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The Era of Free Migration: Lessons for Today

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1. Introduction

Why should today's policy makers concern themselves with history? In the case of international migration, the answer is straightforward: the late 19th century, and more precisely the period between the Irish Famine of 1845-49 and the First World War, was an era of free migration. As such, it constitutes a unique policy experiment. In earlier epochs, emigration had often been constrained, either in an attempt to prevent skilled workers from transferring technology overseas, or in an attempt to prop up land rents by preventing cheap labour from moving elsewhere. For example, in comparatively liberal Britain, skilled workers were forbidden to emigrate in 1719, a restriction which was only removed in 1825. In the twentieth century, it was immigration that was restricted, by governments anxious to avoid downward pressure on wages or upward pressure on unemployment. A symbol of this shift is the decision of the US Congress in 1917 to override President Wilson's veto of the immigrant literacy test, a move that was to be followed by a progressive tightening of restrictions in the world's most popular destination for would-be emigrants. Simultaneously, other New World countries such as Canada and Argentina were imposing immigration barriers of their own; while Europe, once a major source of emigrants, moved to curb immigration as well. In 2001, 21 out of 48 developed country governments had policies designed to reduce emigration, while only 2 had policies designed to raise it (UN 2002a, Table 3, p. 18).

As will be seen, some of these 20th century trends had their origins in the late 19th century, and it is therefore inaccurate to describe this period as one of completely unfettered mobility; and yet, the fact remains that the late 19th century was a generally liberal era in which migration flows reflected underlying economic forces, rather than government policy. The period thus comes as close to a laboratory experiment in this domain as we are ever likely to encounter. Moreover, since there was large-scale migration between relatively rich

countries with relatively well-developed states, and since the migration was legal, it was extremely well-documented, as a glance at the statistical detail in Ferenczi and Willcox (1929) will confirm. It is easier, therefore, to study the economic fundamentals driving international migration a hundred years ago than it is to study them today.

Roughly 60 million Europeans emigrated to the New World between 1820 and 1914. At the beginning of the century, transport costs remained high, free labour flows were still small, and intercontinental migration was dominated by slavery. During the 1820s, free immigration into the Americas averaged only 15,380 per annum, compared with a slave inflow of 60,250 per annum. By the 1840s, the free inflow had increased to 178,530 per annum (and the slave inflow had declined to 44,510 per annum: Chiswick and Hatton 2003, Table 1), although it was not until the 1880s that the cumulative European migration exceeded that of the African (Eltis 1983, p. 255). In the first three decades after 1846, European intercontinental emigration averaged around 300,000 per annum; the numbers more than doubled in the next two decades, and rose to more than a million per annum after 1900 (Chiswick and Hatton 2003, Figure 1). There were also significant migrations within Europe and the New World, as well as substantial intercontinental emigration from Asia.

As was also the case with trade and capital flows, this dimension of globalization went into reverse after 1914. European emigration had averaged over 1.2 million per annum in the decade before the war, but was less than half that between 1916 and 1930; and during the 1930s it was lower than it had been in the late 1840s (Chiswick and Hatton 2003 Figure 1). Decline was followed by recovery: gross immigration into the US was 4.1 million during the 1920s, 0.5 million in the 1930s, 1 million in the 1940s, 2.5 million in the 1950s, 3.3 million in the 1960s, 4.5 million in the 1970s, and 7.3 million in the 1980s (Chiswick and Hatton 2003, Table 2). However, this recovery is not yet complete. The world stock of

migrants was 2.3 percent of the total world population in 1965, and 2.9 percent in 2000.

Within rich countries, the share of migrants in the total population increased from 3.1 percent to 8.7 percent over the same period, while within North America, the migrant share increased from 6 percent to 13 percent (Zlotnik 1999; UN 2002b). By contrast, the foreign born accounted for 14.7 percent of the population of the United States, and 22 percent of the Canadian population in 1911. Similarly, 1990s immigration rates into countries like the US (roughly 30 per thousand), Canada (70 to 80 per thousand in the early 1990s) and Germany (roughly 80 per thousand in the first half of the decade, and 50 per thousand thereafter), while substantial, were much smaller than those of the late 19th and early 20th centuries: in the first decade of the 20th century these were 167.6 in Canada, 118.4 in Cuba, 102 in the United States, and 291.8 in Argentina (O'Rourke 2002).

What lessons can we draw from history? Good lessons come in threes, and here are the big lessons from the late 19th century:

First, emigration is an incredibly effective way for poor countries to raise their living standards. By blocking immigration, rich countries are making it much harder for poor countries to catch up on the OECD.

Second, emigration is ultimately a self-limiting process. Left to its own devices, emigration from a poor country will eventually decline, although this may be preceded by an initial period of increasing emigration rates.

Third, international migration can have big effects on internal income distribution, both in the source country and in the country of origin; and this in turn has obvious consequences for immigration policy.

In the following three sections I justify these statements, one at a time, before reaching some general conclusions, making some suggestions for future research, and indulging in what is, no doubt, some politically naive speculation.

2. Emigration as poverty relief

Emigration due to poverty can be a source of great sadness for the families and communities left behind. Emigration typically involves young adults, who leave their parents and countries after the latter have finished investing in them. No-one brought up in a country with a history of emigration is unaware of the emotional distress that this can cause; and the distress is obviously greater when the emigration is permanent, as was frequently the case a hundred years ago.

For this reason, countries with a history of emigration often see that emigration as a problem, or even a catastrophe. Irish popular culture is replete with maudlin ballads lamenting the phenomenon; while in 2001 four times as many developing country governments had policies trying to lower emigration as had policies trying to raise it (although admittedly the vast majority were trying to do neither; see UN 2002a, Table 5, p. 19). It can be difficult therefore for people to admit that emigration may in fact have been hugely beneficial for peripheral and impoverished economies; and yet this is precisely what first year undergraduate economics would suggest: lower the supply of labour, and its price should rise.

There are no shortage of theoretical arguments to the contrary, of course, and the arguments have scarcely changed over the last century and a half. The literature on Irish 19th century emigration is full of them, for example. First, one claim made in the Irish context was that emigration reduced the size of the home market; once the home market was too small,

scale economies were hard to achieve, Irish manufacturing became less competitive and industry declined; this caused further emigration, and the market got even smaller. Partial evidence in support of the hypothesis comes from Ó Gráda (1994, p. 345), who argues that Dunlop's decision to transfer its bicycle business to Coventry from Dublin was due to its desire to be near markets.

