There has been a resurgence of international migration in many regions of the world. One of the largest flows of international migrants—regardless of whether it is measured in absolute numbers, as a percent of the population of the sending country, or as a percent of the population of the receiving country—is the flow of Mexican-born persons to the United States. By 2003, 10.2 million Mexicans, or almost 9 percent of the Mexican population, had migrated to the United States. Mexican immigrants comprised 28.3 percent of all foreign-born persons residing in the United States and accounted for 3.6 percent of the total U.S. population.

This large population flow has altered social conditions and economic opportunities in both Mexico and the United States. In fact, the rapidly increasing number of Mexicans in the U.S. population has already ignited a contentious debate over the cultural, economic, and political impact of this influx. There is a great deal of concern over the possibility that the Mexican immigrant influx, which is predominantly low-skill, adversely affects working conditions for low-skill workers already residing in the United States. Similarly, there is a heated debate over the possibility that Mexican immigrants and their descendants may assimilate slowly—relative to the experience of other immigrant waves—and this slow assimilation may lead to the creation of a new underclass.

Reflecting the increased interest on issues regarding the economic impact of immigration, the National Bureau of Economic Research (NBER) has held four separate research conferences on immigration in the past two years.

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1. See, for example, Hanson (2003) and Huntington (2004).
decades. The studies presented in the first three conferences (held in 1987, 1990, and 1998) analyzed a wide range of questions in the economics of immigration, including the decision to migrate, the determinants of assimilation, and the labor market impact of immigration on receiving countries. This volume contains the studies presented at the fourth NBER conference, held in 2005. All of these studies focus specifically on issues related to Mexican immigration.

The empirical findings reported here summarize much of what is currently known about the economic impact of Mexican immigration to the United States. In addition, many of the essays address a number of new issues and report new findings. Taken together, the studies provide a historical overview of Mexican immigration, a discussion of the factors that determine the rate of assimilation of Mexican immigrants and of why the assimilation rate might differ between Mexican and non-Mexican immigrants, an evaluation of the selection mechanism that generates the non-random sample of emigrants in Mexico, an assessment of the economic impact of Mexican immigration on both the U.S. and Mexican wage structures, and a study of intergenerational mobility among Mexicans living in the United States. A common theme runs through the essays: The sheer size and uniqueness of the Mexican immigrant population in the United States ensures that the economic impact of this immigrant influx is pervasive and will likely form an important part of the discussion over many aspects of social and economic policy for decades to come.

**Mexican Immigration in the United States: A Brief Overview**

It is instructive to place the Mexican immigrant influx in the context of both past and current immigration to the United States. From this perspective, the historical and demographic uniqueness of recent Mexican immigration quickly becomes apparent.

The number of legal immigrants admitted to the United States increased substantially in the past few decades, from about 2.5 million in the 1950s to 9.1 million in the 1990s. There was also a marked increase in the size of the illegal immigrant population. In 1986, the Immigration Reform and Control Act (IRCA) granted amnesty to illegal immigrants present in the United States as of 1982. Roughly 3 million illegal immigrants qualified for this amnesty. Despite this legalization, despite higher levels of border enforcement, and despite the introduction of employer sanctions penalizing firms that knowingly hired illegal immigrants, the Immigration and Naturalization Service estimated that 5 million persons were illegally present in the United States in 1996 and that the net flow of illegal immigrants was on

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2. The research essays were published in three volumes: Abowd and Freeman (1991), Borjas and Freeman (1992), and Borjas (2000).
the order of 275,000 persons per year (U.S. Immigration and Naturalization Service 1997, 197). By 2004, the size of the illegal alien population was estimated to be 10.3 million persons, and the illegal population was increasing at the rate of 700,000 persons per year (Passel 2005, 3).

The huge increase in the size of the immigrant influx in recent decades can be traced to changes in U.S. immigration policy. Prior to 1965, immigration to the United States was guided by the national-origins quota system, a visa scheme that allocated a relatively small number of legal entry visas mainly to Western European countries. The 1965 Amendments to the Immigration and Nationality Act (and subsequent revisions) repealed the national origin restrictions, increased the number of available visas, and made family ties to U.S. residents the key factor that determined whether an applicant was admitted into the country.

As a consequence of both the 1965 Amendments and of major changes in economic and political conditions in the source countries relative to the United States, the national origin mix of the immigrant flow began to change substantially in the past few decades. Over two-thirds of the legal immigrants admitted during the 1950s originated in Europe or Canada, 25 percent originated in Western Hemisphere countries other than Canada, and only 6 percent originated in Asia. By the 1990s, only 17.1 percent of the immigrants originated in Europe or Canada, 47.2 percent in Western Hemisphere countries other than Canada, and 30.7 percent originated in Asia.

