Abstract

As Good as Gold: What History Tells Us about the Pro-Trade Effects of Immigration

We contribute to the growing literature on the important role immigrant networks have played in the promotion of international trade between their host and origin countries. Specifically, we take advantage of the historical period of classical liberalism, 1870 – 1910, when both American trade and immigration flows were large, growing, and changing in composition, to examine the impact of the stock of immigrants, by nativity, in the United States on American trade with each of their home countries. Novel to this literature, we embed the immigrant network effect in a model that also tests for the effect of monetary union, here the Classical Gold Standard, on trade. We find that the immigrant networks and gold both promoted trade and that the immigrant network effect was arguably at least as powerful a pro-trade force as was the gold standard. Our data span the exports of 44 commodities and imports of 78 commodities between the United States and 17 countries observed at 5 year intervals. We use the tobit procedure to estimate a modified gravity model with both country and commodity specific fixed-effects. The model is estimated overall and across “Old” Europe, “New” Europe, and non-Europe groupings of the trading partner countries and across commodities grouped according to their stage of production. JEL no. F1, F22.