Second, there is some evidence from pre-Famine Ireland that emigration may have implied a life-cycle loss to the economy, providing other nations with 'instant adults' reared at the nation's expense. Conversely, this life cycle effect was a major benefit to immigrant economies such as the United States (Neal and Uselding 1972; Mokyr and Ó Gráda 1982).

Third, many contemporaries felt that it was the most energetic and productive who emigrated. For example, Mr O'Brien, reporting to the 1893 Royal Commission on Agricultural Labour from Kanturk in Co. Cork, stated that "there is a very general opinion, and, probably, a perfectly well-founded opinion entertained by the employers of labour in this district that the labourers are now neither as efficient as formerly, nor as those met with elsewhere, owing to the circumstance that the best, youngest, and most competent are those who have emigrated; the old and immature remaining behind" (BPP (1893-4), Vol. IV, Part II, p. 35). If this was really true, then low Irish wages might not necessarily have translated into cheap Irish labour; and this in turn could help explain why the expectations of many contemporaries that British capital would invest massively in Ireland never came to pass.¹ Ó Gráda's (1994, pp. 337-342) wage evidence, taken from the *Gardeners' Chronicle* of 1860, suggests that Irish labour may indeed have been poorly paid, but not cheap; selective

¹ For example, in 1825, an observer predicted that "Lancashire and Louth will form as it were one factory...whatever operations can be procured best by the human hand, I think, will be performed in Ireland, for the hand which is satisfied with the cheaper subsistence will necessarily undersell the hand not so circumstanced (cited in Mokyr 1985: 259)."

emigration offers one way of reconciling this evidence with a non-racist prior that there was no inherent quality differential between Irishmen and Britons.

The evidence on whether it was in fact the 'best' who left is mixed. Nicholas and Shergold (1987) compare Australian convicts shipped from Ireland with convicts born in Ireland but shipped from Britain; the latter group were more likely to be literate and report skilled occupations than the former. On the other hand, Mokyr and Ó Gráda (1982) find no evidence of brain or skill drains in the passenger lists of ships carrying the pre-Famine Irish to North America. Moreover, anecdotal evidence can be used to support any conceivable position: consider the following extract from an interview with St. George Johnston, in the Land Act Commission Report of 1881:

Labour has of late increased very greatly in price, still I fancy that though I pay more for labour than I did formerly, I have it practically just as cheap as when I paid a great deal less...After some time I considered it was bad economy to have my horses well fed, and the men that were driving them badly fed. The men could not work after a good horse inasmuch as they were not fed up to the mark. I determined to put them in a better position, and I increased their wages to 1s.3d. a day, and a cow's grass...it is in reality cheaper than when they were not so well paid; I used to employ fifty men, I can now do with thirty, and they work more and work better.

This efficiency wage argument, which implies that emigration indirectly raised the average productivity of those staying behind, seems as theoretically plausible as the selective emigration argument (although there is no quantitative evidence to support it either). The stories outlined above seem interesting and important enough to warrant serious study; but theory can be used to support any number of positions. In the end, it is empirical evidence that convinces economic historians; and the evidence that emigration boosted living standards in Ireland and other emigrant countries is overwhelming.

Consider Figure 1, which shows the (PPP-adjusted) wages of unskilled male urban

workers in three countries of mass emigration, Ireland, Italy and Norway. Between 1870 and 1910, emigration lowered the Irish labour force by 45 percent, the Italian labour force by 39 percent, and the Norwegian labour force by 24 percent (O'Rourke and Williamson 1997, Table 6, p. 160). The wages are measured relative to wages in the leading European economy of the day, Britain. The figure shows that living standards in these three economies did not just rise during the late 19th century: they rose more rapidly than in Britain, allowing these countries to catch up on the economic leader of the day. In Ireland, for example, real wages rose from 73 percent to 92 percent of British wages during this period, while Norwegian wages rose from 48 percent to 95 percent. This represents impressive convergence. In Italy there was no convergence until the turn of the century, which is exactly when Italian emigration rates exploded, attaining levels of over 100 per thousand per decade; thereafter, real Italian wages rose from 40 percent of British wages in 1900, to 56 percent in 1913. Figure 2 repeats the exercise, this time reporting the three countries' wages relative to wages in the US, which had always been very high as a result of the country's favourable land-labour ratio. The figure shows that Norwegian wages continually converged on US wages, while Italian wages converged after 1900; Irish wages converged over the period as a whole, although very rapid US growth in the final two decades of the period implied Irish divergence after 1895 or so.

Clearly, living standards in these peripheral emigrant economies rose very rapidly in the late 19th century, more rapidly even than in core economies like Britain and the US. At a minimum, emigration did not prevent convergence; more positively, econometric and simulation studies show that emigration was an important source of living standard convergence for all these countries. Take for example the Southern Irish catch-up: what makes this experience unique is that it was achieved despite a decline in manufacturing's

share of total employment from 29 percent to 23 percent over the period. The question thus arises: did the growth in real wages reflect movement up the labour demand curve, rather than an outward shift in the demand curve? Boyer et al. (1994) attempt to answer this question, using a small-scale CGE model of the Irish economy calibrated to 1907-8 data. They estimate that if there had been no emigration between 1851 and 1911, the real urban wage would only have been 66-81 percent of its actual 1908 level, while per capita income would have been 75-87 percent of its actual level: there would have been no Irish catch-up on Britain. Econometric exercises also find a strong link between emigration and improvements in Irish living standards.

To what extent can these findings be generalised? Taylor and Williamson (1997) calculate the labour market impact of migration in 17 Atlantic economy countries between 1870 and 1910, taking care to take account of return migration rates, which varied from country to country. According to their analysis, which makes use of econometrically estimated labour demand elasticities and information on labour's share of income, emigration raised Irish wages by 32 percent, Italian by 28 percent and Norwegian by 10 percent. International real wage dispersion fell by 28 percent between 1870 and 1910, reflecting a convergence of poorer countries on the rich; but in the absence of the mass migrations international real wage dispersion would have increased by 7 percent. Wage gaps between New World and Old in fact declined from 108 to 85 percent during the period, but in the absence of the mass migrations they would have risen to 128 percent in 1910. The results suggest that more than all (125 percent) of the real wage convergence between 1870 and 1910 was attributable to migration. Even when allowance is made for the possibility that capital may have chased labour, lowering the impact of migration on capital-labour ratios, migration emerges as a major determinant of living standards convergence, explaining about 70 percent

of the convergence. Mass migration accounted for all of Ireland's and Italy's convergence on the United States, and for 65-87 percent of their convergence on Britain.

