Political Economy and Migration Policy
Gary P. Freeman and Alan E. Kessler

The disciplines of economics and political science have a good deal to offer each other in the study of migration policy, but economists have until recently mostly ignored the ways in which politics constrain migration markets, and political scientists—although giving considerable credence to economic aspects of migration—have not always pursued these matters systematically. We consider economic ideas drawn from theories of labour markets, international trade and public finance and link them to political analyses stressing the role of states, institutions and interest groups. A review of literature incorporating these perspectives suggests the promise of a political economy of migration, but also indicates the considerable work that remains.

Keywords: Migration Policy; Labour Migration; Political Economy

Introduction

Economists studying migration have slighted the investigation of migration policies, the role of states in formulating those policies, and that of politics in shaping policy outcomes (Borjas 1994; Chang 2000). Political science, for its part, has deployed an eclectic assortment of theoretical and analytical tools, as many drawn from cognate disciplines as from political science itself. Cornelius and Rosenblum (2005) argue that political scientists have tended to accept that migration has a strong, if not dominant, economic dimension. Nevertheless, political science has not systematically integrated economic and political concepts concerning immigration.

We argue that both economics and political science would be well-served to join forces more self-consciously in the study of migration politics. The strengths of each discipline complement those of the other and make good some of their deficiencies. The discipline of economics provides some of the most promising and sophisticated theories, concepts and empirical methods for analysing migration politics. Although neoclassical economics is criticised for taking preferences as given (especially as...
applied in rational choice perspectives), economic theory and analysis may be employed to give useful, if partial, answers to the question as to where preferences come from. We do not believe that immigration preferences always reflect underlying material interests, but we argue that the material stakes of migration are critical inputs into the migration policy process that must be taken into account, and that economic models produce testable hypotheses as to their identity. Political science, on the other hand, specialises in analysing the institutions and processes that frame, shape, transform, distort and channel economic and non-economic preferences into policy agendas and outcomes, but has more difficulty explaining the origins of the preferences of actors. Economic models of migration devoid of political dimensions and political models that fail to credit the economic underpinnings of the migration process risk being naïve and incomplete.¹

Economics and political science can be usefully combined to create political economy approaches well-suited to address particular questions about migration policy. We discuss three leading approaches from political science in the migration policy literature: statist, institutionalist, and interest-group. We divide economic perspectives on migration into two broad categories: the study of wage and income effects of migration carried out by labour market and trade economists, and the study of the fiscal or transfer effects of migration derived from the field of public finance. These five perspectives from the two disciplines, when combined, yield six analytical perspectives, as depicted in Table 1.

Part 1 of this paper reviews political science perspectives on migration policy, focusing on states, institutions and interest groups. Part 2 looks at the economics of migration policy, laying out theoretical models that investigate the wage, income and fiscal effects of migration. Part 3 seeks to demonstrate the promise of combining ideas drawn from the two disciplines by exploring insights to be gained from statist, institutionalist and interest-group approaches that investigate hypotheses derived from economic models of wage, income and fiscal effects of migration.

### Political Science and Migration Policy: States, Institutions and Interest Groups

The contemporary literature on the politics of migration policy is scarcely 30 years old, but it has produced a broad array of interpretive schemes. A number of reviews have tried to make sense of the field by categorising research according to its (often unselconscious) analytical or theoretical points of view. A partial accounting of

<table>
<thead>
<tr>
<th>Table 1. Political economy approaches to migration policy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Political science</strong></td>
</tr>
<tr>
<td><strong>Economics</strong></td>
</tr>
<tr>
<td>Wage and income effects</td>
</tr>
<tr>
<td>Fiscal effects</td>
</tr>
</tbody>
</table>
recent reviews yields interests, the liberal state and globalisation (Hollifield 2000); Marxism, realism, liberalism, national identity, domestic politics and institutionalism (Meyers 2000); interests, rights and states (Freeman and Birrell 2001); post-industrial change, spatial (territorial) models and trade theory (Freeman 2002); globalisation, embedded realism and path dependence (Hansen 2002), domestic interest groups, political institutions and international factors (Cornelius and Rosenblum 2005); and power resources and constellation theories, state-centric and institutional theories, cost-benefit or economic theories, and cultural and racial/racialisation theories (Janoski and Wang 2006). Making a necessarily arbitrary choice, we treat the political science literature here under the three headings of states, institutions and interest groups.

The state was a central concept of traditional political science, but it nearly disappeared from view in the wake of the postwar behavioural revolution. The concept enjoyed something of a comeback in the 1970s with the relatively brief popularity of neo-Marxist theories and the more lasting resurgence of interest in institutions. States have always been a major component of realist international relations theory, where they are typically treated as unitary actors seeking to maximise the ‘national interest’. In some models, the state is thought to arbitrate among competing domestic interests to determine policy. Debates on how and why this arbitration takes place reflected instrumentalist versus structural theories of the state and its relation to capital (Evans et al. 1985; Miliband 1987; Poulantzas 1982).

American political scientists, perhaps reflecting their experience with a weak and fragmented liberal state, were less drawn to state theory than their counterparts in other regions of the world (Seidelman 1985).

The combination of neglect of migration by political scientists with the fascination of economists for some version of push/pull theory in which individual migration decisions were a result of calculations of utility focused largely on employment markets and relative wages meant that the fundamental role of states in stimulating and organising migration flows was slow to be recognised. Indeed, no one has yet produced a full-scale effort to apply a theory of the state to migration politics and policy. Zolberg et al. (1989) were among the first to trace the sources of migration to the activities of states. Zolberg (1999) produced an articulate case for treating state regulations and policies as central to the character of migrations world-wide. Still, the motives that might underlie state actions remain poorly specified. Hollifield (2004) argues that migration policies of liberal states can be interpreted as steering a path between the realisation of economic gains (which requires careful, if not always restrictive, management) and respect for liberal values (which tends to erode such policies). According to Weiner (1993, 2001) and Rudolph (2003), states approach the prospect of migration from the point of view of its potential effects on national security, variously conceived as economic viability, political cohesion, and defence of the national territory. Hammar (1985), Brochmann and Hammar (1999), and Massey (1999) view migration policies as problems of management and regulation, directed
at both controls over the character of flows and the interactions between migrants and natives.

