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Import Competition, Internal Migration and Low-skilled Immigration in the United States

(Dissertation)

I study US internal migration patterns, and examine the effects of trade liberalization on the migration of native and immigrant workers within the US between 1990 and 2007. Intensifying import competition from China as a result of lower trade barriers and higher Chinese productivities affected local labor markets in the US, prompting the relocation of workers for better opportunities. Analyzing the mobility response to import competition is crucial for an accurate assessment of the labor market effects on both the regional and the national level.

The first chapter presents a series of novel facts about US internal migration based on gravity estimations using detailed county migration data from the Internal Revenue Service. To account for the existence of zero flows in the data, I perform Poisson Pseudo Maximum Likelihood and Tobit estimations in addition to Ordinary Least Squares. I find that migrant flows and incomes are positively related to total incomes in the origin and the destination, and negatively related to the distance between those. Households move from areas with lower average incomes, higher housing costs and higher unemployment rates to areas that are the opposite. The pull effect of average income on migration is stronger than the push effect, while the push effects of housing cost and unemployment rate are stronger than the pull effects. Additionally, average migrant income decreases with migrant share, while increases with average incomes in both the origin and the destination, as well as the distance traveled. These empirical patterns suggest positive selection of migrants.

The second chapter develops a spatial equilibrium model that accounts for the observed migration patterns, and describes the channels through which import competition affects migration. I employ two-stage least squares estimation to identify the causal effects of rising import exposure on migration, exploiting exogenous variations in lowering trade costs and rising Chinese productivities. I find a \$1,000 increase in imports per worker lowers the population by 5.7 percent, while raises the out-migration rate by 1.7 percentage points in a local labor market. The same increase in imports per worker in the origin raises net migrant outflows by 0.574 log points, while that in the destination lowers net inflows by 0.418 log points. The stronger effect of import exposure in the origin than in the destination implies possible information asymmetry faced by potential migrants who are more familiar with their current residences than future ones.

The third chapter examines the effect of import competition on the share of low-skilled immigrants. I use information on immigrant status from the Census and the American Community Survey to calculate immigrant shares across local labor markets in the US. I instrument for import competition with a variable that captures exogenous variations in trade barriers and Chinese productivities. I find the decadal change in low-skilled immigrant share for a local labor market to be 0.12 percentage points smaller with a \$1,000 increase in imports per worker. This estimate points to disproportionate effects of import competition on low-skilled immigrants compared to native workers.

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