

THE ECONOMIC IMPLICATIONS OF IMMIGRATION AND BORDER POLICIES

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Immigration and Border

- Deporting undocumented, closing the border, rejecting humanitarian immigrants were **key promises of the Trump campaign**. These were important sources of immigrant workforce.
- Starting in the early days **a new target was identified: international Students/Scholars**. These are a key source of skilled immigration.
- Starting early days the tools of choice were **“Executive Orders”** rather than legislative action. Faster but less certain, subject to litigations.

What do we do in this Chapter?

- 1. We summarize the **types of Executive Orders (EO)**.
- 2. We form prediction on the response of **net yearly immigration of more educated** (college education and more) **and less educated** (high school degree and less) **to these EO's** .
- 3. We use existing estimates from recent studies to calculated predicted effects on **GDP, GDP per person, wages, investments, price of services, price of housing, local and federal fiscal revenues and expenditures**.

EO Targeting undocumented, temporary migrants and border crossing

- Expediting removal of undocumented far from Border, increasing raids, increased funding for ICE. Withholding federal funding to city/states not cooperating with apprehensions.
- Increase the policing of border, building the fence (*now in the new Budget*).
- Reducing/eliminating humanitarian programs, refugees resettlement and asylum seekers admissions.
- **These will mainly reduce net immigration of non-college educated immigrants in working age.**

EO Targeting foreign students and Scholars

- Travel bans from some countries. Targeting students in US universities for their protest activities. Scrutinizing much more carefully student and scholar visas.
- Cutting federal funds for research at Universities, with consequence for graduate student's and Scholar's funding.
- **These will mainly reduce/divert/discourage students, graduate students and scholars a key source of college educated immigration in US.**

Estimated drop in net flows relative to no policy

- Change in yearly non-college inflow (in working age).
 - **-400,000 per year**
 - Net 0 cross-border and humanitarian immigrants, relative to 200,000 net pre-Biden. Deportation of 200,000 extra net per year (based on highest past records, of deportations).
- Change in yearly college inflow
 - **-200,000 per years**
 - Based on the drop in student/scholar visas in the first months of 2025, and estimates from the drop in the first trump administration.
- Total loss in labor force.
 - **-600,000 equal to -0.3% of population in working age.**
 - **Working age Population is shrinking as also natives are declining.**

Estimated Employment Effects

- Loss of 600,000 people in working age will cause loss of around **510,000 workers. -0.3% of total employment.**
- Of these **170,000 fewer college educated workers.**
- We estimate essentially **no “crowding in of natives”** (applying estimates of Caiumi and Peri 2024a and 2004b), especially in a period (since 2021) when **number of vacancies larger than number of unemployed**

Wages, Investments and Productivity

- In short-run possibly small response of native wages, **at fixed “labor demand” in the order of +0.09%** (using elasticity in Borjas 2003).
- More than offset by a negative shift of demand, due to **lower investments (-0.1%)**, driven by less entrepreneurship and lower investment opportunities (Azulay et al, 2020; OECD 2020; Peri 2012).
- Even more hurt by loss in productivity (**innovation, efficiency gains, demand from immigrants**- OECD 2020, Peri et al 2016) -0.3%.

GDP per person and Aggregate GDP

- Aggregating the effects on capital per worker and productivity, **GDP per person decreases by 0.4%. \$270 per person per year.**
- Wages **decrease by 0.3%** in total. **\$210 per person per year.**
- Total **GDP declines by 0.7%, \$207 Billion per year.**
- Most affected sectors (decline more than the average):
 - Agriculture
 - Hospitality
 - Construction
 - Personal/household Services

Non tradable service prices

- As **most affected sectors produce non tradable services**, their decline will increase local prices (hospitality, housing services, construction).
- Using elasticity in (Cortez 2008), **price of local services +0.3%**
- Additionally, more expensive house services and child-care will reduce Women's employment hours (Cortes and Tessada 2011), and possibly their fertility (Furtado 2016).

