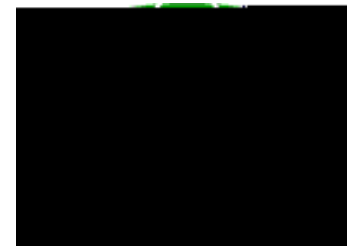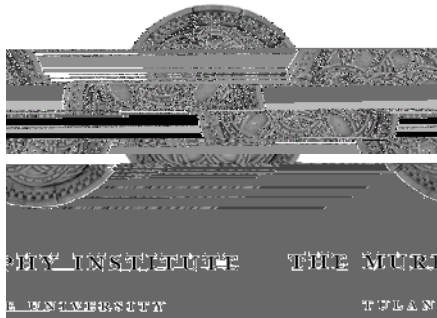# On the Sustainability of A Liberal Immigration Regime

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Intro: Liberal Immigration Regimes

Core elements of a Liberal immigration regime

- Individual freedom to make migration choices;

- Protection of property rights in labor and enforcement of legitimate contracts; and

- Protection of person rights

Intro: Liberal Immigration Regimes

The Secretary General's report shows a clear preference for Liberal immigration regimes,

- A well-ordered global migration regime can be an important support to national development.
- An attractive aspect of the report is the recognition that, for the promise to be recognized, a number of institutional and political supports (in both Home and Host countries) are necessary.
  - Banking reforms to make repatriation of earning cheaper and more certain;
  - Regularization of temporary migration short of citizenship to recognize the sizable demand for such migration.

Intro: Liberal Immigration Regimes

The report also recognizes that, in the modern context, such a regime is embedded in a dense network of national commitments to support the general welfare of citizens through a range of micro and macroeconomic interventions.

Former Assistant Secretary General, John Ruggie has called this the "*compromise of embedded liberalism*"

Ruggie, has long emphasized these commitments strongly condition what is possible at the international level.

Intro: Liberal Immigration Regimes

I think that the politics surrounding these commitments bind more tightly on the prospects for a Liberal international migration regime than on the regimes for trade and finance.

I want to consider why it is that national governments, as a matter of fact, seem not to embrace an open immigration regime with the enthusiasm they show for open trade and finance regimes.

What I want to do in this talk

Three main points:

The national politics of immigration are not driven by labor market effects;

The economic linkage between immigration and welfare states is weaker and more subtle than either side of the debate seems to suggest; and thus

The politics of the welfare state have to do with the difficult combination of identity, redistributive rights, and welfare state commitments.

Labor Market Effects: A Non-Issue

The overwhelming majority of research on the labor market effects of immigration find small to no effects on:

