

Chapter 5

Emigrant Origins and Immigrant Outcomes

How do immigrants perform in the host country? Do they do better or worse than the native-born? Are immigrants positively selected from the source country population? Do they utilize their skills or are they confined to unskilled jobs that are shunned by the native-born? These questions are at the heart of the current immigration debate, but they are not new. In fact they are as old as the mass migrations themselves.

Much of the discussion in this chapter turns on exactly who the immigrants were. The burdens and benefits that immigrants bring to the host society depend on whether they are young or old, skilled or unskilled, schooled or unschooled, enterprising or lazy. Much depends on their origins. If the source country is rich in skills and human capital then it is likely that immigrants from that country will share those characteristics. Equally important is whether immigrants tend to be the best and brightest among the population from which they are drawn. Such characteristics are not accidental. One important lesson that history teaches us is that migration is a selective process. Migrant outcomes are not independent of the factors that drive them to migrate in the first place.

Immigrant Characteristics

As we have seen, European emigration responded to wages and employment opportunities in sending and receiving areas -- labor market forces were central to the move. The explanations that we have offered for the migrant streams would be more

convincing still if they could also be linked to the composition of those streams. In short, those same economic forces should help explain who emigrated as well as how many emigrated. So who were the migrants?

By the late 19th century, European emigrants were typically young adults. This fact supports the view that migration is an economic decision that depends on the comparison of expected future gains against present costs (including income during the move). The younger the migrant, the longer the pay-back period and the more worthwhile the investment in a long distance move. Figure 5.1 shows the distribution of Danish emigrants by age between 1868 and 1900 and of Irish emigrants between 1871 and 1910. Over half the Danish emigrants and nearly two thirds of the Irish emigrants were aged 15-29, figures that were typical of other European emigrants as well. Among the Irish, 37 percent of all emigrants and 43 percent of adult emigrants were aged 20-24. These individuals had a long working life ahead of them. In addition, while they might have accumulated some general education and occupational skills, they would not have invested heavily yet in country-specific human capital that might have had lower value in the New World.

The selection of young adults is equally striking when compared with the populations from which they came and to which they went. Among the Irish emigrants, 71 percent were aged 15-29 as compared with 26 percent of the 1881 Irish population. Of all immigrants entering the United States between 1868 and 1910, 76 percent were between the ages 15 and 40 while the total US population share was only about 42 percent. Immigrants carried both very high labor participation rates and very low

dependency burdens with them to the New World, and, if anything, this young-adult bias got even larger as the century progressed (Figure 5.2).

Furthermore, in every decade between the 1820s and the 1890s more than three fifths of immigrants to the United States were male (Table 3.1). It appears that those who were less involved in the formal labor market, such as children and females, were less likely to be international migrants since they were less responsive to labor market conditions. Thus, there was a gender bias in the mass migrations, favoring males, at least when labor market forces were doing most of the work. Furthermore, this bias was more pronounced where the costs of the move were especially high, an assertion that is illustrated by the high male share of Irish going to Australia relative to the Irish going to the US. Males should also have been more dominant in the emigration flows from poorer countries, as indeed they were: in the century before 1928, the male share was 85.5 percent for Indian and Chinese immigrants into the US, 74.6 percent for south and southeastern Europeans, and 59.8 percent for northwest Europeans (Gabaccia 1996: 92). Finally, the male gender bias in European emigration should have declined over time, as indeed it did (Gabaccia 1996).

The emigrants in 1900 were certainly different from those in 1800. Early 19th century migrations often took place as family groups, intent on acquiring land and settling at some overseas frontier (Chapter 2). While many still had rural roots in the late 19th century, the emigrants from any given country were increasingly drawn from cities, towns and urban occupations. Thus, emigrants from Britain in the 1830s, a country that by then already had undergone a half-century of industrialization, were mainly from non-farm occupations. This industrialization-induced trend was overwhelmed by the shift

from old emigrant sources — the industrial leaders — to new emigrant sources — the industrial followers. This shift in source left its mark on trends in the occupational composition of United States immigration across the century (Table 3.1): for example, the proportion immigrants that were unskilled laborers and servants rose from 16 percent in the 1820s to 55 percent in the 1890s.

While most of these migrants became permanent residents, return migration became increasingly common. This reflected both the declining costs of travel (especially the time involved) relative to migrant incomes, and the change in immigrant source. In the decade before 1914, emigrants returning home from the United States amounted to about a third of the inward flow. Return migration rates differed more by source country than by destination. Thus, among Italian emigrants, the return flow from both Argentina and the United States averaged about half the outward flow. But these were much higher than the return migration rates among the northwest Europeans. Figure 5.3 also shows that the higher the percentage of males in the source-country inflow, the greater the return migration rate. Thus, for an increasing and large minority, emigration to the New World was temporary. These were the male migrants who intended (and could now afford) to return home to marry and start families after accumulating a nest egg working abroad. Return migration was not the result of failure and disillusion: it was part of a lifetime strategy for improving living standards and escaping poverty.¹

How Did Immigrants Do in the Host Country?

