Open Trade, Close Borders:

Immigration in the Era of Globalization

A book prospectus by:

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# Book Abstract

Explaining immigration policy has never been easy for political economists. Immigration policies of states seem to vary in inexplicable ways: at times states are very open to immigrants while at other times they are very closed. While the conventional wisdom is that social forces are the key variable in explaining the ebb and flow of border measures, these forces have only sometimes been met with action on immigration policy. At times, including the late 1910s and early 1920s in the United States, cries for immigration reform have been met with policy change. Recently, these same cries to “secure our borders” have gone largely unheard by the US federal government. What, then, explains these shifts in policy?

Unfortunately, our usual political economic explanation for this puzzle – the distributional costs and benefits from openness – are inadequate. According to the simple two-factor, two-good Stolper-Samuelson model, openness through the movement of people, goods or capital affects prices and wages in the same way, benefiting the abundant factor while hurting the scarce factor. Economic theory, however, tells us little about which policy or policies the state should choose when it decides to pursue openness. Openness in any one of these policy areas, theoretically, should produce the same effects as openness through any other policy or through any combination of policies. Nonetheless, it appears that states rarely choose to be open on all three-policy areas. In the 19th century, most labor-scarce states – those states that were most likely to face immigration pressures – were open to immigration and capital but not to trade. In contrast, most of these same states have been much more open to trade since the 1950s and to capital since the 1980s than to immigration. Economic theory, however, does not seem to explain these choices between different policies.

Political analysts have been no better than economists at providing a clear explanation for the choices that states make regarding immigration policy. When observing this puzzle, many scholars have turned to culture to explain the policy choices of states, often invoking some type of prejudice as an explanation for why nations will close their economies to immigrants. Accordingly, they suggest that immigration may be viewed as a threat to the national culture. Yet, these theorists assume that prejudice is constant in most nations. Since immigration policy varies, social theories of this sort may be descriptively true but not helpful in predicting variation in policy.

In this book, I argue that immigration policy toward low-skill immigrants cannot be studied in the absence of trade policy and the ability of firms to offshore production (what I term, *firm mobility)*. Trade is a substitute for low-skill immigration for both policymakers and firms. Policymakers can bring in people to make goods or they can bring in goods directly. Similarly firms can move their capital to labor or move labor to capital. By opening trade, policymakers subject firms that use immigrant labor to increased competition from states with lower labor costs or from firms with greater productivity. Once these vulnerable firms increase their productivity, move overseas (if they can), or close their doors, they no longer care about open immigration at home. The policymaker loses the support of these firms for open immigration and now finds that she can restrict immigration without encouraging the wrath of firms that use immigrant labor. Opening trade, therefore, decreases firms' incentives to push for open immigration and allows policymakers to move immigration policy closer to the ideal policy of the rest of their constituents by restricting immigration. Increasing firm mobility reinforces this effect by increasing the probability that firms will move overseas in response to trade openness instead of remaining at home.

The book tests this argument on two new datasets along with qualitative case studies and content analysis. The book first uses a new dataset on low-skill immigration policy over two centuries to show the basic relationship between trade, capital and immigration policy. Next, the book uses evidence to explicate the steps of the argument. It first examines whether firms and their lobbying conform to the expectations of the argument through case studies of three trade associations in the US and through lobbying data in the US. It next examines how policymakers react to these changes in firm lobbying and in policy making in three case studies: a quantitative case study on Senate voting in the US and two qualitative case studies on immigration policy making in Singapore and the Netherlands based on primary sources and interviews.

# Scholarly Significance

Migration in general, and immigration policy in particular, has largely been ignored in mainstream international political economy (IPE). In part, this may be due to the relative youth of the field. When IPE began as a subfield in the 1960s and 1970s, international migration was significantly lower than it had been in the 19th century or would become later in the 20th century. It, simply, was not an important issue for policymakers in most developed countries and thus, received less scholarly attention.

