

2012

# On the political economy of immigration: examining the relationship between individual choice and policy outcomes in the united states

Keith Ryan Walton  
*Iowa State University*

Follow this and additional works at: <http://lib.dr.iastate.edu/etd>

 Part of the [Labor Economics Commons](#), and the [Political Science Commons](#)

---

## Recommended Citation

Walton, Keith Ryan, "On the political economy of immigration: examining the relationship between individual choice and policy outcomes in the united states" (2012). *Graduate Theses and Dissertations*. 12660.  
<http://lib.dr.iastate.edu/etd/12660>

This Thesis is brought to you for free and open access by the Graduate College at Iowa State University Digital Repository. It has been accepted for inclusion in Graduate Theses and Dissertations by an authorized administrator of Iowa State University Digital Repository. For more information, please contact [digirep@iastate.edu](mailto:digirep@iastate.edu).

**On the political economy of immigration: examining the relationship between  
individual choice and policy outcomes in the United States**

by

**Keith Ryan Walton**

A thesis submitted to the graduate faculty  
in partial fulfillment of the requirements for the degree of

**MASTER OF ARTS**

Major: Political Science

Program of Study Committee:  
Steffen Schmidt, Major Professor  
Mariana Medina  
Robert Urbatsch

Iowa State University

Ames, Iowa

2012Copyright © Keith Ryan Walton, 2012. All rights reserved.

**TABLE OF CONTENTS**

CHAPTER 1. INTRODUCTION, CONCEPTS, DEFINITIONS	1
CHAPTER 2. INTERNATIONAL POLITICAL ECONOMY THEORY	8
CHAPTER 3. UNITED STATES IMMIGRATION POLICY HISTORY	19
CHAPTER 4. CONCLUSIONS AND SUGGESTIONS	24
BIBLIOGRAPHY	28

## **Chapter 1. INTRODUCTION, CONCEPTS, DEFINITIONS**

Immigration in the United States is a salient issue, which over time affects economic, political, and cultural conditions. These effects are often accompanied by turbulent political debates in efforts to direct the policies meant to determine the frequency and composition of migrant inflows. Although immigration in the United States is not an issue, which causes previously inactive voters to actualize themselves at the polls (Gimpel & Edwards, 1999), it is an issue about which most voters have passionate opinions. In terms of policy outcomes, prerogative is retained by the government to discriminate between who and who not to naturalize; therein lays the politics.

Tichenor (2002) summarizes the importance of immigration to the United States when he writes “immigration policy choices involve not only the peopling of a nation, but also the framing of a citizenry.” Interestingly, Freeman (1995) finds that immigration policy outcomes are generally more liberal than individual stances on such policy. Why does immigration policy tend to be more open, and less restrictive, than citizens of the United States would prefer?

The primary hypothesis of this research is that concern over wages, unemployment, and jobs affect immigration flows more significantly than policy. Within that same hypothesis, this research would assert that through an examination of certain parts of international political economic theory and an historical analysis of United States immigration policy, one would find that assumptions of the state of the domestic economy significantly inform a policy maker’s preference over immigration

policy outcomes more than do other concerns. In efforts to answer the above questions and test this hypothesis, this research will inquire as to what the political economy literature has to say regarding the formation of immigration policy and what informs immigration policy preferences. Secondly, would an historical analysis of major shifts in United States immigration policy be reflective of policies driven by economic needs? An analysis of major shifts in United States immigration policy will create adequate context and sound basis for an analysis of how economic conditions influence immigration choice.

Moreover, results will likely indicate that policy becomes increasingly restrictive as economic conditions deteriorate. Before venturing into the realm of theory, however, the first order of business is to address a few basic questions and assumptions about immigration.

### *Defining an Immigrant*

Over two hundred million people, roughly 3% of global population estimates, are considered immigrants (Bodvarsson & Van den Berg, 2009). Scholars have some difficulty creating a universally applicable definition, which can accommodate most studies. Contemporary immigration law adopts the definition outlined in the Immigration and Nationality Act of 1952. An “alien” is defined as “people who are not nationals of the United States” (Legomsky & Rodríguez, 2009). An immigrant would then be any non-national who is granted citizenship or who attains the status of lawful residency (Legomsky & Rodríguez, 2009).

A working definition which this research would suggest is slightly more general and would define an immigrant as a foreign national, who seeks to become a citizen or legal permanent resident (LPR) of another state in which that person has not yet been extended the political and/or economic freedoms of a fully recognized citizen.

This general definition will work to the best advantage of this paper because it limits the discussion and analysis to the pathway of citizenship and in general disregards immigration issues which will exceed the scope of this paper.

This definition does not include certain categories of immigrants such as asylum seekers, unauthorized immigrants, and involuntary immigrants. The reason for this omission is that this research intends to focus on the relationship between the general, legal pathway to citizenship and the ensuing debates and policies, which address that pathway within the American context.

A thorough understanding of the field would require a discussion of global migration trends, refugees and the legal principle of non-refoulement, as well as immigration as it pertains to trade and investment. In this research, most references and explanations of global migration trends will only have a presence in order to frame the context of the unique United States immigration experience.

Another unique characteristic of this definition is that it categorizes immigrants and potential immigrants together. This may seem unorthodox; however, it provides for an opportunity to analyze trends in immigration from the standpoint of a potential migrant: as a system of payoffs. The basic logic is that immigrants are people who come to this country in pursuit of opportunity. This adopted definition and basic logic

works to create a definition of immigration, which can be effectively used for research purposes and also among political and casual conversation.