Immigrant assimilation experience has been a source of debate for some time. The key questions have been: How large was the earnings disadvantage that immigrants faced upon entry into the destination labor market? How rapidly did that initial disadvantage erode as they gained labor market experience in the host country? Did immigrants catch up with, or even overtake, the earnings of native-born workers? Were differences in assimilation related to country of origin, schooling and occupational background as well as religion, ethnicity and culture?

This debate started a century ago when the United States Immigration Commission (known as the Dillingham Commission) devoted four years (1907-1911) to examining every aspect of the economic and social life of immigrants in the United States. The background to the enquiry was the “changed character of the immigration movement to the United States during the past twenty-five years” (Vol. 1: 13). The Commission drew a sharp distinction between immigrants from old northwest European immigrant sources, such as Britain, Ireland, Germany and Scandinavia, and those from new southern and eastern European immigrant sources, such as Italy, the Balkans, Russia and what is now Poland. The Commission viewed the new immigrants as “largely a movement of unskilled laboring men, who have come, in large part temporarily, from the less progressive and advanced countries of Europe,” characterizing them as “far less intelligent” and “actuated by different ideals” than the old immigrants. Thus, the Commission took a dim view of the new immigrants — a view that was not fully justified by the voluminous evidence that was provided in its own report. The Immigration Commission’s view was restated and popularized by Jeremiah Jenks (a leading member

of the Commission) and Jett Lauck in their book *The Immigration Problem*, which went through six editions between 1911 and 1926.

The Immigration Commission's findings (and those of Jenks and Lauck) have been widely criticized, both by contemporaries and by historians (Hourwich 1922; Handlin 1957; Jones 1992: 152-6). The critics raised two particularly telling points. First, the Commission failed to allow for the fact that the most recent immigrants were still in the process of assimilating --climbing the occupational ladder or catching up with the native-born and earlier immigrant cohorts. Part of their apparent disadvantage was, therefore, due to their recent arrival rather than to their origin. Second, critics contested the arbitrary old-new classification, arguing that there was as much variety in the upward mobility of nationalities *within* the old and new immigrant categories as there was between them: "What was thought to be the old-immigrant pattern applied to the British but not to the Irish: what was taken to be the new immigrant pattern applied to the Italians but not to the East Europeans" (Thernstrom 1973: 135). Still, many historians present a pessimistic picture of immigrant progress. According to one of the most influential accounts, although "most immigrants had no direction to go but upward if they remained in the United States, the overall impression is that such movement was an unrealistic expectation in their lifetimes" (Bodnar 1985: 170).

So how did immigrants perform in the US labor market? The most comprehensive measure comes from the occupations recorded in the census. These can be converted to an income measure by attributing to each individual the average earnings for that individual's occupation. Figure 5.4 shows for 1910, the average occupational earnings of foreign-born males as a percentage of the incomes of native-born males whose parents

were also native-born. They are for the employed only and they exclude those employed in agriculture. The height of the bar indicates that the occupational earnings of those born in Great Britain amounted to a little over 90 percent of native-born incomes. The Irish-born earned somewhat less while the German-born earned a shade more and immigrants from elsewhere in northwest Europe were somewhere in between. By contrast, those from eastern and southern Europe earned less than 80 percent of native-born incomes.

But southern and eastern European immigrants were on average more recent arrivals and so some of these differences might be attributed to the assimilation process itself. As immigrants gained labor market experience and improved their language skills, their earning power increased. In Figure 5.5 the occupational earnings of different cohorts by year of arrival are compared with the average for native-born workers in 1910. Those who arrived most recently, in 1905-9, received about 70 percent of average native-born earnings, rising to 80 percent for those arriving in 1900-4 until it reached 97 percent for those with more than 30 years of US experience. It is tempting to interpret this progression as reflecting the assimilation process but there are at least two reasons why the steep upward slope in Figure 5.5 may be exaggerated. First, the most recent arrivals were much younger, and thus less skilled, than the average native-born while those who arrived before 1880 were much older and thus more skilled. Second, perhaps the Immigration Commission was right in suggesting that those who arrived most recently were in some respects 'inferior' and hence the upward earnings progression simply reflects the declining labor market 'quality' of successive immigrant cohorts.

