

The Postpandemic U.S. Immigration Surge: New Facts and Inflationary Implications

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Discussants: Wendy Edelberg, Alisdair McKay

Gianluca Violante opened the discussion by noting that the post-pandemic immigration surge was concentrated in particular sectors, including construction, agriculture, and leisure and hospitality. Picking up on an issue that Alisdair McKay raised in his discussion, Violante pointed out that the literature on the pass-through of cost-push shocks to aggregate inflation emphasizes the importance of the production network: upstream sectors and sectors with a higher degree of price stickiness tend to matter more for aggregate inflation. Given that construction is a large, upstream sector, he thought that their one-sector framework may underestimate the effect on aggregate inflation.

Marco Del Negro wondered whether the authors could use their model to speak to the opposite shock, given that current policy debates now center on tightening immigration restrictions. He suggested that the authors use their model to study what the counterfactual paths of aggregate inflation and output would have looked like if immigration had either risen or fallen. He also noted that greater emphasis on labor market outcomes would help policymakers understand whether recent weakness in the labor market was driven by broader deterioration or by changes in net immigration flows.

Edward Glaeser opened his discussion by expressing his desire for more definitive empirical work on the impact of low-skill immigration on the construction sector. Following up on a suggestion from McKay's discussion to exploit regional variation in exposure to the immigration shock, he suggested that the authors exploit heterogeneity across projects within the construction sector. He noted that larger, upstream, high-end projects tend to be performed by larger firms that employ documented workers, while smaller projects, such as single-family homes, are mostly performed by smaller establishments that may employ more undocumented workers. He also encouraged the authors to leverage the rich heterogeneity in housing demand and supply across different regions, as well as across tiers of housing and rental markets. Finally, Glaeser closed his discussion by noting that their model does not explicitly incorporate traded goods, which may be important given the significant role of undocumented immigrants in the agricultural sector.

Following up on Glaeser's comment on tradable goods, George Alessandria suggested that the authors think about how their results would change in an open-economy model. Additionally, he pointed out that a linear model would not capture the supply constraints that were salient in the post-pandemic period and urged the authors to consider how increased immigration flows would affect congestion in the movement of goods throughout the production network. He explained that he thought increased immigration flows would increase congestion and could therefore change some of their results.

Mark Gertler returned to the issue that Violante had raised, noting that the rise and eventual fall in marginal costs during the post-pandemic inflation surge were largely driven by prices of intermediate goods and commodities rather than wages, suggesting that labor supply effects on wages may have been less relevant for aggregate inflation. He also agreed with a point from McKay's discussion that the inflation effects depend on the degree of monetary accommodation,

and he argued that most of the disinflation following the post-pandemic inflation surge was due to monetary tightening.

Following up on Glaeser's and Violante's comments, Veronica Guerrieri urged the authors to think more about how to disentangle the relative roles of undocumented immigrants in demand versus supply within the construction sector. She explained that, in her view, the supply role of immigrant workers in construction may push inflation down. Returning to Del Negro's points on immigration tightening, she also encouraged the authors to study the implications of net immigrant outflows, given anecdotal reports from employers in the housing construction sector that they cannot find enough low-skill workers.

Xiaoqing Zhou thanked the participants for their thoughtful comments and agreed that a multi-sector extension of their model would be useful. She emphasized, however, that a richer model would still need to account for the joint demand and supply effects of immigration on prices, noting that these forces tend to offset each other. Citing her other empirical work, which exploits regional variation in immigration flows, Zhou explained that in the housing sector, demand effects appear to dominate in the short run: low-skill immigration created upward pressure on house prices and rents, while housing supply measures did not respond. However, she pointed out that this research also finds economically small and statistically insignificant effects of immigration on total PCE inflation at the city level, consistent with the aggregate inflation predictions of their one-sector model. Commenting on the recent reversal in immigration flows, Zhou argued that the effects are likely to be symmetric to the immigration surge, given that the recent decline in net immigration flows was driven by reduced inflows. Additionally, she argued that deportations, a salient source of recent outflows, are likely to have an impact similar to reduced inflows, referencing their finding that the labor-market characteristics of low-skill immigrants are highly persistent. Lastly, Zhou cited another finding from her other work, which includes data from the recent reversal period, that net immigration outflows have approximately symmetric effects to net inflows.

