

**The Politics of Immigration:
A Political Economy Puzzle**

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Abstract:

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Based on a larger survey of the literature (Gaston and Nelson, 2000), this paper argues: 1) that econometric research uniformly finds very small labour market effects of immigration; 2) that labour and trade economists have differed in their interpretation of this finding; and 3) that this difference is driven exclusively by different dimensionality assumptions (with labour economists preferring a 1-sector \times m -factor model and trade economists an n -sector \times m -factor model). It is then argued that the trade economists' model, along with its presumption of factor-price insensitivity is the more useful as a presumption generator. The paper concludes with a discussion of the political economy implications of these results.

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I. Introduction

Standard political economy models, as formalized, for example, in currently popular endogenous policy models, derive citizen preferences from the effects of policy on income via a well specified economic model, and determine policy based on some rule for aggregating these preferences. The popularity of these models derives from their ability to characterize, in a plausible way, the observed politics in a broad number of areas where economic self-interest would seem to play a significant role: international trade policy; macroeconomic policy; local fiscal policy; regulatory policy. Immigration would seem to be a natural case for such application, and there has been no shortage of such applications. In this paper, we are going to argue that the application of such models to the contemporary politics of immigration is based on a fundamental misreading of the facts of the situation and produces an analysis which is actively misleading. Specifically, we will argue: first, that there is essentially no systematic evidence of large distributive effects of immigration; second, that this fact is well accounted for within the analytical framework commonly used to represent the economy in political-economy models; and third, that this leads to an alternative account of the politics of immigration that, loosely speaking, embeds standard political economy models, but identifies a wide class of cases in which they may be misleading, even for policy areas which are strictly economic (including immigration).

II. The Labour Market Effects of Immigration: Much Ado About Nothing?

There is a very large body of empirical research by labour economists on the labour market effects of immigration.¹ This is hardly surprising, immigration is in many ways a perfect subject for the application of econometric methods developed to study the effects of labour supply shocks—with which labour economists are well supplied. In this section we will sketch the basic logic underlying empirical work in labour economics, and then very briefly note the main conclusions of this research.² The uniformity with which the authors of this work conclude that there is essentially no consistent evidence of labour market effects from immigration is truly striking.³

—Figure 1 about here—

The trick in any good econometric research is to find a model of the object of study that permits sufficient identifying restrictions without so prejudicing the outcome as to render the exercise uninteresting. Labour economists have found just such a framework in a general equilibrium model with one final good and m inputs. We illustrate this framework in figure 1.⁴

¹Without claiming to have exhausted all studies on the topic, but focusing only on empirical research using data from OECD countries, we find something over 100 studies since the early 1980s, with the great majority coming in the last decade. Note that this count refers strictly to studies looking at wage and unemployment effects, and does not include the even larger literature looking at the determinants of the economic performance of migrants.

²See Gaston and Nelson (2000) for a detailed survey of this literature.

³The point is not that there are *no* dissenters from this position, but that the level of agreement implies an aggregate prior on zero effect that is very tight.

⁴See Hamermesh (1993) for a detailed development of the theory, econometrics, and results across the whole field of labour economics.

The production conditions in the final good sector are illustrated by the unit-value isoquant, where we have assumed two inputs—skilled labour (S) and unskilled labour (L).⁵ We suppose that the initial endowment is $z' = \{S', L'\}$, and the slope of the ray from the origin through z' identifies $s = S/L$ the equilibrium input ratio (equal to the endowment ratio by full employment). Given perfect competition in all markets, full employment, and cost minimization by firms, this will result in a relative wage $\omega = w_S/w_L$ determined by the slope of the isocost tangent to the unit value isoquant (AA' in Figure 1). Now suppose that immigration results in an increase in the relative endowment of unskilled labour (from z' to z''). This results in a fall in s , and thus produces a fall in ω . Furthermore, if we suppose that the price of the final good is fixed, this translates to a real increase in the wage of S and a real decrease in the wage of L . The entire adjustment has occurred through a change in relative factor prices. This is the basis of the standard labour theoretic approach to determining the effect of immigration on a host economy. The great majority of research within this framework is based on cross-section econometrics and substantial ingenuity has gone into solving a variety of difficult issues that emerge in finding estimates of the economically relevant magnitudes involved (primarily the Hicksian elasticity of complementarity between inputs).

