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ABSTRACT

Two Centuries of International Migration

This is a draft chapter for B. R. Chiswick and P. W. Miller (eds.) *Handbook on the Economics of International Migration*. It provides an overview of trends and developments in international migration since the industrial revolution. We focus principally on long-distance migration to rich destination countries, the settler economies in the nineteenth century and later the OECD. The chapter describes the structure, direction and determinants of migration flows and the assimilation experience of migrants. It also examines the impact of migration on destination and source countries, and explores the political economy behind the evolution of immigration policy. We provide an historical context for current debates on immigration and immigration policy and we conclude by speculating on future trends.

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PART 1: Migration and Globalisation to 1950.

1.1: Evolving migration systems

Long-distance migration is not new. For thousands of years humans have moved around the globe in search for food, in flight from enemies, or in pursuit of riches, spreading their cultures, languages, diseases and genes. Human settlement spread through Europe, Africa and Asia but the process was very slow. In the middle ages, short distance migration was curtailed by European feudalism but, even after its demise, many workers were tied to the land and urban dwellers jealously guarded their privileges. Legal impediments (such as England's Statute of Artificers of 1563) constrained migration even into the eighteenth century. But among those with the freedom and the resources to move, the scope for long distance migration expanded as the means of transport improved. Most significant for Europeans was the 'discovery' of the New World—the vast lands of North and South America and Australasia. Yet for three hundred years intercontinental migration was largely confined to military and other adventurers, merchants and seamen. Except at time of war, for most Europeans migration beyond the kingdom or principality was rarely contemplated, and much the same was true in Asia and Africa.

The opening of the New World brought unprecedented opportunity, not just for treasure but also for production and trade. Labour shortages were acute but costs were high. Until the nineteenth century the dominant forms of intercontinental migration were coercion and contract. The most important development was the North Atlantic triangular trade which brought slaves to the Caribbean islands and the eastern seaboard of the American continent. As Table 1 shows, between 1492 and 1820 slaves accounted for more than three quarters of the 11.3 million migrants to the Americas, while Europeans accounted for less than a quarter. The surge of immigration from Europe in the 60 years to 1880 saw these proportions dramatically reversed. Yet it was not until 1880 that the cumulative flow of Europeans to North America exceeded that of Africans.

<Table 1 about here>

In all, about 12 million slaves were transported to the Americas, under horrendous conditions and with very high mortality rates. The volume of the slave trade was greatest in

South America and the Caribbean; by 1850 4.5 million slaves had been forcibly transported to Brazil alone (Lovejoy, 1982). For much of the colonial period South America's economies were based on large extractive or agricultural enterprises, making it difficult to attract settlers. Although the indigenous population provided a local source of labour, African slaves made up a much larger share of the total labour force in South America than in the north. But by the eighteenth century the system was in decline. In 1807 the slave trade was banned in the British Empire and in 1808 the United States stopped slave imports. This movement spread rapidly in Europe, with abolition in Denmark, Portugal, Sweden, France and the Netherlands in the first two decades of the nineteenth century. In parts of South America and the Caribbean the slave trade lingered a little longer.

Up to 1820 about 2.6 million Europeans migrated to the Americas, mainly from Britain, Portugal and Spain. About a quarter of these went under contracts of indenture or as convicts. The indenture system began in 1607 when the Virginia Company recruited labourers from England to work in its Jamestown colony (see Galenson, 1984, pp. 2-6). Workers agreed to serve for a fixed term after which they were free. In exchange for their service, servants received the costs of their passage and subsistence during their term. Gradually a market in indentures arose, with agents recruiting workers at English ports, placing them under contract, and selling the contracts to ship's captains, who in turn sold them to planters on arrival in the colonies.¹ This system solved the problem of capital market failure. The demand for plantation labour was strong, and English workers provided a willing supply, but most were too poor to finance the journey and could not provide the collateral for a loan.

Between the 1630s and the American Revolution, half to two-thirds of British migrants to North America travelled as indentured servants. But the system soon came under pressure, particularly in the sugar colonies, where servants faced harsh working conditions and planters exploited a growing supply of slaves (Galenson, 1984. p. 11). Although they were not perfect substitutes, by the late seventeenth century, slaves were displacing indentured servants as the main source of labour in the southern mainland colonies. But the main reason that the supply of indentured servants from Europe dried up was that increasing

¹ Under these contracts the length of service varied inversely with the worker's predicted productivity, such that the value was equal to a uniform seven pounds, which reflected the cost of passage.

numbers were able to finance the journey without having to sell themselves into bondage (Galenson, 1984; Grubb, 1994). The demise of the slave trade brought some revival of contract labour. But this time it was labourers from China and India going chiefly to sugar-producing and other tropical plantation economies.

1.2: The rise of mass migration from Europe

The period from 1820 to the First World War saw the rise of mass migration; over this hundred-year period 55 million Europeans emigrated to North America (71%), South America (21%) and Australasia (7%). Several features are worth noting. First, the number of migrants increased. Before mid-century it was just a trickle compared with what followed. It averaged around 300,000 up to the 1870s, rising steeply to a peak of 1.4 million in the years before the First World War (Figure 1). Second, the source-country composition changed. In the middle decades of the nineteenth century emigrants came chiefly from Britain and Ireland, Germany and the Scandinavian countries. But as Figure 1 shows, the great surge in emigration from the 1870s was dominated by the countries of southern and eastern Europe, notably Italy, Spain, Austria-Hungary and Russia. Such statistics hide enormous variations in emigration rates. The highest was Ireland with a gross emigration rate of 13 per thousand per annum between 1850 and 1913. Countries such as Sweden and Norway had rates approaching five per thousand in 1870-1913, while the rates for Germany and Belgium were less than two per thousand and that for France was very small.

<Figure 1 about here>

Different perspectives have been invoked to explain variations in emigration across time and place (Lowell, 1987, Ch. 2; Massey et al., 1998, Ch. 2). One feature that such theories must explain is that, during the transition to modern economic growth, national emigration rates often increased gradually, accelerated to a peak, and then went into decline—a pattern sometimes called the mobility transition (Zelinsky, 1971). Wages in Europe were barely half those in the New World (much less for some source countries) and this provided strong economic incentives. But real wage gaps alone cannot explain why poor countries often had low emigration rates and why emigration often increased as development took place. One factor is the demographic transition, which produced large cohorts of young adults whose opportunities to inherit smallholdings or enter into skilled occupations or

small business was limited. Analysis of cross-country trends in emigration shows that demographic effects were important and that urbanisation also played a role (Hatton and Williamson, 1998, p. 43).

Much of the literature has focused on migrant networks as a key element in European migration. Once established migration streams cumulated as previous emigrants provided new migrants with pre-paid tickets for the passage, food and shelter on arrival, and established immigrant networks to help gain access to job opportunities. Up to 90 percent of arrivals in the United States were meeting a friend or relative. This reduced the costs and uncertainties of long-distance migration and it also eased the poverty constraint. This helps to explain differences in emigration patterns from countries at similar levels of development. In Ireland the Great Famine effectively ejected a million migrants, mostly to the United States. Thus after mid-century even the poorest Irish migrant would have benefited from the assistance of previous emigrants, and so emigration depended less on the migrant's own resources and more on the potential gains (Hatton and Williamson, 2005, p. 65). As a result, Irish emigration declined as economic conditions at home improved. By contrast in Italy which had few emigrants before 1870 the poverty constraint was more important and hence emigration increased as the economy developed (Gomelli and Ó Gráda, 2011).

The 'friends and relatives effect' also helps to explain why emigration was often concentrated on specific localities of origin and destination. But choice among destination countries involved additional factors such as cultural and linguistic affinity with the country of origin. Thus emigrants from Italy, Spain and Portugal revealed much stronger preferences for South American countries such as Argentina and Brazil than did other European emigrants. Given these affinities and the pulling power of previous migrants, these streams persisted in spite of the growing relative attraction of the United States. However, when new streams of emigration arose, such as that from southern Italy from the 1890s, economic advantage carried more weight. Thus migrants from the urban north of Italy continued to favour South America over North America while the rural southern Italians migrated in increasing numbers to the urban United States. But there is little evidence for substitution between New World destinations; instead the alternatives seem to have been for migration within and between countries in Europe.

Although most migrants were permanent settlers an increasing proportion returned. The conventional estimate is that by the end of the nineteenth century about a third of European migrants to the United States were returning, usually within a few years. However, a recent study puts the return rate at around twice this level in the 1900s (Bandiera et al., 2013). Falling transport costs and voyage times relative to the wage gains contributed to the trend. But the upward trend in return migration owes most to the changing country composition of emigration, particularly the growing share from southern Europe. Many of these emigrants intended to return home and use their savings to start families and sometimes to establish farms or businesses and thus the outflow was dominated by males (Hatton and Williamson, 2005, p. 80). There was also a growing trend toward seasonal migration, most notably as the so-called *golondrinas*, who moved with the harvest seasons between Italy and the River Plate.

1.3: Immigrant selection and assimilation in the New World

Emigrant streams of the early nineteenth century were often led by farmers and artisans from rural areas, travelling in family groups, many of whom were intending to acquire land and settle permanently at the New World's expanding frontier (Erickson 1994). By the 1830s these 'pioneer migrants' were giving way to those that were somewhat more representative of the populations from which they were drawn (Cohn, 2009, Ch. 5). In the Hesse-Cassel region of Germany between 1832 and 1857 emigration rates were highest from villages where land was scarce, where wages were higher, and where there was some history of emigration. The highest emigration rates were among artisans—those with transferrable skills and enough resources to emigrate. Those with resources such as land were not constrained by poverty but they had less incentive to move; on the other hand unskilled labourers were often more constrained (Wegge, 2002). Network effects seem to have been strong, as reflected by the fact that those that could be identified as networked carried less cash with them (Wegge, 1998).

