Chapter 8

Political Debate and Policy Backlash

There was a gradual closing of New World doors to immigrants after the 1880s. The doors did not suddenly and without warning slam shut on American immigrants when the United States Congress overrode President Wilson's veto of the immigrant Literacy Act in February 1917, or when it passed the Emergency Quota Act of May 1921. Over the half-century prior to the Literacy Act, the United States had been imposing restrictions on what had been free immigration (e.g., contract labor laws, Chinese exclusion acts, excludable classes, head taxes, and so on). And the United States was hardly alone. Argentina, Australia, Brazil, and Canada enacted similar measures, although the timing was sometimes different, and the policies often took the form of an enormous drop in, or even disappearance of, large immigrant subsidies rather than of outright exclusion. Contrary to the conventional wisdom, therefore, there was not simply one big regime switch around World War I from free (and often subsidized) immigration to quotas, but rather an evolution towards more restrictive immigration policy in the high-wage New World. Attitudes changed slowly and over a number of decades; they didn’t change all at once.

What explains this evolution in immigration policy? A number of candidates have been nominated: increasing racism and xenophobia, a rising immigrant threat to the dominant Anglo-Saxon culture, widening ethnicity gaps between previous and current immigrants, more immigrants, lower-quality immigrants, the threat of even lower-quality immigrants, crowded-out native unskilled workers, deteriorating labor markets conditions

and rising inequality, greater awareness of that inequality by the powerful (informed by activist reformers), and greater voting power in the hands of those hurt most -- the working poor. The goal of this chapter is to identify the fundamentals that might underlie changes in immigration policy, to distinguish between the impact of these long-run fundamentals and the determinants of short-run timing, and to clarify the differences between market and non-market influences. In addition, the chapter will have something to say about the extent to which policy waited for immigrants to have their impact on labor markets, and the extent to which it tried instead to anticipate those impacts by responding to the immigrations themselves. Finally, we ask which countries were most sensitive to immigration polices elsewhere, and to what extent the biggest among them, the United States, set the pace for the rest.

A Word About Emigration Policy

No doubt sending country policy towards their emigrants has never played the role that receiving country immigration policy has. Still, it varied across time and space in predictable ways that deserve some of our attention.

Except for the modest lapse in the 1870s, Britain maintained a fairly stable and strong policy of emigrant support from mid century onwards (O'Rourke and Williamson 1999: Figure 10.1), although it certainly had a powerful pro-Empire bias. Not only was there no restriction on emigration, Britain took an active role in disseminating information about job prospects overseas and actually offered some significant subsidies for the cost of overseas passage.

British emigration policy was not always as benign as it was between 1850 and 1930, nor was emigration policy that benign in poorer parts of Europe. Recall Chapter 3 where we noted that many early European industrializers, fearing skilled artisan (brain) drain, tried to restrict emigration. Prior to the 1820s, Britain actually prohibited the emigration of artisans, and the Passenger Act had curtailed 18th century emigration from Ireland and Scotland. Many German states had tried to prohibit emigration before the 1820s, and Sweden had emigration restrictions before 1840. Since so much of the European emigration at that time was skilled artisans, such restrictions certainly were predictable: these governments wanted to keep the scarce factors at home. They were not always successful, however, since most countries on the continent had porous land borders. And in spite of stated policy, England had been a net emigration country since the sixteenth century (Wrigley and Schofield 1981: 528-9). In any case, as the cost of emigration dropped during the transition decades after the 1820s (Chapter 3), and as European emigration became less a move of the rich and more of the poor, relative factor endowments offered less reason for emigration restriction. After all, unskilled labor was the abundant factor in Europe and a poor-law burden. Military manpower needs offered another reason for 18th and early 19th century government restrictions on emigration. But after the Napoleonic Wars and under *pax britannica*, European conflicts diminished and military manpower needs fell off sharply.

Since the political motivations for keeping emigration restrictions evaporated in the early 19th century, it is hardly surprising that emigration prohibitions on British artisan were repealed in 1825 and remaining restrictions on others were eliminated in 1827. Britain's restrictive Passenger Act was repealed in 1827. Germany never tried to

police emigration restrictions after 1820, and Sweden repealed its emigration restrictions in 1840. In short, by the middle of the transition period between 1820 and 1860, western European governments had adopted a *laissez-faire* attitude towards emigration.

The backward parts of Europe were slower to adopt liberal policies towards emigration. Portugal still restricted the emigration of young men of military age. In response, young Portuguese men and boys avoided the restriction by mis-reporting age and illegally emigrating to Brazil (Baganha 1990). Italian emigrants from rural areas lost their official claim to the community safety-net if they stayed away too long, thus encouraging return migration. And as Chapter 2 pointed out, Russia kept serfdom until 1861, tying potential emigrants to their villages before and even for some time after (Domar and Machina 1984; Burds 1998; Eltis 2002a).

Measuring Immigration Policy

The standard view of globalization history seems to be that there was an exogenous -- and this is the key word -- collapse of the world economy after 1914, a de-globalization implosion driven by two world wars, a period of fragile peace, a great depression and a cold war. The late 20th century marked a successful struggle to reconstruct the pre-World War I global economy. This view ignores the fact that tariffs protecting economies in the European periphery, in Latin America and in non-Latin New World were very high and on the rise prior to 1914 (Coatsworth and Williamson 2004; Williamson 2004a, 2004b), and that immigration policy was becoming more restrictive

(O'Rourke and Williamson 1999: Chp. 10). To ignore this fact is to miss important evidence of globalization backlash.