### *Why do people migrate?*

Firstly, the economic research on this subject is vast and will not fully be addressed in this work. It would be efficient enough to adopt the explanation given by Bodvarsson & Van den Berg (2009) on what they call the “immigration decision” (p. 7).

The decision to migrate, according to Bodvarsson & Van den Berg (2009) defines an immigrant’s original residence as the sending country and the state in which citizenship is sought as the destination country. The costs associated with the move from source to destination are formal and informal entrance barriers. Figure 1, adapted from Bodvarsson & Van den Berg (2009), explains the how and why an immigrant would choose to emigrate or remain in the source country. Intuitively several of these “push” and “pull” (p.7) factors can be identified (Bodvarsson & Van den Berg 2009).

A “push” factor can be thought of as negative circumstances, which influence the decision of a person to leave their country of origin. These negative circumstances include adverse conditions such as discrimination, restricted political rights, and restricted social or economic mobility. “Pull” factors are essentially the opposite set of circumstances in the destination country. These more positive pull factors could include a perceived decrease in the cost of living, an assumed increase in the quality of life, or increased legal or religious freedoms. In almost a

mirror image of push and pull factors, “stay” factors are positive reasons for a citizen to remain within the source country and “stay away” factors are negative factors which may cause any potential immigrants to not emigrate.

The formal exit and entrance barriers are much more specific. Since it is the intent of this research to focus on the interplay between immigration policy, labor economics, and immigration policy outcomes in the United States as a receiving country, the discussion will not directly address the formal barriers to exit.

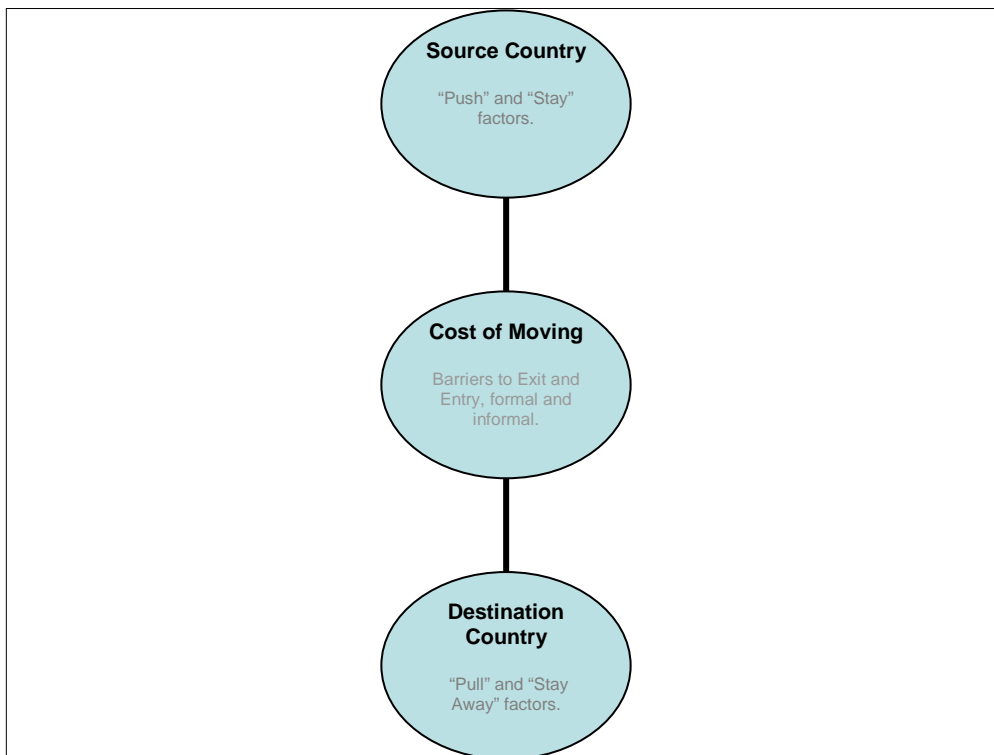


Fig. I- Decisions to migrate.

### *Orientation*

The flow from source to destination country is interrupted by the cost of the move; financial burden, transportation costs, policy, and other considerations, which are more difficult to measure. The level and rate of industrialization since WW II and



the increasing rate at which the world has become interconnected has significantly reduced most moving costs. Intuitively if one were to hold that liberal democratic societies are “rights-based” regimes (Hollifield; 1992) and that barriers to entry are relatively low then given that the cost barriers of migration have been reduced, one should observe an unfettered increase in immigration flows into most liberal democratic states in the post-war years. The previous assertion is only relevant if one were to assume that the benefits to migration have remained constant across time. Of course, the benefits of migration also vary across time especially within the United States context. For research purposes this paper will hold the benefits of immigration constant.

Examining the composition of immigrants and residents within the United States, Figure II shows a dramatic decrease in immigration flows as a percentage of citizen population after the Great Depression in 1929 and only a moderate increase after the Second World War ended in 1945. Not the consistent increase one would predict.