On arrival in the New World most migrants gravitated to communities of immigrants from the same origin where many remained. Evidence for individual immigrants in the United States indicates that there was some downward occupational mobility on arrival, but this was followed by steep upward mobility, especially for young and literate immigrants from

Britain and Germany (Ferrie, 1999, Ch. 5). There was also a strong link between the occupational and geographical mobility of immigrants. More than two thirds of immigrants arriving in the 1840s moved county in the following decade. Relative to non-movers, labourers who moved location increased their wealth—the more so the further they moved (Ferrie, 1999, Ch. 6). In Brazil those that arrived on *colonato* contracts from the 1880s often succeeded in acquiring land, and by 1940 the foreign-born owned a third of all farms and factories (Klein, 1995, p. 211-2). In Argentina, Italian immigrants ascended from initial small-holding to become the major business class.

As successive European countries entered into transatlantic migration pioneer migrants gave way to mass migrants. The later arrivals may have been less energetic and enterprising, but were they still positively selected on labour market characteristics? In the decades after 1870 half of the Danish emigrants and nearly two thirds of the Irish emigrants were aged between 15 and 29, as compared with less than a third of the home populations (Hatton and Williamson, 2005, p. 78). They also carried low dependency burdens to the New World, which maximised the lifetime gains and minimised the costs of migration. But how did they compare with their peers who stayed behind? In a recent study Abramitsky et al. (2010) compared Norwegian emigrants to the United States from the 1870s with those that stayed behind. They find that the emigrants were negatively selected in the sense that they had lower occupational attainment by 1900 than non-migrants with similar characteristics. By following a sample of young men from the British 1851 census to the US 1880 census and the British 1881 census, Long and Ferrie (2013) find that British emigrants were negatively selected as well.

These recent findings are consistent with an older view of the ‘huddled masses’ but not with subsequent revisionism. Examining cross-sectional data on earnings Hatton (1997) found that newly arrived immigrants in the United States around the turn of the century suffered a substantial earnings disadvantage but that their wages subsequently converged on those of the native-born. Second generation immigrants often outperformed those with native-born parents, suggesting that they inherited some degree of positive selection but avoided the first generation disadvantage. Recently Abramitsky et al. (2012) examined occupational scores for immigrants in 1900, 1910 and 1920. Panel data estimates indicate that those who remained in the sample suffered no initial disadvantage and therefore no advance in

occupational attainment as compared with the native-born. They conclude that much of the apparent convergence observed in other studies can be accounted for by two factors: (1) negatively selected return migration and (2) declining quality of arrival of successive immigrant cohorts. It seems likely, however, that these effects would be weaker in the nineteenth century when transport costs were higher and return migration lower.

Economic outcomes differed across country of origin, and this sparked growing concern in the United States where the Immigration Commission (1907-1910) devoted four years to examining every aspect of the economic and social life of immigrants. The Commission drew a sharp distinction between the 'old immigrants' from the countries of north-western Europe and the 'new immigrants' from southern and eastern Europe. They took a dim view of the latter as "largely a movement of unskilled labouring men, who have come, in large part temporarily, from the less progressive and advanced countries of Europe," characterising them as "far less intelligent" and "actuated by different ideals" than the old immigrants (quoted in Hatton and Williamson, 1998, p. 124). Re-examination of this issue, even with the Commission's own data, largely debunked this sharp distinction (Chiswick, 1992; Minns, 2000). Nevertheless there were differences between nationalities, largely associated with source-country language, culture and education. One study suggests that the shifting composition of immigration between 1873 and 1913 accounted for a reduction of around 5 percent in the average earnings of immigrants (Hatton, 2000). As noted further below these effects are small as compared with those that occurred after the Second World War and they might be smaller still if return migration were taken into account.

1.4: The effects of migration at home and abroad

The economic effects of immigration have been a source of debate in the past as in the present, not least because of the link to policy. It is worth illustrating the issues with a textbook diagram (Figure 2), where there are two countries R (receiving) and S (sending) with combined labour force measured as the width of the box. The respective real wage rates are measured on the vertical axes. DR is the migrant-receiving country's downward sloping labour demand curve while that of the sending country, DS, slopes down from right to left. Before migration, the receiving country has labour supply LR₁, and its wage, WR₁, exceeds that of the sending country, WS₁. Migration from S to R increases the labour force

in the receiving country to LR_2 , so that the wage falls to WR_2 . In the sending country the labour force shrinks and the wage increases to WS_2 . Note also the distributional effects: the income of other (fixed) factors of production in country R as measured by the area of the triangle A,B,WR_1 increases after migration to A,C,WR_2 . In the context of the greater Atlantic economy, three questions follow from this. First, did immigration depress wages in the New World and increase them in the Old, and did it contribute to transatlantic wage convergence? Second, did other globalisation forces shift labour demand curves such that they offset or reinforced the partial equilibrium effects illustrated in Figure 2? And third, how did migration alter the distribution of income in sending and receiving countries?

<Figure 2 about here>

Several different approaches have been used to assess the impact of mass migration on real wage rates. One of these is to correlate wage changes with immigration across localities within a country. Using this approach, Ljungberg (1997) found that emigration from Sweden explains about half of the rise in Swedish wages across Swedish counties between 1870 and 1910. Goldin (1994) found a negative relationship between wage growth and immigration across US cities between 1890 and 1923. However, as noted further below, local effects of immigration may not be a good guide to national effects if there is significant internal mobility in response to immigration flows. Taylor and Williamson (1997) instead estimate the labour demand elasticity for a panel of 15 countries and then apply this to the change in the country labour force induced by post-1870 migration. They calculate that, in the absence of immigration, the real wage in 1910 would have been higher by 27 percent in Argentina, by 17 percent in Australia and by 9 percent in the United States. Conversely, absent emigration, real wages would have been lower by 24 percent in Ireland, by 22 percent in Italy, but by only 5 percent in Britain and 2 percent in Germany. Overall the real wage ratio between the New World and the Old World fell by 11 percent, whereas under the no-migration counterfactual it would have increased by 11 percent (Taylor and Williamson, 1997, p. 41).

Assessment of the wage effects using computable general equilibrium models produce wage effects that are broadly similar to those from applying labour demand elasticities. But they also allow some assessment of other aspects of nineteenth century globalisation, such

as international capital mobility. It seems likely that much of the capital that flowed from the Old World to the New World was, in effect, chasing the higher returns brought about by migration-induced labour force growth. In the New World international capital inflows meant that capital to labour ratios, labour productivity and real wages, grew more rapidly than otherwise. Indeed, capital mobility attenuated the real wage effects of migration on both sides of the greater Atlantic economy. One estimate suggests that, in the absence of migration, the real wage in 1910 would have been higher by 34 percent in the United States and lower by 12 percent in Britain. But if capital had also retreated to Europe then the US wage would have been only 9 percent higher while the British wage would have been 7 percent lower (O'Rourke et al., 1994, p. 209).

Even though capital market arbitrage attenuated the transatlantic convergence of real wages, there were other country-specific factors, such as land. As land scarcity increased relative to labour in the New World, land prices and rents increased relative to wage rates, while the opposite occurred in the Old World. As the average landowner was richer than the average worker these developments contributed to increasing inequality in the New World and decreasing inequality in the Old World. For the former, these effects are illustrated in Figure 2 where the fixed factor is now interpreted as land. Wage-rental ratios converged in the greater Atlantic economy between 1870 and 1913, but with considerable diversity. In Australia and Canada, where wage-rental ratios were falling, the trends differed across colonies and provinces (Shanahan and Wilson 2007; Emery et al., 2007). Both within and between countries, these trends were influenced by the scale of emigration, the structure of the economy and the reaction to globalisation. In Europe, the rise in the wage-rental ratio was more muted in countries that resorted to agricultural protection (France, Germany and Spain) than in those that maintained free trade (O'Rourke and Williamson, 1999; see also Bohlin and Larsson, 2007, on Sweden).

These trends are reflected in transatlantic convergence of the ratios of average income (GDP per capita) to unskilled wages (Hatton and Williamson, 2005, p. 120). The effects of migration may also be reflected in the wage distribution. If skilled and unskilled workers were imperfect substitutes then unskilled immigration should increase wage inequality. Up to 1914 immigration increased the share of unskilled labour in the US and Canada, where the skill premium increased, and reduced it in Britain, where the skill premium narrowed

(Anderson, 2001). Betrán and Pons (2004) tested the relationship between net migration and the skill premium on a wider set of countries. They found that net immigration increased the wage premium in the United States but that net emigration narrowed it in France, Italy, Spain and the UK. But such effects can only be observed in the presence of other influences such as skill-biased technical change, capital intensity and structural change, as well as differences in labour market institutions.

