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# Cracking Down on the Immigration Surge: Implications for the US Economy

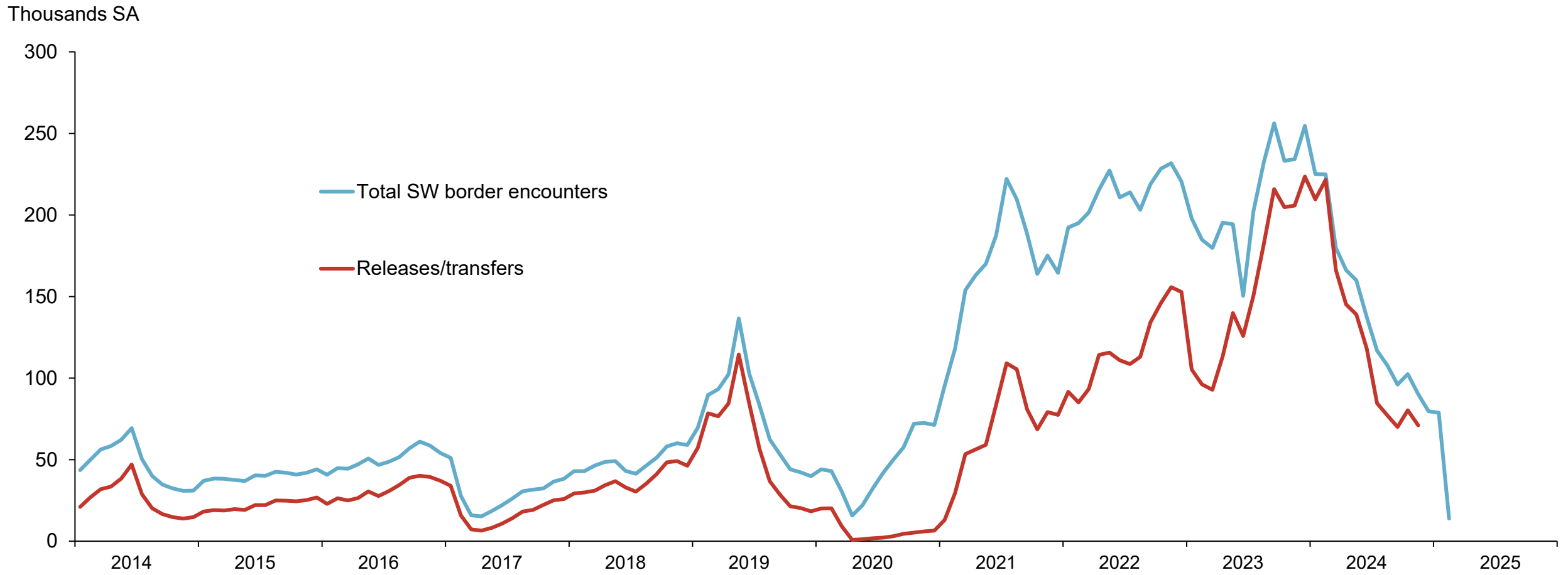
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DISCLAIMER: The views expressed are the presenters' and do not necessarily reflect the views of the Federal Reserve Bank of Dallas or Federal Reserve System.

# Overview

- Post pandemic immigration surge resulted in record-high immigration 2021-2024
  - But migrant encounters are now down 95 percent (Feb '25/Feb '24)
- Crackdown on surge migration began in late 2023 with help from Mexico but intensified greatly under Trump administration
  - CBP One app canceled, Remain in Mexico reinstated
  - Various humanitarian parole and TPS provisions reversed
  - Plans for increased deportations: ICE initial goal of 1200-1500 arrests/day
- Economic impact of surge was large and positive, especially on labor market
  - What is the impact of the end of the surge and 'mass' deportations?
    - A structural VAR model projects negative effects on GDP growth, little effect on inflation

