Unedited Event Transcript

Migration restrictions and damages to the US economy

Michael A. Clemens (PIIE), Warwick J. McKibbin (PIIE), Jonathan Portes (King's College London) and Adam S. Posen (PIIE)

Peterson Institute for International Economics, Washington, DC
June 26, 2024

Adam Posen: Hello, everyone, and welcome back to the Peterson Institute for International Economics. I'm Adam Posen, the Institute's president. And we're here today for, I believe, a very important contribution to the public debate, a discussion of the costs of migration restriction to advanced economies, such as the US, as well as the benefits of migration liberalization.

This is obviously an incredible political issue in the US, in advanced economies, or so-called advanced economies, high-income economies around the world. There are great political issues at stake and claims about values. We do not pretend or presume to be authoritative on that. What we do want to do is offer the public, in the voters in the US, the public at large, the economic realities of choices and proposals made by the major party presidential candidates.

In 2016, under the leadership of Marcus Noland, with contributions critically from Gary Hufbauer and Sherman Robinson, we published a study looking at what would happen if the stated international economic policies of the then-candidates Hillary Clinton and Donald Trump were to be enacted. A key part of this, as mentioned by Gary Hufbauer, was establishing legally and in political operational terms how Trump could carry out the things that he said he would do, particularly on trade.

And those proved to be correct, in the sense that Trump was able, legally, operationally, to carry them out, largely through executive order. Gary, advising this project, and with the leadership work of Megan Hogan, a research fellow here at the Institute, have established, again, that Trump, if elected, will have the executive authority and the political space, through various means, to carry out the things he says he's going to do on trade, investment, and particularly migration.

That doesn't mean he will ultimately do them, but it does mean we should take his repeated words, not just when he happens to say something casually, but when he makes repeated similar statements, and they are affirmed or reinforced by members of his campaign and his surrogates and advisors, we should take them seriously. I want to emphasize this is not just about Trump. This is also about candidate Biden. I say candidate Biden, he is, of course, President Biden.

This is about him as a candidate, or rather not him, his stated policies. And a pattern, as mentioned by Kimberly Clausing and Mary Lovely in their recent influential piece on the inflation costs of trade, excuse me, inflation costs of tariffs blocking trade, is that we have a one-way ratchet effect. The Biden administration had the executive power to roll back a number of tariffs and trade measures undertaken by President Trump. They chose not to. And they chose to extend in some limited ways.

We are heartened to see, recently, the Biden administration and its surrogates in the political sphere stating very clearly that the kind of additional tariffs that Trump is talking about would be inflationary and hurt individuals and households in the US as well as businesses. And we're very proud, not because it's the Biden people, but because it's true, to have the work of Kimberly Clausing, Mary Lovely, Maurice Obstfeld, Gary Hufbauer, Meg Hogan, and others on the Institute team being cited authoritatively as it deserves as a benchmark for those costs, along with others.

Today, we turn to migration policy. Again, there has been a ratchet effect. The Biden administration has largely maintained the policies that were put in place by Trump, adjusted them at the margins. They did do a meaningful easing of effective border restriction over the last couple years. And as our colleague, Karen Dynan, pointed out in her assessment of the US economy in April, this played a key role in the non-inflationary growth we saw over the last two years.

It eased labor supply constraints and reduced wage pressures at a time when unemployment otherwise might have shot up or, alternatively, might have caused shortages in the labor market. Neither happened because this was a positive supply shock. We're starting with that logic and going through today with three of the world's leading experts, two of whom are PIIE official affiliates, one a longtime colleague and collaborator with the Peterson Institute.

They each will be able to speak their own minds on the basis of their research, but I just want to highlight two big messages. First, restrictions on migration, as Warwick McKibbin and co-authors have spoken about, is a negative supply shock for the US economy. It's not a negative demand shock, it's not a pure price shock, it is a negative supply shock. That means it decreases growth rates and increases inflation simultaneous.

The exact magnitudes and through which channels are what we're going to discuss, but it must be seen that way because migrant labor is an input that complements domestic labor and capital in the production of agriculture, manufacturing services, especially durable goods manufacturing. The second point to be made is the numbers we have from the literature, from past work by my colleagues who are speaking today and from the new work by Warwick, Marcus, Meg, Jen and others are substantial.

They are, depending on which scenario we look at, anywhere from three to 10 times higher than the impact of tariffs. Now there's one aspect of migration policy that's different from tariff policy as a self-wounding exercise. Anti-migration policy potentially has fewer knock-on foreign policy and global economic effects. You don't have the tit-for-tat retaliation and erosion of the regime that you do with tariffs and trade.

Nonetheless, in straight economic terms, this issue is not getting enough attention. Meaningful migration restrictions beyond what we're already costing the US economy are substantial and it is unavoidable if we go down that path. And the goal of the Peterson Institute, which is non-partisan, is to have people pick better policy.

If our study and other people out there and common sense prevail, leaving aside issues of human decency on an economic basis, and candidate Trump or candidate Biden renounces these kinds of enhanced migration restrictions, we will be very happy. It will be a good thing. We don't want people to be wrong. So with that, let me introduce the first of our speakers today.

Michael Clemens is a non-resident senior fellow here at the Peterson Institute since about a year and a half ago. He is a professor in the Department of Economics at George Mason University. He studies the economic causes and effects of migration all over the world. He is, in fact, one of the leading scholars, empirically, of migration in the world. And we're very proud to have him now associated with Peterson. He had a long, distinguished career with the Center for Global Development for 20 years building the research program on international migration there.

Importantly, he has, and part of the reason he came to us, is that he has shifted his research focus from being more about the places migrants come from and the effects on them, to the places migrants come to and the effects there. Although he has contributed in both aspects of the literature. His research has won the Royal Economic Society Prize. He has publications in leading journals like the American Economic Review.

He has worked with a number of governments, including the US government, on issues of migration. And we are grateful to him for pulling together his thoughts on the proposed migration policies of the two major presidential candidates in the US. Dr. Clemens.

Michael Clemens: Thank you so much, Adam. The honor is mine every time I walk in here. Thank you all for being here. The economist and Nobel Laureate Bob Solow once wrote that one of the highest callings of an economist is to be a kind of intellectual sanitation worker, he called it, taking bad ideas out to the trash. And since we're here in Peterson, I want to talk about a bad idea in international trade that has persisted for centuries, and that is the idea that every time you choose to purchase the produce of another nation, you inherently, directly, and obviously reduce economic opportunity to people in your own nation.

