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BORDER WALLS

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ABSTRACT

What are the economic impacts of a border wall between the United States and Mexico? We use confidential data on bilateral flows of primarily unauthorized Mexican workers to the United States to estimate how a substantial expansion of the border wall between the United States and Mexico from 2007 to 2010 affected migration. We then combine these estimates with a general equilibrium spatial model featuring multiple labor types and a flexible underlying geography to quantify the economic impact of the wall expansion. At a construction cost of approximately \$7 per person in the United States, we estimate that the border wall expansion harmed Mexican workers and high-skill U.S. workers, but benefited U.S. low-skill workers, who achieved gains equivalent to an increase in per capita income of \$0.36. In contrast, a counterfactual policy which instead reduced trade costs between the United States and Mexico by 25% would have resulted in both greater declines in Mexico to United States migration and substantial welfare gains for all workers.

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1 Introduction

What are the economic impacts of a border wall between the United States and Mexico? While there exists a vigorous debate surrounding the issue, empirical evidence guiding the debate has lagged behind. This is partly due to the difficulty of disentangling the many mechanisms through which a border wall can affect the economy. The decision of whether and where to migrate requires a trade-off comparing the costs and benefits of each possible destination. While a border wall may directly increase the cost of migrating to certain destinations, it also can affect the benefits of migrating, as the changing behavior of workers can have general equilibrium effects on prices and wages in each destination. Moreover, these impacts may differ across space depending on the underlying geography and costs associated with the movement of goods and people.

In this paper, we use detailed data on bilateral migration flows of workers both within and between the United States and Mexico to understand how a substantial expansion of the border wall from 2007 to 2010 affected migration flows. We then combine these estimates with a general equilibrium spatial model featuring multiple labor types and a flexible underlying geography to quantify the economic impact of the wall expansion. At a construction cost of approximately \$7 per person in the United States, we estimate that the border wall expansion harmed Mexican workers and high-skill U.S. workers, but benefited U.S. low-skill workers, who achieved gains equivalent to an increase in per capita income of \$0.36. In contrast, a counterfactual policy which instead reduced trade costs between the United States and Mexico by 25% would have resulted in both greater declines in Mexico to United States migration and substantial welfare gains for all workers.

The border wall expansion we study was a result of the Secure Fence Act of 2006, which authorized the construction of reinforced fencing in California, Arizona, New Mexico, and Texas. Between 2007 and 2010, 548 miles of wall were constructed along the 1,954-mile U.S.-Mexico border, bringing the total fencing to 658 miles. Since unauthorized migrants typically cross the border by foot ([Massey, Durand, and Malone \(2003\)](#)), the extension of the wall altered the relative costs of migration across origin and destination pairs. By combining this geographic variation with a confidential version of the *Matrícula Consular* (Consular ID card) database that provides detailed information on the bilateral flows of (primarily unauthorized) Mexican migrants between 3,000 different regions in the United States and Mexico, we examine how the patterns of migration changed after the expansion of the border wall.

The analysis is complicated by the fact that, at the same time the wall was being built, the Great Recession occurred. One benefit of observing bilateral migration flows is that we

can compare migration to a particular destination across different origins – some of which were impacted by the border wall expansion and some of which were not. In this way, we can control for shocks to a particular destination and, by similar logic, can control shocks to a particular origin by comparing migration to different destinations. Borrowing this “gravity” procedure (familiar from the trade literature, see e.g. [Baldwin and Taglioni \(2006\)](#) and [Head and Mayer \(2013\)](#)), we find that the border wall expansion caused a decline in migration flows: a 10% increase in the total travel time necessary to avoid the border wall resulted in a 1.4% reduction in bilateral migration flows. This result is robust to accounting for the response of border patrol enforcement, controlling for different types of border walls, and instrumenting the location of the wall expansion using geographic predictors of where the wall was built.

While the estimates are precise, the effects are small: our estimated elasticity implies the *direct* impact of the Secure Fence Act was to reduce Mexico-to-U.S. migration by 0.8%. However, this calculation abstracts from any *indirect* impacts of the Secure Fence Act, including how it may change the pattern of migration from a particular origin (which would be absorbed in the origin fixed effect) or how it may impact the labor markets in the destination (which would be absorbed in the destination fixed effect). To estimate the *total* impact of the Secure Fence Act (including these indirect effects), we develop a general equilibrium spatial model comprising multiple types of labor and many locations separated by both migration and trade frictions. Despite the many general equilibrium forces, we characterize the equilibrium of the model and show how the structure of the model allows us to estimate the key structural parameters – the substitutability of different types of labor, the trade elasticity, and the migration elasticities – from a set of linear instrumental variables regressions, where the instruments are simply measures of the extent to which the Secure Fence Act affected each location.

Given our estimated parameters, we calculate the economic impact of the border wall expansion by holding the underlying geography (productivities, amenities, and trade costs) constant at pre-expansion levels and increasing migration costs to match the gravity estimates above. We estimate that the total impact of the border wall expansion was to reduce the (long-run) number of Mexican workers residing in the United States by 82,600 workers, a decline of approximately 0.6%. This decline reduced the welfare of both low-skill and high-skill Mexican workers by an equivalent decline in per capita income of \$1.34 and \$2.99, respectively (driven primarily by the direct increase in the cost of migrating) and reduced the welfare of high-skill U.S. workers by \$4.35 (driven primarily by the decline in relative scarcity of high-skill labor). However, low-skill U.S. workers benefited by \$0.36, as low-skill labor in the United States became more scarce. These figures do not include the direct cost

of wall construction, which is approximately \$7 per person (not worker) in the United States.

Finally, we calculate the economic impacts of alternative (counterfactual) policies. First, we consider experiments that “fill in” some of the gaps in the wall to understand if our small effects are driven by the fact that the wall only partially covers the U.S.-Mexico border. We find no evidence of such nonlinearities: filling in half of the remaining gaps on the border would reduce the number of Mexican migrants by 144,000 yet increase the economic benefit to only \$0.58 per low-skill U.S. worker. Second, we consider an experiment that reduces the international trade costs between the United States and Mexico. We find that, like the border wall expansion, this reduction in trade costs also reduced the number of Mexican workers in the United States. For example, a trade policy that reduced the impact of distance on international trade flows one-quarter of the way toward the impact of distance on domestic trade flows would have reduced the number of Mexican workers residing in the United States by about 123,000. However, unlike the border wall expansion, reducing trade costs results in large economic benefits for both U.S. and Mexican workers. For example, a 25% reduction in the additional international cost of distance would yield a benefit of equivalent to a \$59 increase in income for each low-skill U.S. worker and even greater gains for low-skill Mexican workers and high-skill workers of both nationalities.

We should emphasize that there are several potential concerns about these results. First, our primary measure of migration comes from the consular ID database. Migrants choose whether or not to apply for an ID card. While our estimation strategy allows origins and destinations to each have differential changes in take-up rates, if it is the case that migrants are more likely to apply for an ID card when they move to places with fewer people from their home municipality, as may happen if migrants change their destination as a result of the wall, then we may overstate the effect of the wall on migration. To address this concern, we first show that changes in the number of consular ID cards correlate strongly with population counts of Mexican residents in both origin locations from the Mexico Census and destination locations from the United States American Community survey, and second, we show we find no evidence that the correlation between Census data and the consular ID database depends on the concentration of the migrant network. We also use alternative measures of migration to validate our finding that the wall changed migration patterns, providing direct evidence from independently collected survey data that migrants’ choice of where to cross the border changed in response to the border wall expansion and that the location of border apprehensions by the U.S. Border Patrol shifted away from the newly walled portion of the border.

A second concern is that the exclusion restriction of our baseline instrumental variable regressions may not be satisfied. We estimate a small effect of the wall on migration flows

during a period when there were large contemporaneous aggregate shocks, and event study analysis suggest locations most impacted by the border wall expansion in the United States had different population trends prior to the border wall expansion. To address this concern, we undertake two robustness exercises, first showing that the estimated structural elasticities remain remarkably similar after controlling for a number of covariates possibly correlated with exposure to the Secure Fence Act (as measured by the predicted location of the wall expansions using geography along the border), including population trends, sectoral composition, distance to the border, and changes in local housing values. We then show that counterfactual results are qualitatively similar across a wide variety of parameter constellations spanning the range of estimates from the literature: both border wall expansions and reductions in trade costs always reduce Mexico to United States migration, reducing trade costs always substantially increased the welfare of both U.S. and Mexican workers, and the border wall expansion always causes welfare declines for most labor groups. Across all parameter constellations, high-skill U.S. workers are never made better off from the Secure Fence Act and the economic benefits for low-skill U.S. workers never exceed \$3.62, substantially below the construction costs of the wall.

Our paper builds on large literatures in the fields of international trade, economic geography, and migration. The three papers most related to our paper are [Feigenberg \(2017\)](#), [Caballero, Cadena, and Kovak \(2018\)](#), and [Burstein, Hanson, Tian, and Vogel \(2017\)](#). Like [Feigenberg \(2017\)](#), we estimate the impact of the Secure Fence Act on migration; however, unlike that paper, by observing bilateral migration flows, our analysis allows us to separate the impact of the border wall from other contemporaneous economic shocks in both origins and destinations (e.g. Arizona’s anti-immigrant SB 1070 law, which required police to request documentation from those suspected of being in the country illegally). Like [Caballero, Cadena, and Kovak \(2018\)](#), we rely upon the Matrícula Consular database to observe migration flows; however, unlike that paper, we use a confidential version of the data that provides variation at a sub-state (county) level, allowing us to control for state-level shocks (such as policies) that may impact migration flows. Relative to both papers, our focus is on understanding the general equilibrium effects of a policy change that affected migration. The model we develop is similar to that of [Burstein, Hanson, Tian, and Vogel \(2017\)](#) who also construct a many-location trade model with multiple types of labor; however, unlike that paper, we allow for bilateral costly migration between locations (and estimate the model using a policy shock to those bilateral migration costs).

More broadly, the paper contributes to the large literature examining the effect of immigration on local labor markets (see e.g., [Card \(2001\)](#); [Borjas \(2003\)](#); [Ottaviano and Peri \(2012\)](#); [Borjas, Grogger, and Hanson \(2012\)](#); [Llull \(2017\)](#); [Clemens, Lewis, and Postel \(2018\)](#);

and [Dustmann, Schönberg, and Stuhler \(2016\)](#) for a recent review). This literature typically estimates the local labor market effects using a plausible exogenous shock to the relative local labor supply; in this vein, we show that the (partial) construction of the border wall can be used as such a shock. That the border wall has an impact on migration is consistent with several papers examining the impact of changes in immigration policy on migration patterns, including e.g., [Bazzi, Burns, Hanson, Roberts, and Whitley \(2018\)](#); [Lessem \(2018\)](#); [Hanson and Spilimbergo \(1999\)](#); [Angelucci \(2012\)](#) and [Bohn and Pugatch \(2015\)](#). This literature, however, typically abstracts from general equilibrium linkages, such as those caused by trade, across local labor markets. Here, we derive new structural estimating equations that hold in the presence of such general equilibrium spatial linkages; reassuringly, they not only look quite similar to those used previously, they rely upon the same identifying assumptions.

This paper also contributes to the growing quantitative spatial literature (see e.g., [Ahlfeldt, Redding, Sturm, and Wolf \(2015\)](#); [Allen and Arkolakis \(2014\)](#); [Monte, Redding, and Rossi-Hansberg \(2018\)](#) and the excellent reviews by [Costinot and Rodríguez-Clare \(2014\)](#) and [Redding and Rossi-Hansberg \(2017\)](#)). Here, we incorporate multiple types of imperfectly substitutable labor into a model with both flexible trade and migration frictions, and we provide for the first time conditions under which the equilibrium of such a framework exists and is unique.

Finally, this paper contributes to the large literature examining how the movement of goods and the movement of people interact. Classic treatments of the topic include [Mundell \(1957\)](#) and [Markusen \(1983\)](#); more recent papers include [Dix-Carneiro \(2014\)](#); [Tombe and Zhu \(2015\)](#); [Dix-Carneiro and Kovak \(2017\)](#); and [Morten and Oliveira \(2018\)](#).

The rest of the paper is organized as follows. We start by describing the data and the border wall expansion in Section 2. Section 3 estimates the direct impact of the border wall expansion on migration flows. Section 4 presents our general equilibrium spatial model. Section 5 derives the structural estimating equations and estimates the key model parameters. Section 6 estimates the economic impacts of the Secure Fence Act, larger (counterfactual) border wall expansions, and (counterfactual) reductions in trade costs. We briefly conclude in Section 7.

2 Empirical context and data

This section describes the border wall expansion we examine and the different data sources we use to evaluate its impact on Mexican migration to the United States.¹

¹While the migration of other groups to the United States, particularly Central Americans, has become increasingly important over the past several years, 94% of apprehensions at the U.S.-Mexican border during

2.1 Empirical context: The Secure Fence Act of 2006

We study the effect of border wall expansion between 2007 and 2010 that occurred as a result of the Secure Fence Act signed by President George Bush on October 26, 2006. The bill authorized the construction of reinforced fencing on locations of the border in California, Arizona, New Mexico, and Texas. Between 2007 and 2010, 548 miles of wall were constructed along the 1954-mile U.S.-Mexico border, bringing the total wall to 658 miles. Of this new wall, 260 miles were “vehicular wall” and 288 miles were “primary pedestrian wall.”² The cost of the wall construction between 2007 and 2015 was \$2.3 billion ([United States Government Accountability Office \(2017b,a\)](#)). This number is equivalent to spending over \$7 for each person in the United States.³

We geocode the locations of the wall along the border by digitizing an engineering report that displays all the wall locations at a 1:50,000 scale ([Michael Baker Jr. Inc. \(2013\)](#)). This report displays the location of all constructed walls and identifies the particular construction project each wall segment belongs. In some cases, the wall replaced legacy fence from earlier efforts to control immigration (for example, Operation Gatekeeper built six miles of fence along the San Diego portion of the U.S.-Mexico border in 1994).⁴ In the majority of cases, however, the wall was built in locations that previously did not have any fence. We complement this digitized data with GIS shapefiles collected by [Guerrero and Castañeda \(2017\)](#) (and generously shared with us), which provides information on when each segment of the wall was constructed. Figure 1 shows the location of the new wall and legacy wall constructed on the border. Appendix Figure 1 shows two examples of the wall on the border.

To generate our analysis dataset, we start by dividing the U.S.-Mexico border into 1001 equally spaced points. We then overlay the location of the border wall. For each point along the border, we construct a buffer of 10km around each point, and we define a point as affected by the wall if it intersects this buffer. By this measure, of the 1001 border points, 22% contained a wall in 2006. By 2010, 51% of the points contained a wall. Column (2) of Table 1 shows that the geography along the border strongly predicts where the wall was

2000–2010 were of Mexican nationals, suggesting our abstraction from the impact of the border wall expansion on migration to the United States from countries other than Mexico is reasonable for our period of study.

²These numbers are based on analysis of GIS shape files generously shared with us by [Guerrero and Castañeda \(2017\)](#). These numbers differ very slightly from the official statistics, which as of 2017 are 354 miles of primary pedestrian fence and 300 miles of vehicular fence, so a total of 654 miles of fence ([source](#)). The discrepancy may be due to the treatment of fence repairs across the two data sets.

³This number does not account for maintenance costs of the fence. Between 2007 and 2015, \$0.45 billion was spent on maintenance. The Government Accountability Office estimated lifetime maintenance costs of the fence to be estimated to be an additional \$1 billion dollars ([United States Government Accountability Office, 2017b](#)).

⁴Other early wall sections were constructed in Arizona during Operation Safeguard in 1993 and Operation Hold-the-Line in Texas in 1993.

expanded: of the 781 border locations that were unwalled in 2006, a wall was 83% less likely to be constructed if the location had a river, 23% less likely to be constructed for every additional kilometer of elevation, and 5% less likely to be constructed for each additional temperature degree (capturing the desert area). Columns (4) and (5) add in economic variables: the wall was more likely to be constructed in populated areas and was also more likely to be constructed in locations that were hit harder by the Great Recession, as measured by the housing shock from [Mian and Sufi \(2014\)](#). Column (6) adds state fixed effects. Even controlling for geographic heterogeneity, the wall was less likely to be constructed in Texas compared with the three other border states.⁵

To measure the impact of the border wall expansion on a particular Mexican origin (municipality) - U.S. destination (PUMA, or public use micro-data area) pair, we calculate the distance between the pair along the least cost overland path that avoids a wall. In what follows, we refer to this distance along the least cost route avoiding a border wall as “travel time.”⁶ Our primary measure of wall exposure will be the change in this (log) travel time between 2006 and 2010 as a result of the wall expansion. Based on this measure we calculate that 86% of all possible origin-destination pairs were affected by the wall. However, we predict that most migrants can avoid the wall by making small changes to their path: conditional on being affected by the wall, migrants moving between the median pair face a 1.7% increase in travel time, and those moving between the 75th(25th) percentile pair face a 2.1%(1.3%) increase. Those moving between the 95th percentile pair face a 5.0% increase in travel time.

