million)
Percentage Change

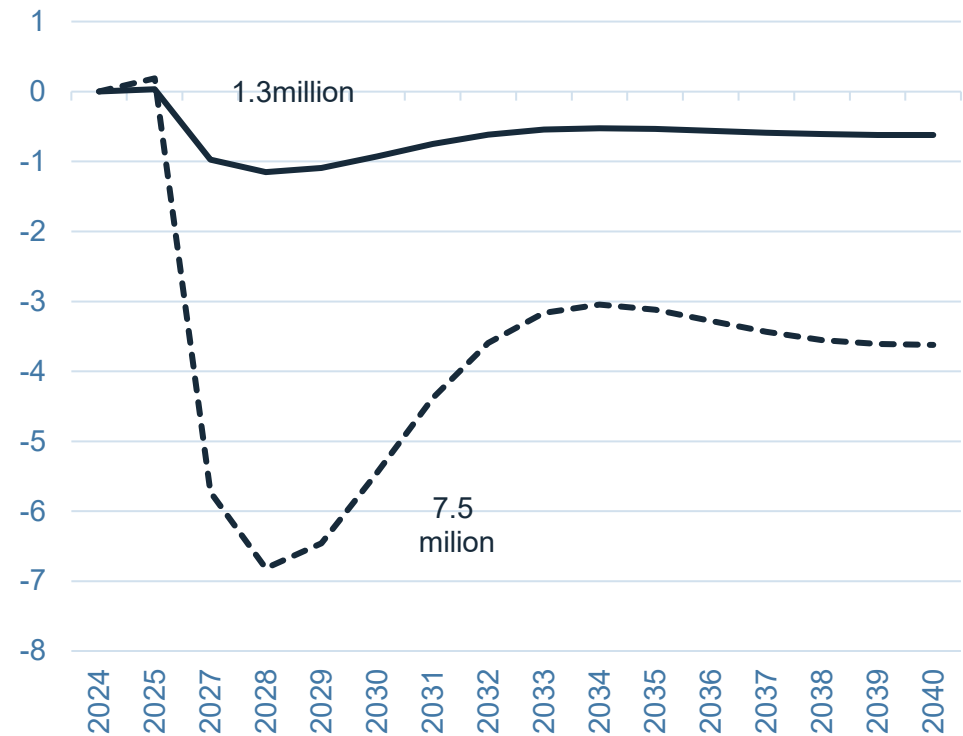


US deports 1.3 versus 7.5 million workers

Employment, hours worked (7.5 million)
Percentage deviation

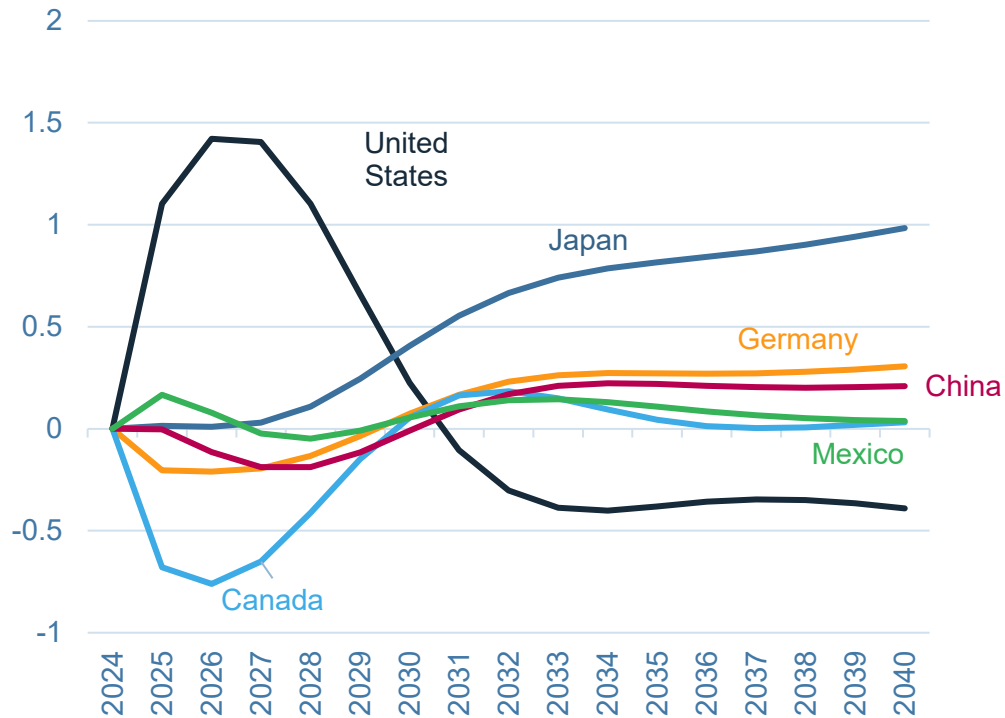


United States (1.3 million vs 7.5 million)
Percentage deviation

