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Immigration in Historical Perspective

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Louis Johnston on "Immigration in Historical Perspective"

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Over the past 75 years, the annual number of immigrants into the United States grew along with the percentage of the population born outside the country. The changes wrought by these trends are visible throughout the country, from the faces of the children in our schools to the religious institutions in our towns, to the items in our grocery stores. Policy debates over immigration restrictions, refugee costs, and border walls rage at the national, state, and local levels.

Rarely do these discussions place the issues at hand into a broader, historical context. In this post, I will take a few moments to introduce you to some key trends in American history that relate to immigration and to describe some of the scholarly research regarding the long-run effects of immigration on the US economy.

Some basic data

Let’s start with data on immigration as a percentage of the population for the US from 1820 to 2010:

The picture shows that the number of people immigrating to the US reached a peak in the early 1850s, when measured as a percent of the American population, with similar spikes in the 1880s and 1900s. Relatively open borders in the 19th and early 20th centuries led to immigration levels that far exceeded current levels as a percentage of the population. (The 1986 immigration reforms created the 1990 spike.)

Next, take a look at how these data played out in terms of the percentage of the population born abroad:

The foreign-born proportion of the population fluctuated around 14 percent from 1860 to 1910, steadily declined until 1970, and converged back towards 14 percent today.

These two pictures tell an important story: rather than thinking of today as anomalous (i.e. why are there so many immigrants today?) we should consider the fact that the years 1940 to 1990 were atypical in American history. That is, an America with relatively low levels of immigration and a relatively small percentage of the population born abroad is the outlier in American history, not what is going on today.

This brings us to a third piece of historical information, the geographic distribution of the foreign-born population:

European immigration dominated the nineteenth century. The Immigration Act of 1924 effectively closed the door to new arrivals for forty years and enforced this pattern. In particular, the 1924 act both reduced immigration levels and created a quota system based on the proportion of the population that was born abroad in 1890. This scheme favored immigrants from Europe, generally, and western Europe, in particular.

This began to change with the Immigration and Naturalization Act of 1965. With this Act, Congress removed the quota system based on geography and replaced it with guidelines that promoted family unification. The result was a surge in immigration from Latin American and Asia.

Here is where the past differs from the present. Until the 1970s, European-born immigrants predominated, but since then the face of immigration has changed from white Europeans to people of color from Asia and Latin America.

Long-run effects of immigration on the US Economy

The data we've just examined describe the flow of immigrants into the United States. What were the effects of these waves of immigration on the American economy? In a series of studies, David Card of the University of California at Berkeley (along with a number or co-authors) tackled two of the key questions that arise in most debates regarding immigration:

- Immigration does not depress the wages of native-born workers to any significant extent (2012 paper).
- Immigration is not a driving force in creating income inequality (2009 paper).

Card's work focuses on recent immigration, but economic historians have begun systematically addressing a bigger question: what were the long-run effects on the US economy of the big waves of immigration in the past?

In "Migrants and the Making of America: The Short- and Long-Run Effects of Immigration during the Age of Mass Migration," economists Sandra Sequeira, Nathan Nunn, and Nancy Qian matched up US counties with low shares of immigrants in 1880 with similar counties in 1880 that had high immigrant percentages. For example, in Minnesota they matched up Cass County (17% foreign born) with Douglas County (33% foreign born.) They then traced economic development using a variety of factors over the next 100 years.

The authors report that, "Taken as a whole, our estimates provide evidence consistent with an historical narrative that is commonly told of how immigration facilitated economic growth. The less skilled immigrants provided the labor force necessary for industrial development. A smaller number of immigrants brought with them knowledge, skills, and know-how that were beneficial for industry and increased productivity in agriculture. Thus, by providing a sizeable workforce and a (smaller) number of skilled workers, immigration led to early industrial development and long-run prosperity, which continues to persist until today (p. 44)."

Conclusions: past and present

Do these findings apply to today and the years to come? For instance, the US economy no longer rests on a base of agriculture and industry but produces most of its GDP in the form of services; can we draw lessons about the a service economy from an industrial economy's experience?

Yes, I believe we can apply this study to today's debates. Immigrants today, just as in the past, bring skills that are valuable to our economy. These include both physical skills (e.g. immigrants working in agriculture or in food processing) and knowledge (e.g. immigrants employed in high-tech industries.) This benefits the American economy today in ways similar to immigrants setting up their own farms and working in factories a century ago. Further, just as over the past one hundred years, the children of these new Americans will gain the knowledge and skills that will drive our economy for the next century.

The economy is not a static phenomenon, with fixed jobs and industries requiring a stable and unchanging range of skills and technologies. It is a dynamic, ever-changing process with jobs morphing and new industries appearing over time. Immigrants are not the same as they were 100 years ago, but neither is our economy. The new immigrants, like the old, will contribute positively to the evolving economic order of the next 100 years.