

# NAFTA's people impacts: Across borders and at home in the U.S. and Mexico

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# People impacts across borders

- Martin and Taylor and his coauthors both look at how policy reforms like NAFTA affect the supply of Mexican labor to US agriculture
  - While trade increased as a result of NAFTA the rate of migration increased even faster
  - The same policies the accelerate economic growth temporarily increase migration pressures because of displacement and disruption of historical relative prices

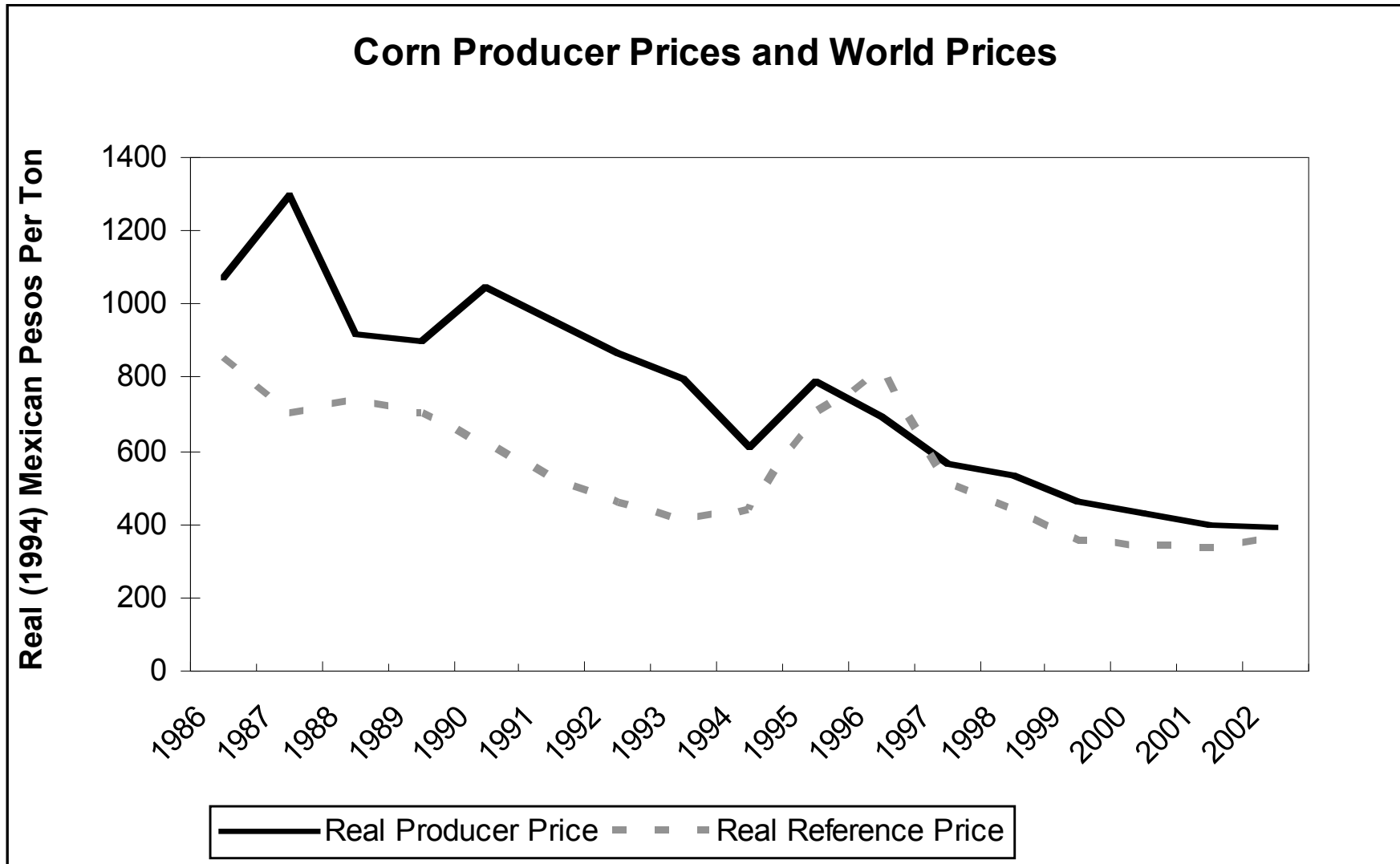
# Extension 1: People impacts of U.S.- Mexico migration in California

- Sunding and Zwane (2005) estimate that the IRCA immigration reform caused reduced spending on public services in California counties equal to \$15 per capita
- Policy implications that compliment those mentioned by Ed and Phil:
- Policies – like shocks/reforms in Mexico that worsen conditions there - that increase the flow of foreign-born agricultural workers to California can have unintended consequences
- Future immigration policy reform may be designed to provide citizenship more quickly if policymakers prefer to reduce the consequences for local public good spending. Of course, this may make political consensus in favor of reform more difficult to achieve ex ante.
- State and federal government may be justified in increasing transfer to areas impacted by immigration- above and beyond the cost of providing services to new residents at current levels of taxation.