Emigration was thus a major source of poverty relief in these economies, allowing living standards to grow far more rapidly than they would have in its absence. To be sure, it was not a perfect form of relief, since poverty traps ensured that some of those most in need of relief were unable to benefit from it. This was, for example, the case during the Irish famine. Figure 3 shows the relationship across the 32 Irish counties between wages on the one hand, and the ratio of emigration rates to death rates on the other. In the richer countries, such as Kildare or Wicklow, the ratio of emigration rates to death rates were high, with more than twice as many people emigrating as dying during the crisis; in poorer counties, such as Cork, Kerry or Galway, the ratio of emigration to death rates was low, with deaths outnumbering emigration. More generally, mass emigration started earlier in the richer countries of north-west Europe than in the poorer countries of southern and eastern Europe. Poverty traps are still probably important today; even the cheapest one-way fares from Addis Ababa, Mogadishu or Khartoum to London or New York are multiples of income per capita in Ethiopia, Somalia or Sudan, rather than fractions, as was true in the Irish case. However, emigration itself helps eliminate these poverty traps, by raising incomes generally. For example, Ó Gráda and O'Rourke (1997) found that while the cross-county correlation between Irish emigration and wages was only -0.023 in 1835 (indicating that emigration was not predominantly from poorer counties), it was -0.489 in 1880: after the famine was over, emigration was highest from the poorest counties, suggesting that poverty was no longer a serious constraint preventing people from making the move. The biggest lesson of 19th century migration history is that emigration is of major benefit to poor economies (a point also stressed by Williamson 2002).

Not only did emigration make developing economies in the 19th century richer, it made their societies more equal as well. Emigration raised the wages of unskilled labourers, but this lowered both profits and land rents. Since capitalists and landlords were richer than landless workers, the result was greater equality. Complete income distributions are typically unavailable for the late 19th century, but Williamson (1997) constructed an alternative measure of inequality: the ratio of the unskilled wage to GDP per worker hour, w/y . This measure compares the income of those at the bottom of the distribution with a weighted average of all other relevant factor prices— skilled wages, as well as returns to such factors as capital and land. Williamson found that inequality fell dramatically (w/y increased, from 100 in 1870 to 153 or 154 in 1913) in poor European countries like Denmark, Norway, Sweden and Italy, all of which experienced substantial emigration and increases in average living standards. On the other hand, inequality remained relatively stable in peripheral economies which did not fully participate in the globalization of the period (such as Iberia).

Moreover, other dimensions of globalization were no substitute for the poverty-reducing, convergence-enhancing, properties of mass migration. In the late 19th century, international capital flows were predominantly from relatively poor, labour-abundant Europe to the relatively rich, labour-scarce New World. This was of course because of a third factor, land, that was so abundant in the New World that both labour and capital flowed to it. To this extent, international capital flows were a force for overall divergence, at least as far as the current OECD countries are concerned. True, there were exceptions, notably the Scandinavian countries. According to O'Rourke and Williamson (1997) capital inflows boosted Swedish real wages by some 25 percent, and made more modest contributions to living standards growth in Norway and Denmark. This experience was not typical, however, since Scandinavian countries resembled the New World in that they were resource rich:

capital probably flowed out of Ireland and Italy, and only flowed into Iberia in very small quantities (O'Rourke and Williamson 1997). Why was cheap labour not sufficient to attract capital inflows? In part, the answer may lie with less productive workers, as was suggested earlier in the Irish context (Clark 1987); in part with the failure of peripheral countries to adhere to sound macroeconomic policies (Bordo and Rockoff 1996: 414). Whatever the reason, capital flows did not lead to the convergence that simple two factor two country neoclassical models might predict; and neither as it turns out did trade flows. O'Rourke and Williamson (1997) tried to quantify the impact of falling trans-Atlantic transport costs on real wages in the European periphery, and found only a modest impact: Swedish real wages rose only by 6 percent or so, while trans-Atlantic commodity price convergence actually lowered Irish real wages, by almost 9 percent.²

The uncomfortable lesson of the 19th century for policy makers today is that capital flows may not yield the expected increases in southern hemisphere living standards that simple economic models predict, and that both ethical considerations and enlightened self-interest demand. Indeed, the failure of capital to flow to the poorest countries that need it most is a prominent feature of today's international economy as well (Lucas 1990). Migration may offer a quicker fix to the south's economic problems; the problem is that migration is less palatable politically than either trade or overseas investment.

² In agricultural Ireland, the negative impact of cheap food on labour demand dominated the positive impact of a lower cost-of-living.

3. Emigration as a self-limiting process

The second big lesson which the migrations of the late 19th century teach us follows directly from the first. Emigration raises living standards in source countries, both in absolute terms and relative to those in destination countries. As a result, the incentive to emigrate eventually declines, and so do emigration rates. Emigration is thus a self-limiting process.

However, in the 19th century this decline in emigration rates typically followed an initial phase in which emigration rates rose. In some countries this was due to poverty traps being overcome, in part due to previous emigrants sending home remittances, which allowed others to make the journey to the New World. In others, it was due to demographic pressures, with baby booms having a predictable effect on emigration rates twenty years later. Sometimes large, exogenous shocks were to blame, such as the Irish Famine, which had an immediate effect on emigration rates, and a more persistent long run impact due to remittances. Indeed, one of the lessons of the late 19th century is that this ‘friends and relatives’ effect can be extremely powerful: to this extent, emigration was self-reinforcing, rather than self-limiting.