Clearly, migration has become a much more important issue throughout the world in the last 40 years and scholars are beginning to acknowledge the importance of it as a topic of study. Nonetheless, there has not yet been a seminal article or book about immigration policy similar Ronald Rogowski’s *Commerce and Coalitions* or Jeffry Frieden’s “Invested Interests: The Politics of National Economic Policies in a World of Global Finance.” This book seeks to be that seminal work on immigration policy.

I seek to accomplish this goal through both a novel argument and new data. The argument of the book is one of a few, but increasing number, of works in IPE which examines the inter-relation of the three major aspects of international political economy: the movement of goods, the movement of capital and the movement of people. As such, it provides a new argument in the literature for the variation in immigration policy.

Additionally, the book provides scholars with new data to examine immigration policy. One problem with studying immigration policy has been the lack of cross-national, time series data over both a wide range of cases and a long time span. Most data on immigration policy has examined OECD states, limiting the external validity of the studies that use them. Further, they have tended to examine only the post-World War II era, which again limits them. This book addresses this lacuna with the new, two-century dataset on immigration policy. Further, the dataset on Senate voting on immigration is also novel. Some scholars have examined House and Senate voting on immigration but these studies have tended to examine only the passage of a few votes. From the scholarship in American Politics, we know that this can lead to biased results. By providing scholars with the universe of votes on immigration, scholars can have greater confidence in the results of tests using this data.

In addition to making a major contribution to the IPE literature, this book also adds to the cross-field literature on migration. Much of the immigration literature has been case study based, with most case studies done on a handful of states, mostly in Europe or the European offshoots. This book brings to that literature a new ideational prospective – that of international political economy – along with a greater scope through a large, cross-national dataset that includes countries in East Asia, the Persian Gulf and Africa.

# Audience/ Market

The book project has already sparked considerable interest. The dissertation on which this book is based won the American Political Science Association’s Helen Dwight Reid award for the best dissertation in the field of International Relations, Law and Politics. An article explicating the argument and using the data on Senate voting after World War II was recently published in *International Organization* and a second article that explicates the relationship between trade and immigration (but not capital) and uses the cross-national data was also recently published in *World Politics.*

The book builds on major works on interest group politics in trade in Political Science (e.g. Judith Goldstein, Michael Hiscox, Helen Milner, Fiona McGillivray, Ronald Rogowski) and Economics (e.g. Sanford Grossman, Elhana Helpman, Marc Melitz, Robert Mundell, Wolfgang Stolper, and Paul Samuelson). It also engages with the immigration literature on national identity (e.g. Ari Zolberg’s *A Nation by Design*) and nativism (e.g. John Higham’s *Strangers in the Land*), firms (e.g. Gary Freeman’s “Modes of Immigration Politics in Liberal Democratic States” and Kitty Calivita’s *Inside the State*), labor unions (e.g. Vernon Briggs’s *Immigration and American Unionism* and Janice Fine and Daniel Tichenor’s “A Movement Wrestling”), and the rise of the welfare state (e.g. Timothy J. Hatton and Jeffrey G. Williamson’s many works). The market for *Open Trade, Closed Borders* includes political scientists, economists, sociologists and historians as well as policymakers interested in the dynamics of globalization and immigration policy.

# End Product and Timeline

The book will be between 100,000 and 110,000 words and will include 9 chapters as well as one appendix. The book will also include several tables and charts, all produced by the author. The manuscript is in progress. I held a book conference in September 2014 and plan to have a full draft ready for review by Summer 2015.

# Chapter Summaries

The book is split into three parts. The first part consists of the introduction, theory chapter and research design. Part II tests the argument using cross-national data and Part III consists of case studies used to establish causality.

PART I

*Chapter 1*

This chapter explicates the research questions – what explains variation in low-skill immigration policy and why have low-skill immigration policy and trade policy tended to be substitutes – and their importance as well as giving an overview of the argument of the book. Additionally, it discusses why I focus on low-skill immigration policy rather than high-skill immigration policy; my focus derives from the fact that most potential or actual immigrants are low-skill and because, normatively, greater low-skill immigration would greatly help increase incomes in the developing world, pulling millions out of poverty. It further discusses the major alternative explanations for the variation in immigration policy and gives the plan of the book.