That is, if you choose to buy an electric vehicle from Hyundai and not a Tesla, there's something about that decision that so obviously takes away economic opportunity from American workers that research is kind of superfluous. And about 250 years ago, a group of people that would later start to call themselves economists stood up and said, no, that's not correct. The economy is much more complicated than that. Your decision to buy a Hyundai also increases the returns to Americans specializing in a wide range of other things that they might be even better at, developing battery technologies, building out the charging infrastructure for the electric vehicle fleet, and countless other activities.

In the cartoon economy of zero-sum, none of those things exist, there is a pervasive and closely related bad idea about immigrant workers, like the Arevalo family, who came here from Venezuela almost exactly a year ago and now reside in Long Island City. What does it mean for an American to give a job to the Arevalo family? In the zero-sum cartoon economy, where no evidence is needed, that obviously directly takes away economic opportunity from another worker who might have that job.

And it's time for more economists to stand up and say, no, that's not correct. The economy is vastly more complicated than that. That decision also raises the returns to American workers specializing in a wide range of activities that they might be even better at, such as specializing in different tasks alongside the Arevalos in the same organization, perhaps tasks that require native English, such as back office work for the employer of a potentially employed member of the Arevalo family. Such as building out retail infrastructure to provide goods and services to the Arevalo family, and countless other things.

In the cartoon economy, none of those things exist. And you can see the cartoon economy in the headlines. Here's a proposal, which is very clearly set out by one of the major presidential campaigns for the largest ever mass deportation campaign in the United States, set to begin in January.

The idea is to call up brigades or entire divisions of National Guard troops and active military personnel deployed across the homeland to do sweeps of public places and employers, herding people into mass deportation camps to the tune of "millions" of people per year. That's the proposal.

And spokespeople for the campaign will confidently tell you that the economic effects of this are clear. It will be celebrated by American workers who will now be offered higher wages with better benefits to fill those jobs. Now, the self-confidence of this statement, untouched by research, is such that research doesn't seem to even be needed. It's so obvious what the effects of this will be.

As a participant actively in research in immigration economics, I just want to very briefly review three relevant facts from economic research about mass deportation. Mass deportation, in the best evidence we have, eliminates jobs in the United States, reduces them. So here I'm thinking of the work of Chloe East et al, came out recently in the most highly vetted and rigorous academic journal in labor economics, the Journal of Labor Economics. Chloe East and her co-authors are studying the last mass deportation campaign carried out mostly by Democrats under the Obama administration, known as Secure Communities.

This was a collaboration between local police and federal immigration enforcement officials that caused the deportation of roughly half a million people over several years. Crucially for their research, it was rolled out in different counties at different times, which allows the economists to study what happened in local labor markets in counties where mass deportation had begun relative to in other similar counties, often neighboring counties, where mass deportation had not yet begun.

And they ask, for every 10 workers deported, for every 10 immigrant workers successfully, as intended, deported under this mostly Obama-driven mass deportation campaign, how many US jobs were created? And the answer is that for every 10 immigrant workers who were deported, one US job was lost. And I don't mean one US worker lost their job and two weeks later they could find another one. I mean the number of employment slots for US workers relative to the population of the average county went down by one permanently.

And they go on at length about the mechanism for this effect. It happened mostly through deterring the formation of new businesses where immigrants and natives work together and encouraging the exit of existing businesses where immigrants and natives work together. That's about people who are already here. What about new arrivals? Ethan Lewis of Dartmouth and I, in a paper next month in the National Bureau of

Economic Research Summer Labor Institute, study the largest low-skill work visa to the United States in the non-farm sector, the H-2B visa.

This is a visa that is widely used for low-skill work. 96% of the jobs don't require a high school degree, according to the Department of Labor. It is tightly capped by a quota that was baked into law 34 years ago and has not been updated since. As a result, it is oversubscribed by 500%. So the government is routinely denying firms the opportunity to hire migrants. Crucially for us, they do this at random. They allocate to firms the opportunity to hire workers under this visa with a lottery.

So we gathered 500 firms that were entrants in the lottery and asked them basic questions about how business was in that season. It's an opportunity to set up a kind of randomized natural experiment like a COVID vaccine trial and attribute and really determine what was the difference in outcomes for firms where everything else was the same but for the chance to hire immigrants. To make a long story short, firms randomly selected to be denied the opportunity to hire immigrants for low-skill jobs contracted 14%. 14% hit to revenue.

They scaled back their operations. Their operations involve hiring all kinds of US workers and for that reason, they hired fewer US workers, not more. And our estimates are that for every 10 new arrivals of immigrants for low-skill jobs that were deterred, between one and two US jobs in low-skill occupations at the same organization were eliminated.

Mass exclusion through deportation or deterrence of arrival eliminates US jobs and that's something which needs to pervade the public debate. A second fact I want to hit is the fiscal effect of mass exclusion. This is a brand new publication of the Congressional Budget Office that just came out. They're estimating the budgetary impact of the recent surge in irregular migration over the last three years which they estimated over six million people arriving to stay and they're forecasting the budgetary impact of that.

What's the increase in the deficit over the next 10 years? It's negative in every year. Add it up over the 10 years to come and their forecast is that that arrival is a gift to American taxpayers approaching a trillion dollars. How many people look at the buses full of migrants and say there is a bunch of cash in my pocket. Next bus, more cash in my pocket. That's not how they're viewed. That's what's going on according to the non-partisan technocrats of the Congressional Budget Office. Economists are not helping.

So here are the estimates of the National Academy of Sciences Commission, blue-ribbon commission of expert immigration economists from a few years ago on the fiscal impact of the average recently arrived low-skill immigrant defined as a person with less than a high school education. This is just for people with less than a high school education. Lifetime fiscal outlays to that person. Very, very comprehensive measure. Lifetime fiscal inflows directly from that person in terms of taxes paid. That's a negative number in the solid red countered against the solid green, which is what they published.

But of course, the fiscal impact of immigration is not the cash that flows directly to and directly from an immigrant. It has to account for the impact of that person on the economy. If an immigrant is paying income taxes from a job, why did anybody give that immigrant a job? To make money on their capital, not as an act of charity. They raise their capital income. That's the only reason they typically do it. Capital income is taxed.

And in a paper called the Fiscal Impact of Immigration, I do a conservative adjustment of what those fiscal revenue numbers should look like if they accounted for this necessary indirect fiscal effect. And it flips the sign to positive. What the CBO is doing is accounting not just for fiscal flows directly to and from an immigrant, which is a fundamentally flawed and incorrect way to do the analysis. It's called the Net Direct Fiscal Transfer.