The implication of all this is that emigration from poor countries typically followed an inverted U-shaped ‘life cycle’, first rising, then declining. Hatton and Williamson (1998) are the classic reference on this phenomenon, which can be documented for the majority of European countries for the late 19th century. Their econometric exercises reveal that emigration was a negative function of relative source country wages, as expected, implying that as source country wages caught up with destination country wages, emigration rates declined. The explanation for the initial increase in emigration rates is that this emigration function initially shifted outwards, as a result of shocks, demographic pressures and the friends and relatives effect. Eventually these forces, and especially the demographic

pressures, levelled off, the emigration function stabilized, and real wage convergence led to a decline in emigration rates. For some countries, this decline could be quite substantial. For example, Irish emigration rates were an astonishing 141.7 per thousand during the 1880s, but 88.5 per thousand in the 1890s, and 69.8 per thousand in the 1900s. German emigration rates fell from 28.7 in the 1880s to 4.5 in the 1900s; Danish emigration rates fell from 39.4 in the 1880s to 28.2 in the 1900s; and Swedish rates fell from 70.1 in the 1880s to 42 in the 1900s (O'Rourke and Williamson 1999, p. 122).

This fact is relevant for policy-makers today. Opening up western European economies to immigration from the EU accession states, for example, may not have the effects on migration flows that some observers predict, simply because integration with the west (including labour market integration) raises real wages in central and eastern Europe. On the other hand, the forces which dominated European emigration flows during the upswing – particularly demographic pressures – are powerfully present in large sections of today's third world (Clark, Hatton and Williamson 2002; Hatton and Williamson 2002). This implies that there are underlying pressures pushing larger world-wide migration flows, which will remain at work until birth rates subside and living standards increase. In such circumstances, raising immigration barriers will have the predictable consequence of encouraging illegal migration, with all the humanitarian problems this entails. The surest way to lower these underlying migration pressures, apart from lowering developing country birth rates – something which is happening already – is to raise living standards there, something which greater legal access to rich country markets for developing country products and workers should accomplish.

4. The political economy of immigration

The third big lesson which the 19th century experience offers us also follows fairly

directly from the first. Labour demand curves slope downwards: this is the basic fact which explains why emigration boosted living standards in poor source countries. But the same fact implies that immigration should lower wages in rich host countries. Simple economic theory suggests that this is a source of net gain to the host country, in that other factors of production will gain more than workers lose. However, the fact that immigration lowers native wages has obvious political implications.

Whose wages should be lowered depends on the composition of the immigrant flow: if immigrants are largely low-skilled, compared with host-country populations, then the impact will be to lower unskilled wages, and thus to boost inequality. In order to understand the political economy of late 19th century immigration restriction, it is thus necessary to first be clear about who the migrants were (Hatton and Williamson 1998, Chapters 7, 8; O'Rourke and Williamson 1999, Chapter 7). Late 19th century migrants were typically young adults with high labour force participation rates – for example, 76 percent of immigrants entering the US between 1868 and 1910 were aged between 15 and 40. Crucially, they were typically unskilled, and as the century progressed they became even less skilled, as the source of the European emigration shifted southwards and eastwards. Immigration should have tended to lower the relative wages of unskilled workers in the New World, raising inequality.

Moreover, in the late 19th century there was another factor implying that immigration raised inequality in New World countries: a major dimension of inequality in those days was the gap between landless labourers and land-owners, with the latter typically being richer than the former. Immigration should have boosted labour-land ratios in the New World, raising land rents, lowering wages, and increasing inequality.

These predictions follow directly from the laws of supply and demand; more importantly, they are verified by the data. Williamson's (1997) index of inequality, w/y , rose

substantially in rich New World economies like the US and Australia (*w/y* fell, from 100 in 1870 to 53 or 58 in 1913). Moreover, Williamson found that there was a strong relationship between migration flows and movements in *w/y*, with *w/y* rising more (falling less) in countries that experienced more emigration (less immigration).

Furthermore, several studies, using various methodologies, have shown that in immigrant nations such as the US immigration had a significant negative impact on unskilled real wages (O'Rourke and Williamson 1999, Chapter 8). For example, Hatton and Williamson (1998), using time series methods, found that real US wages would have been 11 to 14 percent higher in 1910 had there been no immigration after 1870; while simulation exercises suggest that immigration after 1870 lowered US real wages in 1910 by 11 percent (Williamson 1974), 15 percent (O'Rourke and Williamson 1995), and 8 percent (the last result allowing capital to chase after labour: O'Rourke, Williamson and Hatton 1994).

Given the unprecedented nature of late 19th century migration flows, and the fact that immigration lowered workers' living standards, it would have been surprising if there had been absolutely no political response: especially from the 1890s or so, when the US frontier was officially declared closed, and states were no longer able to cope with expanding populations by increasing the amount of land under cultivation. And indeed, there was a gradual closing of New World labour markets to would-be immigrants from the 1880s or so (Timmer and Williamson 1998; O'Rourke and Williamson 1999, Chapter 10), manifested in such legislation as head taxes, Chinese exclusion acts, the definition of various categories of persons as 'excludable', and so on. What explains this international trend towards excluding immigrants, which was common across the 'regions of recent settlement'? Was increased racism to blame; or a constant level of racism, combined with a shift in the ethnic composition of the migrants (fewer north-western Europeans, more southern and eastern

Europeans)? Or were the roots of this backlash economic?

Timmer and Williamson (1998) show that there was a causal link between rising New World inequality, on the one hand, and rising barriers to immigration on the other. Their crucial contribution is to provide an index of immigration barriers in the US, Canada, Argentina, Australia and Brazil from 1850 to 1930, based on a careful reading of each country's immigration legislation. An increase in the index signifies more pro-immigration policies, while a decline in the index implies a tightening of immigration barriers. Having constructed this index, they are then able to analyse the causes of increasingly restrictive policies in their sample countries, and their conclusions are striking. The most consistently significant variable in the analysis reported by Timmer and Williamson is the measure of inequality mentioned earlier, namely the ratio of the unskilled wage to per capita income, or of income near the bottom of the distribution to income in the middle. Regardless of what else is included in the regression equation, this measure of unskilled labour's relative economic position turns out to have been an important influence on policy. Rising equality encouraged more open immigration policies; rising inequality encouraged more restrictive immigration policies.

