Comments on Borgschulte, Cho, Lubotsky, and Rothbaum:

Immigration and Inequality in the Next Generation

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Things I liked about this paper

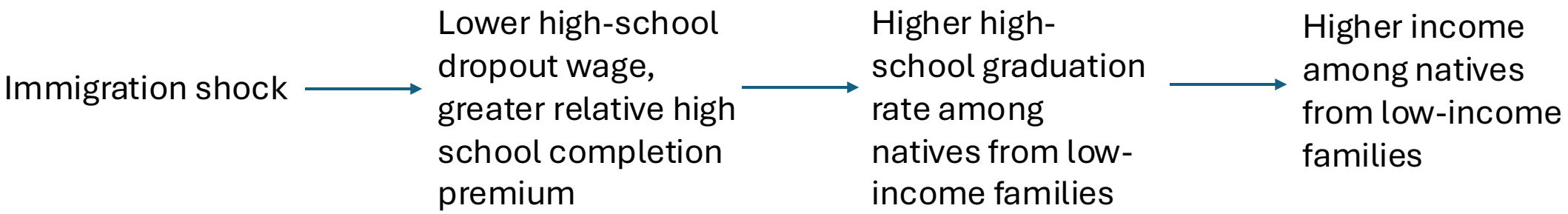
- Important (and controversial) question
  - Lots of papers about short-term effects, nothing about long-term
- Amazing individual-level data
  - Can even study movers
- Attractive design
  - but at the end of the day, cross-section regressions where there are only 200 or so observations of the CZ-level treatment.

Overview

- Theory
  - Effects of immigration on children of low-income versus high-income families.
- Concerns about omitted variables and influential cases.
- A different reading of the results.

Theory

- Not much in the paper, but in the literature:



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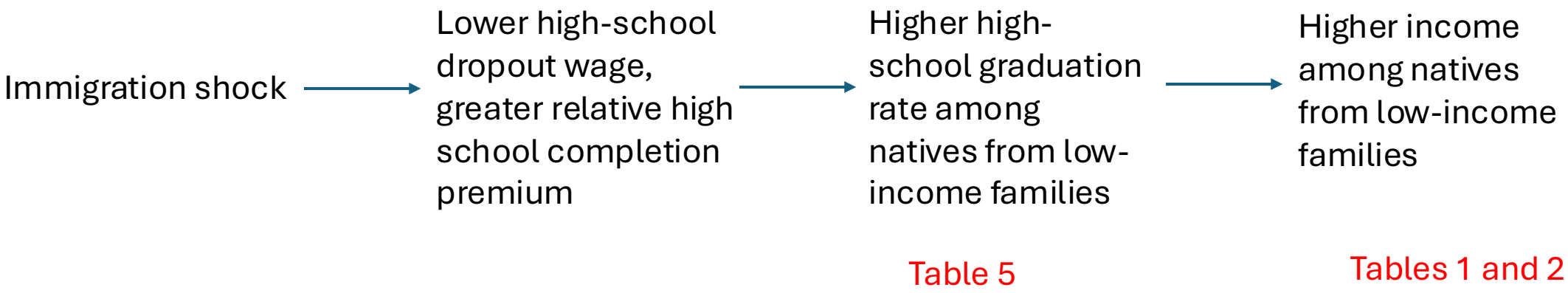

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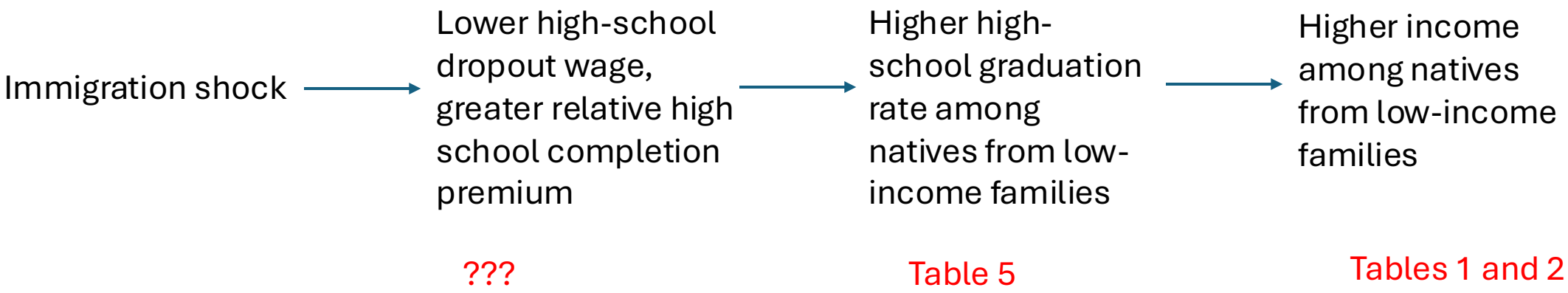

This is my favorite table in the paper, because it flows nicely from theory about the high school wage premium.