*Chapter 2*

Chapter 2 further explicates the argument of the book using a formal model (the mathematics of the model are in an appendix to the chapter). Borrowing from endogenous trade theory and the work of economists like Grossman and Helpman and Melitz, I consider a lobbying model of politics where firms, and other interest groups, have the ability to lobby the policymaker on immigration policy. I begin by building the basic model and then making it more complicated. In the model, interest groups provide contributions for different immigration policies (what are known as *contribution* *schedules*). The policymaker observes these contribution schedules and weighs them against the electoral consequences of each immigration policy, determining the optimum policy for the policymaker. From this basic model, the argument is made more complicated by including the ability of firms to change technology, changes in trade openness and changes in firm mobility. From the model, several testable hypotheses are derived.

*Chapter 3*

Chapter 3 lays out the research design. I use a “nested” research design to test the argument. The goal of the research design is to show that the argument is both causal and generalizable. Part II uses large-n quantitative tests to establish a robust relationship between trade, firm mobility and immigration in many different contexts, thus showing that the relationship is generalizable. Part III uses 4 different case studies to examine the causal mechanisms and show that the results found in Part II are causal. Together, these tests should give readers great confidence that the argument is causal and can be generalized to many different countries.

*Chapter 4*

In this chapter, I introduce the new dataset on cross-national low-skill immigration policies in 19 representative states from the late 18th century to 2010 in Chapter 3. The dataset includes countries from North and South America, Europe, the Middle East, East Asia and Austral-Asia. The chapter discusses the details of the case selection, some details of the data collection and the coding of the dataset. More details on the data collection and coding process can be found in the Appendix.

I examine three broad categories of policy –those that control who enters the state; those that determine the rights given immigrants and those that determine how strictly immigration laws are enforced. I explain the coding of the immigration data and then I describe the trends in the use of different dimensions of immigration policy over time. I find that there are four groups of states that tend to use similar policies to control their borders: the settler states of the New World, the European liberal democracies, the export-oriented industrializers of East Asia and the autocracies of the Middle East. Within each group I find that, regardless of the combination of policies used to control their borders, they all have much more restrictive low-skill immigration policies today than they had in the 19th century or mid-20th Century.

*Chapter 5*

In Chapter 5, I test my argument on the cross-national data. Examining cross-national changes in low-skill immigration policy allows me to evaluate the argument in many different contexts. I find that there is a powerful and enduring inverse relationship between trade and immigration. The inclusion of firm mobility strengthens this relationship as well. States tend to restrict their immigration policy more both when trade is open and when than firms can easily move. I also examine alternative explanations and find that the data do not support many of these alternatives.

*Chapter 6*

Chapter 6 examines firms’ preferences and lobbying over low-skill immigration through two different pieces of data. First, I use lobbying and Congressional testimony data in the US to show that industries that have been more vulnerable to trade and that are more mobile internationally lobby less on low-skill immigration, even as they lobby on other issues.

Second, I examine the preferences of three different trade associations in the US– one in textiles, one in steel/ metals and one in agriculture. Each of these three industries have at one point in their history used a great deal of low-skill immigrant labor, but they have varied in their exposure to trade competition and their ability to move production overseas. Textiles have faced the most pressure from trade and have been the most mobile; labor-intensive agriculture has not face pressure from trade until recently and is relatively immobile and steel/metals are in between. For each group, I use qualitative and content analysis of their annual meeting minutes over a long time period (at least 40 years) and other publications to understand how they have approached the issues of trade, off-shoring and low-skill immigration.