- Wages; or
- Unemployment

Labor Market Effects: A Non-Issue

Why this empirical result seems so problematic

- The standard interpretive framework assumes:
  - One sector, many factors of production;
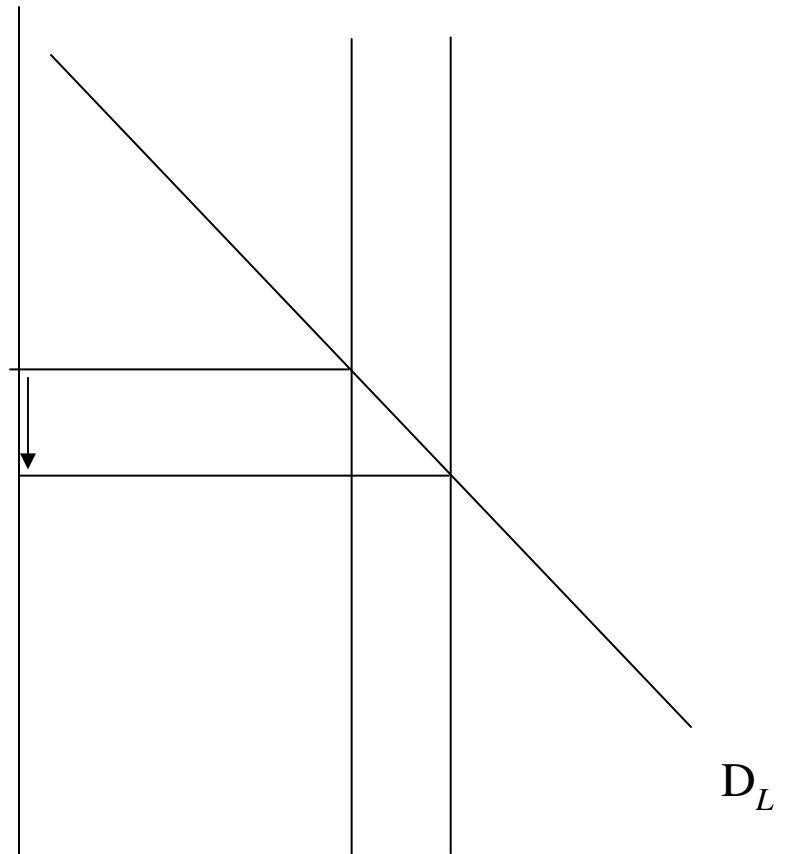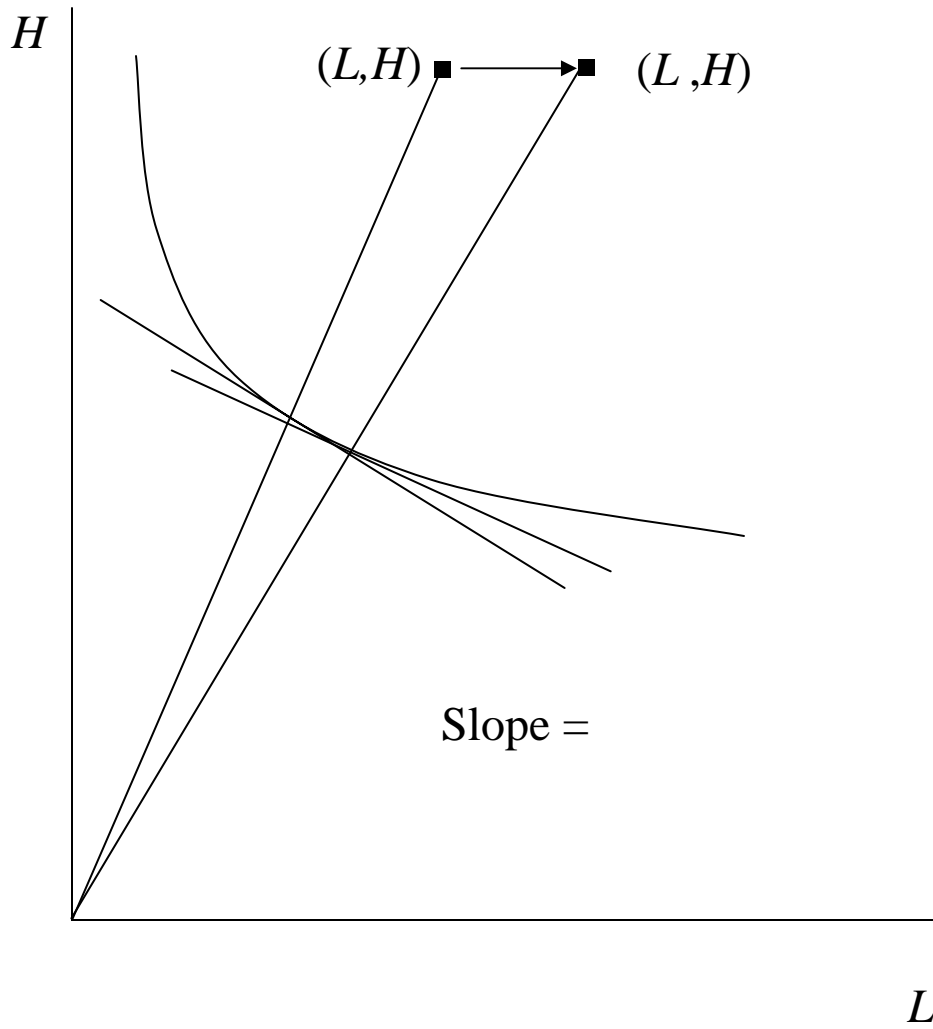 - Perfect competition in all markets;
  - Fixed supply of factors.
- The assumption of perfect competition means:
  - Full employment (no involuntary unemployment); and
  - All factors of the same type earn the same wage (= $VMPL_i$)
- This framework drives all adjustment to a supply shock through the wage.

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Labor Market Effects: A Non-Issue

Why the lack of substantial effects might be explicable.

- Changes in endowments of other factors
  - Skill upgrading of natives increases the endowment of skilled relative to unskilled workers; or
  - New entrants of natives has higher share of skilled to unskilled; or
  - Immigration of skilled foreign workers in addition to unskilled foreign workers.

