Abstract

What are the economic impacts of a border wall between the U.S. and Mexico? In this paper, we use detailed data on bilateral migration flows of workers both within and between three thousand regions in the U.S. and Mexico to understand how a substantial expansion of the border wall between the U.S. and Mexico between 2007-2010 affected migration flows. We then combine these estimates with a general equilibrium spatial model featuring multiple labor types and a flexible underlying geography to quantify the economic impact of the wall expansion. Finally, we compare the economic impact of the wall expansion to a counterfactual policy which instead reduced trade costs between the U.S. and Mexico. We show that while both policies reduced migration from Mexico the U.S. by the same amount, reducing trade costs substantially increased the welfare of both U.S. and Mexican workers, whereas the border wall expansion did not.

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