



The Seeds of Geographic Inequality Were Planted More Than 100 Years Ago

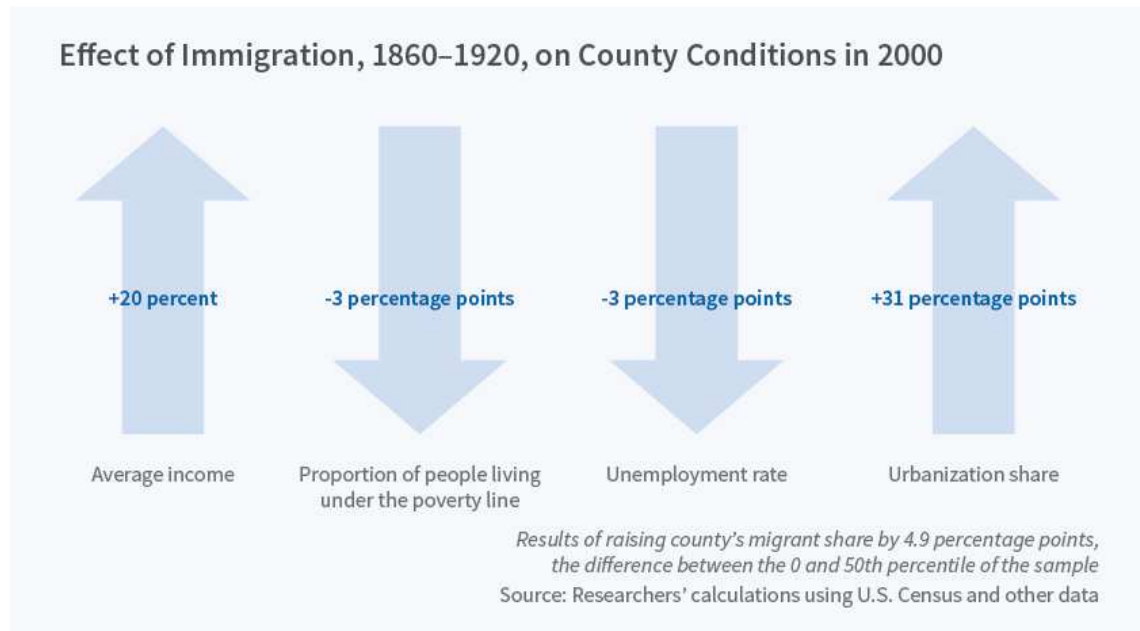
Much of the current discussion regarding geographic inequality, e.g. the urban-rural divide, the coasts versus the midsection, makes it appear that the underlying causes of inequality are of fairly recent origin. A recent paper by Rodriguez-Pose et al (2017), however, demonstrates that much of the imbalance resulted from the settlement patterns of the more than 30 million Europeans who arrived during the Age of Mass Migration (1850-1920). Migration dramatically reshaped the composition of the US population. Not all areas of the country, however, were affected in the same way. High levels of population diversity became the norm primarily in the West and large cities in the Northeast while huge parts of the South remained demographically homogeneous. As described in greater detail below, their analysis identifies a strong and ever lasting impact of diversity on county-level economic development. Counties that attracted migrants from very diverse national and international origins more than 100 years are significantly richer today than those that had a more homogeneous population.

Their findings are also echoed in a recent paper by Sequeira et al (2017). They find that the economic benefits of immigration are significant and long-lasting. As displayed in Figure 1, average incomes in 2000 were 20 per cent higher in counties with median immigrant inflows relative to counties with no immigrant inflows, the proportion of people living in poverty was 3 percentage points lower, the unemployment rate was 3 percentage points lower, and the urbanization rate was 31 percentage points higher. Educational attainment was also higher. These long-run positive effects of immigration appear to have risen from the persistence of short-term benefits, specifically greater industrialization, agricultural productivity and innovation. They report that these benefits were realized without loss of social and civic cohesion. Counties with more immigrant settlement during the Age of Mass Migration today have levels of social capital and civic participation. They also have levels of crime that are similar to those regions that received fewer immigrants.