Labor Market Effects: A Non-Issue

Why the lack of substantial effects might be explicable.
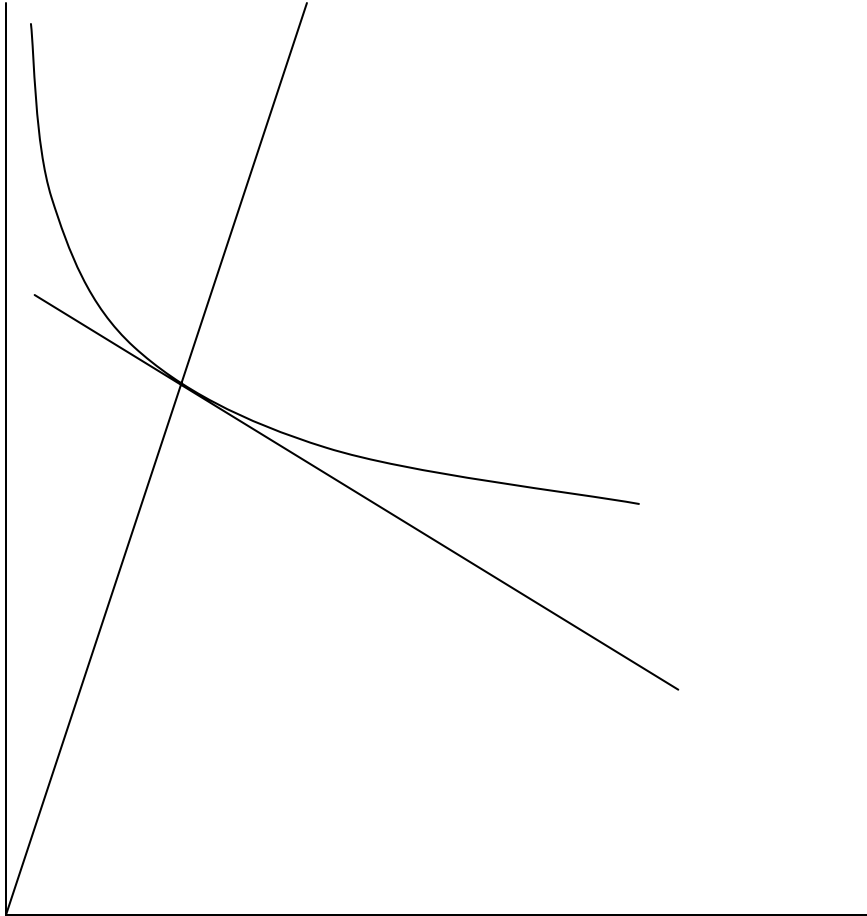
Changes in endowments of other factors

Multiple goods and adjustment on the output margin

Changing only the assumption of dimensionality, such that the number of goods is at least as large as the number of factors,
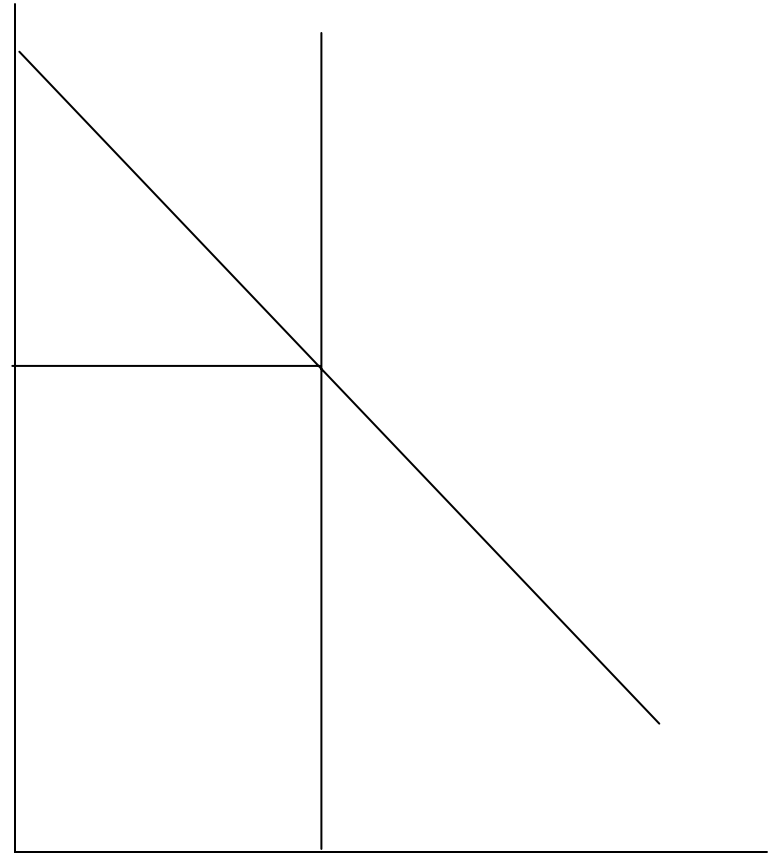
We get *factor-price insensitivity*: as long as the same goods are produced before and after the migration shock, factor prices are insensitive to an endowment change.