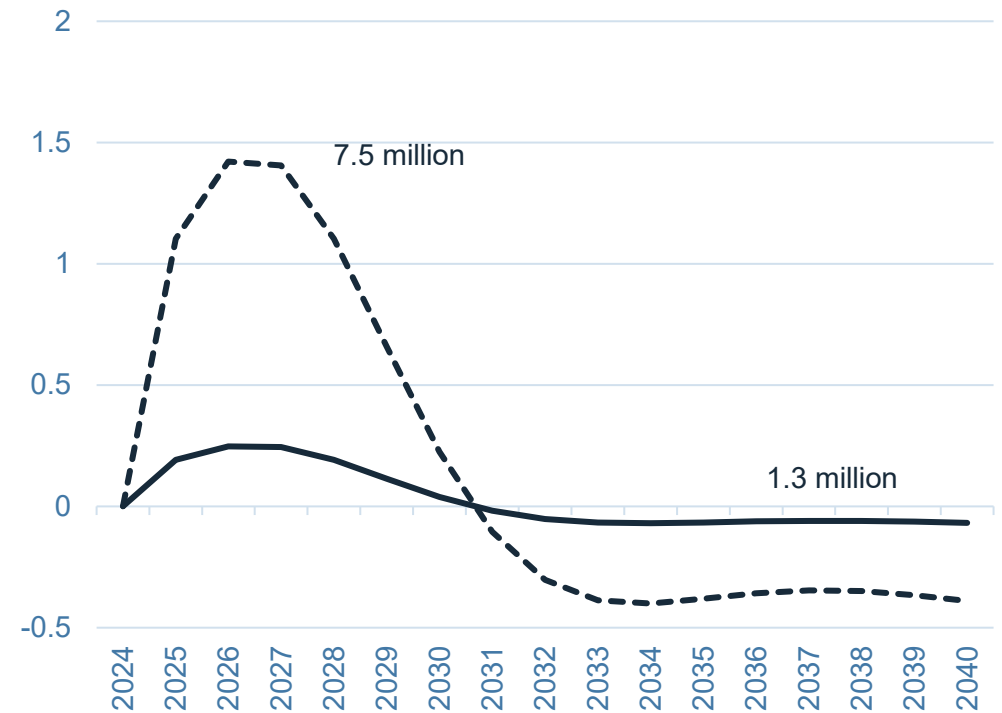


US deports 1.3 versus 7.5 million workers

Trade balance (7.5 million)
Percent of GDP deviation from baseline



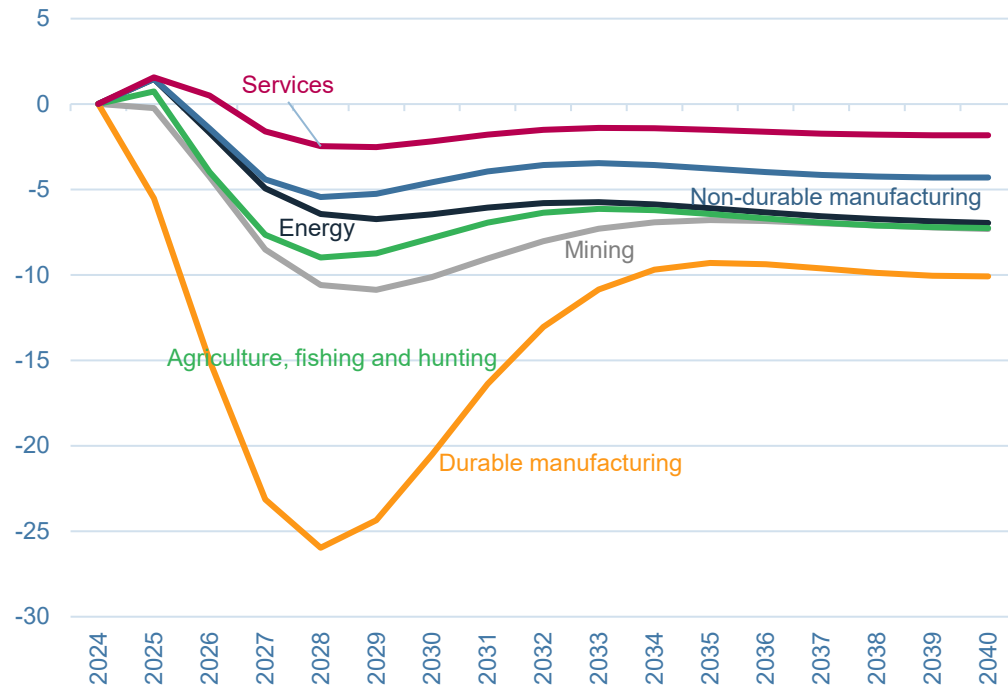
Trade balance (1.3 million vs 7.5 million)
Percent of GDP deviation from baseline