(But why does it only work for Whites?)

	High School Completion				
	All People	White Male	White Female	Black Male	Black Female
Decile	(1)	(2)	(3)	(4)	(5)
1	0.250**	0.235**	0.272***	0.215	0.185
	(0.097)	(0.105)	(0.075)	(0.179)	(0.124)
2	0.215***	0.257***	0.221**	0.198	0.176*
	(0.081)	(0.098)	(0.086)	(0.127)	(0.095)
3	0.227***	0.187**	0.085	0.217	0.205*
	(0.083)	(0.082)	(0.073)	(0.133)	(0.107)
4	0.115**	0.097	0.111***	0.111	0.145
	(0.058)	(0.064)	(0.041)	(0.102)	(0.113)
5	0.042	0.052	0.004	0.009	0.106
	(0.042)	(0.049)	(0.038)	(0.080)	(0.083)
6	0.016	0.003	-0.018	0.040	0.097
	(0.037)	(0.047)	(0.028)	(0.108)	(0.078)
7	0.033	0.005	-0.012	-0.165**	-0.041
	(0.030)	(0.033)	(0.023)	(0.082)	(0.083)
8	-0.010	-0.041	-0.019	0.094	0.016
	(0.024)	(0.026)	(0.017)	(0.083)	(0.053)
9	-0.014	-0.041**	-0.024*	-0.067	-0.002
	(0.017)	(0.018)	(0.014)	(0.074)	(0.053)
10	-0.014*	-0.040***	-0.021***	-0.084	-0.086
	(0.008)	(0.008)	(0.007)	(0.072)	(0.054)
Average	0.045	-0.021	-0.008	0.103	0.129*
	(0.034)	(0.041)	(0.028)	(0.096)	(0.075)

Notes: Robust standard errors are shown in parentheses.

What is the theoretical explanation for the *negative* impact on kids born to *high-income* families?

- The paper reports large negative effects on income, employment, and college completion for people born in the top deciles.
- It seems we need at least some theoretical conjecture about this.
- Nothing in the paper. What about the literature?

Best stories I can think of:

- Are immigrant skills bimodal?
  - Russian programmers, Nigerian doctors etc.
  - But all the results for high-income people are driven by Mexican enclaves (Table 2).

- White flight:
  - Immigration makes the entire commuting zone worse off.
  - This lowers opportunities for children of high-income people.
  - Lowers returns to higher education.
  - But most white flight is simply to the suburbs.
  - And the results suggest that children from high-income families move to CZs with high opportunities.

If we can’t conjure a good post-hoc story, what are we left with?

- Omitted variable bias?
  - Regional dummies?
  - Distance to the Southern border?
- Influential cases?

A specific concern about omitted variables:

- Immigration shocks were largest in cities like El Paso and Brownsville, where returns to higher education may be lower, also in the previous period.
- Difference between high-income families who own car dealerships versus corporate workers or researchers.
- We have a nice income mobility control, but why not break it down by income decile?
- For education regressions, something like “propensity for the rich to get a BA in the 1980 census.”
- Much higher rates of college attainment among the wealthy in low-immigration Northern cities than in Sun Belt cities receiving the shock.
- This is not a diff-in-diff, but pure cross section, so these things matter.
- Currently only controls for population, college share, and manufacturing.

Fuel to the fire for this type of concern

- Immigration leads to higher rates of marriage and fertility among natives born to poor families.
- My first thought: need to control for Catholicism/religiosity.
- But the result is strongest for Black natives.
- What could be the causal mechanism?
- My guess is simply that Southern Black (and White) folks have higher marriage rates than Northerners.

A very different reading of the results

- As I work my way through the tables, I see a very different pattern of results than the ones discussed in the introduction and conclusion.
- For the most part, the results seem most consistent with a story in which immigration puts downward pressure on income and employment.

OLS versus IV

- Great that you show the OLS results (Table 2 for income).
- It would be nice to see them for other outcome variables like education and employment.
- For income, we need the shift share instrument to get the key (happy) result for lower income people.
- The overall impact on income is negative in the simple OLS model.
- Why does the enclave approach lead to such different inferences?