A key determinant of these various trends is the influx of Mexican immigrants. The population of Mexican-born persons residing in the United States increased at an unprecedented rate in recent decades. During the 1950s, an average of 30,000 legal Mexican immigrants entered the United States each year, comprising about 12 percent of the immigrant flow. During the 1990s, an average of 225,000 Mexicans entered the United States legally each year, comprising almost 25 percent of the legal flow. Further, it is estimated that 57 percent of the illegal immigrants present in the United States in 2004 are of Mexican origin (Passel 2005, 4). If one takes into account both legal and illegal immigration, the estimated flow of Mexican immigrants to the United States during the 1990s was around 400,000 per year. The magnitude of this flow was far larger than that of any other national origin group.

The size of the large Mexican immigrant influx of the past few decades is unique not only relative to current immigration, but also even relative to the very large migration of some European national origin groups at the beginning of the twentieth century. In 1920, for example, the largest two immigrant populations were those of persons who originated in Germany or Italy, and together those two populations comprised about 23.7 percent of the foreign-born population at the time (U.S. Bureau of the Census 1975). As noted in the preceding, in 2004 Mexican immigrants alone
account for 28.3 percent of the foreign-born population. Put differently, the dominant position of Mexican immigration in determining the ethnic composition of the immigrant population represents an important outlier in the history of U.S. immigration.

In fact, it is interesting to contrast recent Mexican immigration to the United States with Mexican immigration a century ago. Mexican immigration was relatively small in the early 1900s; the fraction of the U.S. population composed of Mexican immigrants was only 0.6 percent in 1920 and actually declined for several decades afterward. To ease the labor force shortage caused by World War II in the agricultural industry, the Bracero Program was launched in 1942. By 1964, when it was terminated, the guest-worker program had brought almost 5 million Mexican-born farm workers to the United States. It is very likely that the termination of the Bracero Program sparked the beginning of large-scale illegal immigration from Mexico to the United States. In 1964, for example, the Border Patrol apprehended only 41.6 thousand Mexican illegal immigrants. By 1970, the Border Patrol was apprehending 348.2 thousand Mexicans annually.\(^3\)

As figure I.1 shows, the economic pressures for immigration from Mexico probably also helped maintain the momentum. Per capita income in Mexico relative to the United States peaked in the early 1980s at around .27. It fell dramatically during the 1980s, and has not recovered since. By 2000, Mexican per capita income was only 19 percent of that of the United States. The relative decline in the Mexican standard of living is surely an important determinant of the large increase in Mexican immigration in recent years.

It is important to note that the large increase in Mexican immigration has led to an equally large increase (with a lag) in the number of persons born in the United States of Mexican ancestry. In 1980, 3.1 percent of the native-born population was of Mexican ancestry. By 2004, 6.3 percent of the native-born population was of Mexican ancestry. If one combines the population of Mexican-born workers with that of U.S.-born workers of Mexican ancestry, these two groups accounted for 9.3 percent of the U.S. population in 2004 (as compared to only 3.9 percent in 1980). The flow of Mexican-born persons to the United States has not shown any signs of abating in recent years. As a result, the demographic and economic importance of the Mexican-origin population in the United States is bound to increase dramatically in the next few decades.

The NBER Project

The many studies that examine the economic consequences of immigration repeatedly show that one of the key determinants of the economic im-

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3. To put these numbers into perspective, note that there were 1.7 million such apprehensions in 1986, just prior to the enactment of IRCA.
The connection between immigrant skills and the fiscal impact of immigration, for instance, is obvious. The many programs that make up the welfare state tend to redistribute resources from high-income workers to persons with less economic potential. Skilled immigrants may also assimilate quickly. They might be more adept at learning the tools and tricks of the trade that can increase the chances of economic success in the United States, such as the language and culture of the American workplace. The skill mix of immigrants also determines which native workers are most affected by immigration. Low-skill immigrants will typically harm low-skill natives, while skilled immigrants will harm skilled natives. Finally, the skills of immigrants determine the economic benefits from immigration. The United States benefits from international trade because it can import goods that are not available or are too expensive to produce in the domestic market. Similarly, the country benefits from immigration because it can import workers with scarce qualifications and abilities. In view of the importance of determining the relative skills of the immigrant population, it is not surprising that many of the studies in this volume carefully examine

the differences between the skill composition of the Mexican immigrant population and that of native workers and of other immigrants.