The most direct approach to this problem involves assuming a specific functional form for the production function and using the restrictions implied by that form, along with those implied by competition and cost minimization, to estimate a structural model. For research on

⁵As with most of the literature, we assume that the production technology is linear homogeneous, strictly quasi-concave, and twice differentiable. The unit value isoquant is a level set of the production function showing all combinations of inputs that yield £1 worth of output at given prices.

immigration, this approach was first adopted by Grossman (1982) and subsequently by a number of others. This approach has been applied to the US, Canada, Germany, and the EU, a variety of data sets, and several specific functional forms (translog, generalized Leontief, symmetric normalized quadratic), and while this research has turned up a variety of results on patterns of substitution and complementarity between factors, they uniformly find virtually no effect of immigration on domestic workers, with the exception of other immigrants of similar origin and vintage, and, sometimes, on the least skilled domestic workers.

An alternative, more pragmatic, approach relies less on theory for strong identifying assumptions and works with regression of wages (or annual earnings, or unemployment) on a variety of variables known to have an effect on wages, and immigrant share, across regions. That is, they estimate a regression of the form:

$$w_{Nj} = \beta X_{Nj} + \gamma f_j + \varepsilon_{Nj}, \quad (1)$$

where w_{Nj} is the wage (or other labour market variable) for native group N in city j , X is a vector of control variables, and f is the fraction of immigrants in the region j population. Probably the most widely cited of these studies is Altonji and Card (1991), which provides an admirably clear discussion of the theory and method, as well as results. This framework is then extended by Altonji and Card, as well as by many others, to deal with a variety of econometric problems. Particularly prominent in application are estimation in differences and instrumental variables estimation to deal with problems of omitted variables, simultaneity, and sample selectivity. Once again, as with the production theoretic methods, most of these studies end up concluding that there is little evidence of sizable labour market effects. Interestingly, Altonji and Card do produce

some of the largest negative effects in this literature, but the implied elasticities are again tiny—implying that a 10% increase in the percentage of foreign born workers in a local labour market implies a .86% reduction in wages (Friedberg and Hunt, 1995).

One of the most interesting, and certainly one of the highest impact, papers in this literature is David Card's (1990) study of the effect of the Mariel boatlift on the Miami labour market. On 20 April 1980, 125,000 Cuban nationals exited Cuba for the U.S. through the port of Mariel. In less than 6 months, the Miami labour force grew by about 7%. Interestingly, Card finds no labour market effect of even such a large shock. This striking result was the stimulus to much of the research by labour economists in the following years. Perhaps even more surprising, however, Rachel Friedberg (1996) examines what may be the largest proportional immigration shock in modern history—the emigration of 670,000 Russian jews to Israel (a staggering 11% of the population and 14% of the labour force from 1989 to 1996), once again with essentially no impact.

Ultimately, Borjas' (1990, pg. 81) conclusion that:

the methodological arsenal of modern econometrics cannot detect a single shred of evidence that immigrants have a sizable adverse impact on the earnings and employment opportunities of natives in the United States. (Borjas, 1990, pg. 81).

seems just as valid today as it did a decade ago.

III. Why Do We Observe No Effects?: Labour v. Trade Accounts

The finding of minimal labour market effects from relatively large immigration has produced (at least) two distinctive responses—one characteristic of labour economists, the other characteristic of trade economists. The first line of response by labour economists has been to focus on econometric problems. The most common initial response was the suggestion that the internal migratory behaviour of natives was affected to such an extent that immigration shocks, even on the magnitude of the Mariel shock, were diffused to other labour markets throughout the economy. Although there seemed to be some early evidence in favour of this hypothesis, the current evaluation seems to be that it fails: first, direct evidence is, at least, mixed; second, attempts to provide econometric fixes have not produced significantly larger effects; and finally, the hypothesis itself is inconsistent with evidence suggesting that other local labour market shocks have quite persistent effects.⁶

Faced with consistent negative results from econometric study, an alternative approach, most prominently applied in Borjas, Freeman, and Katz' (1997) widely cited paper, is to go directly to partial equilibrium simulation under “plausible” assumptions about elasticities, what the authors call the “factor content approach”. For the case of the small and shrinking population of native high school dropouts, the authors find that 44% of the change in the gap between those workers and others with a high school degree or more. On the other hand, when “unskilled” is