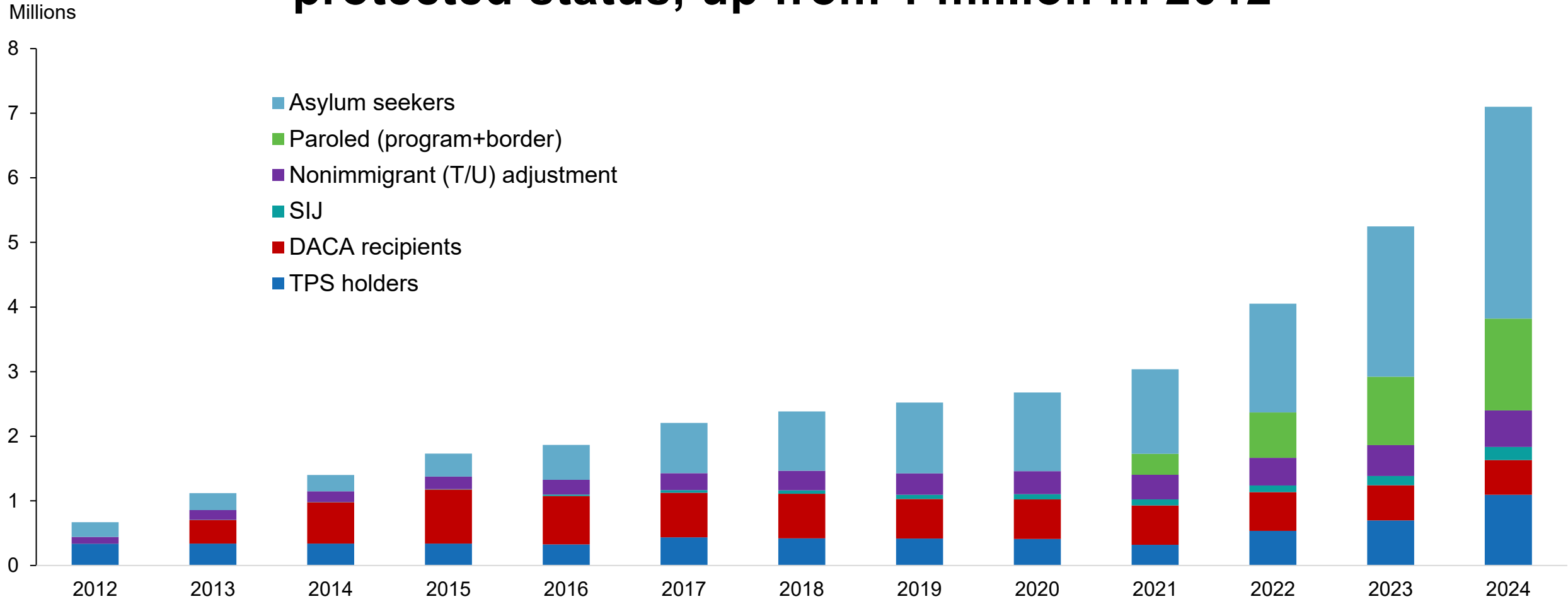
# Border immigration surge is largely over after yielding over 5.5 million entries



NOTE: Encounters through February 2025, released/transferred data through November 2024. Seasonally adjusted (SA).