1.5: Migration in Asia

Most of the historical focus has been on what is sometimes called the greater Atlantic economy. Yet this accounts for only a third to 40 percent of long-distance international migration in the era up to 1940 (McKeown, 2004, p. 156). Among the more prominent streams was the 50 million or more migrants from India and South China to labour scarce regions such as Burma, Ceylon, parts of Southeast Asia and the Pacific Islands as well as more distant locations on the coast of Africa, South America and the Caribbean. These migrations gathered pace in the mid-nineteenth century and were driven largely by the global trade boom in primary commodities. Even more neglected is the 50 million or so moving from Northeastern Asia and Russia to Manchuria, Siberia, Central Asia and Japan. The Russian and Chinese migrations to Siberia and Manchuria took off from the 1890s, partly driven by improved access to abundant land and partly by rivalry between the Russian and Chinese governments (McKeown, 2004. P. 158).

Migrations in southern and eastern Asia seem to have been driven by much the same forces that were observed in transatlantic migration, notably wage gaps and the stock of previous migrants (Huff and Caggiano, 2007). Just as in Europe, the regional origins of migrants were very unevenly distributed, with notably high rates of emigration from Calcutta and Madras in India and Guangdong and Fukien in China, and from coastal regions generally. Much of this was temporary migration and the migrants were often recruited by agents (the *kangani* system) and transported in gangs to the plantations. Of the 15 million immigrants to Burma, Thailand and Malaya between 1881 and 1939 about four fifths returned, typically after a stay of 3-5 years (Huff and Caggiano, 2007, p. 38-9).

Smaller numbers travelled to the plantation enclaves of the Caribbean, Africa and the Pacific islands. They were largely shut out of the richest New World countries by the costs of

migration and, from the 1880s, by anti-Asian immigration policies. For these migrants, the ratios of the costs of passage to source country incomes were about ten times those facing Europeans emigrating to the New World. Not surprisingly a large proportion travelled under contracts of indenture (mainly Indians) or under the credit-ticket system (mainly Chinese). As with the earlier European migration, the key element of indentured servitude was the length of the contract (Northrup, 1995, pp. 115-116). The greater the distance the longer it took to recover the costs of passage and recruitment and hence the longer was the contract. However the rewards were higher too. Wage ratios between origin and destination in the range of five to nine were two to three times those for migration to Southeast Asia, or for indentured Europeans in an earlier era (Hatton and Williamson, 2005, p. 137). In contrast to the Europeans, these migrations were intended to be temporary and the contracts included the return trip. Nevertheless they did plant permanent populations such as the Indians in Mauritius, British Guyana, Natal, Trinidad, Reunion and Fiji.

We know much less about the labour market impact of migrations within Asia. Given the vast populations of India and China, some observers have followed W. A. Lewis in characterising the migrant labour supply to Southeast Asian destinations as highly elastic. If so then wages at the destinations should be pinned down by wages at the source plus the costs of passage. Huff and Caggiano (2007, 2008) find that the wages of Indian migrants in Burma and Malaya and the wages of Chinese in Thailand and Malaya were cointegrated with wages in the respective source countries, with little trend in the wage gap and little evidence of reverse causality. Thus the long run supply of labour to these booming Asian economies seems to have been more elastic than was the supply of European labour to the New World.

1.6: The policy backlash and de-globalisation

As transatlantic migration rose to ever greater heights in the decades before 1914 the pressures to restrict immigration mounted. And especially so in the United States where the Immigration Act of 1917 imposed a literacy test, which was followed in 1921 by the introduction of the first numerical quota. It has been suggested that mass immigration sowed the seeds of its own destruction in the form of a policy backlash. This policy response can be better understood by asking two questions (Foreman Peck, 1992, p. 360). First, who

gains and who loses from immigration? And second, who is in a position to do something about it? The first relates to the demand for immigration restriction and the second to the supply.

From 1850 to 1880 when the *rate* of immigration to the United States was actually greater than in the early twentieth century, the only political backlash was the rise in the 1850s of the “Know Nothing” party in local and national elections, though their agenda was never focused on explicit immigrant restriction and instead focused on limiting the political power of the most recently arrived immigrants (Higham, 1988, Ch 1). Their support was strongest among urban artisans, the group that suffered most from immigrant wage competition before the Civil War (Ferrie, 1999, p. 173). From the 1880s immigrants were becoming less skilled and more ethnically diverse. Opinion hardened and the open door policy began to change, notably with Chinese Exclusion Act of 1882 and the restrictive 1907 “Gentleman’s agreement” with Japan. One study of attitudes to immigration among Kansas workmen in the 1890s suggests that negative attitudes were driven more by the scale of immigration than by its ethnic composition (Richardson 2005). In the years preceding the 1917 Immigration Act Goldin (1994) found that a member of the House of Representatives was more likely to vote for restriction the slower the growth of wage rates in his district in the preceding years and the faster the growth of the foreign-born population.

Restrictive policies came later in other immigration countries, in some cases because of the concentration of political power. As the franchise widened it typically percolated down the hierarchy of class and income, diluting the political weight of landowners and capitalists. At the turn of the twentieth century voting rates were about one third for adults in the United States but less than ten percent in Latin America where the *latifundia* retained its grip on power (Engerman and Sokoloff, 2005). Consequently immigration restrictions came later in Latin America. In Argentina, electoral reform in 1912 and labour unrest paved the way (Sanchez-Alonso, 2013). It also came somewhat later in the British Dominions, which were relatively democratic. One reason is the imperial connection, as a result of which there was much less diversification in the sources of immigration and less change in the skill composition.

Nevertheless there was a similar trend towards restriction and exclusion, such as the White Australia policy of 1901 and the dictation tests introduced in Cape Colony and Natal in 1897, New Zealand in 1899 and British Columbia in 1907. It is also evident the introduction of head taxes on immigrants and tighter shipping regulations as well as in the progressive withdrawal of subsidised passages such as in Australia after 1913 and Brazil between 1917 and 1927. Using a policy index for five New World countries from 1870 to 1930 Timmer and Williamson (1998) found that the hardening of immigration policies was underpinned by slow real wage growth and increasing inequality as well as by the scale of immigration itself. In Argentina growing inequality and the falling relative education of immigrants were key influences (Sánchez-Alonso, 2013). But the timing of restriction was often associated with big shocks: war and depression.

The globalisation boom in the half century before 1914 was brought to an abrupt end by war and economic turmoil. As Figure 1 shows after a brief revival in the 1920s gross emigration from Europe fell to a level below that of the mid-nineteenth century. In the US the pressure for restriction mounted over two decades before political interest groups coalesced to pass the 1917 Immigration Act and the emergency quota that followed in 1921 was introduced just as the unemployment rate rose to 11.7 percent, from 5.2 percent in 1920. In other settler countries pressures for restriction brought incremental reforms until the Great Depression triggered a more radical retreat from open door immigration policies.² Two questions emerge. First, how much of the decline in migration was driven by policy and how much by other factors? And second, did the decline in mass migration reverse some of the trends that were associated with its rise?

As compared with the pre-War decade interwar immigration fell more steeply in the United States than in other settler countries. The quotas set in 1921 and 1924 were massively

² This took different forms in different countries. In Australia, policy was tightened in 1924 and 1928 and then in 1930 a £50 immigration fee was introduced (equivalent to about four months' earnings for a British worker). In Canada the mildly restrictive Immigration Acts of 1906, 1910 and 1923 (Chinese exclusion) were followed by tougher regulation in 1930 and 1931 when Orders in Council banned all new immigration except for British and Americans with sufficient capital or assured employment. In New Zealand an act with similar effect was passed in 1931 (and the Department of Immigration was closed in 1932). In unifying South Africa, the immigration laws of 1902 and 1906 (framed along similar lines to those of Australia) were followed in 1930 by a national origins quota based on the American Model (see Daniels, 1995). In 1932 Argentina introduced the requirement for immigration of a prior contract or financial means. In 1934 Brazil introduced an American-style quota system as part of a wider nativist backlash.

skewed towards immigrants from Britain, Ireland and Germany.³ In the 1920s these numerical limitations were largely binding, particularly for southern and eastern Europeans, but by the 1930s even these quotas were not being filled (Gemery, 1994, p. 181). In Canada and Australia immigration recovered more strongly in the 1920s but the 1930s collapse was equally severe. Long run trends played a part: those European countries for which the door remained open were on the downswing of their emigration cycles. Migration chains had been broken by war and displacement and emigration became more difficult (Kirk, 1946, p. 88). But above all, the Great Depression was more severe in the New World than in the Old. Thus immigration restrictions introduced in the 1930s had some effects on immigrant numbers, but more important was the legacy of immigration control that they left for the future.

In New World countries labour force growth slowed, the rise in inequality was reversed and skill premia fell faster than in the Old World (Hatton and Williamson, 2005, pp. 124, 191-7). It remains unclear to what degree these trends were due to migration or to other de-globalisation forces. Such trends might have eased pressure for restriction once the depression passed, but other forces were at work. One was the drying up of international capital flows. As noted earlier, international capital flows cushioned the negative impact of immigration on wages in the New World. International capital flows underwent a modest revival in the 1920s but came to an abrupt halt in 1930. Thus, capital market disintegration reinforced the more immediate influences on policy. Nowhere was this more marked than in Latin America, where the depression triggered inward-looking economic policies that included tough immigration controls.