⁶See Filer (1992) for evidence consistent with the internal migration hypothesis; but see Card (2000) and Card and DiNardo (2000) for contrary evidence. We have already noted that the ultimate effect of Altonji and Card's IV estimates were to produce economically small effects. On the persistence of local shocks see Blanchard and Katz (1992) for the US and Decressin and Fatás (1995) for the EU.

defined as “high school graduate”, the change in the skill premium attributable to immigration falls to less than 5%. The authors conclude (pg. 66): “The bottom line from our simulations is that the economic impact of immigration is mainly redistributive and primarily affects a small group of the least educated U.S. native workers”.

Where the result that it is empirically difficult to find labour market effects of immigration seems to have, at least initially, struck labour economists as peculiar, and a bit disturbing, thus leading to the attempts to explain it away, for trade economists the result seemed quite natural. The difference in perspectives derives from a difference in the models that are used to generate intuition. Here there seems to be a fair amount of confusion, so it seems to be worthwhile to state the difference clearly: *the sole difference between the basic labour model and the basic trade model is dimensionality, labour economists prefer a one final good model for the strong structure it offers for empirical work and trade economists prefer a model with multiple final goods.*⁷

–Figure 2 about here–

To see the effect of this difference, suppose that we make only one change in the model, we add one more good and assume that good 1 is always *S*-intensive relative to good 2. Figure 2 labels denote the good from figure 1 “good 1” and the new good “good 2”. Since both of the isoquants are unit-value isoquants, they must be tangent to a common £1 isocost line. As with the one good case, the slope of the tangent gives ω , common to both industries as a result of free

⁷Gaston and Nelson (2000) develop in some detail the argument that labour and trade economists share all other key assumptions: complete and perfect markets; rationality of all agents; free trade in final goods at given world prices.

inter-sectoral factor mobility, and identifies s_j (the technology in use in each sector).⁸ By the small country assumption, the commodity prices are fixed, which fixes the unit-value isoquants, and thus fixes the common isocost, whose slope gives ω . The cone defined by the rays s_1 and s_2 is called the *cone of diversification* because any endowment in the interior of the cone involves production of both final goods at the given price, with the equilibrium technology in use. Thus, two economies, sharing the same technology sets and facing the same final good prices, but endowed with different proportions of S and L , will choose the same technologies (i.e. s_1 and s_2) and have the same ω . This is the *factor-price equalization theorem*. If we focus on a single country, this is easily seen as a very simple comparative static representation of immigration, with z' the initial endowment and z'' the endowment after an immigration shock consisting purely of unskilled labour.⁹ It is this version of the theorem that Leamer (1995) calls the *factor-price insensitivity theorem*. The mechanism that brings this factor-price insensitivity about is the subject of the Rybczynski theorem. That is, with two goods, if commodity prices (and technology) are unchanged the location of the unit value isoquants cannot change, the equilibrium isocost cannot change, which means that the ω ratio cannot change unless the economy specializes. Thus, the only way this economy can respond to a change in endowment, from z' to z'' (an increase in L with S fixed), is to change output mix, increasing output in the sector using L intensively (by proportionally more than the increase in L) and decreasing output in the other sector, as illustrated by the arrows. The essential point here is not that factor-price insensitivity

⁸Our assumption of no factor-intensity reversals guarantees that $s_1 > s_2$ for all ω .

⁹Interestingly, Samuelson concludes his original article on FPE with a discussion of its implications for immigration policy. Though the policy in question was that of encouraging emigration from England to Australia.

actually obtains, but that, in a world with more than one output, some of the adjustment to an endowment shock will occur via a change in the output mix, reducing the actual, and measured, costs to the competing factor (i.e. domestic unskilled labour). In the Heckscher-Ohlin-Samuelson (HOS) model illustrated here, as long as both goods are produced, the only way to generate a change in relative factor-prices is to change the relative commodity prices.

Contrary to much of the discussion of the one country version of the theorem (i.e. the factor-price insensitivity theorem), it is quite robust. Essentially, as long as there are more traded goods than non-traded factors of production, the result holds. This will be true when there are many goods and factors, when there are nontraded goods, when there are intermediate goods, and even, though a bit more delicately, when there is joint production (Woodland, 1982).