Institutionalist accounts disaggregate the state, focusing on the distinct roles played by bureaucracies, political parties, electoral arrangements, executive/legislative relationships, etc. in the policy-making process. Institutions have been variously defined in straightforwardly empirical terms—parliament, president, party, electoral system—or more loosely to include rules and norms that are not necessarily or primarily embodied in formal organisations. Institutionalists have been the chief advocates of the notion of path dependence and the fuzzy and, therefore, indisputable claim that ‘history matters’. The gist of their interpretation is that the determinants of policy are complex, difficult to pin down, and certainly not reducible to preferences of individual actors or group-level demands. Institutional inertia, policy legacies and ‘contingency’ must be taken into account.

Examples of institutionalist accounts of immigration policy abound. Inter-agency conflict ‘inside the state’ is at the heart of some accounts (Calavita 1992; Fitzgerald 1996; Rosenblum 2004). Political parties have been central to many immigration studies. Scholars have investigated the immigration preferences of mainstream parties (Messina 1989; Money 1999; Tichenor 2002), the sources of support for right-wing populist parties (Betz 1994; Betz and Immerfall 1998; Schain et al. 2002), and the effect of electoral arrangements on the success of anti-immigration parties (Givens 2005). Soysal (1994) advances perhaps the best-known exposition of the impact of the new international regime of values and norms transcending traditional notions of national citizenship (cf. Gurowitz 1999; Jacobson 1996). Hansen (2000, 2002) shows that path dependence can be helpfully applied to otherwise puzzling immigration policy conundrums. Efforts to explain the variation across states in the shape and temperature of migration politics often focus on political opportunity structures that affect the capacities and incentives of various groups to organise and give voice to their preferences (Ireland 1994; Koopmans and Statham 2000; Ögelman 2003).

Interest-group arguments date from the seminal works of such luminaries as Arthur F. Bentley (1908), V.O. Key, Jr. (1942) and David B. Truman (1951). Group models of politics contest the idea that the individual can be the principal unit of analysis and instead search for propositions about how and when individuals coordinate their activities and engage in collective behaviour (Olson 1971). Work in this vein commonly attempts to link policy demands to concrete (or expected) gains and losses of identifiable sub-groups of the electorate and to the bargains and compromises they produce in pluralistic political systems. Interest-group approaches have focused on a broad array of groups positioned for or against immigration (Freeman 1995; Gimpel and Edwards 1999; Haus 1995; Joppke 1998; Watts 2001).

For all the insights research in political science yields, a singular failing is that it is unable to provide a convincing theoretical account of the origins of individual preferences on immigration or the motivations of institutions with respect to the issue. Statist analysis, for example, presumes that policy is designed to achieve the national interest, but provides few sure guidelines for determining what the national
interest is in immigration policy. Should it be directed at defending national sovereignty and the sanctity of borders? In order to achieve these ends should states pursue open or restrictive, selective or permissive immigration policies? Should they mount policies designed to reap maximum economic benefit or trim policies in accord with popular prejudices or with an eye to social order? Hypotheses about state motivations require heroic assumptions that lack firm theoretical footing. Moreover, a statist model confronts the problem of explaining why liberal democratic receiving states adopt widely disparate immigration and citizenship policies. Recognising this dilemma, scholars tend to differentiate across state structures, but this simply drives the analytical challenge back a step since it is then necessary to account for the erection of different types of state institutions, an accounting that requires, in order to avoid tautology, resort to non-statist theoretical approaches (Janoski and Wang 2006: 636).

Similar problems plague institutionalist accounts. A plausible story can be woven, for example, that immigration policy emerges out of conflicts between central executives concerned about diplomatic and security issues and specific ministries responsible for labour markets, industry, or immigration and citizenship. These stories are, however, rooted in inferences about what institutions want based on empirical observations of their behaviour rather than theoretically derived propositions. A recent review demonstrates the absence of systematic knowledge about the institutional arrangements developed in various receiving states to manage immigration and integration programmes. There is little empirical evidence to support generalisations about the motivations of different bureaucratic bodies and no consensus as to whether diverse institutional configurations yield diverse policy outcomes (Van Selm 2005).

Interest-group accounts appear on the surface to surmount this problem, but are in fact seriously challenged by it. Interest groups usually come with handy labels identifying them as labour unions, employer federations and the like, that appear to provide a direct indicator of the ‘interest’ being pursued. In practice, such studies are incomplete until they generate theoretical explanations for the particular issue positions taken by these groups and the motivations that impel them to organise.

**Economics and Migration Policy: Wage, Income and Fiscal Effects**

The literature on the economics of migration is situated in the practice of a more theoretically and methodologically integrated social science discipline than political science. By far the majority of work on migration coming out of economics addresses its role in labour markets (Bauer and Zimmermann 2002; Borjas 1994; Smith and Edmonston 1997). We refer to these efforts as production function or aggregate output models. Most migration is thought to be undertaken for purposes of work. Migrants are therefore conceived as labour power, or embodied human capital, and their introduction into national or local labour markets is presumed to increase an economy’s productive resources and capabilities. In the abstract, nations in a position
to attract migrants should encourage immigration and sending states should discourage it. The logic of efficiency drives the unwavering conviction of most economists that immigration produces net gains up until the point at which the marginal productivity of labour is equalised globally (Simon 1989).