There is an important qualification. The gains of having a large number of groups from different origins within a territory (fractionalization) only materialized if the diverse groups were able to communicate with one another (low polarization). Rodriguez-Pose concludes that "Population diversity, therefore, is a double-edged sword. It works well where different groups were able to interact, i.e. those places where the proverbial "melting pot" occurred. Otherwise, groups or communities are more likely to remain in their own physical or mental ghettos, undermining any economic benefits that would result from a diverse population."

In terms of today's debate on immigration, it is important to consider that Sequeira et al conclude that "Despite the unique conditions under which the largest episode of immigration in U.S. history took place, our estimates of the long-run effects of immigration may still be relevant for assessing the long-run effects of immigrants today."

Figure 1



The Age of Mass Migration, Fractionalization and Polarization

The period between US civil war and the mid-1920s is known as the Age of Mass Migration (see Chart1). During that time span, nearly 40 million Europeans left their homelands as a consequence of political disturbances, famine and religious persecution. About 30 million of them chose the US as their final destination. For most of that time, there was no legislation which restricted the entry of migrants from Europe. Thus, they were able to settle wherever they desired.

With an average annual flow of about 0.75 percent of the total US population, America underwent an unprecedented population increase. Total US population increased six-fold from 17 to 105 million (see Table 1). The proportion of the population comprised by the foreign-born white population increased from 12.9% in 1850 to 18.0% in 1910. Most noteworthy is that the proportion of people of foreign birth and parentage together reached nearly 45% in 1920! However, not all regions participated in the same way. As displayed in Figure 2, high levels of population diversity became the norm primarily in the West and large cities in the Northeast, such as New York City and Boston. Large parts of the South remained demographically homogeneous.

Migration from abroad was not the only force changing the population composition of large parts of the U.S. The pace of internal migration also accelerated. By 1900, almost 60 per cent of the male U.S. population above the age of 30 had moved across county or state lines. Similar to the movements of international migrants, American-born persons moved westward in search of land to expand agricultural and meat production. Although most internal migrants travelled only short distances with most remaining in their state of birth, twenty per cent, however, moved much longer distances. As shown in Figure 3, their settlement pattern differed from that of international migrants. They mainly moved from east to west, especially west of the Mississippi river. Thus, the majority of the population of mid-western states was comprised of internal migrants. The entire east coast and the south with the exception of Florida remained outside internal migration routes.

Some areas of the country were primarily settled by one or two specific nationalities whereas other regions attracted a multitude of persons from different countries. Figure 4 displays the level of population diversity (fractionalization). High levels of diversity became the norm primarily in the west and large cities in the Northeast. Large parts of the South remained demographically homogeneous.

The combination of international and internal migration dramatically altered population diversity. Those who argue that increased diversity is positive regard diversity as the central driver of innovation and creativity, which then fosters technological progress and growth. Migrants bring in different skills, ideas, experiences and abilities. Those who argue that diversity has a negative influence view diversity as a destabilizing factor which enhances the potential for social unrest and conflict because it affects trust among the residents.

To address the issue of whether diversity is positive or negative, Rodriguez-Pose focus on polarization which captures the social tension and conflict dimension related to a heterogeneous population. Figure 5 plots the relationship between fractionalization and polarization. Both indices are highly positively correlated at low levels of diversity. This means that adding an additional cultural group to an otherwise perfectly homogeneous population increases the risk of polarization and conflict. As cultural heterogeneity increases, however, the positive relationship diminishes, becoming irrelevant at medium levels of both fractionalization and polarization.

Both indices measure entirely different dimensions of diversity. Whereas one focuses on the number of cultural groups leading to innovations, the other stresses their relative size to another, both provoking social unrest and conflict. Both indices identify independent and distinguishable effects of diversity on economic growth. Therefore, there is a qualification to diversity. The gains of having a large number of groups of different origins (fractionalization) only materialized if the groups were able to communicate with one another (low polarization). It worked well when different groups were able to interact. Otherwise, groups remained in their own physical or mental ghettos, undermining any economic benefit from a diverse environment.

