

David Escamilla-Guerrero (St Andrews) & Moramay Lopez-Alonso (Rice)

‘The speed of adjustment of migrant self-selection: Evidence from the Panic of 1907’

We know little about how quickly migrant selection adjusts to changes in the economic environment. This paper asks two questions to fill this void in the literature. Can migrant selection change in the short-run? And if so, through which mechanisms? To answer these questions, we study Mexico-to-United States immigration using novel high-frequency micro data that allows us to precisely pinpoint changes in the composition of immigrants within a year. These data consist of daily immigrant arrivals registered at nine entrance ports from 1906 to 1908. The early twentieth century provides a unique opportunity to study selection adjustments as the United States maintained an open border for Mexican immigration. The absence of entry restrictions minimizes the under-enumeration of undocumented immigrants and allows for immigration to respond to shocks in the short run. We first estimate the selection of Mexican immigrants using height as a proxy for physical productivity of labor. We represent individuals who remained in Mexico using military recruitment records of ordinary soldiers and elite forces, and passport application records. We find that the first Mexican immigrants were positively selected on the basis of height. We then use the Panic of 1907, the most severe financial crisis before the Great Depression, as a natural experiment that affected unexpectedly the demand of immigrant workforce in the United States. Our results show that immigrants were positively selected relative to the military elite before Panic. This pattern changed to a negative selection during the Panic and returned to a stronger positive selection after the American financial system was restored. Shifts in selection are greater when controlling for unobserved factors across states, suggesting that the underlying adjustment channels operated at the local level. Adjustments in migrant selection during and after the crisis were influenced by the *enganche*, an institution that reduced migration costs, but only for the “best” Mexicans and during “good” economic times.