#ECONOMICSFOREVERYBODY

Why should economists be interested in international migration?
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Analysis of international migration occurs in a great many social science fields, including demography, geography, sociology, economics, and political science. Each of these disciplines develops its own perspective on the issue, contributing to its richness, which is seen in the proliferation of university programs in "migration studies", academic journals (such as *International Migration Review*) and multidisciplinary centres and institutes specializing on migration (e.g. the *Institut Convergences Migrations* in Paris and the *Migration Policy Center* of the European University Institute in Florence). In such a packed academic landscape, what is the *raison d'être* for the "economics of international migration" as a discipline?

I see at least two reasons. On the one hand, international migration has major economic consequences for both the sending and the receiving economies. Movements of people influence the movement of goods, capital, productive knowledge, and cultural norms, which in turn influence national economic performance and the structure of the global economy. On the other hand, economics distinguishes itself from other social sciences by its methods – for example, the modelling of individual choices, or the quantitative methods of econometrics –, which can be pertinent to our understanding of why people migrate (the push factors), the effects of immigration on attitudes and votes in host countries, and our assessment of integration policies aimed at new arrivals, whether migrants or refugees. Issues in the economic analysis of international migration are therefore not only economic, but are also political, social, and cultural. I will develop three such issues which I see as key: economic growth, integration, and the question of populism.

Issue 1: Economic Growth

In most liberal democracies, public debates about immigration mostly turn around questions of identity and security. When the economic dimension is raised, it is most often in order to talk about immigration's effects on the labour market (on the wages and employment of native workers), and on public finances, even though the academic consensus on those *short-term* effects is that they are in both cases very weak. In virtually all the contexts studied – for example, the "Mariel Boatlift" in the United States, analysed by the 2021 winner of the Nobel Prize in Economics, David Card; in France and in other European countries – the results of economic research show that the effects of immigration on wages is close to zero. The same goes for the effects on the public accounts in most OECD countries.

By contrast, the economics literature highlights substantial positive effects of immigration in the *long term*. It is very telling, for example, that immigrants are largely overrepresented among entrepreneurs and innovators. This is especially true in the US

where immigrants, who represent only 13 % of the population, make up 26 % of entrepreneurs and 24% of inventors (and this proportion should grow, given that foreign students form more than half of the current contingent of doctors in engineering and IT). This overrepresentation is also found in many European countries – but not in France, where levels of "economic" immigration are very low.

The positive effect of immigration on growth also has to do with the fact that diversity itself, when linked to birthplaces, creates complementarities in knowledge and skills which eventually translate into higher productivity in teams, firms, regions, countries. The fact that the diversity brought about by immigration is good for growth and productivity has been shown in many contexts and at different levels of observation, and in both historical and contemporaneous contexts. Again, the US is a benchmark example. Historically, famines and wars in Europe during the second half of the 19th century combined with the shift westwards of the "frontier" meant that certain American areas (counties) received more diverse immigrant populations than others during the so-called mass migration period between 1870 and 1920. Those areas experienced stronger growth at the time and still enjoy today a higher standard of living that can be attributed to their greater initial diversity. The same holds true at the level of US States in the post-WWII period, for European regions, sports teams, and groups of students who are asked to complete a collective task. Finally, immigrants also promote growth in the receiving economies thanks to the strong links they keep with their countries of origin; these links are maintained through social networks (familial, professional, scientific), which reduce information frictions that can constrain bilateral exchanges of all kinds.

However, for the sending countries, especially for developing ones, emigration can be a drain on human capital (leading to brain drain) but also an asset providing remittances as well as access to new markets, new funds, and new ideas. In all, thanks to the bridges that are formed and maintained, international migration promotes bilateral flows of trade, capital, technology, and knowledge, generating a better integration of both sending and receiving countries into the global economy.

Issue 2: Integration

The statements above, which establish a positive link between immigration and growth, apply mainly to economic immigration and, more particularly, to skilled immigration. Do they hold when migration takes place not for economic reasons but for family or humanitarian motives? Generally, it is important to note that the economic benefits of welcoming low-qualified and vulnerable populations depend on rapid and sound settlement and integration policies – especially with respect to labour market integration. Governments are aware of the importance of such policies, however most integration programmes are not evaluated, which makes it hard to know what works and what does not, what should be reformed, etc. There is an urgent need to use the best academic standards to establish methods for evaluating integration policies. This is all the more true in France, which suffers a serious deficit in this regard. For example, the French

language training programme designed for new immigrants has been changed three times without any real evaluation (or the reform preceded the evaluation). Similarly, in the aftermath of the "refugee crisis" of 2015, many government initiatives aimed at facilitating migrant integration. In most cases, these consisted in small-scale programmes (involving just a few hundred participants) whose objectives were more for communication, with little concern for evaluations. In fact, if a programme is to be properly evaluated, it must be designed accordingly right from the onset. For example, it must be introduced differently over time among regions, or be offered to some volunteer candidates but not to all, so as to create a control group and make it possible to compare comparable people. This can be done, for example, by allocating candidates to a training programme on the basis of a grade, or some other criterion, or by randomisation.