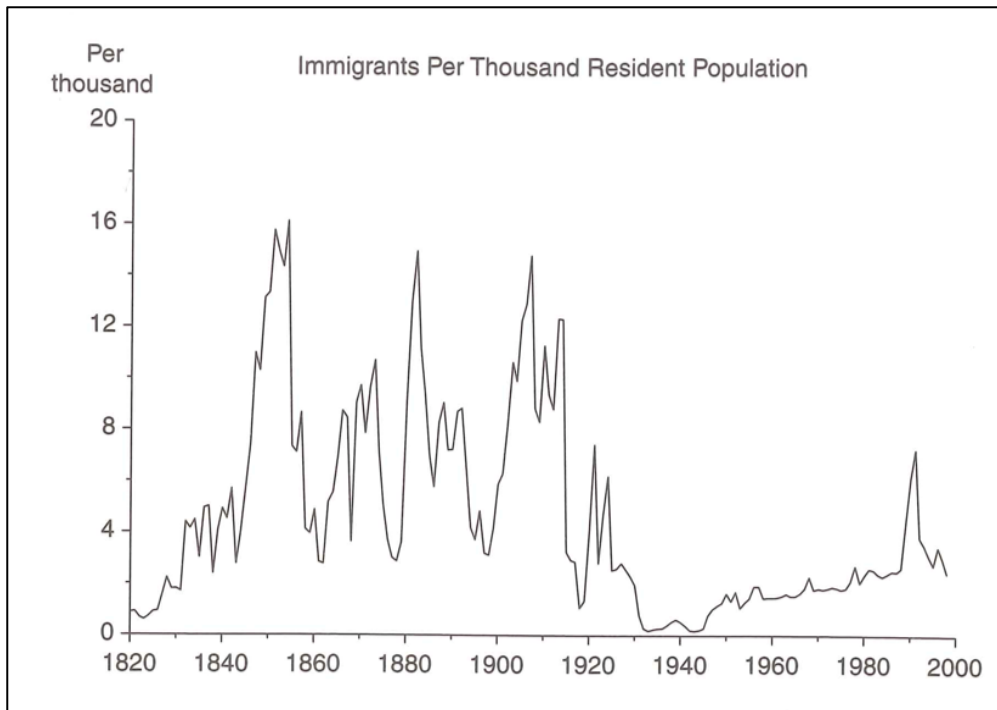


Figure II

If the world indeed became increasingly more developed and interconnected therefore eroding the barriers and reducing the costs of immigration flows, it could be assumed that immigration would continually increase. The data, briefly represented in Figure II, tells a different story. The assumption of this paper is that among the formal barriers to entry, policy is the most significant and most responsible for mitigating migrant inflows in the United States context. It is the attempt of this research to maintain a focus on the interplay between a series of policy inputs: public opinion, economic concerns, and the desired policy outcomes of the government its citizens.

## **Chapter 2. INTERNATIONAL POLITICAL ECONOMY THEORY**

Immigration is as salient an academic subject as it is a political concern. Immigration crosses multiple disciplines from Political Science, to Economics, to Sociology. It is important to understand how immigration has been studied and conceptualized within the canons of International Political Economy theory. This review will show how immigration has been studied. This review will also work to frame the context and perspective of this research and create a platform on which support for the hypothesis mentioned in the introduction can be built.

Bodvarsson and Van den Berg (2009) suggest that immigration should be understood and studied across time, from an interdisciplinary and dynamic perspective. This research will maintain Bodvarsson and Van den Berg's suggested perspective by conducting a review and an analysis from within the political science and economics literatures. The first part of this discussion will address how immigration has been theoretically conceptualized.

Immigration is a form of international exchange as it involves the departure of an individual from one state and the simultaneous entrance into another. As such, immigration can be analyzed as an international exchange using either the individual or state as the base unit of analysis. Understanding that either mentioned unit can be utilized as the base unit, this discussion of International Political Economic theory will examine immigration within the Realist and Marxist literatures with the assumption that Realism represents the state and the Marxist perspective represents analysis from the individual perspective.

### *The Realist Model*

Understanding immigration from the Realist perspective is to recognize the state as the central unit of analysis and that states utilize immigration policy as a means to further, promote, and defend the national interest (Hollifield, 1992). Moreover, immigration policy is seen as a mechanism by which this exchange can be mitigated in efforts to control the composition of a state's citizenry.

It is certainly realist sentiment, which forms the basis of comprehensive United States immigration policy. The realist model sees the state, relatively, as an independent actor functioning within an anarchic system. As an independent actor, a state retains as prerogative the power to determine the composition of legal immigrant flows. Governments determine the composition of legal immigration flows by utilizing discriminatory criteria policy to ward the state against determined undesirables and that "nations define themselves through the official selection and control of foreigners seeking permanent residence on their soil" (Tichenor, 2002).

Many of the immigration challenges that states face include labor supply and security concerns, the availability and accessibility of social welfare, among others. What is important to recognize is that policy responses among states, regardless of the similarity in forms of governance, are not necessarily uniform. This research is focused on immigration policy within the United States and will contain the literature review to policy responses within liberal democratic states in order to eliminate extemporaneous considerations.

Castles (1995) presents a very structured and useful categorization of the policy responses of liberal democratic states with regard to migration and ethnicity. Within that work he categorizes the immigration policy practices of the state into four categories: total exclusion, differential exclusion, assimilation, and pluralism. Total exclusion policies are adopted by states whose borders are effectively closed. Castles (1995) addresses that total exclusion is not generally a policy response found in developed countries and is rarely practiced among liberal democracies. Differential exclusion restricts access to certain sectors of the economy, generally limits the political freedoms of immigrants, and restricts access to government services. It would seem logical that most countries practice differential exclusion to an extent. It would be difficult for a government to manage an immigration policy which afforded all aliens who desired citizenship immediate access to all rights and freedoms in the instant for which such access was requested. A state would benefit by adopting an immigration policy, which admitted immigrants under certain conditions, and by mitigating the frequency and composition of migrant inflows.