US deports 1.3 versus 7.5 million workers

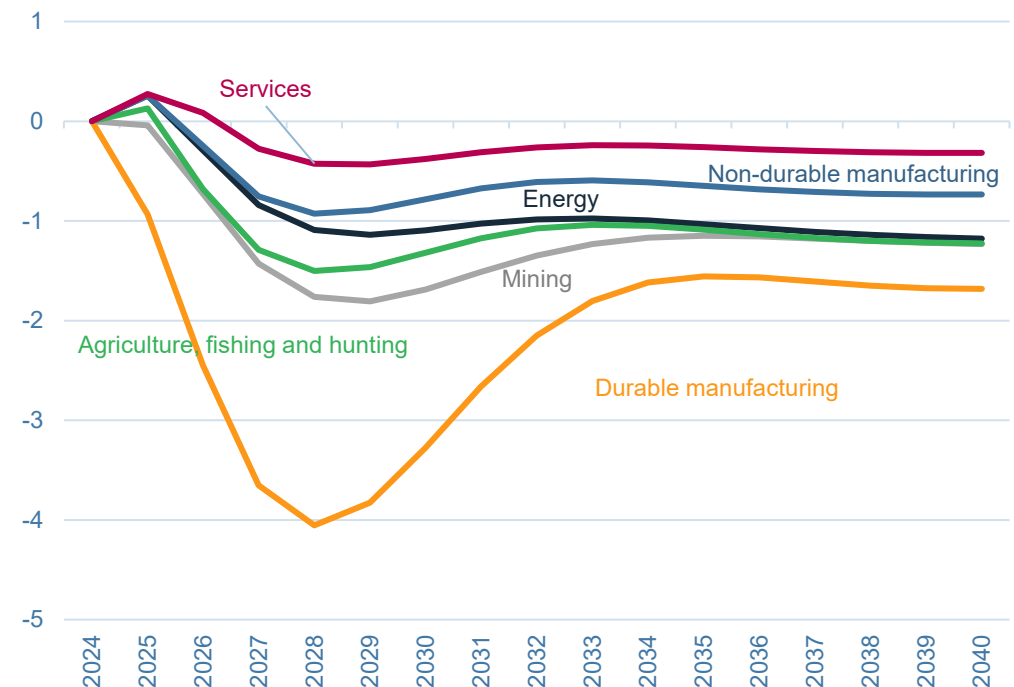
Employment (7.5 million)

Hours worked, percentage deviation for each year



Employment (1.3 million)

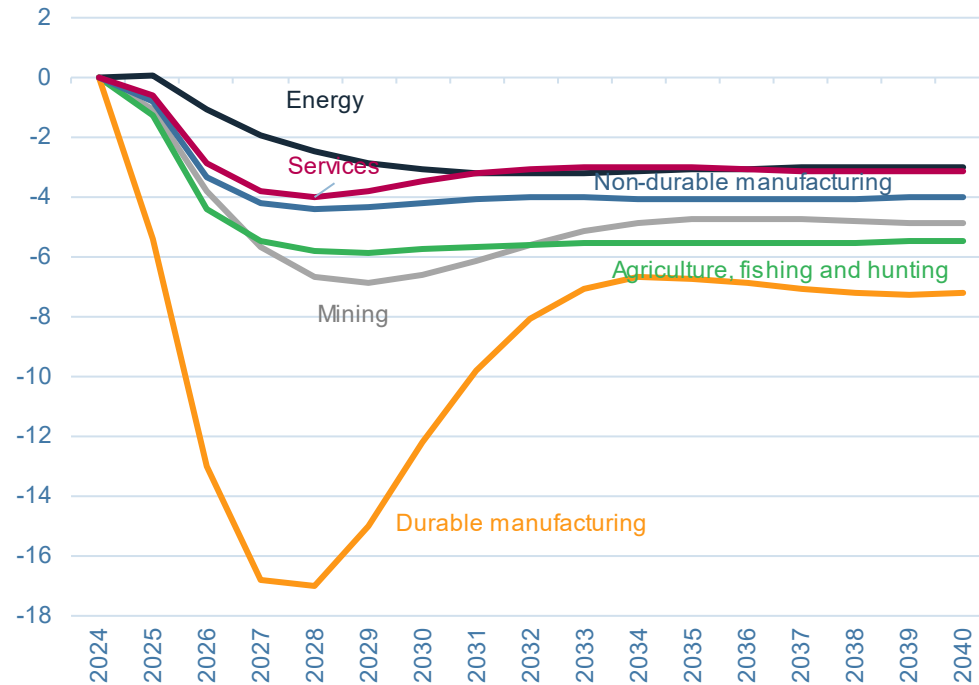
Hours worked, percentage deviation for each year