The pattern in Asia was somewhat different. Migration under indentured servitude faced increasing political pressure from the middle of the nineteenth century. On the fringes of the Atlantic economy where there was potential competition with workers of European origin it was fiercely opposed and severely restricted. But it survived longer in island economies like those of the West Indies, Mauritius, Reunion and Fiji. Indian contract labour was finally abolished by Britain in 1916 (and in India a few years later) but by that time it

³ The 1921 Act introduced an overall quota of 356,000 on immigrants from the Eastern Hemisphere, with country quotas restricted to 3 percent of the foreign-born population at the 1910 census. The 1924 (Johnson-Reed) Act reduced the overall quota to 165,000, with country quotas (now based on the ancestry of the US population) restricted to 2 percent of the foreign-born population in 1890.

had been in decline for more than two decades, mainly because of diminishing demand for migrant labour (Hatton and Williamson, 2005, p. 150).

In Southeast Asia as a whole immigration peaked in the 1920s but the 1930s saw a turn to restriction as export markets collapsed. Thus Thailand introduced a literacy test and costly residence permits while Malaya embarked on a policy of large-scale subsidised repatriation (Huff, 2001). In regions that were less dependent on exports and foreign capital the reaction was less severe. And in Northeast Asia, which was little affected by the Great Depression, migration continued unabated until the 1940s.

PART 2: International Migration since 1950

2.1 Long run trends

The decline in international migration of the interwar years was reversed in the postwar era as economic conditions improved but the revival was constrained by immigration policies that were established in the previous era. For the world as a whole there has been an upward trend since the 1960s but the globalization of labour has been much more limited than that of international trade and finance. As shown in Table 2 the total number of international migrants increased by a factor of almost three between 1965 and 2010. But as a proportion of the world's population, the growth in the migrant stock is more modest, increasing from a low of just over two percent in the 1970s to nearly three percent. Equally important, the trends have differed widely by region as some preexisting trends revived, others reversed, and new migration streams emerged.

<Table 2 about here>

In the traditional settler countries, the United States, Canada, Australia and New Zealand, immigration rates recovered but not to the pre-World War I level. Thus in the United States the annual immigration rate fell from 11.6 per thousand in the 1900s to 0.4 per thousand in the 1940s before rising to 4.0 per thousand in the 1990s. In Canada and Australia the early postwar revival was stronger and the subsequent increase somewhat slower. For all four countries together gross immigration increased from around half a million per annum in the early 1950s to a million in the 1990s. But the most striking feature is the shift in the sources of immigrants. This can be seen most clearly for the United States where the share of new

immigrants from Europe fell from 56.2 percent in the 1950s to just 13.1 percent in the 2000s. Western Europe, once the principal source of migrants to the New World evolved from a region of emigration into a region of immigration. Migration to and within Europe grew rapidly in the early postwar years, notably in (West) Germany where the foreign labour force share rose from 0.4 percent in 1955 to 10.5 percent in 1972 (Bauer et al., 2005, p. 207). Britain and Scandinavia, followed later by Ireland, Italy and Spain, experienced a gradual transition from net emigration to net immigration.

The reverse transition occurred in Latin America. Having once been a magnet for European immigrants, its failure to match the economic growth of Europe, and especially the United States, accelerated a pre-existing trend towards net emigration. In Latin America and the Caribbean the number born outside the region fell from 3.7 million to 3.0 million between 1960 and 1980 while the number of expatriates increased from 1.9 million to 4.8 million. The most striking case is that of the Mexican-born in the United States, which increased from under a million in 1970 to more than nine million in 2000. More recent is the revival of emigration from Eastern Europe and the former Soviet States. The mass displacements after World War II involved westward migration of 12 million ethnic Germans from Poland, Czechoslovakia and the Soviet Union, but that movement was sharply curtailed from 1950 as communist regimes imposed strict controls on emigration from which only a trickle of refugees escaped. Following the fall of the Berlin wall in 1989 and the dissolution of the Soviet Union in 1991, there was a sharp increase in emigration to a peak of 1.2 million, mostly to the EU-15, the United States and Israel. There was also a surge of migration to Russia that peaked in 1992-5, notably of ethnic Russians from newly independent republics (Mansoor and Quillin, 2006, pp. 24-30).

A largely new development in the postwar period was substantial migration to North America and Western Europe from Asia, notably from China, Japan and Korea as well as from the Indian subcontinent. From some countries such as the Philippines they came through recruitment schemes; in others such as Vietnam and Cambodia, a surge of refugees established streams that persisted largely through family reunification. There was also a substantial stream of migrants to the Middle East. Israel attracted 3 million Jewish settlers, mainly from Europe, in the four decades after its founding in 1948. Very different was Asian migration to the Persian Gulf. The oil producing Gulf States (Bahrain, Kuwait, Oman, Qatar,

Saudi Arabia and the United Arab Emirates) attracted migrants, first from other Arab states and then from the 1970s from across Asia, initially from India and Pakistan, and subsequently from Bangladesh, Sri Lanka and Southeast Asia. By 1990 the foreign-born exceeded one third of the population of the six Gulf states. In contrast to the permanent settlers to Israel, these guestworkers from Asia came under strictly enforced short term contracts and without the prospect of permanent residence, integration and family reunification (Fargues, 2011).

2.2 What drove postwar migration?

What determined the volume and direction of postwar migration? And how much does this differ from the age of mass migration before the First World War? In the presence of binding immigration restrictions one might expect that the characteristics of migration would simply reflect the rationing imposed by policy and not the underlying incentive to migrate. Yet for the largest destination country, the United States, income gaps, inequality, source country demographics and the migrant stock all influenced the flow of immigrants from different source countries (Clark et al., 2007). The fact that such forces remained influential reflects partly the competition for visas between immigrants from different source countries, and partly the fact that many immigrants (such as those moving through family reunification) were not subject to numerical limits. Immigration policies served both to attenuate the effects of economic and demographic variables and to affect the numbers directly. For rich destination countries the average tightening of entry laws reduced immigration by about six percent (Ortega and Peri, 2012).

The short-run responsiveness of migration to economic conditions depends on policy and also on proximity. Migration for employment was responsive to demand conditions during European guestworker up to the early 1970s when immigrants were drawn first from Italy, Greece, Spain and Portugal and then from North Africa, Turkey and what was then Yugoslavia (Chiswick and Karras, 1999). Similarly, migration from the Indian subcontinent to the Gulf States responded closely to demand. Nevertheless supply conditions also mattered, as with Philippine migrants to the United States under the overseas employment programme set up in 1974 (McKenzie et al., 2012). Proximity and policy also underpinned the ebb and flow of migration from Mexico to the United States, where temporary

migration under Bracero Program of 1942 to 1964 gave way to waves of undocumented migration. High mobility across porous borders is also a feature of migration within Sub-Saharan Africa (Hatton and Williamson, 2003).

In the long run a number of other fundamentals have shaped the scale and persistence between pairs of source and destination countries (Pedersen et al., 2008; Mayda, 2010; Adsera, and Pytlikova, 2012; Belot and Ederveen, 2012). The first is geographic distance, which is often interpreted as reflecting the costs of migration and can be seen in the geographic clustering of migration streams, and especially in settlement patterns of contiguous countries. The second key element is cultural affinities, most obviously sharing a common language (and to a lesser degree also cognate languages), and common religion. Other links such as colonial legacies and links through trade and politics have gradually faded in importance. But the most dominant factor is the stock of previous immigrants from a given source country at a particular destination, which builds in strong persistence. In the nineteenth century the so called friends and relatives effect represented a very strong “pull factor.” And it remains strong in recent times, reinforced by immigration policies that emphasise family reunification as the main entry route (Beine et al. 2011b).

One of the key features of international migration from the nineteenth century to the present is that the poorest countries often have relatively low emigration rates. A number of studies have found it easier to detect the pull effect of host country income than the push effect of living standards in source countries (e.g. Mayda 2010). As in the nineteenth century, while an increase in home income reduces the *incentive* to emigrate it also increases the *ability* to emigrate for liquidity-constrained potential emigrants. Thus the higher is the poverty rate the lower is the emigration rate. But as in the past, assistance from previous emigrants helps to ease the poverty constraint and so network effects are stronger the poorer is the source country. This helps to explain why immigration to the United States diversified so quickly towards Asia and Latin America in the wake of the 1965 immigration policy reform. Immigration from Asia grew rapidly up to the 1990s as the friends and relatives effect took hold and then subsequently eased as the incentive to migrate declined. By contrast migration from Africa was constrained by high poverty rates and an initially low migrant stock, but is now rising fast (Hatton and Williamson, 2011).

2.3: Immigrant Selection and Assimilation in the Developed World

The performance of immigrants in host country labour markets has shaped attitudes to immigration and immigration policy. In his pioneering analysis of immigrants and natives in the 1970 US census, Chiswick (1978) found that, soon after arrival, male immigrants had earnings ten percent lower than comparable native-born workers. But after thirteen years they had caught up and after twenty years their earnings exceeded those of the native born by 6 percent. A succession of studies have confirmed that immigrants do catch up in earnings in the decade after arrival by around one percent per year (for example, Lalonde and Topel, 1991, p. 89; Antecol et al 2003, p. 24). Tracking immigrant cohorts between two successive censuses Borjas (1995) found that the catch-up rates were somewhat lower but that the initial immigrant disadvantage had increased. While the immigrants of the 1950s and 1960s had relatively high initial earnings and sometimes overtook the native-born, more recent cohorts have suffered a much larger initial disadvantage and have and have failed to assimilate rapidly enough to catch up. Table 3 shows that while immigrant males in the United States earned 4.1 percent more than native born males in 1960, by 1990 they were earning 16 percent less. For recent immigrants the difference is even greater.