Several econometric studies have examined the assimilation of US immigrants around 1890 using earnings data from workers surveyed by a number of state Labor

Bureaus. The immigrants in these surveys were chiefly from northwest Europe — the old immigrants that the Immigration Commission believed had assimilated relatively well. The most recent research confirms the Commission's belief.² They were largely assimilated by the time they were mature workers. That is, those who arrived as adults certainly suffered an initial wage penalty of about 20 percent relative to comparable native-born workers. But in the 20 years after arrival their earnings grew at about one percent per year faster than those of the native-born. In short, they underwent catching up. For immigrants who arrived as children (under the age of 16), earnings profiles were very similar to those of the native-born.

So much for the old immigrants, but what about the new immigrants from southern and eastern Europe? Does their experience also support this optimistic assimilation view? Based on the occupational earnings from the 1910 census, new US immigrants suffered upon arrival a wage disadvantage of about 15 percent compared with old immigrants, but their subsequent income growth was somewhat faster (Minns 2000). The Immigration Commission's own enquiry into the earnings of male immigrants and native-born males in 16 manufacturing and extractive industries yields evidence that suggests that old immigrants earned 17 percent less than the native-born soon after arrival while new immigrants earned about 25 percent less, a difference of 8 percentage points (Hatton 2000: 517). Both groups experienced wage growth about one percent per annum faster than the native-born in the subsequent 20 years.

Immigrant occupational mobility in the ante bellum decades also supports the more optimistic assimilation view. It is now possible to trace the progress of those early immigrants who arrived in the 1840s, through the 1850s and in to the 1860 census, and

the effort reveals that the number of adult males who were unskilled fell from 57 percent upon arrival to 20 percent a decade later, although it is true that the Irish rose up the occupational ladder less quickly than did the British or the Germans. Of those who brought skills with them, 70 percent were able to put those skills to use within four years of arrival (Ferrie 1999: 87).

High occupational mobility was true of post-Civil War immigrants as well, at least based on the occupational composition of different arrival cohorts observed in the 1900 census with the same cohorts observed ten years later in the 1910 census (Minns 2000). It appears that immigrants moved up into white-collar jobs considerably faster than did native-born males in similar age groups. Perhaps most surprising is the substantial movement of those from new immigrant origins into white-collar jobs. But it fits well with detailed local studies such as that of Kessner (1977) who found considerable upward occupational mobility among Jews and Italians in New York around the turn of the century. This reflected the post-arrival acquisition of skills and English language proficiency for younger immigrant arrivals, but for those who arrived with greater labor market experience, it probably reflects better use of pre-existing skills acquired at home before the move.

But pre-existing skills of what quality? There was considerable heterogeneity by origin within the groups that the Immigration Commission labeled old and new. Table 5.1 shows the earnings for different origin groups relative to the native-born after 20 years in the United States. Among those with old immigrant origins, those from Britain, France and the Low Countries earned more than the Irish or the Germans, while Jews (labeled Hebrews) and Iberians earned more than almost all other new immigrants. Still, after 20

years experience in the United States, immigrants from northwest Europe typically earned more than the native-born while most of the ethnic groups from southern and Eastern Europe earned less.

The quality of the skills that immigrants brought with them is likely to explain these differences. Immigrants from those parts of Europe that were the least industrialized and urbanized, and which had the lowest levels of education and literacy, typically earned less than those from the more advanced parts of Europe. These country-of-origin differences should have been reflected in the characteristics of immigrants on arrival in the United States, and they were (Hatton 2000: 519). Every increase of ten percentage points in the share of immigrant arrivals who were literate raised average earnings by 1.2 percent. And an increase of ten percentage points in the share of skilled and professional among male immigrants raised average earnings by 1 percent. Thus, the earnings of immigrants from any given country reflected the education and skills they brought with them to the United States and that in turn depended on the level of development of the society from whence they came.

Did Immigrant Quality Decline?

The Immigration Commission concluded that the new immigrants were inferior to the old. True, the Commission failed to allow for the assimilation process when comparing new and old immigrants. But even when such adjustments are made, it appears that significant differences between origin groups remain and that these can be traced largely to their characteristics upon arrival. Drawing on the Commission's

evidence, Jenks and Lauck demonstrated that among those admitted in 1899-1909 22 percent of old immigrants but only 9.2 percent of new immigrants were classified as either professional or skilled (1926: 36). They also found that among adults only 2.7 percent of old immigrant arrivals were illiterate compared with 35.8 percent of new immigrants. Jenks and Lauck interpreted this as powerful evidence that immigrant quality had fallen as a result of the shift in immigrant source. Yet, as Table 3.1 shows, there is little evidence of any decline in the share of immigrants that were classified as having skilled, professional or commercial occupations after the 1870s when new immigrants arrived in such large numbers.³

These opposing views can be reconciled by noting two trends that were pushing in opposite directions. On the one hand, immigrants from each country were becoming more skilled and educated as industrialization proceeded and schooling expanded at home. On the other hand, the immigrant composition was shifting towards the less developed sending regions. The right question to ask is: What effect did the shift in source-country composition have *by itself* on average immigrant quality? If we focus only on European males and only on those who reported an occupation, the share skilled and professional fell by 4.3 percentage points between 1873 and 1913 (Hatton 2000: Tables 1 and 4). But had the source-country composition stayed constant, the share skilled and professional would have *increased* by 2.7 percentage points. More dramatic still, between 1893 and 1913 the share of adult immigrants who were literate (in any language) fell by 4 percentage points whereas with a constant source-country composition it would have *increased* by more than 6 percentage points.