⁵This is likely due to the “Roosevelt Reservation,” a proclamation by President Theodore Roosevelt in 1907 that set apart a strip of land within 60 feet of the U.S.-Mexico border with California, Arizona, and New Mexico and reserved it from entry, settlements, or operation of public land laws. The Roosevelt Reservation did not apply to Texas because Texas had retained title to all its public lands at the time of annexation in 1845. As a result, the federal government already owned much of the land adjacent to the border in California, New Mexico, and Arizona, and so legal action to acquire the land was not required before building the wall. This was not the case in Texas, where lengthy and costly eminent domain proceedings needed to occur before the start of wall construction ([Congressional Research Service \(2009\)](#); [Miller, Collier, and Aguilar \(2017\)](#)). Consistent with this, Appendix Figure 2 shows when the wall in each state was constructed: the Arizona portion of the wall was constructed first, between 2006 and 2008, whereas the Texan portion was constructed in the latter period of wall building.

⁶To do so, we calculate the least cost overland distance from each location to each point along the border without a wall and find which point minimizes the total distance. Since each point along the border is identified as having a wall if it is within 10km of the border wall, this procedure does not allow small gaps in the wall to impact the measure of exposure (as small gaps in the wall may reflect other deterrents to crossing the border). We show that our estimates are qualitatively unchanged if we use a 4km buffer instead.

2.2 Data

Our goal is to measure the migration flow between Mexico and the United States as well as the migration stock in each United States destination and Mexican origin. Quantifying migration flows between Mexico and the United States is challenging. The Pew Research Center estimates that 50% of the 11.6 million Mexican-born population living in the United States in 2016 is in the country illegally (Passel and Cohn (2016)). Although surveys such as the American Community Survey (ACS) and the Census survey migrants, unauthorized migrants may be less likely to complete these surveys. And even if unauthorized migrants are in the sample, the data contain only country of birth and not any further information about where in the country they migrated from, making it difficult to disentangle the impacts of the border wall expansion from other economic shocks or policy changes that may impact migration. To overcome these difficulties, we rely on the Mexican Matrícula Consular database, which includes detailed information on both the origin and destination of (primarily unauthorized) Mexican migrants.

2.2.1 The Matrícula Consular Database

The Matrícula Consular (Consulate ID card) is a document issued by Mexican consulates in the United States to Mexican citizens residing in the United States. The Matrícula Consular is accepted as an identification document by several financial institutions and government agencies.⁷ Applying for a Matrícula Consular is voluntary. To apply, individuals are required to show proof of Mexican citizenship; they do not need to provide proof of legal status in the United States. For this reason, the Matrícula Consular is a particularly valuable form of identification for unauthorized migrants living in the United States. This is opportune for our analysis, since the migrants most affected by a more strict border control policies are likely to be those who are crossing the border illegally. A Matrícula Consular is valid for five years once issued, after which it may be renewed. A renewed card appears as a new entry in the database. We use the confidential version of the Matrícula Consular database which contains the Mexican municipality of birth, the U.S. county the migrant is living in at the time the card is issued, and some demographic information on gender, education, and occupation.⁸

Columns (1) and (4) in Appendix Table 1 give summary statistics for the Matrícula

⁷For example, *Bank on California*, an initiative spearheaded by Governor Arnold Schwarzenegger in 2008 to help Californians open a bank account, encourages banks to accept Consular ID cards as a form of identification. http://www.bankoncalifornia.ca.gov/files/id_requirements.pdf

⁸While we have observations that come from all 50 U.S. states, Mexico has consulates in only 23 of the 50 states. It is plausible that it is easier for a migrant to visit a consulate if there is one closer to where they are living. We will undertake robustness for this possibility in later empirical sections.

database. We observe approximately 850,000 Matrículas Consulares issued per year. 96% of Matrículas are issued to individuals with a high-school education or less. This group is highly likely to be unauthorized: [Passel \(2007\)](#) estimates that 72% of unauthorized migrants have this level of education, compared with 45% of authorized migrants. 60% of the Matrícula ID cards are issued to men. California is the most common destination (with 38% of migrants in 2005–2006, and 31% during 2010–2012), followed by Texas (with 15% of migrants in 2006 and 23% during 2010–2012). Broadly, the Matrícula data suggest a shift away from California and Arizona and into Texas over the study period. The other columns in Appendix Table 1 show the distribution of migrants in the ACS. The same broad patterns are present, with a reduction in migrants away from California and towards Texas.

The Matrícula data have been used to study migration by [Massey, Rugh, and Pren \(2010\)](#), [Clemens \(2015\)](#), and [Caballero, Cadena, and Kovak \(2018\)](#). These papers use a publicly available version of the data that aggregates migration flows between Mexican municipalities and U.S. states. We use a confidential version of the data that disaggregates the destination to the U.S. county, rather than the state, level. This additional level of spatial disaggregation will prove helpful in the estimation of the structural parameters below, as it will allow us to control for time-varying state-level policies. The state-level version of the Matrícula database has been correlated against several measures of migrant stocks in [Caballero, Cadena, and Kovak \(2018\)](#). Since we use the county-level version of the data, we provide checks for the county-level version of the data against Census and ACS data sets in Appendix B.5, where we find that the Matrícula database positively correlates with population counts (looking within PUMA over time) and negatively correlates with population counts when we consider a fixed cohort of individuals (looking within municipality over time) in Mexico.

One shortcoming of the Matrícula data is that we do not observe any labor market outcomes. The Pew Research Center undertook a one-time survey, during 2004–2005, of Matrícula applicants in six different states when they were inside the consulate applying for the ID card. These data give us a snapshot of a sample of Matrícula applicants. We compare this database to the sample of Mexican-born individuals in the 2005 ACS. Appendix Table 4 shows that the Matrícula applicants are on average slightly younger (31 vs years); slightly less educated (94% of the sample has high school or less as their highest level of completed education, compared with 86% in the ACS); earn slightly less (\$334/week, compared with \$451/week); and have spent less time in the United States (39% arrived less than five years ago, compared with 17% in the ACS).

The highly disaggregated geographical coverage in the confidential Matrícula data allows us to recover rich patterns of migration. Appendix Figure 3 plots the share of Matrículas Consulares that were issued in California for each origin municipality in Mexico. The figure

shows both that there is a geographic pattern to migration (74% of migrants from Baja California migrate to nearby California), but also that geography is not the only predictor of migration (71% of migrants from the Yucatán Peninsula, in the far south of Mexico, also migrate to California). Such patterns likely reflect historical migration patterns and the fact that migration networks are very persistent (Munshi (2003); Card (2001)). Panel (a) and (b) show that the migrant network also differs within California – for example, 32% of migrants from Yucatán go to the Bay Area, whereas migrants from Baja California are much more likely to migrate to Los Angeles, with only 4% moving to the Bay Area. Appendix Figure 4 shows similar patterns for migration to Texas, with the role of geography clear through the concentration of migration to Texas from the northeastern states of Coahuila and Nuevo León, but also with a large amount of heterogeneity, especially regarding the location of those who migrate to Dallas instead of Houston. Given this rich heterogeneity in migration destinations, the same event – e.g., the construction of a wall on the border – may therefore have very different effects on how it changes the migration destination of migrants from two different origin municipalities, depending on how exposed they are to the wall as well as their historical migration patterns. Empirically, we will show that accounting for these network effects improves the ability of the model to predict the effects of the wall.

2.2.2 U.S. PUMA-level economic data

We use the ACS and Census waves from 2000–2012 to analyze the impact of migration in the United States. Our unit of analysis is the PUMA (public use microdata area), adjusted to constant boundaries between 2000 and 2010. Dropping observations in Hawaii and Alaska, this yields 1066 unique markets. We follow Borjas, Grogger, and Hanson (2012) and Ottaviano and Peri (2012) in the construction of the sample. The sample includes all adults aged 18–64, who are not residing in group quarters and who have worked at least one week in the year prior to the Census. The wage is defined as the mean log average weekly wage. We omit self-employed workers both from both the computation of wages (following the argument that returns to self-employment may also include returns to non-labor inputs) and from the counts of population. We classify workers into two education groups: high education (if they have completed at least some college) and low education (if they have completed high school or less). We differ from the sample definition used in Borjas, Grogger, and Hanson (2012) in two ways. We include women as well as men, because we find that women hold 36% of the Matrícula ID cards, and we do not drop people who worked zero hours from the population counts, because not working is likely an endogenous outcome. Our primary sample for the structural estimation and counterfactuals below is the 2000 United States Census (“pre” border wall expansion) and an average across the 2010–2012 ACS (“post” border wall

expansion).

2.2.3 Mexican municipality-level economic data

We use the Mexican Census waves from 1990, 2000, 2005, 2010 and 2015. Our unit of analysis is the Mexican municipality, adjusted to consistent boundaries over time. This yields 2331 unique markets in Mexico. We follow the same definition for the variables as we did for the United States data. We compute wages as the monthly income earned adjusted by the number of hours worked. We follow the same education classification and define workers as low education if they have completed high school or less and high education if they have completed some college. We keep self-employed individuals in the income data. Our primary sample for the structural estimation and counterfactuals below is the 2000 and 2010 Censuses (“pre” and “post” border wall expansion, respectively).

2.2.4 Bilateral state-to-state trade flow data

We use the United States Commodity Flow Survey to construct the value of trade shipped from each United States state to each other United States state in the years 1997, 2002, 2007, and 2012. We combine this with the North American TransBorder Freight Database, which allows us to construct the value of trade shipped from each United States state to each Mexican state for the years 2006–2016. Our primary data set compares 2007 (“pre” border wall expansion) and 2012 (“post” border wall expansion) where we have trade flows both within the United States and from the United States to Mexico.

3 The direct impact of a border wall on migration

We plot the change in Matrículas (between a given origin and destination) against the change in travel time as a result of the wall in Figure 2. The figure shows that, between 2006 and 2010, migration fell relatively more between origin-destination pairs that faced a larger increase in travel time after the wall. However, many other events occurred between 2006 and 2010, not the least of which was the Great Recession. This section develops an identification strategy based on leveraging changes in pair-level origin-destination flows to separate the effect of the wall from origin and destination shocks.

3.1 Main results

In order to quantify how much each origin-destination pair was affected by the wall expansion, we estimate a gravity model of location decision. This gravity equation will have a structural

interpretation in the model we develop in Section 4. We estimate the following equation:

$$\log N_{ijt} = \beta \log \text{traveltime}_{ijt} + \gamma_{it} + \delta_{jt} + \lambda_{ij} + \varepsilon_{ijt}, \quad (1)$$

where N_{ijt} is the number of migrants from origin i to destination j in year t , traveltime_{ijt} is the travel time between origin i and destination j along the least cost overland path that avoids a wall in period t , and γ , δ , and λ are origin-year, destination-year, and origin-destination fixed effects, respectively. That is, controlling for these fixed effects, we look to see if the construction of a wall on the least-cost path between the origin and destination reduced the relative migration flow between the origin and destination. The fixed effects included in this regression control for any destination-year specific shock (for example, the effects of the Great Recession on destination labor markets or the effects of government policies, such as Arizona’s anti-immigrant SB 1070 law, on the value of living in a destination) as well as any shocks to the origin labor market (such as negative economic shocks). The destination-year fixed effects also control for any differences in take-up of the Matrícula Consular across destinations.⁹ The pair fixed effect absorbs any time-invariant determinants of migration, such as the bilateral distance between two locations or the existence of historical migration networks. In other words, identification comes only from the differential migration response at the pair level, holding constant all origin and destination confounds. We use Matrícula data from 2006 as the pre-period and from 2010 as the post-period. We estimate the equation using weighted least squares or weighted 2SLS, and we cluster the standard errors at the origin-destination pair.¹⁰

One immediate concern is that the location of the border wall expansion is endogenous. For this to be an issue for our baseline estimates, since we control for both origin-year and destination-year fixed effects, it would need to be the case that the wall was endogenous to particular pair-level changes in expected migration. This could be so if, for example, the wall was built in places where migrant flows were expected to increase the most. To address this concern, we use geographic variation along the border – elevation, river, and temperature – and the relationship estimated between these variables and the wall expansion (Column (2)

⁹For the destination-year fixed effect to control for takeup it needs to be the case that migrants from different origins have the same takeup rate within a destination. One concern could be that migrants who have a bigger network in the destination have less need for a Matrícula Consular and so takeup for some groups is lower than others. We look at this by examining whether the correlation between Matrículas and the ACS migration counts is weaker if the location has a higher origin-based Herfindahl index. We do not find any consistent evidence of this. Results are available on request to the authors.

¹⁰We weight due to heteroskedasticity. We run the diagnostic tests for heteroskedasticity suggested by [Solon, Haider, and Wooldridge \(2015\)](#). The results (available on request) provide evidence of heteroskedasticity. The unweighted regressions, reported in Appendix Table 5, have coefficients that are consistent with the weighted regression, albeit less precisely estimated. We cluster the standard errors at the unit of observation which is the pair.

of Table 1) to construct a predicted wall expansion of the same size that actually occurred. We then compute the predicted change in travel time if the wall were built in our predicted locations as an instrument for the actual change in travel time.

The results are in Table 2. Columns (1) and (2) show the OLS regressions. We find a negative elasticity of migration flows to the wall, with an elasticity between 10% (considering observations where we see positive migration flows) to 13% (considering the elasticity to 1 + the number of migrants, to include observations with zero observed migration). Columns (3) and (4) report the reduced form estimates. We estimate an elasticity of between 11% and 17%. Columns (5) and (6) show the instrumental variable estimates.¹¹ We estimate an elasticity between 14% and 26%. The IV elasticities are larger than those estimated by OLS, consistent with the wall being built in locations that were expected to receive larger flows of migrants.

To interpret the magnitude of this number, if we take our preferred estimated elasticity of 13.8 (Column (6)), multiply it by the change in travel time, and sum across all pairs (weighting by the pre-period flows), we estimate that the *direct* effect of the Secure Fence Act was to reduce total migration from Mexico to the United States by 0.8%. Of course, such a number is fraught for two reasons: first, it ignores the possibility that the Secure Fence Act led to an overall decrease (or increase) in total migration from a particular origin; second, it ignores the possibility that the benefits of migrating to a particular destination may change as a result of the Secure Fence Act (e.g., by changing the wages or prices). (These effects are absorbed by the origin-year and destination-year fixed effects in the gravity regression, respectively). In order to estimate the total economic impacts of the Secure Fence Act (including these two indirect effects), we combine this estimated elasticity with a general equilibrium spatial model in Section 5 below.

3.2 Robustness

Several other concerns remain. First, our main specification pools together the vehicular and pedestrian fences. Column (2) of Table 3 shows that the effects are larger for a pedestrian fence, which is reassuring, as internal U.S. government documents suggest that vehicular fences were not designed to prevent migrants from crossing the border on foot ([United States Government Accountability Office \(2017b\)](#)).¹² Second, Column (3) shows that the results are robust to using a buffer for the fence of 4km instead of 10km (the elasticity is larger,

¹¹We report the first-stage regressions for the IV results in Appendix Table 6.

¹²The rest of the estimation is robust to creating an instrument based on the pedestrian fence only; although the point estimate is larger, only half the fence constructed was pedestrian, so the net effects we estimate are similar.

but this is offset but a much smaller increase in travel time). Third, although we control for a rich set of fixed effects, which help alleviate concerns about specific labor market or political shocks in the destination, it could be the case that there are time-varying shocks at the pair level that are not absorbed by the origin-year and destination-year fixed effects. For example, although the overall effect of the Great Recession is absorbed by the destination-year fixed effects, if certain origins have many migrants who work in the construction sector, these origins may have been much more affected by the Great Recession. To examine this, we include a measure of the share of migrants in the baseline who report working in the construction sector interacted with a measure of the intensity of the housing shock taken from [Mian and Sufi \(2014\)](#). Column (4) shows that, after allowing for these pair-level shocks, the estimated effect of the wall is almost unchanged. Column (5) of the same table shows that the elasticity is robust to controlling for Border Patrol resources along each sector, which measures the intensity of staffing along the border. Another concern is that the results may be driven by specific subgroups. We show that the estimated elasticity is stable if estimated for only the 23 states that have Mexican consuls (Column (6)), or if very large flows are dropped (Column (7)). One final concern is that pairs that receive a wall shock were on a differential time path compared to pairs that did not receive a wall shock. We show event studies in Appendix Figure 5 that find no evidence of such a differential time trend.