<Table 3 about here>

Part, but not all, of this trend can be accounted for by a decline in immigrant educational attainment relative to the native born. As shown in the lower panel of Table 3, there was a particularly large increase in the relative share of immigrants with less than twelve years of education. But immigrant performance deteriorated even after controlling for education and the most important source of decline is the shift in the source country composition of immigrants. The immigrant-weighted average source country income per capita was 49 percent of US income per capita in the 1950s and this fell to 22 percent in the 1990s. Over the same period this ratio fell from 65 percent to 31 percent for Canada, 73 percent to 49 percent for Australia and 96 percent to 45 percent for Germany (Hatton and Williamson, 2007, p. 223). These trends bear an uncanny resemblance to the increase in the share of immigrants from lower income countries in the age of mass migration before 1914. Although both experiences invoked similar concerns it is worth stressing that the earnings

gaps between “new” and “old” immigrants have been much greater in the postwar period than in the earlier era (Hatton, 2000, p. 525).

Differences in the socioeconomic status between immigrants and natives can be accounted for in four ways. The first is individual characteristics. Clearly education and skills are important to labour market success, but those that are acquired in the origin country may be worth little in the host country labour market. Chiswick and Miller (2008; 2009) find that immigrants are often found in occupations lower than their education levels would predict, and especially so for immigrants from less developed countries. And as human capital is more important now than it was a century ago, this could account for some of the difference between now and then. Equally important to labour market success is proficiency in the host country language. Chiswick and Miller (1995; 2010) find that speaking the language enhances earnings by 8-16 percent. These two things are related.

Second, it is widely believed that immigrant networks are an important key to assimilation, at least in the years shortly after arrival (Munshi, 2003). Immigrant communities help new immigrants become established by helping them gain access to employment. But these communities may also become ghettos or ethnic enclaves, which by insulating immigrants can slow down the assimilation process. Over the longer term assimilation also takes place at the community level and in part it reflects the evolution of attitudes in the host society. The longer the immigrant community has been established, the better adjusted it becomes, and the more the host society comes to accept that ethnic group. Evidence for the United States indicates that the presence of a large number of immigrants from the same origin tends to depress relative earnings of new immigrants while a long history of immigration from that source raises relative earnings (Hatton and Leigh, 2011). Thus the pre-1914 new immigrants eased the path for post-war cohorts from the same countries.

Third, assimilation patterns also differ across host countries depending on the structure of the labour market and the welfare state. Antecol et al. (2003) found that the increasing probability of employment accounted for almost all of the growth in immigrant incomes over the first twenty years in Australia compared with about half in the United States. Australia’s more egalitarian wage structure and greater regulation restricted immigrants’ access to good jobs but delivered higher initial wage rates and slower wage growth for

those who gained employment (Gregory et al., 1992; Miller and Neo, 2003). Such findings are also common in Europe where participation rates of immigrants are lower than those of natives and unemployment rates are typically twice as high. This is the culmination of a steady deterioration. In Sweden the employment rate for male immigrants fell from 65 percent in 1970-9 to 38 percent 1993-8 while the unemployment rate increased from 8 percent to 26 percent. Over the same period rates of earnings assimilation were low and relative earnings for immigrants declined (Bengtsson et al. 2005, p. 31).

Lastly it matters not just where immigrants came from but under what circumstances. The evidence suggests that patterns of assimilation differ by visa category and thus policy has an important role. For immigrants who arrived in Canada between 1980 and 2000 DeVoretz et al. (2005) found that, 7 years after arrival, those who came as family migrants or refugees had incomes that were 40 percent lower than those who migrated through the employment stream. Refugees were much more likely to depend on welfare benefits than other classes of immigrants. Other studies for Canada and Australia confirm that employment stream immigrants are the most successful in the labour market followed by family migrants and then refugees (Cobb-Clark, 2006; Aydemir, 2011). These differences are even more marked in Europe where larger welfare states and higher unemployment interacts with immigration policies that have increasingly emphasised family and humanitarian immigration.

2.4 Immigrant selection and the brain drain

Migration is non-random because the incentive to migrate differs between individuals and across source and destination countries. Against the background of trends in the labour market performance of immigrants, destination countries have become increasingly concerned with selecting highly skilled and educated migrants. The standard model of immigrant selection (the Roy model) predicts that if the rate of return to skills is higher in the destination than in the source country then immigrants will be positively selected, and *vice versa* (Borjas 1987). But immigrant selection also depends on the costs of migration, on selective immigration policies and on the other variables that drive migration decisions.

For the rich OECD countries the share of high educated among immigrants is similar to that of the native-born (notwithstanding that the former often receive lower earnings given their skills). The English speaking countries have the highest immigrant skills relative to natives

while for most countries of continental Europe immigrant skills are substantially below those of natives. This reflects the sorting of high educated migrants towards destinations with the higher return to skills (Grogger and Hanson, 2011). Skill-selective migration policies might also be expected to be important, but only where they apply to a significant share of the flow. For the United States the lack of skill selectivity has been offset by the incentive effects of the high return to skills. By contrast, countries in Europe that have less unequal income distributions and larger proportions of refugees have larger shares of low-skilled immigrants.

Across source countries, there is a positive correlation between the share of high educated emigrants relative to non-emigrants and the source country return to skills (Belot and Hatton, 2012). This is the opposite of what the Roy model suggests. One reason is that low-skilled potential emigrants from poor and unequal countries are constrained by poverty. Once this is taken into account the negative relationship between the source country return to human capital and the relative share of skilled emigrants is revealed (Belot and Hatton, 2012). Survey evidence from poor countries tells much the same story (Leibig and Souza - Posa, 2004). The evidence also suggests that the larger is the existing diaspora of previous emigrants, the less positively selected is the current flow (Beine et al., 2011a). Thus over the long run, immigrant selection has been influenced by two key forces. The first is that economic growth in the developing world has gradually eased the poverty constraint and expanded the potential for migration from the poorest countries. The other is that following the establishment of an initial flow, the friends and relatives effect, by easing the poverty constraint, expanded the migration possibilities for less skilled immigrants.

Nevertheless, the selection of high skilled immigrants from the developing world, partly the result of policy, has led to concerns about the brain drain. Such concerns were raised in the 1960s and 1970s with the first surge of emigration from third world countries. The brain drain is particularly severe for countries that are small, middle income, and close to rich destinations. Thus for Guyana, Jamaica and Haiti, more than 80 percent of the high-educated have emigrated, and the rates also exceed 50 percent for a number of countries in sub-Saharan Africa (Docquier and Rapoport, 2012). Of even greater concern are the high rates of emigration in certain key professions such as doctors and nurses from Africa and engineers and IT specialists from India. However, while the absolute size of the brain drain

has increased, the rates relative to source-country populations have not (Docquier and Rapoport, 2012, pp. 688-9). This is partly because of the general rise in education in less developed countries, and partly because network effects and falling migration costs have widened the possibilities for the less skilled.

While the scale of the brain drain has become clear, its effects on the origin countries have been debated; specifically whether or not skilled emigration leads to a compensating brain gain in the source country. One mechanism is where the widening possibility of emigration acts as a broad stimulus to schooling, while only some of those with additional education actually emigrate (Mountford, 1997). The evidence strongly suggests that there some educational response to emigration, the net effect of which varies across source countries. Countries like China, India, Indonesia and Brazil all experienced modest net educational gains while smaller countries in Central America, the Caribbean and sub-Saharan Africa experienced significant net losses (Beine et al., 2008, p. 644). Such compensating effects may be due in part to the use of remittances for education in poverty-constrained households in origin countries. There is also some evidence of brain gain where return migrants promote knowledge transfer and diffusion, for example among IT specialists returning to India (Kapur, 2010, Ch. 4). They may also promote trade and foreign direct investment. More indirectly, a highly educated diaspora may positively influence economic and political institutions in origin countries (Docquier and Rapoport, 2012, p. 712).

2.5: The labour market effects of immigration

Immigration policies in the developed world have been influenced by the actual or perceived effects of policy. As before, Figure 2 provides a useful starting point. For the receiving country, R, the immigration surplus (area BCD) may be small and is likely to be dominated by the distributive effects. With full enfranchisement, those with most to lose have power over policy. Workers lose (WR_1, B, D, WR_2) and they have the most votes; capitalists gain (WR_1, B, C, WR_2) but have few votes; immigrants have the most to gain (as their wage increases from WS_1 to WR_2) and they have no votes at all *ex ante*. This political calculus would be altered either if some workers gain at the expense of others or if the labour demand curve shifts to the right, from DR to DR', offsetting the wage effects. In the

absence of such a demand shift, if wages are sticky downwards, then immigration creates unemployment.

As in the nineteenth century, the effects of immigration are hard to discern, but recent history offers some useful natural experiments. The first is the inflow into metropolitan France following the latter's independence in 1962. About 900,000, mainly French-born expatriates or *pieds-noirs*, flowed into France, adding 1.9 percent to the population and 1.6 percent to the labour force. Hunt (1992) found that the overall effect was to reduce the real wage by 1.3 percent, and to increase the unemployment rate by 0.3 percentage points. Thus, the Algerian immigration shock was sufficiently large to have a clear effect on the French labour market. Larger still was the influx to Portugal when independence struggles in Angola and Mozambique reached a climax in 1974-6. The 600,000 *retornados* added 7 percent to the population in these few years. Carrington and Di Lima (1996, p. 244) found that the influx of *retornados* reduced the Portuguese wage by around 3-6 while the aggregate unemployment rate increased by around two percentage points. These effects can also be clearly seen when comparing real wage and employment trends in Portugal with those of its nearest neighbours, France and Spain (Hatton and Williamson, 2005, p. 304). These examples suggest distinct wage and employment effects despite sometimes being interpreted to the contrary.