Implications

The following conclusion from Rodriguez-Poser eloquently states the policy implications:

Even though the conditions and circumstances today do not correspond to those in the US in the late 19th and early 20th centuries, the results represent an appeal for pause and thought in a period when migration policies are fast changing and have often become driven by populist parties and the tabloid press. At a time when many developed countries are rapidly closing their borders to immigration, trying to shield what – particularly in the case of Europe and Japan – are still rather homogeneous populations from external influences and the perceived security, economic, and welfare threats often unjustly associated with migrants, restricting migration will limit diversity and is bound to have important and long-lasting economic consequences. By foregoing new migration, wealthy societies may be jeopardising not only the short-term positive impact associated with greater diversity, but also the enduring positive influence of diversity on economic development.

The large, positive, and persistent impact of societal diversity on economic development seen in the US would therefore be difficult to replicate – something that ageing and lethargic societies across many parts of the developed world can ill afford. However, if migration is to be encouraged, it is of utmost importance that mechanisms facilitating the dialogue across groups and, hence, the integration of migrants are in place to guarantee that diversity is transformed into higher and durable economic activity over the short, medium and long term.

Chart 1

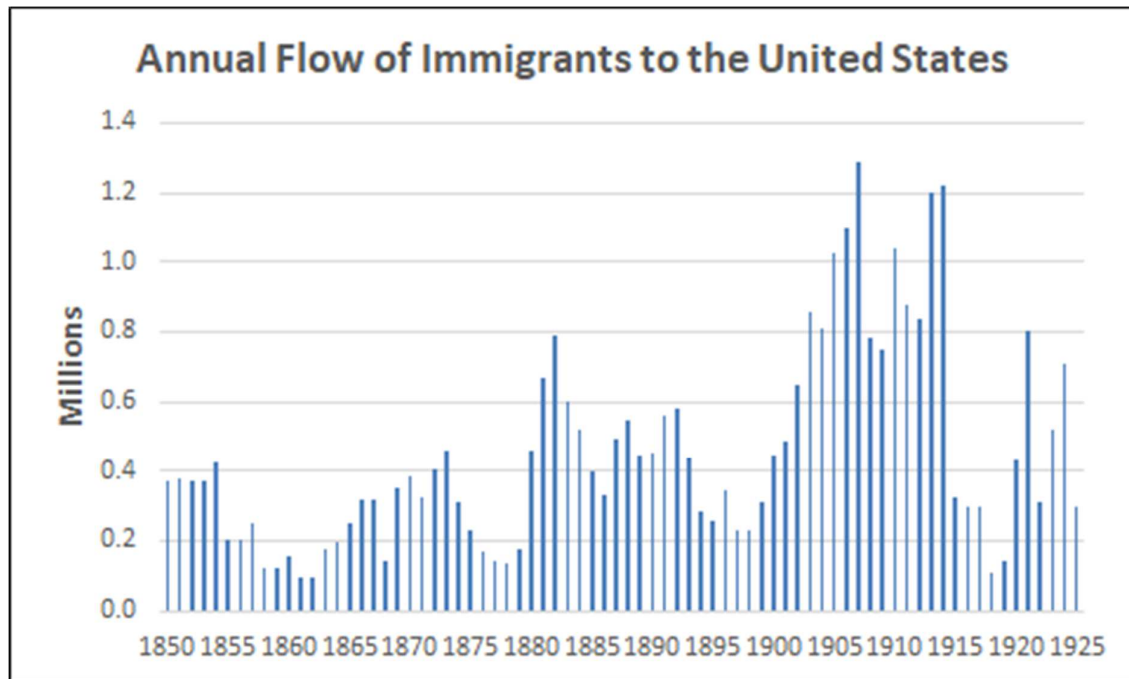


Table 1

US Population Composition, 1840-1920

Year	Population (millions)	Foreign parentage (%)	Foreign born (%)
1840	17.1	n.d.	n.d.
1850	23.2	n.d.	12.9
1860	31.4	n.d.	17.9
1870	39.8	19.0	19.6
1880	50.2	22.5	17.8
1890	62.9	25.0	19.9
1900	76.0	27.6	18.1
1910	92.0	27.8	18.0
1920	105.7	28.0	16.9