Furthermore, there is at least some empirical evidence suggesting that output-mix adjustment plays a significant role, while there is little evidence of wage adjustment. For example Horiba and Kirkpatrick (1983; also Horiba, 2000) study convergence of wages between the northern and southern US, finding that endowments converge only slightly, but that indirect trade in factors (i.e. the factors embodied in net exports) is of sufficient magnitude to account for a sizable part of convergence. Similarly, in their important recent paper, Hanson and Slaughter (2000) find evidence of output-mix adjustment as part of the explanation of adjustment between states.¹⁰

Unlike the related literature on the labour market effects of trade, where there are substantial differences over matters of fact, the impression one gets from the immigration

¹⁰However, they also find that the majority of adjustment in the US in the 1980s is accounted for by technological change. Interestingly, in the Israel case that we have already mentioned, Gandal, Hanson, and Slaughter (2000) find only technological change, and no evidence of output-mix adjustment.

literature is that there is a widely held, and fairly tight, prior on essentially zero labour market impact.¹¹ It is also widely agreed that there are sizable negative effects on migrants of the same origin and vintage, and, perhaps not quite so widely held, agreement that the small, and shrinking, group of native high school dropouts experience economically, and statistically, significant negative consequences from contemporary immigration.

To the extent that there is a dispute in the immigration case, it revolves around the framework to be used for evaluating the results of the empirical work, and here the division is very much between labour and trade economists.¹² We have argued that the sole substantive difference between labour and trade economists relates to the dimensionality of the model used to evaluate the results—with labour economists preferring an m -factor \times 1-final good model and trade economists preferring an $m \times n$ good model (with a modal preference for the 2×2 model). As long as $n \geq 2$ and $m \geq 2$, output-mix adjustment will play a role in adjusting to an immigration shock, and the failure to account for that role will produce overestimates of the wage (or unemployment) effects of any given shock. Furthermore, we believe that there should be a presumption in favour of the fundamental plausibility of the m -factor $\leq n$ -good model on

¹¹People often talk about a loosely construed “average” opinion on the labour market effects of trade, but this represents a collective prior with very fat tails. The tails in the immigration case (e.g. Borjas, Briggs, Huddle) are visible and aggressive in asserting their opinion, but seem to have very small impact on aggregate professional opinion.

¹²It is, in fact, quite striking in the trade and labour markets case, the extent to which heated disputes about interpretation take place between people who share a common model. As one example, see the papers by Leamer, Krugman, Deardorff, and Panagariya in the *Journal of International Economics* symposium (V.50-#1, pp. 17-116).

essentially *a priori* grounds.¹³ If this argument is accepted, there is some presumption that output-mix adjustment fully absorbs the immigration shock. That is, if we are going to use a perfectly competitive baseline for policy evaluation, as revealed preferred by both labour and trade economists, our presumption should be that, immigration short of that necessary to generate a fundamental shift in production structure has no effect on long-run labour market conditions. Factor-price insensitivity holds.

As a presumption, from which to begin an evaluation of proposed immigration policy, or an evaluation of past immigration policies, this strikes us as the right presumption. And the fact that its key implication, essentially no labour market effect of immigration, is borne out by most empirical work, should strengthen our commitment to this presumption. But it is only a presumption—a point from which we should be willing to be shifted if faced with sufficient evidence in a given case. We have argued that factor-price insensitivity is surprisingly robust to plausible variations on the basic model, but the model is, itself, very simple. There are obviously many relevant facts of economic and social life that are not part of the model, but might well affect our ultimate evaluation of immigration policy. Perhaps the most significant of these relates to short-run adjustment costs. It is now well established that the economic short-run can be chronologically rather a long time, and that these adjustment costs can be substantial. We only make two points here. First, these considerations are essentially orthogonal to immigration *per se*. That is, if we are concerned about adjustment costs borne by citizens, whether as a result of trade, immigration, technological change, or anything else, we have tools for dealing with them,

¹³See Bernstein and Weinstein (1998) for a strong argument in favor of $m < n$ in the context of research on directions of trade and impressive evidence that this framework helps make sense of some well-known empirical difficulties experienced by the HOV model.

and there is no particularly good reason for worrying about the source of worker dislocation. Second, this does not distinguish the labour and trade approaches. Within either framework, using immigration policy as an instrument for dealing with redistributive concerns is an exercise in (at least) second best.