The standard caveat is, of course, that aggregate gains for receiving states involve distributional trade-offs (Straubhaar 1992). Borjas (1995) illustrates these trade-offs starkly in a stylised model of the national labour market, in which output is a function of the efficient allocation of productive inputs, capital and labour. An influx of immigrants increases the economy’s labour supply and productive resources, contributing to a rise in national income, or an ‘immigration surplus’. At the same time, however, immigration entails a redistribution of income away from domestic labourers to migrants and capital owners, yielding potential avenues for political conflict among diverse economic (and non-economic) interests. A question that arises from the point of view of designing immigration policy, however, is whether those who gain from immigration (business, consumers, migrants, and the like) can (and are willing to) compensate those who lose in order to produce a net social gain. Another issue is the non-economic consequences of migration (ethnic conflict, political discontent, etc.). Both of these questions require the introduction of political variables into the analysis that potentially constrain the ability of decision-makers to direct policy toward any particular outcome.

A similar tension between efficiency and distribution characterises work on immigration in international economics. The two most widely employed models of international trade, the Heckscher-Ohlin (H-O) and specific-factors models, give competing insights into the economic impact of immigration (cf. Grether et al. 2001; Venables 1999). Moving beyond a simple characterisation of a closed, national labour market, trade economists assess how immigration affects returns to capital owners and labourers in an economy open to international goods and/or factor mobility (Wong 1995). In the standard two-factor, two-good H-O model, in which countries endowed with different levels of resources exchange goods but factors are immobile, trade substitutes for migration (Mundell 1957; but see Markusen 1983). When countries trade, the relative prices of goods converge causing, in turn, a tendency toward factor price equalisation (as countries exchange factors of production, typically capital or labour, indirectly via trade). Countries rich in labour thus export labour-intensive goods while countries rich in capital export goods embodying more capital than labour, and the convergence in relative prices of labour and capital erodes incentives for international migration in equilibrium (for a technical exposition see Krugman and Obstfeld 2002: 66–91; Leamer 1984). Where labour migration does occur, in the context of the Heckscher-Ohlin model, analysts expect immigration to exercise little long-run impact on national labour markets as new workers are instead absorbed into the production process (Hanson and Slaughter 2002). In this model, as Trefler (1998: 213) notes, immigration does not affect the economic welfare of natives or immigrants and the immigration surplus is zero.
In other trade models, immigration contributes to aggregate national income but exercises downward pressure on wages. In two-factor models, where homogeneous capital and labour are inputs in production, an increase in the labour supply reduces wages as immigrants compete with, or substitute for, domestic workers in the labour market. With the introduction of additional factors, however, immigration may raise the marginal productivity of labour and increase incomes of non-competing workers. The specific-factors model (Jones 1971; Samuelson 1971) offers the most straightforward context for illustrating potential gains to complementary domestic workers. In the model, three factors of production, typically land, labour and capital, are combined to produce two goods, food and manufactures. Land and capital are tied to, or are specific to, the production of one good—food and manufactures respectively. Labour, on the other hand, can be used in the production of either good and is therefore considered mobile (see Krugman and Obstfeld 2002: 37–65). If immigrants are concentrated primarily in agriculture, capital is specific to manufacturing, and domestic workers are free to move between sectors, then an influx of immigrants tends to lower wages in agriculture but raise returns to mobile labour. If capital is mobile and land and labour are tied to specific sectors, however, an influx of immigration is likely to benefit owners of capital at the expense of holders of land and labour (see Venables 1999). In the general three-factors, two-goods model there are two ‘extreme’ factors and one ‘middle’ factor. Ruffin (1981) shows that an increase in immigration decreases factor returns for extreme factors while benefiting the middle factor, with the designation of middle and extreme determined by characteristics of the national economy.5

In both production function and trade-based models, the impact of immigration on wages drives political-economic responses in a predictable way. Yet the economic determinants of national policy are also influenced by the fiscal costs and benefits of immigration. Questions of public finance, or the net contribution of immigration to government revenue, point to an additional economic basis for support for and opposition to migration.6 If immigrants pay less in taxes than they receive in government benefits, opposition to immigration may stem from concern over fiscal rather than (or in addition to) wage effects. In this case, the range of political and economic interests engaged in immigration policy is broader than models from labour or trade economics suggest, and politics necessarily more complex. Taxpayers, for example, may resent costs attributed to immigrants—real or perceived—for their use of local public goods such as education, health-care or income support, regardless of the impact of immigration on wages. Furthermore, because immigration is typically geographically concentrated, residents and elected officials in localities that bear a disproportionate share of such costs have greater incentives to oppose immigration, while those in other localities clearly have less.7 State and local representatives, as well as local interest groups, thus have fiscal incentives to court or curb immigration that may conflict with those of the national government, as tension between high immigrant states and the federal government in the United States attests (Zimmermann and Tumlin 1999).
Economic approaches to immigration thus offer diverse accounts of the costs and benefits of immigration, leaving analysts to select the model best suited to the political context in question. Because low-skilled workers or those with low education are likely to bear the brunt of labour market competition, redistribution of income is the key mechanism underlying potential political conflict. Where the impact of immigration on local labour markets appears ‘large’, an increase in the labour supply accompanying an influx of immigrants is likely to exercise downward pressure on wages. In such a case, class conflict, or political cleavages pitting businesses and immigrants against labour, is likely to result. If the labour market impact of immigration is ‘small’ or social programmes mitigate adverse effects of competition, on the other hand, non-economic concerns are likely to dominate the political debate. How one defines large and small is, of course, crucial to characterising politics and is subject to manipulation by organised political constituencies (lobby groups, media outlets, issue entrepreneurs, etc.). This is critical for understanding the interaction between economic and political approaches to immigration. We take up this argument again below.

If the labour market effects of immigration are of less immediate concern and the political debate instead is cast in terms of costs and benefits to taxpayers, the cast of characters engaged in policy debate is likely to change. Fiscal costs and benefits from immigration cut across class or sector-based lines, pitting taxpayers, localities, and diverse lobby and special interest groups against one another in the struggle over policy. Low-skilled workers adversely affected by immigration are, as in the previous case, likely to push for local or national redress, particularly in high-immigration localities. Where low-skilled workers are of similar ethnic or cultural background to immigrants, one may expect that solidarity rather than economic self-interest dampens incentives to oppose immigration, though ultimately the question remains an empirical one. Federalism, as in the US and German cases, adds additional complexity to this discussion, with sub-national governments looking to the central government for assistance in dealing with the consequences of policies that are a ‘national’ responsibility.