In their contribution to this volume, George Borjas and Lawrence Katz use the available microdata from the U.S. decennial Census to provide a sweeping account of the evolution of the Mexican-born workforce in the United States throughout the entire twentieth century. In particular, the paper describes the evolution of the relative skills and economic performance of Mexican immigrants and contrasts this evolution to that experienced by other immigrant groups arriving in the United States during the period. The paper also examines the costs and benefits of this influx. Specifically, it shows how the Mexican influx has altered economic opportunities in the most affected labor markets and discusses how the relative prices of goods and services produced by Mexican immigrants may have changed over time.

The empirical analysis of Borjas and Katz yields a number of interesting findings. It turns out, for example, that the very large differences in educational attainment between native-born workers and Mexican immigrants accounts for nearly three-quarters of the very large wage disadvantage suffered by Mexican immigrants in the U.S. workforce. Similarly, they document that the earnings of non-Mexican immigrants tend to converge to those of their native-born counterparts as the immigrants accumulate work experience in the U.S. labor market but that this type of wage convergence has been much weaker for Mexican immigrants. Finally, Borjas and Katz estimate a structural model of labor demand to document that Mexican immigration has adversely affected the earnings of less-educated native workers in recent decades. In fact, they find that practically all of the predicted reduction in the real wage of high school dropouts since 1980 can be traced to the depressing wage effects caused by the increase in the supply of low-skill workers attributable to Mexican immigration.

Francine Blau and Lawrence Kahn's essay provides a comprehensive study of the assimilation of Mexican immigrants in the U.S. labor market. The paper examines the relation between gender and assimilation in labor supply and wages, both within and across generations. Blau and Kahn document that there is a much more traditional gender division of labor in the family in Mexico than among Mexican immigrants in the United States, with women in Mexico having considerably lower labor force participation and higher fertility than their ethnic counterparts in the United States. In fact, they document a dramatic rate of assimilation in the labor supply of Mexican immigrant women. After twenty years in the United States, the very large initial differences in female labor supply between Mexican women and other women have been virtually eliminated. Further, the labor supply gap remains small in the second and third generations.

Interestingly, the pattern of rapid assimilation in labor supply behavior does not carry over to wages. Blau and Kahn’s evidence on wage conver-
gence between Mexicans and native-born workers suggests that Mexican immigrants do not exhibit rapid assimilation. Wage convergence for Mexican immigrant men tends to be relatively modest, while the evidence for women is quite mixed. The Blau-Kahn essay highlights the importance of source-country characteristics in determining the behavior of immigrants in the receiving country, at least initially. In effect, it underlines the importance of understanding the context of work decisions in the source country if one wishes to explain the source of the differences in labor market outcomes between Mexicans and non-Mexicans in the United States.

Edward Lazear’s contribution continues the study of assimilation among Mexican immigrants by specifically focusing on the crucial question: why are assimilation rates among Mexican immigrants lower than those found in other immigrant groups? As Lazear notes, by almost any measure of socioeconomic outcomes, immigrants from Mexico have performed worse and become assimilated more slowly than immigrants from other countries. After considering a number of alternative hypotheses, Lazear argues that the lower assimilation rates of Mexican immigrants may be a consequence of U.S. immigration policy.

As noted earlier, the United States lets in far more immigrants from Mexico than from any other country. The large size of the group allows for the creation of socially vibrant and economically viable large Mexican enclaves in the United States. Lazear argues that economic theory and evidence suggests that those who live in highly concentrated communities earn lower wages, have poorer educational attainment, and do not assimilate as quickly as immigrants who live outside the enclave. Lazear’s empirical analysis, however, shows that the clustering of Mexicans into highly concentrated geographic communities explains some, but not all, of the difference between their economic performance and that of other immigrants. Lazear argues that the rest of the difference may well be the result of an immigration policy that emphasizes family ties, rather than jobs or skills, in the awarding of entry visas (at least for legal immigrants). Put differently, by admitting relatively large numbers of Mexicans on a family rather than job basis, the United States selects a group of Mexican immigrants who have an economic disadvantage at the starting gate.