The Net Direct Fiscal Transfer is not the fiscal impact. This is the fiscal impact. And CBO estimates that even for low-skill irregular mass arrival, it's positive. Mass exclusion of those people would have taken money away directly from taxpayers. Last fact, mass exclusion feeds informality, feeds illegality, feeds chaos at the border. In a new analysis published here at Peterson, I take 12 years of data, high-frequency data, on the number of people crossing the southwest border illegally, that's in red, and compare it to the number of people allowed to cross legally and remain lawfully in the United States at ports of entry, that's in green.

And I ask, well, when there is an increase in the number of people being allowed to cross lawfully, what happens to the number of illegal crossings? They go down. They go down a lot. They go down to a degree that is statistically significant and they go down to a degree that is sustained over a long period. The flip side of that, of course, is that more restrictive policies at ports of entry cause an increase in illegal crossings.

Part of the surge in illegal crossings is due to policy. And that's one of the things I hope to communicate in these few minutes is that what we're facing is really a policy crisis. So who benefits from these portrayals of the cartoon economy and the policies based on them? Not American workers, not even the least skilled American workers. This is the unemployment rate that the BLS estimates for workers 25 and above who don't have a high school degree.

Not only is it at historic lows and continues to be at historic lows, notwithstanding the recent surge in immigration, the evidence that I've showed you suggests that this is partly due to the recent surge in immigration. Who benefits is clearly politicians themselves. And there's a long tradition in the United States from 50, 100, 150 years ago of declaring with something like the cartoon zero-sum model of the economy in mind that mass exclusion will create employment for US workers, frequently cited during Chinese exclusion and many other sad episodes in American history.

What's different now is that the American public is more knowledgeable, is smarter about this. There's an alternative, centrist policy response to the current policy crisis, that is expanding lawful channels for immigration. Perhaps surprisingly, this is a popular policy. Pew Research estimates that a large majority of the American public believes that expanding lawful channels for migration would benefit the United States while bringing greater regulation and order to the border.

It's a centrist policy between militarized mass exclusion and continued ad hoc mass parole programs kicking the can two years down the road. There is the policy of expanding lawful channels, mutually beneficial to migrants and the American public.

I'll conclude with these thoughts, that this is a crisis of policy, very much, not a migrant crisis. That the zero-sum economy that is the basis of these wild, outrageous claims about the economic effects of very extraordinary interventions in the US economy and labor market are snake oil. Economists have learned much more about this than campaign spokespeople are interested in telling you.

Mass exclusion eliminates jobs for natives, it drains public coffers, and it brings more disorder and chaos to the border, more illegality. There is a centrist and perhaps surprisingly popular response which is to expand lawful channels for migration, and that would rest clearly on the best evidence that we have, thank you very much. Thank you.

Adam Posen: Thank you, Michael. As advertised, an outstanding distillation of work done by him and others at the cutting edge of research. I would like to introduce our second speaker, Jonathan Portis, Professor at King's College London and co-director. What's your title? Senior fellow at UK and in a changing Europe.

In the UK and throughout Europe, Jonathan Portis is known as one of the leading applied economists and analysts of migration issues as well as a host of other issues. He had a distinguished career as a civil servant in the UK system including work on immigration issues at the Department of Works and Pensions and then as a senior economist, and I believe, eventually chief economist of the cabinet office through the mid-2010s.

He has since become a truth telling public non-partisan person as he was as a private advisor to successive chancellors of the exchequer ministers and prime ministers of the UK. In particular Jonathan leads the work at UK in a changing Europe which is the unquestioned best source for assessing the impacts of Brexit and other UK related economic issues on immigration.

And what we hope to hear from him today is about the choices that the UK has made since Brexit which initially was restricting of immigration by reducing the on-demand availability of EU workers but has now turned to increasing the import of migrant workers from the rest of the world and I will turn to Jonathan to take us through what that means and what that means for the US.

Jonathan Portis: Thank you very much for that kind introduction Adam. It's always a pleasure to be back at Peterson after a few years. I was last here before the pandemic and it's nice also to be back in doing in-person events. And it's an honor to follow Michael, who as Adam said, is certainly the leading scholar on the actual impact of migration and migration restrictions in the US at the moment. So thank you again.

So in some sense what I'm going to talk about is the UK's experiment with sort of doing in some sense what Michael is recommending which is radically expanding legal migration routes from a centrist position actually done of course by the post-Brexit government of Boris Johnson as I will explain. And what the impacts of that have been which I think are very much consistent with what Michael said about what would happen in a US context but also towards the end about some of the political economies that that poses for those of us who are of a liberal both persuasion in economic terms on the migration issue, and some of the political dilemmas that arise and where we go next in the UK and perhaps elsewhere in Europe.

So Brexit, of course, famously was a vote to restrict immigration at least if you believe some of the more simplistic analyses and in some sense it was. There's plenty of good political science evidence that suggests that many of the people who voted for Brexit were indeed motivated by the desire to restrict immigration. And immigration was as Adam said indeed restricted in the sense that free movement of workers, free movement of people, a fundamental principle of the European Union, and indeed of the single market, which the UK left as a result of Brexit was abolished. And that did indeed lead to a very sharp fall in migration from Europe -- net migration and gross migration from European countries to the UK.

It fell almost immediately after the referendum even long before we actually left the EU and that decline accelerated during the pandemic and after Brexit. And at the same time as analysts like me anticipated there was a corresponding increase driven both by demand and policy of migration to the UK from outside the European Union. We anticipated that partly as a result of displaced demand immigration from outside the EU would increase and also policy was liberalized.

So it was no surprise that migration from outside the EU increased and it was also boosted by flows of other migration flows in particular refugees from Ukraine, the UK special visa policy for people from Hong Kong who had what's called British National Overseas Passports, and also irregular arrivals in the UK, people coming across the English Channel on small boats.

But what neither I nor I think it's safe to say pretty much anybody else anticipated was this, which is the most dramatic rise in immigration in recorded and probably unrecorded UK history. Unprecedented in terms of magnitude. So this is net migration. So this is even after taking account of outflows in the last couple of years. So in the last couple of years, we've had net migration. I think since Brexit in January 2021, we've had net migration of non-EU nationals to the UK of about 2 million.

That's about 3% of the UK population, which obviously in US terms would be what, 10 million, pushing 10 million or so now, I think. So that's quite a lot of people. And as I said, unprecedented in UK history. And you can see there, the blue line there is Europeans. But at the same time, Europeans felt that migration fell from its peak in June 2016 at the time of the referendum has fallen steadily since then, and is now as best we can estimate is now negative. There are more Europeans leaving the UK than coming in.