	OLS	No Controls	No 1940 Controls	Control Y in 1940	No Mexico in Enclaves	COLA Adjust
	All People					
Decile	(1)	(2)	(3)	(4)	(5)	(6)
1	0.080**	0.294***	0.151	0.193**	0.214*	0.010
	(0.040)	(0.105)	(0.095)	(0.081)	(0.109)	(0.081)
2	0.060	0.280***	0.132	0.173**	0.171*	0.018
	(0.039)	(0.097)	(0.086)	(0.077)	(0.096)	(0.085)
3	0.029	0.227***	0.108	0.146*	0.151	-0.023
	(0.038)	(0.083)	(0.086)	(0.080)	(0.105)	(0.084)
4	-0.005	0.146**	0.040	0.086	0.095	-0.106
	(0.035)	(0.073)	(0.079)	(0.071)	(0.102)	(0.069)
5	-0.052	0.088	-0.009	0.027	0.047	-0.203***
	(0.037)	(0.070)	(0.080)	(0.071)	(0.104)	(0.063)
6	-0.102***	0.026	-0.067	-0.032	0.011	-0.271***
	(0.039)	(0.070)	(0.077)	(0.070)	(0.117)	(0.064)
7	-0.139***	-0.037	-0.106	-0.078	-0.030	-0.334***
	(0.044)	(0.062)	(0.077)	(0.072)	(0.119)	(0.065)
8	-0.185***	-0.082	-0.160*	-0.134*	-0.058	-0.427***
	(0.052)	(0.068)	(0.083)	(0.079)	(0.136)	(0.066)
9	-0.253***	-0.096	-0.232**	-0.206**	-0.098	-0.525***
	(0.059)	(0.088)	(0.092)	(0.086)	(0.155)	(0.065)
10	-0.292***	-0.017	-0.290***	-0.265***	-0.118	-0.579***
	(0.061)	(0.123)	(0.090)	(0.080)	(0.144)	(0.059)
Average	-0.127**	0.091	-0.100	-0.052	0.002	-0.293***
	(0.051)	(0.099)	(0.105)	(0.092)	(0.139)	(0.074)

Notes: Robust standard errors are shown in parentheses.

Why is the COLA model not the preferred specification?

Isn't this extremely important?

COLA model suggests a large negative impact of immigration across a wide range of income deciles.

Immigration appears to be quite bad for employment, especially for white females born to high-income families.

And bad for Black females born into all income deciles.

But again, my guess would be that immigration shocks happened in cities where employment prospects for Black women were poor to begin with and did not improve.

Table 4: Effects of Immigrant Inflows on Employment

	Share of Years with W2 Income > Minimum Wage					W2 > 0
	All People	White Male	White Female	Black Male	Black Female	All People
Decile	(1)	(2)	(3)	(4)	(5)	(6)
1	0.180*	0.211***	0.021	0.126	-0.182**	0.074
	(0.103)	(0.079)	(0.093)	(0.091)	(0.073)	(0.074)
2	0.151	0.161**	-0.050	0.131	-0.201***	0.041
	(0.104)	(0.065)	(0.083)	(0.115)	(0.059)	(0.074)
3	0.078	0.080	-0.137*	0.095	-0.167**	-0.006
	(0.097)	(0.073)	(0.079)	(0.097)	(0.076)	(0.068)
4	-0.024	-0.002	-0.228***	0.089	-0.253***	-0.050
	(0.078)	(0.075)	(0.077)	(0.086)	(0.054)	(0.057)
5	-0.116	-0.119*	-0.319***	-0.083	-0.259***	-0.106**
	(0.073)	(0.063)	(0.082)	(0.054)	(0.069)	(0.053)
6	-0.200***	-0.197***	-0.410***	0.056	-0.269***	-0.172***
	(0.068)	(0.072)	(0.083)	(0.069)	(0.056)	(0.049)
7	-0.274***	-0.226***	-0.501***	-0.040	-0.246***	-0.216***
	(0.068)	(0.073)	(0.093)	(0.058)	(0.048)	(0.050)
8	-0.347***	-0.294***	-0.570***	-0.160**	-0.323***	-0.266***
	(0.072)	(0.069)	(0.101)	(0.064)	(0.077)	(0.052)
9	-0.407***	-0.327***	-0.623***	-0.273***	-0.442***	-0.307***
	(0.071)	(0.057)	(0.101)	(0.075)	(0.072)	(0.049)
10	-0.408***	-0.340***	-0.556***	-0.443***	-0.504***	-0.295***
	(0.057)	(0.045)	(0.090)	(0.073)	(0.082)	(0.038)
Average	-0.188**	-0.243***	-0.472***	0.060	-0.218***	-0.163***
	(0.084)	(0.069)	(0.095)	(0.071)	(0.057)	(0.057)

Notes: Robust standard errors are shown in parentheses.

Conclusion

- If the cost-of-living-adjusted income model and the employment models capture causal effects, they indicate that immigration is bad news for natives.
  - But curiously, much of this is driven by children *of high-income* natives.
  - The consistent negative effects for children of high-income families in so many of the models is a mystery.
  - My hunch is that these are not causal effects.
- The positive high school attainment effects for the children of low-income people are interesting and consistent with theory
  - But the same concerns about causal inference apply.