How do we construct an index that can quantify immigration policy? We want one that reflects policy stance towards immigration, not one that attempts to measure the impact of such policies. Such an index could then be used to assess the extent to which globalization backlash was at work and, if so, to identify the form that it took. Following the lead of the political scientists, recent work has designed a policy index that ranges from +5 to –5, covering the 70 years from 1860 to 1930 (Timmer and Williamson 1996, 1998). A positive score denotes a pro-immigration policy, typically including comprehensive subsidies for overseas passage, temporary housing upon arrival, free transportation to the interior and non-discriminatory treatment relative to natives, including the availability of cheap public land. A negative score denotes anti-immigration policy, typically an outright ban on some groups, quotas on other groups, head taxes, literacy tests and discriminatory treatment after arrival. A zero denotes policy neutrality (politically unrestricted and unassisted migration), or a wash between conflicting pro- and anti-immigration policies. It takes some doing to summarize these policies with a score for each year, but international economists struggle with the same problem in gauging just how open a country's trade policy is at any point in time (Anderson and Neary 1994; Anderson 1995; Sachs and Warner 1995; Rodriquez and Rodrik 2001).

Figures 8.1a-e (solid lines) are quite clear about the very long run. Despite universal openness to immigration in the 1860s, the doors to the New World were effectively closed by 1930. Argentina's index dropped from +4.5 in the late 1880s to -2.5 in the mid 1920s, a 7 point fall (out of a possible 10). Brazil's index underwent a similar

decline, although it all came in a rush at the end of the period. Australia's index fell from +3 in the mid 1860s to -1 shortly after the turn of the century, and to -2 in 1930, for a total 5 point fall. The US index fell from 0 in the early 1860s to -5 by 1930, a 5 point fall. Canada's index fell from +2 in the mid 1870s to -4.5 by 1930, a 6.5 point fall. The evolution of immigration policy varied widely over those seven decades: Argentina and the United States exhibited a steady drift away from free immigration; Brazil remained open much longer, suddenly slamming the door shut in the 1920s; and Canada reversed the trend in the 1920s while Australia did it more than once over the period.

Although there are a few cases of remarkable short-term variance, strong policy persistence is the more notable aspect of Figure 8.1. Immigration policy was very slow to change, sometimes constant over a decade or more, even though there was often intensive political debate underlying that apparent quiescence. The best examples of this stability are Brazil over the three decades from 1890 to 1920, a period which ended in 1921 when immigration restrictions were imposed, and the United States from 1888 to 1916, a period which ended with the override of President Wilson's veto in 1917.

Given that immigration policy was so slow to change, it is important to look for long-run fundamentals that were responsible for the evolution of policy, and distinguish them from short-run influences on the timing of those changes.

Immigration Policy Before the 1930s: Searching for Hypotheses

As we have seen, immigration flows have always been sensitive to wage differentials and unemployment rates between countries. But the literature suggests that

immigration *policy* has also been sensitive to labor market conditions.[1] For example, there was a strong push for immigration restrictions in the United States in the late 1890s, a time of economic recession and high unemployment (Goldin 1994). At that time, however, the rate of immigration slowed dramatically, reaching a nadir in 1897, the same year that the first vote on immigration restriction was taken in the House of Representatives. Similarly, Australian inflows dropped sharply in the recession of the 1890s when attitudes towards immigrant subsidies hardened (Pope and Withers 1994). These events would seem to suggest that the impetus to restrict immigration was far more sensitive to deteriorating labor market conditions than to immigration magnitudes, regardless of what observers believed was the source of the high unemployment and/or poor real wage gains.

On the other hand, the ethnic composition of immigrants has always been a factor in the politics of restriction. Australia maintained a strict policy aimed at keeping the country one of British and Irish descent, and certainly not 'yellow' (Pope and Withers 1994). The United States completely banned immigrants from China in 1882 and immigrants from all of Asia in 1917 (Green 1995). Increasing demands for restriction in the 1880s and 1900s paralleled an increase in the relative numbers of immigrants from southern, central, and Eastern Europe, the so-called new immigrants. Partly due to these policies, by 1890 the world labor market was almost completely segmented into what economists today would call North and South (Lewis 1978; Hatton and Williamson 1994b). What is difficult to sort out is whether these policies were a result of racism and xenophobia or whether ethnic origin merely served to signal, however imperfectly, the human capital content or quality of the immigrants (Foreman-Peck 1992).

Nor is this all since any understanding of immigration policy will require us to pay close attention to the influence of immigration policies used by other countries. Did Latin America anticipate a wave of deflected European emigrants when the US imposed (or even debated imposing) quotas by implementing their own restrictions? Or, did they wait instead until the deflected wave flooded their own labor markets, only then dealing with the problem? Did Australia and Canada take their cues from US immigration and British emigration policy? What about even smaller immigrant countries: did they anticipate how policy and labor market conditions in the bigger immigrant countries would effect their own?

Who Had the Vote?

The two central questions for any political economy model of immigration policy are first -- who gains and who loses? -- and second -- who decides the policy? Let us focus briefly on the second, that is, who had the vote.