Why did this happen? Well, basically it's because the UK government, then led by Boris Johnson, decided when it implemented Brexit and free movement ended, it decided that for political and economic reasons, it wanted to mitigate the negative impacts of Brexit, particularly in this initial shock on the UK economy. So it introduced a relatively liberal by the standards of advanced economies system for what we call skilled migration.

It essentially said that people who were employers hiring people to work in jobs that required a sort of fairly basic level of skill more than what you might call high school education here, I think roughly, successfully graduating high school. And where salaries were higher than £25,000, which was roughly that sounds like, that's the 30 something thousand dollars, not a lot by US standards is actually not far off. It was then a little bit below median wages in the UK.

So not that high even for the UK. And it also streamlined a number of other requirements in particular, removing any quotas, lowering skill requirements and eliminating the resident labor market test. You didn't have to show you couldn't hire a Brit for the job anymore. At the same time, it introduced a graduate visa, allowing people to stay on for two years after they finished studying in the UK. We have a lot of international students and this further increased demand. And so, the result of this was what you saw on the previous slide.

Those of us who'd forecast that on net the increase in non-EU migration would not even offset the fall in EU migration turned out to be -- and that included me, it also included official government forecasts -- turned out to be completely wrong. The increase in non-EU migration far more than offset the decrease in European migration. And so what does that do? This shows the extent to which the penetration of foreign born workers in the UK labor market has increased steadily. I think it's now close to US levels, in fact, which for a country that is not historically of immigration is quite surprising. And so this shows absolute levels.

But if you look at the net employment change, so what's happened over the past 25 years, basically since I've been working in this policy area, here you can see that the number of UK born workers in work is higher than it was in 2007, but it's basically flat lined overall over the last 20 years. And especially recently, pretty much all employment growth in the UK has been driven by migration. And this is a net change, five million more people from outside the EU in the UK labor market than 25 years ago, whereas less than two million more people born in the UK on net.

So employment change over the last 25 years has been driven by non-EU workers, but especially in the last year or so. So this is employment of non-UK nationals, just focusing particularly over the last few years. And there again, you see that explosive growth in the number of non-EU origin workers, well over a million extra people just in the last three years. And this is quite interesting, because what it shows is that actually, of those two million non-EU origin migrants who've come to the UK over the last three years, lots of them have come not on work visas.

They've come on the graduate visa, which I spoke of, student visas, or as dependents, accompanying people who've come on work visas, or accompanying people who've come as students. But nonetheless, that rise in migration has nevertheless translated to this very large growth in employment. In other words, people who are coming on other than work visas are actually participating in the labor market, or indeed are driving pretty much all employment growth in the UK.

And you can see this again here by, this is employment rates. And this is quite important in the UK context, because if you look back again at 1997, you can see that the employment rate for people born outside the UK, that's the sort of brownish line here, was much lower than that for UK origin people at that time, in contrast, I think, to the US experience. Why is that? In large part, that reflects very low female labor force participation among some immigrant communities in the UK, in particular South Asians.

So you often then had people who came to the UK for work or through asylum. But typically, only the male member of the couple would work, and the female one often wouldn't. That is no longer the case. In the last few years, despite the fact that actually, migration to the UK is still to a very large extent dominated by people of South Asian and more recently of Nigerian origin.

Indians are by far the largest single group, but also lots of Nigerians, Pakistanis and Bangladeshis. It is no longer the case that you have this sharp gender gap in labor force participation. And that has meant that the overall non-UK population has completely closed this very, very large labor force participation gap, suggesting that new migrants actually have a very high level of labor force participation, despite, as I said, that they're often not coming to work.

So the result is that you've seen this very, very sharp recent growth. And this is partly, as I've said, Brexit. It's not just a Brexit effect. There's also a pandemic effect. And this is a chart from the last IMF WEO, which shows that the UK experience is actually quite, in some sense, comparable to the Canadian experience. You can also see the US experience here.

So there is this US surge. But the US surge, which Michael spoke of, is not nearly as large as the Canadian surge, nor indeed as the UK surge, both of which are even larger. So you do have this surge. It is partly driven by global factors, the way that labor markets have evolved after the pandemic, which I think is an important thing to remember, but also by the specific policy decisions taken in the UK context.

I'm just going to talk briefly about almost exactly the same topic that Michael talked about at the end of his slide, but again, where the figures in the UK context are even more dramatic. So these are the simulations from the Office of Budget Responsibility, which is sort of vaguely our equivalent of the Congressional Budget Office, but does the official long-term fiscal projections.

And this shows the difference between a high and a low migration scenario in the UK, taking account of the necessary, that's the dotted lines, the necessary expenditures, which would be incurred by government to maintain public services on a sort of per capita basis. In other words, what you have to do, given you have a higher level of population in terms of schools, hospitals, and the rest of it. And you can see, perhaps the best one to look at is the one on the right.

This is the debt to GDP ratio. So some measure of fiscal sustainability. You can see that these are pretty big differences between the high and low migration scenarios here is large, but it's no larger than the shock relative to forecast we've had over the last few years. So this is not some extreme case. These are plausible scenarios, and they show that the current scenario delivers flatlining debt. That's not a coincidence, because the government actually targets flatlining debt in the OBR central scenario. It's a policy variable.

But if you have a low migration scenario, then you get that not quite exploding, but certainly very concerning debt trajectory in the top line, whereas in the high migration scenario, you get a much more benign debt projection. But just to bring us up to date, the government has responded to what many -- certainly I regard as an unexpected benefit and certainly mitigation of the negative economic impacts of Brexit. The government has responded to this by a sharp tightening of policy.

We've just had this really in the last six months, and it's beginning to feed through in the data now. So I won't go through the details here, but what you've essentially seen is a very, very sharp fall in visa issuance just in the last six months. So bringing it back to something like the more normal levels. So policy has responded. The government has been panicked by this sharp rise in migration and by what it perceives as the political threat from at least some sections of its constituency.

Of course, as many of you know, we have an election in precisely nine days' time, and we will see policy will be once again reset. We don't know how. But so this is, I think, as it is here, a crucial choice moment for the UK as it is for the US, where the government will have to decide what it's going to do in response to this competing set of economic and political pressures. And this summarizes the economic and fiscal impacts of migration, which are very consistent in the UK with what Michael was talking about in the UK, in the US.

But politicians on both sides, and this is not something that's just about the Conservative Party, are subject to these political pressures. And I think I'll conclude by this, which I read in the FT yesterday. But again, it's very much consistent with what Michael said about the politics or the political economy of migration, is that it seems to me that what we should be worried about, and certainly what a number of continental European countries, have experienced in recent years is what I would call the migration doom loop.