Jenks and Lauck seem to have been vindicated: source-country composition effects reduced immigrant quality by quite a bit, at least according to literacy and occupational status. But how much difference did those attributes make to their labor market performance? That is, did the destination labor market place high value on those home-acquired attributes? The decline in immigrant earnings relative to the native born that can be attributed to the changing country of origin is less than 5 percentage points, a decline that was associated mostly with the effects of the shifting source-country composition on the proportions who were literate and skilled (Hatton 2000: 520).

Is a five percent decline in the relative earnings capacity of the immigrant inflow over forty years big or small? As we shall see in Part III, declining immigrant quality in the post World War II United States has been one of the most hotly debated immigration topics. To anticipate that discussion, the estimates provided by Borjas (1992) indicate that source-country composition effects account for a fall between 1940 and 1980 in the relative earnings of newly arrived immigrants of 26 percentage points. This is five times as large as the composition effects on immigrant earnings that occurred between 1873 and 1913. Part of the reason for the big difference is that the living standard gaps between the new and old immigrants of the 1960s and 1970s (Latin Americans and Asians versus Europeans) were *much* larger than those between the new and old immigrants of the 1890s and 1900s. Had the Immigration Commission been able to look forward 70 years they might have had a higher opinion of the new immigrants of their own day.

Were Immigrants Positively Selected?

Even if the labor market quality of US immigrants declined as a result of the changing origin, it might still have been true that immigrants were positively selected. Indeed, it is widely believed that international migrants were and are the best and brightest — that on average they are more skilled, more ambitious and more enterprising than those who stay home. Although it may be widely believed, the late 19th century evidence is far from clear-cut. Selection could occur along a number of observable characteristics like education, skill, wealth and family background, but what about unobservable characteristics like ambition, energy and motivation? The issue of selection is further complicated by the fact that we cannot observe how migrants would have done had they stayed in the home country. Given these complications, much of what follows should be viewed as informed speculation.

Inferences about selection can be drawn from immigrant performance in destination labor markets. Given sufficient time to assimilate, those from northwest Europe often, as we have seen, achieved higher earnings than the native born. This fact implies that the advantage of positive selection eventually outweighed the initial disadvantage of being an immigrant. Those from southern and eastern Europe may also have been positively selected, but even if they were, the positive selection effect failed to outweigh the immigrant disadvantage since their skills – valuable in the home country – were of lower value in the destination country. A further piece of evidence comes from second-generation immigrants who inherit some of their parents' characteristics but who do not suffer their initial immigrant disadvantage. Native born workers with one or two foreign-born parents had earnings that were 6.5 percent *higher* than those with native-

born parents (Hatton 1997, 2002; Minns 2000). Second generation immigrants appear to have had an advantage over those with native-born parents, implying an element of inherited positive selection.

What about evidence from immigrant origins? As we have seen, emigrants in the early 19th century -- the pioneers of mass transatlantic migration -- were frequently farmers and artisans. While they were not upper class -- like merchants and landed rich, these pioneer migrants *were* from the middle class of their day. For example, emigrants from the German region of Hesse-Cassel were in 1832-57 “positively selected because the highest skilled were over-represented. In terms of financial wealth, the emigrant population was negatively selected because the richest were under-represented” (Wegge 2002: 390). Emigrants who moved later in the 19th century reveal similar patterns. Thus, among emigrants from Denmark between 1868 and 1900 craftsmen and artisans were over represented -- their share among emigrants was about twice that among the source population; laborers were under represented even though they were the majority of the emigrants (Hvidt 1975: 113). The under representation of unskilled laborers among new emigrants was not always true, as the Irish illustrate. Long after the famine, Irish laborers were still 80 percent of male emigrants in 1881 but only 22 percent of the Irish labor force, and 84 percent of female emigrants were servants compared with 33 percent of the population. Still, for most countries the poorest were under-represented in emigrant flows.