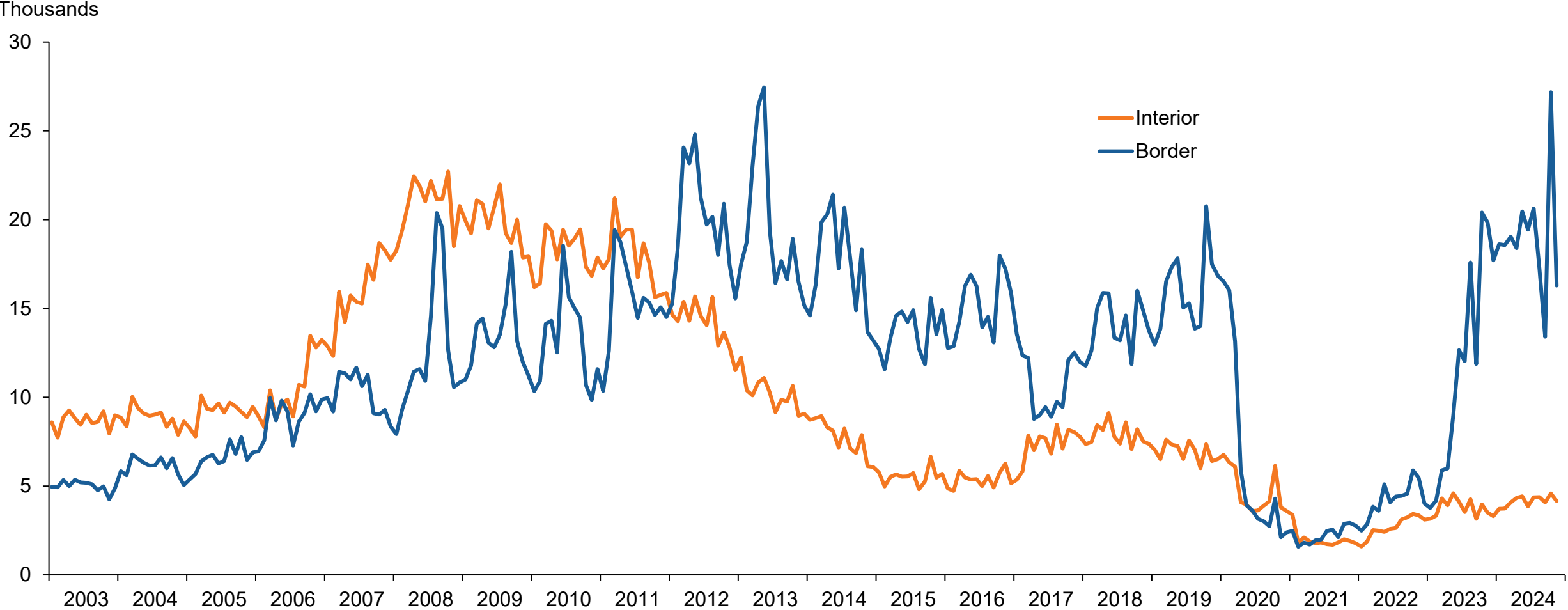
SOURCE: Department of Homeland Security.

# Over 7 million immigrants have some form of temporarily protected status, up from 1 million in 2012



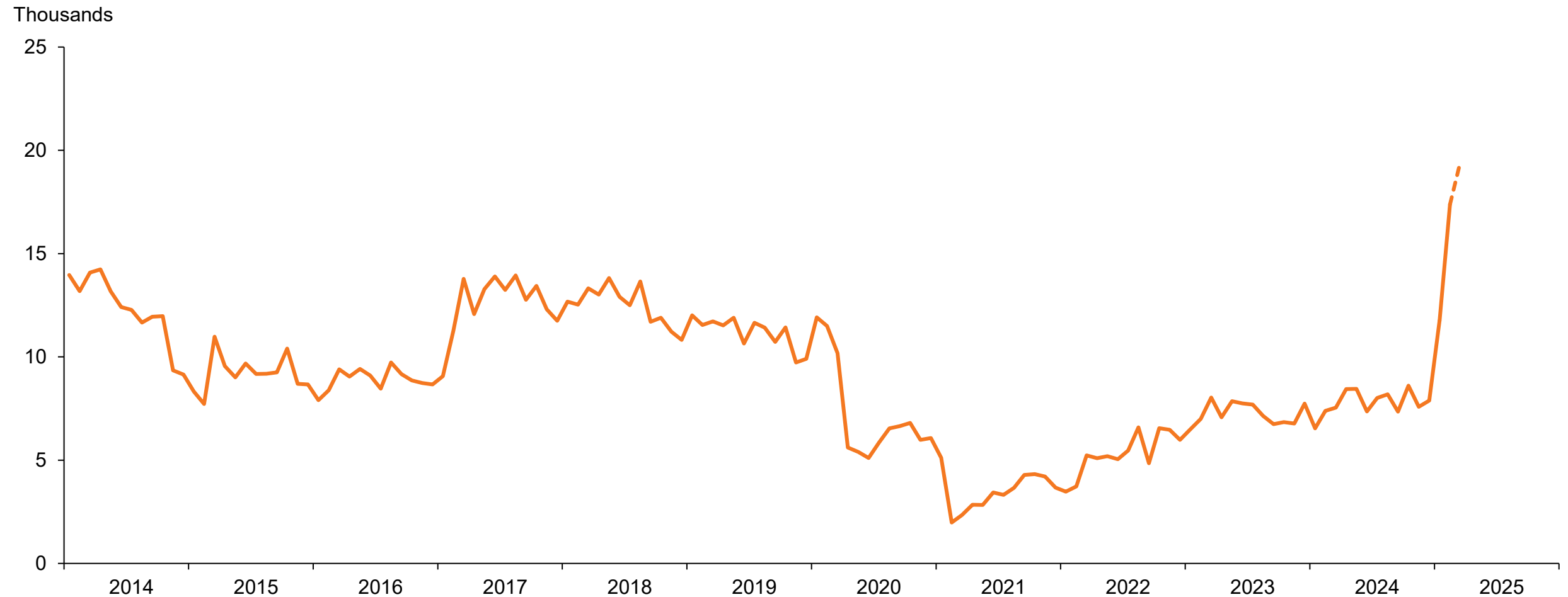
SOURCE: Connor, Phillip. 2024. "Protected yet undocumented: The US case of growing liminal immigration status and the theoretical, advocacy and policy implications for the US and Beyond." *International Migration Review*. Authors' calculations (data for 2024).

