

A Discussion of Kovak and Lessem (2019):
The Effect of Work Visas on Unauthorized Immigration

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Overview

- This paper presents a simplified dynamic model of Mexican immigrants' decision to migrate to the US and to return to Mexico
- The counterfactuals are timely – policy environments where the US government has access to both “sticks” and “carrots”
- The takeaway is interesting – immigration policies that are deterrent in nature can be made more effective with a “carrot”

My comments will focus on:

1. The model and some thoughts on the identifying assumptions
2. The data and some potential tests
3. The results and some ideas for exposition

1. The Model - Where Does it Fit in the Literature?

There are a number of papers that build off of the dynamic location-choice model of Kennan and Walker (2012)

- Gemici - extends the framework to include spousal decisions (choice set is 9 Census divisions)
- Bishop - extends the framework to include spatially-varying amenities over all metro areas (2-step estimation approach)
- Lessem - extends the framework to include international migration with a legal and illegal dimension (specifies 3 wage distributions)

1. The Model - Where Does it Fit in the Literature?

The model here is a simplification of Lessem (2018)

- The paper focuses on an interesting and timely economic question
- The model is just rich enough for the takeaway message
- I would embrace the simplicity and highlight it even more

1. The Model - What are the Simplifications?

- There are 2 locations - Mexico and US
- Locations are described by a type-specific mean utility term
- Agents are independent heads of household described by:
 - Education - low, medium, or high
 - Legal - yes or no
 - Age - 18 to 65 - only affects time until T

1. The Model - What are the Simplifications?

- There are 2 locations - Mexico and US
- Locations are described by a type-specific mean utility term
- Agents are independent heads of household described by:
 - **Education - low, medium, or high** **6 types**
 - **Legal - yes or no**
 - Age - 18 to 65 - only affects time until T

1. The Model - Identifying Assumptions

For each period and each type, there are 3 net utilities:

$$\tilde{u}^{M-M} = u^M = 0$$

$$\tilde{u}^{M-US} = u^{US} - MC^{M-US}$$

$$\tilde{u}^{US-M} = u^M - MC^{US-M} = -MC^{US-M}$$

$$\tilde{u}^{US-US} = u^{US}$$

- But the data only give us 2 moments per period, per type
- Maybe soften the description on page 13? “allowing the parameters to vary across each year would be very computationally costly and would likely overtax the variation available in our data”
- Maybe start with a less flexible specification?

1. The Model - Identifying Assumptions

1. The net utilities do not vary across each year

- Authors include an additively-separable effect for each of 5 time bins.
- Are these constant across types? It's not clear in the paper.

2. Agents have perfect foresight

- Previous literature parameterizes utility functions and MC functions of time-varying things.
- In this paper, agents would have to be taking expectations over future value functions. (Gowrisankaran and Rysman (2012))

1. The Model - Identifying Assumptions

3. $V_{T+1} = 0$

- The “retirement” value is the same in the US as it is in Mexico.
- The estimated model is overidentified - could this be relaxed and only normalize only one of them to zero?

4. Legal status is an absorbing state

- Legal immigrants cannot transition to illegal (regardless of future choices)
- Is this consistent with the title describing “Work Visas” or with the motivation regarding temporary visas like the H-1?

2. The Data

This is the same dataset used in Lessem (2018) and appears to be the best available for this question.

- But are there two distinct types of migration?

One (difficult) suggestion is to formally model any selection using FIML:

- Model speaks to selection (given identifying assumptions)

One (potentially easy) suggestion is to “test” with a simulation:

- Use existing estimates to simulate the behavior of fake individuals
- Omit those who stayed in the US and re-estimate the model
- While not bulletproof, this could lend support

3. The Results - Policy Relevance

Two things that are often discussed these days:

1. What are the deterrent effects of being tough on immigrants now?
2. Why don't immigrants come through legal channels?

This paper directly speaks to (1) while documenting that (2) isn't an option

In the counterfactual analyses, the authors analyze 3 policies:

- An increase in the deportation rate of 3 to 10 fold
- A permanent entry ban for those previously deported (a stick)
- An increase in the legalization rate of 20 fold (a carrot)

3. The Results - the hard work is done!

These signs of the effects are quite intuitive, could we see the magnitudes and/or the compositional effects?

- Table 6 shows changes in $\text{prob}(\text{immigration})$ for one type/age
- Could it show the total magnitude over all types/ages?
- Could it show the compositional changes of legal v illegal? For example, Table 6 shows that a 20-fold increase in legal immigration decreases illegal immigration by 3% among the never deported
- Baseline legalization rates differ by educational bin. Are there any compositional effects in terms of education?
- (What about a CF where new rates differ by education?)

3. The Results - the hard work is done!

It might be nice to link (in the discussion of results) to the greater literature on the welfare implications of immigration:

- Is an “optimal” immigration rate feasible in the CFs?
- What are the implications of trading illegal immigrants for legal ones?
- What are the implications of trading between education groups?

To Conclude...

- This is a well-executed analysis and a well-written paper.
- The counterfactuals are timely and should be of interest to many.