A lively literature has emerged recently which explores the relationship between growth, inequality and suffrage in the Americas (Engerman, Haber and Sokoloff 2000; Sokoloff and Engerman 2000),[2] and it should be helpful in identifying when and where anti-immigration policies emerge in the New World. In 1850, 12.9 percent of the US population could vote. If this figure seems small, consider that it almost doubles when restricted to males (25.3 percent), doubles again when restricted to male adults (52.3 percent), increases still further when restricted to white adult males (60.9 percent), and increases still more when it is restricted to citizens. In any case, there was no wealth or literacy requirement in the US in 1850 and there was no other country that had a higher

political participation (as a share in total population): the figures for Argentina being 1.8 percent in 1896, Brazil 2.2 percent in 1894, Canada 7.7 percent in 1867, Chile 1.6 percent in 1869, Ecuador 2.8 percent in 1888, and Britain 3.5 percent in 1832 (Sokoloff and Engerman 2000: 225-6; Engerman and Sokoloff 2003: 43). Only after the 1867 Act, did the vote reach down far enough so that "working-class voters [in Britain] became the majority in all urban constituencies," and only after 1870 did "all adult males over the age of 25" have the vote in Germany (Acemoglu and Robinson 2000: 1184).

In short, by the end of the transition to mass migration and at the end of two decades of American immigration rates that were the highest the country would ever record, the free, white working man – native-born or naturalized -- had the vote in the United States, long before most of the world's male adults. Thus, the working man had an important voice in the choice of immigration policy in the United States, and the rest of the non-Latin overseas immigrant regions were not far behind. But even in Latin America, where suffrage lagged behind, US working class voters had an impact on immigration policy to the extent that Latin American policy followed the US lead.

Three Models of Immigration Policy

Let us now return to the first question raised above: Who gains and who loses? There is a clear consensus on this question: resident wage earners lose in the face of more immigrants, as the labor pool swells and wages sag. If the immigrants are mostly unskilled, then the unskilled native-born lose the most. Owners of other factors of production -- land, capital, and perhaps even skills -- gain to the extent that the more abundant unskilled labor supply makes these other factors more productive. Land rents

go up as more labor is applied to a fixed acreage. Profits go up as more labor is applied to a fixed stock of capital. Skill premia rise as more unskilled labor works with the same supply of skilled labor. In addition, these middle class and rich also gain to the extent that they consume heavily the services of unskilled labor. Having said as much, two caveats deserve stress. As we showed in Chapters 5 and 6, most attempts to measure the impact of mass migration on wages prior to 1914 have found that they were pushed down by immigration. But one historical study, of Australia, found that wages actually increased with immigration, if only marginally (Pope and Withers 1994). This perverse Australian result could be explained if immigrants augmented labor demand enough to offset their impact on increased labor supply: for example, by working previously unsettled land, or by inducing an accumulation response as capital from the home country chased after labor.[3] If labor demand keeps pace with labor supply, it looks as though native labor is not hurt by immigration. The problem for politicians and their constituents, however, is to distinguish between labor demand conditions that are dependent on the immigrants and those that are not. Under conditions of sagging wages and high unemployment, policy might still be used to keep out new immigrants -- and even to send old immigrants home -- even if their presence had nothing to do with the deteriorating labor market conditions.

Alternatively, suppose over the business cycle wages were sticky downwards and unrelated to the size of the unemployment pool.[4] Immigration in this case could not have had any effect on wages, but it would have added to the number of unemployed. But suppose, too, that the new immigrants were last hired and first fired (Hatton and Williamson 1995; Collins 1997). Under these conditions, employed natives would not benefit from immigrant departure: capitalists would not gain either since wages would

not fall; and the unemployed native-born would not gain since no new jobs would be created. But the unemployed may and did express their discontent by strikes and street violence. While perceptions of root cause may have differed from economic reality, all sides might have responded to the violence by uniting in favor of immigration restriction. It appears this alignment of interests is exactly what happened in the United States during the 1890s (Goldin 1994).

Suppose, as we previously argued, that new immigrants actually *do* crowd natives out of the labor market, rather than being the last hired and first fired. Under these alternative conditions, what we have called guestworker effects should minimize the impact of an economic downturn on native-born unemployment, as recent (but now jobless) immigrants return home. That is, immigrants do voluntarily what a restrictive immigration policy aims to do. Indeed, immigrants do it even better. A policy of immigrant exclusion can do no better than reduce the gross inflow to zero, while voluntary return migration in bad times can drive up the gross outflow to levels high enough to make net immigration negative during recessions, as it did in the 1930s. While these guestworker effects were certainly present in the United States in the 1890s, the return migration flows were never big enough to take a really big bite out of the high unemployment rates typical of that critical decade (Chapter 5).

Most discussions of the politics of immigration assume that the interests of capital and labor are divided. Land ownership might have mattered too, especially in the late 19th century when agriculture was still a very big sector, especially in the overseas destinations for so many European emigrants.[5] Assume that individuals receive their incomes from one of the following three sources: wages, profits, or land rents. Depending

on the voting franchise, the government maximizes a weighted objective function that includes rents, profits, and wages of native labor (but not immigrant labor). The critical question is whether immigrant and native labor are complements or substitutes in production: if they are substitutes, then immigration hurts native wages. Most of us think they were substitutes in the late 19th century US economy.[6] Thus, the larger the weight which politicians attached to labor interests, the more restrictive the immigration policy; the larger the weights attached by politicians to capitalist or landlord interests, the more liberal the immigration policy. According to this reasoning, labor scarcity in the New World should have fostered immigration restrictions since labor scarcity and strong working class political clout went together.

Now expand the argument to include two types of immigrant labor, skilled and unskilled. Suppose further that skilled immigrant labor was a complement to domestic labor, whereas unskilled immigrant labor was a substitute. We would then expect to see a policy that encouraged immigration of skilled workers and discouraged unskilled ones. James Foreman-Peck (1992) argues that this concern, rather than racism or xenophobia, was responsible for policies in the Americas that restricted Asian immigration, and for policies in South Africa that restricted African immigration. It might also be responsible for the US immigrant policies being debated in the quarter century before World War I, literacy requirements and quotas favoring the higher quality old immigrants.