That is to say that tighter migration makes the fiscal position worse, it makes it harder to finance public services, it also makes it harder to staff them. We know that if you impose austerity, whether in response to this fiscal tightening or anything else, it drives support for far-right parties. That is what we've seen in countries like France and Italy, and Germany in recent years.

Those far-right parties successfully blame the impacts of austerity, not on budget cuts, but on immigrants and elites. Meanwhile, you have a separate sum doom loop, which is the one that Michael has described, which is if you tighten legal migration restrictions, you push up irregular migration, for precisely the reasons that Michael said, and you have that in the US as well as in Europe. The result, of course, is that it makes it even easier for far-right parties to say that the system is out of control. We need to get out of that doom loop. I wish I knew how, but hopefully we'll have some pointers from today's talk. Thank you very much.

Adam Posen: Thank you so much, Jonathan. There is a lot of overlap, but it's borne out by the differing policies and the differing experience, which is why we were grateful to have Jonathan here speaking about the UK. With us remotely from Sri Lanka, where I believe he's visiting the Central Bank, is Warwick McKibbin. I will attempt to give a proper introduction to Warwick in a moment.

Warwick, working with Marcus Noland, Meg Hogan, Jin Yang, and contributions from many others here at the Institute, has undertaken a large-scale analysis of the policies of the major party presidential candidates in the US, as previously mentioned. Additional publications will be coming out about the bipartisan effort by Congress to remove China permanent normal trade relations status on trade issues, and on how potentially tariffs and migrations could interact, not just accumulate restrictions on trade and restrictions on migration.

I just want to do a momentary note, with credit to Marcus Noland, who has been coordinating this work, as he did in 2016. We have deliberately set up a process for evaluating the candidates' policies that is not biased. It may be right, we think it's right, it's certainly arguable, but it's not biased. Because what we're doing is, we're taking one person with inputs from many people. In this case Meg, defining and listing carefully what are the policy proposals and what are the policies that were pursued by Biden and Trump in the past.

We have another set of people, Jin Yang, Marcus Noland, and others, who independently go through that and map that into what the economic shocks would be, in terms of going to a model. And then we have Warwick and his colleagues, who completely, separately, then take those shocks and put them into the model. Obviously, all of these people are collaborating and communicating, but this is best practice. We are running this as a genuine experiment. The model pre-exists, it wasn't created to do this.

And as Warwick will describe, and this is why we are so fortunate to have Warwick with us, or one of the many reasons we're so fortunate to have Warwick with us. Warwick and his team have developed what is the leading independent model that combines macroeconomic and sectoral analyses of the economy. And so this is a pre-existing, highly credible model done by somebody who lives in Australia, in a model that was built and developed over decades pre-existing this election. So this is as close to objective as we can make it.

And with that, let me try to do justice to Warwick McKibbin. Warwick is Distinguished Professor of Economics and Public Policy, as well as Director of the Center for Applied Macroeconomic Analysis at the Crawford School of Public Policy at the Australian National University. He joined the Peterson Institute as a non-resident fellow last September. He has been an advisor to and direct influence on public policy at central banks around the world, throughout the Australian government, in private sector, and with the IMF, the World Bank, and other institutions.

We look forward to future discussions with him, where he is doing leading work, again, from a modeling approach on the impact of climate change and various environmental policies. He is recognized by the Australian Research Council. He has been a Distinguished Public Policy Fellow of the Economic Society of Australia, Distinguished Fellow of the Asia and Pacific Policy Society, and his accolades go back to his PhD in economics from Harvard a while ago, and even getting the university medal from the University of New South Wales in 1980. I keep looking over there because that's the screen with Warwick's face, but of course, he's over there. And with that, Warwick, over to you.

Warwick McKibbin: Thanks very much, Adam. I just want to confirm that you can both see me and hear me. Am I coming through loud and clear?

Adam Posen: Yes, we're not.

Warwick McKibbin: Okay, great. And thanks very much, Adam, for that kind introduction. It's great to be at the Peterson Institute doing this really interesting work with my colleagues. This is, as Adam said, is part of a larger project, and I've listed three of the participants in this project, which is Marcus, Megan, and myself. What we're looking at here is Trump's migration agenda, and there are many aspects to this agenda. This lists many of the things we could look at.

We thought initially the big one is really the first one, and that is what if a large number of people, as Michael mentioned, what if they're deported from the US economy, illegal migrants are pulled out of the economy? What does that actually mean for individual sectors within the US economy, spillovers to other countries, and the macroeconomic adjustment in the US economy? So in doing that, the technique is to use a model of the global economy.

It's important to use a global model for many of the questions that are being raised by the election. In the case of migration, it's really what you're doing in the US economy is really focused on the US economy. But what we're doing here is we're going to compare two scenarios. What if we take candidate Trump at his word and 1.3 million workers are removed from the economy, and the second scenario is take all of the illegal workers, which is roughly 7.5 million workers, are removed from the US economy. So they're two scenarios. So what we're going to do is we're going to apply an economic model.

The model is published widely, but in the Handbook of CG Modelling, a joint model with my co-author Peter Wilcoxen. And this model is quite complex. In fact, we take Michael Clemens' comment very seriously that the cartoon economy is far too simplistic. And what we want to capture is not just the way the macroeconomy functions, but the interlinkages within the economy and production processes. So we have production networks. We have financial allocation across sectors and across countries.

We look at both the domestic production processes and international model, a lot of linkages. And that's important because we're pulling workers out of particular sectors, which is going to lead to adjustment throughout the economy. And in many cases, particularly if you're looking at trade policy, it leads to adjustment in other countries, which feeds back into the US. So this model has a lot of short-term frictions. We don't have full employment. We have business cycles.

We have costs in moving capital from one sector to another. So if you do something dramatic like pull a lot of workers out of one sector, there's a lot of capital sitting in that sector that can't easily be moved somewhere else. And so what happens is the return to that capital goes down if there are less workers working with that capital. So we're picking up an adjustment in the short term. And again, we're phasing this in 2025, half the workers are removed. And in 2026, the rest of the workers are removed.

And so we are trying to look at the short-run and the medium-term impacts. Now, again, as I mentioned, the model is large, it's global, it's modelling of the G20. For this particular exercise, we could have just had the US because the migration story very much is a story of US supply shocks within the US economy. What's important is we're modelling the economy across six different sectors, energy, mining, agriculture, manufacturing of durable goods, manufacturing of non-durable goods and services.

And so we're trying to pick up the impacts at the sectoral level, as well as looking at the feedbacks through the macroeconomy. Now, the data we're using, again, we have to know how many workers are deemed to be illegal or unauthorized migrants in different sectors. So we're using data from 2017. This table shows you five of the six sectors, there's not much happening in the energy sector. So we're focusing on the other five sectors.