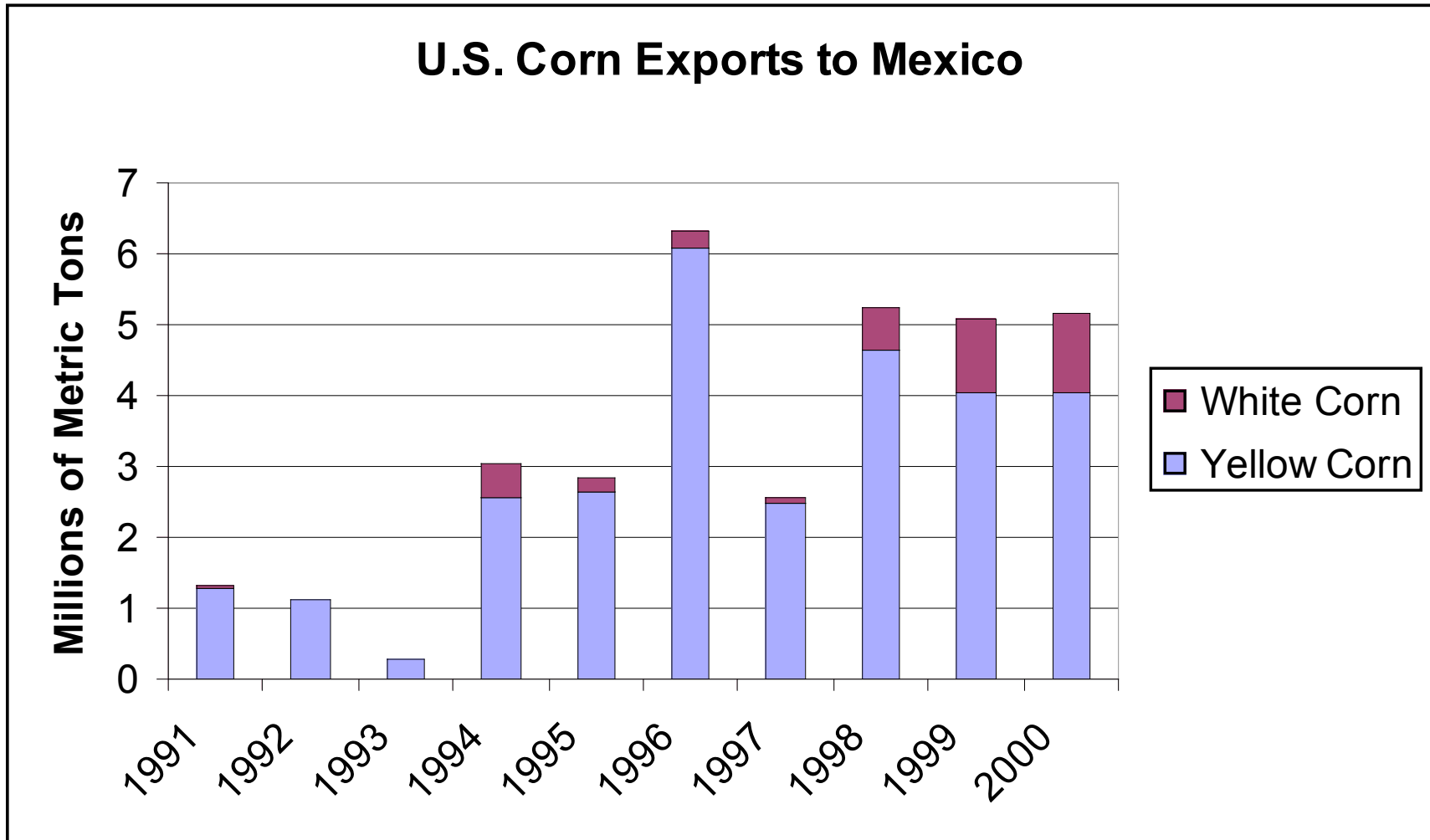
# Extension 2: People impacts in Mexico- Corn farmers

- McMillian, Zwane, and Ashraf (2005) study the impact of NAFTA on corn farmers in Mexico
- A common claim of anti-globalization activists is that trade liberalization hurts rural farmers in developing countries
- We show NAFTA and associated ag policy reform in Mexico did cause corn producer prices to decline, but the impacts on corn farmers rich and poor were limited on average

# Domestic policy reforms as part of signing NAFTA dramatically reduced the Mexican producer price of corn



# US Corn exports to Mexico did rise significantly following NAFTA



# Surprisingly limited people impacts?

- Corn prices fell and imports increased after NAFTA- but the people impacts of were limited
- Mexican income support programs introduced at the time of NAFTA largely cushioned corn farmers from the drop in corn prices
- This was very important for middle class farmers, but less so for poor farmers because the majority of the poorest farmers in Mexico (60%) report that they never sell corn- thus they are not affected by changes in the producer price