Although the work by Foreman-Peck does not implement a formal empirical test, his discussion of Argentina, Britain, South Africa, and the United States indicates that some of the facts are consistent with his theory. For example, landed interests were largely in control of Argentina's policy, and the government offered generous

immigration subsidies to attract farm laborers from the Mediterranean. In contrast, the United States had a more universal franchise, rejected subsidies, and gradually closed the door as the frontier itself was closed (by 1890, or so said the Census Commissioner at the time).

Goldin (1994) takes a different approach. Following a long tradition in American historiography that has focused on sectional interests, Goldin looks at regional splits and rural-urban differences in a way consistent with a median-voter model. She assumes that individual Senators and Congressmen pursued policies that favored their constituents, in proportion to the numbers represented by each urban, rural, and regional interest group. The passage of the immigrant literacy test, which was first attempted in 1897 and was finally successful in 1917, seems to have been the result of two (often opposing) forces: demographic changes, and changes of heart. The changes of heart were many. Goldin suggests that capitalists were for the first time aligned with labor in opposing immigration during the recession years of the 1890s when unemployment was high and wages sticky downwards. In later years, faced with full employment and rising wages, capital would shift back to its more typical pro-immigration stance. The South would shift to an anti-immigration stance, a change of heart probably motivated by the urge to protect its relative population share and voting clout in Congress. Finally, the Midwest, fairly pro-immigration in the 1890s, would undergo an anti-immigration switch following World War I. Goldin argues that this was mostly a change of heart by older immigrant groups, pushed to patriotism by the war.

Where does demographic change enter the story? Goldin finds that the probability that a legislator would vote for immigration restrictions was negatively related to the

proportion of foreign-born in the district, and was also negatively related to the level of urbanization. This relationship suggests that what we might now call family reunification effects were operating in the cities. A large stock of urban foreign-born voters created a political environment favorable to open immigration since the flows of new immigrants flooding the cities were likely to be from the same region as the stock, and the migration must have involved some family, village and kin reunification between the immigrants and the resident foreign-born. Since cities were on the rise, pro-immigration interests increasingly made themselves heard.

More important than either of these non-market forces, however, was the impact of increasing immigration on wages and the subsequent effect on votes. Especially after the turn of the century, Goldin finds a significant negative impact of immigration on wages, a result consistent with other historical studies we reviewed in Chapters 5 and 6. The change in real wages is, in turn, a significant explanatory variable in accounting for the Congressional vote to override the presidential veto of the Literacy Act. The higher the growth in wages, the less likely was the Congressman to vote for an override (and thus for restriction).

These two findings -- that wages influenced US immigration policy and that immigrants influenced wages in American labor markets -- are useful in our comparative assessment of immigration policy in the New World. However, we only require that politicians and their constituents *believed* that immigration retarded wage advance. It appears that they did.

William Shughart, Robert Tollison, and Mwangi Kimenyi (1986) take a somewhat different approach. They look at shifting degrees of enforcement of

immigration restrictions. Workers want high wages, and (if they have the vote) pressure politicians to enforce immigration restrictions. Capitalists and landowners want lower wages, and they try to reduce enforcement. The model predicts that as the economy goes through business cycles, the ideal policy mix shifts, resulting in changes in the degree of immigration restriction enforcement. The authors test their model using data from the United States from 1900 to 1982, and the results support their theory. Even taking into account official changes in immigration policy, the size of the enforcement budget, and the party in the White House, the degree of enforcement is significantly, and negatively, related to real GNP. Unemployment and the real wage are also significant predictors of enforcement, but not so consistently as real GNP. Had these authors also looked at US policy towards indentured labor contracts prior to 1900, they would have seen the same correlation: harsh enforcement during slumps; soft enforcement during booms.

Until quite recently, these were the only studies that offered empirical support for any theory of immigration policy in the century before World War II. All three studies addressed the role of labor markets, but they limited their attention to the *absolute* gains and losses associated with some given immigration policy. What about *relative* gains and losses? What about income distribution and inequality?

Income Distribution and the Politics of Immigration: Some Qualifications

While we may still wish to argue over "how much," recent debate has agreed that immigration can create more inequality in receiving countries. Certainly this has been true of recent experience in the United States, but the debate has spilled over to confront

European immigration as well. Chapter 6 showed that the distributional impact of migration is confirmed for the late 19th century since inequality increased in receiving countries and decreased in sending countries. How should policy have responded?

Citizens might vote in favor of immigration restrictions for other reasons than simply those derived from special interests. For example, rational and farsighted voters might consider the impact of immigration on future economic growth. If so, how would they assess it? Immigration induces falling wages and greater inequality, but does that inequality augment or inhibit economic growth? The traditional Smithian view had it that the rising inequality would place relatively more income in the hands of those who save, thus raising the investment rate and growth. Modern political economists take a different view, arguing that if a country lets its poorest voters become too poor, richer voters might join poorer voters to pass distortionary redistributive policies that can slow growth (Alesina and Perotti 1994; Forbes 2000; Lindert 2003). What are the facts? Economists do not yet have a clear answer -- especially for the years prior to the 1930s when government redistributive intervention was so modest. Citizens might vote for immigration restriction for other reasons too. For example, they may dislike, and fear the results of, the increased inequality around them, or the deterioration of the living standards of their unskilled neighbors.

