Economic Impacts of Sanctuary and Immigration and Customs Enforcement Policies Inclusive and Exclusive Institutions

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Abstract : This paper focuses on the effect of Sanctuary and Immigration and Customs Enforcement (ICE) policies on local economies. "Sanctuary cities" refers to municipal jurisdictions that limit their cooperation with the federal government's efforts to enforce immigration. Using county-level data from the American Community Survey and ICE data on economic indicators from 2006 to 2018, this study isolates the effects of local immigration policies on U.S. counties. The investigation is accomplished by simultaneously studying the policies' effects in counties where immigrants' families are persecuted via collaboration with Immigration and Customs Enforcement (ICE), in contrast to counties that provide protections. The analysis includes a difference-in-difference & two-way fixed effect model. Results are robust to nearest-neighbor matching, after the random assignment of treatment, after running estimations using different cutoffs for immigration policies, and with a regression discontinuity model comparing bordering counties with opposite policies. Results are also robust after restricting the data to a single-year policy adoption, using the Sun and Abraham estimator, and with event-study estimation to deal with the staggered treatment issue. In addition, the study reverses the estimation to understand what drives the decision to choose policies to detect the presence of reverse causality biases in the estimated policy impact on economic factors. The evidence demonstrates that providing protections to undocumented immigrants increases economic activity. The estimates show gains in per capita income ranging from 3.1 to 7.2, median wages between 1.7 to 2.6, and GDP between 2.4 to 4.1 percent. Regarding labor, sanctuary counties saw increases in total employment between 2.3 to 4 percent, and the unemployment rate declined from 12 to 17 percent. The data further shows that ICE policies have no statistically significant effects on income, median wages, or GDP but adverse effects on total employment, with declines from 1 to 2 percent, mostly in rural counties, and an increase in unemployment of around 7 percent in urban counties. In addition, results show a decline in the foreign-born population in ICE counties but no changes in sanctuary counties. The study also finds similar results for sanctuary counties when separating the data between urban, rural, educational attainment, gender, ethnic groups, economic quintiles, and the number of business establishments. The takeaway from this study is that institutional inclusion creates the dynamic nature of an economy, as inclusion allows for economic expansion due to the extension of fundamental freedoms to newcomers. Inclusive policies show positive effects on economic outcomes with no evident increase in population. To make sense of these results, the hypothesis and theoretical model propose that inclusive immigration policies play an essential role in conditioning the effect of immigration by decreasing uncertainties and constraints for immigrants' interaction in their communities, decreasing the cost from fear of deportation or the constant fear of criminalization and optimize their human capital.

Keywords : inclusive and exclusive institutions, post matching, fixed effect, time trend, regression discontinuity, difference-in-difference, randomization inference and sun, Abraham estimator
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