We have the total civilian labor force of 162 million people. When you look at estimates of illegal versus unauthorized immigrants, what we're focusing on here is this final column. What's the share of unauthorized immigrants in each of these sectors who are working? And so if you look in mining, 3.3% of the mining workforce are deemed to be unauthorized.

Now, one thing to notice from this is firstly that the distribution is not equal across sectors. In fact, it's quite obvious when you think about it, but there's a lot of illegal workers in agriculture, there's a lot in manufacturing, there's a lot in construction.

And so what we're doing is moving different amounts of these illegals. We're assuming that in proportion to their employment in those sectors. So when we pull these workers out, we're going to be pulling out a lot more workers from agriculture than we are pulling out from services. And there is a lot of complexity when you look at Michael's work on skilled versus unskilled and a whole range of other very deep labor market issues.

We assume that the workers you're pulling out have the average productivity of workers in that sector. So we're making some simplifications because we're just trying to get a ballpark estimate of just how big the overall impact might be. And so what we do then is we project the world, making some assumptions. We then undertake the scenario.

One scenario is 1.3 million workers removed, proportionately across these sectors in relation to their occupation in those sectors. And we compare the two scenarios between the 1.3 million workers and the 7.5 million workers. And what we show on these charts is the change in GDP relative to what it would have been if you hadn't undertaken that policy. Now, two things to note.

Firstly, on the left-hand chart, US GDP in the first year is roughly 1% lower in 2025 than it would have been. But then you get a very sharp drop in GDP relative to what it would have been. In fact, the growth rate between 2025 and 2026 in this scenario is sharply negative. So the US economy slows down. Notice that if you look to the right of that graph, it slows down and you have permanently less GDP because you're taking 7.5 million workers out of the economy forever. And so relative to what the economy would have looked like, you have this long-run effect.

But secondly, you have a business cycle impact because once the workers are pulled out of these sectors, the return on capital in those sectors changes. The factories can't move. They're stuck in those sectors for a number of years. So the marginal return on capital goes down. Incomes go down. Shareholder value goes down. And so you end up with a decline in demand. Investment will go down. Consumption will go down.

So while most of this is a supply shock in terms of removing workers, initially the re-evaluation of incomes and wealth in the US creates also a demand shock. And so you end up with an overshoot on the downside. And this is a traditional business cycle macroeconomic Keynesian sort of mechanism.

So you get a slowdown out through 2030 before the economy starts to bounce back, but never back to the level that it was. On the right-hand side, you can see that the impacts of a smaller mass migration of 1.3 million people is proportionately smaller. So we'll focus on the left-hand side graphs because that's where most of the action is. Notice that spillovers to other countries are remarkably small. This is not true in the trade simulations we've been doing as particularly related to China.

What happens to inflation? Again, on the left, this is the change in inflation relative to what it would have been. And we see we get 2% higher inflation in the first year and then 3% higher inflation in the second year before the Fed starts to adjust policy. And the Fed eventually gets inflation back to where it was. That's assumption of the Fed's reaction in the model. Notice that this is generally inflationary at the global level, but most of the impact is on the US economy. Again, a smaller shock, a smaller impact on inflation.

Now, what's important here, and this is something worth stressing, is people tend to confuse inflation with price level changes. So if you get 3% inflation for three years in a row, higher than it would have been, then the price level in three years' time is 9% higher than it would have been. This is when you get an inflation cost of living crisis.

If incomes aren't growing, but inflation is growing, each year goods are more and more expensive. So this chart shows you over the next few years what happens to the price of various outputs within each sector. So notice that agriculture prices by 2028 are 10% higher than they would have been. So even though the Fed is already taking inflation out of the economy by tightening monetary policy, the price level is staying permanently higher. And so you can see that it's different across sectors, that prices have gone up most in agriculture. Not surprising, that's where a lot of workers have been taken from.

But you can also see that there's this distribution across the economy. If you rescale less workers, you still get higher prices, but it's not quite the same scale. What happens to employment when the US deports these workers? And you can see the employment rate drops dramatically. It looks very much like GDP. So you end up getting a lot of the workers that are gone, and then the workers that stay in the US, as Michael's results show, is you've destroyed American jobs of American workers as well. And so you do get this sort of overshoot, which is consistent with Michael's results.

What happens to the trade balance? And this is an interesting story because one thing you do notice here is that if you really do remove a lot of workers from the US economy, the trade balance improves. Now, some people might find that counterintuitive, but the way the model works is if you reduce the number of workers in the economy, the return to capital goes down. Foreign investment won't flow to the US economy. In fact, US investment and foreign investment will flow somewhere else where the returns are higher. That will cause the US dollar to weaken. That will improve exports in the US and reduce imports. And this trade surplus we start with is actually the relocation of capital.

So not only are you moving workers out of the US economy, you're moving capital out of the US economy. And that leads you to a short-run improvement in the trade balance, which is not necessarily good news, and a long-run deterioration in the trade balance. And you can see, again, some countries, Canada, for example, attracts a lot of that capital because the firms that would have invested in the US economy find labor more available in the Canadian economy, and therefore you get a capital inflow. What happens to sectoral employment? This is where having this sectoral disaggregation is really quite interesting. So remember that most of the workers initially are being pulled out of agriculture, and there is workers being pulled out of manufacturing as well.

What happens when the economy contracts and investment dries up, well, not dries up, but is reduced, the sector that the investment is drawn from to build factories is the durable goods sector. So you buy steel, you buy aluminum, you're buying goods from the durable goods sector, that demand dries up. So that sector gets hit not only with a lower labor supply, but it also gets hit with a second-round decline in demand because there's an investment slump in the US. That shows up in the durable manufacturing sector being much more heavily impacted than the other sectors in the economy.

What happens in sectoral output? Well, the employment and output numbers look very similar, although they're not exactly the same, because workers can move around the economy, but you do get quite a significant reduction in manufacturing, which is ironic because that is a sector that candidate Trump is arguing wants to create more jobs. And unfortunately, the cartoon economy doesn't work in the real world.

What happens to equity prices? They slump dramatically. So this is the value of equities. This is a very large fall, particularly in durable manufacturing, but also in mining and other sectors. And eventually they settle at a much lower level, but you're running down the capital stock. So the value of capital starts to recover as the marginal product of capital starts to get back to where it was.

So what do we get? What's the answer that we find? This is a summary table, and here we're accumulating over three years those percentage point deviations. So if you deport 7.5 million workers, you get a midpoint estimate. And I should mention there's some uncertainty here because the parameterization of the model has enormous amount of uncertainty. But under the best guess parameterization, by over three years, GDP is 12% lower than it otherwise would have been cumulatively.

