

*Entrepreneurship and the Efficiency
Effects of Migration*

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Summary of paper

Mechanisms:

- ▶ Typically, immigration is modelled as a **labor supply shock**, which decreases the marginal product of labor and thus **decreases wages**
- ▶ But immigration may boost entrepreneurship and wages if migrants become entrepreneurs, they have better entrepreneurial skills, or they bring more assets

This (well-written) paper explores these mechanisms and its implications thoroughly, using

- ▶ Two-country **static and dynamic general equilibrium models**, calibrated for the US (higher TFP and less financial frictions)
- ▶ **Counterfactual policy simulations**: no / free / 10% / pro-entrepreneur

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Outline

1. Do immigrants create more jobs than natives?
2. Static and dynamic models
3. Policy implications

Do immigrants create more jobs?

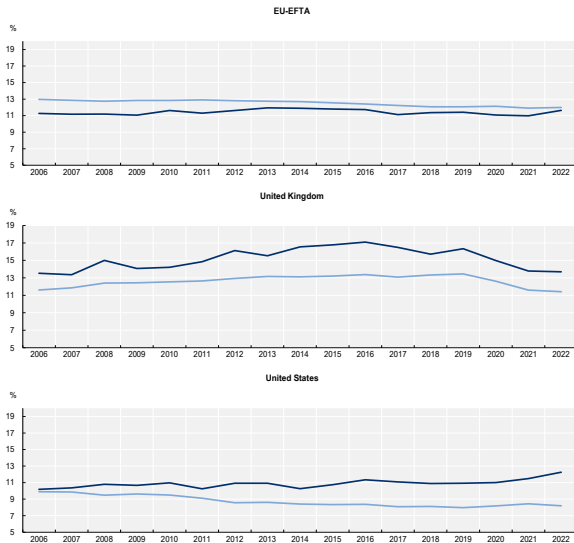
Background: Do immigrants create more jobs than natives?

- ▶ Rate of business ownership higher among immigrants (e.g., Fairlie and Lofstrom 2014; Azoulay et al 2022)?

Manning (2024) doubts this conclusion, citing from the OECD's International Migration Outlook 2011:

- ▶ *“migrants are more likely to start a new business in most OECD countries” but “the survival rate of those businesses is lower than that for new businesses started by native-born entrepreneurs”*
- ▶ the percentage of migrant entrepreneurs differs only slightly from that of natives: 12.7% vs. 12% in OECD or 10 vs. 9.2% in US; lower in many European countries (including Spain)
- ▶ *“On average, a foreign-born self-employed who owns a small or medium firm creates between 1.4 and 2.1 additional jobs, slightly fewer than their native-born counterparts (1.8-2.8)”*

Figure: Self-employment rates for immigrants (dark blue) and natives (light blue)



Do immigrants create more jobs?

For the US, increase in migrant entrepreneurship over time (OECD's International Migration Outlook 2024)

- ▶ However, migrants are more likely to work in the gig economy, with work conditions resembling those of employees

Bottom line: not so obvious if immigration leads to more entrepreneurship

- ▶ Of course, this only affects our assessment of current migration patterns, not the paper's theoretical and policy arguments as such
- ▶ Can you connect to this debate? Through the lens of the model, why might the survival rate be lower for migrant businesses?
- ▶ Migrants' entrepreneurial activity mitigates wage effects, even if they are less entrepreneurial than natives?

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Static model

Static model to illustrate main mechanisms: host country and a mass of potential migrants (with differing entrepreneurial skills) from abroad:

- ▶ Considering case in which only EE (entrepreneur to entrepreneur) migrant flows occur
- ▶ Useful to build intuition for how additional entrepreneurs affect the labor market
- ▶ But relevant practical case is EE + WE + WW case: Under what conditions does increased immigration increase wages?

Dynamic model

After calibrating the **dynamic model**, the manuscript moves quickly to the counterfactual simulations.

Could you provide **more evidence on the baseline calibration** first, and explore the **testable implications** of your model?

- ▶ For example, are migrant entrepreneurs “better” (in terms of skills or assets) than native entrepreneurs?
- ▶ OECD report: “*the survival rate of [immigrant] businesses is lower than that for new businesses started by native-born entrepreneurs*”
- ▶ Link entrepreneurial activity of migrants in model and data (survival rates, firm size, ...)

Policy simulations

The **counterfactual simulations** and **policy implications** are very interesting, but discussion could link more to existing policy:

- ▶ Asset-rich migrants already find it easier to migrate (e.g., golden visa schemes), and immigration policy already reflects the pro-entrepreneurship stance promoted by the paper?
- ▶ Based on your framework, could you be more specific what margin policymakers should target?
 - ▶ To attract more entrepreneurs, those with stronger entrepreneurial skills, or those with greater assets?
 - ▶ Novel idea: targeting immigrants who held a business in their country of origin.
- ▶ How would calls for less immigration in **current policy debate** affect migrant entrepreneurship? This depends on what visa schemes and entry routes are most likely to be closed down.