IV. Footloose Preferences, Strange Bedfellows, and Entrepreneurial Politics

This leads us to a difficult question: if immigration is *really* not relevant to the long-run economic life of citizens, why does it occasionally become such a large political issue? In answering this question, it is useful to keep several gross facts about the politics of immigration in mind. First, anti-immigrant sentiment is not a historical constant. For much of human history, relatively large movements of people occurred without particular comment, and often were welcomed by the political authorities (Sassen, 1999).¹⁴ Nationalism, especially as linked to race, is a relatively recent phenomenon (Gellner, 1983; Hobsbawm, 1993; Jacobson, 1998). However, second, there was quite active anti-immigrant politics in the late-19th and early-20th centuries, in the absence of a large, redistributive state (Higham, 1955). Third, although there is considerable evidence that the contemporary median voter prefers less, or at least no growth in, migration, voters do not generally condition their voting behavior on immigration (Gimpel and Edwards, 1999; chapter 2). What does seem to be true, however, is that general politicization of immigration seems to be associated with economic hard times (Higham, 1955; Jones, 1992). Finally, by comparison to the politics of international trade, the politics of immigration is primarily

¹⁴We abstract, of course, from migrations such as those associated with Attila the Hun, William the Conqueror; and the early American colonists.

public politics. Like immigration, trade occasionally becomes a public issue, but trade is also characterized by very active purely professional politics. Furthermore, with the exception of California (in the late-19th century and in current times), the public politics of trade have dominated the public politics of immigration.¹⁵

In an effort to organize our thoughts about these facts, we begin with a distinction, due to Schattschneider (1960), between democratic politics and group politics. For Schattschneider, *democratic politics* refers to the public politics through which a democratic civil society constitutes itself and through which it is linked to the policy making apparatus. While elections are the final defense of democratic politics, as well as the key stimulus to public discourse, as stressed by theorists of deliberative democracy, the core of democratic politics is the public discourse itself.¹⁶ Furthermore, the terms of this discourse emphasize public interest and downplay private/individual interest. There is considerable evidence that the public discourse, and its emphasis on some notion of public interest, affects both attitude formation and voting behaviour.¹⁷ By contrast with democratic politics, *group politics* is explicitly about private interests. Furthermore, where democratic politics are public politics, group politics happen behind closed doors. Where democratic politics are inclusive, group politics is a game played by

¹⁵Thus, the era of high immigration politics, i.e. the late 19th and early 20th centuries, was both shorter lived and of less overall significance to public politics than international trade. We need only recall that the era of classic tariff politics ran from the end of the Civil War until the onset of the New Deal, during which period the tariff was literally the single most important continuing issue in American politics (see, e.g., Hall, Kao, and Nelson, 1998).

¹⁶On deliberative democracy, see the useful collections of essays in Elster (1998) and Bohman and Rehg (1998).

¹⁷For a useful survey see Kinder and Mebane (1983). An interesting recent application is Mutz and Mundak (1997).

insiders. Because group politics are solidly rooted in relatively stable interests, they are predictable and they change in predictable ways in response to the, generally marginal, changes in the environment embedding those interests. Democratic politics are not tied down in the same way. While the location of individuals within the terms of the public discourse is certainly not independent of individual interest, not only do the terms of that discourse change, more quickly and on a much greater scale than the terms of group politics change, but individual locations within that discourse (i.e. preferences) change as well.¹⁸

Before turning to the political economy of immigration, we introduce one further element, also essentially from Schattschneider (1960): organization of the public discourse in terms of a relatively stable issue on which parties are seen to differ.¹⁹ Consistent with Downs (1957) analysis of rational ignorance, the presence of such an issue serves to reduce the information costs of participation in democratic politics by providing a frame for the public discourse. When new issues emerge in the public discourse, unless they displace the dominant issue, they are evaluated to some extent in terms of that dominant issue. However, the mapping between the dominant issue and the details of the new issue will always be unclear and people will hold their policy

¹⁸One of the central points of the literature on deliberative politics is that the public discourse is transformative—peoples’ opinions change as a result of taking part in democratic politics. This is the basis of the rejection of results like Arrow’s theorem, which characterizes the relevant community in terms of a fixed profile, from within the deliberative politics framework.