Many of the observations and hypotheses discussed in this section are summarised in Table 2. In terms of standard production function or aggregate output accounts summarised across the first row of the table, the expected economic effects of immigration yield a familiar class-oriented account of potential political cleavages. Businesses benefiting from an increase in the supply of labour gain, while labourers competing with new immigrants face a more competitive labour market. Trade models, depicted in the second and third rows, offer a distinct starting-point for political economic analysis. In the H-O context, immigrants enter into the production process in a manner consistent with their skill-set, exercising little impact on the labour market and, hence, occasioning little reason for political action. The specific-factors model better approximates potential economic incentives that might generate political tensions in the short run (during the process of economic adjustment). Immigration is expected to depress wages of citizens and residents of
similar skill, but augment incomes of other socio-economic actors. A rich set of coalitional possibilities thus arises, with patterns of support for and opposition to immigration attuned to the mobility and sectoral affiliation of organised groups.

Fiscal models, highlighted in the bottom row, identify an even broader array of potential economic effects and offer a richer but complex set of political patterns. One might expect class tensions in light of perceived competition for public goods but matters of geographic concentration or regional or local politics (particularly in federal systems) complicate straightforward hypotheses. With respect to the beneficiaries of tax-funded programmes versus those who are essentially tax-payers, the model predicts that beneficiaries favour a status quo in which they gain but are likely to face high collective action costs—a status quo bias effect. Because the situation is symmetrical, generally, welfare effects are opposite.

Economic models produce powerful hypotheses about the economic effects of various types of migration and, therefore, the stakes involved for migrants and natives. If actors respond to the economic incentives produced by migration, the models should be predictive of the political conflicts and coalitions generated by migration. One obstacle to testing these economic hypotheses is that the models from which they are derived are highly abstract, general and simplified. In the real world, migration flows are more numerous and complex than the models can accommodate. Efforts to test trade models with historical data drawn from specific countries find considerable support, but confront important instances when economic predictions are not confirmed (Kessler 1999). Addressing the interaction of economic and

<table>
<thead>
<tr>
<th>Model</th>
<th>Relevant actors</th>
<th>Economic effect</th>
<th>Politics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production/output model</td>
<td>Capital, labour</td>
<td>Profits increase, wages decrease</td>
<td>Class cleavages</td>
</tr>
<tr>
<td></td>
<td>2 factors (capital, labour) or skilled, un-skilled labour</td>
<td>No wage effect (in long run), change in production</td>
<td>Model predicts none but expect short-run opposition from workers bearing cost of adjustment</td>
</tr>
<tr>
<td>Fiscal models</td>
<td>Young, middle-aged, elderly; federal vs. state?</td>
<td>Greater participation in welfare programmes. In US, state-level costs of education, health care; federal govt. benefits from tax revenues</td>
<td>Class cleavages (?) Low-skilled workers — Skilled workers +/− (?) In US high immigrant states —, federal government +</td>
</tr>
</tbody>
</table>

*Heckscher-Ohlin model.
+ = wins, − = loses.
non-economic considerations is also critical. Identifying the relative contribution of material and non-material determinants of policy remains a necessary step, as does a clearer account of the conditions under which one set of considerations may matter more than another and why.

Cross-Disciplinary Political Economy Approaches

We argue that political science must be more open to and systematic about testing the plausibility of hypotheses about immigration policy interests and preferences derived from economics. Correspondingly, work from a more purely economics perspective must contend with the various ways in which political institutions, conflicts and negotiation modify and shape how preferences evolve and are expressed politically. We seek to illustrate the advantages of such a combined approach by discussing the contributions—actual and possible—from work that weds analytical tools from both disciplines. We will discuss these under the three categories of states, institutions and interest groups.

States, Economic Effects and Immigration Policy

The logic that considers the state as a unitary actor capable of pursuing national interests predicts that states will favour open immigration in order to maximise aggregate economic and net fiscal gains, with the proviso that these gains must be balanced against other relevant concerns of the state that might be threatened by immigration. To take aggregate economic gain first, economic theory suggests a clear and powerful set of state preferences growing out of wage and income effects, but they are in many respects the least interesting of those we discuss in this article. Some might see them as statements of the obvious, or too simplistic to be descriptive of actual state behaviours. The most compelling aspect of the ideas related to wage and income effects has to do with the necessity of compensating losers from migration and of efforts to balance the quest for aggregate gain against competing priorities. The fiscal effects of migration, on the other hand, can be captured by policies that seek to maximise the revenue contributions of migrants, minimise their consumption of public benefits, or minimise the consumption of public benefits by natives that is a response to the effects of immigration, all of which turn out to be problematic policy objectives from the point of view of states.

The validity of broad generalisations about the policies states should pursue with regard to immigration can be tested via comparative analysis of the immigration policies of receiving states. There is no space here to explore this question adequately, such studies constituting a major research agenda for immigration scholars, but provisional evidence is mixed. Although there are numerous instances of states adopting economically-oriented immigration policies (the ambitious postwar immigration plans of Australia, for example, and the postwar guestworker schemes in Western Europe), for every programme of this type one can point to equally impressive
restrictive measures that seem to belie economic needs. Labour-short Britain attempted to close Commonwealth immigration in the 1960s and accepted only limited numbers of European displaced persons after World War II. Japan and South Korea currently pursue restrictive policies that belie labour market conditions (Seol and Skrentny 2004; Tsuda and Cornelius 2004). If the expectation of open immigration policies is the starting-point of economic models, then a major task is to account for the substantial deviation of policies from that expectation in particular countries and times.