Housing Prices/Rents

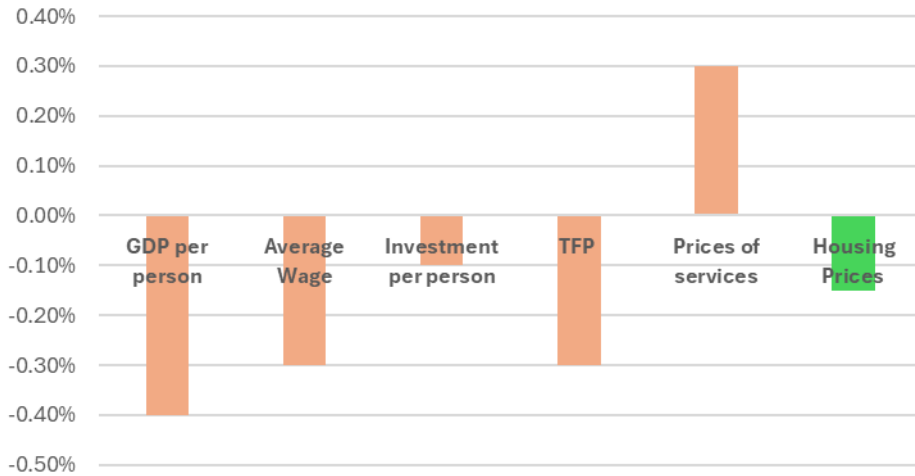
- Price-response vary significantly **depending** on the response of new buildings **–how restrictive building permits are–**(Saiz 2007, Cabral and Steingress 2024) and on type of immigrant.
- On average more low skilled immigration has mild downward impact on house value (incorporating negative amenity value) while high skilled immigration has mild upward impact (Saiz 2007).
- Using the more recent estimates (Cabral and Steingress 2024), overall **House prices decrease -0.15%, rent by 0.06% in counties with median level of restrictive building permits.**

Fiscal revenues

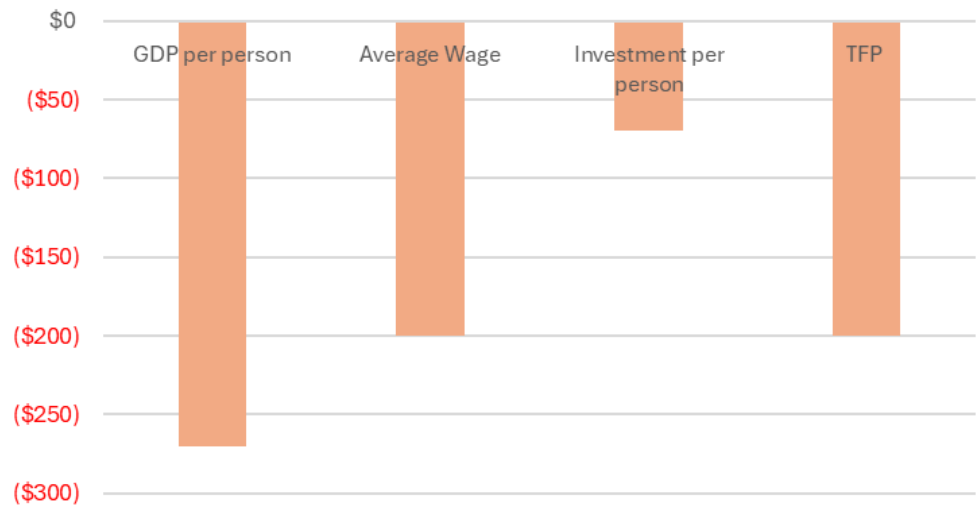
- Federal revenues (following NAS 2016):
 - Due to decline in GDP per person and total GDP, significant decline of fiscal revenues for federal Government: **-\$29.8 Billion.**
 - Mainly from loss in income tax revenues.
- Local revenues (Following Mayda et al 2023)
 - Decline mainly due to decline in local population (contributors)
 - **-\$600 Million**, in revenues.
- **Both will correspond to potential lower spending or more debt.**