Anton Cheremukhin then responded to Del Negro's earlier question regarding labor-market outcomes and the recent reversal period. He explained that the authors had extended their framework to incorporate the labor market, estimating it on data through the end of 2025. They found that the immigration wave of 2022–2024 had raised the "breakeven" rate of payroll growth (the pace of job creation required to hold the unemployment rate constant) by up to 100,000 jobs per month, allowing the economy to absorb rapid payroll growth without tightening the labor market, while the subsequent reversal in 2025 lowered the breakeven threshold by about 50,000 jobs per month. The authors' conclusion from this extended analysis was that the observed slowdown in monthly job creation largely tracked the decline in the breakeven rate rather than indicating broader labor-market deterioration, with little effect on the unemployment rate.

Alexander Richter clarified that the goal of the paper was to address questions from policymakers about the inflationary effects of the postpandemic immigration surge, while also sparking macroeconomic interest in immigration. Elaborating on this point, he explained that they aimed to provide a model with enough detail to connect to key empirical facts. He reiterated that the key question from the general discussion is whether the missing network, regional, and nonlinear mechanisms are large enough to overturn the aggregate conclusions from the model. Richter explained that their view is that many of these channels wash out for their outcome of interest: aggregate inflation. While he noted that a linear model was a natural starting point for their analysis, he acknowledged that the high labor-market tightness of the post-pandemic period

suggests that a nonlinear model with state dependence may introduce quantitatively important differences.

Laura Veldkamp suggested that, in future work, the authors could distinguish between housing-constrained regions, such as Manhattan, and cities with capacity for more growth, such as Charlotte. She suggested that the authors develop a two-region extension of their model and evaluate the effects of an immigration policy that steers new arrivals toward housing markets with higher housing supply elasticities, thus placing less upward pressure on rents. Veldkamp elaborated on how such a policy might be implemented in practice and noted that this type of policy could help achieve the benefits of immigration while avoiding some of its adverse effects. Zhou agreed that regional heterogeneity is an important policy consideration and added that her other empirical work finds larger effects of immigration on rents in big cities. Glaeser later followed up on this discussion by noting that some places that were unconstrained twenty years ago are no longer unconstrained. He thought it would be interesting to investigate how the recent immigration surge compares to past immigration surges and examine what has shifted over this period. Additionally, he encouraged Zhou to validate the shift-share instruments used in their empirical studies against richer data sources, such as Zillow.

Returning to Violante's previous point regarding propagation through the production network, Zhou pointed out that immigrant-produced goods are largely concentrated in downstream sectors, such as agriculture and residential construction, suggesting a limited role for the input-output network in propagating the immigration shock to the broader economy. Violante argued that a multi-sector model would still alter the mapping from sectoral shocks to aggregate inflation, even if immigrants work largely in downstream sectors. Zhou agreed and added that it would also affect the timing of transmission.

Alessandra Fogli raised longer-run concerns surrounding the immigration debate, including fertility, repercussions for the next generation, and the capacity of public resources and infrastructure. Zhou agreed on the importance of studying these longer-run effects and cited the higher fertility rate among immigrants relative to natives.

Valerie Ramey thought that the paper was definitive on the impact of the immigration surge on inflation but raised another concern in the immigration debate: the fiscal incidence of immigration. She cited CBO calculations that tend to find net positive effects of the immigration surge on federal finances but net negative effects on state and local finances. She wondered whether the immigration surge might have contributed to California's recent state and local budgetary problems, citing the state's generous benefit system as a potential factor. As a final point, Ramey added that another concern in the public immigration debate is the rule of law, given the large inflows of undocumented individuals.