Inflation is 7.4%. If you accumulate, that's the price level effect. Prices would be basically 7.4% higher than otherwise. Employment measured by hours worked will be 8.1% lower cumulatively. You have a better trade balance, but that's reflecting a loss of capital and a loss of potential jobs in the future to US economy. And you get a very large slump in durable manufacturing employment. Initially, because of the investment slowdown, that does eventually recover.

So what do we learn? As Adam said at the beginning, the deportation of workers is really a big supply shock in the US economy. It's focused initially in agriculture services and manufacturing, but the linkages in the economy imply that the second round effects could actually accentuate and do accentuate durable manufacturing shock in a negative way. Less workers means less production, increase inflation, input costs go up, slowdown in the economy. You do get the inflation spike. You get a smaller inflation spike than you might think of if you just focus on the supply side.

So our inflation numbers could be less than other studies because we capture the income and wealth effects on the demand side of the aggregate economy. But again, you can vary those assumptions and see the sensitivity. Overall, the big impact of reducing workers in the US is reducing the return to capital and therefore leading to capital leaving the US together with the workers leaving the US. And that is a fundamental problem. We do have substitution of capital. So firms do, because they've got less workers, they do try and have more capital to try and get their output back to the levels that they find profitable.

But basically, the return to capital shock dominates the substitution. So you do get lower investment in the US economy. And again, that feeds over very negatively to the durable manufacturing sector because it feeds the investment cycle. And finally, capital flows out of the US economy, weakens the US dollar, but does improve the trade balance. So in that sense, if the candidate's goal is to improve the US trade balance, this is one way to do it, but it's a very expensive way to do it. And I will stop sharing there. Thank you very much.

Adam Posen: Thank you so much, Warwick. A tour de force of clarity amidst a deep amount of analytic work. I've asked our other speakers, Michael and Jonathan, to join Warwick on virtual stage. I just want to make one more point before we open up for discussion. It's the usual point that all our materials are available on the website, www.piie.com. And in fact, all of our data analyses are coming.

Warwick, with Marcus, and with our team are building it so that people will be able to run their own scenarios depending on different parameterizations. Meaning you can see, maybe not fully understand how the sausage is made, but you can see how different the sausage is if you switch from certain policies to other policies.

And in that, especially for our friends with social media influence and in the press, the summary table Warwick points out, which I don't know exactly what slide it, but the cumulative three-year impact versus baseline, I would emphasize, don't lose sight of the rightmost column, which is if the Trump administration were to deport only 1.3 million human beings and their associates.

Those are still pretty chunky numbers on what happens to industrial production employment in the durable manufacturing sector. With that, unless Michael or Jonathan want to say something in reflection of the other colleagues' comments, let me open it up for questions from the floor. We have a moving mic in Jessica's hands here. We have a standing mic. And we would welcome people's comments or questions. Please, Steve. Could you go to the mic and identify yourself?

Male Speaker 1: I was kind of wondering, when here's a lot of employers will say, well, domestic folk won't do this job. It's too hard, especially in agriculture, maybe in construction as well. But that sounds a little bit disingenuous. It sounds like if the wage rise is high enough, that will elicit more domestic labor force. So I was curious about how Trump proposals to reduce the illegal working population here, how that would impact the least privileged, least skilled members of society. Would that elicit greater labor force participation on their part with higher wages?

Adam Posen: I don't know if Michael or Jonathan or any of you want to talk about that.

Jonathan Portis: If you'd like to start, I'll follow up. I mean, we have, I think, a fair amount of evidence that wage responses exist for lower-skilled workers, but that they're pretty small. That is to say, if you reduce low-skilled migration, whether it's in the UK, US, or other advanced economies, there is some wage impact.

You do get some positive wage income for native workers, but it's pretty small, and it doesn't tend to induce a large supply response, partly because that actually most of these sectors are quite low margin, so they can't necessarily afford to increase wages. So they simply reduce output. They go out of business, or as Michael says, they hire fewer.

And presumably, I don't know what the details of Michael's research and other research that he reported are, but presumably, if employment of native workers went down, that implies that the equilibrium wage that employers in that sector could afford to pay, presumably went down as well. So you'd have a negative impact. In the UK, I think there's some evidence that the wage impacts actually are slightly positive, but they're not very large.

There is also, of course, the fact that, as you implied, that it's not so much that when employers say, oh, Americans won't do those jobs, what they mean, of course, is those labor markets are highly segmented for various reasons. It's not that American workers couldn't, in some alternative universe, do them, but in the labor market we have, those sectors are very segmented. And that means that the potential for having that supply response by simply employers paying higher wages and getting Americans, it's there theoretically, but it's not going to happen very much in practice.

Michael Clemens: Yes, thank you. It's a commonplace of this debate to say, why don't you just raise wages? It's just drastically too simple. So here's an anecdote about cucumber farming in North Carolina. Something I studied in great depth, because the other major low-skill work visa to the US economy in the farm sector, the H-2A visa, is widely used in North Carolina.

And in the middle of the Great Recession, when unemployment shot from 4% to 11% in North Carolina, all of the farms that were hiring thousands of H-2A immigrant workers for jobs like hand-harvest cucumbers got a total of seven workers, not 7,000, 700, seven people, at the depths of the Great Recession, who were willing to go do jobs like harvest cucumbers. And I estimate that labor costs for cucumber farmers were 80% to 85% of the total costs of cucumber farms in North Carolina.

So raise wages by a substantial amount, and cucumber farming is no longer viable in North Carolina. There's an anecdote of how difficult that is. Another anecdote is having personal experience with the eldercare market of eastern Washington state, where there were multiple markets, an informal market and a formal market, where the formal market paid roughly twice as much.

My elderly mother could not buy care at that price, and so bought some on the informal market, and that's the only way she could have care. So when she desperately needed 24-hour care, telling her to just pay more and spend down her fixed retirement savings faster and arrive sooner at the point where she was destitute is not something that should be said lightly by folks who claim to be worried about Americans' welfare. It's just drastically more complicated than that.

What Chloe East et al found, they didn't study the effects on wages of US workers. The deterrence of employing US workers is compatible with an increase in wages and an increase in labor costs in the counties where mass deportation began. However, job elimination is something that has to be counted against any increase in wages for people who retain work, and what I'm arguing for is not a facile interpretation of the evidence.

It's that we have to reject the extremely facile and evidence-free statements like just removing a million, two million, seven million people from the United States is obviously going to create an economic efflorescence. I mean, to start with, between 30% and 40% of those people have US citizens in their immediate family. I'm talking about spouses or children.