3.3 Additional evidence

Our measure of wall exposure assumes that migrants will choose to cross the border at different locations to avoid the wall. It is useful to verify if this is a reasonable modeling choice. We use a second data set, the *Encuestas sobre Migración en las Fronteras Norte y Sur de México* (EMIF), which surveys migrant workers in 17 border cities that are traditionally used as crossing points, to provide additional evidence that the wall did indeed change the location where people crossed the border. By design, these border cities are high-traffic locations; 60% were already fenced before the Secure Fence Act, and this increased to 90% after the Secure Fence Act.¹³ We use the expansion of the wall and show in Appendix Table

¹³A detailed description of the data can be found at <https://www.colef.mx/emif/eng/index.php>. Some care should be taken interpreting these data; given the clandestine nature of much of the cross-border migration, it would be difficult to survey a truly representative group of migrants. The survey itself also takes place at locations which are widely considered to be common border crossing points; migrants who choose to cross at these points may differ from migrants who choose to cross at less common crossing points. It is also the case that many migrants are not successful at crossing; estimates of the apprehension rates of crossing the border fall in the range of 30%-40% ([Massey, Durand, and Malone \(2003\)](#)), and so a survey of those attempting to cross the border will not necessarily be representative of those who successfully cross the border. Nonetheless, the data provide rich insight into intended migration patterns and allow us to study the choice of border crossing.

7 that individuals were 3 percentage points (or 51%) less likely to report planning to cross at one of 17 high-frequency border crossing points after a wall was built at that location.

Another measure of border crossing activity is apprehensions by the U.S. Border Patrol.¹⁴ The Southern border is divided into nine border sectors, as shown in Appendix Figure 8. To a first approximation, the wall expands in all the border sectors except for three sectors in Texas – Big Bend, Del Rio, and Laredo. We plot the apprehensions of Mexican nationals by sector in Appendix Figure 9.¹⁵ The figure shows that annual apprehensions of Mexican nationals on the U.S.-Mexico border declined from 1.6 million in 2000 to 400,000 in 2010. While the other six sectors saw share decreases in apprehensions between 2007 and 2010 (although this decline started earlier than 2007 in some sectors) the three unwallled sectors in Texas had low but stable apprehensions across the period, yielding some suggestive evidence that migrants were less likely to be apprehended in border sectors after a wall was built.¹⁶

Taken together, these results suggest that the wall changed relative migration patterns between Mexico and the United States, although our estimates imply that the direct impact on migration was small. However, this direct impact does not consider any possible indirect impacts the wall might have had by changing underlying returns to migration and leading to general equilibrium effects. We now turn to a framework that allows us to characterize such general equilibrium effects.

4 Theoretical framework

In this section, we present a general equilibrium model incorporating many locations, multiple types of labor, and the costly movement of people and goods between locations. The model serves three purposes: first, it allows us to quantify the indirect economic impacts of the Secure Fence Act; second, it allows us to assess the welfare effects of the wall expansion on different types of labor in different locations; and third, it allows us to compare the Secure

¹⁴Apprehension data is an imperfect measure of border crossing activity as it may be that both the apprehension probability as well as the number of attempts change when a wall is built. It is also the case that people may be changing their border crossing locations due to differential labor market opportunities in different states and not because of the wall.

¹⁵The plot for non-Mexican nationals is included in Appendix Figure 9 for comparison. Over the period 2000–2010, 94% of apprehensions on the Southern border were Mexican nationals. This number decreases to 58% after 2010, primarily because of the 2014 crisis resulting from entry of large numbers of unauthorized Central American children. Most of these migrants turned themselves in at the Rio Grande Valley sector, and so this explains the spike in apprehensions in that sector shown on the figure.

¹⁶Analysis undertaken by the Congressional Research Service on an earlier period of fence building in the San Diego sector found decreases in apprehensions in that sector coinciding with Operation Gatekeeper, which built a fence along the San Diego border during 1995–1998. The analysis found increases in apprehensions in other sectors of the border, which the authors interpret as evidence that the fence shifted the crossing location for migrants ([Congressional Research Service \(2009\)](#)).

Fence Act to other large-scale counterfactual policies.

4.1 Setup

Consider a world comprising $i \in \{1, \dots, N\} \equiv \mathcal{N}$ locations and inhabited by workers of two different skills s (high-skill h and low-skill l) and two different nationalities n (Mexican M and United States U), each endowed with a unit of labor which they supply inelastically. In each location $i \in \mathcal{N}$, the four types of workers combine their labor to produce a differentiated variety of good using a nested constant elasticity of substitution (CES) production function:

$$Q_i = \left(\sum_{s \in \{h, l\}} \left(\left(\sum_{n \in \{M, U\}} A_i^{n, s} (L_i^{n, s})^{\frac{\rho_s - 1}{\rho_s}} \right)^{\frac{\rho_s}{\rho_s - 1}} \right)^{\frac{\rho - 1}{\rho}} \right)^{\frac{\rho}{\rho - 1}}, \quad (2)$$

where $A_i^{n, s} > 0$ is the productivity of a worker of nationality n and skill s in location i , $\rho_s \geq 1$ is the elasticity of substitution across the nationalities of workers of a skill s , and $\rho \geq 1$ is the elasticity of substitution across high-skill and low-skill workers.

Production occurs under perfect competition and a worker in location i of nationality n and skill s is paid a wage $w_i^{n, s}$ equal to her marginal product:

$$w_i^{n, s} = p_i \times Q_i^{\frac{1}{\rho}} \times \left(\left(\sum_{n \in \{M, U\}} A_i^{M, s} (L_i^{M, s})^{\frac{\rho_s - 1}{\rho_s}} \right)^{\frac{\rho_s}{\rho_s - 1}} \right)^{\left(\frac{1}{\rho_s} - \frac{1}{\rho} \right)} \times A_i^{n, s} \times (L_i^{n, s})^{-\frac{1}{\rho_s}}, \quad (3)$$

where p_i is the equilibrium price of the differentiated variety produced in location i , which from perfect competition and the production function above can be written as:

$$p_i = \left(\sum_{s \in \{h, l\}} \left(\left(\sum_{n \in \{M, U\}} (A_i^{n, s})^{\rho_s} (w_i^{n, s})^{1 - \rho_s} \right)^{\frac{1}{1 - \rho_s}} \right)^{1 - \rho} \right)^{\frac{1}{1 - \rho}}.$$

The movement of goods across locations are subject to “iceberg” frictions. Let $\tau_{ij} \geq 1$ be the number of units of a good shipped from location $i \in \mathcal{N}$ in order for one unit of the good to arrive in location $j \in \mathcal{N}$; as a result, the price of a differentiated variety from location $i \in \mathcal{N}$ in location $j \in \mathcal{N}$ is $p_{ij} = \tau_{ij} p_i$. Workers of all types in all locations have identical CES preferences over the differentiated varieties with constant elasticity of substitution $\sigma \geq 1$ so

their indirect utility can be written as:

$$W_i^{n,s} = \frac{w_i^{n,s}}{P_i} u_i^{n,s},$$

where $P_i \equiv \left(\sum_{j \in \mathcal{N}} (\tau_{ji} p_j)^{1-\sigma} \right)^{\frac{1}{1-\sigma}}$ is the Dixit-Stiglitz price index and $u_j^{n,s}$ is a type-specific amenity for each location.

The movement of people across locations are also subject to “iceberg” frictions. For simplicity, we take the initial distribution of different types of labor across locations $\{L_{i,0}^{n,s}\}$ as exogenous and treat the migration decision as static. In particular, we suppose that for each type of labor in each initial location, there is a continuum of heterogeneous workers $\nu \in [0, L_{i,0}^{n,s}]$ who chooses where to live in order to maximize her welfare:

$$U_i^{n,s}(\nu) = \max_{j \in \mathcal{N}} \frac{W_j^{n,s}}{\mu_{ij}^{n,s}} \varepsilon_{ij}^{n,s}(\nu), \quad (4)$$

where $\mu_{ij}^{n,s} \geq 1$ is a migration friction common to all workers moving from $i \in \mathcal{N}$ to $j \in \mathcal{N}$ of type $\{n, s\}$, and $\varepsilon_{ij}^{n,s}(\nu)$ is an migration friction idiosyncratic to worker ν drawn from an extreme value (Fréchet) distribution with shape parameter $\theta^{n,s} \geq 0$.

Some terminology is helpful in what follows. We refer to the set of $(5N^2)$ parameters $\{\tau_{ij}, \mu_{ij}^{n,s}\}_{i,j \in \mathcal{N} \times \mathcal{N}}^{n \in \{U,M\}, s \in \{h,l\}}$ as the *bilateral frictions* and the set of $(8N)$ parameters $\{A_i^{n,s}, u_i^{n,s}\}_{i \in \mathcal{N}}^{n \in \{U,M\}, s \in \{h,l\}}$ as the *location fundamentals*; together, they comprise the *geography* of the world. The seven parameters $\{\rho, \rho^s, \sigma, \theta^{n,s}\}_{n \in \{U,M\}, s \in \{h,l\}}$ we refer to as the *model elasticities*. Finally, we refer to the $(8N)$ endogenous outcomes $\{w_i^{n,s}, L_i^{n,s}\}_{i \in \mathcal{N}}^{n \in \{U,M\}, s \in \{h,l\}}$ as the *location observables*.

4.2 Migration and Trade Gravity Equations

Given the initial distribution of the population and a set of wages and prices, the assumed Fréchet distribution yields the following gravity migration equation for the bilateral flow of workers of nationality n and skill s from location i to location j :

$$L_{ij}^{n,s} = (\mu_{ij}^{n,s})^{-\theta^{n,s}} \left(\frac{w_j^{n,s}}{P_j} u_j^{n,s} \right)^{\theta^{n,s}} (\Pi_i^{n,s})^{-\theta^{n,s}} L_{i,0}^{n,s}, \quad (5)$$

where $\Pi_i^{n,s} \equiv \left(\sum_{j \in \mathcal{N}} (\mu_{ij}^{n,s})^{-\theta^{n,s}} \left(\frac{w_j^{n,s}}{P_j} u_j^{n,s} \right)^{\theta^{n,s}} \right)^{\frac{1}{\theta^{n,s}}}$ is a migration “price-index” that is (proportional to) the expected welfare of workers of nationality n and skill s initially residing in location i .

Similarly, given the assumed perfect competition and iceberg trade costs, consumer pref-

erences over the differentiated varieties yield the following gravity trade equation of the value of trade flows from location i to location j :

$$X_{ij} = \tau_{ij}^{1-\sigma} p_i^{1-\sigma} P_j^{\sigma-1} E_j, \quad (6)$$

where E_j is the total expenditure of all agents residing in location j .

4.3 Equilibrium

Given a geography of the world, the model elasticities, and the initial distribution of population $\{L_{i,0}^{n,s}\}$, the equilibrium of the model is defined by a set of location observables such that:

1. Given wages and the price index, the number of workers of each type in each location is equal to the total flows of workers to that location:

$$L_i^{n,s} = \sum_{j \in \mathcal{N}} (\mu_{ji}^{n,s})^{-\theta^{n,s}} \left(\frac{w_i^{n,s}}{P_i} u_i^{n,s} \right)^{\theta^{n,s}} (\Pi_j^{n,s})^{-\theta^{n,s}} L_{j,0}^{n,s} \quad (7)$$

2. Given the number of workers in each location, the quantity produced of the differentiated variety in each location is given by the production function from Equation (2).
3. Given the number of workers in each location, the equilibrium price of the differentiated variety, and the quantity produced of the differentiated variety, the equilibrium wage of each type of worker in each location is equal to its marginal product given by Equation (3).
4. Given the equilibrium quantity produced of the differentiated variety in each location, equilibrium prices are determined by the income and expenditure of a location being equal to its total sales (i.e. market clearing):

$$p_i Q_i = \sum_{j \in \mathcal{N}} \tau_{ij}^{1-\sigma} p_i^{1-\sigma} P_j^{\sigma-1} p_j Q_j \quad (8)$$

In what follows, we focus on the steady state equilibrium where the initial spatial distribution of labor of each type is equal to the equilibrium spatial distribution of labor of each type, i.e. $L_i^{n,s} = L_{i,0}^{n,s}$ for all $i \in \mathcal{N}$, $n \in \{M, U\}$, and $s \in \{h, l\}$.

Despite the many locations, multiple types of workers, and flexible bilateral frictions and location fundamentals, we are able derive sufficient conditions for the existence and

uniqueness of the equilibrium. We first state a more general theorem that encompasses a large class of spatial gravity models before deriving the sufficient conditions for existence and uniqueness of our model as a corollary. While previous work has provided such conditions for systems of log-linear equilibrium equations arising from gravity models with multiple factors of production combined in Cobb-Douglas production functions,¹⁷ to our knowledge, the following theorem is the first to allow for multiple factors of production combining with non-unit elasticities of substitution:

Theorem 1. Consider any $N \times K$ system of Equations $F : \mathbb{R}_{++}^{N \times K} \rightarrow \mathbb{R}_{++}^{N \times K}$:

$$F(\mathbf{x})_{ik} \equiv \sum_j K_{ij,k} \prod_{l=1}^K (x_{j,l})^{\alpha_{k,l}} \prod_{l=1}^K (x_{i,l})^{\lambda_{k,l}} \prod_{m=1}^M P_m(\mathbf{x}_j)^{\gamma_{k,m}} \prod_{m=1}^M P_m(\mathbf{x}_i)^{\chi_{k,m}},$$

where $Q_m(\cdot)$ are nested CES aggregating functions:

$$P_m(\mathbf{x}_j) \equiv \left(\sum_{l \in S_m} \frac{1}{|S_m|} \left(\left(\sum_{n \in T_l} \frac{1}{|T_n|} (x_{j,n})^{\delta_{m,l}} \right)^{\frac{1}{\delta_{m,l}}} \right)^{\beta_m} \right)^{\frac{1}{\beta_m}},$$

where $\delta_{m,l} > 0$ and $\beta_m > 0$ for all m and l , $\{K_{ij,k}, U_l, T_{j,n}\}$ are all strictly positive parameter values; S_m and $T_{l,m}$ are (weak) subsets of $\{1, \dots, K\}$; and $\{\alpha_{k,l}, \lambda_{k,l}, \gamma_{k,m}, \chi_{k,p}\}$ are all real-valued.

If $\max_{k \in \{1, \dots, K\}} \left(\sum_{m=1}^M |\gamma_{k,m}| + \sum_{l=1}^K |\alpha_{k,l}| + \sum_{m=1}^M |\lambda_{k,m}| + \sum_{m=1}^M |\chi_{k,m}| \right) < 1$, then there exists a unique fixed point $F(\mathbf{x}^*) = \mathbf{x}^*$.

Proof. See Appendix A.1. □

It is straightforward to see how the system of equilibrium conditions in our framework falls into the framework considered by Theorem 1 (see Appendix A.2 for details). As a result, the following corollary follows immediately:

Corollary 1. Given any geography with symmetric trade costs and migration costs, there exists a unique strictly positive set of location observables if the trade elasticity and migration elasticity are sufficiently small. In particular, $\theta^{n,s} < \frac{1}{2} \left(\frac{\sigma-1}{4\sigma-3} \right) \forall n \in \{M, U\}, s \in \{h, l\}$ and $\sigma < \frac{5}{4}$.

Proof. See Appendix A.2. □

¹⁷See e.g. [Karlin and Nirenberg \(1967\)](#); [Zabreiko \(1975\)](#); [Kennan \(2001\)](#) for existence and uniqueness conditions of systems of non-linear operators, [Allen and Arkolakis \(2014\)](#) for the application of such theorems to log-linear spatial models with many locations and a single spatial linkage, and [Allen, Arkolakis, and Li \(2016\)](#) for the generalization to log-linear spatial models with many locations and many spatial linkages.

Unfortunately, Corollary 1 does not directly apply to the empirical setting we consider below for two reasons: first, we allow for asymmetric migration costs (as the border wall affects the cost of migrating from Mexico to the United States but not vice versa); second, it turns out that the trade and migration elasticities we ultimately estimate do not satisfy the conditions provided by Corollary 1. Still, we present the theoretical results in the hope they will prove helpful future spatial models that move beyond log-linear equilibrium relationships.