Assimilationist states have policies which require immigrants to learn the language, customs, and histories of the receiving country as a condition of naturalization. The pluralist model is reflective of a state's willingness to fully incorporate immigrants into society as a minority group and so afforded that group most of the same political freedoms extended to native citizens. Also within the pluralist model access to certain government services such as emergency medical care or public education for children are also afforded.

### *The Marxist Vein*

According to Hollifield (1992) the Marxist literature recognizes that the individual and his or her respective social class as the unit of analysis and that immigration is an eventual outcome of unequal capitalist system. Marxist scholars conceptualize immigrants as a function of a dichotomous labor market (owners of capital and an exploitable lower class) and as members of an “industrial reserve army” (Hollifield, 23). According to Marxist theorists, this lower class is utilized in order to maintain a downward pressure on wages during periods of economic difficulty.

<b>Table I Conceptualizing International Political Economy and Immigration</b>			
	<b>Realist</b>	<b>Hybrid</b>	<b>Marxist</b>
<b>Most Important Actor</b>	The State	Individuals, The State	Class- Owners of Capital and immigrant labor
<b>Role of the State and the Objective of Immigration policy</b>	To set immigration policy in response to advance the national interest.	Balance the needs of the economy with the rights of individuals.	Set immigration policy to create a reserve of labor and skills.
<b>Proper Objective of Immigration Policy</b>	To set immigration policy in response to the needs of the government and the economy.	Enhance aggregate social welfare	Promote an equitable distribution of Wealth and income
*Chart Adapted from Table 1.1 in Oatley, Thomas (2008) <i>International Political Economy: Interests and Institutions in the Global Economy</i> . Pearson and Longman.			

Fig. III

It is this principle of Marxist thought, which underlies the economic labor supply model; the model used most frequently to assess the economic impacts of immigration on the destination economy. Scheve & Slaughter (2001) write about the significance of immigration affecting labor market returns for native laborers as the most critical determinant of an individual’s policy preferences regarding immigration

policy. The economic models regarding immigration and the domestic labor market will be addressed in greater detail later in this chapter.

It is important to recognize that the differential exclusion policy model fits comfortably within this Marxist vein. If the goal of the owners of capital is to maintain a healthy reserve of labor to exploit, then the differential exclusion policy outcomes offer an ideal solution for the owners of capital.

A seemingly endless reserve of labor, easily accessible and exploitable, were what formed the basis of early US immigration policy as well as for the so-called “guest” worker programs, will be addressed in later chapters.

“guest” worker programs, each to be addressed in greater detail in the chapters to follow.

### *A Hybrid*

In liberal democracies both the individual and the state enjoy are central to the ongoing policy conversation. Ultimately, the power to create policy resides with the state, although an individual, through various political and social mechanisms, could have a distinct and significant influence over policy formation and outcomes, *ceteris paribus*. Perhaps the defining feature of a liberal democracy is the primacy of place an individual citizen retains within a state. If immigration policy is a prerogative of the state and designed to enhance the economy and promote the national interest, it must be forced to discriminate against determined undesirables. Once admitted, and subsequently naturalized, the immigrant is no longer migrant labor, but a citizen. Once a state formally recognizes naturalized immigrants as full citizens the

government becomes what Hollifield (1999) refers to as a “rights based regime” (p. 27). In a rights based regime policy becomes focused on social justice and human rights (Hollifield, 1999). Migrants are not merely recognized as a commodity, or simply as a convenient reserve of labor subject to the needs of the economy.

The crux of this hybrid theory is that once an immigrant is allowed across the border into another state, naturalized or otherwise extended political and economic rights, he or she becomes something more than labor or an admitted asset. An immigrant then becomes a member of a community, a mother, a father, and a consumer. Once this occurs, the economic effects of immigration become increasingly difficult to account for and/or measure. Nevertheless labor economics may be perceived as the fundamental cause of restrictions sentiment.

An historical analysis of United States immigration policy from this hybrid perspective would highlight the interaction between these two levels of analysis. Understanding this interplay is important in order to determine the degree to which policies are reflective of individual attitudes towards immigration. Perhaps within this hybrid theory the relationship between individuals and policy outcomes can be better understood and provide a framework for questions and analysis of immigration policy. Before engaging in an historical analysis it would be important to entertain a discussion of labor economics as it seems to underlie preferences towards immigration policy, both for policy and for individuals.



### *Labor Economics*

The most popular means by which immigration is measured and evaluated by both public and private individuals is through labor economics. Immigration is most often analyzed in these economic terms is because “the movement of labor changes the relative quantities of factors available in economies, therefore, the returns to all factors of production” (Bodvarsson & Van den Berg, 2009).

Economic production, at the most fundamental level, is a combination of land, labor, and capital. According to Oatley (2009) the most basic of these factors is labor. The Heckscher-Ohlin model of trade shows that comparative advantage arises because of a difference in factor endowments between countries. Fitting immigration into a labor economics framework requires an assumption that immigration and domestic or native labor are both perfect substitutes and a logic that reduces immigrants to little more than labor. In fact immigrants are more than labor and their economic impact is more complex than the logic of the Heckscher-Ohlin framework can subsume. The reality is that immigrants are also consumers, they bring or create families, utilize certain public services, and they pay taxes. Immigrants can also significantly change the demographics of the receiving country over time. Regardless of limitations, the effects of immigration on the labor market are the predominant concerns weighed by individual citizens and public officials when considering immigration policy and its desired outcomes.