There are many assimilation paths for immigrant groups in the United States. Some immigrant groups, for example, have used self-employment (such as opening up small shops that cater mainly to their ethnic counterparts in the enclave) as the method of moving up the economic ladder. The study by Robert Fairlie and Christopher Woodruff notes an important puzzle. Mexico is one of the most entrepreneurial countries in the world, at least as measured by the self-employment rate of its workforce. At the same time, however, self-employment rates among Mexican immigrants in the United States are remarkably low: only about 6 percent of Mexican immigrants are self-employed, as compared to the national average of 11 per-
cent. This differential behavior in self-employment propensities between the Mexican immigrant and the Mexican population, Fairlie and Woodruff show, appears to be an extreme outlier when examining the same relation among other immigrant groups in the United States. It seems, therefore, that Mexican immigrants are missing out on a potentially important channel of assimilation even though their source country characteristics suggest that such a path would be a relatively easy one to follow.

Fairlie and Woodruff explore several possible explanations for the relatively lower rates of self-employment among Mexican immigrants in the United States, both relative to other immigrant groups and relative to their initial conditions. One possibility is that self-employment propensities of Mexican immigrants may be lower because the socioeconomic characteristics of Mexican workers in the United States differ systematically from those of Mexican workers who remain in Mexico. They find, however, that differences in observed characteristics (such as education and age) between the two groups explain little of the gap between self-employment rates in Mexico and self-employment rates among Mexicans in the United States. Fairlie and Woodruff also show that although the industrial distribution of workers differs between the two countries, these differences cannot account for the self-employment gap. Their analysis suggests instead that barriers created by English language difficulties and legalization status may help to explain part of the relatively low rates of self-employment among Mexican immigrants.

Pablo Ibarraran and Darren Lubotsky present an in-depth analysis of the type of selection that characterizes the nonrandom flow of Mexican immigrants to the United States. Various theories of migration argue that differences in the wage structure between countries, as well as migration costs, community social capital, and access to credit markets, may be important determinants of the migration decision and that these variables generate the observed (and unobserved) differences in characteristics between the nonrandom samples of movers and stayers. Some of these theories predict that Mexican migrants may be positively selected (that is, they will be more skilled than nonmigrants), while others predict that Mexican immigrants may be negatively selected.

The primary goal of the Ibarraran-Lubotsky essay is to assess empirically if Mexican migrants are, in fact, positively or negatively selected. Using data from the 2000 Mexican and U.S. Censuses, Ibarraran and Lubotsky examine how the educational attainment of Mexican migrants to the United States compares with the educational attainment of Mexican workers who choose to remain in Mexico. Their key—and potentially controversial—finding is that low-skill Mexicans are more likely to migrate to the United States than high-skill Mexicans. They argue that this evidence is consistent with the predictions of a simple Roy model of migration. As fur-

5. For related (and somewhat contradictory) evidence, see Chiquiar and Hanson (2005).
ther confirmation of this theoretical framework, they also show that the degree of negative selection among emigrants is larger in Mexican counties where workers typically face higher returns to education.

The study by David Card and Ethan Lewis begins by noting that although Mexican immigrants have historically clustered in only a few cities in the United States, primarily in California and Texas, this strong geographic clustering has begun to unravel in the past decade. More recent arrivals have established large immigrant communities in many new destinations. In previous decades, for example, nearly 80 percent of Mexican immigrants settled in either California or Texas. By 2000, however, fewer than half of the most recent Mexican immigrants settled in those two states. Many cities that had negligible Mexican immigrant populations in 1990—such as Atlanta and Raleigh-Durham—received many Mexican immigrants during the 1990s. The recent arrival of Mexican immigrants in many Southeastern cities raises many new interesting questions because of the potential impact of the immigrant influx on the labor market prospects of less-skilled African Americans.

Card and Lewis explore the causes and consequences of the recent geographic diffusion of Mexican immigrants. They find that a combination of demand-pull and supply-push factors explains most of the intercity variation in inflows of Mexican immigrants over the 1990s. Card and Lewis also note that Mexican immigration into a particular locality raises the relative supply of low-skill workers in a city. This supply shock, in turn, raises the question of how cities adapt to these demographic shifts. One possible adjustment mechanism is a shifting industry composition. Card and Lewis, however, find limited evidence for this mechanism: most of the increases in the relative supply of low-skill labor are absorbed by changes in skill intensity within narrowly defined industries, rather than a shifting industrial structure. They also seem to find little evidence of relative wage effects at the local level. The Card-Lewis study, therefore, suggests that the adjustment mechanism used by local markets to adjust to large and sudden supply shocks (composed mainly of low-skill workers) is still not well understood.