Another 'natural experiment' is provided by the influx of Russian Jews to Israel when the Soviet Union lifted its restrictions on emigration late in 1989. This immigration shock added 610,000, or about 7 percent, to the population in the first two years and topped a million by the mid-1990s. As a result the working-age population increased by 8 percent up to 1992 and 12 percent up to 1997. Non-immigrant employment fell in the by about five percentage points in the first few years and then total employment grew as the immigrants were absorbed into employment and the labour market adjusted. Real wages plunged in the early 1990s and then hovered at about 10 percent below the preceding trend for the rest of the decade (Hatton and Williamson, 2005, p. 300). However the wage effect was mitigated by inward capital flows (Cohen and Hsieh, 2000), that eventually raised labour productivity, shifting the labour demand curve as illustrated in Figure 1. These examples suggest that immigration leaves an imprint but that it fades over time.

The effects of immigration vary widely between different segments of the labour market. In his study of the US labor market Borjas (2003) analysed these effects at the national level across groups by education and experience. Between 1980 and 2000 the immigration-induced decline in average male earnings was 3.2 percent but for those with less than high school education the decline was 8.9 percent. If immigrants are less than perfect substitutes with natives then the true effects may be much smaller and more of the impact would fall on previous immigrants (Ottaviano and Peri, 2012). But immigrants are often found to be further down in the distribution of earnings and occupations than their skills would suggest (Chiswick et al., 2008; Dustmann et al., 2012). For this reason as well, the negative impacts are felt most among less skilled natives, not just in earnings but also in employment. Across OECD countries the evidence suggests that a one percentage point increase in the immigrant share increases native unemployment by 0.3 percentage points. But this effect is larger and more persistent in countries where there is greater labor market regulation (Jean and Jimenez, 2007).

These differences are also reflected in the fiscal effects of immigration. Estimates of the net fiscal contribution of immigration depend on two interacting factors. First, those with more than high school education generally make a net contribution (Smith and Edmonston 1997, p. 334; Storsletten 2000). One recent general equilibrium estimate suggests that the decline in the relative skills of US immigrants since the 1965 policy reform substantially reduced the fiscal (and overall) gains from immigration (Chojnicki et al., 2011). Second, the more generous is the welfare state and the less flexible is the labour market the greater the net burden imposed by low-skilled immigrants (Storsletten 2003; Boeri 2010). For some European countries the fiscal costs increased as welfare states expanded and as the labour market status of immigrants has deteriorated—as for example in Sweden between 1970 and the mid-1990s (Ekberg, 1999, p. 423). In countries where welfare states are smaller and immigrants have limited access to benefits and welfare services, fiscal burdens are much less of a concern.

2.6: Trends in immigration policy

The early postwar years saw a gradual loosening of immigration policy in the developed world. As noted earlier, that includes the traditional immigration countries, Western Europe

and new growth areas such as the Gulf States and countries as diverse as South Africa, Korea, Japan and Thailand. Until the 1970s the economic climate was more benign than it had been during the interwar period and thus immigrants were more easily absorbed. But several other factors were important. In contrast to the interwar period, capital flowed more freely and international trade barriers fell so that the less of the adjustment to immigration fell on wages (Hatton and Williamson, 2008). Added to this, the shift away from resource-based industries (or the expansion of the resource base) and rapid productivity growth shifted the labour demand curve to the right (DR to DR' in Figure 1).

But other factors were working against the expansionary policies of the 1950s and 1960s. One was the growing concerns in several countries about the deterioration of the labour market conditions for low skilled immigrants. A classic case is the sudden termination of the European guestworker programmes when economic conditions in Germany and elsewhere in Europe suddenly worsened in the early 1970s. Dramatic policy tightening, for which the oil shock was the trigger, followed mounting disquiet about immigration. In Britain and France the growth of immigration from poorer parts of the world (partly a consequence of de-colonialisation) led to a tightening of policies in the late 1960s and early 1970s (Hatton and Wheatley-Price, 2005, pp. 122-30; Verbunt, 1985, pp. 136-47). Such policies were often supported by reference to labour market conditions and welfare state burdens, although there were often deeper, more xenophobic reasons. In Canada (1967), Australia (1979) and New Zealand (1991), where immigration had been restricted to Europeans, points systems were introduced to select immigrants for skills. One exception is the United States which did not turn to restriction or selection although there were strong pressures to do so in the 1990s.

Perhaps the backlash is best observed in the response to the surge of asylum seekers from the mid-1980s mainly in the EU-15 (Hatton, 2011, Ch. 6). Although all EU countries are signatories of the 1951 Refugee Convention, its provisions left room for a considerable tightening of policy. This involved three dimensions. The first was the tightening of border controls and visa requirements. The second was in the procedures for granting refugee status; the proportion of applicants to EU-15 countries who were granted some form of status fell from a half in 1985 to 30 percent a decade later. And third there was a progressive toughening in the restrictions placed on asylum seekers and reductions in their

living standards during the processing of their applications. After some decline in the mid-1990s asylum applications surged again at the turn of the century and this triggered another round of tightening especially in the wake of the attacks of September 11th 2001.

Overall immigration policies seem to have become more restrictive up to the 1990s. The United Nations periodic survey of government views and policies indicates that among developed countries the proportion of governments believing that immigration was too high peaked at one third in the mid-1990s, when three fifths of them were aiming to reduce it (Table 4). Since then both indices have declined in the developed world, a trend that is much less marked for less developed countries. For the developed countries, a gradual easing of policy can also be seen in policy indices relating both to the entry of immigrants and to the conditions under which they can stay (Ortega and Peri, 2012). This trend continued to the early 2000s but has probably since been reversed.

<Table 4 about here>

The overall effect of policies since the late 1960s was to squeeze out labour migrants while increasing the selectivity of those who still arrived through the employment channel. For the United States the share of family migration is nearly three quarters. But even for countries like Australia and Canada that are famous for their selective immigration policies based on points systems, the share of immigration accounted for by family reunification is more than half. For most European countries the largest component is free migration within the EU or the common travel area. Excluding these, among 14 European countries in 2008, the share arriving through the employment stream averaged little more than quarter, with nearly 60 percent coming through family reunification and a further 15 percent as refugees. Recent initiatives in EU countries have sought to increase selectivity in the employment stream while constraining family reunification and clamping down ever more severely on asylum seekers and illegal immigrants.

In Asia and Africa policy has evolved through several stages. In the immediate post-colonial era most countries lacked coherent immigration policies and border controls, especially with contiguous countries. Work permit systems were developed in the 1980s and 1990s in regional hubs such as Korea, Singapore and South Africa. These became increasingly formalised and, in some, the temporary worker programmes developed into bilateral

agreements that resembled the earlier European guestworker programmes. By 2003 Malaysia had bilateral agreements with eight countries including the Philippines, Sri Lanka, Thailand and Indonesia. They were sometimes subject to temporary stops, restrictions and repatriations as economic conditions deteriorated, as in Nigeria in the early 1980s, South Africa in 1988, and Malaysia in 1997-8. But for many countries including those in South America such as Argentina and Brazil, limited policy effectiveness meant mounting numbers of illegal immigrants. Although policy focused principally on low-skilled temporary employment, recent developments include some easing of restrictions on family reunification and, more importantly, a shift towards skilled worker programmes, such as those in Japan, Taiwan, Korea and India.

By far the greatest challenge for some of the world's poorer countries has been the influx of refugees, as conflict flared in neighbouring countries. In 2010 four-fifths of the world's ten million refugees were located in developing countries, with Pakistan, Iran and Syria each hosting more than a million and Chad, Jordan and Kenya hosting around 400,000 (UNHCR, 2011, pp. 62-4). Fragile host countries in African conflict zones became increasingly unwilling or unable to provide for refugees as the numbers increased in the 1980s. Refugees were sometimes pushed back or encouraged to return, even though the host countries were signatories to the UN Refugee Convention or regional conventions. In Africa and in some Asian countries they have been quarantined in camps without access to civil status or employment in the host country. In Middle Eastern countries they have more often been absorbed in urban areas with few rights and protections and with limited opportunity for assimilation. However some of these pressures have eased as returns and resettlements have outpaced the rate of new displacements and the total stock of refugees has declined by almost half since the peak of 1992.