What the Heckscher-Ohlin model also supplies is an economic justification for an immigrant’s decision to migrate. Intuitively one deduced that differences in the abundance of the labor endowments between source and destination country can be

indications of opportunities available to a potential immigrant. Of course, such a notion requires the assumption that, in the aggregate, foreign nationals do not migrate unless that person or a close family member is either a job seeker or holder. One key failure of this model is that it implies that immigration becomes less likely as costs of migration are reduced. Immigrants as a factor endowment is not perfect substitute for goods flows. A state would not likely set an immigration policy and a trade policy as though the state were a store manager supplementing or decreasing inventory. The congress does not look at a list on a clipboard and publically announce that the United States needs 20, 000 fewer immigrants and 900, 000 more bananas. If the democratic ideal prevails, elected representatives manage immigration policy from the perspective that need for increased migration comes from manner by which immigrants are regarded in the representative's home district, or country as a whole. One of the very important reasons why immigration is often kept in the 'jobs' conversation is because levels of unemployment, job availability, and certain other economic concerns are significant conditions, which inform one's perspective on immigrants and immigration policy. Understanding that immigration flows are not perfect substitutes for good flows, immigration as a labor concern can now be examined within a proper context.

The most basic of models within the labor framework measures the Marginal Product of Labor (MPL) as a function of wage and labor supply.

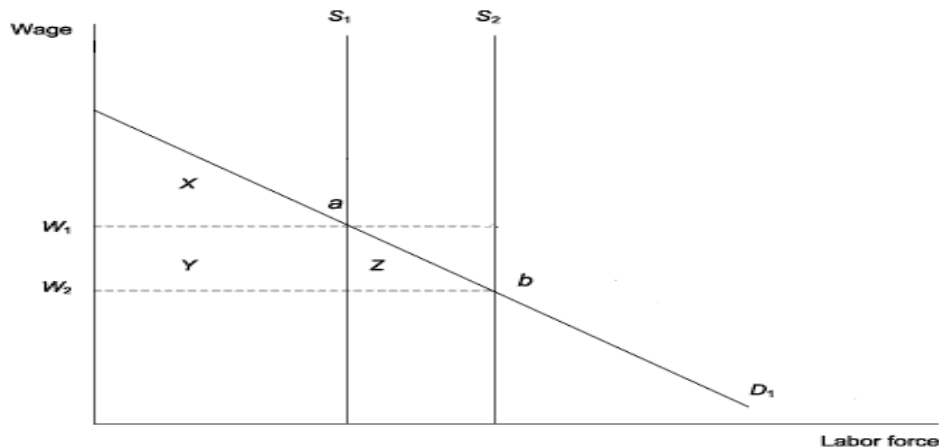


Fig. IV-Basic MPL model.

Fig. 3 shows that as a country's labor endowment increases ( $S_1 \rightarrow S_2$ ), wages are depressed ( $W_1 \rightarrow W_2$ ) and the MPL ( $D_1$ ) decreases. As the labor supply increases, Z represents the loss to the individual worker; as the labor force grows, the aggregate effect on the wage rate is negative. The significance of area Z on policy then becomes obvious. As immigration flows increase, or as immigration policy becomes less restrictive the depression of wages may then yield favorable outcomes to the owners of land and capital because their production value increases (X) fostering a more robust economy (Y). A business-friendly model would then appreciate a more open immigration policy and a worker-friendly policy would be more restrictive.

There are some temporal concerns with this MPL model. First, changes in the labor endowment do not necessarily result in positively correlating wage changes. Moreover, the wage effects of changes in the labor supply, given certain economic and political conditions, are not real-time. Second, economic productivity does not necessarily increase as the labor endowment increases. The MPL model shows some of the impacts of changes in the labor supply over time. If policy makers

always desire to craft policy regarding long-term outcomes, and individuals always form opinions about policy outcomes with long run payoffs in mind, then this model is a fair representation of how immigration effects are conceptualized in the public and private realms. The MPL model shows how labor migration can affect the economy of the receiving country. Another necessary component of the labor economics conversation is to understand motivations for foreign nationals to emigrate.

In *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776), Adam Smith writes of the differences in labor endowments and wages as being the primary factors, which motivate an individual to migrate. If this holds true then maximizing this opportunity would yield the greatest payoff. The wage differential less the costs of the move would then provide a potential migrant with the net opportunity costs of migration.

Applying this model to international migration under the assumptions that immigration is an irreversible decision, only made once and when the economic incentives are high enough. This is what John Hicks (1932) refers to as the “net economic advantage” (Bodvarsson & Van den Berg, 2009). The mathematical model below, taken from Bodvarsson & Van den Berg (2009), which represents the decision to migrate based on the net economic advantage is show below where  $M$ =migrants,  $\beta$  represents the barriers to immigration,  $i$ = country of origin and  $j$ =destination country.

$$M_{ij} = \beta_{ij} (W_j - W_i)$$

Within the labor economics framework a widely accepted and utilized derivative of the Heckscher-Ohlin model is the Borjas model. The Borjas (1987) takes the logic from the previously discussed model—changes in the supply of labor affect the wage differential and that the wage differential most significantly informs the decision to migrate—and finds that the changes in the wage differential affect immigration rates. Specifically Borjas (1999) hypothesizes that; (1) immigration rates rise (fall) in the destination country when the mean income of the destination country increases (falls), (2) the immigration rates in the source country will fall (rise) when the mean income of the source country falls (rises), (3) the migration rate is lower when relevant moving costs are higher. If one were to take the simple mathematical model offered above then set many of the “stay” and “stay away” factors equal to zero or code in such a way that they can be accounted for in  $\beta$ , then the decision to migrate may be modeled with some degree of accuracy.