Figure 2

International Migrants and their Children as Share of Population by County in 1910

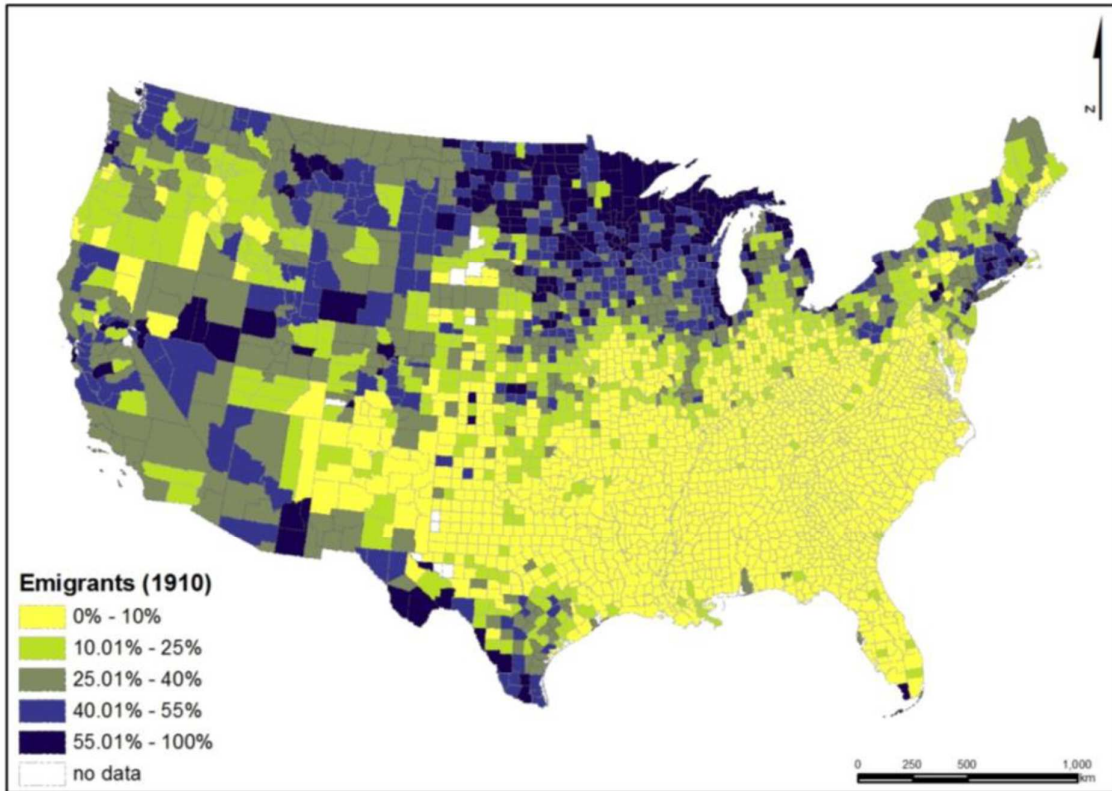


Figure 3

**American-born internal migrants as share of
Population by county in 1910**

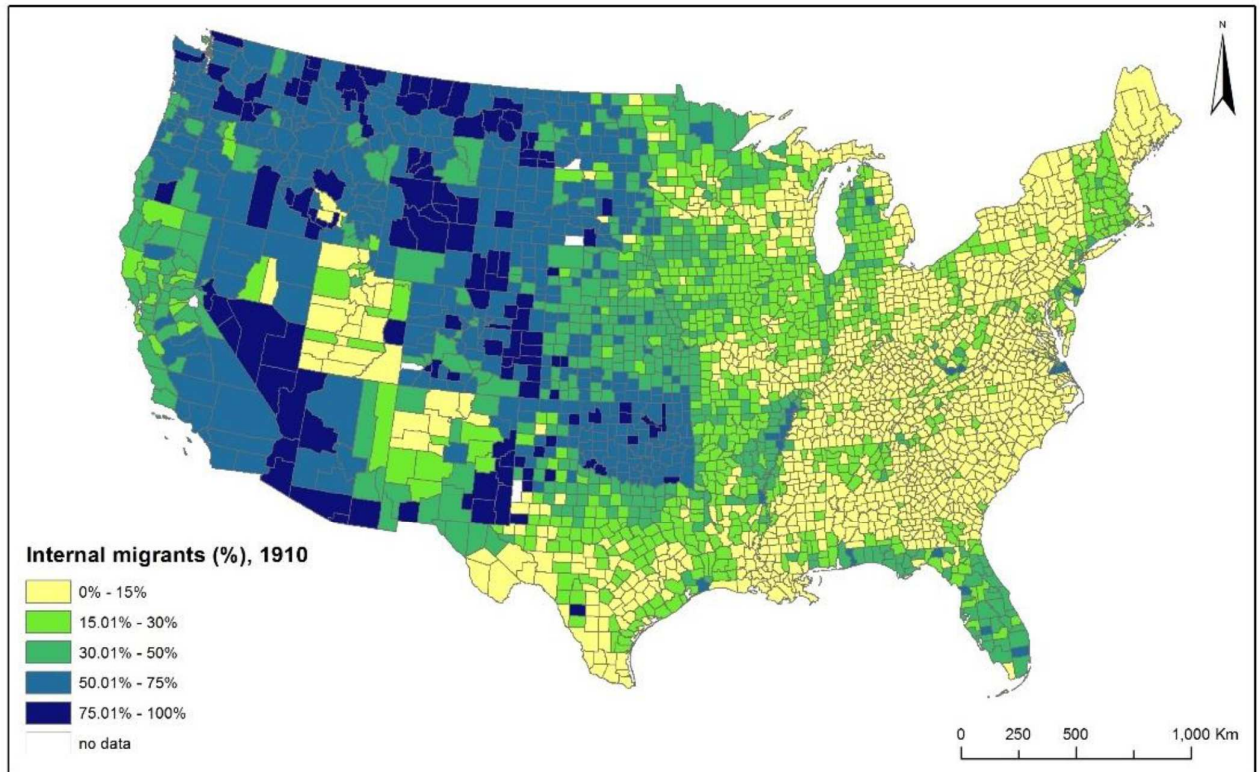


Figure 4

Diversity in the Composition of the population
by county in 1910

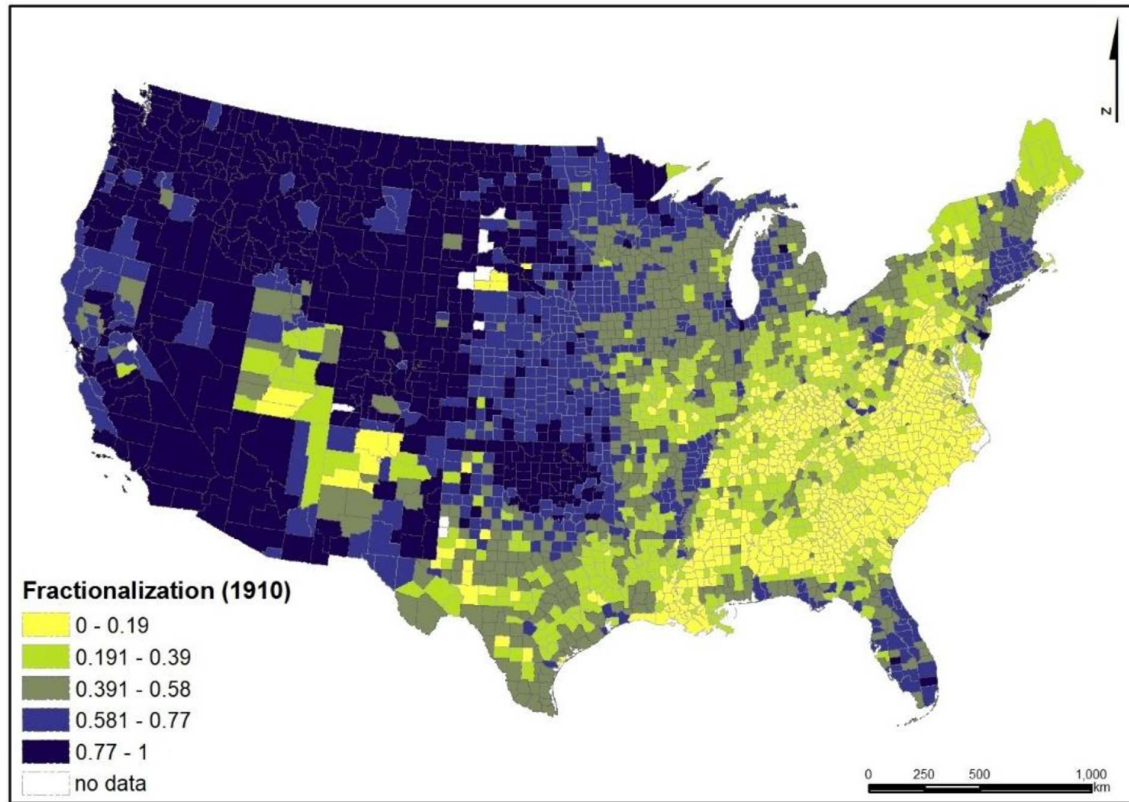
