

Immigration Conflicts

Junko Doi* and Laixun Zhao†

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Abstract

Almost all existing literature assumes immigrants immediately assimilate in the host country. In contrast, the present paper considers the case of non-immediate-assimilation, and analyzes conflicts that immigration causes among native people in an overlapping generations dynamic system. We examine three types of conflicts that arise when immigrants come in: skill conflicts that affect the capital rental and also cause the wage gap to change between skilled and unskilled workers; intergenerational conflicts that lead to different impacts on the young and old generations; and distributional conflicts that affect each generation's life time utility unequally. The degree of substitution between natives and immigrants in production plays a key role.

We summarize the results we obtain. In Case I where the degrees of substitution between natives and immigrants in both skills are low, since immigration increases the wages of both high and low skilled workers and the natives' welfare, skill conflicts are less likely to arise and immigration can be more actively adopted. But distribution problems occur since the skill premium is enlarged. The government must take into account intergenerational problems between the young and old, and the skill premium between the high and low skilled workers. In contrast, in Case II where the degrees in both skills are high, both native wages and welfare fall. And in both periods before $(t-1)$ and after (t) immigrants, the welfare of those born at accepted period (t) is higher than those born at either $t-1$ or $t+1$, leading to conflicts between generations t and $t-1$ ($t+1$). In this case, natives at t may oppose immigration, since their welfare falls. Finally in Case III where the degree in high (low) skilled is low (high), high skilled natives will benefit from immigration, but the low skilled will be hurt, leading to a higher possibility of conflicts. In fact, such skill conflicts are not difficult to find in developed countries. In this case, fine tuning, such as transfers and other redistribution measures are needed. In addition, since the root is a wage shock stemming from immigration, allowing free trade might mitigate these conflicts.

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*Faculty of Economics, Kansai University, 3-3-35 Yamatecho, Suita, Osaka, 564-8680, Japan; E-mail: junko.doi.17@gmail.com

†Research Institute for Economics & Business, Kobe University, 2-1 Rokkodaicho, Kobe, Japan; E-mail:zhao@rieb.kobe-u.ac.jp