5 Estimation

In this section, we estimate the structural parameters from the model presented in Section 4. To do so, we derive a series of straightforward estimating equations that can be implemented using an instrumental variables regression strategy using the construction of portions of the U.S.-Mexico border wall discussed in Section 3 for identifying variation. We first derive the estimating equations for each of the model elasticities (i.e. the elasticities of substitution between different types of labor in the production function (i.e. ρ_l, ρ_h, ρ); the migration elasticity of each type of worker $\{\theta^{n,s}\}$ for $n \in \{M, U\}$ and $s \in \{h, l\}$; and the elasticity of substitution σ which governs the trade elasticity). We then show how the location fundamentals (i.e. the productivity $A_i^{n,s}$ and amenity $u_i^{n,s}$ for $n \in \{M, U\}$ and $s \in \{h, l\}$ in each location in each location $i \in \{1, \dots, N\}$) can be uniquely identified to rationalize the observed data given the estimated parameters.

5.1 Estimating elasticities of substitution between worker types

We first estimate the elasticity of substitution of U.S. and Mexican workers within a skill group. Taking ratios of Equation (3) across the two worker types, then taking logs and first-differencing yields the following expression:

$$\Delta \ln \left(\frac{w_i^{M,s}}{w_i^{U,s}} \right) = -\frac{1}{\rho_s} \Delta \ln \left(\frac{L_i^{M,s}}{L_i^{U,s}} \right) + \Delta \ln \frac{A_i^{M,s}}{A_i^{U,s}} \quad \forall s \in \{h, l\}, \quad (9)$$

where Δ indicates a first-difference (i.e. $\Delta x_i = x_{i,t+1} - x_{i,t}$). Hence, if one can find an instrument for the change in the relative supply of labor in a location that is orthogonal to the change in relative productivity, we can use Equation (9) to estimate the elasticity of substitution between worker nationalities, ρ_s . We discuss such an instrument below.

Given estimates of ρ_l and ρ_h , we can proceed similarly to estimate the elasticity of substitution between the high and low skilled labor. Define $\tilde{p}_i^s \equiv \left(\left(\frac{w_i^{M,s}}{w_i^{U,s}} \right) \left(\frac{L_i^{M,s}}{L_i^{U,s}} \right) \left(w_i^{M,s} \right)^{1-\rho_s} + \left(w_i^{U,s} \right)^{1-\rho_s} \right)^{\frac{1}{1-\rho_s}}$

and $\tilde{Q}_i^s \equiv \left(\left(\left(\frac{w_i^{M,s}}{w_i^{U,s}} \right) \left(\frac{L_i^{M,s}}{L_i^{U,s}} \right)^{\frac{1}{\rho_s}} \right) \left(L_i^{M,s} \right)^{\frac{\rho_s-1}{\rho_s}} + \left(L_i^{U,s} \right)^{\frac{\rho_s-1}{\rho_s}} \right)^{\frac{\rho_s}{\rho_s-1}}$ to be combinations of observables that are closely related to the composite price and quantity of skill group s . It can be shown that the elasticity of substitution between high and low-skill labor relates the relative price and quantity of the high and low-skill composites in a location:

$$\Delta \ln \frac{\tilde{p}_i^h}{\tilde{p}_i^l} = -\frac{1}{\rho} \Delta \ln \frac{\tilde{Q}_i^h}{\tilde{Q}_i^l} + \Delta \ln \varepsilon_i, \quad (10)$$

where $\Delta \ln \varepsilon_i \equiv \left(1 - \frac{1}{\rho} \right) \Delta \ln \frac{(A_i^{U,h})^{\frac{\rho_h}{\rho_h-1}}}{(A_i^{U,l})^{\frac{\rho_l}{\rho_l-1}}}$. As above, if we can also find an instrument for the change in the relative composite quantities, we can use Equation (10) to recover the elasticity of substitution ρ .

5.2 Estimating trade and migration bilateral frictions

We next estimate the bilateral frictions. To do so, we use the gravity equation for the flow of people and the flow of goods.

Consider first the estimation of bilateral migration frictions. Taking logs of the migration gravity equation (5) and adding a time subscript yields:

$$\ln \frac{L_{ijt}^{n,s}}{L_{it,0}^{n,s}} = \ln \left((\mu_{ijt}^{n,s})^{-\theta^{n,s}} \right) + \ln \gamma_{it}^{n,s} + \ln \delta_{jt}^{n,s},$$

where $\ln \gamma_{it}^{n,s} \equiv (\Pi_{it}^{n,s})^{-\theta^{n,s}}$ is the *push factor* and $\ln \delta_{jt}^{n,s} \equiv (W_{jt}^{n,s})^{\theta^{n,s}}$ is the *pull factor* of the migration gravity equation. This equation is equivalent to Regression 1 in Section 3, although here we also include data on migration flows between locations within the United States and between locations within Mexico in order to estimate migration frictions within countries.¹⁸ To estimate the migration frictions (raised to the migration elasticity), we then use the estimated origin-destination pair fixed effect and for Mexican workers (but not U.S. workers), we increase the migration cost according to the estimated impact of the wall variables:

$$(\hat{\mu}_{ijt}^{n,s})^{-\theta^{n,s}} = \exp \left(\hat{\beta} \log \text{traveltime}_{ijt} \times \mathbf{1} \{n = M\} + \hat{\lambda}_{ij} \right).$$

¹⁸Given that observed migration flows are over one year for the Mexico-United States flows and the within-United States migration flows and over five years for the within-Mexico flows, we scale the number of migrants by ten and two, respectively, to get a measure of the number of people migrating over the ten year period of study (2000 to 2010).

The estimation results of this procedure are Appendix Table 12 (the estimated elasticity to travel time increases slightly with the inclusion of within country flows by altering the origin-year and destination-year fixed effects). We show in Appendix Table 13 how these estimated pair fixed effects that we estimate correlate with observed variables, and find that places that are further apart have a lower estimated pair fixed effect, as expected. Interestingly, we find that the effect of distance is smaller for pairs that cross the border rather than stay inside the county.

We pursue a similar strategy for the estimation of the bilateral trade frictions, taking into account that trade flows are observed at the more aggregate state-to-state level.

We take the mean across all locations (i.e. all pairs of municipalities in Mexico and PUMAS in the United States that are within the origin-state-destination-state pair ij) of the *traveltime* variable. Taking logs of the trade gravity equation (6), adding a time subscript, and normalizing the trade flows by own origin trade flows (which, along with an assumption of costless trade within state, allows us to recover the constant in the gravity regression) yielding the following regression:

$$\log \frac{X_{ijt}}{X_{iit}} = \beta \ln traveltime_{ijt} - \delta_{it} + \delta_{jt} + \lambda_{ij} + \varepsilon_{ijt}. \quad (11)$$

Appendix Table 14 presents the results. We find that in the absence of the origin-destination fixed effect and including least cost overland distance rather than travel time avoiding walls, trade flows decline strongly with distance, with an elasticity of -1.25 for domestic trade flows, and an elasticity of -1.81 for international trade flows. (We return to these estimates in Section 6, where we examine what would happen if the international distance elasticity were to decline in magnitude closer to the intra-national distance elasticity). However, with the inclusion of the origin-destination fixed effect and the travel time measure avoiding walls (so that the coefficient on travel time is only identified based on the border wall expansion), we find no evidence that there was a direct impact of the border wall expansion on trade flows.

As we found no evidence that the border wall affected trade flows, we construct a measure of trade costs at the location-pair level (where locations are Mexican municipalities and United States PUMAs), by taking the estimated coefficients on distance from the state-to-state flows using the location-pair distances and allowing distance to have a different elasticity for domestic and international pairs:

$$\tau_{ijt}^{1-\sigma} = \exp \left(\hat{\beta}_0 + \hat{\beta}_1 \ln dist_{ij} + \hat{\beta}_2 \ln dist_{ij} \times \mathbf{1} \{intl_{ij}\} \right).$$

5.3 Estimating trade and migration elasticities

Given our estimates of the elasticities of substitution in the production function, i.e. $\{\rho^h, \rho^l, \rho\}$ and the estimates for the bilateral frictions $(\mu_{ij}^{n,s})^{\theta^{n,s}}$ and $\tau_{ij}^{1-\sigma}$ along with location observables (i.e. $\{w_i^{n,s}, L_i^{n,s}\}_{i \in \mathcal{N}}^{n \in \{U, M\}, s \in \{h, l\}}$), we proceed by estimating the trade and migration elasticities. To do so, define the welfare of worker of type $\{n, s\}$ in location i $W_i^{n,s} \equiv \frac{w_i^{n,s}}{P_i} u_i^{n,s}$. We then rely on the following Lemma:

Lemma 1. *For any set of bilateral frictions (i.e. $\{\tau_{ij}^{1-\sigma}, (\mu_{ij}^{n,s})^{\theta^{n,s}}\}_{i,j \in \mathcal{N} \times \mathcal{N}}^{n \in \{U, M\}, s \in \{h, l\}}$) and location observables (i.e. $\{w_i^{n,s}, L_i^{n,s}\}_{i \in \mathcal{N}}^{n \in \{U, M\}, s \in \{h, l\}}$), there exists a unique (to-scale) set $\{p_i^{1-\sigma}, P_i^{\sigma-1}\}_{i \in \mathcal{N}}$ and a unique (to-scale) set $\{(\Pi_i^{n,s})^{-\theta^{n,s}}, (W_i^{n,s})^{\theta^{n,s}}\}_{i \in \mathcal{N}}^{n \in \{U, M\}, s \in \{h, l\}}$.*

Proof. See Appendix A.3. □

Applying Lemma 1, we recover the unique (to-scale) push and pull factors of the migration gravity equation (i.e. $\{(\Pi_i^{n,s})^{-\theta^{n,s}}, (W_i^{n,s})^{\theta^{n,s}}\}_{i \in \mathcal{N}}^{n \in \{U, M\}, s \in \{h, l\}}$) and origin and destination fixed effects of the trade gravity equation (i.e. $\{p_i^{1-\sigma}, P_i^{\sigma-1}\}_{i \in \mathcal{N}}$). Define $\tilde{p}_i \equiv \left((\tilde{p}_i^h)^{1-\rho} + \left(\frac{\tilde{p}_i^h (\tilde{Q}_i^h)^{\frac{1}{\rho}}}{\tilde{p}_i^l (\tilde{Q}_i^l)^{\frac{1}{\rho}}} \right)^{-\rho} (\tilde{p}_i^l)^{1-\rho} \right)^{\frac{1}{1-\rho}}$ to be combinations of the observed composite price of the two different skill groups. Then we can regress the origin fixed effect of the gravity trade Equation (recovered from the market clearing conditions) onto this observed composite price as follows:

$$\Delta \ln (p_i^{1-\sigma}) = (1 - \sigma) \Delta \ln \tilde{p}_i + (\sigma - 1) \left(\frac{\rho_h}{\rho_h - 1} \right) \Delta \ln A_i^{U,h}. \quad (12)$$

If we have an appropriate instrument for the change in the composite price in location i that is uncorrelated with the change in local productivities, we can recover the trade elasticity from Equation (12). Intuitively, the extent to which exports decline as the local price rises identifies consumer's elasticity of substitution across goods produced in different locations.

Finally, estimating the migration elasticities is reasonably straightforward. Recall that welfare $W_i^{n,s} \equiv \frac{w_i^{n,s}}{P_i} u_i^{n,s}$, so that we have:

$$\Delta \ln (W_i^{n,s})^{\theta^{n,s}} = \theta^{n,s} \Delta \ln \frac{w_i^{n,s}}{P_i} + \theta^{n,s} \Delta \ln u_i^{n,s}. \quad (13)$$

Hence, if we have an appropriate instrument for the change in the nominal wage of labor group $\{n, s\}$ and the price index that is uncorrelated with the change in the local amenity, we can identify the migration elasticity of that group from Equation (13) (along with the

trade elasticity). Intuitively, we recover the pull factor in each destination using the labor market clearing condition and regress the change in this pull factor after the construction of the wall on the change in the local real wage to recover the migration elasticity of each labor group.

5.4 Estimating location fundamentals

Once we have estimated all the model elasticities, the following proposition shows that it is possible to recover all location fundamentals from observed data:

Proposition 1. *For any set of model elasticities, bilateral friction, and location observables, there exists a unique (to-scale) set of location fundamentals (i.e. $\{A_i^{n,s}, u_i^{n,s}\}_{i \in \mathcal{N}}^{n \in \{U,M\}, s \in \{h,l\}}$).*

Proof. See Appendix A.4. □

Intuitively, the productivity and amenity of each labor type in each location can be chosen so that the observed populations and wages are exactly consistent with the model equilibrium given trade and migration frictions; this result is not particularly surprising, as the location fundamentals play the role of structural residuals in the estimating equations above.

5.5 Using the border wall expansion as an instrument

As is evident from above, to estimate the model elasticities, we need to find instruments for the change in relative United States and Mexican labor of the same skill (i.e. $\Delta \ln \left(\frac{L_i^{M,s}}{L_i^{U,s}} \right)$), the change in the relative supply of high and low-skill labor (i.e. $\Delta \ln \frac{\tilde{Q}_i^h}{\tilde{Q}_i^l}$), the change in good price (i.e. $\Delta \ln \tilde{p}_i$), and the change in the real wage of each labor group, (i.e. $\Delta \ln \frac{w_i^{n,s}}{P_i}$). These instruments must be uncorrelated with changes in the local productivities (i.e. $\Delta \ln A_i^{n,s}$) and amenities (i.e. $\Delta \ln u_i^{n,s}$). We use the border wall expansion due to the Secure Fence Act to construct such an instrument.¹⁹

¹⁹The assumed orthogonality of the instrument with each of the four local productivities and four local amenities is why the eight model elasticities can be identified with a single instrument. Moreover, the recursive nature of the model allows us to estimate the model parameters using a sequential series of linear instrumental regressions (rather than having to implement the estimation procedure using GMM), which greatly increases the transparency of the estimation procedure (albeit with a loss of efficiency).

5.5.1 Constructing the border wall exposure instrument

We begin by noting that the model implies that the change in the number of Mexican migrants arriving in a destination (i.e. a U.S. location) j , \hat{M}_j^{US} , can be written as:

$$\hat{M}_j^{US} = \hat{\delta}_j \times \left(\sum_{i \in Mex} \left(\frac{L_{ij0}}{M_{i0}} \right) \hat{\kappa}_{ij} \hat{M}_i^{MEX} \times \left(\sum_l \left(\frac{L_{il0}}{\sum_k L_{kl}} \right) \hat{\kappa}_{il} \hat{\delta}_l \right)^{-1} \right)$$

where the “exact hat” notation denotes the ratio of a variable before and after the border wall expansion (i.e., $\hat{x}_i \equiv \frac{x_{i1}}{x_{i0}}$), $\hat{\kappa}_{ij} \equiv \hat{\mu}_{ij}^{-\theta}$ is the impact of the border wall expansion on migration costs (to the power of the migration elasticity), and we assume a single skill type for simplicity. Intuitively, the first component, $\hat{\delta}_j$ is the direct change in the attractiveness of the destination (for example, through the wage). The second term, $\left(\frac{L_{ij0}}{\sum_k L_{ik}} \right) \hat{\kappa}_{ij} \hat{M}_i$, measures the effect of the wall, weighted by the lagged share of migrants from that origin in the destination population. The third piece accounts for the fact that migrants from origin i make a decision about going to destination j based on how attractive j has become relative to every other possible destination (this is very similar to the concept of multilateral resistance in the trade literature (Anderson and van Wincoop (2003))). Similarly, the change in the number of migrants departing an origin i (i.e. a Mexican location), \hat{M}_i^{MEX} , can be written as $\hat{M}_i^{MEX} = \hat{\gamma}_i \times \left(\sum_{j \in US} \left(\frac{L_{ij0}}{M_{j0}} \right) \hat{\kappa}_{ij} \hat{M}_j^{US} \times \left(\sum_k \left(\frac{L_{kj0}}{M_{j0}} \right) \hat{\kappa}_{kj} \hat{\gamma}_k \right)^{-1} \right)$.

We derive three different measures of the exposure of a location to the border wall expansion that move from the simplest measure of wall exposure toward this expression:

1. Simple wall exposure: We approximate $\hat{M}_j^{US} \approx \sum_{i \in Mex} \hat{\kappa}_{ij}$ and $\hat{M}_i^{MEX} \approx \sum_{j \in US} \hat{\kappa}_{ij}$. This is an unweighted average of the change in travel time (across all origins for a destination in the United States, and, conversely, across all destinations for an origin in Mexico.).
2. Network wall exposure: We approximate $\hat{M}_j^{US} \approx \sum_{i \in Mex} \left(\frac{L_{ij0}}{M_{i0}} \right) \hat{\kappa}_{ij}$ and $\hat{M}_i^{MEX} \approx \sum_{j \in US} \left(\frac{L_{ij0}}{M_{j0}} \right) \hat{\kappa}_{ij}$. This calculates a weighted average in the change in travel time, where the weights are the initial migrant shares. This incorporates for the possibility that different origins have different migration costs to a particular destination (e.g. due to differences in existing migration networks).