# ICE removals mostly at border, not interior



NOTE: Data are monthly and end in November 2024. Data until October 2013 from TRAC, data onwards from DHS. Data include removals and returns.  
SOURCES: Department of Homeland Security (DHS), Transactional Record Access Clearinghouse (TRAC).

# ICE arrests spike in February, March 2025



NOTE: Data are monthly ICE book ins and end in March 2025. Data until September 2018 from DHS, data from October 2018 through March 22, 2025, from TRAC. March 2025 monthly number extrapolated based on first 22 days.

SOURCES: Department of Homeland Security, Transactional Records Access Clearinghouse (TRAC).

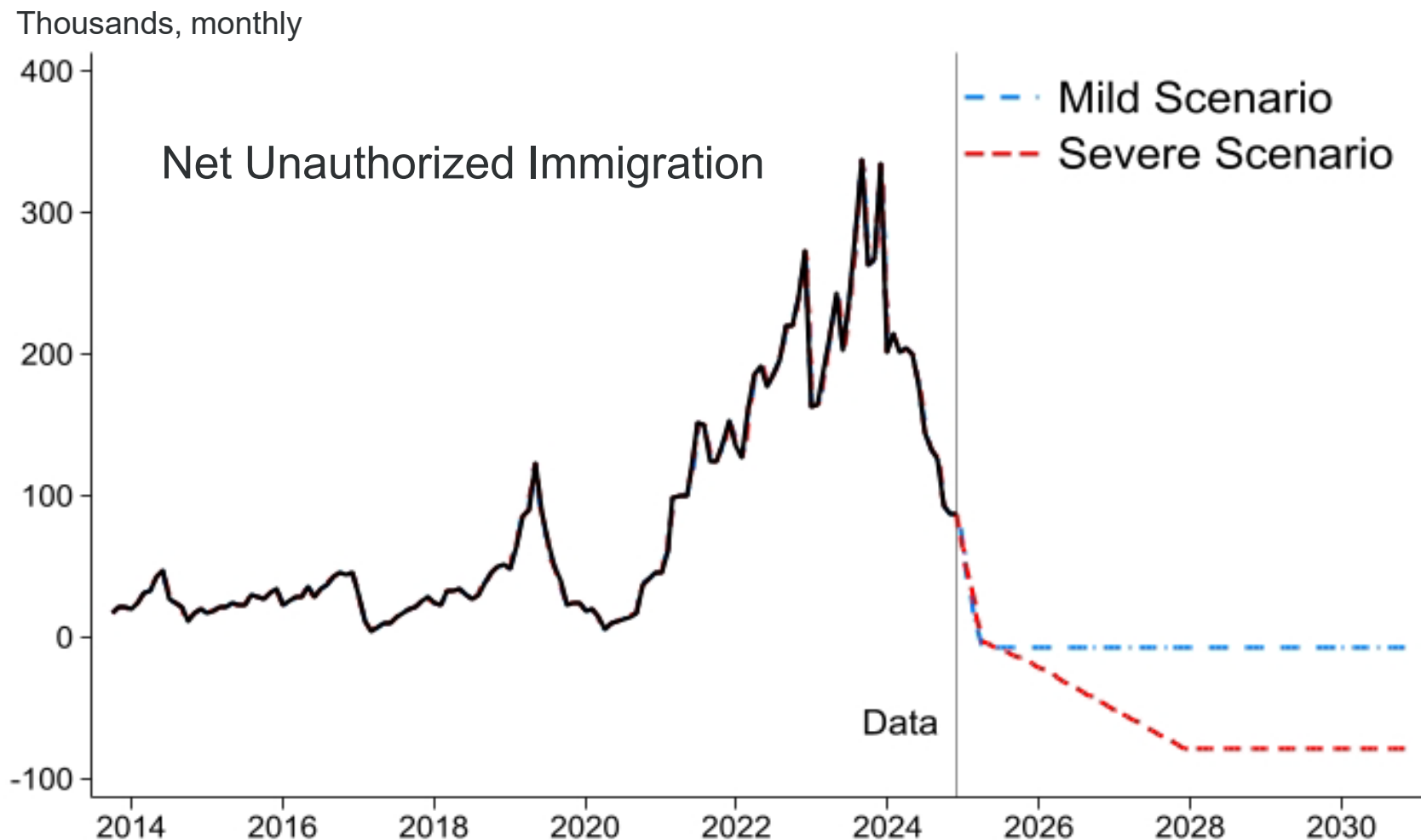
# DHS strategies to amplify crackdown

- Make it easier to arrest people