2.7: Public attitudes and immigration policy

In the era of globalisation before World War I, most western countries had a franchise that was heavily weighted towards the property owning upper and middle class. This picture changed dramatically during the first half of the twentieth century as the right to vote percolated down the socioeconomic scale (Hatton and Williamson, 2007, p. 228). The logic of Figure 2 provides good reason why immigration policies should have been much more

restrictive since 1950 as compared with the nineteenth century. Even if skilled workers benefit from immigration, the widening franchise still swung the pendulum against immigration. Surveys of public opinion indicate that attitudes to immigration are typically negative, but not overwhelmingly so. On a five point scale between increasing immigration a lot (1) and reducing it a lot (5) the average over 26 countries in the ISSP survey of 2003 was 3.8. Responses to questions on whether immigrants take jobs and whether immigration is good for the economy are somewhat less negative at 3.1 and 3.2

The strongest finding in the analysis of attitudes is that negative sentiment towards immigration is strongest among those with low education. This can be interpreted in two ways. The first is that the less educated are concerned about the potential labour market competition from low skilled immigrants (Scheve and Slaughter, 2001; Mayda, 2006; O'Rourke and Sinnott, 2006). The other is that the more educated have greater tolerance towards minorities and are more positive about ethnic and cultural diversity (Dustmann and Preston, 2007; Hainmueller and Hiscox, 2007). Studies of immigration opinion have also found that concerns about the fiscal costs weigh heavily with some citizens (Facchini and Mayda, 2009; Boeri, 2010). This helps to explain why attitudes are often somewhat negative even among those higher up the scale of class, education and income. Not surprisingly, as a reference point, the current scale of immigration matters too (Lahav, 2004; Sides and Citrin, 2007).

There is very little evidence on how public sentiment has changed over the long run. One exception is the United States, where the proportion wishing immigration to be reduced increased mildly to peak in the early 1980s and again in the mid-1990s and then declined (Simon, 2004, p. 21). The rise in the early 1980s reflects the effects of recession while that of the mid 1990s was associated with a surge of immigration and mass legalisations. Given the importance of education in shaping individual attitudes, the growth in average education over the last half century should have produced more liberal sentiment. But other factors have worked in the opposite direction, particularly the number and the types of immigrants, welfare state expansion and skill-biased technical change. In most OECD countries attitudes towards asylum seekers, illegal immigrants and boat people deteriorated steeply in the 1980s and 1990s as the numbers increased. In Australia the proportion wanting the government to "turn back the boats" increased from a quarter in the late 1970s to more

than a half in the early 2000s (Betts, 2001, p. 44). In Europe, negative sentiment towards immigrants and asylum seekers has also been associated with the growing influence of far-right political parties.

Given that the median voter favours reducing immigration, it is perhaps surprising that immigration policies have remained as liberal as they have. In an important paper Freeman (1995) argued that in liberal democracies, immigration politics is characterised by an expansionary bias:

Popular opinion is typically restrictionist, but not well articulated. Organized opinion, reflecting the distribution of the costs and benefits of immigration, is more favorable. Organized opinion has more impact on policy because vote-maximizing politicians find it in their electoral interest to cater to it. The normal clientelistic politics of immigration nonetheless tend to evolve into a more open interest-group politics within particular immigration cycles (Freeman, 1995, p. 886-7).

Anti-immigration sentiment is diffuse while pro-immigration sentiment is concentrated, and this shapes policy in both social and economic dimensions. Some see immigration politics as a social and cultural issue and therefore distinct from trade, on which the debate is more narrowly economic (Greenaway and Nelson, 2006). Here the pro-immigration pressure groups range from ethnic minority interests to those concerned with civil rights and humanitarian issues; in some countries these are counterbalanced by nativist and nationalist lobbies. The other dimension is employer lobby groups, which according to Figure 2 are pro-immigration, and which are concentrated, organised and well resourced. In the United States business groups have invested substantial resources in lobbying for sector-specific visa allocations in temporary worker programmes. The evidence suggests that this activity is successful although it is often opposed by organised labour (Facchini et al., 2011). The strength of industry lobbies and the weakness of unions is one reason why immigration policies have remained more open in the United States than in other countries.

Part 3: International Migration and Policy in the Future

3.1: How many migrants?

Will international migration increase or decrease? Some observers think that the potential for migration is vast and that pressure will continue to build. Thus Pritchett (2006, p 138)

writes that “there are five irresistible forces in the global economy creating growing pressures for greater movement of labor ... from poorer to richer countries”. These include divergences in demographic trends and differences in economic growth across world regions. The most obvious indicator of these pressures is the vast income gaps that exist around the world. Allowing for differences in skill, immigrants to the United States from low- and middle-income countries earn on average five times the wage at home; for those from the poorest countries it would be ten times. Even allowing for differences in selection, potential emigrants from the Philippines could increase their incomes by a factor of 3.5; those from Haiti by 7.8 (Clemens et al., 2009). These gaps are much greater than the ratios of around 2 that drove the great transatlantic migrations before 1914. And the widening gap between rich and poor countries probably added to migration pressure—at least up until the early 1990s.

Survey evidence suggests that potential emigration is enormous. Among adults in poor and middle income countries more than a quarter say they would like to emigrate, a proportion that exceeds half in some African countries (Torres and Pelham, 2008). In the late 1990s the proportion expressing an intention to emigrate was 41% in Ghana 20% in Morocco 38% in Senegal and 12% in Egypt, and these were mostly for economic reasons (Van Dalen et al., 2005, p. 752). Yet only a fraction of those expressing the intention actually migrate, because of poverty, policy or family ties. Another symptom of migration pressure is the volume of illegal migration. In the United States the stock of illegal immigrants, about three fifths of whom are from Mexico increased from around three million in the early 1980s to exceed ten million by the 2000s (Passell, 2007, p. 12). However, there is some evidence that the pressure has eased, with a decline in the annual flow from half a million to 150, 000 (Passell and Cohn, 2010). In Europe, similarly porous borders to the south and east, combined with tougher policies towards asylum, saw the stock rise to around 3-5 million in 2002 since when it has declined (European Commission, 2009, p. 12).

While the absolute level of migration pressure is hard to measure, some insight can be gained from examining trends in the forces that determine observed migration. Looking at immigration to the US, Canada and Germany there is some evidence that the forces driving immigration from Asia, the Middle East and North Africa as well as Latin America and the Caribbean increased until the early 1990s and then eased. The inverted U shape of the

emigration cycle is reminiscent of the trends in European emigration in the nineteenth century and has often been noted in postwar emigration histories (Massey et al., 1998, Ch 4; Durand, 2009). The most important forces in the slowdown are the demographic transition and the educational revolution, and these trends are likely to continue into the future (Hatton and Williamson, 2011). The exception is sub-Saharan Africa where modest economic growth, by easing the poverty constraint, is likely to increase migration pressure.

These scenarios are predicated on existing immigration policies, which undoubtedly hold back a very large amount of potential emigration. Estimates of the worldwide gains to completely eliminating such barriers range from around one half to one-and-a-half times global GDP (Clemens, 2011, p. 86). Such estimates are based upon full equalisation of wages and (as Figure 1 suggests) most of the gains go to the migrants themselves. But such counterfactuals are not remotely feasible: upwards of half the population of non-OECD countries would need to emigrate. Nevertheless substantial gains would result from a far more modest loosening. One estimate suggests that immigration from poor countries equivalent to 3 percent of the OECD labour force would increase the income of the emigrants by a total of \$170B (0.6 percent of world income) and bring a total gain of about the same amount (Winters et al., 2003). Even this exceeds by a considerable margin the estimated gains from the elimination of all remaining barriers to international trade.

3.2: Can policy rise to the challenge?

Those who recognise that the gains to liberalising migration far exceed that from other liberalisations have often argued for open border policies. But it is far from clear what combination of economic incentive and political initiative could make this happen on a global scale. As the logic of Figure 1 makes clear, for an immigration country, as long as the potential losers (actual or perceived) outnumber the potential gainers, national policies will remain restrictive. Equally important, those with the most to gain are the potential immigrants and they do not have a vote *ex ante* on the immigration policies of the countries they would like to enter.

One possible solution that has sometimes been suggested is a multilateral agreement that would lower the barriers to migration in the same way as the GATT/WTO has done for international trade. But there is a good reason for the contrasting histories of trade and

migration (Hatton, 2007). Despite the fact that freer trade is normally in each country's individual interest, negotiations at the WTO are based on the exchange of 'concessions' for market access. Thus one of the key principles is reciprocity. But while trade flows are balanced, migration flows are not. It is difficult to imagine that access to the labour markets of poor countries would be a sufficiently attractive concession to induce rich countries to open their labour markets. Added to that, those countries that send migrants do not, on the whole, place any value on seeing more of their citizens emigrate. According to the UN's periodic survey, only five percent of developing country governments in 2005 thought that the level of emigration from their country was too low, while 27 percent thought that it was too high (United Nations, 2009, p. 74).

One possibility would be to link migration to trade negotiations in the WTO, or to other issues such as the environment. But the WTO's GATS Mode 4 (providing mobility for the supply of services) has been little used, and adding further dimensions to already deadlocked negotiations is unlikely to work. An alternative is to build upon existing regional cooperation in trade and other dimensions, the most advanced example being the European Union. Others include the ECOWAS in West Africa, COMESA in Eastern and Southern Africa and MERCOSUR and the Andean Community in South America. These have agreements in principle to facilitate cross border movement, but they have not been implemented. Where development gaps between the countries are small by world standards, migration is driven more by comparative advantage, making two-way flows a more realistic prospect and offering some potential for building agreements based on reciprocity. However the gains would be correspondingly modest. Where the gaps are large, such between Mexico and the United States within NAFTA, open borders are much less likely to emerge. But the recent expansion of the EU to embrace poorer countries of Eastern Europe suggests that deepening and extending existing agreements is a long term possibility.