The essay by Brian Duncan and Stephen Trejo focuses specifically on the important question of how the latest wave of Mexican immigrants and their U.S.-born descendants will ultimately assimilate into the mainstream of American society. Although the large differences in educational attainment, occupation, and earnings that existed among early twentieth century waves of European immigrants narrowed substantially by the end of the twentieth century, there seems to be considerable skepticism that Mexican immigrants will follow the same processes of assimilation and adaptation.\footnote{See, for example, Portes and Zhou (1993) and Rumbaut (1994).}

Duncan and Trejo argue that the existing literature ignores an important
determinant of the rate of social mobility in the Mexican population: intermarriage between Mexican immigrants and non-Mexicans. Their analysis shows that ignoring this factor can easily lead to a distorted picture of the social mobility likely to be experienced by the children of Mexican immigrants. The evidence, for example, shows that U.S.-born persons of Mexican ancestry who marry non-Mexicans are substantially more educated and English proficient than are the Mexican Americans who marry co-ethnics. Moreover, the non-Mexican spouses of intermarried Mexican Americans also possess relatively high levels of schooling and English proficiency, compared to the spouses of endogamously married Mexican Americans. Duncan and Trejo’s empirical analysis documents that the children of intermarried Mexican Americans are much less likely to be identified as Mexican than are the children of endogamous Mexican marriages. These forces produce strong negative correlations between the education, English proficiency, employment, and earnings of Mexican American parents and the chances that their children retain a Mexican ethnicity. Such findings raise the possibility that selective ethnic attrition biases observed measures of intergenerational progress for Mexican Americans.

Susan Richter, J. Edward Taylor, and Antonio Yúnez-Naude study the determinants of the flow of illegal immigrants from Mexico to the United States. They specifically focus on two major policy shifts: the 1986 IRCA and the North American Free Trade Agreement (NAFTA). The 1990s also witnessed increasing border enforcement against illegal immigration. The increased border enforcement should reduce the supply of illegal labor to the United States, but both NAFTA and IRCA could have potentially countervailing effects, at least in the short term.

Richter, Taylor, and Yúnez-Naude estimate an econometric model to test the effect of these policy changes on the flow of migrant labor from rural Mexico to the United States. The models are estimated using retrospective data from the 2003 National Mexico Rural Household Survey. Although it is nearly impossible to separately identify the impact of the various policy shifts from the concurrent economic trends, the empirical analysis suggests a number of interesting patterns. First, labor migration from rural Mexico followed an upward trend during the 1980s and 1990s, but its trend seems to be driven mainly by past migration flows, reflecting the central role of migration networks in generating further migration. Richter, Taylor and Yúnez-Naude find that policy variables seem to significantly influence migration, but their influence is relatively small, especially when compared to the impact of macroeconomic variables and network effects.

Finally, Gordon Hanson’s paper examines how Mexican emigration may have affected regional labor supply and regional earnings in Mexico. Emigration rates vary widely across Mexican regions, with workers from west-central states having the highest propensity to migrate abroad. Han-
son exploits the regional persistence in these migration propensities to identify the impact of emigration on the regional wage structure in Mexico. In particular, Hanson finds that wages in high-migration states rose relative to wages in low-migration states.

There are, of course, several possible interpretations for this correlation between regional wages and supply movements. From the perspective of the economics of migration, the most interesting would be that emigration of low-skill workers raises wages in Mexico, with the effects being most pronounced in those states that have well-developed networks for sending migrants to the United States. As Hanson notes, however, emigration was not the only shock to the Mexican economy during the 1990s. Both NAFTA and the 1994–1995 Mexico peso crisis likely influenced wages and migration.

**Conclusion**

As a result of the continuing surge in international migration in many regions of the world, the literature investigating the economic impact of immigration on the United States and on other receiving (as well as sending) countries continues to grow rapidly. This explosion of research has substantially increased our understanding of the economic consequences of immigration. For example, the large number of immigrants admitted in the United States in recent decades has already had a major impact on the skill composition of the U.S. workforce and was likely responsible for some of the shifts in the wage structure observed in the 1980s and 1990s.

The essays presented in this volume add to our understanding of an important part of the immigration phenomenon in the United States: Mexican immigration. The essays clearly show that this immigrant influx has important economic consequences for both Mexico and the United States. Moreover, the economic impact of today’s Mexican immigrants is not limited to the current generation, but will likely continue far into the future as the descendants of the Mexican immigrant population constitute an ever-larger part of the U.S. workforce.

**References**