  - Allow arrests in schools, churches and immigration courtrooms
  - Pull resources from other agencies; rely more on local law enforcement
  - Make more people undocumented
- Increase detention space, funding
  - Use military bases, state jails/prisons, prisons in other countries
  - More funding coming
- Speed up court proceedings (or avoid them altogether)
  - Expand expedited removal
  - Encourage self deportation

# Macroeconomic Effects of Reversing the Surge (based on work in progress)



# Model focuses on two immigration policy scenarios



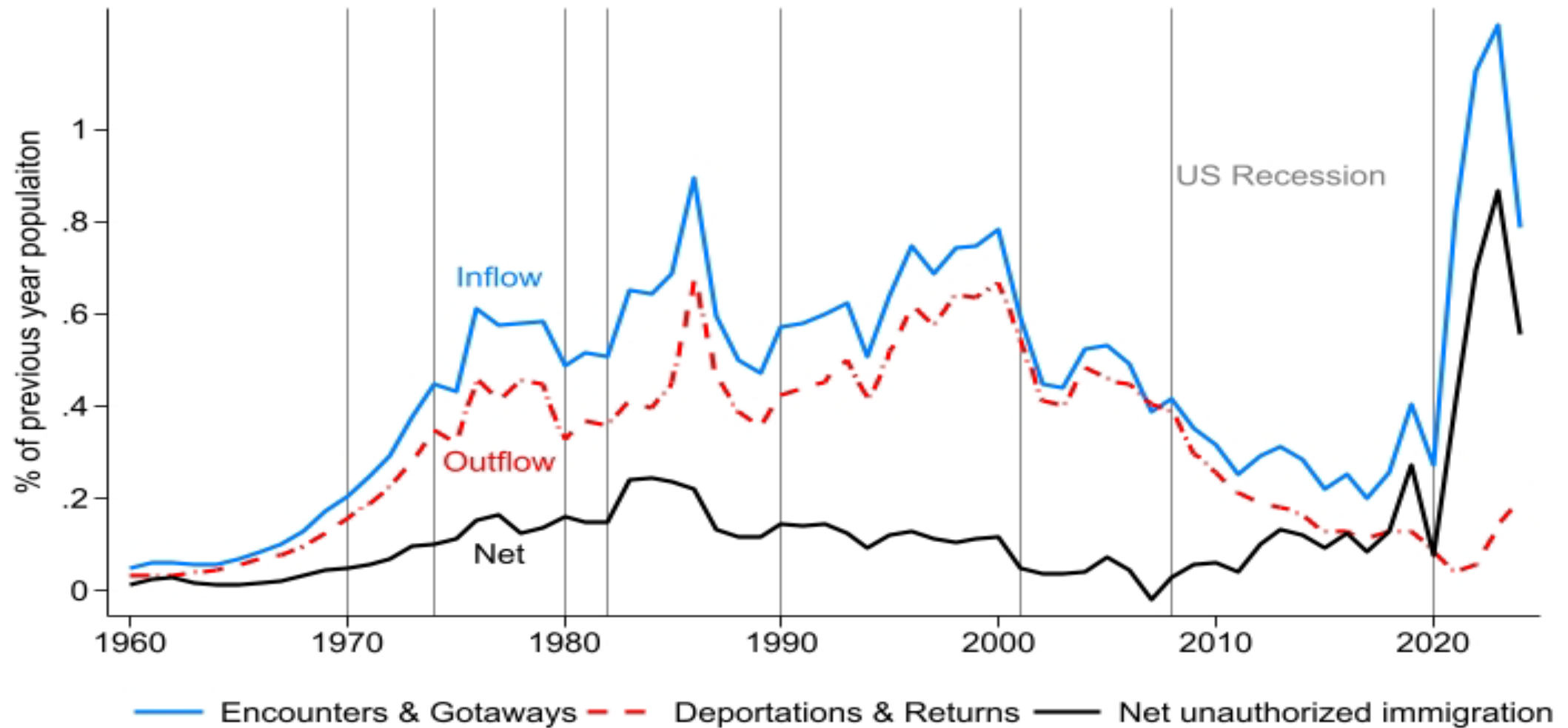
- **Interior deportations:**
  - Mild scenario: 640/day as in recent ICE data
  - Severe scenario: gradually reach 3,000/day by early 2028
- **Net inflows at border:**
  - Down to near zero by mid-2025 in both scenarios