¹⁹This is an essential element of the theory of party systems developed in Schattschneider (1960, chapters 4 and 5). For a more detailed development of the theory of party systems and critical elections, see Burnham (1970). One party will generally be more closely associated with the median voters most preferred point on that issue, and thus will dominate electoral politics. It is this fact that drives the entrepreneurial search for a new defining issue, reflected in the constant attempt to find and exploit new issues. As Schattschneider explains, this is one of the engines of democratization in a democratic system. It is what renders the public discourse relevant and democracy much more than a figleaf for the system of group politics.

evaluations weakly. This leads to what Nelson (1998) has called footloose policy preferences—individual and aggregate preferences subject to radical change, possibly without a change in fundamentals. This means that an issue, like immigration, that appears as a major public issue only occasionally, may have very different political meaning at different points in time. On the other hand, when an issue is the subject of long-standing, stable group politics, the terms and alignments of those politics will serve to anchor the public politics in a way that occasional issues cannot be anchored.

So what does all of this have to do with the politics of immigration, and its relationship to the politics of international trade? First, to start with the last of our stylized facts, where trade is the archetypal group issue, immigration is an occasional issue.²⁰ At least since the end of the Civil War, trade has never been off the group politics agenda in the United States, though it was off the public politics agenda from about 1934 until very recently. As a result, much of the detail of tariff, and then trade more generally, policy has been determined by relatively stable and predictable forces that are quite well captured in standard political economy models. Because trade was a core alignment issue during the era of classic tariff politics, the public politics of trade during that period were also quite stable, much as the public politics of macroeconomic policy were quite stable in the New Deal era, and the politics of the welfare state have been quite stable in the post-New Deal era. The reemergence of trade in an era without an ongoing public discourse on trade has already revealed the risks to existing trade policy-making institutions as linkages to environmental and labour issues suggest, and the events in Seattle so vividly illustrate. Even the

²⁰This is not to say that there is no ongoing group politics on the migration issue, but that this is a very small part of the politics of migration. The great majority of business on immigration has to do with individual cases, not classes of case.

unruly public politics of international trade, however, remain essentially rooted in the definitions of trade policy and general expectations about gainers and losers that have been held at least since the end of the Second World War. In particular, the alignments of most participants are relatively straightforwardly predictable.

The politics of immigration are dramatically different. Following the establishment of the national origin quotas in the Johnson-Reed Act (1924), immigration essentially disappears as a political issue (democratic or group) for forty years. Interestingly, the Immigration and Nationality Act of 1965, which ended the quota system, reflected neither the emergence of new public pressure nor the operation of group politics, but rather derived from its attachment to civil rights issues and, to some extent, to a liberal framing of US international obligations (Gimpel and Edwards, 1999).²¹ Even the landmark Immigration Reform and Control Act (1986), appears as much as a triumph of a small, intensely interested group (organized primarily around environmental groups) over general disinterest, rather than over other organized interests.²² By 1990, however, immigration appeared briefly as if it might be a successful entrepreneurial issue, possibly even part of a realignment.

While the end of the New Deal electoral system has not produced a clear aligning issue, the Republicans have been most successful in attracting significant parts of the New Deal coalition

²¹Note that there certainly was lobbying on the issue. Our point is simply that the driving force for the change in immigration policy was a changed understanding of domestic and international obligations on the part of Congress. The group politics surrounding the 1965 Act were not particularly active and the public politics were minimal.

²²On the role of environmental groups, see Gimpel and Edwards (1999, chapter 5) and Reimers (1998, chapter 3). The best treatment of the politics of this period is Schuck (1992).

by attacking policies related to race and taxes.²³ In this regard, immigration, and illegal Mexican immigration in particular, offered a fairly natural extension of an effective Republican strategy. As we suggest above, the public is generally not sufficiently interested in immigration to condition its voting behaviour on the issue, but in economic hard times the possibility opens. Thus, in a period of fiscal difficulty in California, Pete Wilson was able to revive a flagging gubernatorial campaign through the aggressive use of a racially charged immigration issue.²⁴ Ultimately, however, while there was a brief period of interest in the issue, the race/fiscal policy mix proved unsuccessful even in other states of high migration (Texas and Florida), and today there seems to be little general interest in the issue. At least as telling, is the small impact of supposedly draconian policy changes contained in the post-1986 legislation (Schuck, 1998). Had there been a substantial change in the foundation, or organizational basis, of the interests involved in immigration policy, we would expect to see substantial change in policy, but the fundamental basis of policy is essentially unchanged from that of 1965.