Trade, Immigration and the United States 19th Century Policy Paradox

The literature on the political economy of trade policy is mature and large. Models of endogenous tariffs flourish, and some new historical evidence now helps us

choose between them. A review of this trade policy literature should be relevant if one believes, as did Eli Heckscher and Bertil Ohlin (Flam and Flanders 1991), that trade is a partial substitute for labor migration. If they are partial substitutes, then policies towards them should be influenced by similar political economy forces, resulting in similar open or closed attitudes.

Who are the interest groups in trade theory? In the short run, when factors are assumed to be relatively immobile, protection of a given industry (like textiles or steel) will benefit both capital and labor in that sector. As local industrial prices rise in response to protection, the value marginal product of all factor inputs there increase, including wages and profits. In the long run, when capital and labor have time to relocate, protection helps the scarce factor (labor in rich countries) since the import-competing industries typically use more of the scarce factor. Most models of trade policy take the short-run approach, focusing on the pressure from specific industries, although some of the empirical tests focus on the long-run importance of factor endowments (the most notable example being Rogowski 1989). Stephen Magee, William Brock, and Leslie Young (1989) presented some evidence for the United States from 1900 to 1988 which exploited the median voter model; Jonathan Pincus (1977) and Howard Marvel and Edward Ray (1983) also used United States history, this time to find support for the pressure-group approach. Most recently, however, one of the present authors (Willamson 2003) has used a 35-country world sample covering the period 1870-1938 to show that Stolper-Samuelson forces were very important in explaining different tariff levels across countries and changing tariff levels over time. While there were many other powerful forces at work in the century before World War II, one of them was that high tariffs in the

New World were compensation for the scarce factor, labor, and for the import-competing-sector, industry. Similarly, high tariffs in Europe were compensation for the scarce factor there, land, and the import-competing sector, agriculture.

There is an obvious historical symmetry between trade and immigration policy. While trade policy may seek to protect wages by restricting imports made with cheap labor, immigration policy may seek to protect wages by restricting growth of the labor pool. If trade is a partial substitute for labor migration, tariffs and immigration restrictions should go hand in hand. The important point is that trade policy can easily undo what immigration policy has done and *visa versa*: thus, we expect consistency between them. How, then, does one account for the fact that between the 1820s and 1870s the United States had high tariffs,[7] while it also maintained a free immigration policy? What accounts for this policy paradox?

The best historical illustration of this policy paradox is offered by ante bellum immigration. Between 1820 and the mid-1840s, the annual immigration rate averaged around four or five per thousand, but it rose dramatically in 1847 following the failure of the potato crop in Ireland and elsewhere on the continent, fueled further by European political instability in 1848 (Ferrie 1999: 35). As a result, the immigration rate soared in the 1850s, peaking at 15 per thousand in one of those years, a rate even higher than those reached in the 1900s. We know that the impact of this flood of immigrants was substantial, although it was muted by an equally spectacular westward migration and settlement as well as an accelerating rate of accumulation. Most importantly, anti-immigration feelings appeared in the popular press, nativist political organizations got more powerful and louder, and organized labor rebelled, sometimes violently:

> The pressures immigration placed on labor markets, particularly in the urban Northeast, produced a remarkable backlash in the 1850s. The first response of native workers was increased labor militancy: dozens of new labor organizations sprang to life … and a wave of more than 400 strikes swept the country … The second response was political: increasing support for those who preached the nativist creed … [In particular], the Order of the Star Spangled Banner (popularly known as the 'Know-Nothings') grew from a secret band of 43 adherents in 1852 to a national political organization boasting one million followers in 1854. (Ferrie 1999: 162)

Recall that by the 1850s, urban working men in the US had the vote, and it is clear that they were using their voice! Also recall, that this was a period of high tariffs in the United States (although they were to become much higher after the Civil War). However, the Know-Nothings never advocated "the restriction of immigration. They merely suggested extending the period before which immigrants could become naturalized (and therefore eligible to vote)," a party position that suggests a fear of immigrant political power but not of economic impact (Ferrie 1999: 162; see also Anbinder 1992).

How can we account for this policy paradox? To repeat: In the 1850s, the US political system produced tariffs on trade – favoring industry and labor in the industrial northeast, but free immigration, exposing resident labor to immigrant competition. Why the paradox in the 1850s, and why does it evaporate by the turn of the century?

We do not have any firm answers, but we can offer some plausible speculation. Explanations for protection are not hard to find: industrial interests and the labor they hired were being compensated for the damage created when the US entered the global

economy and was invaded with imports of manufactures. These conditions may have also prevailed in the 1890s, but they were far weaker (Wright 1990). Why, then, were tariffs even higher in the 1890s? Probably because the South (the major exporting and thus free trade region) lost the Civil War to the protectionist North, and certainly because population (e.g. voter) growth was much slower in the South than in the North between the 1850s and 1890s. Why do free immigration policies prevail in the 1850s while restrictionist forces win in 1917? Labor absorption rates mattered (Williamson 1982). First, western land settlement was faster in the middle of the century than at any time in US history. By comparison, the Commissioner of the US Census asserted in 1890 that the frontier was closed. Second, the rate of capital accumulation – aided by British capital inflows – soared to levels that were never exceeded in US history (Williamson 1979). Third, the immigrants were more positively selected – of higher quality – in the 1850s than in the 1890s, and – as we shall see – it was the interaction of poor quality with high numbers that mattered. These forces appear to have muted immigrant restriction in the 1850s since real wages surged in spite of the immigration (Margo 1992). They did not surge after the 1890s, and voters thought immigration was the cause. In short, labor absorption rates were much higher in the 1850s than in the 1890s.