Other economic variables also seem to have mattered for policy: high real wage levels were associated with liberal policy in some countries, high real wage growth in others. Low and falling immigrant 'quality', as measured by real wages in source countries, induced immigration restrictions. There is also evidence of policy spillovers during the period: for example, Argentinian policy tended to mimic policy in Australia, Canada and Brazil, while Brazil tended to mimic policies in Argentina and the US. However, there is no evidence that widening ethnicity gaps between immigrants and host country populations were responsible for tighter controls: policy can be well explained by the economic effects of immigration, and

by policy overseas. Once other variables have been controlled for, there does not seem to have been an independent role for xenophobia, of the sort frequently stressed by qualitative histories of the period.

The big political lesson from the period is thus that immigration can be hard to sustain politically. Moreover, the basic factor leading to the 19th century anti-immigration backlash – the impact of immigration on wages – is present in today's world as well. To be sure, several papers by labour economists (e.g. Card 1990) have had trouble in isolating this effect, but this is due to the well-known problem which faces the area studies approach which they have used: regressing a measure of inequality, or native wages, in an area on immigrants in that area will find no correlation if there is sufficient labour mobility between areas. An alternative approach, associated with Borjas, Freeman and Katz (1997), looks at the impact of immigration on national labour supplies and uses independently-generated information regarding labour demand elasticities to conclude that immigration must have had a sizable impact on unskilled wages. This approach has been criticized on the basis that it is simulating the impact of migration on wages, not econometrically estimating it. The latest word on the subject, however, takes account of this last objection, and exploits the fact that immigrants do not just have different skill characteristics from natives, but different levels of work experience as well; and that these imbalances have changed over time (Borjas 2003). This makes it possible to isolate the impact of immigration on wages within particular skill-experience categories, and the bottom line is that the 19th century experience continues to be relevant for today: a 10 percent increase in labour supply reduces real wages by between 3 and 4 percent (Borjas 2003).

Not only is the basic economic mechanism driving the 19th century anti-migration backlash still alive and well, but this has a predictable impact on the political preferences of

individual voters today. Table 1 reports the results of a major international survey (described in O'Rourke and Sinnott 2001) carried out in 24 countries (in the OECD, central and eastern Europe, and the Philippines) in 1995. Of the many questions which respondents were asked to answer, two directly bear on their attitudes towards immigration. The first asked if the number of immigrants to their economy should be increased a lot (1), a little (2), remain the same (3), be reduced a little (4) or reduced a lot (5). The second asked if refugees should be allowed to stay in the country; responses ran from agree strongly (1) to disagree strongly (5). Table 1 reports the mean response to these questions in each country: a score greater than 3 indicates that on average respondents were leaning towards greater restriction. As can be seen, individuals tended to be more strongly opposed to immigration in general than to refugees, suggesting that the interviewees were making a distinction between forced migration due to political repression and migration more generally. Sample respondents in every country on average favoured lowering the number of immigrants; by contrast, the mean response to the refugee question only exceeded 3 in five countries (Slovenia, the Philippines, Japan, Latvia and Slovakia).

This is of course the reason why it will be so difficult for OECD politicians to liberalize immigration generally (as distinct from adhering to their international human rights obligations), but the real point is that these preferences regarding immigration are largely driven by economic considerations. Using the 24-country data set mentioned above, O'Rourke (2003) shows that being low-skilled significantly increases individual voters' antipathy to immigrants, consistent with the result for the US given in Scheve and Slaughter (2001).³ Even more tellingly, this effect is stronger in richer countries than in poorer

³ Mayda (2003) has independently arrived at similar results.

countries, and in more equal countries than in more unequal countries. The first observation is consistent with simple Heckscher-Ohlin logic, which predicts that in richer countries, with their higher relative endowments of skilled labour, unskilled wages will be higher both in absolute and in relative terms, and that immigrants are thus more likely to be unskilled. The second observation is consistent with Borjas' (1987) theory of migrant self-selection, which concludes that migrants will more likely be unskilled if (a) the correlation between the earnings which they receive in the home and destination countries is sufficiently high; and (b) if income is less dispersed (more equal) in the destination country than in the home country. These theoretical considerations suggest that, since in richer, more equal countries immigration is more likely to involve unskilled workers, it will thus be more harmful to native unskilled workers than immigration into poorer, more unequal countries. Strikingly, the survey data bear out these theoretical predictions, in that voters' attitudes are precisely what one would predict if the theories were true. Indeed, in two of the poorer and more unequal countries in the sample, Latvia and the Philippines, it is the high-skilled who are marginally more anti-immigrant, just as the simple logic of economic self-interest would predict.

Table 2 gives some further, suggestive evidence that anti-immigrant sentiment is largely based on economic self-interest. It reports a series of ordered probit regressions explaining attitudes towards immigrants or refugees, where as before higher scores indicate greater hostility towards foreigners. Full details are given in O'Rourke and Sinnott (ongoing); the variables that matter for the present discussion are 'High skills' (i.e. is the respondent high-skilled or not) and the two interaction terms involving this high skills variable. Equation (1) gives the results already reported: the low skilled are more likely to be anti-immigrant, and the effect is greater in richer (the interaction term between high skills and GDP per capita

is negative) and more unequal (the interaction term between high skills and the Gini coefficient is positive) countries. Equation (2) reports the same regression, for those in the labour force, and the results are qualitatively the same, if stronger. Equation (3) reports the same regression for those not in the labour force, and now the three terms involving 'high skills' become much smaller, and statistically insignificant. The fact that economic theory does a good job of predicting the attitudes of those in the labour force, but a bad job of predicting the attitudes of those not in the labour force, is consistent with the results in equation (1) being explained by economic theory and labour market factors, rather than being due to spurious correlations. Finally, equation (4) looks at the determinants of anti-refugee sentiment. The low-skilled are more anti-refugee than the high-skilled; and this time the result is constant across countries, rather than varying according to countries' GDP per capita or inequality levels (i.e. the two interaction terms are statistically insignificant). It is surely not the case that political refugees are all low-skilled, but these results could certainly be explained by a belief in all host countries that they are predominantly low-skilled, in which case it is the low-skilled everywhere who should be most hostile towards them.

To sum up: it was true in the late 19th century that immigration lowered native wages, and this remains true today. It was true in the late 19th century that immigration policy was largely driven by the economic (distributional) consequences of immigration, and it remains true that individual preferences regarding immigration can be well explained by simple economic logic today. In the late 19th century, mass migration undermined itself by raising New World inequality, which had predictable consequences. Nothing suggests that those wishing to ease barriers to migration would not face similar political obstacles today.