Still, we can form an opinion as to "what works" and "what doesn't work" in the integration of immigrants and refugees by looking at comparative studies. These show, for instance, that "spatial distribution" policies do not improve integration because they significantly penalise those who are "distributed" in terms of finding a house or a job. Such policies are in place mostly in federal countries such as Germany and Switzerland (with very strict distribution grids among *Länder/cantons*), as well as in Scandinavian countries, and were tentatively introduced in France after the 2015 crisis. They leave it to the local authorities to decide where the refugees will be settled, without leaving the latter any choice, and usually without taking into account either their background/attributes or their needs, thus depriving them access to the mutual help networks that they could have in the destinations of their choice. A study recently

published in Science used decades worth of data about the placement of refugees in the United States and in Switzerland in order to investigate, with the help of machine learning techniques, the integration of dozens of cohorts of refugees according to their background (country of origin, age, education, profession, family status, etc.). From this, the authors developed an algorithm designed to determine the best place of residence according to the characteristics of the towns and host communities (including geographic location, employment structure, ethnic composition, and schools, hospitals, and other infrastructure). Comparing the integration results for the last cohort of refugees with the simulated results that the trained matching algorithm would have given, they highlight the considerable potential improvements that the latter would have made for employment (as well as for the other criteria examined).

Another consensus concerns the role of administrative delays in obtaining refugee status and whether a person is allowed to work or not while waiting for their request for refugee status to be processed. The waiting time can be very long, usually between 18 and 24 months, and is accompanied by numerous constraints (in particular, lack of mobility) and uncertainty, which can generate anxiety and even depression. Several studies have shown that this waiting time has a considerable negative effect on subjective wellbeing. Even after several years in the host country, people who experienced long waiting times suffer an economic integration handicap. This is reflected in lower levels of employment and lower salaries than for immigrants comparable to them in terms of age, education level, etc., but who are not refugees.
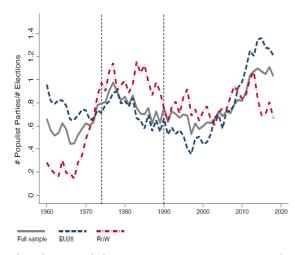
While integration first concerns the immigrants themselves, it also determines local public opinion about them.

Issue 3: Populism

The beginning of the 21st century, particularly the second decade, saw a resurgence of populism, especially in Europe, as the graph below shows. The election of Donald Trump in the US in 2016, the Brexit vote in the UK in the same year, the emergence of "illiberal" democracies in Central and Eastern Europe, the appearance or strengthening of populist parties in Western Europe (the RN in France, the AFD in Germany, the Liga in Italy) have shaken our old democracies. What explains

this resurgence? The first cause, cited as often by analysts as by the populist leaders (who claim to be protecting us from it) is "globalisation", in its two most common forms: external trade (which provokes a protectionist response) and immigration (which provokes a xenophobic response). Between these two, immigration has the particularity that it portrayed as a double threat – an economic threat as well as a cultural one.

Figure n° 1: Change in the populist party election results, 1960-2020

Source: F. Docquier, L. Guichard, S. Iandolo, H. Rapoport, R. Turati and G. Vanoorenberghe, 2022: "Globalization and Populism: The Last Sixty Years", Mimeo., Paris School of Economics.

The economic analysis of international migration includes the exploration of its political consequences. It is a major issue, which first requires "fact checking" – i.e., showing that the populist argument has no empirical basis: migrants neither take jobs of native workers nor drive their wages down, and they are not a burden on public finances; the "great replacement", in its demographic and cultural versions, is a fantasy. How can it

be otherwise when the fertility rate of migrant women is approaching that of autochthonous women at great speed; when after two generations, there remains only one quarter of migrants originally from Algeria who still have a first name of Arab or Islamic origin; and when cultural transfers, if anything, do not occur in the expected direction – concretely, not only do immigrants assimilate, but they also export the culture of

their host country (such as political preferences and gender relations) to their countries of origin. This phenomenon, which sociologists call social remittances, has been demonstrated over and over in diverse contexts.

Beyond this fact-checking, we must also ask questions about the circumstances that encourage positive links between immigration and populism. There are two opposing theories about this: that of the "threshold", according to which, immigration provokes a retreat in the face of what is seen as an identity threat; and that of "contact", which argues that xenophobia is born out of ignorance and that contact allows for reducing negative prejudices. The most recent studies on this question do not allow us to distinguish between the two theories, but they constitute a step in the right direction, and pave the way for identify the conditions for positive contact and thus inform the development of integration policy.

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