What Explains Immigration Restriction? A Menu of Hypotheses

This brief review of the literature offers some promising explanations for the New World retreat from open (and often subsidized) immigration policies to increasingly restrictive policies, reaching a crescendo with the quotas after World War I.

First, immigration policy might respond to either the quantity or the quality of immigration, or both. Thus, the size of the immigrant flow as a share of the native labor force is one obvious candidate for explaining immigration policy, although the experience of the 1890s has already suggested that labor market conditions might have mattered far more. The quality of the immigrants is another candidate, measured in comparison with the native labor force. The vast majority of the immigrants came from and entered unskilled jobs. Some had good health, high levels of literacy, on-the-job training, and considerable exposure to work discipline. Others did not. Quality and quantity were highly correlated prior to World War I. The switch of emigrant source from higher-wage to lower-wage areas of Europe coincided with the rise in immigration rates. It seems likely that these two effects reinforced each other in their impact on policy.

Second, immigration policy might respond to labor market conditions. This likely possibility can be sharpened by distinguishing between short-run and long-run influences. Unemployment, wage growth, and other macroeconomic indicators should serve to isolate the role of business cycles, trade crises, world price shocks, and other short-run events that might influence the timing of immigration policy. Long run labor market fundamentals should be captured by the behavior of real unskilled wages -- a measure of absolute performance -- or by the behavior of unskilled wages relative to average incomes -- a measure of relative performance. This inequality proxy was already used in Chapter 6, and it is scaled 1900=100 on the right-hand-side of each of the five graphs in Figures 8.1a-e (w/y = WTOY, the dashed line in the figure).[8] It gauges the unskilled worker's economic performance against that of an average that includes profits, farm rents, house rents, skilled workers wages and white collar incomes. It is a measure that

the politician and the voters could most easily understand. The use of these measures in the analysis does not assume that immigration had a powerful influence on living standards of the working poor in the New World. It assumes instead that politicians and voters *believed* that immigration had a powerful influence on the living standards of the working poor. Whether it was absolute or relative wage performance that mattered is an empirical issue, but Figure 8.1 suggests that inequality is a promising explanation since the secular fall in the inequality variable is everywhere (but in Brazil) highly correlated with the retreat from open immigration policies.

A few opinion surveys of some Kansas and Michigan workers in the middle of the 1890s depression might serve to illustrate the potential of immigrant quantity and labor market conditions in explaining policy. Here is what they said in response to their state labor bureau interviewers: 62.8 percent of 438 surveyed Kansas wage-earners in 1895 thought immigration should be "restricted" and another 24 percent thought it should be outright "suppressed," leaving only 8.5 percent happy with free immigration; 67.5 percent of the 992 surveyed Kansas wage-earners in 1897 thought immigration should be restricted and another 24 percent thought it should be suppressed, leaving only 3.7 favoring the *status quo*; about half of 5524 Michigan railway employees in 1895 thought that immigration injured their occupation; and 61.9 percent of the Michigan owners of public conveyances in 1895 thought immigration hurt their business through greater competition, and 92.1 percent favored immigrant restriction.[9]

Third, a lagged dependent variable should help identify just how slowly policy responds even to long-run labor market fundamentals, especially in democratic countries where debate over these issues, and the resolution of bicameral and other differences,

takes time. This is illustrated very clearly by the United States in the period between the first vote on the proposed Literacy Act in the 1890s and the override of President Wilson's veto in 1917. When the House of Representatives first voted in 1897, 86 percent of those voting favored the literacy test, and thus more restriction. Yet, it took twenty more years to get the Senate to agree, to defeat the Presidential Veto, and to get the Act on the books (Goldin 1994: Table 7.1).

Fourth, a country's immigration policy may have been influenced by the immigration policies of other countries, either directly or indirectly. If the country anticipates the influence of immigration policies abroad on immigration inflows at home, the impact is direct. Since the labor market in the United States was so enormous relative to the rest of the New World, and since so many European emigrants went there,[10] it seems very unlikely that the United States paid much attention to the immigration policies being introduced elsewhere. This may have been true of Australia as well, to the extent that it was at least partially shielded from events in the United States by British Empire settlement policy, a policy of labor market segmentation. In contrast, Argentina and Brazil must have paid close attention to the United States, since they could reasonably expect the marginal European emigrant to be pulled from or pushed towards Latin America in response to less or more restrictive policy in the United States. Presumably, authorities might have moderated those changes by mimicking United States policy before being confronted with the actual migrant response. It seems likely that the same might have been at least partially true of Canada which, in spite of British Empire settlement policy, had to accommodate that long porous border with their big neighbor to the south.

Fifth, what non-market forces remain after these market forces have been allowed to have their impact? After controlling for immigrant quality, did racism have an independent influence? Did the resident population have less sympathy for free immigration if new immigrants were not of the same ethnic origin as the previous immigrants? Did the political response to market events change as the working poor found their political power increasing?

Finally, there was the belief that immigrants threatened the mainstream culture, not only by their numbers, but also to the extent that immigrants married younger and had larger families than native-born, rhetoric often heard during the eugenics movement. Although Samuel Huntington (2004) may fear today's Mexican immigrants for this very reason, such fears were never borne out at the end of the first global century since immigrant fertility converged rapidly on the US norm (King and Ruggles 1990; Guinnane, Moehling and ÓGráda 2004).

