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Gifts of the Immigrants, Woes of the Natives

Lessons from the Age of Mass Migration

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The recent immigration waves to Europe and the United States have generated a heated political debate, and proposals to introduce or tighten immigration restrictions are becoming increasingly common. A growing body of literature has shown that the inflow of immigrants has increased support for populist, far-right parties in several Western democracies. But despite the rising importance of immigration in the political arena, both the causes and the consequences of anti-immigration sentiments are not fully understood. Furthermore, there is only scant evidence on the link between support for anti-immigration parties and the actual policies implemented in response to immigration. Since we ultimately care about the actions and the reforms undertaken by political actors, it is crucial to understand which policies, if any, are affected by immigration and for what reasons. Will legislation regulating the immigration regime be introduced? Will redistribution and taxation be changed to prevent immigrants from having access to public goods?

When it comes to the causes of the rising anti-immigration sentiments, two main hypotheses have been proposed. The first one is economic in nature and argues that political discontent emerges from the negative effect of immigration on natives' employment and wages. While this idea is consistent

with some findings in the literature, it is in contrast with other results documenting that immigrants have a negligible or even positive impact on natives' earnings.

The second hypothesis for natives' backlash is cultural in nature. Both today and in the past, a recurring theme in the rhetoric of anti-immigration politicians is that immigrants' cultural diversity is an obstacle to social cohesion and a menace to the values of hosting communities. Historical and anecdotal accounts present many examples of cultural opposition to immigration. Even though local amenities (e.g., crime level or school quality) have been shown to be important determinants of natives' reactions to immigration, there is scant evidence on the extent to which culture directly triggers political backlash.

I study in a unified framework the political and economic effects of immigration across U.S. cities between 1910 and 1930, a period when the massive inflow of European immigrants was abruptly interrupted by two major shocks, World War I and the Immigration Acts of 1921 and 1924. Between 1850 and 1915, also known as the Age of Mass Migration, more than 30 million people moved from Europe to the United States, and the share of immigrants in the U.S. population was even higher than it is today. At that time, anti-immigration sentiments were also widespread, and the introduction of immigration restrictions was advocated on both economic and cultural grounds.

The key feature of this empirical setting is that the national shocks to immigration triggered by World War I and the Immigration Acts affected migration flows from different sending regions by different degrees. Since immigrants tend to cluster along ethnic lines, the differential effect of these shocks across European countries generated significant variation in the number and composition of immigrants received by U.S. cities over time.

This setting offers three main advantages. First, by jointly analyzing economic and political outcomes, I can test the relationship between economic insecurity and natives' political reactions. Given the disagreement in the literature on the economic effects of immigration, this is crucial for shedding light on the causes of natives' backlash. Second, because cities were independent fiscal units and because the United States went through a major change in its immigration policy regime, I can study the impact of immigration on voting and can measure its effects on actual policies at both the local and national level. Finally, in contrast with more recent immigration episodes where migrants often come from culturally homogeneous groups, at the beginning of the 20th century, wide variation in immigrants' cultural backgrounds existed (e.g., in terms of language or religion). Exploiting such variation, I can assess how the political effects of immigration varied with cultural distance between immigrants and natives.

I begin my analysis by studying the political effects of immigration. First, I find that cities cut public goods provision and taxes in response to immigration. In the context of a sticky political process, immigration might have reduced public spending and tax revenues per capita by mechanically increasing city population. But I show that public spending and tax revenues, both per capita and in total, were lower in cities receiving more immigrants. Moreover, the reduction in tax revenues was entirely driven by declining tax rates, while the fall in public goods provision was concentrated in categories where either interethnic interactions were likely to be more salient (e.g., education) or poorer immigrants received larger implicit transfers (e.g., sewage, garbage collection). These findings suggest that immigrants were perceived as a fiscal burden and that immigration reduced natives' demand for redistribution. Consistent with this interpretation, in 1907, Prescott Hall, one of the leaders of an influential anti-immigration movement, the Immigration Restriction League, stated that U.S. cities were "receiving a great many immigrants who are not only worth nothing to the country, but are a positive [public] expense."

Second, immigration reduced the pro-immigrant party's

(i.e., the Democrats) vote share and was associated with the election of more conservative representatives. While the ideological distance on immigration between Republicans and Democrats was less pronounced than it is today, most naturalized immigrants supported the Democratic Party. The Irish are the most emblematic example, but this was true also for other ethnic or religious groups, such as the Italians and Catholics. Finally, and most directly reflecting natives' demand for anti-immigration policies, members of the House representing cities more exposed to immigration were significantly more likely to support the National Origins Act of 1924, which put an end to the era of unrestricted immigration to the United States.

After establishing that immigration triggered widespread hostile political reactions, I investigate the potential causes for natives' backlash. I start from the first and perhaps most obvious possibility: immigrants might have increased labor market competition, lowering wages and raising unemployment among native workers. Yet in contrast with this idea, I find that immigration had a positive and statistically significant effect on natives' employment. My estimates are quantitatively large and imply that an increase of 5 percentage points in immigration (roughly one standard deviation) increased natives' employment by 1.4 percentage points, or by 1.6 percent relative to its 1910 level.

Since no comprehensive data on wages is available for this period, I use occupational scores, which assign to an individual the median income of his job category and can be used as a proxy for natives' lifetime earnings, and I document that immigration promoted natives' occupational upgrading. These results were made possible by two mechanisms. First, immigration increased firms' investment and productivity, generating an outward shift in labor demand. Second, because of complementarity, natives moved away from occupations that were more exposed to immigrants' competition and specialized in jobs where they had a comparative advantage and immigrants did not have access because of discrimination.

Even though immigration had, on average, positive effects on natives' employment and occupational standing, it is possible that economic losses were concentrated on some specific groups who were able to mobilize and demand political protection. Although I cannot entirely rule out this interpretation, I provide evidence against it. First, I document that even in occupations that were highly exposed to immigrants' competition, natives were not more likely to be unemployed. Second, using data digitized from the Census of Manufactures, I show that in the sector most exposed to immigration (i.e., manufacturing), there was no

significant reduction in wages. These data do not distinguish between immigrant and native workers, and new immigrants tend to be closer substitutes for previously arrived migrants than for natives. Hence these findings can be interpreted as a lower bound for the negative effect (if any)—or, equivalently, as an upper bound for the absolute value of the effect—of immigration on natives' earnings.

Finally, I seek to reconcile the seemingly contrasting economic and political effects of immigration. I show that natives' political reactions were increasing in the cultural distance between immigrants and natives, suggesting that backlash had, at least in part, noneconomic foundations. I proxy for cultural diversity by using both religion and linguistic distance. The use of religion particularly is motivated by the historical evidence that, at that time, nativism often resulted in anti-Semitism and anti-Catholicism. While immigrants from Protestant and non-Protestant countries had

very similar effects on natives' employment and on economic activity, they triggered very different political reactions. Only Catholic and Jewish (but not Protestant) immigrants induced cities to limit redistribution, favor the election of more conservative legislators, and increase support for the National Origins Act of 1924. These patterns also suggest that political backlash was unlikely to arise from increased inequality or that cities reduced redistribution only because the median voter became richer.

NOTE:

This research brief is based on Marco Tabellini, "Gifts of the Immigrants, Woes of the Natives: Lessons from the Age of Mass Migration," *Review of Economic Studies*, forthcoming, <https://www.restud.com/paper/gifts-of-the-immigrants-woes-of-the-natives-lessons-from-the-age-of-mass-migration/>.