This finding is consistent with the analysis in the Chapter 4 where we argued that poverty constrained the volume of emigration from the poorer parts of Europe. It is also consistent with the view that transatlantic migrants were more positively selected than

they would have been in the absence of poverty constraints. Selection also suggests a reason why the Irish seem to have done less well in the US labor market than did the British, the Germans and other northern Europeans. No doubt it was partly due to the fact that Ireland was poor and rural and thus a random selection of the Irish might have done less well than a random selection of the more urban and industrial British. But it may also have been partly due to the fact that the poverty trap was less binding in Ireland, because of the very large emigrant stock abroad that served to unlock the constraint. In short, the Irish may have been an exception among the 19th century new emigrants: they were of “low quality” because they came from an exceptionally poor country but also they may have been *negatively*, not positively, selected.

So much for constraints; what about incentives? The modern literature on migration discussed in Part III suggests that one factor determining immigrant selection is the relative return on skills at home and abroad. If the return to skills is higher in the (rich) destination country than in the (poor) origin country then the skilled have a greater incentive to emigrate than the unskilled. Was that the case in the 19th century? Truly comparable cross country evidence is sparse for most of the 19th century, but Table 5.2 presents skill premia for blue collar occupations for four Atlantic regions in 1890. The premium for semi-skilled and skilled workers over the unskilled was considerably larger in the United States than in Britain or Germany. Other things equal, this would imply a greater incentive for skilled emigration from these countries. The same was not true of France and Belgium and it may not have been true of less developed European countries for which we do not have comparable data. Thus the incentives for positive selection were greater late in the century for some source countries than for others.

Hard evidence from early in the century is almost absent, but there is a tradition that points out expensive unskilled labor and cheap skills in early industrial US compared with Britain (Habbakuk 1962; Rosenberg 1967). For example, while in the 1820s US skilled machine makers received a wage only 2 percent more than their British counterparts, unskilled US labor manning those machines earned 22 percent more. Thus, compared with the US, the British skill premium was 20 percent higher in the 1820s (Brito and Williamson 1973: 237-8). Such evidence suggests that, in the absence of poverty constraints, Anglo-American migration should have *negatively* selected British unskilled labor early in the century. But Anglo-American migration should have *positively* selected British skilled labor in the 1890s after 50 or 60 years of hot-house American industrialization when the skill premium was pushed up so high by an explosion of skilled labor demands. We should repeat the important qualification “in the absence of poverty constraints” since that was the force that probably dominated even in the ante bellum period. Income incentive (negative selection) and poverty constraints (positive selection) were working against each other early in the century, while they were working together late in the century.

We should also observe systematic differences across destinations that offered different incentives or costs to the migrant. The skill composition of the flows to Canada and the United States were very similar at the turn of the century. New evidence suggests a good reason for this: skill premia were also very similar in the two countries (Green, MacKinnon and Minns 2002: 681).⁴ It seems likely that skill premia were similar in Australia. Yet, British emigrants to Australia were much more often skilled compared with those heading for North America (Pope and Withers 1994). Since the costs of

migration to Australia were so much larger (even when subsidized), any difference in positive selection favoring Australia was likely to have been driven by poverty constraints (only the best could afford the move) rather than by wage relatives.

What about other streams of mass migration? One puzzle is why Italians from the *mezzogiorno* (the southern regions of Italy) who crossed the Atlantic typically went to the United States while those from the more industrial north typically went to South America.⁵ On the face of it, this fact seems anomalous since the more literate, skilled and urban northern Italians would seem to be better matched with United States labor markets while the less literate, less skilled and more rural southern Italians would have been better matched with South American labor markets.⁶ Historians have argued that those at the bottom of the occupational ladder in the poor and backward *mezzogiorno* gained most by working as unskilled laborers in cities like New York while those from the north had better opportunities to become middle class entrepreneurs or skilled workers in places like Buenos Aires (Klein 1983; Baily 1983: 296). The costs of migration mattered too, of course: the subsidies for migration to the São Paulo coffee plantations were offered exclusively to northern Italians.⁷ But as the coffee boom faded and as living standards in North America outstripped those in South America, *all* Italian emigrants, from north and south, shifted increasingly to the United States.

Clearly, cultural affinities, location preferences and the friends and relatives effect all influenced who emigrated and where they went. But we can also detect the influence of strong economic forces on immigrant selection. It seems plausible to conclude that while positive selection was driven by wage incentives for British and German emigrants, it was driven more by poverty constraints in the poorer parts of Europe. In Ireland, where

poverty constraints were relaxed by an enormous stock of previous (famine-driven) emigrants, current emigrants were less positively selected, as were those from the Italian south. It also seems likely that the degree of positive selection differed across destinations: the more distant the destination, the greater the costs of emigration and the more likely immigrants would be positively selected; the closer the destination, the lower the cost and the more negative the selection.

Was There Brain Drain?