US deports 1.3 versus 7.5 million workers

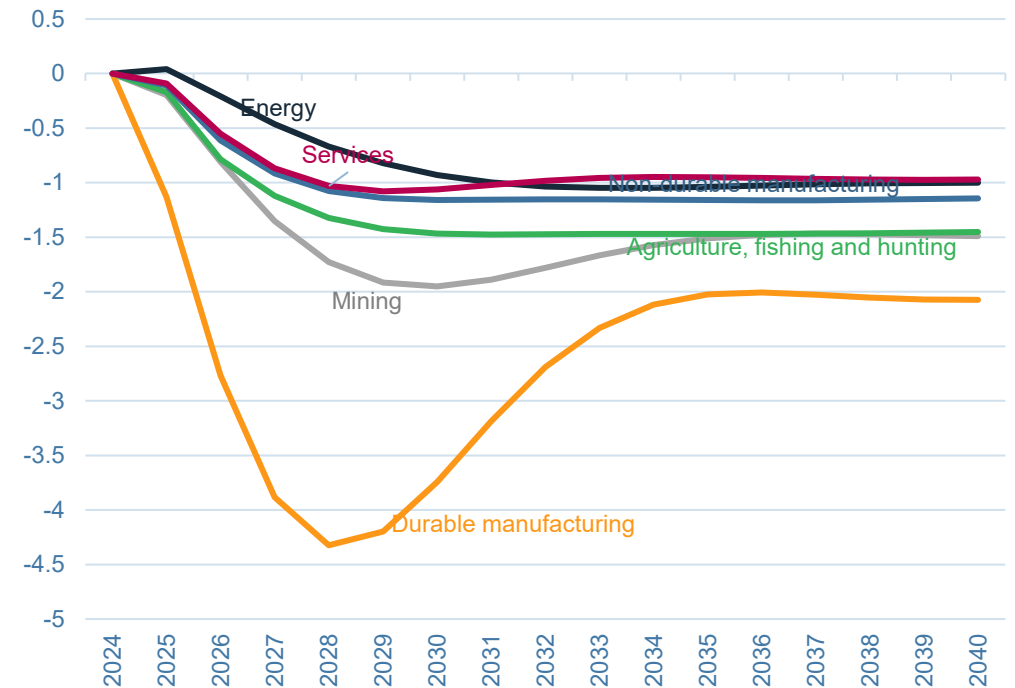
Sector Output (7.5 million)

Percentage deviation



Sector Output (1.3 million)