*Chapter 7*

In this chapter, I focus on policymakers in the US Senate. I examine two periods of changes trade policy and the ability of firms to move: the late 19th century/ early 20th century creation of a national market and the post World War II fluctuations in world trade and capital mobility. In both of these periods, the changes in firm mobility are largely exogenous to the senators. This exogeneity allows me to examine how immigration policy formation was constrained by changes in firm mobility and trade openness. In the first period, firm mobility and trade openness was affected by the creation of the national US market, a phenomenon resulting largely from technological and financial innovation. The creation of the national market meant that producers from high-wage areas – like the Northeast – were now threatened by, but could also move to, low-wage areas like the South, constraining the policymaker’s decisions over low-skill immigration. In the post World War II era, the competitive pressures to firms and their ability to move production overseas fluctuated with changes in other countries’ policies on inward foreign direct investment, technological innovation and US trade protection. Yet, US trade protection on individual goods had largely been taken out of the hands of senators by this time through the use of reciprocal trade agreements, making changes in trade policy largely exogenous to the individual senator. I show that in both periods senators' votes on low-skill immigration conform to the expectations of my argument, namely that senators’ votes are constrained by firm mobility and trade policy. Further, I show that, again, the alternative explanations receive little support from the data.

*Chapter 8*

This chapter uses analytic narratives of low-skill immigration policy in two small countries: Singapore and the Netherlands. The chapter provides additional evidence for the causality of trade and capital policy on immigration policy outside of the US context. Both countries have been affected by changes in the world economy that they had only limited ability to affect. Further, both countries have similar economic structures, with major economic policy decided by a tripartite system of labor, employers and the government. The major differences is that Singapore is an autocracy where the government controls the unions, holds a majority or plurality stake in most companies and tightly controls opposition.

Singapore – as a very small country – has focused its economy on producing for export-markets rather than producing for the domestic economy. During the Cold War, when countries like China and Vietnam were closed to the West and countries like Indonesia and the Philippines were too underdeveloped to produce goods for world markets, this strategy worked well, providing high levels of economic growth. More recently, Singapore has been hit with both increasing labor costs and increased competition in their main export markets. I argue that this increased competition has lead Singapore to increasingly upskill production and reduce their reliance on immigrant labor, leading to a more restrictive low-skill immigration policy.

The Netherlands, too, has been affected by forces largely outside of its control. As Europe has become increasingly integrated, the Netherlands has had to face increased trade competition and its companies have increased incentives to move to cheaper locations in the EU. As a result, support for low-skill immigration from outside the EU by firms has dropped, leading to a more restrictive immigration policy. This chapter, thus, helps shed light on the causality of trade and capital policy on low-skill immigration policy as well as providing further external validity for the argument.

*Chapter 9*

This chapter concludes the book. I begin the chapter by summarizing the argument and the evidence. I then turn to the implications of the argument for political scientists. First, for both immigration scholars and for international political economy scholars, the book turns the focus back on firms. Many scholars who study immigration policy have focused on groups that oppose immigration – nativists or unions – instead of focusing on the major source of pro-immigration support, firms. This book returns the focus to firms. Similarly in IPE, many scholars are examining public opinion without explaining how that opinion translates to policy; this research too suggests that IPE scholars need to focus on other actors besides the mass public. Second, the argument can be extended to many issue areas. Trade openness and firm mobility have, for example, made the production of environmentally damaging products in many developed nations unprofitable. This may have had the effect of decreasing opposition to environmental regulations in these states (while potentially increasing opposition in the developing world). Third, this book suggests that IPE scholars need to take an integrated view of foreign economic policy. Trade and firm mobility affect immigration and immigration likely affects these areas as well. Finally, I conclude with thoughts for policy makers. This book suggests that, while not impossible, it will continue to be very difficult for policymakers to pass policies to liberalized low-skill immigration. Instead, it is likely that immigration policy for low-skill immigrants will become increasingly restricted over time.

*Appendix: Coding of the Cross-National Dataset*

This appendix provides greater detail on the case selection, the collection of the data on low-skill immigration policy and its coding.