3. General equilibrium wall exposure: $\hat{M}_j^{US} \approx \sum_{i \in Mex} \frac{\left(\frac{L_{ij0}}{M_{i0}} \right) \hat{\kappa}_{ij}}{\sum_l \left(\frac{L_{il0}}{\sum_k L_{kl}} \right) \hat{\kappa}_{il}}$ and $\hat{M}_i^{MEX} \approx \sum_{j \in US} \frac{\left(\frac{L_{ij0}}{M_{j0}} \right) \hat{\kappa}_{ij}}{\sum_k \left(\frac{L_{kj0}}{M_{j0}} \right) \hat{\kappa}_{kj}}$.

Unlike the network wall exposure, this instrument additionally accounts for the possibility that the wall expansion altered the cost of migrating to other possible destinations

from a given origin (or to a given destination), thereby changing the relative benefit of migrating to a particular destination.

The more sophisticated instruments have the potential to provide additional identification power, both because they take advantage of the observed rich heterogeneity in pre-expansion bilateral migration flows and because they are closer approximations to the model-consistent expression (to the extent the model is an accurate reflection of reality). However, note that even the last measure of wall exposure fails to account for the direct change in the attractiveness of a destination (or origin), as the gravity regression above cannot separate the change in the push factors $\hat{\delta}_i$ and pull factors $\hat{\delta}_j$ because of the border wall expansion from other economic changes. To calculate such impacts, we turn to a full general equilibrium spatial model below.

Given the concern of the potential endogeneity of where the wall was built, we proceed as in the gravity equation and use our predicted location of the wall to construct the estimates of the pair-level change in migration cost (that is, we used the reduced form estimates from Column (4) of Table 2). The identification assumption is that the geographical variables that we use to predict where the wall was built did not independently change the destination outcomes for migrants (or for non-migrants) between 2006 and 2010.

Figure 3 shows the spatial patterns of the three exposure measures. Panel (a) shows the simple wall exposure. Places more affected (in general, those closer to the border) face a larger predicted decrease in migrants than those further away. Panel (b) shows the network wall exposure measure. This rescales the geographical impact of the wall by initial migration flows, so now places are predicted to have a larger impact if they receive (or send) relatively many migrants from places that were more affected. Panel (c) adjusts for the change in opportunities available at each origin.

5.5.2 Assessing the validity of the wall exposure instrument

Before turning to the structural estimation, we first assess the validity of the instrument, namely (1) its ability to predict the change in the number of Mexican workers in a location; and (2) the plausibility that wall exposure is uncorrelated with local productivity and amenity shocks.

To do so, we run the following regression for location i in state s at time t for the years between 2000 and 2015:

$$\log N_{ist} = \beta_t \text{exposure}_{ist}^k + \gamma_{st} + \gamma_{is} + X'_{ist} \lambda + \epsilon_{ist},$$

where exposure_{ist}^k is one of the three measures of wall exposure and β_t measures the time-

varying effect of being exposed to the wall. We include state-time fixed effects, γ_{st} , to capture the effect of any state-level policies or state-level shocks. X_{ist} is a measure of time-varying covariates, including the time-varying effect of the Great Recession, time-varying effects of being further away from the border, and time-varying effects of initial labor share in manufacturing, agriculture, or construction.²⁰ We cluster the standard errors at the state level to account for common state-level shocks.

The top panel of Table 4 confirms that the wall exposure instrument is strongly positively correlated with the change in the number of the Mexican migrants between 2000 and 2010 in both the United States and in Mexico.²¹ Reassuringly, a similar pattern is not present for non-Latino migrants. Much less reassuringly, if we split up the sample into population changes from 2000-2005 and 2005-2010, the effect seems to be driven almost entirely by the earlier period, before the wall expansion occurred. This suggests the presence of pre-trends that are geographically correlated with our exposure measure. To investigate these further, we plot the regression coefficients by year for each instrument in Figure 4.²² Panel (i) considers locations in the United States. We do find evidence of pretrends before the construction of the wall. This is despite allowing for differential trends based on an extensive list of covariates, including the log distance to border; the initial share of industry in manufacturing, agriculture, and construction; growth over the 1990-2000 period; and the housing shock. A very similar pattern holds across the three different measures of wall exposure.

Panel (ii) of Figure 4 considers locations in Mexico. If migrants do not leave, then we expect to see population increase in Mexico. We again find no clear evidence that population increased in Mexico, although the confidence intervals on our results are wide. Several other data sets support this result: in Appendix Table 10 using the 2000 and 2010 Mexican Censuses, we find no difference between the number of migrants a household reports having in the United States at the time of the Census. We also do not see any evidence of differential changes in migration from Mexico's National Labor Force Survey (ENOE) as shown in Appendix Figure (10) and Appendix Table 11. This finding suggests that either (1) total migration was unchanged because of the wall (perhaps the effect of the wall changed the des-

²⁰Adjusting for location, low-skill Mexican migrants are 5.3 percentage points more likely to be employed in the agriculture sector, 5.2% more likely to be employed in the construction sector, and 6.9 percentage points more likely to be employed in the manufacturing sector than U.S. workers. In Mexico, low-skill workers are much more likely to be employed in the agricultural (16% vs 2%) and manufacturing (21% vs 12%) compared with high-skill workers. We therefore allow for flexible time paths based on the baseline (year 2000) industry share in agriculture, manufacturing, and construction in each location.

²¹This table uses the GE network instrument. The same table for the other two measures of exposure are included in Appendix Tables 9 and 8

²²This figure shows the weighted regression. The unweighted figure is in Appendix Figure 6 and the figure without controlling for previous growth, industrial composition, and distance to border is in Appendix Figure 7.

mination rather than the decision to leave), or (2) since potential migrants are a small share of the total Mexican population, this effect is just too small to pick up.²³ Finally, we also look for evidence of whether the wall reduced return migration from the United States to Mexico, perhaps because of concerns that re-entering the United States would be more difficult in the future (Massey, Durand, and Malone (2003); Angelucci (2012); Lessem (2018)). We do not find any evidence of this, in either the 2010 Census, as shown in Appendix Table 10 or in the ENOE data, as shown in Appendix Table 11.

What do we make of these results? In part because of the effect of the Great Recession, as well as the presence of time trends in migration patterns that were occurring before the construction of the wall, it is difficult to ascertain whether population stocks in the United States did indeed fall as a result of the wall. However, the confidence intervals on the event studies are wide, and we cannot reject the possibility that the wall reduced migration by the amount estimated using the Matrícula bilateral flow data in Section 3. In what follows, we will first show that our estimation of the structural elasticities are remarkably robust to the inclusion of a large number of controls and across alternative specifications. We will then show that our key conclusions regarding the effect of the wall are robust to using parameter values at each extreme range in the literature instead of our own estimates.

5.6 Results

We first consider the estimation of the elasticity of substitution between different workers estimated using Equation (9) and (10). Appendix Table 15 presents the first-stage estimates of the three measures of border wall exposure used as instruments; as expected, all three instruments are positively correlated with both relative changes in the ratio of Mexican to U.S. workers within a skill group and negatively correlated with relative high- to low-skill workers. (Recall the instruments are predicted changes in Mexican migrants). However, we should note that the identifying variation is arising almost entirely from locations within the United States. This seems reasonable, as the impact of the border wall on the stock of Mexican workers within Mexico was likely quite small (as we found in the proceeding section, and as the counterfactuals confirm below).

Table 5 reports the second stage results of Regression (9) and (10). Using our preferred

²³Feigenberg (2017) uses the ENOE data to study the time-varying impact of the wall. His study exploits the time variation of when the wall is constructed and finds a large decrease in migration from border municipalities immediately after a wall is constructed. We look at the change in migration between 2006 and 2010 across all municipalities and do not find any evidence that, over this longer time period, migration rates differentially fell between highly affected locations and less affected locations across the country. One way to reconcile the two results would be if the elasticity of migration to a change in travel time is larger in the short run, perhaps because migrants need time to find alternative routes to cross the border, than in the longer run.

“general equilibrium network” instrument, we estimate an elasticity of substitution between United States and Mexican low-skill workers (ρ_l) of 4.6 (with a standard error of 1.6), high-skill workers (ρ_h) of 8.9 (with a standard error of 11.6), and an elasticity between low and high-skill workers (ρ) of 2.0 (with a standard error of 0.6).²⁴ We will also undertake robustness over very large and very small values of these elasticities.

We next turn to the direct estimate of the trade elasticity using regression (12). Table 6 presents the results. The first column shows the first stage of a regression of the observed change in the price of a good (measured as a CES composite of observed wages for each labor type) on the predicted change in the stock of Mexican workers from the border wall expansion. As expected, for all three instruments, we find that a decrease in the stock of Mexican workers increased the price of the good relative to other less-affected locations, an effect which is strongly significant for the “network” and “GE network” measures and of similar magnitude in both the United States and Mexico. The second column presents the second stage regression of the change in the “exporter fixed effect” recovered from the inversion of market clearing conditions $\Delta \ln p_i^{1-\sigma}$ on the predicted change in the price of goods. We find that the predicted increase in the price of goods is indeed associated with a fall in exports, with an implied elasticity of substitution of $\sigma = 3.1$ (with a standard error of 0.8).²⁵ We take both the first- and second-stage results as strong evidence of the importance of incorporating spatial linkages through the flow of goods in order to analyze the economic impacts of the wall expansion.

Finally, we estimate the migration elasticities. Appendix Table 16 reports the first stage regression of the change in real wages of each skill group on border wall exposure (where the change in price index \hat{P}_i , is recovered using the Lemma (1) and our estimate of σ). While we do find evidence that locations which faced declines in Mexican-born population due to border wall exposure saw declines in real wages for Mexican low-skill workers, we do not find strong evidence of real wages changing for any other labor group (although there is some evidence that real wages of United States high-skill workers increase). Perhaps because of the weakness of the instrument, our estimates of the migration elasticities in the second stage – as presented in Table 7 – are imprecise for all labor types except low-

²⁴Our estimate of the elasticity between Mexican and U.S. workers are slightly lower than those estimated in the literature: [Burstein, Hanson, Tian, and Vogel \(2017\)](#) estimate a (within occupation) elasticity of 5.6, [Ottaviano and Peri \(2012\)](#) find an elasticity of 12.5, while [Piyapromdee \(2015\)](#) finds an estimate of 18. For the elasticity between high-skill United States and Mexican workers, our estimate is very close to [Piyapromdee \(2015\)](#)’s estimate of 6.9. Our estimate of the elasticity of substitution between low and high-skill workers of 2.1 is very close to the values estimated in [Ottaviano and Peri \(2012\)](#) and [Piyapromdee \(2015\)](#) of 2 and 2.2, respectively.

²⁵This estimate implies a trade elasticity of 2.1, which is lower than (but statistically indistinguishable from) the value of 4 typically found in the international trade literature, see e.g. [Simonovska and Waugh \(2014\)](#).

skilled Mexican workers, for whom we actually estimate a marginally statistically significant negative elasticity. Taken together, we interpret these results as suggesting limited re-sorting of labor as a result of general equilibrium changes in labor markets due to the border wall expansion. The literature has found a migration elasticity in the range of 2-4 (Bryan and Morten (2018); Morten and Oliveira (2018); Diamond (2016); Tombe and Zhu (2015); Monte, Redding, and Rossi-Hansberg (2018)); we will use an estimate of 3 for our baseline estimate and then undertake robustness around this value.

Finally, Table 8 implements a number of robustness tests on the full set of structural estimates for the general equilibrium network instrument.²⁶ Column (1) replicates the estimates from Tables 5, 6, and 7. Because of concerns of possible pre-trends in locations differentially impacted by wall (see Section 5.5.2), Columns (2)-(6) sequentially control for 1990-2000 population growth rates for each labor group; the 2000-2005 population growth rates for each labor group (i.e. controlling for pre-trends directly); (log) distance to the border; the year 2000 agriculture, industry, and manufacturing employment shares in each location; and the United States housing shock as measured by Mian and Sufi (2014). As is evident, the low-skill elasticity of substitution ρ_l , the high-low skill elasticity of substitution, and the trade elasticity σ estimates remain stable across all controls, although they do fall somewhat (but remain statistically significant) even when all controls are included (in Column (7)). Columns (8)-(10) show how the results change for different specifications. Regardless if the first stage is restricted to have the same effect in both countries (column (8)), or if we use instruments based on the actual location of the wall expansion (column (9)) (instead of the geographic predict wall expansion) or if we restrict the sample to only U.S. locations, we again find similar structural estimates for the structural parameters. While we believe these results are evidence that the structural parameters are robust to a variety of specifications, in the counterfactuals that follow we also consider how altering the parameters to either low or high extremes change our conclusions.

6 The total economic impact of a border wall

In this section, we estimate the economic impact of the Secure Fence Act and then compare it to two alternative policies: one in which the border wall is expanded even further and one in which, instead of a border wall, international trade costs are reduced.

²⁶See Appendix Tables 17 and 18 for the corresponding results for the simple and network instruments, respectively.

6.1 The Secure Fence Act of 2006

Given our estimated parameter values above, we proceed to estimate the economic impact of the Secure Fence Act. To do so, we first rely on Proposition 1 to identify the underlying geography consistent with the observed data and our model estimates in the year 2000 prior to the Secure Fence Act. We then calculate a new steady state equilibrium in which we adjust the bilateral migration costs to account for Secure Fence Act using the estimates from Section 3, holding constant the underlying geography at its year 2000 level. This allows us to answer the question: What would the impacts of the Secure Fence Act have been on the welfare of each type of worker in every location in the United States and Mexico if nothing else had changed between 2000 and 2010?

Because workers of the same type living in different locations will be impacted differently, we summarize the change in aggregate welfare of a particular group from a policy shock as a weighted geometric mean of the change in expected welfare across all location pairs, where the weights are the pre-period group-specific population shares, i.e. $\log \hat{W}^{n,s} \equiv \sum_{i,j} \left(\frac{L_{ij,0}^{n,s}}{\bar{L}^{n,s}} \right) \log \hat{W}_{ij}^{n,s}$, where $\hat{W}_{ij}^{n,s} \equiv E(U_i^{n,s}(\nu)) = \frac{(\hat{w}_j^{n,s}/\hat{P}_j)\hat{u}_j^{n,s}}{\hat{\mu}_{ij}^{n,s}} \left(\frac{\hat{L}_{ij}^{n,s}}{\hat{L}_i^{n,s}} \right)^{-\frac{1}{\theta_{n,s}}}$ is the expected utility of a worker of nationality n and skill s born in location $i \in N$ (see equation (4)). This aggregate welfare function allows for the following convenient decomposition of the impact of the Secure Fence Act on the log difference in welfare of workers:

$$\begin{aligned} \log \hat{W}^{n,s} = & \sum_j \left(\frac{L_{j,0}^{n,s}}{\bar{L}^{n,s}} \right) \left(\underbrace{\log \frac{\hat{p}_j}{\hat{P}_j}}_{\text{“terms of trade”}} - \underbrace{\frac{1}{\rho} \log \left(\frac{\hat{Q}_j^s}{\hat{Q}_j} \right)}_{\text{“relative skill supply”}} - \underbrace{\frac{1}{\rho_s} \log \left(\frac{\hat{L}_j^{n,s}}{\hat{Q}_j^s} \right)}_{\text{“relative nationality supply”}} \right) \\ & - \sum_{i,j} \left(\frac{L_{ij,0}^{n,s}}{\bar{L}^{n,s}} \right) \left(\underbrace{\log \hat{\mu}_{ij}}_{\text{“direct effect”}} + \underbrace{\frac{1}{\theta_{n,s}} \log \left(\frac{\hat{L}_{ij}^{n,s}}{\hat{L}_i^{n,s}} \right)}_{\text{“idio. preferences”}} \right), \end{aligned}$$

where $\hat{x}_i \equiv \frac{x_{i1}}{x_{i0}}$.

The Secure Fence Act (or a policy shock more generally) can affect welfare of a worker group in five ways: (1) it can affect the terms of trade by either changing the price of the production good (p_j) or the consumption bundle (P_j); (2) it can change the relative scarcity of skill group s (thereby affecting wages); (3) it can change relative scarcity of the nationality n within skill group (also affecting wages); (4) it can directly affect the cost of migrating; and (5) it can affect the expected idiosyncratic preferences of workers by changing patterns

of sorting.

