

Immigration quotas and skill upgrading

Francesc Ortega

*Department of Economics and Business, Universitat Pompeu Fabra, Ramon Trias Fargas, 25-27,
08005-Barcelona, Spain*

Received 19 August 2003; received in revised form 27 March 2004; accepted 21 June 2004

Available online 30 October 2004

Abstract

A reason why immigration policy is such a contended issue is that often immigrants end up obtaining the right to vote and, hence, may affect future policies. This paper offers a dynamic, general equilibrium model of immigration policy. In each period, a heterogeneously skilled population chooses an immigration policy by majority vote. Voters anticipate that immigration affects the skill premium and the skill composition of the electorate. The main insight is the existence of a trade-off between skill complementary immigration and the resulting shift in political power. I argue that a reasonably parameterized version of the model is consistent with the main features of US immigration.

© 2004 Elsevier B.V. All rights reserved.

JEL classification: F22; I2; J62

Keywords: Migration; Mobility; Skills; Political economy

1. Introduction

College graduation rates across cohorts in the US have grown substantially over the last century. The changing composition of the skills of the US population has created a demand for immigration to fill up unskilled jobs. In 2000, 21.6% of the (non-citizen) foreign-born workforce in the US was employed in services and 6.2% in farming, fishing or forestry.

E-mail address: francesc.ortega@upf.edu.

While, respectively, only 13.2% and 2.1% of US-born workers were employed in these sectors.¹

Nevertheless, immigration policy remains a highly controversial topic. Some of the issues are common to discussions of trade policy and have to do with the unequal distribution of the benefits from immigration among the native population. One distinct feature of immigration policy is that often immigrants stay in the country and eventually gain voting rights, and hence the potential to influence future policies. This paper offers a dynamic, general equilibrium, political economy model of immigration policy. In the model, voters are aware that current immigration affects future immigration policy and, in the absence of immigration, the skills of the labor force improve over time (skill upgrading). I provide a simple characterization of the Markov perfect equilibria of the model.

The main insight of the analysis is that immigration poses a trade-off. In each period, the native population chooses the size and skills of immigration, from an exogenously given pool that contains a large quantity of both skilled and unskilled immigrants. Voters realize that immigration policy can be used to affect the skill premium. Each voter also notices that immigrants with complementary skills will vote against her in the future. When the political effects of immigration are important, immigration restrictions (quotas) arise endogenously. In this type of equilibrium, immigration flows are unskilled and their size is proportional to the rate of skill upgrading in the economy. Evidence is presented that, despite its simplicity, that a reasonably calibrated model captures the main features of US immigration.

This paper is closely related to several strands of literature. It contributes to the growing body of research that studies the political economy of immigration policy. In a way, the present work provides an extension of [Benhabib \(1996\)](#) to a dynamic setup where voters are foresighted and altruistic with their offspring. Other contributions to this literature include [Dolmas and Huffman \(2000, 2003\)](#).

My analysis complements the literature on the effects of immigration on dynamic competitive economies. In these models, immigration flows are exogenously given and economic agents adjust their labor supply and saving decisions. Some excellent contributions to this literature are [Storesletten \(2000\)](#), which investigates how to use immigration policy to maximize the derived fiscal gains, and [Ben-Gad \(2004a,b\)](#), which study the effects of immigration on the dynamics of capital accumulation and factor prices.

The model I present is also related to the recent literature on the dynamics of government. [Krusell et al. \(1997\)](#) and [Krusell and Rios-Rull \(1999\)](#) provide a framework for the analysis of foresighted voting in dynamic general equilibrium models, which requires the use of numerical methods. [Hassler et al. \(2002, 2003\)](#) provide an analytically tractable framework, which requires particular functional form assumptions on preferences and technology.

The dynamic considerations of voters in the present model are also present in models of franchise extension. Voters take into account that current decisions regarding immigration policy will affect the composition of the future electorate. Important contributions in this

¹ The figures are reported by [Schmidley \(2001\)](#), based on CPS data.

Download English Version:

<https://daneshyari.com/en/article/9726842>

Download Persian Version:

<https://daneshyari.com/article/9726842>

[Daneshyari.com](https://daneshyari.com)