What about agreements between rich and poor countries, potentially on opposite sides of the globe? For highly skilled and educated workers there is little need for formal agreements as such migrants are increasingly seen as a benefit to the destination. But such programmes as the US H-1B visa or the EU's blue card could be expanded without being seen as a threat through the labour market or the national budget. A somewhat greater challenge is the admission of low skilled immigrants, something that faces greater resistance

despite the relative scarcity of low skilled labour in developed economies. Here the most feasible development would be bilateral agreements for temporary migration, which could be adjusted to labour market conditions and would generate time-limited welfare state entitlements. Such agreements went out of fashion in OECD countries because they were seen as leading either to permanent settlement or to illegal migration. However, it has been suggested that such side effects can be avoided if the right incentives are provided and if there is adequate enforcement (Boeri et al., 2002, Ch. 6; Schiff, 2004). These incentives include the employer posting a bond that is returnable when the migrant leaves at the end of the contract and deferring some of the migrant's pay until he or she returns to the source country. Existing agreements often include one of these but not both and it is argued that, in addition, source country cooperation is needed in order to avoid generating new waves of illegal immigration. Some observers see scope for agreements in which the central focus is expanding guestworker programmes in exchange for cooperation in controlling illegal immigration, although it is not clear how effective such schemes would be.

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Table 1: Migration to the Americas, 1492-1880

	1492-1580	1580-1640	1640-1700	1700-1760	1760-1820	1492-1760	1492-1820	1820-1880
Panel A: Slave and Non-Slave Migrants								
All Migrants	265	998	1358	3593	5098	6214	11312	15998
African Slaves (000s) (%of all migrants)	68 (25.7)	607 (60.8)	829 (61.0)	2846 (79.2)	4325 (84.8)	4350 (70.0)	8675 (76.7)	2296 (14.4)
Europeans (000s) (% of all migrants)	197 (74.3)	391 (39.2)	529 (39.0)	747 (20.8)	773 (15.2)	1864 (30.0)	2673 (23.3)	13702 (85.6)
Panel B: Composition of Non-Slave Migrants								
Servants (% of non-slaves)	0	49 (12.4)	236 (44.4)	128 (17.3)	89 (11.5)	413 (22.1)	502 (19.0)	651 (4.7)
Convicts (%of non-slaves)	3 (1.5)	8 (2.0)	23 (4.3)	61 (8.2)	34 (4.4)	95 (5.1)	129 (4.9)	20 (0.1)
Free (%of non-slaves)	194 (98.5)	339 (85.6)	273 (51.3)	552 (74.5)	650 (84.1)	1358 (72.8)	2008 (76.1)	13051 (95.1)

Source: Eltis (2002: 62, 67). Note: Some of those included in the lower panel are not Europeans.

Table 2: World Migrant Stock

Year	1965	1975	1985	1990a	1990b	2000	2010
	Migrant Stock (Millions)						
World	75.2	84.5	105.2	119.8	155.5	178.5	213.9
Africa	8.0	11.2	12.5	15.6	16.0	17.1	19.3
Asia	31.4	29.7	38.7	43.0	50.9	51.9	61.3
Latin Am. & Carib.	5.9	5.9	6.4	7.5	7.1	6.5	7.5
North America	12.7	15.0	20.5	23.9	27.8	40.4	50.0
Europe	14.7	19.5	23.0	25.1	49.4	57.6	69.8
Oceania	2.5	3.3	4.1	4.6	4.4	5.0	6.0
	Percentage of World Migrant Stock						
World	100.0	100.0	100.0	100.0	100	100	100
Africa	10.6	13.2	11.9	13.1	10.3	9.6	9.0
Asia	41.8	35.1	36.8	35.9	32.7	29.1	28.7
Latin Am. & Carib.	7.9	6.8	6.1	6.2	4.6	3.6	3.5
North America	16.9	17.8	19.5	20.0	17.9	22.6	23.4
Europe	19.6	23.1	21.8	20.9	31.8	32.3	32.6
Oceania	3.3	3.9	3.9	3.9	2.8	2.8	2.8
	Migrant Stock as a Percentage of Population						
World	2.3	2.1	2.2	2.3	2.9	2.9	3.1
Africa	2.5	2.7	2.3	2.5	2.5	2.1	1.9
Asia	1.7	1.3	1.4	1.4	1.6	1.4	1.5
Latin Am. & Carib.	2.4	1.8	1.6	1.7	1.6	1.2	1.3
North America	6.0	6.3	7.8	8.6	9.8	12.7	14.2
Europe	2.2	2.7	3.0	3.2	6.9	7.9	9.5
Oceania	14.4	15.6	16.9	17.8	16.2	16.1	16.8

Sources: 1965-1990a from Zlotnick (1998: 431); 1990b and 2000 from United Nations online database at: <http://esa.un.org/migration/index.asp>.

Notes: There are differences of definition in the figures for 1965-90a and 1990b-2010. The most important is due to the break-up of the Soviet Union, which is included with Europe for the earlier years. Reclassification into individual republics added about 27 million to the world international migrant stock in 2000.

Table 3: Relative Wage and Relative Education of Immigrants in the United States, 1960-1990

	1960	1970	1980	1990
<i>Percentage earnings differential relative to the native-born</i>				
All Immigrants				
Earnings unadjusted	4.1	-0.1	-9.7	-16.3
Earnings adjusted	1.3	-1.7	-7.1	-10.0
Recent immigrants				
Wage unadjusted	-13.9	-18.8	-32.8	-38.0
Wage adjusted	-16.2	-19.8	-24.1	-26.9
<i>Percentage point difference in educational attainment relative to native-born</i>				
All immigrants				
Education > 16 years		3.5	2.4	0.0
Education < 12 years		3.2	14.3	22.1
Recent immigrants				
Education > 16 years		12.9	7.5	4.9
Education < 12 years		5.6	13.1	20.4

Sources: Borjas 1999: 1724; Borjas 1995: 208. Note: Recent immigrants are those who arrived in the five years preceding the census date. Adjusted wages are obtained after controlling for age, educational attainment and region.

Table 4: Government Immigration Policies, 1976–2005

	1976	1986	1996	2001	2005
Percentage reporting immigration too high					
All Countries	7	20	21	23	17
More developed countries	18	24	33	29	8
Less developed countries	3	19	17	21	20
Percentage aiming to restrict immigration					
All Countries	7	20	40	40	22
More developed countries	18	38	60	44	12
Less developed countries	3	15	34	39	25

Sources: United Nations. 2002, p. 18; United Nations, 2009, p. 74-6.

Figure 1: Intercontinental Emigration from Europe, 1846-1939

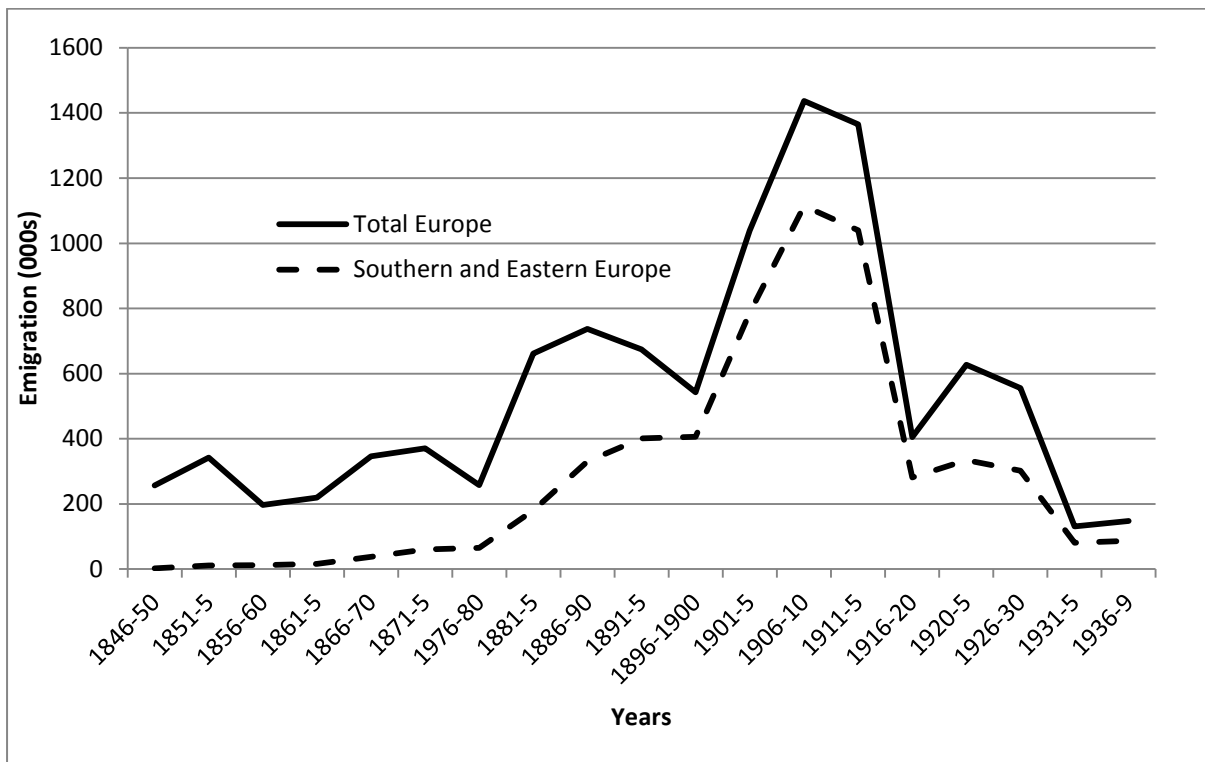


Figure 2: The Economic Effects of Migration