Beyond that, there is a complex interpretive issue involved in classifying immigration policies as restrictive or open. What exactly do large-scale irregular immigration, unauthorised employment, and rolling amnesties indicate about the intentions of policy-makers? Are they policy failures or are they at least partially intentional ‘gaps’ designed to achieve economic goals indirectly or covertly? Does a tolerance of illegal border crossings and unauthorised work in the informal sector indicate preferences for actual open migration policies without formally endorsing them?

Turning to the fiscal effects of immigration, support for economic hypotheses from comparative evidence is, again, mixed. Consider first the matter of maximising revenues from migrants. The most effective means for achieving this goal are combating irregular immigration, suppressing immigrant participation in the informal economy, and discouraging remittances to countries of origin. Irregular workers are more likely than natives to participate in the informal economy and workers there tend to underpay or avoid taxation on income altogether. Monies dispatched back home are not spent in the country of immigration and, thus, bypass consumption taxes. Whether states are making good-faith efforts to suppress the informal economy is a topic too broad for serious consideration here, but estimates suggest that informalisation is pervasive in the United States (with the number of illegal migrants as high as 12 million) and in many European countries (Geddes 2003; Reyneri 2001). With regard to remittances, liberal states lack the legal authority or the means to restrict them and to do so would undermine major incentives for migration in the first place. Indeed, the promise of remittances is employed as an inducement for sending states to enter into migration agreements. What is perhaps even more striking is the failure of either sending or receiving states to tax remittances in order to redirect spending from consumption to investment in the homeland or to capture more of the economic gains of migration in the host society (Bahgatari and Partington 1976; Kapur and McHale 2005; Özden and Schiff 2006). In sum, states may well wish to maximise revenues coming from migrants, but they appear ill-equipped to achieve this end.

With respect to limiting migrant access to publicly-funded benefits, the record is more complicated. Some immigration programmes have endeavoured to prevent immigrants from participating in public benefits programmes. Guestworker schemes in Europe did not specifically stipulate that immigrants could not benefit from health care or housing subsidies, or the like. Instead, their temporary character, and the fact that residence permits were often linked to time-limited work permits, created a system in which immigrants who lost their jobs (and might be expected to resort to
public benefit schemes) would be impelled to return home. These plans did not work as designed, of course. Authorities representing components of national states (welfare bureaucracies, local governments, and the courts) foil these schemes by upholding immigrant claims to a vested interest in social benefits (Bommes and Geddes 2000; Joppke 1999). States have sometimes taken aggressive steps to cut off migrant access to public largesse, as in the case of the UK (Geddes 2000a) and the USA (Freeman 2001). In the US case, some of the most serious efforts to limit immigrant consumption of public benefits have come from grassroots movements in states and localities heavily impacted by migration, and have been targeted against central government policies seen as too generous or poorly enforced. Studies cited above that indicate that in the USA the central government enjoys a net fiscal gain from migration whereas some states and localities do not, suggest that central governments have an incentive to offload the costs of immigration onto local communities.

One important fiscal issue is the possible impact of immigration on the financial viability of unfunded public pension programmes. Immigration enthusiasts sometimes argue that, because of their relative youth and high rates of labour force activity, immigrants make a positive contribution to the stability of pension systems and other welfare programmes. Immigrants may also contribute to social security funds but often never claim their benefits in retirement, either because they go back to countries of origin, make contributions to fictional social security accounts, or die on average earlier than native workers. Most serious studies indicate that migration can play only a limited and temporary role in redressing demographic imbalances of populations (United Nations 2000).

A second reason the statist political economy model needs amplification is that not all states are alike. Liberal states may have different priorities and capacities than those of authoritarian systems. A comparison of the outcomes of the temporary worker schemes in Europe and the United States with those run by the Gulf states is evidence enough of that (Castles and Miller 2003: 128–33). If, furthermore, liberal states are instrumentally or structurally capitalist, as has been argued, then we would expect their overriding concern to be to provide ample, flexible labour for capitalist interests (Castles and Kosack 1985). On the other hand, liberal states should, in principle, be both more inclined and under greater pressure to compensate immigration losers (Hollifield 2004). They might also devise immigration policies to diminish the costs to domestic labour: limiting admissions to skilled labour, for example, mounting highly selective policies that privilege migrants targeted to niches where labour markets are tight, or recruiting temporary labour without political rights.

The statist perspective also invites analysis of the interaction of states, especially strategies of competition over the recruitment of skilled migrants and the incentives of states to enter into free migration regimes. Meyers (2002) explores this topic by comparing international labour regimes in several regions. Geddes (2000b) treats the role of state interests in immigration policy in shaping preferences for a community policy in the European Union. From the aggregate gain perspective, the key question
may be how the reciprocity these arrangements are meant to establish affects access to migrant labour and the nature of compensation available for ‘losers’.

**Institutions and the Political Economy of Migration Policy**

Work from the perspective of institutional analysis begins with the aggregate economic and net fiscal gain premises, but relaxes the assumption of a unitary state and introduces sub-state institutions. The main question posed in this analysis is whether various sub-state institutions pursue the same or dissimilar goals with respect to immigration and how their interaction may affect policy outcomes. The range of institutional variables is large. We concentrate here on three: (1) intra-state negotiations and competition among the executive, legislative and judicial components of states, (2) varieties of political economy across states, and (3) the roles of political parties and party systems in aggregating and expressing societal interests.

Do executive, legislative or judicial branches, on average or in any generalisable sense, favour immigration for economic gain, or do they follow alternative logics? It would seem reasonable that central executives (presidents, prime ministers, and agencies responsible for overall economic and budgetary policies) would take the larger view of what sort of immigration policy is beneficial to long-term growth prospects, whereas bureaucratic agencies linked to more sectoral or partial interests (interior, labour, industry, social welfare) would exhibit more short-term and specific preferences. Labour ministries may support short-term migration or look the other way in the face of illegal entry or work, while interior ministries might plausibly pursue more restrictive policies out of concern for social stability (on Japan, see Tsuda and Cornelius 2004: 449–52; on Korea, see Seol and Skrentny 2004: 498–501). In comparative studies of European countries, Joppke (1998, 1999) finds that courts privilege the logic of rights over that of economic gain being advanced by executive agencies.