Thus, the politics of immigration seem to be minimally (at most) about income distribution. Instead, immigration as a public issue appears to be parasitical on broader

²³These were essential elements of Richard Nixon's southern strategy and the core of Ronald Reagan's appeal to the "Reagan Democrats". Particularly useful accounts of the general politics of race and taxes can be found in Edsall and Edsall (1991) and Plotkin and Scheuerman (1994).

²⁴On the role of taxes and race in the politics of immigration in the 1990s, see Calavita (1996) and Huber and Espenshade (1997). This also helps explain the peculiar fact from the public opinion literature that blacks and hispanics, the groups most likely to experience adverse wage effects, are considerably less negative on immigration than whites. When they evaluate the rhetoric on immigration in terms of a politics organized to no small extent around race, blacks and hispanics naturally evaluate this rhetoric as essentially racist, and are more likely to be concerned about that than about some highly conjectural, and in any event small, effect via the labor market.

understandings of the key issues facing the nation. The comparison to the late-19th century is telling in this regard. Immigration was publicly more prominent, stayed on the public agenda longer, and ultimately resulted in considerably more restrictive legislation at a time when there were virtually no fiscal effects of immigration. The politics of the time again had a large component of racial concern (though the races involved were different), but in this case they were tied more to issues of the connection between race and the possibility of democratic governance and/or economic performance (Higham, 1955; Jacobson, 1998).

To this point we have focused primarily on the United States, but the comparison with Europe is informative. While there is no more evidence of distributive effect in Europe than in the US, it is the case that, at least recently, immigration has been more consistently, and more intensely, on the democratic (i.e. public) agenda in Europe than in the US. In addition, the European public discourse has long featured a concern with nationality per se. Europe is, after all, the cradle of both the modern nation state and modern nationalism. The programme of German unification turned, to no small degree, on an essentially racial notion of Germanness, where French nationalism was rooted in a notion of French cultural superiority. Trading nations like the Netherlands and Britain developed more cosmopolitan notions of national identity. Consistent with the argument sketched in this section, Germany, Austria, and France have all developed a more organized and articulated public discourse on immigration, while Britain and the Netherlands seem to experience immigration politics in ways more similar to that in US national politics.²⁵

To conclude, and running directly contrary to the claim running, for example, throughout

²⁵Interestingly, California appears to be closer to the European model.

Borjas (1999), immigration policy is *not* about distribution. First, there is virtually no evidence of such effects; and second, the actual politics of immigration seem to be only minimally related to income distribution. Perhaps the best evidence of this is that it is exceptionally hard to predict anyone's position on the immigration issue based on the usual predictive dimensions: economic liberals are on both sides of the issue (Bhagwati v. Borjas); social conservatives are on both sides of the issue (Fukuyama v. Buchanan); social liberals are on both sides of the issue (Habermas v. Rawls). None of this suggests that the politics of immigration in the future is likely to be benign. Immigration proportionally on the order of that in the late 19th and early 20th centuries raises difficult questions about the meaning of nation and the possibility of precisely the sort of liberal discourse considered central to democracy by scholars like Schattschneider, Rawls, Walzer, and Habermas. However, we fail as scholars and as citizens if we seek to force these difficult issues into the box of the politics of material interest, when they manifestly do not belong there.