It is difficult to comprehend that immigration rates are only a function of wages, labor supply, and moving costs. If one were to recognize that the decision to migrate is a human choice and therefore subject to several variables than can be accounted for economically, then labor economics can only craft an incomplete, one dimensional image. As far as assessing immigration patterns or flows there are considerations other than wages, labor endowments, and skill transferability. Among these many concerns, political barriers are the most significant. The United States experience can offer an example of how policy could be considered the most significant determinant of immigration flows.

There were many incremental immigration policy changes in the United States immigration policies. This research will only briefly examine policies associated with a shift in United States policy direction.

### **Chapter 3. UNITED STATES IMMIGRATION POLICY HISTORY**

An excerpt from the inscription on the Statue of Liberty reads: “Give me your tired, your poor, your huddled masses... the wretched refuse of your teeming shore. Send these, the homeless, the tempest tossed.” These words have been quoted on the floors of the Capitol building and high school and college classrooms as if to hearken back to a time when United States immigration policy was laden with good intentions borne of an honest, humanitarian nature; welcoming of all peoples who would land American shores. This crafted image of United States nobility is not reflective of the realities of the nineteenth and twentieth century. A quote which would more adequately reflect nineteenth and twentieth century immigration policy within the United States would read: ‘Give us your laborers so that industry may press for full advantage to be taken of these lesser people. The rest of the time, give to us your educated, your talented, you mathematicians, and physicians. For all of these, send when permitted.’ Supporting this notion Tichenor (2002) succinctly states that native-born citizens as well as governments “mythologize their sojourner past.”

In the mid to late 19<sup>th</sup> century, industrialization and development in the United States moved at a rapid pace. During this period ambitious projects such as the Overland Route authorized by the Pacific Railroad Act of 1863 under Abraham Lincoln, were undertaken. The design and scope of the rapid industrialization of the

United States necessitated a demand for labor, considerable in size and conveniently exploitable.

While some immigrants, such as Andrew Carnegie, were employers or owners of capital, most immigrants who came to the United States after 1840 through the early 1920s were relatively low skilled and “significantly increased the unskilled to skilled labor endowment” in the country (Kim 2007).

In the 19<sup>th</sup> century a federal immigration policy was virtually non-existent. Any policy regarding the admittance of migrants for the purpose of work or otherwise was determined by the states (Timmer & Williams 1998). This determination was made with the owners of capital playing the favorites. As a result of the gold rush, railroad expansions, a potato blight affecting Ireland and parts of Scandinavia, and the repeal of the 1818 Corn Laws in Europe, immigration flows to the United States from roughly 1840's through 1881 were at an historic high. This brought a large influx of Irish and Chinese immigrants to the United States. The Catholic Irish who were by law unable to own land in Ireland were affected the most by the blight and took full advantage of the absence of restrictive United States immigration policies and fled to the northeastern United States and parts of Canada's eastern coast. The California gold rush and the westward expansion and settlement in the late 19<sup>th</sup> century grew an economy needing an increased endowment of unskilled labor. Chinese immigrants met these swelling opportunities. According to the *2010 Statistical Yearbook of the Immigration and Naturalization Service*, persons of Asian decent obtaining legal permanent resident status went from a total of 43 from 1820-1849, to 288,897 from 1850-1889. These numbers pale in comparison to the number of legal

permanent residents of European descent during those same intervals; 1,891,302 and 14,964,372 respectively. Yet the first major federal policy regarding immigration was meant to exclude the Chinese.

In the western United States in the late 19<sup>th</sup> century employers, such as they were, likely wanted large numbers of laborers who were exploitable in order avoid excessive costs while constructing a transcontinental railway, and providing a work force for the emerging gold rush economy. As a societal norm, persons of Asian descent were often considered less of a person than persons of European descent. As an example of just how limited the rights of immigrants were in the 1840s and 1850s, Tichenor (2002) writes that Chinese immigrants were barred from public schools, could not present evidence against a white person at a legal trial, and had a special police tax levied against them. These exploitative relationships were all but solidified and supported by the state with the absence of a policy extending essential political and employment freedoms. Moreover, it can be interpreted that these quasi-policies and anti-Sino sentiments had more to do with ethnicity than an objection to all immigrants.

So it would happen that the first comprehensive federal policy would emerge as the Chinese population in the West grew and as the political dynamics in a young California began to shift. Tichenor (2002) writes that the Chinese Exclusion Act was essentially the result of a political struggle for jobs; a white unrest over jobs 'lost' to the Chinamen. The Chinese Exclusion Act of 1881 made Chinese workers legally inadmissible.



The second major policy shift was from the near total exclusion of Asian peoples to the implementation of a quota system in 1921, which was meant to draw more Europeans to America than more Asian peoples.

Immigration flows were growing at an unrestricted rate and there was concern and unrest among many that the United States should be highly selective of who is allowed to cross the border into this country. The notions of European superiority and eugenics, and a strong xenophobic attitude were certainly reflected in the shaping of policy. The response to these growing concerns was the Immigration Act of 1921. In Fig. II, one can observe that the effects of the 1921 act caused a marked decrease in immigration flows. It did so by limiting the number of European Immigrants admitted to 3% of the 1910 census population and setting an annual ceiling of 387,803. Three years later, the Reed-Johnson Act of 1924 was passed changing the admissions quota to 2% of the 1890 census and the decreasing the annual ceiling to 186,437.