Welfare-state institutions are especially pertinent to the issue of fiscal effects of migration. The most common welfare-state typology differentiates social democratic, corporatist, and liberal varieties. Other things being equal, one would anticipate that the most comprehensive and inclusive models—the social democratic and corporatist—would be most vulnerable to fiscal pressures arising from migration. To address this issue adequately, we need to know the rates of migrant participation in welfare programmes across democracies, public perceptions of and attitudes toward these rates, and the role of immigration in stimulating backlash against welfare programmes. We have only limited information on these issues.

Brücker et al. (2002: 89–90) conclude, on the basis of extensive cross-national analysis of leading receiving countries, that some extensive welfare states do attract migrants, some benefits schemes distort migrant streams, migrant welfare dependency is greater than their socio-economic characteristics would predict, and there are strong residual dependency effects in countries with generous programmes (cf.
Borjas 2002; Reitz 1998). Hanson (2005) shows for the United States that migrant welfare programme participation varies modestly over time but tends to substantially outstrip native use (2005: 28). However, migrant welfare participation rates vary widely across the states. The imputed fiscal burden of immigration on states is a function of the size and characteristics of the state’s migrant population (especially its average skill endowment) and the generosity of the state’s welfare programmes. Hanson shows that the immigrant fiscal burden is much larger on the high welfare/high immigration states of New York and California than it is on the low welfare/high immigration states of New Jersey, Florida, Texas and Arizona (2005: 37).

Comparative data on the link between public perceptions of immigrant use of public benefits and support for the welfare state are scarce and contradictory (Brücker et al. 2002; Fetzer 2000). Whether immigration is playing a role in eroding support for the welfare state among native voters is an important question that is inherently difficult to answer and that has been too little studied. Bommes and Geddes (2000) and Banting (2000) avidly contest the notion that there is any evidence to support the claim. On the other hand, Hanson (2005) and Hanson et al. (2005) present evidence consistent with the interpretation that welfare reforms in the United States in the 1990s that sought to reduce immigrant access to benefits had the effect of reducing high-skilled natives’ support for immigration restrictions.

Moving beyond the internal structure of state authority, we can examine variations in the structural relationships between states, capital and labour. Advocates of ‘varieties of capitalism’ identify two types of political economy: the coordinated market and liberal market (Hall and Soskice 2001). This typology focuses on the means by which firms in different countries resolve coordination problems with respect to their core competencies (industrial relations, corporate governance, inter-firm relations, and relations with their own employees). The approach offers micro-foundations to explanations of why national responses to globalisation vary along predictable lines. Another common typology distinguishes between social democratic, corporatist, and liberal political economies or welfare states (Esping-Andersen 1990; Wilensky 2002). Neither the ‘varieties of capitalism’ literature nor welfare-state typologies have systematically considered the implications of their models for responses of firms or states to international migration. It seems plausible that states more closely linked institutionally to organised labour and business, and committed to national-level bargaining over economic and social policy, would develop distinctive migration policies. For example, coordinated market economies might be expected to pursue stricter enforcement of labour market regulations and more aggressive development of activist labour market policies. These should reduce the likelihood of the emergence of dual labour markets and large underground sectors dominated by immigrant workers. Liberal market economies, for their part, can be expected to tolerate higher levels of illegal immigration, more unauthorised labour, and more business activity of questionable legality (Freeman 2004: 953–5).

Political parties are key institutions in the process by which immigration policy is formulated, but because they aggregate blocs of voters and organised groups they
could as sensibly be discussed in the next section on interest groups as here. Economic models drawn from the labour market and trade literatures suggest that liberal migration programmes produce wage and income effects that favour capital over labour. We predict, therefore, that left parties tied to organised labour tend to support restrictive immigration measures while conservative, business-oriented parties support open immigration. Although there is astonishingly little systematic study of the immigration policy positions of mainstream parties, as opposed to that of extreme-right parties, one can piece together evidence that appears to contradict these hypotheses. Left parties seem torn between fealty to the indigenous working-class component of their base and responding to their intellectual and professional supporters’ concern to protect the interests of migrant workers. They have, on the whole, adopted more liberal positions on immigration than have parties on the right. The latter have been equally split over solicitousness of the interests of business and attentiveness to grassroots, anti-immigrant sentiment in their ranks. On the whole, it is probably fair to say that left parties have tended to resolve the tensions they confront in favour of more open policies, whereas conservative parties have tended to resolve theirs in favour of more restriction (on the US, see Gimpel and Edwards 1999; on the UK, see Messina 1989 and Layton-Henry 1992; on Australia, see Grattan 1993; McAllister 1993; Rubenstein 1993). Money (1999) presents a provocative thesis linking the immigration positions of mainstream parties in Britain, France and Australia to the emergence of ethnic tensions in local constituencies critical to the outcome of national elections. There is also a growing literature that systematically explores the linkages between electoral rules and the emergence or success of extreme-right parties (Givens 2005; Golder 2003; Jackman and Volpert 1996). The success of extremist parties greatly limits the options of mainstream parties and, generally, pushes them to the right on immigration issues.

Whether or not anti-immigrant attitudes are linked to public discontent with the welfare state, there is evidence that one of the factors leading voters to support extreme-right political parties in Europe is the perception of immigrant abuse of the welfare system (Kessler and Freeman 2005). Fiscal effects present interesting challenges to the mainstream political parties. We saw above that left and right parties have trouble navigating the contradictory pressures created by the economic effects of migration. A similar pattern emerges with respect to fiscal effects. Conservative parties are naturally inclined to try to limit immigrant use of welfare in order to contain fiscal costs, but both pro-business and free-market inclinations push them in the opposite direction. Left parties, on the other hand, are typically in the position of seeking to expand immigrant access to welfare programmes while at the same time defending immigration policies on economic grounds.