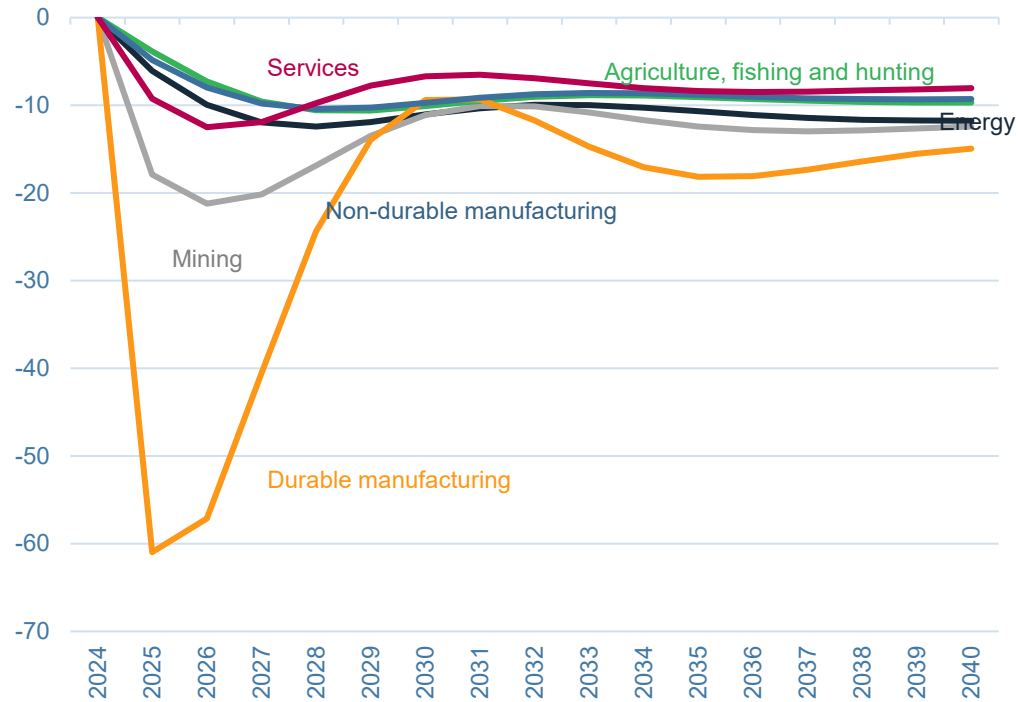
Percentage deviation



US deports 1.3 versus 7.5 million workers

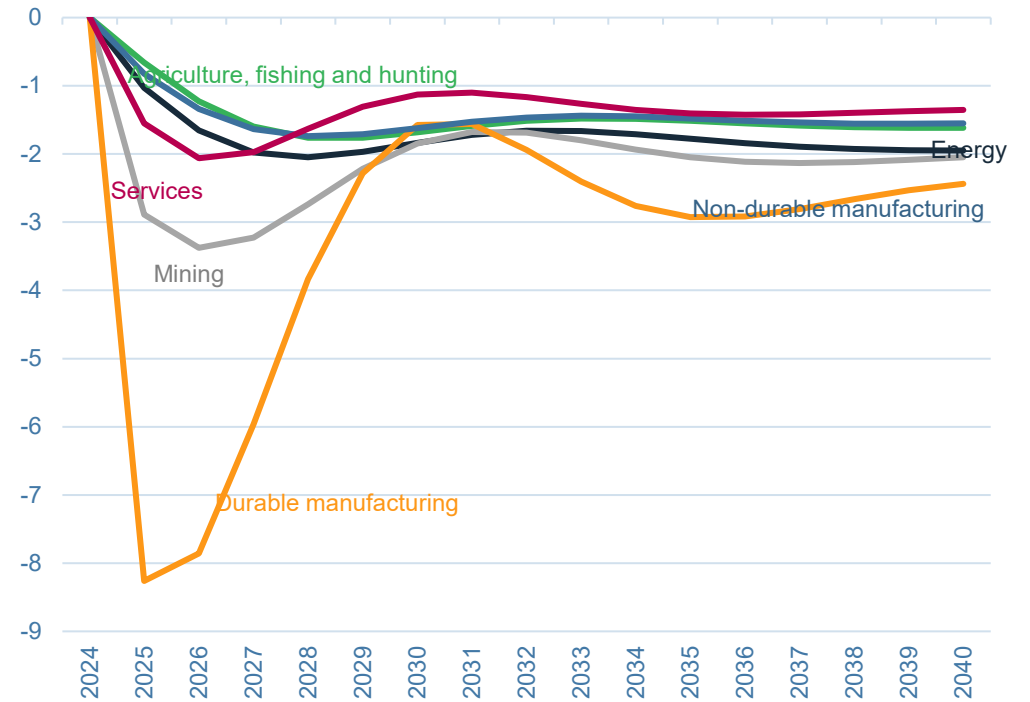
Stock Market Value (7.5 million)

Percentage points



Stock Market Value (1.3 million)

Percentage points



Summary

Three-year cumulative point years change versus baseline

	7.5m worker deportation scenario	1.3m worker deportation scenario
Real GDP	-12.0	-2.1
Inflation	7.4	1.3
Employment (hours worked)	-8.1	-1.4
Trade Balance	3.9	0.7
Durable manufacturing employment	-43.7	-7.0

Insights

- The deportation of workers reduces the potential labor supply in the US economy, especially in the Agriculture, Services, and Manufacturing sectors.
- The decrease in workers directly translates to a decrease in production, leading to a slowdown in economic activity and a subsequent rise in inflation.
- Inflation spikes between 0.5 and 3.1 percent in 2025, depending on the scenario.
- The inflation shock on the supply side is partly offset by a fall in aggregate demand due to income and wealth effects.

Insights

- Overall investment falls as the return to capital in each sector falls due to the fall in the labor supply. There is some substitution of capital for labor, but the decline in the return to capital dominates.
- The investment slowdown significantly impacts the durable manufacturing sector that provides the goods for physical investment
- Capital flows out of the US economy, depreciating the \$US and improving the trade balance.