

ILLEGAL MIGRATION AND CONSUMPTION BEHAVIOR OF IMMIGRANT HOUSEHOLDS

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Abstract

We analyze the effect of immigrants' legal status on their consumption behavior using unique survey data that samples both documented and undocumented immigrants. To address the problem of sorting into legal status, we propose two alternative identification strategies as exogenous source of variation for current legal status: First, transitory income shocks in the home country, measured as rainfall shocks at the time of emigration. Second, amnesty quotas that grant legal residence status to undocumented immigrants. Both sources of variation create a strong first stage, and – although very different in nature – lead to similar estimates of the effects of illegal status on consumption, with undocumented immigrants consuming about 40% less than documented immigrants, conditional on background characteristics. Roughly one quarter of this decrease is explained by undocumented immigrants having lower incomes than documented immigrants. Our findings imply that legalization programs may have a potentially important effect on immigrants' consumption behavior, with consequences for both the source and host countries. (JEL: F22, D12, K42)

Keywords: legal status, weather shocks, consumption behavior.

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