5. Conclusions

There are huge potential economic gains from the freeing up of international migration, both from the point of view of poor countries and the world as a whole. For poor countries, emigration offers a much surer escape route from poverty than a reliance on capital inflows which may never emerge; despite all the theoretical counter-arguments, emigration did in fact boost living standards in such desperately poor countries as Ireland and Italy a hundred years ago. For the world as a whole, mass migration holds out the possibility of a more efficient allocation of labour, by moving workers to where they will be more productive: according to one estimate, freeing up world migration could double world income (Hamilton and Whalley 1984), a gain that leaves the much-trumpeted estimated benefits of world trade deals in the shade. Finally, rich countries need not fear that such mass migration will go on for ever, since as source countries see their living standards converge on those of host countries, emigration streams eventually dry up.

However, the historical evidence strongly suggests that it will be difficult, if not impossible, for the world to achieve these potential gains. The reason is that in democracies, politicians will not be able to ignore the protests of native workers whose living standards would inevitably be eroded by mass immigration; even if immigration on balance boosts host country GDP, and if in principle the losers could be compensated, leaving everyone better off. This mechanism undermined the basis for free migration a hundred years ago, and the distributional and political mechanisms which undermined labour market integration then are still present today.

However, there are two reasons for thinking that this pessimistic message (see O'Rourke and Williamson 1999) may be somewhat exaggerated. As Michael Huberman and Wayne Lewchuk have recently shown (Huberman and Lewchuk 2003; Huberman 2002),

governments of the late 19th century did not simply face a choice between sticking with open, *laissez faire* policies and imposing tariffs and immigration controls; rather, there were a range of domestic policies which they could (and did) implement which helped ensure continued trade union support for free trade. This ‘labour compact’ took two forms: labour market regulation (e.g. minimum working ages, the prohibition of night work, limits on the working day or factory inspections) and social insurance (e.g. accident compensation; or unemployment, sickness or old age insurance), and reforms such as these were adopted in the majority of European economies in the years prior to World War I. Huberman and Lewchuk show that such reforms were more likely to arise in more open economies, reminiscent of Rodrik’s (1998) late 20th century finding that more open economies have bigger governments; and that unions in Belgium and elsewhere committed to supporting free trade in exchange for such reforms. More strikingly, in terms of the subject of this paper, the Franco-Italian labour accord of 1904 raised labour standards in Italy as quid pro quo for granting Italian workers in France benefits which their French colleagues already enjoyed (Huberman 2002). Future research should examine in much greater detail the role of complementary domestic policies in shaping countries’ international economic policies, including their migration policies; both in the context of the first great globalization of 1870-1914, and of the deglobalization of the interwar period.

Domestic institutions, then, offer a potential way for governments to maintain relatively open migration policies. International institutions might offer another. This is after all how the postwar world has secured an open trading environment, which benefits the world, but which also hurts particular groups within society, such as unskilled workers in rich

countries.⁴ Interestingly, there was an attempt after World War I to adopt precisely such a strategy. Both the French and German delegations at Versailles suggested that free migration be stitched into the post-World War I international economic architecture, but these proposals came to nought (James 2001, pp. 176-7). The Treaty of Versailles did establish the International Labour Organization, and some countries – such as France, Italy, Japan and Poland – argued that the ILO should be involved in regulating migration. New World countries disagreed however, and the result was that the ILO found itself limited to issues of domestic regulation: immigration control was left to the discretion of individual countries. The history of international migration after 1918 is thus different from the history of international trade, since in the trade sphere the League of Nations was supposed, among other things, to provide a forum within which countries could agree to lower trade barriers; and even though it failed dismally, the promise of the League would eventually be fulfilled via the GATT and WTO.

In recent years world trade talks have encompassed issues such as foreign investment, which go beyond the traditional remit of the GATT. This has been at the behest of rich countries, who see themselves as benefiting from freer flows of capital and intangible assets across borders but within multinational companies. In the late 19th century, developing countries became richer and more equal as a result of emigration, but find this route to progress largely blocked today. If rich countries can put foreign investment on the table at the WTO, why should developing countries not be able to bring up international labour flows?

⁴ And indeed the unskilled are protectionist in rich countries, just as they are anti-immigration: see Mayda and Rodrik (2001), O'Rourke and Sinnott (2001), O'Rourke (2003).

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Table 1. Average sentiment regarding immigrants and refugees

Country	Anti-immigrant		Anti-refugee	
	Mean	Std. Dev.	Mean	Std. Dev.
Australia	3.768	1.042	2.954	1.202
W. Germany	4.226	0.910	2.049	1.022
E. Germany	4.338	0.871	1.961	0.879
Britain	4.052	0.962	2.820	1.100
USA	3.873	1.044	2.748	1.098
Austria	3.804	0.933	2.095	1.111
Hungary	4.402	0.817	2.838	1.077
Italy	4.151	0.900	2.846	1.269
Ireland	3.071	0.829	2.163	0.911
Netherlands	3.826	0.924	2.366	1.044
Norway	3.847	0.982	2.340	0.990
Sweden	3.961	1.017	2.275	1.074
Czech Rep.	4.158	0.880	2.463	1.143
Slovenia	3.939	0.868	3.565	1.103
Poland	3.888	1.060	2.535	1.144
Bulgaria	4.219	0.990	2.661	1.379
Russia	3.717	0.971	2.698	1.242
New Zealand	3.742	1.053	2.807	1.075
Canada	3.317	1.135	2.404	1.129
Phillippines	3.796	1.102	3.708	1.000
Japan	3.391	1.008	3.014	1.296
Spain	3.401	0.813	2.460	1.036
Latvia	4.182	0.884	3.757	1.312
Slovakia	4.004	0.911	3.021	1.258