These discriminatory policies also came as a result of certain exclusionists and members of the Immigration Restriction League: Henry Cabot Lodge and William Dillingham. These two senators organized and published the Dillingham Commission Report, which, on the basis of eugenics and xenophobia, recommended increasing the restriction of “undesirable races” and that policy should work to admit more “English speaking races” (Tichenor, 2002). The significance of the shift from the 1921 act to the 1924 act is that not only were the percentages and annual ceiling cap lowered, but the switch in census lowered the number of peoples of Asian descent from which percentages could be calculated.

The next major shift was with the 1965 Heart-Cellar act, which effectively ended the national origins quota and implemented a family based model. There were several preferential categories adopted and the most significant of these is the category, which states that “spouses, unmarried minor children, and parents of U.S. citizens” are exempt and have an unlimited number of visas available. This shift in policy direction from a racially discriminatory one came as one of the many results of the 1964 Civil Rights Act and is interesting because United States immigration policy progresses from a differential exclusion policy regime to more of a pluralist immigration regime. Instead of setting the criterion for admission based on an individual’s country of origin, policy now grants legal permanent residency chiefly based on familial relations, skills, or marital status.

Continuing on this newfound path the fourth major shift in immigration policy came when the Immigration Reform and Control Act (1986) was signed into law. This law granted millions of undocumented workers an amnesty. This policy shift is significant because the 1965 Heart-Cellar Act granted unlimited visas to the immediate family members of legal permanent residents. Looking at Fig. II we can see a spike in flows, which appears, as an anomaly to the slow steady growth since the implementation of the Reed-Johnson Act.

These four major policy changes show that policy is the most significant barrier to entry, and is what affects legal immigration flows more significantly than do wage differentials or labor market deficiencies. United States immigration flows were not driven by the need to fill voids in the labor market but at first by xenophobia and Eurocentrism, then by a focus on the family.

## Chapter 4. Conclusions

The political barriers to entry have proven to be quite significant. Just as a labor-economic framework does not create an acceptable model for determining trends in immigration, a significant piece of this discussion remains unexplained. What can be determined about labor markets and immigration?

It can be determined that immigration policy changes very slowly over time and testing immigration's impacts on the labor market yields mixed results. Borjas *et al* (1997), researching the impact of trade and immigration on the U.S. labor market have several interesting findings; two of them fit this discussion well. They find that immigration does not have a consistent or determinative effect on area economic outcomes because regional factors are dominant, and immigration has an inverse impact on the bottom part of the distribution of wage earners.

Mayda (2005), while studying individual attitudes and specific sectors within the labor market, finds that the Heckscher-Ohlin framework does provide an adequate explanation if factor-price insensitivity holds and factors are perfectly mobile. Returning to the earlier discussion of the circumstances surrounding the Chinese Exclusion Act, Mayda (2005) also finds in areas that the higher the concentration of immigrants to native worker ratio, the less likely it is that the native worker will be pro-immigration.

On the other side of the coin, Peri (2010) finds that the immigration can affect total economic output but that evidence is not convincing enough to show that immigration diminishes the prospects of employment (wages and job availability) for native-born workers.

As was mentioned earlier in this work, immigration is not actually an issue, which actualizes previously inactive voters. It has also been determined in this work that immigration policy is the most responsible for mitigating immigration flows in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries.

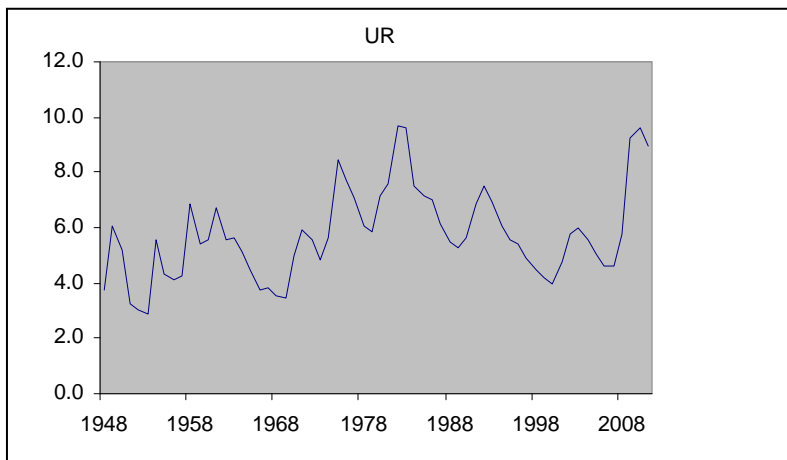
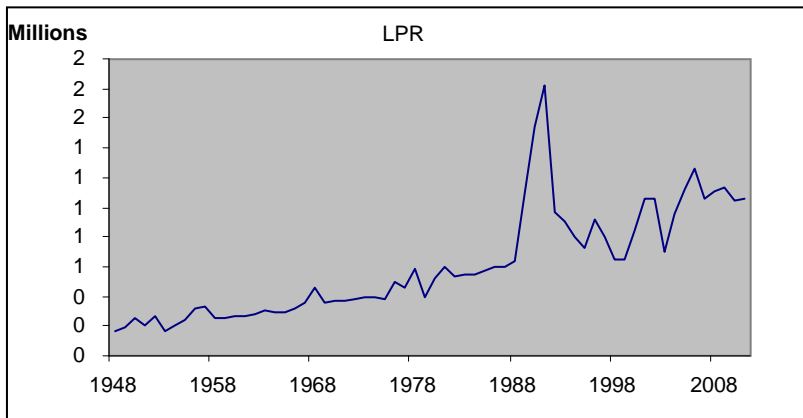


Fig V.