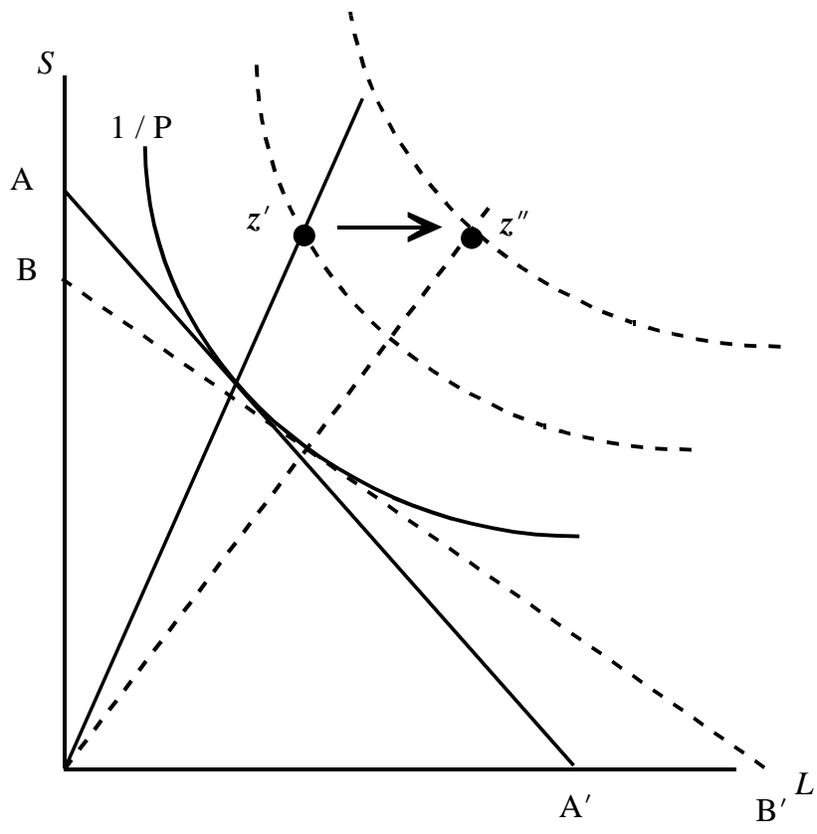


Figure 1: Endowment change and factor-price change in the one-sector model. The isocost line tangent to the unit isoquant has the equation $\pounds 1 = w_S S + w_L L$. Thus, the S intercept shows $1/w_S$ and the L intercept shows $1/w_L$. At the initial endowment (z') the isocost is AA' and at the new endowment (z'') it is BB' . It is easy to see that, if P is unchanged, w_S has risen and w_L has fallen.

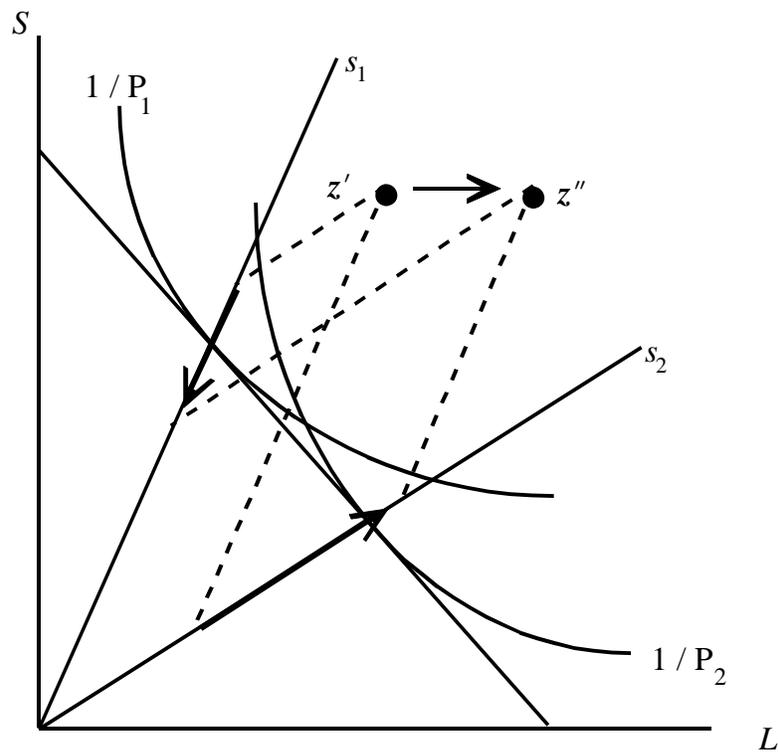


Figure 2: Endowment change and factor-price insensitivity in the two-sector model. In this case, with two goods, if commodity prices (and technology) are unchanged the location of the isoquants cannot change, the equilibrium isocost cannot change, which means that the w_L/w_S ratio cannot change unless the economy specializes. Thus, the only way this economy can respond to a change in endowment, from z' to z'' (an increase in L with S fixed), is to change output mix, increasing output in the sector using L intensively and decreasing output in the other sector, as illustrated by the arrows.

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