The idea that emigration seriously reduces human capital in the source country is a recurring theme today, and we shall return to it in Part III. Fearing brain drain, there were legal restrictions in the 18th century on the emigration of artisans and engineers from Britain to the European continent. But public concerns about losing vital skills through emigration seem to have vanished by the late 19th century. There may have been good reasons for this. First, where positive selection was weak, it would not have made a major dent in the per capita skill base at home. Second, much of the human capital embodied in the emigrants that disappeared across the Atlantic had not been financed by the public purse. Third, immigrant remittances from abroad may have offset the foregone income at home.

So was there a big brain drain from Europe to the New World during the age of mass migration? While there seems to have been positive selection, it probably did not translate into big brain drain losses. Table 5.3 shows literacy rates (in any language) for adult immigrants to the United States between 1899 and 1909 for five European

countries, as well as the literacy rates of the adult home populations in 1901. Literacy rates among immigrants were generally somewhat higher than they were among the source populations, implying positive selection. Perhaps this was inevitable. After all, immigrants were younger than the source populations, and there was an educational revolution taking place in late 19th century Europe, thus raising literacy among the young movers compared with the old stayers (Easterlin 1981). Italy may appear to be an exception to this rule, but the observed lower literacy among immigrants relative to the Italian population simply reflects the dominance of southern Italians in the immigrant inflow.⁸ The third row of Table 5.3 reports the outflow of literate emigrants (over the decade) as a proportion of literate adults in the 1901 source population. For Britain and France the decade loss to the United States was small in relation to the stock, less than 2 percent. It was larger for Italy because of its higher emigration rates. It would have been larger for Spain and Portugal if the flows to South America were taken into account, but they are still small numbers.

Even if the human capital losses were small for Europe when measured in terms of education and literacy, they may have been larger in terms of unobservable “best and brightest” characteristics. One piece of evidence supporting that view comes from evaluations of Swedish clergymen of the intellectual abilities of their parishioners. Comparison of those who subsequently emigrated with those who did not reveals that the former had a higher intellectual level, did better at school and had a wider view of the world (Hvidt 1975: 109). On these grounds one might have expected that immigrants to the New World were more likely to become entrepreneurs and business leaders than native-born. Consistent with that prediction, it turns out that among those born between

1816 and 1850 immigrants were over-represented among the top businessmen in the United States. This evidence of positive selection and brain drain was much less apparent among those born between 1850 and 1890, reflecting the declining quality of US immigrants by origin (Ferrie and Mokyr 1994).

How Much Did Immigrants Gain By the Move?

The discussion of immigrant performance in the destination country often obscures the enormous gains that accrued to the immigrants simply by having moved from low-wage to high-wage labor markets. As we saw in Chapter 4, wage rates in the New World were significantly higher than Europe. While immigrants initially earned less than similar native-born workers, they caught up with and sometimes overtook their native-born peers. So how large were the gains to European emigrants over their lifetimes?

One way to evaluate emigrant gains is to calculate the increased net present value to the move. Table 5.4 reports discounted lifetime earnings at home and abroad for a 20-year old male, based on the wage ratios in the last column of Table 4.2. Over a 40 year working life the expected net present value of earnings to an unskilled urban laborer in Germany would have been about 360£. If he had emigrated at age 20, his expected discounted lifetime earnings would have amounted to 585£. This gain nets out his cost of migration, allows his earnings to be lower than the native-born upon arrival, and assumes the post-assimilation earnings differential observed in Table 5.1. At the wage differentials observed in the decade before 1914, the typical German emigrant would have increased

his lifetime earnings by 63 percent over the alternative of staying at home. The gains to the British emigrant were similar, 58 percent, while those to the Irish emigrant were a little lower, 51 percent. While the gains for Swedes (50 percent) were similar to those for other northern Europeans, those for southern Europeans were *much* larger: Italians stood to increase their discounted lifetime earnings by 83 percent and Spaniards by a massive 167 percent.⁹

Where Did Immigrants Find Employment?

To some observers the concentration of immigrants in the urban northeast and midwest, as well as in certain unskilled occupations, is evidence of labor market segmentation and immobility. This immigrant concentration was even more marked for individual nationalities than for immigrants as a whole. Thus, it might be concluded that while the existence of ethnic neighborhoods made for easy entry into immigrant-dominated niches, it has been argued that it also have limited the immigrant's integration into the wider community and retarded progress up the occupational ladder. While historians now take a more optimistic view of these issues than was once accepted, it is still argued that escape from the ghetto was a long process -- measured in generations rather than years. We are persuaded by the accumulating evidence that there was a well-integrated national labor market in the US by the late 19th century, and that the immigrants exploited it. That assertion is not inconsistent with the fact that they clustered and concentrated.