Column 1 of Table 9 summarizes the impact of the Secure Fence Act on each labor group, where we convert from percentage changes in welfare to equivalent variation changes in per capita real income using U.S. and Mexican real GDP and total population figures from the year 2000.²⁷ Consider, for example, low-skill U.S. workers. By reducing the number of low-skill Mexican workers in the United States, the Secure Fence Act increased the scarcity of low-skill workers (the “relative skill supply”), increasing the wages of U.S. low-skill workers by \$2.69. However, this effect was almost wholly offset by the fact that there were now more relatively more U.S. low-skill workers than Mexican low-skill workers (the “relative nationality supply”), which decreased wages of U.S. low-skill workers by \$2.39. All told, the benefit of the Secure Fence Act for U.S. low-skill workers was tiny: an equivalent variation increase in \$0.36 per worker.

This paltry effect turns out to be the largest positive benefit of the Secure Fence Act, as all other groups of workers were harmed. For Mexican low- and high-skill workers, small increases in their wages due to their increased scarcity in the United States (the “relative nationality supply”) were insufficient to offset the direct increased costs of migration due to the wall expansion, with low-skill Mexican workers losing an equivalent of \$1.34 and high-skill Mexican workers losing an equivalent of \$2.99. U.S. high-skill workers were the worst impacted, losing an equivalent of \$4.35, as they became both less scarce as a nationality (the “relative nationality supply”) and less scarce as a skill group (the “relative skill supply”). Note that none of these effects account for the direct costs of wall construction, estimated to be \$7 for each person (not worker) in the United States (see Section 2.1).

What about the aggregate economic impacts? Column (1) of Table 10 summarizes the results. Because the wall expansion resulted in fewer Mexican workers residing in the United States, economic activity was redistributed toward Mexico, increasing real GDP in Mexico by \$1.2 billion and causing real GDP in the United States to fall by \$2.5 billion. In total, we estimate the Secure Fence Act reduced the aggregate Mexican population living in the United States by 0.64%, equivalent to a reduction of 82,647 people.²⁸ Taken together, this suggests that for each fewer migrant in the United States as a result of the Secure Fence Act, GDP declined by \$30,000 (in addition to the direct costs of wall construction).

²⁷We calculate a year 2000 per capita real income of \$11,549 for Mexican low-skill workers, \$28,789 for Mexican high-skill workers, \$37,504 for U.S. low-skill workers, and \$61,081 for U.S. high-skill workers, all measured in 2012 chained U.S. dollars. Note that the population figures are for the total population, so individuals outside the workforce (e.g. children) are proportioned across skill groups according to the fraction of the workforce each worker type comprises.

²⁸Note that the *total* effect of the wall expansion on migration is smaller than the *direct* effect estimated in Section 3. Intuitively, the wall expansion increased the relative scarcity of Mexican workers in the United States, increasing the incentive to migrate, mitigating the direct impact of the increased costs.

How robust are these estimated effects? The top panel of Table 11 reports how the impact of the Secure Fence Act changes as we vary each of the structural elasticities – i.e. the elasticity of substitution across nationalities, the trade elasticity, or the migration elasticities – to values at either the lower or upper end of the range found in the literature. While the aggregate impacts differ quantitatively across parameter constellations, they are qualitatively similar, with a decline in migration of Mexican workers to the United States between 1,522 (for very low migration elasticities) and 112,414 (for very high elasticities of substitution between U.S. and Mexican workers). Moreover, the welfare effects are surprisingly consistent across parameter constellations: U.S. low-skill workers never benefit more than an equivalent of \$3.62 and may even lose (for very low elasticities of substitution between U.S. and Mexican workers); U.S. high-skill workers are always made no better off; and Mexican low-skill workers are always made worse off. Mexican high-skill workers are usually made worse off, although with a low elasticity of substitution between U.S. and Mexican workers, it is possible for them to benefit (as the positive “relative nationality supply” dominates the negative “relative skill supply”).

These aggregate effects belie a substantial amount of heterogeneity across space. The top panel of Figure 5 depicts the change in population of each labor type across space. As is evident, the Secure Fence Act reduced the number of Mexican workers in United States locations most affected by the border wall expansion, causing a redistribution of U.S. workers to these areas. The bottom panel of Figure 5 depicts the change in real wages of each labor type (i.e. $(\hat{w}_j^{n,s}/\hat{P}_j)$, expressed in equivalent variation changes in per capita real income) across space, which is negatively correlated with the change in population; intuitively, Mexican workers and low-skill U.S. workers residing in locations most affected by the border wall expansion benefit from their relative scarcity. However, the effects of the Secure Fence Act are small in all locations, especially for U.S. workers: no U.S. worker in any location benefits by more than an equivalent increase in income of \$7.83.

6.2 Counterfactual #1: Additional border wall

What would happen if the United States had pursued an even greater expansion of the border wall than the Secure Fence Act? To answer this question, we use the geography along the border to predict the locations of a border wall expansion beyond that of the Secure Fence Act. We then construct two counterfactuals, illustrated in Appendix Figure 2, expanding the border wall beyond the Secure Fence Act locations to cover either 25% or 50% of the remaining border with a wall. In each case, we then calculate the expected increase in travel time to avoid a border wall and recalculate the equilibrium, assuming that the impact of the

border wall on migration costs through increased travel time is the same as estimated for the Secure Fence Act in Section 3.

Columns (2) and (3) of Table 9 summarize the impact of the 25% and 50% wall expansion, respectively, on the welfare of each labor group. We estimate that a more expansive border wall would have qualitatively similar welfare impacts on each labor group that are quantitatively larger (but still small in absolute magnitude). For example, U.S. low-skill workers would on average benefit by \$0.55 by a 25% additional expansion and \$0.58 by a 50% additional expansion, while all other groups would be made worse off (e.g. U.S. high-skill workers would on average lose \$6.53 by a 25% additional expansion and \$7.60 by a 50% additional expansion). This does not include the direct costs of the construction of additional wall.

Columns (2) and (3) of Table 10 summarize the impacts of a 25% and 50% wall expansion, respectively, on aggregate real output of each country and total migration flows. While larger border walls would have larger impacts on migration from Mexico to the United States, they would also result in greater reallocation of economic activity to Mexico; for example, a wall expansion that builds along half the remaining uncovered border would result in 144,256 fewer Mexican workers residing in the United States, causing the United States real GDP to decline by \$4.3 billion, or approximately \$29,800 in lost economic output for each migrant prevented, which is very similar to the cost per migrant of the Secure Fence Act. As a result, we do not find any evidence that a larger border wall expansion would have substantively different impacts from the Secure Fence Act.

Panels 2 and 3 of Table 11 report how these impacts of a border wall expansion vary across different parameter constellations; across all parameter constellations, the positive impact of a wall expansion on low-skill U.S. workers is always less than \$7.00 and is always exceeded by the negative impact on high-skill U.S. workers.

Figure 6 depicts the change in population (top panel) of each labor type and equivalent variation in real wages (bottom panel) across space as a result of a 25% expansion in the border wall beyond that of the Secure Fence Act. As with the aggregate effects, the spatial distributions of the impact of greater wall expansions are similar to those of the Secure Fence Act.

6.3 Counterfactual #2: Reducing international trade costs

Suppose instead of constructing a border wall to increase migration costs, the United States and Mexico engaged in a policy that reduced international trade costs. In particular, recall in Section 5 we estimated that international trade flows declined more with distance than

domestic trade flows. What would be the impact of a policy that reduced the cost of international trade in a way that the caused the relationship between international trade flows and distance to approach the domestic relationship? In particular, we consider two variants in which the additional decline with distance for international trade flows is reduced by 25% or 50%. As with the previous analysis, for both of these variations on reducing international trade costs, we calculate the equilibrium effect of the policy holding constant the geography at its year 2000 level.

Columns (4) and (5) of Table 9 summarize the impact of reducing trade costs on each labor type. Unlike a border wall expansion, all labor groups benefit from a reduction of trade costs. Moreover, the benefits are much larger than the impact of a border wall: for example, we estimate that a reduction in trade costs that moves the international trade costs of distance 25% closer to the domestic cost would increase welfare for low-skill U.S. workers by an amount equivalent to increasing their income by \$58.67. The effects are even larger for U.S. high-skill workers (\$80.59), Mexican low-skill workers (\$102.35), and Mexican high-skill workers (\$251.11). Perhaps not surprisingly, this positive impact is driven almost entirely by improvements in terms of trade, i.e., as trade costs fall, the cost of goods workers consume become less expensive relative to the price of the goods the workers produce.

Columns (4) and (5) of Table 10 summarize the aggregate impact of reducing trade costs. Regardless of the size of the trade cost reduction, we estimate that the number of Mexican workers residing in the United States would decline and the real GDP of both countries would increase. Indeed, a 25% reduction in trade costs would result a greater decline in migration from Mexico to the United States (110,689) than the Secure Fence Act achieved. However, unlike a border wall – which causes real GDP in the United States to fall – a reduction in trade costs would result in increased United States economic output and increased Mexican economic output. For example, a 25% reduction in trade costs would increase real United States GDP by \$7.3 billion, or for each fewer migrant, a benefit (rather than a cost) of about \$66,000. The bottom two panels of Table 11 report how these aggregate impacts of a reduction in trade costs vary across different parameter constellations. While the aggregate impacts differ quantitatively across parameter constellations (especially depending on the assumed trade elasticity), they are qualitatively similar, with a decline in migration of Mexican workers to the United States and an increase in welfare of all labor types.

Figure 7 depicts the change in population (top panel) of each labor type and equivalent variation in welfare (bottom panel) across space as a result of a 25% reduction in trade costs. As is evident, reducing international trade costs would result in a redistribution of population (and economic activity) closer to the border between the two countries. As a result, the welfare impacts – while positive everywhere – are larger for both U.S. workers

and Mexican workers residing near the U.S.-Mexico border, the same locations that are disproportionately impacted by the border wall. Hence, even if the policy objective of the border wall is to benefit low-skill U.S. workers residing along the border, these results suggest that such an objective is better achieved by a reduction in trade costs.

7 Conclusion

In this paper, we provide three contributions to the debate on the economic impact of border walls. First, we combine confidential data on detailed sub-national bilateral migration flows with geographic variation in the 2007-2010 expansion of the United States Mexico border wall. We document that migration flows fell differentially for origin-destination pairs most impacted by the border wall expansion. Second, we develop a general equilibrium spatial model incorporating multiple types of labor and flexible spatial linkages in the flow of people and goods and estimate the key structural parameters of the model using the border wall expansion. Third, we compare the estimated economic impacts of the border wall expansion to a counterfactual policy reducing international trade costs. We find while both reduce the number of Mexican workers to the United States, the reduction in international trade costs is also associated with substantial welfare gains for all labor types, while the border wall expansion is not.

While this paper contributes to a growing literature emphasizing the need to incorporate general equilibrium effects when evaluating the impact of spatial policy in general and immigration policy in particular, we should emphasize that there are likely additional economic forces absent from the model that may be important in reality, e.g. productivity and amenity spillovers across and within labor groups. We look forward to future research incorporating such forces.

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Table 1: Predicting where the wall expansion occurs

	(1)	(2)	(3)	(4)	(5)
	b/se	b/se	b/se	b/se	b/se
River	-0.675 0.035***	-0.833 0.037***	-0.867 0.037***	-0.469 0.052***	-0.350 0.059***
Elevation		-0.228 0.033***	-0.213 0.032***	-0.003 0.037	-0.430 0.062***
Temperature		-0.053 0.007***	-0.051 0.006***	-0.087 0.007***	-0.138 0.008***
Populated			0.198 0.035***	0.188 0.033***	0.173 0.031***
Housing Shock				3.734 0.367***	2.283 0.452***
CA					0.719 0.128***
AZ					0.794 0.083***
NM					0.498 0.055***
Mean dep. var	0.365	0.365	0.365	0.365	0.365
N	781	781	781	781	781
r2	0.327	0.401	0.424	0.492	0.559

Notes: The table shows OLS regressions. Dependent variable is having a wall in 2010. An observation is one of the 781 points (out of a total 1001 points) along the border without a baseline wall in 2006. Omitted border state is Texas.

Table 2: Gravity equations: Matrícula data

	OLS		RF		IV	
	(1)	(2)	(3)	(4)	(5)	(6)
	Log(x)	Log(1+x)	Log(x)	Log(1+x)	Log(x)	Log(1+x)
	b/se	b/se	b/se	b/se	b/se	b/se
Post x change log travelttime	-0.102 0.031***	-0.130 0.020***			-0.259 0.065***	-0.138 0.036***
Post x change log travel time (pred)			-0.170 0.042***	-0.110 0.030***		
N	451074	4969692	451074	4969692	451074	4969692
First-stage F stat					382.87	858.60
Mean change travel time var.	0.036	0.018	0.017	0.018	0.036	0.018
Destination-year FE	yes	yes	yes	yes	yes	yes
Origin-year FE	yes	yes	yes	yes	yes	yes
Pair FE	yes	yes	yes	yes	yes	yes
SE clustered at:	yes	yes	yes	yes	yes	yes
whatSE	pair	pair	pair	pair	pair	pair

Notes: Data: 2006 and 2010 Matrícula database. Each observation is an origin (Mexican municipality) - destination (U.S. PUMA) pair. Log change travel time is the log change in travel time for the least-cost path between the origin and destination pair. Log change travel time (pred) is the change in travel time for the predicted wall expansion.

Table 3: Robustness checks of the gravity equations: Matrícula data

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Dep var: $\log(1+x)$	Baseline b/se	Pedestrian fence b/se	4km buffer b/se	Housing shock b/se	Border patrol b/se	Consul states b/se	No outliers b/se
Post x change log traveltime	-0.138 0.036***			-0.133 0.036***	-0.141 0.038***	-0.155 0.038***	-0.390 0.031***
Post x change log traveltime (ped)		-1.549 0.201***					
Post x change log traveltime			-1.386 0.381***				
Post X construction X housing shock				-0.462 0.052***			
Post X border patrol staff					0.002 0.003		
N	4969692	4969692	4969692	4969692	4969692	3375288	4906624
First stage F stat	858.60	340.38	68.06	857.21	796.13	981.81	2742.76
Mean change travel time var.	0.018	0.011	0.002	0.018	0.018	0.019	0.017
Destination-year FE	yes	yes	yes	yes	yes	yes	yes
Origin-year FE	yes	yes	yes	yes	yes	yes	yes
Pair FE	yes	yes	yes	yes	yes	yes	yes
SE clustered at:	Wgt 2SLS	Wgt 2SLS	Wgt 2SLS	Wgt 2SLS	Wgt 2SLS	Wgt 2SLS	Wgt 2SLS
whatSE	pair	pair	pair	pair	pair	pair	pair

Notes: Data: 2006 and 2010 Matrícula database. Each observation is an origin (Mexican municipality) - destination (U.S. PUMA) pair. Log change travel time is the log change in travel time for the least-cost path between the origin and destination pair. Log change travel time (pred) is the change in travel time for the predicted wall expansion.

Table 4: Effect of the wall on population (GE network instrument)

	All migrants				Recent migrants			Established migrants		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Dep. var: $\log(x_t/x_{t-1})$	US	Mex	Latino	Non-Latino	Mex	Latino	Non-Latino	Mex	Latino	Non-Latino
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
<i>Change between 2000-2010</i>										
Wall (pred. 1% change in migrants)	-1.022	-7.786	-7.268	11.275	-7.766	-8.323	15.152	-8.677	-8.350	7.820
	1.313	0.981***	0.665***	5.007*	4.201	4.174	23.830	1.259***	0.833***	5.867
State-year FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
WLS	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
<i>Change between 2000-2005</i>										
Wall (pred. 1% change in migrants)	-2.574	-7.021	-6.650	15.219	-9.262	-5.076	32.626	-6.216	-6.522	10.564
	0.719***	1.231***	0.829***	6.756*	1.732***	1.915*	21.856	1.486***	1.253***	6.455
State-year FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
WLS	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
<i>Change between 2005-2010</i>										
Wall (pred. 1% change in migrants)	1.662	0.839	0.573	2.252	1.528	-1.632	2.003	-0.945	-0.292	4.461
	1.791	0.933	0.975	6.192	5.664	4.640	14.449	0.656	0.856	5.066
State-year FE	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes
WLS	yes	yes	yes	yes	yes	yes	yes	yes	yes	yes

Notes: Data: 20000 Census, 2005 ACS, 2010 ACS. Using network instrument. Recent migrant is a migrant who has been in the U.S. for five years or less. Established migrants have been in the U.S. for longer than five years. Latino migrants are all migrants born in Central or South America. Non-Latino migrants are migrants not born in Central or South America. Controls for log distance to border, population growth between 1990-2000, industry share in 2000 for agriculture, manufacturing, and construction, and the Mian/Sufi housing shock included. Standard errors clustered by state.