Looking at historic immigration-as the number of legal permanent residents who were awarded visas-over time as compared to the unemployment rate (UR), the point is reinforced that immigration flows (LPR) do not reflect the idea that immigrants will not immigrate because of aggregate assessments about the state of the economy.

The more plausible assertion is that a foreign national would make the decision not to migrate as a result of specific regional and economic factors. As an example, a Mexican medical doctor may decide not to migrate to Altoona, Kansas, because the concentration of medical doctors per patient ratio is high and that doctor will have a higher degree of competition for employment should he decide to move to Dallas, Texas, which is closer and the earlier is markedly less concentrated. Or a Canadian farm laborer who has been unemployed for years for eight months and is seeking employment in the United States may choose not to migrate to North Dakota because the primary industry crops are hay and cattle and wages are low relative to other places. The Canadian farmer in question only knows pigs and corn and desires a higher wage, so the farmer may choose Iowa instead of North Dakota. Holding that the Canadian laborer and the Mexican doctor choose to migrate, measuring effects become increasingly more complex. What will the typical household expenditure of each look like? Did they decide to move; three children, two mortgages, and five years later?

U.S. policy is quite mixed when it comes to the approach it has taken to restrict immigration. First policy was a decision of who not to allow with the Chinese Exclusion Act, then policy was a decision of who to allow more and less of. Third, policy took the approach that family came first then everyone should have more or less an equal opportunity and the role of policy would be to control numbers, not specific qualities. Then it was decided that policy should make the large number of illegal immigrants residing within the country legal and fiscally more productive by granting amnesty. Yet, those who crafted the evidently unconcerned that admission

priorities were awarded to family, so not only were roughly three million illegal immigrants granted legal permanent residency but in effect, US policy naturalized three million and guests. Either way, the level of unemployment and the condition of the US economy seems to have played only a diminished role in the formation of policy.

The focuses here have been that policy and on the decision to migrate are made with an eye toward labor economics and it has been determined that this is only partly true. This research will close with the assumption stated at the beginning; immigration is a human decision. Intuitively, family size, ease of access to a destination, job availability and stability at that destination, and the level of willingness and ability to access available information about a destination are likely the major imperatives. Measuring the decision to migrate to any degree of likelihood can be done under the Heckscher-Ohlin framework, if one is willing to structure research according to sector specific and circumstantial information, and make certain assumptions about how people of a particular demographic make one-time irreversible decisions.

### Bibliography

- Bodvarsson, Örn B. and Henrik Van den Berg (2009) *The Economics of Immigration. Theory and Policy*, New York, NY: Springer.
- Borjas, J., George Richard B., Freeman and Lawrence F. Katz. (1997). “How Much Do Immigration and Trade Affect Labor Market Outcomes?” *Brookings Papers on Economic Activity*, 1-90.
- Castles, Stephen (1995) “How nation-states respond to immigration and ethnic diversity” *Journal of Ethnic and Migration Studies* 21(3): 293-308.
- Freeman, Gary P. (1995) “Modes of Immigration Politics in Liberal Democratic States” *International Migration Review* 29(4): 881-992.
- Gimpel, J., G., & Edwards Jr., J., R. (1999) *The Congressional Politics of Immigration Reform*. New Jersey: Pearson Education Company.
- Hatton, Timothy J. and Jeffrey G. Williamson (2005) *Global Migration and the World Economy. Two Centuries of Policy and Performance*, Cambridge MA: MIT Press.
- Hollifield, James F. (1992) *Immigrants, Markets, and States*, Cambridge, MA: Harvard University Press.
- Immigration and Nationality Act 1965, Retrieved from <http://uscis.gov>.
- Kim, Sukoo (2007) “Immigration, Industrial Revolution and Urban Growth in the United States, 1820-1920: Factor Endowments, Technology, and Geography” *National Bureau of Economic Research Paper # 12900* <http://www.nber.org/papers/w12900>.
- Legomsky, Stephen H., and Christina M. Rodríguez (2009). *Immigration and Refugee Law and Policy* 5<sup>th</sup> Ed., Foundation Press, New York; New York.
- Mayda, A. M. (2005). Who is Against Immigration? A Cross-Country Investigation of Individual Attitudes Toward Immigrants. *Review of Economics and Statistics*, 88:3, 510-530.
- Oatley, T. *International Political Economy: Interests and Institutions in the Global Economy* (3<sup>rd</sup> ed.). Ch. 10, 4, & 5.
- Peri, Giovanni. (2010) “The Effect of Immigrants on U.S. Employment and Productivity” *FRBSF Economic Letter*, 26.
- Tichenor, Daniel (2002) *Dividing Lines. The Politics of Immigration Control in America*. Princeton, NJ: Princeton University Press.

Timmer, A., Williamson, J.G., (1998). Immigration policy prior to the thirties: labor markets, policy interactions and globalization backlash. *Population and development Review* 24, 739– 771.

Twain, Mark. (1873) *The Gilded Age: A Tale of To-Day*. Penguin.