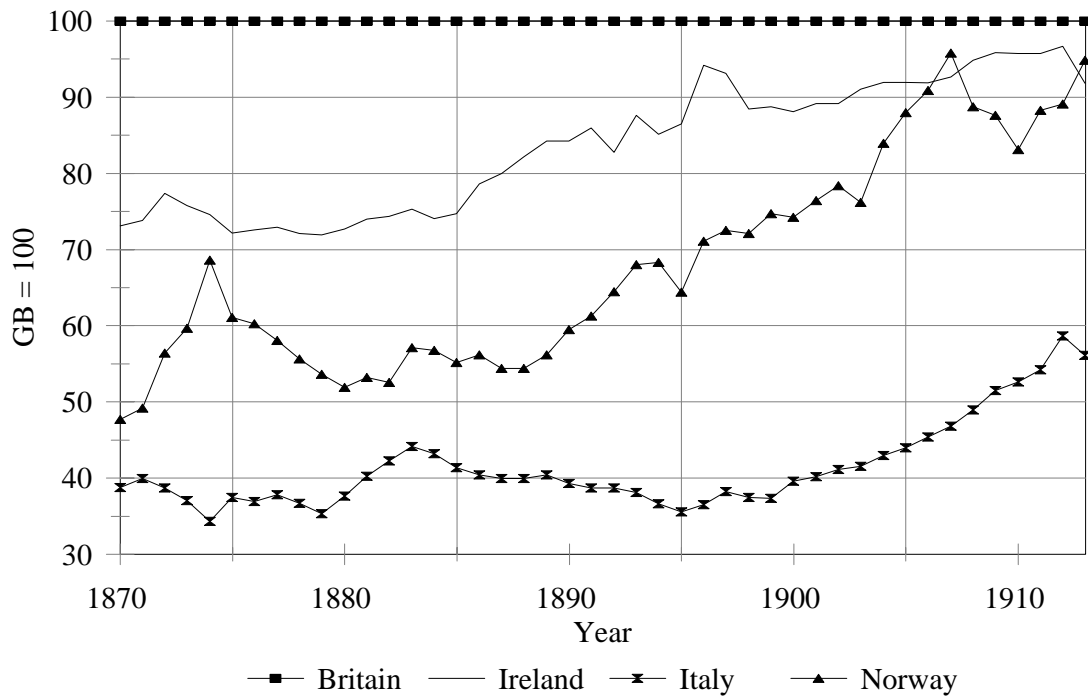
Source: Data from ISSP National Identity Survey 1995

Table 2. Determinants of anti-immigrant and anti-refugee sentiment
(ordered probit regressions)

	(1)	(2)	(3)	(4)
Sample	Anti-immigrant All	Anti-immigrant In labour force	Anti-immigrant Not in labour force	Anti-refugee All
Patriotism	0.0807*** [0.0158]	0.0801*** [0.0185]	0.0848*** [0.0211]	0.0345** [0.0176]
Chauvinism	0.3309*** [0.0554]	0.3282*** [0.0538]	0.3301*** [0.0689]	0.2910*** [0.0469]
High-skill	-0.3215* [0.1722]	-0.3706** [0.1722]	-0.1349 [0.2932]	-0.1694 [0.1200]
High-skill*GDP	-0.0067* [0.0040]	-0.0084** [0.0041]	0.0008 [0.0063]	-0.0017 [0.0029]
High-skill*inequality	0.0085* [0.0043]	0.0102** [0.0043]	-0.0003 [0.0095]	0.0017 [0.0029]
National mobility	-0.0149 [0.0237]	-0.0314 [0.0207]	0.0231 [0.0440]	-0.0323 [0.0216]
International mobility	-0.0825** [0.0354]	-0.0690* [0.0404]	-0.1190** [0.0595]	-0.1104*** [0.0288]
Never lived abroad	0.1386*** [0.0310]	0.1729*** [0.0382]	0.0696 [0.0635]	0.0942*** [0.0323]
Native	0.1705*** [0.0526]	0.1753*** [0.0596]	0.1574 [0.1028]	0.1375* [0.0831]
Native parents	0.1711** [0.0708]	0.1865** [0.0847]	0.1318 [0.0941]	0.0247 [0.0521]
Age	0.0063** [0.0030]	0.0047 [0.0072]	0.0141*** [0.0042]	0.0043* [0.0026]
Age squared	-0.0000 [0.0000]	-0.0001 [0.0001]	-0.0001** [0.0000]	-0.0001*** [0.0000]
Female	0.0328 [0.0304]	0.0235 [0.0293]	0.0537 [0.0441]	-0.0280 [0.0289]
Married	0.0148 [0.0259]	0.0205 [0.0351]	0.0059 [0.0235]	0.0458* [0.0237]
Catholic	-0.0213 [0.0415]	-0.0067 [0.0486]	-0.0604 [0.0464]	-0.0063 [0.0241]
Unemployed	0.0178 [0.0705]	0.0141 [0.0660]		0.0101 [0.0548]
Cut 1	-0.7353*** [0.1644]	-0.8164*** [0.1955]	-0.5087** [0.1979]	-0.3388*** [0.0749]
Cut 2	-0.0157 [0.1491]	-0.0594 [0.1609]	0.1239 [0.1811]	0.8272*** [0.1072]
Cut 3	1.2711*** [0.1564]	1.2259*** [0.1620]	1.4233*** [0.1822]	1.5102*** [0.1202]
Cut 4	2.0839*** [0.1710]	2.0426*** [0.1585]	2.2340*** [0.2183]	2.2527*** [0.1372]
Observations	17341	11594	5747	18153
Log likelihood	-21149.52	-14263.10	-6853.36	-25576.82
Pseudo-R-squared	0.07	0.08	0.07	0.07