**Interest Groups in the Migration Policy Process**

Work in this vein employs standard production function and trade analysis to predict who wins and who loses from immigration’s impact on labour supply and demand.
Economic models suggest that class cleavages, especially those between skilled and unskilled labour, on the one hand, and organised labour and organised employers, on the other, are at the heart of immigration policy contestation. Labour market and trade theories predict who should experience concentrated or dispersed gains and losses from migration. Work combining these theories with interest-group analysis goes on to ask how groups mobilise or fail to mobilise to defend their interests. The chief advance of this combined perspective over either of its components is recognition that wage and income effects predicted by economic theory are not automatically translated into political demands. Political analysis of interest groups is supplemented, on the other hand, by theoretically driven expectations of the likely benefit/cost consequences of migration of skilled or unskilled labour.

Pioneering work on the economic sources of individual attitudes towards immigration has been done by Scheve and Slaughter (2001) and O’Rourke (2003). Using public opinion polls conducted in the United States, Sheve and Slaughter find support for hypotheses derived from the Heckscher-Ohlin and the proportional factors trade models. Specifically, they find that there is a robust skills cleavage over immigration policy, with highly skilled workers being less likely to support restrictionist immigration policies and low-skilled counterparts more likely to do so. These findings follow from the two models’ hypothesised effects of immigration on workers at different skill levels. Their findings suggest ‘the potential for immigration politics to be connected to the mainstream redistributive politics over which political parties often contest elections’ (Scheve and Slaughter 2001: 144). O’Rourke (2003) points out that Scheve and Slaughter cannot adequately test the H-O model with data from a single country. The theory predicts that the impact on immigration attitudes of being skilled or unskilled should depend on a country’s skill endowments, with the skilled being less anti-immigration in more skill-abundant countries than in more unskilled-labour-abundant countries. O’Rourke tests the model against data from 24 countries with varying skill endowments (proxied by GDP per capita). He finds strong support for the hypotheses as they relate to attitudes toward globalisation, but less impressive support for his hypotheses on immigration attitudes. However, his data confirm the theory’s prediction that, other things being equal, a person who is protectionist is also likely to be anti-immigrant, and vice-versa.

Missing from these intriguing studies, of course, are propositions about the likely political expression and impact of the preferences opinion polling uncovers. If immigration policy were set by referendum, then the median voter would decide policy (see McGann 2003 for a critique of median voter models applied to immigration). Except for Switzerland, however, immigration policy is made through legislative and executive bodies that are more or less constrained by electoral competition that is typically decided by issues unrelated to immigration. In the legislative, administrative and electoral process the interests of organised groups are more important than the opinions of individuals. Economic theory has the most to say about the likely preferences of labour and capital; in contemporary democracies this means the trade unions and employer federations.
At their most basic, economic models predict that trade unions should resist immigration because it imposes downward pressure on wages. The introduction of the idea that skilled and unskilled workers may have contrasting interests over immigration, and that this might depend on the skill endowments of the countries involved, greatly complicates the matter. Research should, following this line of reasoning, concentrate on whether a country’s trade unions are organised along skill lines, how densely organised the workforce is, and how cohesive trade federations are. Most research in the rich Western countries shows that trade unions have traditionally taken a protectionist stance toward immigration. This has at times involved tolerance of migrants where they are guaranteed national-level wages and conditions, or where their recruitment is carefully targeted toward sectors with demonstrable shortages. In terms of our models, trade unions have tolerated immigration that is complementary to national labour, and opposed immigration that substitutes for it. Recently, some scholars have argued that the unions have undergone a change of heart and have embraced a more liberal view of immigration (Haus 1995; Watts 2001). While these studies point to puzzling and important developments in immigration politics, they have not advanced convincing explanations for them. Perhaps the trade unions have become more enlightened, perhaps they have resigned themselves to the inevitability of migration and are making the best of a bad situation, or perhaps the skill mix of contemporary entrants has modified their economic costs and benefits as experienced by labour.

Freeman (1995; cf. Wilson 1980) predicts four modes of politics reflecting patterns of cost/benefit consequences of migration and the incentives they produce for individuals and groups to mobilise politically. Concentrated benefits and diffuse costs produce client politics dominated by beneficiary groups; diffuse costs and benefits yield majoritarian politics with no clear winners or losers; concentrated costs and diffuse benefits produce entrepreneurial politics as adversely affected groups seek to escape bearing the burden of policies; and concentrated costs and benefits spawn interest-group competition between roughly evenly matched adversaries.

A major deficiency of the model was the absence of theoretically driven expectations as to whether immigration produces concentrated or dispersed costs and benefits (McGann 2003). The introduction of wage and income effects is a promising avenue for clarifying these matters. Our previous discussion of the significance of the size of migration’s wage and income effects is relevant to the issue of the concentration and dispersion of benefits and costs. What is required is the addition of characterisations of interest-group configurations, in particular political systems. The concentration or diffuseness of effects, in this analysis, depends on the concentration and diffuseness of the interest groups affected by them (that is, if the number and range of groups is small or large and if the groups are themselves strongly organised or not). Consider a $2 \times 2$ matrix with economic cost (benefits) and political mobilisation on the axes. If economic costs (benefits) are large and political groups concentrated, we get client politics. If economic costs (benefits) are large and political groups diffused, we get interest-group politics. Where economic costs
(benefits) are small and political groups concentrated, entrepreneurial politics should follow; and small-cost (-benefit) diffuse groups should yield majoritarian politics. We predict the same four modes of politics as in Freeman (1995), but with different characterisations of the independent variables (see Table 3).