Adjustment to the shock occurs on the output margin.

H

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$= w/r, \quad = L/H$

Labor Market Effects: A Non-Issue

Why the lack of substantial effects might be explicable.

- Changes in endowments of other factors
- Multiple goods and adjustment on the output margin
- Technological change
  - Exogenous (Hanson/Slaughter)
  - Induced (Card, Lewis)

Labor Market Effects: A Non-Issue

Why we shouldn't be surprised

Most of the public discourse is not about wages, or even jobs.

Rather, the main issues are:

- Law and order
- National security
- National identity
- The welfare state (various forms in different countries)

The Politics of Welfare States with Immigration

Identity, redistributive rights and the welfare state

In times of political and/or economic hardship, the politics of public protest becomes more significant

The politics of identity have proven to be a powerful mobilizing force in times of social stress.

Parties of the right have seen the opportunity to use immigration as a wedge issue:

Linking to welfare state, reduces support for redistribution among redistribution's primary beneficiaries; and

Generally reducing working class support for left parties.

The Politics of Welfare States with Immigration

While the welfare state can serve as a powerful tool of integration for new immigrants, in times of social stress the link between identity and citizen rights can trump the politics of integration.

This effect is larger when the redistributive component of the welfare state is under pressure from other forces (e.g. "globalization").

In this context, opponents of the redistributive agenda generally will tend to find anti-immigrant sentiment an effective tool for undermining support for that agenda among the most obvious beneficiaries of that agenda.

Conclusion

The Secretary General's report and commitment to the issue can play a significant role in promoting a global dialogue on the benefits of a Liberal regime for migration broadly similar to the regime existing for trade, money, and development finance.

Conclusion

However, it is important not to oversell the benefits

The main beneficiaries of global migration are the migrants

The benefits to *countries* (Home or Host) of any currently plausible levels of immigration are likely to be modest.

As the Secretary General's report suggests, there are a number of things both Home and Host governments can do to maximize the benefits to individuals, but it is important to note that migrants generally weigh less than non-migrants in the political calculus of either government.

Thus…

Conclusion

I also think it is important not to undersell the political difficulties.

> For a variety of reasons migrants are not a powerful constituency in Home or Host countries.

> In developed Host countries, sizable majorities seem to weakly hold anti-immigrant attitudes, while locally concentrated minorities hold aggressively anti-immigrant attitudes.

> Especially if those regions become politically important, this is a formula for the emergence of anti-immigrant politics.

Conclusions: National policy

These conclusions suggest:

The social content of immigration policy is likely to trump the economic policy content.

Populist politicians, especially on the right, are successfully mobilizing anti-immigrant sentiment on precisely these grounds.

Thus, it seems unwise to expect much leadership on a Liberal migration agenda to come from national political leaders in migration Host countries.

Conclusions, International Policy

Given the politics of immigration, and because the makeup of the population is seen by governments as central to the definition of national community, governments are wary about surrender of sovereignty over this issue.

Even the EU has a difficult time in developing a common policy with respect to non-EU Migrants.

The interests of developing and developed countries are so different with respect to migration that it is hard to

So, where do we go from here?

Clearly there is a central role for international agencies in promoting a Liberal immigration agenda.

The High Level Dialogue on Migration and Development, and the Secretary General's Report, is just the sort of thing that can play an important role in counter-balancing anti-immigrant rhetoric.

So, where do we go from here?

I would argue strongly against trying to handle immigration in the WTO.

Given the strains currently within WTO, and the lack of strong support from member nations, this is more likely to damage the WTO than help forge a coherent international migration regime.

Even the fairly well-specified discussions of Mode IV seem to be beyond all but fairly modest gains.

So, where do we go from here?

More research is clearly needed on precisely how