Where did the immigrants find employment? We can discriminate between two views on this question. The first view is optimistic: it argues that the immigrants entered rapidly growing, high-wage employment thereby easing short run labor supply bottlenecks in leading industries. The second view is pessimistic: it argues that immigrants crowded in to slow growing, low-wage employment in industries undergoing relative decline, thereby crowding out unskilled natives. These competing views can be examined by comparing the share of immigrants in a given occupation with employment growth in that occupation. If that share was high and rising in rapidly expanding industries and occupations, then immigrants could be regarded as the "shock troops" of structural change.¹⁰ Elsewhere, we have explored this issue for male immigrants between 1890 and 1900 (Hatton and Williamson 1998: Chp. 7). That evidence confirms that immigrants found employment more frequently in unskilled jobs, compared with natives. More to the point, immigrants located in slow-growth sectors, not fast-growth sectors. In short, there is no evidence to support the view that the foreign-born flowed disproportionately or dominated fast-growing occupations and sectors prior to World War I. In fact, the evidence suggests the contrary: immigrants flowed disproportionately into the slowest growing parts of the economy.

We have a ready explanation for these facts: given that occupational growth reflects shifting comparative advantage, and given that the United States was exploiting its comparative advantage in resource and capital intensive industries, it follows that fast growing sectors should have generated buoyant demand growth for skilled labor (a complement with capital) and sluggish demand growth for unskilled labor (a substitute for capital). Thus, unskilled immigrants *should* have flooded into unskilled labor

intensive industries and occupations where growth was slower. Indeed, these findings are consistent with those from the 1980s and 1990s, when the flood of new less-skilled immigrants into services and import-competing manufacturing has raised the same concern (Baumol et al. 1989; Borjas 1994) that New York immigrant sweatshops did in the 1890s. The evidence from the 1890s also seems to confirm a mis-match between labor demand, which was shifting away from unskilled occupations (e.g., becoming more skilled), and booming immigrant labor supplies that were declining in quality (e.g., becoming less skilled). It had, of course, inequality implications then just as it does now (Goldin and Margo 1992; Borjas, Freeman, and Katz 1992). It crowded out native unskilled workers (including southern blacks; B. Thomas 1972: 130-4 and Chp. 18; Collins 1997) and thus widened the gap between the working poor and the rest.

Did Immigrants Displace the Native-Born?

The question of whether immigrants ‘rob jobs’ from the native-born or reduce their wages was just as contentious in the 19th century as it is today. If, as we have argued, European immigrants integrated well into New World labor markets, it follows that they must have been competing directly with native-born workers over a wide range of occupations, industries and locations. That raises the perennial question (to which we shall return in the next chapter) about whether unemployment was higher and wages lower for the native-born than they would have been in the absence of the immigrants. The answer must distinguish between the short-run and the long run.

Some observers have argued that in the short-run immigration was one of the mechanisms through which New World economies were able to adjust to temporary excess labor supply created by recession and industrial crisis. Thus, in the years before 1914 the US has been viewed “like some West European countries in the 1970s, able to export its unemployment problem by massive repatriation of Mediterranean labor...” (Tyrrell 1991: 147). There are good reasons why immigration should have been particularly sensitive to cyclical conditions in destination countries before World War I. Does it follow from this that the cyclical ebb and flow of migration eased the burden of unemployment among non-immigrants? Yes, but only to a small extent. Between 1890 and 1913, the average year-to-year change in employment was nine times as large as the average year-to-year change in net worker immigration. Thus, even if the correlation between changes in employment and immigration had been perfect, the so-called ‘guestworker effect’ would only have provided a very modest safety valve.

But what about the medium term? In a protracted depression like that of the 1890s, gross immigration remained low (and net immigration was probably negative as the unemployed immigrant returned home) and this reduced the size of the labor force competing for scarcer jobs. One calculation suggests that the US labor force would have been about three percent lower in 1900 as a result of the slowdown in the immigration rate during the depressed years of the 1890s (Hatton and Williamson 1998: 174-7). Similarly, in Australia the recession of the 1890s cut the immigration rate sharply and the unemployment rate rose by less than it would have otherwise. Thus, in protracted recessions the responsiveness of immigration provided some relief to an overstocked labor market.

Theory tells us that in the long run shocks to employment and labor supply should have been absorbed by real wage adjustments, rather than by changes in the unemployment rate. So, did immigrants crowd out the native-born and lower their wages? This was certainly the view of the US Immigration Commission who argued that immigration “has undoubtedly had the effect of preventing the increase of wages to the extent which would have been necessary had the expansion of local industries occurred without the availability of the southern and eastern Europeans” (1911, Vol. 8: 440; see also Jenks and Lauck 1926: 206-7). Such counterfactuals are easier to state than to prove since they depend on holding other things constant. Some have argued that since wages in the United States grew more slowly between 1890 and 1914 than they did in the 1920s, when the immigration rate was much lower due to the quotas, unrestricted mass immigration must have slowed the rate of growth of real wages in the earlier period (Douglas 1930: 564; Lebergott 1964: 163).¹¹