So drastic effects on US citizens begin at the dinner table to say nothing of the people working alongside one in the same organization, to say nothing of people working alongside one in an industry with close interlinkages. These things need to be studied very closely. They have been studied very closely, and their effects are not at all like what politicians are telling us that they are.

That doesn't mean that there couldn't be short-term increases in wages caused by mass deportation in some industries temporarily at some time, just as it doesn't necessarily mean that literally everyone in the US economy benefits when you buy a Hyundai Ioniq instead of a Tesla. It means that the ripple effects are net beneficial. Care must be taken of people who do experience harm, but that doesn't mean that we should accept the cartoon economy.

Adam Posen: I don't know if Warwick wants to come in, or if we have time for one more question, if anybody is on. Please.

Rich Miller: My name is Rich Miller with Bloomberg. Maybe very quickly, Adam, if I could ask you, at the very beginning you talked about this is legally and politically possible. I wonder if you could expand a little bit on that, and a related question is, have you guys done any sort of work about the Biden proposal?

Adam mentioned, you guys are trying to be even-handed. Biden proposal is obviously not nearly as dramatic, but it is a change from what we've seen most recently, so I'd be curious if you've run the numbers or done any work on that. Thank you very much.

Adam Posen: Thank you, Rich. So I'll come to the second point last, and that'll close it out, but first, as we said, this is the first of what we hope will be several products of the joint project that Warwick and the modeling team, Megan, Marcus, and input from the whole Peterson Institute are doing. One of the things we are committed to doing is doing a scenario of, if trade and migration policies were rolled back to where they were before Trump came to office, which is a counterfactual creation of an assessment of the cost of the Biden policies, because the Biden policies have maintained those.

And so it's definitely not meant to be about Trump. It's meant to be about bad policies or objectively evaluating policies that turn out to be bad. Warwick, do you want to say anything more on this issue of where the studies are or on what the Biden policies would look like in your analysis?

Warwick McKibbin: No, I think your example of actually looking at counterfactuals make sense, where we have the policy announcements or we have an alternate history that has changed is the right way to get a benchmark.

Adam Posen: Yeah, and so we will look forward to publishing that in coming weeks and months, again, well ahead of the election. On your first point, Rich, and maybe my colleagues will indulge me to just say a word about this. So, as I said at the start and as we did in 2016, we're not in the business of trying to get in candidates' heads. We take at largely face value what candidates say in public, particularly if they repeat the same numbers and phrases.

So, we have a rule, and Meg Hogan oversaw this for us, that we have to have candidate Trump or candidate Biden saying it at least twice in a formal public statement that isn't just getting caught off the cuff in some microphone. For the kinds of deportation analyses we did, these are, and this is documented on our website, and we have a new, done by Meg and our fabulous communications team, a new resource on our website for everyone listing all the Biden and Trump migration policies, all the significant ones, which is still a very large number. And you can go through, and it links to the legal authorities that allowed them and what their implications were. And as I said, that then became the feed-in to some degree to the model.

The point I want to make is candidate Trump and people working for the campaign or speaking for the campaign have been repeatedly explicit. They have made two sets of statements. One by former President Trump, repeatedly was, we're going to deport all the undocumented aliens, and he has tossed around the number of seven to eight million. And this again has all kinds of effects, as Michael said, about family members, US citizens, and so on.

But anyway, he has stated that more than one occasion as a target. The other target, which he has said repeatedly, is this will be the largest deportation in US history or modern US history. And again, he said that multiple occasions, not off the cuff, and that statement has been directly backed by members of the campaign and surrogates speaking for the campaign.

The first statement wasn't, well, if you talk to Stephen Miller on the record, he'll tell you he wants to deport 7.5 million people. But anyway, if we go with the other statement, so two ways of thinking about this, which again, the campaign members cite. One is the largest previous deportation in modern US history, was even bigger than what Michael rightly refers to in the Obama administration, which was around 500,000 over seven years.

In the Eisenhower administration, the US government deported 1.2 million people over the span of, I believe, three years, or it might have been three years. Now again, 1.3 million people was a bigger proportion of the US labor force and population at that time, and it was under the name Operation Wetback, and they did it. They legally did it. They operationally did it, and they did it in a time when there was less broad support for it, and less resources. And it was a larger share of the population, and we didn't have information technology and security apparatus like we have now.

So it is, as the members of the Trump campaign and ex-president Trump himself have said multiple times, they want this to be the largest deportation in history, and they know the history, that means they're aiming for at least 1.3 million people. The other way we get to that number, and why we think it's justified, is a couple of Trump campaign people have been saying, not as repeatedly, but a few have, that somewhere they've got a number that the number of deportation orders issued in the US is, again, around 1.2, 1.3 million. These have supposedly not been implemented, and so they would start by just implementing that.

So anyway, there are multiple ways on the record in which they have said this is what they aspire to do. Now again, if they go out there and say, we don't really mean it, or thank God Warwick McKibbin and Michael Clemens, and Jonathan Portis talked so much since, we're not going to do that now. Great. They also can say, we're going to do it despite the economic costs, because it's about control, it's about values, it's about security, it's about whatever else, and there are people out there fighting and discussing those issues.

There's a new study out today from, I believe, the Cato Institute looking at crime in Texas as a function of immigration status, and it turns out immigrants are much less likely to commit crime. Anyway, you should look at that study. There are various other ways to look at this. What they can't do is say, we're going to do this and it will be good for the economy. That would be a lie. And that's all we're trying to say.

Mike, Jonathan and I went through this with Brexit. In the end, voters can vote on completely non-economic grounds if they want. That's their right. And I would never presume to say economics is all that matters. But our mission at the Peterson Institute, and which we think, as economists in the policy sphere, is to tell people what really is going on. And this is order of magnitude, some uncertainty, but basically, whether it's the literature and the micro studies that Michael's talked about, whether it's the policy experiment in the UK that's similar that Jonathan's talked about, or whether it's the deep analytical modeling, not to say the others weren't deep that Warrick has done, it all tells you this would be very costly.

So they can either say it's worth it, or they can say they're not doing it, but they can't say it's not costly. And that would be true for the Biden as well. But the Biden team, it is a much, much smaller issue.

With that, my deep thanks to our colleagues, Ward McKibben calling in from Sri Lanka and having done so much work with us. Michael Clemens, proud to have, as well as an ongoing non-resident senior fellow, bringing together his multiple contributions. And our guest, Jonathan Portis from UK in a changing Europe and King's College London.

Thank you very much. Thank you, Warrick. Please enjoy your evening.