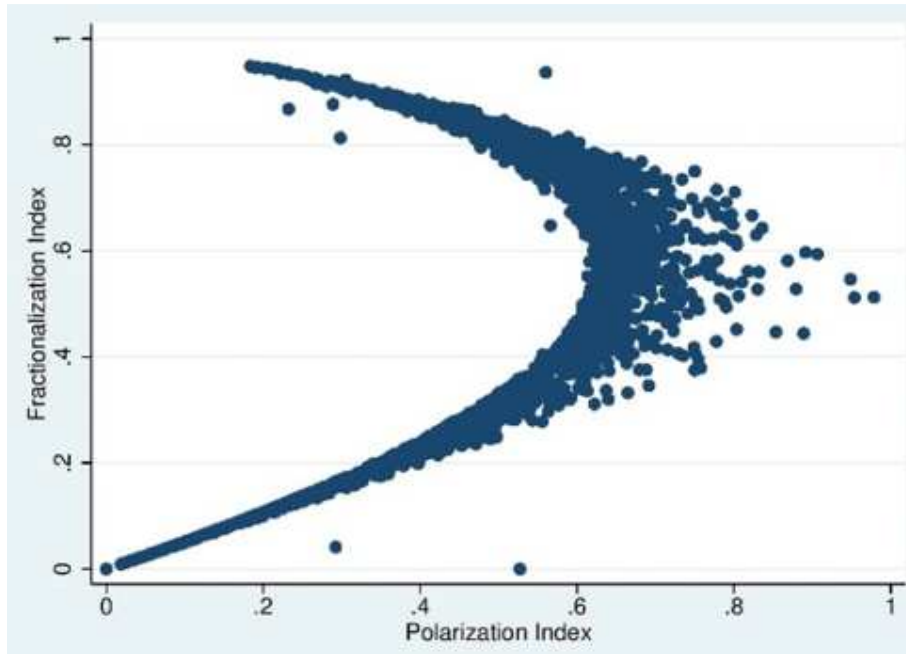


Figure 5

Fractionalisation versus polarisation
Across US counties in 1910



References:

Andres Rodrigues-Pose and Viola von Berlepsch (2017), “Does Population Diversity Matter for Economic Development in the very Long-Term? Historic Migration, Diversity and County Wealth in the US”, Center for Economic Policy Research Discussion Paper DP12347. (www.cepr.org/active/publications/discussion_papers/dp.php?dpno=12347)

Sandra Sequeira, Nathan Nunn and Nancy Qian (2017): “Migrants and the Making of America: The Short- and Long-Run Effects of Immigration during the Age of Mass Migration” *National Bureau Economic Research Working Paper Series*, No. 23289. (<http://www.nber.org/papers/w23289>).