Summary: Per person

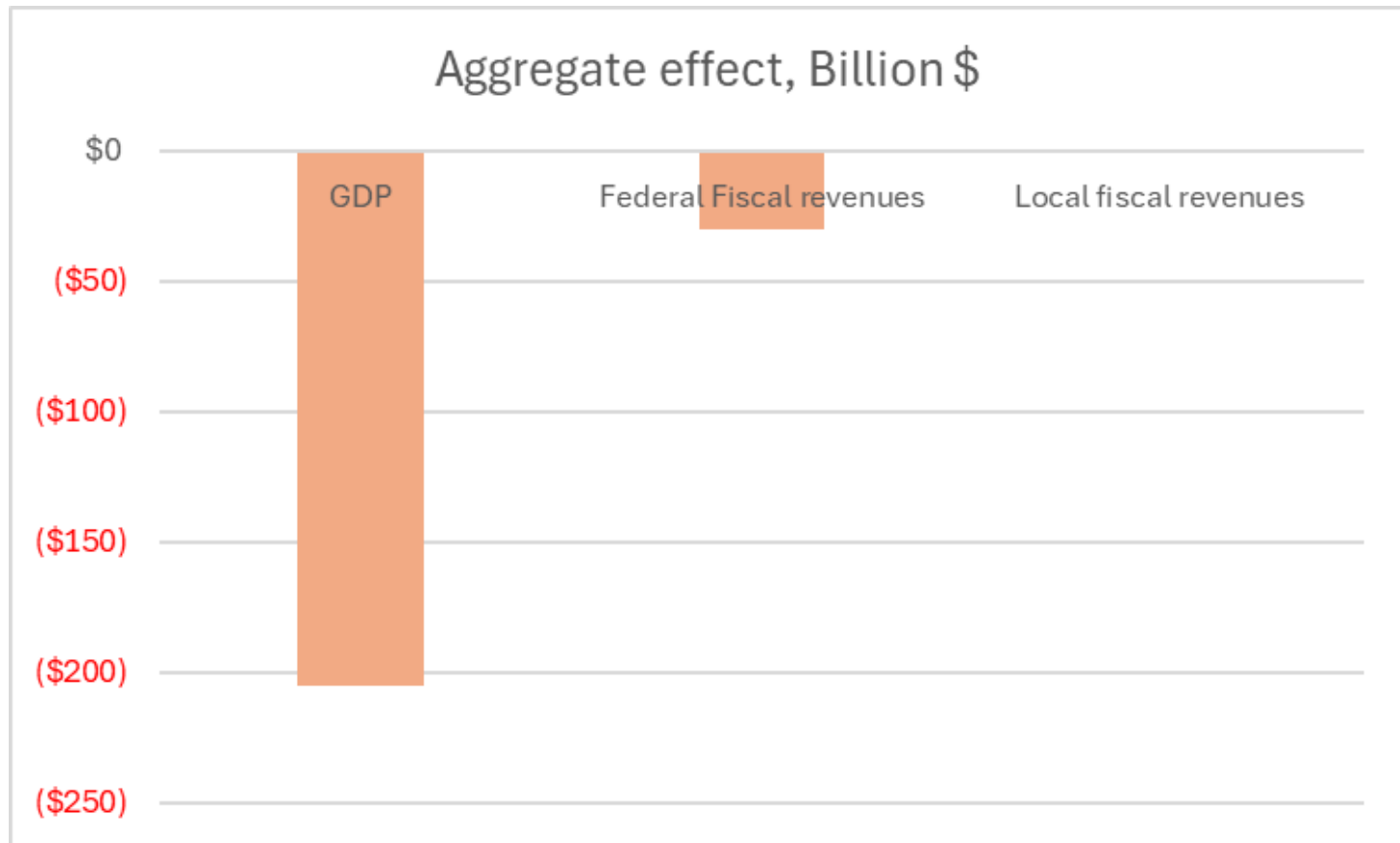
Yearly Per person effects in percents



Yearly per person effects in \$



Summary, aggregate



Caveats

- The loss of college educated can be larger than was predicted, as this group easily move to other countries. Need 2025-26 Academic year data.
- Did not include the costs of second-generation losing citizenship rights if birthright is stripped. (Incentives to leave/not to get education).
- We will continue to track the actual effects on net inflows of more and less educated immigrants in 2025.