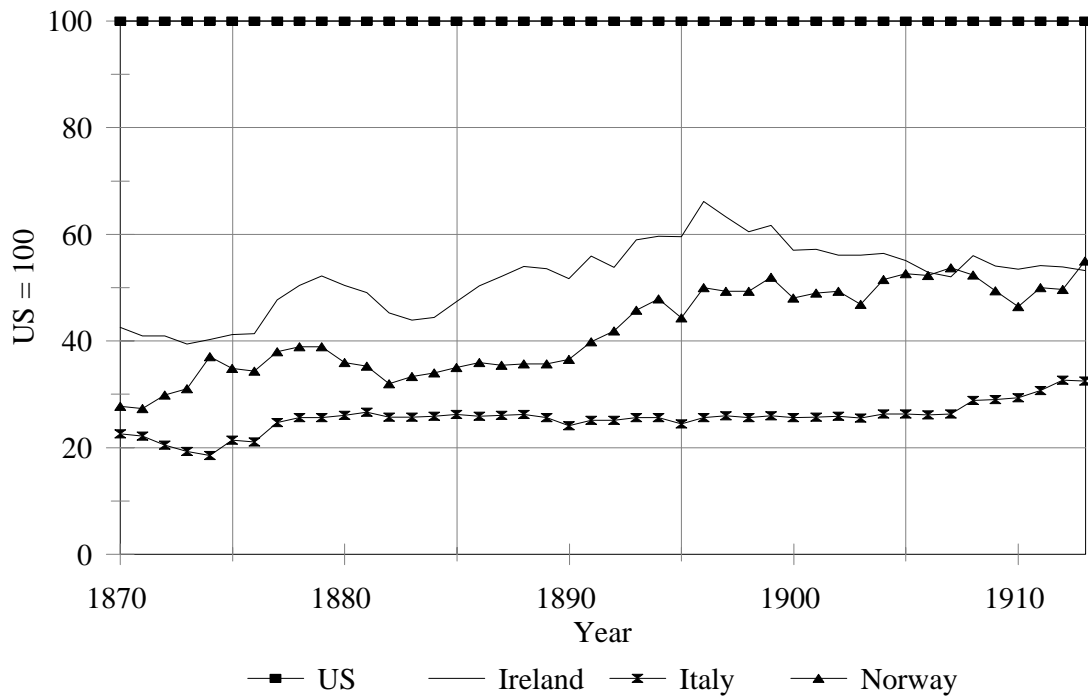
Robust standard errors in brackets. * significant at 10%; ** significant at 5%; *** significant at 1%.

Figure 1. Wages relative to Britain
1870-1913



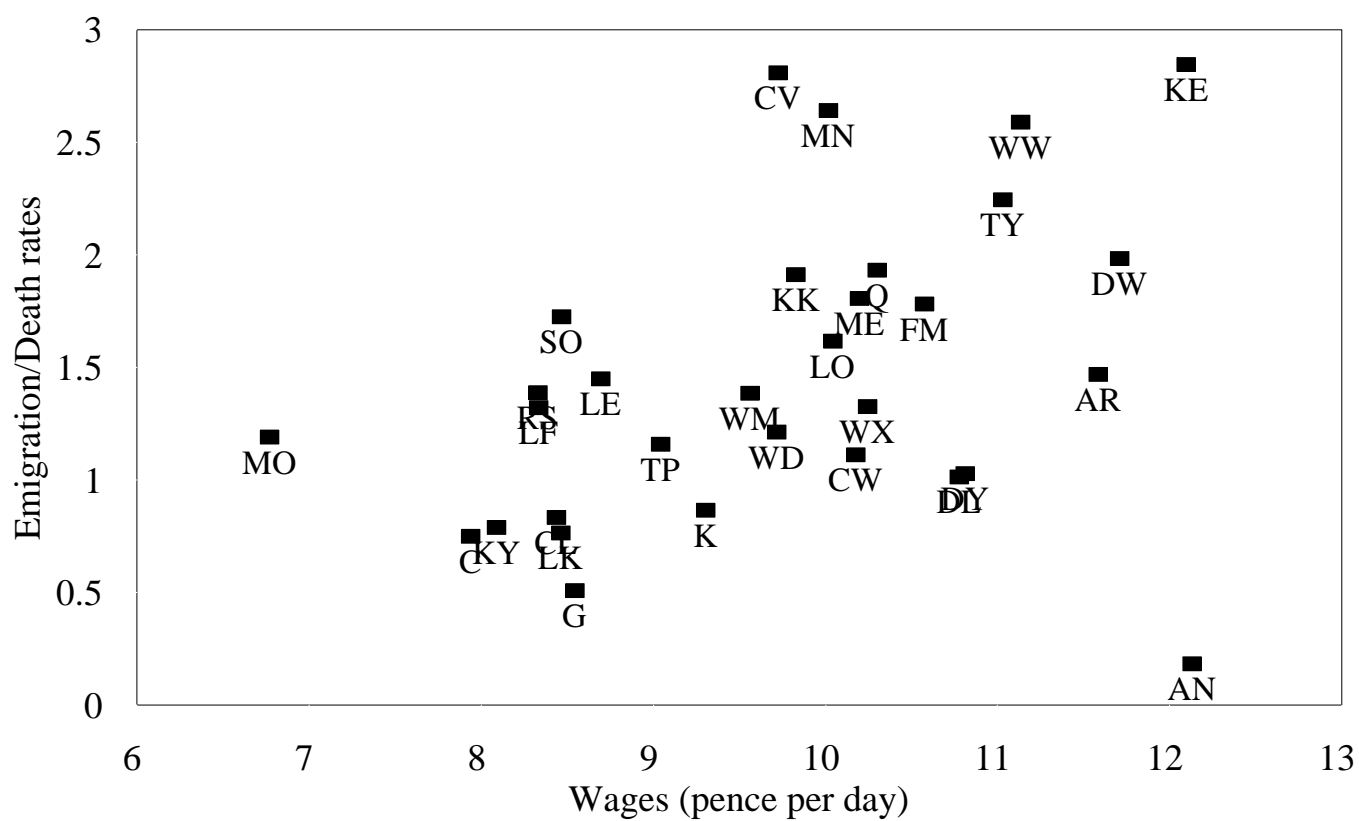
Source: Williamson (1995), amended in O'Rourke and Williamson (1997).

Figure 2. Wages relative to the US
1870-1913



Source: Williamson (1995), amended in O'Rourke and Williamson (1997).

Figure 3. Emigration, deaths and wages
Ireland, 1841-1851



Key to Figure 3

<u>County</u>	<u>Symbol</u>	<u>County</u>	<u>Symbol</u>
<u>Leinster</u>		<u>Ulster</u>	
Carlow	CW	Antrim	AN
Kildare	KE	Armagh	AR
Kilkenny	KK	Cavan	CV
King's County	K	Derry	DY
Longford	LF	Donegal	DL
Louth	LO	Down	DW
Meath	ME	Fermanagh	FM
Queen's County	Q	Monaghan	MN
Westmeath	WM	Tyrone	TY
Wexford	WX		
Wicklow	WW	<u>Connacht</u>	
<u>Munster</u>		Galway	G
Clare	CL	Leitrim	LE
Cork	C	Mayo	MO
Kerry	KY	Roscommon	RS
Limerick	LK	Sligo	SO
Tipperary	TP		
Waterford	WD		



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