Mobility of Rights[1]

Exchange Rates, Labor Mobility and Immigration Policies in an Integrated World

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- Exchange rate policy.
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- Immigration policy.
  - Why?
  - How?

Relevant Preferences

- Firms have strong preferences for exchange rate *levels*.
  - Purchasing power vs. price competitiveness.
  - Exporters and import-competing firms prefer <u>undervalued</u> currency.
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- How do exchange rate levels affect labor-intensive firms that rely on migrant workers?

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- Firms in the non-tradable sector lose.
  - Labor-intensive: labor shortages and rising prices of imports.
  - Capital-intensive firms: rising prices of imports.

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- Firms in the non-tradable sector gain from rising purchasing power.

Preferences for Policy Intervention under Depreciation

Sector	Factor Intensity	Depreciation (Return Migration) Trade	Immigration
Tradable	Capital-Intensive	Low	Low
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- What do I mean by "rights?"

Scope of Migrants' Rights

- Expanding migrants' rights.
  - Access to public goods: education, employment, health care, housing, public benefit eligibility, etc.
  - Family reunion, labor market mobility, etc.
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- Restricting rights.
  - Elimination of benefits mentioned above.
  - Aggressive policies towards undocumented immigrants.

Preferences for Policy Intervention under Appreciation

Sector	Factor Intensity	Appreciation (Illegal Immigration) Trade	Immigration
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- Hypothesis 3. If labor-intensive firms in the tradable sector can employ migrant workers, their demand for trade protection under currency appreciation decreases.

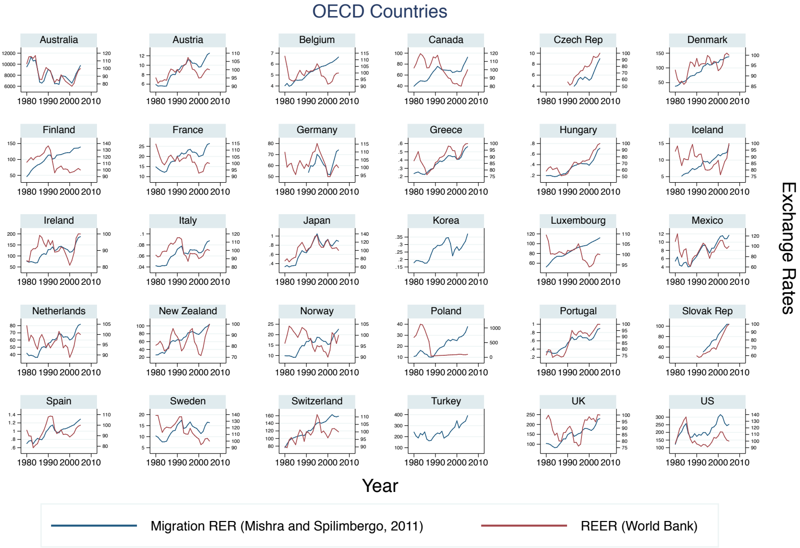
What happens when trade is closed?

- Currency depreciation (return migration) affects all labor-intensive firms negatively.
- Currency appreciation decreases the likelihood of the provision of rights to migrants.

Two Exchange Rate Shocks

- Migrants and firms can be exposed to different exchange rate shocks.

Two Exchange Rate Shocks



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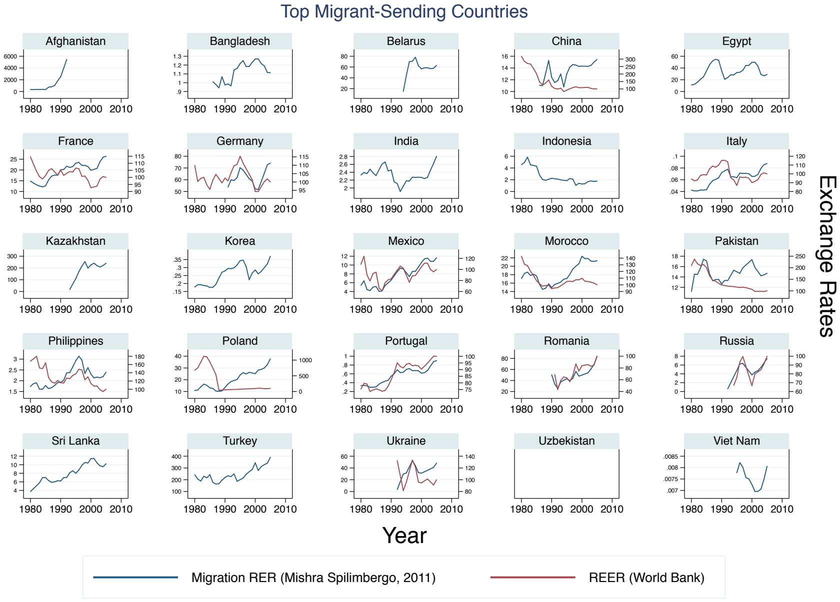

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  - My theory as an alternative hypothesis to the "norms" argument for the provision of migrants' rights.

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- Extend my theory to include the classical gold standard and the Bretton Woods system (adjustable pegs).
- Find ways to come up with comparable measures of MRER **from the perspective of receiving countries** in the early 20th century to see how labor mobility, exchange rates, trade openness, and immigration policies have moved together.

Thank You!