Table 5: Estimation of production function elasticities

	Mex./U.S.: Low skill (1)	Mex./U.S.: High skill (2)	High/low skill (3)
<i>Simple average wall exposure</i>			
Labor ratio	-0.269*** (0.062)	-0.040 (0.428)	-0.591*** (0.145)
EoS	3.715*** (0.853)	24.912 (265.660)	1.693*** (0.416)
First-stage F-statistic	1.820	0.782	3.149
<i>Network wall exposure</i>			
Labor ratio	-0.223*** (0.075)	-0.114 (0.154)	-0.518*** (0.142)
EoS	4.492*** (1.513)	8.797 (11.884)	1.930*** (0.529)
First-stage F-statistic	4.866	4.512	9.036
<i>GE network wall exposure</i>			
Labor ratio	-0.218*** (0.074)	-0.113 (0.146)	-0.491*** (0.151)
EoS	4.594*** (1.562)	8.887 (11.568)	2.038*** (0.626)
First-stage F-statistic	4.803	6.155	5.906
Controls	None	None	None
Fixed Effects	State	State	State
Standard Errors	State clusters	State clusters	State clusters
Weighting	Pre-pop.	Pre-pop.	Pre-pop.
Sample	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.
Observations	3392	3392	3392

Notes: Two stage least squares. Each observation is a (log) difference in a U.S. or Mexico location pre- and post- the SFA. Pre- and post- data come from the 2000 and 2010 censuses in Mexico, respectively; pre- data in the U.S. comes from the 2000 census and post-data come from an average of the 2010-2012 ACS. The dependent variable is the change in relative payments to the two labor types between 2000 to 2010-2012. The independent variable is the change in relative population shares. The construction of each instrument is discussed in the text and briefly summarized in the previous first-stage table. Standard errors are reported in parentheses. Stars indicate statistical significance: * $p < .10$ ** $p < .05$ *** $p < .01$.

Table 6: Estimation of trade elasticity

	(1)	(2)
	First stage	Second stage
<i>Simple average wall exposure</i>		
Simple average wall exposure	-5.420 (4.742)	
...X Mexico	198.916* (114.574)	
Change in total payments to labor		-0.373 (0.390)
EoS b/t goods in different locations (σ)		1.373*** (0.390)
First-stage F-statistic	2.082	
<i>Network wall exposure</i>		
Network wall exposure	-2.543*** (0.825)	
...X Mexico	2.910 (5.711)	
Change in total payments to labor		-1.977*** (0.420)
EoS b/t goods in different locations (σ)		2.977*** (0.420)
First-stage F-statistic	4.749	
<i>GE network wall exposure</i>		
GE network wall exposure	-2.453** (1.035)	
...X Mexico	2.996 (6.261)	
Change in total payments to labor		-2.129*** (0.778)
EoS b/t goods in different locations (σ)		3.129*** (0.778)
First-stage F-statistic	2.810	
Controls	None	None
Fixed Effects	State	State
Standard Errors	State clusters	State clusters
Weighting	Pre-pop.	Pre-pop.
Sample	U.S. and Mex.	U.S. and Mex.
Observations	3392	3392

Notes: Two stage least squares. Each observation is a (log) difference in a U.S. or Mexico location prior to the SFA in 2000 to after the SFA in 2010 (in Mexico) or an average across 2010-2012 (in the U.S.). The dependent variable is the change in the origin fixed effect of the trade gravity equation recovered from the goods market clearing condition. The independent variable is the change in the composite goods price calculated from observed wages of each labor group and the estimated elasticities of substitution between groups. The independent variable (the instrument) is either a *simple average fence exposure* which is the unweighted average fence exposure across all origins; a *network wall exposure* which is a weighted average fence exposure across all origins, where the weights are the pre-period migration flows; or a *GE network wall exposure* which in addition to weighting flows by pre-period migration flows also accounts for substitution in migration across different destinations by correcting for each origin's market access; see the text for details. Standard errors are reported in parentheses. Stars indicate statistical significance: * $p < .10$ ** $p < .05$ *** $p < .01$.

Table 7: Estimation of migration elasticities

	(1)	(2)	(3)	(4)	(5)
	Mex Low Skill	Mex High Skill	U.S. Low Skill	U.S. High Skill	Pooled
<i>Simple average wall exposure</i>					
Migration elasticity	-0.949 (0.583)	0.994 (1.103)	0.173 (0.986)	0.260 (1.049)	0.057 (0.582)
First-stage F-statistic	8.555	0.720	1.037	1.922	0.571
<i>Network wall exposure</i>					
Migration elasticity	-1.096** (0.513)	1.193 (1.806)	1.187 (1.828)	-11.653 (22.237)	-0.389 (0.512)
First-stage F-statistic	22.372	0.749	0.765	0.265	4.111
<i>GE network wall exposure</i>					
Migration elasticity	-1.524* (0.847)	1.275 (3.203)	1.699 (4.187)	-6.434 (5.538)	-1.101 (1.044)
First-stage F-statistic	26.322	0.563	0.221	0.632	1.584
Controls	None	None	None	None	None
Fixed Effects	State	State	State	State	State*Type
Standard Errors	State clusters	State clusters	State clusters	State clusters	State clusters
Weighting	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.
Sample	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.
Observations	3392	3392	3392	3392	13568

Notes: Two stage least squares. Each observation is a (log) difference in a U.S. or Mexico location pre- and post- the SFA. Pre- and post- data come from the 2000 and 2010 censuses in Mexico, respectively; pre-data in the U.S. comes from the 2000 census and post-data come from an average of the 2010-2012 ACS. The dependent variable is the (log) change in the labor type specific migration destination fixed effect. The independent variable is the (log) change in the real wage, where the nominal wages are observed and the price indices are calculated from the trade destination fixed effect and the estimated trade elasticity. The construction of each instrument is discussed in the text and briefly summarized in the previous first-stage table. Standard errors are reported in parentheses. Stars indicate statistical significance: * p<.10 ** p<.05 *** p<.01.

Table 8: Robustness of estimated structural parameters: GE network instrument

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
EoS between Mex. and U.S. low skill (ρ_l)	4.594*** (1.562)	4.243** (1.810)	3.967** (1.818)	5.297 (7.632)	4.233*** (1.088)	4.817** (1.977)	3.851 (4.800)	3.130*** (1.094)	4.451*** (0.388)	3.775*** (0.617)
EoS between Mex. and U.S. high skill (ρ_h)	8.887 (11.568)	-34.177 (135.050)	20.194 (67.171)	-37.694 (177.367)	5.349 (4.257)	9.695 (14.528)	-8.444 (11.328)	1.617 (1.468)	3.843* (1.963)	2.680** (1.191)
EoS between high and low skill (ρ)	2.038*** (0.626)	1.504*** (0.486)	1.795* (0.919)	2.135** (1.000)	2.094*** (0.604)	1.907*** (0.501)	1.230** (0.589)	1.494*** (0.177)	1.818*** (0.371)	1.725*** (0.347)
EoS between goods produced in different locations (σ)	3.129*** (0.778)	0.982*** (0.246)	1.766*** (0.357)	3.095*** (0.701)	2.770*** (0.830)	3.127*** (0.338)	0.966*** (0.173)	8.531 (49.393)	1.827*** (0.445)	2.470*** (0.557)
Mex. Low skill migration elasticity (θ_l^M)	-1.524* (0.847)	0.116 (0.192)	-1.321* (0.777)	-1.017** (0.433)	-1.705* (0.957)	-1.404* (0.767)	0.095 (0.078)	-1.693 (1.123)	-0.868* (0.497)	-1.316 (0.821)
Mex. High skill migration elasticity (θ_h^M)	1.275 (3.203)	-0.300 (0.410)	1.001 (2.292)	0.869 (1.347)	0.775 (1.844)	1.492 (3.687)	-0.282 (0.190)	1.656 (5.390)	0.649 (0.521)	0.567 (1.394)
U.S. Low skill migration elasticity (θ_l^U)	1.699 (4.187)	-0.036 (0.070)	1.029 (2.817)	-3.041 (7.387)	1.483 (2.044)	2.500 (6.975)	0.577 (0.818)	1.554 (5.116)	1.418 (2.021)	1.354 (3.246)
U.S. High skill migration elasticity (θ_h^U)	-6.434 (5.538)	-0.140** (0.057)	-11.661 (36.464)	10.099 (65.180)	-8.251 (11.243)	-5.991 (4.748)	-0.428 (1.364)	-4.886 (3.153)	-5.650** (2.504)	-8.399 (9.369)
Pooled migration elasticity (θ)	-1.101 (1.044)	-0.001 (0.036)	-1.017 (0.933)	-0.923 (0.686)	-1.223 (1.352)	-1.141 (1.113)	0.098 (0.105)	-0.770 (0.870)	-0.246 (0.351)	1.184 (1.350)
<i>Controls:</i>										
1990-2000 pop. growth (by type)	No	Yes	No	No	No	No	Yes	No	No	No
2000-2005 pop. growth (by type)	No	No	Yes	No	No	No	Yes	No	No	No
Distance to border (log)	No	No	No	Yes	No	No	Yes	No	No	No
2000 U.S. Ag. employ. share	No	No	No	No	Yes	No	Yes	No	No	No
Housing shock	No	No	No	No	No	Yes	Yes	No	No	No
<i>IV construction:</i>										
IV interacted with..	Country	Country	Country	Country	Country	Country	Country	None	Country	None
Wall location used..	Predicted	Predicted	Predicted	Predicted	Predicted	Predicted	Predicted	Predicted	Actual	Predicted
Sample	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. and Mex.	U.S. only
Fixed Effects	State	State	State	State	State	State	State	State	State	State
Weighting	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.	Pre-pop.
Standard errors	State clusters	State clusters	State clusters	State clusters	State clusters	State clusters	State clusters	State clusters	State clusters	State clusters

Notes: This table shows the estimated structural parameters for under a variety of alternative specifications. Every row is a result from a different regression; in each regression, each observation is a (log) difference in a U.S. or Mexico location pre- and post-the SFA. Pre- and post- data come from the 2000 and 2010 censuses in Mexico, respectively; pre- data in the U.S. comes from the 2000 census and post-data come from an average of the 2010-2012 ACS. Column (1) summarize the preferred results presented in Tables 5, 6, and 7. Columns (2) - (7) include additional control variables including the 1990-2000 population growth rate of each of the four types of labor, the 2000-2005 population growth rate of each of the four types of labor, the (log) distance to the border, the year 2000 agricultural employment share of each U.S. location, and a measure of the housing shock from [Mian and Sufi \(2014\)](#). Column (8) requires the instrument to have the same impact in the U.S. and Mexico by removing the country interaction. Column (9) constructs the instrument using the actual location of the border wall expansion (instead of the predicted location due to geography along the border). Column (10) restricts the analysis to U.S. locations only. Standard errors are reported in parentheses. Stars indicate statistical significance: * p<.10 ** p<.05 *** p<.01.

Table 9: Counterfactual Results: Welfare

	Secure Fence Act	Additional Border Wall Expansion 25% expansion	50% expansion	Reducing International Trade Costs 25% reduction	50% reduction
<i>Mex. Low Skill (per capita 2012 USD)</i>					
Terms of trade	0.44	0.65	0.74	97.28	325.79
Relative skill supply	0.28	0.41	0.44	1.39	5.17
Relative nationality supply	1.05	1.57	1.89	2.85	9.93
Direct effect	-3.25	-4.91	-5.71	0.00	0.00
Idiosyncratic preferences	0.15	0.27	0.28	0.84	6.65
<i>Total welfare impact</i>	-1.34	-2.01	-2.37	102.35	347.55
<i>Mex. High Skill (per capita 2012 USD)</i>					
Terms of trade	-0.25	-0.37	-0.43	243.93	811.44
Relative skill supply	-0.25	-0.34	-0.29	-5.74	-22.30
Relative nationality supply	4.23	6.33	7.39	10.90	37.91
Direct effect	-7.08	-10.66	-12.35	0.00	0.00
Idiosyncratic preferences	0.35	0.65	0.68	2.03	15.94
<i>Total welfare impact</i>	-2.99	-4.40	-4.99	251.11	842.99
<i>U.S. Low Skill (per capita 2012 USD)</i>					
Terms of trade	0.06	0.09	0.12	57.43	192.47
Relative skill supply	2.69	4.05	4.79	7.56	26.61
Relative nationality supply	-2.39	-3.59	-4.32	-6.60	-22.72
Direct effect	0.00	0.00	0.00	0.00	0.00
Idiosyncratic preferences	0.00	0.00	0.00	0.28	2.30
<i>Total welfare impact</i>	0.36	0.55	0.58	58.67	198.66
<i>U.S. High Skill (per capita 2012 USD)</i>					
Terms of trade	-0.25	-0.37	-0.41	91.12	304.50
Relative skill supply	-3.28	-4.93	-5.75	-8.82	-30.98
Relative nationality supply	-0.83	-1.24	-1.45	-2.09	-7.13
Direct effect	0.00	0.00	0.00	0.00	0.00
Idiosyncratic preferences	0.00	0.00	0.00	0.38	2.98
<i>Total welfare impact</i>	-4.35	-6.53	-7.60	80.59	269.38

Notes: The Secure Fence Act counterfactual calculates the equilibrium effect of the estimated increase in migration costs for Mexican born workers due to the construction of additional segments of border wall. The reducing trade costs counterfactual reduces the additional estimated distance elasticity for international trade over and above the distance elasticity of domestic trade flows by a given percentage. The change in welfare is the change in the population-weighted geometric mean of expected welfare across all locations, where the welfare includes real wages, amenities, and idiosyncratic preferences.

Table 11: Counterfactual Results: Robustness

	Baseline	Labor group elasticity		Trade elasticity		Migration elasticity	
		Low ($\rho_h = \rho_l = 1.1$)	High ($\rho_h = \rho_l = 30$)	Low ($\sigma = 2$)	High ($\sigma = 11$)	Low ($\theta = 0.1$)	High ($\theta = 8$)
<i>Secure Fence Act</i>							
Change in Mex. to U.S. migration (persons)	-82647	-45146	-112414	-80905	-85945	-1522	-50911
<i>Change in welfare (per capita 2012 USD):</i>							
Mex. Low Skill	-1.34	-0.83	-2.16	-1.19	-1.72	-13.34	-0.07
Mex. High Skill	-2.99	0.32	-5.85	-3.39	-2.00	-26.22	-0.66
U.S. Low Skill	0.36	-2.97	3.62	0.37	0.24	0.04	0.27
U.S. High Skill	-4.35	-3.29	-5.15	-4.43	-4.09	0.00	-2.67
<i>Additional Border Wall Expansion: 25% expansion</i>							
Change in Mex. to U.S. migration (persons)	-123471	-67351	-167991	-120918	-128301	-2473	-76114
<i>Change in welfare (per capita 2012 USD):</i>							
Mex. Low Skill	-2.01	-1.24	-3.25	-1.79	-2.58	-21.36	-0.11
Mex. High Skill	-4.40	0.51	-8.64	-5.00	-2.92	-42.19	-0.96
U.S. Low Skill	0.55	-4.47	5.45	0.57	0.37	0.06	0.41
U.S. High Skill	-6.53	-4.94	-7.72	-6.65	-6.14	0.01	-4.00
<i>Additional Border Wall Expansion: 50% expansion</i>							
Change in Mex. to U.S. migration (persons)	-144256	-77520	-197336	-141374	-149761	-3924	-88557
<i>Change in welfare (per capita 2012 USD):</i>							
Mex. Low Skill	-2.37	-1.42	-3.86	-2.12	-3.02	-33.79	-0.13
Mex. High Skill	-4.99	0.60	-9.85	-5.69	-3.30	-66.86	-1.05
U.S. Low Skill	0.58	-5.48	6.48	0.62	0.36	0.08	0.41
U.S. High Skill	-7.60	-5.66	-9.07	-7.75	-7.16	0.10	-4.63
<i>Reducing International Trade Costs: 25% reduction</i>							
Change in Mex. to U.S. migration (persons)	-110689	-21237	-181447	-247192	-20839	-11461	-150526
<i>Change in welfare (per capita 2012 USD):</i>							
Mex. Low Skill	102.35	103.95	100.03	214.97	21.41	13.41	106.24
Mex. High Skill	251.11	259.77	243.94	530.24	51.70	28.03	257.02
U.S. Low Skill	58.67	49.17	67.70	123.45	12.29	27.71	58.92
U.S. High Skill	80.59	83.54	78.33	173.07	16.20	43.38	77.61
<i>Reducing International Trade Costs: 50% reduction</i>							
Change in Mex. to U.S. migration (persons)	-422824	-117829	-661143	-903336	-86992	-39555	-582942
<i>Change in welfare (per capita 2012 USD):</i>							
Mex. Low Skill	347.55	353.45	339.40	731.11	72.92	45.17	362.63
Mex. High Skill	842.98	873.13	817.56	1788.90	173.43	93.95	868.19
U.S. Low Skill	198.66	165.05	229.92	424.77	40.66	92.10	203.98
U.S. High Skill	269.38	278.89	262.13	590.30	52.47	145.57	265.18

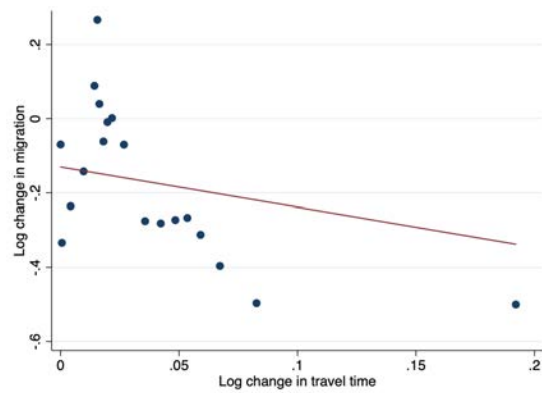
Notes: This table shows how the estimated impacts of the existing border wall expansion and counterfactual international trade cost reductions differ across a variety of alternative assumptions regarding the structural parameters. The Secure Fence Act counterfactual calculates the equilibrium effect of the estimated increase in migration costs for Mexican born workers due to the construction of additional segments of border wall. The reducing trade costs counterfactual reduces the additional estimated distance elasticity for international trade over and above the distance elasticity of domestic trade flows by a given percentage. Absolute changes in real GDP calculated by scaling the model estimated baseline GDP by current real GDP figures for U.S. and Mexico, respectively.