Real wage effects are difficult to infer with confidence because it is so hard to control for all the other influences on the wage and because the wage itself is one of the determinants of immigration. An alternative approach, followed in the literature on the more recent era, is to look at the effects of immigration across states or cities in the same country. Historical studies that use the same methodology are rare. But Claudia Goldin (1994) estimated the relationship between immigration and wage changes across American cities between 1890 and 1915. She found that a 1 percentage point increase in the foreign-born population share reduced unskilled wage rates by about 1 to 1.5 percent. Similar results were found for artisans and for different industry groups. Thus there is evidence that where immigration was greater, real wage growth was slower.

While such evidence sheds light on the local wage effects of immigration it does not necessarily measure the economy-wide effects. When immigrants move into a state or locality, natives and previous immigrants may elect to move out, or not to move in. If the native-born (and previous immigrant) population migrates across states and regions in response to economic incentives then the effects of immigration in a local labor market would be only partially reflected in the local wage. To the extent that native-born workers (and earlier immigrants) are displaced to other regions, wage effects will be spread across the entire economy. Is there evidence of such displacement effects? Table 5.5 documents that while immigrants moved into New England, the Mid-Atlantic and the North Central states in the 1880s to the 1900s, these states also experienced net outflows of native-born. This was no coincidence. It has been estimated, after controlling for other relevant influences, that for every 100 immigrants that flowed into these eastern states during a decade, 40 native-born residents moved out, mainly to the west (Hatton and Williamson 1998: 168). Two implications follow from this. While much has been written about the attractions of moving west, less attention has been given to the immigrant-induced ‘push from the east.’ More important to the issues at hand, the magnitude of these displacement effects is large enough to suggest that, although immigrants were largely concentrated in the urban northeast and mid-west, the labor market effects of immigration percolated through the whole economy.

With that notion in mind, the next chapter turns to the economy-wide effects of international migration in both sending and receiving countries.

Endnotes Chapter 5

¹ These temporary migration strategies are discussed at length in Gould (1980a), Cinel (1990), and Baines (2001).

² Several older studies found that the earnings assimilation of these immigrants was slow and in some cases that they fell progressively further behind the native-born the longer they had been in the United States, but such findings appear to be an artifact of the particular specification used (Hatton 1997). All of these studies examined samples of blue-collar workers in Michigan, Iowa and California. See Hannon (1982a, 1982b), Eichengreen and Gemery (1986), Hanes (1996).

³ Paul Douglas (1919) made the same point in his critique of the Commission: specifically, he argued that the proportion skilled among the new immigrants in 1899-1909 was no lower than that among the old immigrants at a time when they formed the bulk of the inflow.

⁴ Similarities in the wage distributions are striking: In Canada, the log wage premium for operatives and craft workers over unskilled laborers were 0.14 and 0.39 respectively; in the United States they were 0.19 and 0.40 respectively.

⁵ Among Italians who went to the United States between 1876 and 1930, 80 percent came from the south; among those who went to Argentina only 47 percent came from the south (Klein 1983: 309).

⁶ Italians were pulled to Argentina by relatively high wages there, not by any GDP per capita differential. Indeed, since Argentina was labor scarce and Italy labor abundant, it is hardly surprising that the real wage ratio in 1913 (Argentina/Italy) was 1.7 (Williamson

1995: Table A2.1) while the GDP per capita ratio was “only” 1.5 (Maddison 1995: Table B).

⁷ It is sometimes suggested that Italian flow to the United States was characterized by exceptionally high return migration rates. Although Italian return rates were higher than for most other immigrant groups in the US, they were even higher for Italians who went to Argentina. Between 1861 and 1914 repatriation rates were 47 percent for the US and 52 percent for Argentina (Baily 1983: 296).

⁸ Among the northern Italian immigrants to the US in 1899-1909, 88.2 percent were literate whereas only 45.8 percent of the southern Italian immigrants were literate.

⁹ Note also that these gains are for a weighted average of destinations. The Italians and Spaniards who went the United States gained far more on average than those who went to South America.

¹⁰ The term comes from Sidney Pollard (1978) who characterized the Irish in early industrializing Britain the same way. Williamson (1986) disagreed. The exchange between Pollard and Williamson over the impact of the Irish immigrants on British workers from the 1820s to the 1850s exactly parallels this later debate in America.

¹¹ Others have used more formal time series methods to identify the wage effects of immigration. For example, using time series Pope and Withers (1994) could find no consistent real wage effect for Australia over the whole period from 1860 to 1990. Australia *may* be an exception, but the correlation should have been between immigration (a flow) and the change in the wage, not, as they did, the wage level.