It is a commonplace that immigration politics produces ‘strange bedfellow’ coalitions. Zolberg (1999) conceives of these as involving a matrix that includes the putative economic effects of migration intersecting with their putative political/cultural effects. In the area of the matrix where both are positive, he predicts ‘immigrationist’ coalitions composed of co-ethnics, cosmopolitans, employers and transporters. In the area where both are negative, he predicts ‘restrictionist’ coalitions made up of native workers, local authorities and traditional nationalists. Tichenor (2002) suggests an alternative framework based on attitudes toward immigration admissions and immigrant rights. Those favouring open admissions and expansive rights for immigrants are labelled cosmopolitans; those favouring restrictive admissions and expansive rights are nationalist egalitarians; those favouring expansive admissions and restricted rights are free market expansionists; while those favouring both restrictive admissions and restricted rights are classic exclusionists. These groups yield what appear to be unnatural coalitions between liberal cosmopolitans and business, for example, or between trade unions and classic exclusionists. Both Zolberg and Tichenor tap into the interplay between economic and political/cultural concerns. Both frameworks might be improved by a consideration of the diverse political consequences of fiscal versus wage effects.

Introducing fiscal effects into the analytical equation increases the number and range of interests potentially drawn into the political arena. As noted above, the most important examples are tax-payers and the residents and governments of local areas sharply impacted by immigration. The central point to register in this respect is that fiscal issues cut across the class and sectoral lines established over wage and income effects. Perceptions that large-scale immigration is connected to rising costs of public services can stimulate middle-class tax revolts among voters who might normally be supportive of immigration. Working-class voters may join a cross-class coalition in demanding relief from the fiscal burden of large-scale migration in high impact areas. Fiscal costs can pit service payers (tax-payers) against service providers (bureaucrats, teachers, etc.) who argue for expanded budgets to meet immigrant demand.

As is the case with economic effects, the public perception of the fiscal effects of immigration is not fixed, but can be deliberately shaped by interested lobbies, the

<table>
<thead>
<tr>
<th>Wage/income effects</th>
<th>Large Client Interest group</th>
<th>Concentrated Diffuse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small Entrepreneurial Majoritarian</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Table 3.** Wage and income effects, political mobilisation and modes of politics
media, think-tanks, and politicians. Following the logic laid out above with respect to wage and income effects and interest groups, we anticipate that, whether fiscal effects are perceived to be large or small, whether their costs and benefits are concentrated or diffuse, and whether they fall on concentrated or diffuse interest systems, will determine the dominant mode of politics that will ensue.

**Conclusion**

The political economy of migration policy is a fertile field not yet fully cultivated. Economists are increasingly asking political and policy questions and incorporating political variables into their models. Political scientists are moving in the same direction, but could benefit from more systematic testing of economic hypotheses wedded to political propositions. This will require a more careful and self-conscious elucidation of political models of migration politics as much as the borrowing of concepts from economics. Specifically, political scientists must address where individual preferences on migration policy come from and how these are aggregated and processed via interest groups, institutions and states. Our partial and brief consideration of the analytical terrain in the field of migration politics reveals its relatively undeveloped state. The three perspectives we introduced often do little more than identify a basket of potential independent variables with modest effort to stipulate how and when they come into play.

Our review of attempts to interpret comparative immigration policy outcomes via trade, labour market and fiscal theoretical premises has uncovered significant relationships and suggestive data. Nonetheless, in a number of cases it seems apparent that economic models can only partially account for outcomes, in some cases perhaps not at all. These findings point to the need to take the political dimensions of migration policy into fuller account. Given the ubiquitous discussion of the economic dimensions of immigration phenomena in the political science literature, we think it is imperative that the debate be put on a more rigorous and systematic footing, yielding a more robust political economy of migration.

**Notes**

[1] For obvious reasons, scholars of immigration have been drawn to the cultural, ethnic and racial dimensions of migration. We have no intention of denying the relevance of such perspectives. Indeed, the central thrust of our argument is that neoclassical theory by itself must necessarily fail to accommodate the complexities involved when immigrant and native populations interact. Our focus has been on the explicitly political variables—states, institutions, political interest groups—that come into play in forging immigration policy. The study of the economic basis of immigration politics should make the importance of non-economic factors all the more evident.

If one reverses the standard assumption that goods are traded and factors are immobile to permit factor mobility with goods immobile, the distributional effects of immigration mirror those of trade (cf. Rogowski 1989). In general, owners of a country’s abundant factors, or resources which it possesses in relatively large supply, gain from immigration, while owners of a country’s scarce factors lose.

This result stems from the model’s strong assumptions about the long-run, product market disciplining effects of trade and does not hold in models where the number of factors exceeds the number of goods. See Ruffin (1984).

Kuhn and Wooton (1991) argue that skilled and unskilled labour are extreme factors and capital the middle factor in the US case. An increase in either low- or high-skilled migration thus exercises downward pressure on wages while raising the productivity of capital.

Empirically assessing the fiscal effects of immigration is a difficult and contested exercise (Smith and Edmonston 1997). Research on the US case finds that immigrant-headed households are more likely to receive public benefits than non-immigrant households (cf. Borjas 1999; Fix and Passel 2002). Given that immigrants are, on average, less educated and more likely to experience poverty and lack health insurance than non-immigrants, this should come as little surprise.

According to the National Research Council’s definitive 1997 study, the fiscal burden of immigration for taxpayers in US states varies with immigrant population and benefits eligibility. In California and New Jersey, for example, immigrant-headed households on average receive net fiscal transfers annually from non-immigrant households to the order of $3,463 and $1,484, respectively. Fiscal costs are lower in states with smaller immigrant populations and/or less generous eligibility requirements. When distributed among all US non-immigrant households, the net impact per household ranges from −$166 (New Jersey estimate) to −$226 (California estimate). See Smith and Edmonston (1997: 270–94); also Hanson (2005: 27–40).

Technically, the H-O model highlights long-run changes in output or the production process. Short-run wage effects from migration are better captured by the proportional factors model.

References