What Explains Immigrant Restrictions? Some Evidence

The empirical literature on the determinants of immigration policy is very new, but the main outlines are beginning to emerge (Timmer and Williamson 1996, 1998). Table 8.1 gives a representative regression result, based on a panel data set including our five New World countries, and covering the years between 1860 and 1930.

The most consistent effect reported in Table 8.1 is that immigration policy was slow to change (i.e. the coefficient on the lagged dependent variable is positive, big and significant). This was, to repeat, especially true of Brazil and the United States: in the

latter case, the result is driven by the 1888-1916 period which included twenty years of Congressional debate, ending in the 1917 Immigration Act and the quotas which followed; and in the former case, the result is driven by the 1890-1920 period when heavily subsidized immigration -- financed by fat export earnings generated by high coffee prices -- was replaced by restriction -- when export earnings contracted as coffee prices plunged. It is worth noting that where historical persistence was strongest, the switch in policy, from open to closed, was biggest. Big immigration policy changes typically required long periods of debate. However, this was not always true, as can be seen by the enormous switch in Argentina's policy in only five years, 1889-1894, when the country was hard hit by world depression.

Measures of macroeconomic conditions -- like unemployment rates -- are, predictably, of little help in accounting for long-run policy changes. Only Australia offers any evidence that these factors contributed to long-run policy formation (not reported in Table 8.1). Of course, the *timing* of the introduction of such policies can and was influenced by short run macro-economic conditions.

Labor market conditions had a consistent influence on immigration policy, and they did so both through the absolute and through the relative income performance of unskilled workers. Real wage growth mattered most in the United States, nominal wage growth mattered most in Australia, while real wage levels mattered most in Brazil. In all cases, poor labor market performance was associated with more restrictive policy. However, the most consistently significant variable in the analysis is WTOY, the ratio of the unskilled wage to per capita income, or of income near the bottom of the distribution to income in the middle. Rising inequality was associated with increasingly restrictive

immigration policy. As we have seen, new immigrants tended to cluster at the bottom of the income distribution, a fact that was increasingly true as the century unfolded. Regardless of what else is included in the regression equation, this measure of labor's relative economic position stands up as an important influence on policy. Rising relative labor scarcity encouraged more open immigration policies; declining relative labor scarcity encouraged more restrictive immigration policies.[11]

The evidence just summarized speaks to the *indirect* impact of immigration on policy by looking at absolute and relative wage performance in labor markets. What about the *direct* impact of immigration on policy? Perhaps the size and character of the current and expected future immigrant flow precipitated policy change, the latter serving to anticipate the labor market impact. Two variables might serve to measure these direct immigration effects. First, one might use a proxy for the quality of the immigrants – here the real wage of unskilled urban workers in the source countries. Second, one might measure immigrant quantity by the foreign-born population share. Low and falling immigrant quality tended to precipitate immigration restrictions in Australia, Canada and the United States, even after controlling for other forces (reported elsewhere: Timmer and Williamson 1998). The variable THREAT in Table 8.1 uses information on both immigrant quality and quantity, and the sign on the variable is as predicted: rising THREAT induced restrictive policy. To some extent, therefore, policy in these countries anticipated the impact of rising numbers of low quality immigrants on unskilled wages and moved to exclude them. In addition, Argentina seems to have looked to the north across the Rio de la Plata to watch labor market events in Brazil, acting as if they knew that those events would divert immigrants to or from Argentina's borders. Thus, rising

relative and absolute wages in Brazil tended to produce more open policy in Argentina. This result is consistent with the policy spillovers that we will discuss in a moment.

The other measure of immigration's attributes -- the difference in ethnic composition between the current immigration flow and the foreign population stock (not shown in Table 8.1) -- seems to have had little bearing on policy. This is not the relationship that the popular literature favors: according to that view, a rising gap between the ethnic origins of previous immigrants -- who had become residents and probably voting citizens -- and that of current immigrants, would serve to erode commitments to free immigration. While there is some weak Brazilian support for the view, it does not appear anywhere else after we control for other influences. It should be quickly emphasized to whom this benign anti-racism conclusion applies: most New World immigrants were of *European* ethnic origin since the US and other high-wage countries had already acted to exclude most Asians, and free Africans rarely applied for admission into the historically slave-based New World.

To what extent was a change in a country's policy in part a reaction to policy changes abroad? As expected, the United States was never responsive to competitors' policies, presumably because it was too big and an immigration policy leader. Nor, for that matter, was Canada, a surprising result that seems to confirm Canadian success in shielding its labor market from the eastern and southern European exodus to North America. For the other countries, policy abroad mattered a great deal. For Argentina, it was the combined impact of Australian, Canadian and Brazilian policy that mattered, more restrictive policy abroad inducing more restrictive policy at home. Brazil tended to mimic the policies followed in Argentina and the United States. Australia, in turn, tended

to favor open immigration policies when the United Kingdom offered more generous subsidies to its emigrants, and also, to some extent, when Canada adopted more open policies.

To summarize, while the *size* of the immigrant flow did not seem to have any consistent impact on New World policy up to 1930, its low and declining quality certainly did, provoking restriction. Racism and xenophobia do not seem to have been at work in driving the evolution of policy towards potential European immigrants. Rather, it was immigrant quality, labor market conditions and policies abroad -- especially those set by the economic leaders, Britain and the United States -- that mattered most for policy. New World countries acted to defend the economic interests of their scarce factor, unskilled labor.

How Big Were the Effects?