Sources: U.S. Department of Homeland Security; authors' calculations. Net unauthorized immigration is the sum of nationwide encounters and estimated gotaways minus total DHS repatriations.

# Empirical approach

- Structural VAR model
  - Estimate effects of net unauthorized immigration shocks on US inflation and GDP using annual historical data from 1960 to 2019
  - Projected effects are relative to the baseline, which assumes unauthorized immigration evolves as in CBO's Nov 2024 outlook (2.1 million over next 3 years)
- Key assumptions for causal interpretation of results
  - Exogenous flows
    - Conditional on past data, net unauthorized immigration does not respond to unexpected changes in US inflation or GDP growth within the same year
    - Supported by prior research findings
      - Migrants respond to changes in economic pull factors with a lag
      - Other factors are also important, including home country conditions and US immigration policies

# Unauthorized immigration to the US as percent of population



Source: U.S. Department of Homeland Security; NBER.

# Projected inflation and GDP effects of immigration crackdown

(based on preliminary estimates)

	2025	2027
<b>Inflation</b>		
<b>Mild</b>	+0.2	+0.4
<b>Severe</b>	+0.2	+0.6
<b>GDP growth</b>		
<b>Mild</b>	-1.0	-0.7
<b>Severe</b>	-1.0	-1.6

Note: Percentage point change relative to CBO baseline.

- **Mild scenario:** Slight inflationary effect; large negative growth effect in near term
- **Severe scenario:** Persistent negative growth effect
- **Caveats:** Effects based on the point estimates of the VAR model; there are large standard errors around the economic effects, meaning they could be as low as zero

# Comparison with other estimates of GDP effects

Model estimates	Effect of immigration policy on GDP growth, 2025
<b>Mild scenario</b> (Dallas Fed)	<b>-1.0 pp</b>
Contribution of reduced inflow	-0.8 pp
<b>External estimates</b>	<b>[-0.7, -0.1]</b>
Goldman Sachs	[-0.4, -0.3]
Hamilton Project	[-0.4, -0.1]
American Immigration Council	[-0.7, -0.4]

- What explains the difference?
  1. Different baseline
  2. Unauthorized immigration versus total immigration
  3. Empirical model that captures both the direct and indirect effects of lower immigration versus back-of-the-envelope calculations

# Summary and Outlook

- Unauthorized migration is down sharply
  - Biggest reason is a decline in inflows
  - Increasing outflows (deportations) will take time, resources
- Surge migration increased job and output growth
  - Reversal of migration will do the opposite
    - Our model suggests a near term decline in GDP of 1 percentage point, other estimates point to decline of 0.1 to 0.7.
- So what's the outlook?
  - Pace of arrests and removals will increase but likely not reach target
  - There will be a larger, more entrenched and shadowy undocumented population
  - Negative economic impact is more related to inflows than deportations, so it's already being realized



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