Figure 1: The location of old and new walls on the United States-Mexico border



Notes: Data digitized from [Michael Baker Jr. Inc. \(2013\)](#).

Figure 2: Change in origin-destination flow of migrants

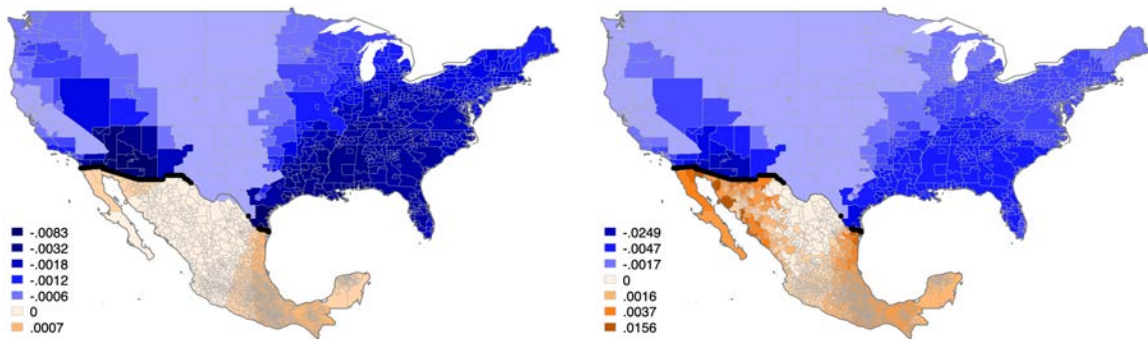


Notes: Data source: 2006 and 2010 Matrícula database. Figure shows the change in Matrícula Consulate ID cards issued for a particular origin-destination pair between 2006 and 2010 against the log change in travel time between the origin and destination.

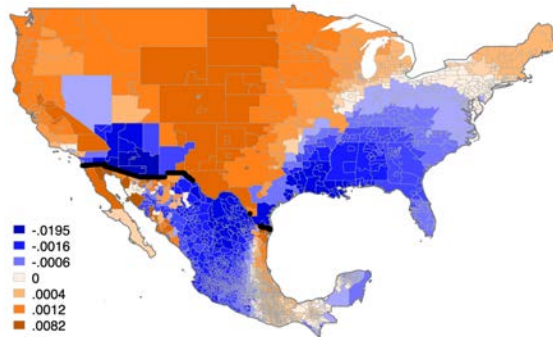
Figure 3: Predicted change in low-educated Mexican-born: different instruments

(a) Simple instrument

(b) Network instrument



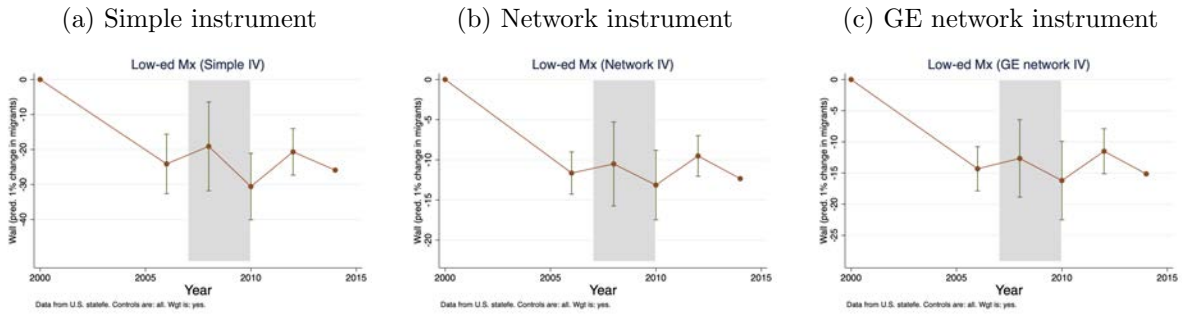
(c) GE network instrument



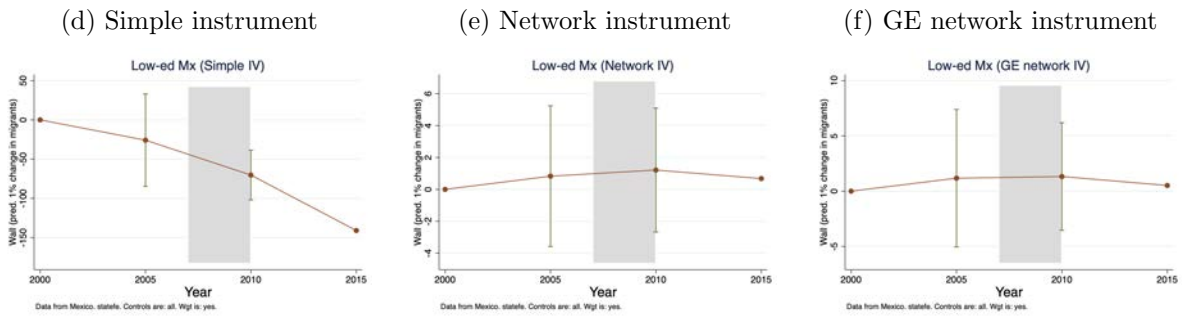
Notes: Figure shows the predicted change in low-skill Mexican born for each of the three instruments. Instruments defined in text.

Figure 4: Event studies (weighted)

Panel (i): United States



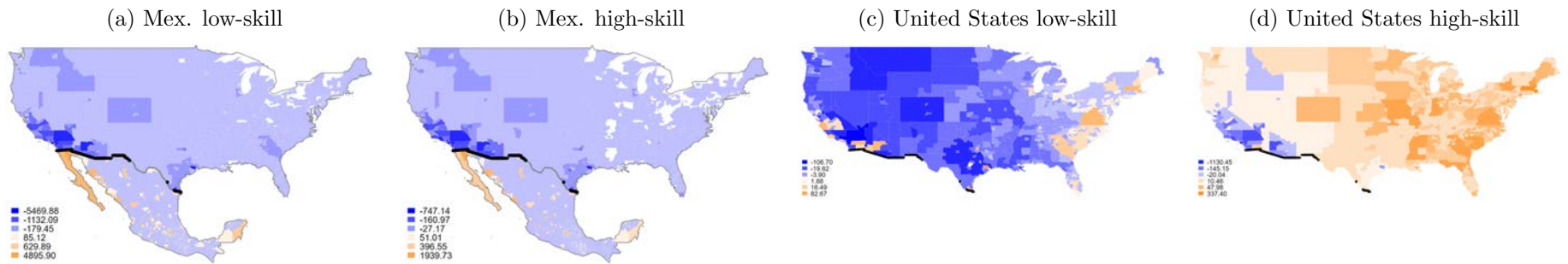
Panel (ii): Mexico



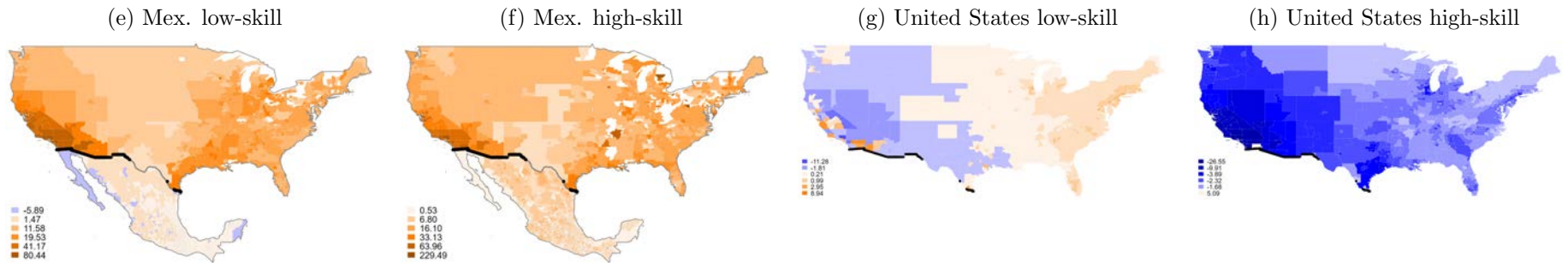
Notes: Figure shows the predicted change in low-skill Mexican born for each of the three instruments. Panel (i) considers the effect on destinations in the United States. Panel (ii) considers the effect on origins in Mexico. Instruments defined in text.

Figure 5: Effect of the Secure Fence Act

Panel (i): Population



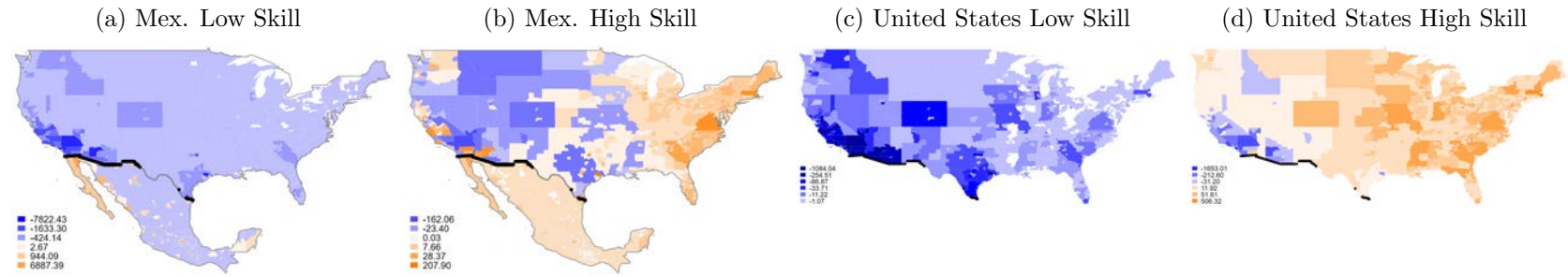
Panel (ii): Real Wages



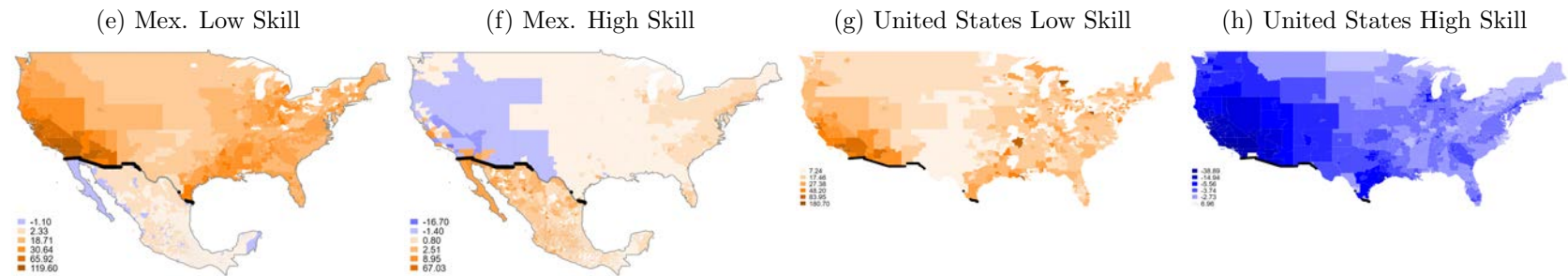
Notes: These figures show effect of the Secure Fence Act (Secure Fence Act) on the spatial distribution of population of each labor type (top panel) and the real wage impact of each labor type (bottom panel). Changes in real wages (i.e. $\left(\hat{w}_j^{n,s} / \hat{P}_j\right)$) are expressed in equivalent variation changes in per capita real income, measured in chained 2012 USD.

Figure 6: Effect of additional border wall

Panel (i): Population



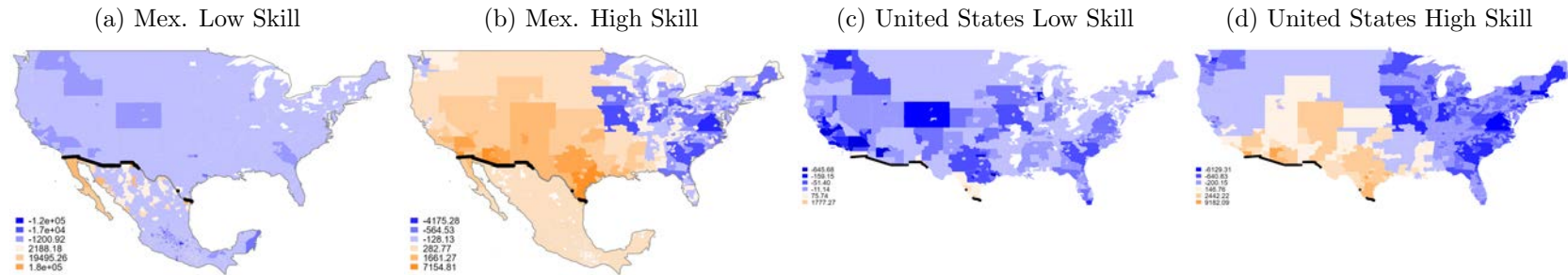
Panel (ii): Real Wages



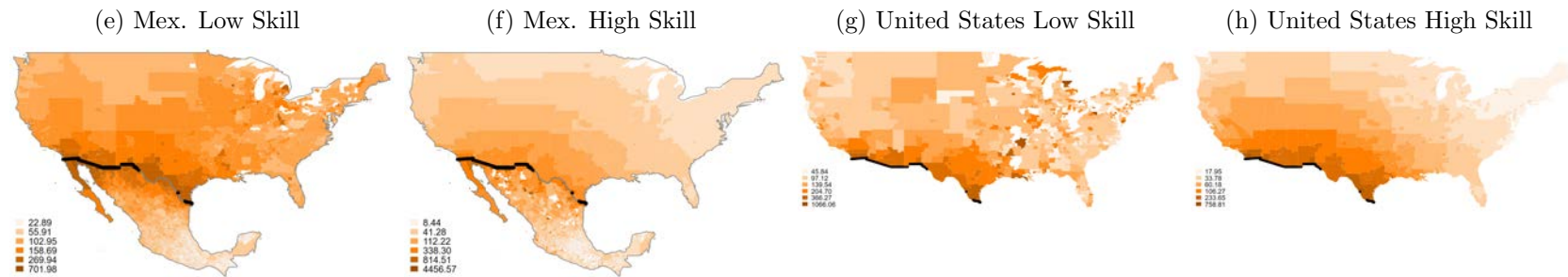
Notes: These figures show effect of a 25% additional expansion in the border wall on the spatial distribution of population of each labor type (top panel) and the real wage impact of each labor type (bottom panel). Changes in real wages (i.e. $\left(\hat{w}_j^{n,s}/\hat{P}_j\right)$) are expressed in equivalent variation changes in per capita real income, measured in chained 2012 USDD.

Figure 7: Effect of reducing trade costs

Panel (i): Population



Panel (ii): Real Wages



Notes: These figures show effect of a 25% reduction in international trade costs on the spatial distribution of population of each labor type (top panel) and the real wage impact of each labor type (bottom panel). Changes in real wages (i.e. $\left(\hat{w}_j^{n,s} / \hat{P}_j\right)$ are expressed in equivalent variation changes in per capita real income, measured in chained 2012 United StatesD.