How much did each factor contribute to closing the doors to immigrants?[12]

When the Brazilian door slammed shut in the 1920s, almost 62 percent of the 6.5-point drop in the policy index was due to deteriorating labor market conditions, a good share of which was rising inequality. Labor market forces account for nearly two-thirds of this major policy switch from an open immigration policy with generous subsidies in 1917, to a restrictive policy with no subsidies in 1927. Canada offers even stronger evidence in support of the view that labor markets mattered. During the Prairie Boom from 1899 to 1919, the policy index dropped 6 points. Two-thirds of this drop can be attributed to rising inequality over those two decades, and another tenth or so to

diminished immigrant quality. Between 1888 and 1898, the policy index for Argentina fell by 4.5 points. Indirect labor market effects at home apparently made only a modest contribution to this big policy change. However, it could be argued that Argentina anticipated the likely labor market effects at home of labor market events in Brazil, in which case rising inequality and deteriorating wage growth in Brazil account for three-quarters of Argentina's policy switch. The increasing foreign-born presence in Argentina accounts for an additional quarter of the policy switch. The immigration policy index for the United States dropped by 2 points between 1865 and 1885. Almost all of that drop can be attributed to labor market effects and the deteriorating relative income conditions of the unskilled. Direct immigrant effects mattered almost as much, captured here by declining quality (86 percent). In contrast with the powerful labor market effects apparent between 1865 and 1885, almost none of the 2.5 point drop between 1885 and 1917 can be assigned to labor market conditions. Thus, American historians are right when they attribute much of the passage of the Literacy Act to non-market factors. Yet, deteriorating immigrant quality *does* account for two-fifths of the move towards restriction in the United States during the period.

Summing Up

These results point to long-term influences driving immigration policy that are very different from the short-term influences about which so much has been written. Thus, while unemployment and macro-instability certainly influenced the *timing* of policy changes towards restriction, labor market fundamentals were the central forces

driving policy in the long run. Furthermore, there is no compelling evidence that xenophobia or racism was driving immigration policy in the New World economies, once underlying economic variables are given their due, and given that we ignore Asian exclusions and absent Africans.

Over the long haul, the New World countries tried to protect the economic position of their scarce factor, the unskilled worker. Labor became relatively more abundant when immigrants poured in, and governments sought to stop any absolute decline in the wages of the native unskilled with whom the immigrants competed, and often even in their wages relative to the average income recipient. The greater the perceived threat to these wages from more immigrants, from lower-quality immigrants, or from both, the more restrictive policy became.

Immigration policy seems to have been influenced indirectly by conditions in the labor market, and directly by immigration forces which, if left to run their course, would have had their impact on labor market conditions. Yet, the switch to more restrictive policies was less a result of rising immigrant flows and foreign-born stocks, and more the result of falling immigrant quality. Furthermore, very often immigration policy at home was driven by immigration policy abroad, a correlation that suggests that countries tended to anticipate the likely impact of policies abroad on labor markets at home. Finally, the United States was a clear policy leader, showing no evidence of responding to policies adopted elsewhere; but the remaining immigrant-receiving countries were very sensitive to the leader's policies and to the policies of their competitors.

This chapter offers strong support for the hypothesis that rising inequality can help account for the globalization backlash which started in the late 19th century and

became so powerful in the interwar period. New World governments acted to defend the economic position of unskilled labor, and thus gradually moved to insulate themselves from global market forces, by restricting immigration. Still, immigration restrictions came late in the century, partly because labor absorption rates remained high until late in the century, and perhaps also because unskilled workers did not have a full political voice until late in the century, and even later in Latin America. Economic forces matter for policy, but so do the political institutions with which those forces interact.

Endnotes Chapter 8

[1] A focus on human rights developed after World War II when most Western countries changed their immigration policies to provide for special consideration of political refugees. Such classifications did not exist prior to the 1930s, although the US did let "displaced" Europeans in after World War I and a bit before the quotas were imposed.

[2] Another strand of literature has recently developed which tries to tie the extension of the vote in Europe with inequality and the welfare state (Acemoglu and Robinson 2000; Lindert 2003).

[3] The great migrations of Russia Jews to Israel in the 1990s offer an excellent modern example of a capital formation response easing the absorption of a big immigrant shock (Cohen and Hsieh 2000). As we shall see below, the US in the 1850s offers another good example.

[4] This, it turns out, is a reasonable assumption by the 1890s, at least for United States manufacturing (Hanes 1993).

[5] In 1890, 54 percent of the US labor force was in agriculture. The share was also 54 percent in Canada in 1891, but a bit lower in the rest of the immigrating overseas regions like Argentina (21 percent in 1895), Australia (38 percent in 1901) and New Zealand (40 percent in 1896). See Mitchell (1983: 150-9).

[6] In addition to the evidence presented above on this issue, Foreman-Peck (1992) concludes that they were substitutes after estimating a trans-log production function.

[7] Indeed, the US had the highest tariffs in the world for a number of decades after the early 1860s and the Civil War (Williamson 2004a, 2004b).

[8] The Australia (AUWTOY2) index is lagged two years, while the Canadian (CAWTOY4) and United States (USWTOY4) indices are both lagged four years. These offered the best fits in the regression analysis.

[9] Based on US State Labor Bureau surveys at the site http://eh.net/databases/labor.

[10] About sixty percent of the total emigration out of Europe was to the United States (Hatton and Williamson 1997: Chp. 2), and about seventy percent of the total emigration to our five-country New World sample was to the United States.

[11] Furthermore, the econometric estimates of this effect are likely to be biased downwards since open immigration policy implies more immigrants and lower WTOY, as we have seen in Chapter 6.

[12] Timmer and Williamson (1998: Table 5).