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Immigrants as Future Voters

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Immigrants as Future Voters

Abstract

Immigration policies in western democracies have often been contrary to the policies predicted by the mainstream theory of international economics. In particular, political parties that, according to economic theory, should adopt policies beneficial for lower-income voter-constituencies, have not protected workers from labor-market competition or from a fiscal burden of financing welfare-dependent immigrants. We explain the contradiction by accounting for immigrants as future voters. We identify a political principal-agent problem based on ego-rents from political office. Our theory predicts voter defection from worker-supported political-establishment parties to new-entrant anti-immigration political candidates and parties. We give a hearing to alternative interpretations of the evidence.

JEL-Codes: F220, F660, H530, P160.

Keywords: international migration, political ego rents, immigrant welfare dependency, immigration amnesties, political entry barriers, policy exceptionalism.

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1. Introduction

The specific-factors model (Jones 1971), also known as the Ricardo-Viner model, is the principal theoretical framework in international economics for explaining public policy. The model predicts that international trade policy will be influenced by political support from protected industries (Hillman 1982) or by rent extraction by policymakers (Grossman and Helpman 1994). For immigration policy, the prediction is that, to cater to their constituencies, political parties representing labor will oppose immigration and immigration will be favored by political parties representing employers of labor or owners of capital or business (Hillman 1994; Venables 1999; Grether et al. 2001). We note for future reference that the immigration-policy prediction of the Ricardo-Viner model is identical to that of the aggregate one-sector model.¹

Evidence confirms the trade-policy predictions (Ethier and Hillman 2019). Observed immigration policies have, however, often been contrary to predictions. Political parties representing domestic low-income constituencies have not protected workers from labor-market competition and, where integration into labor markets has not taken and immigrants have been welfare-dependent (see for example, Epstein and

¹ In the Ricardo-Viner model, a competitive labor market allocates labor among industries that employ industry-specific factors of production. When immigration takes place, diminishing returns to labor reduce the real wage and increase the real return to industry-specific capital in all industries. In an aggregate one-sector model, immigration likewise reduces the real wage and the real return to capital increases. The political incentives regarding immigration policy are the same as in a multi-sector Ricardo-Viner model. In the alternative Heckscher-Ohlin model of international economics in which all factors of production are domestically intersectorally mobile, immigration is depoliticized by the Rybczynski Theorem (Hillman 1994; Hillman and Weiss 1999).

Hillman 2003; Nannestad 2004, 2007; Gaston and Rajaguru 2013), workers have been disadvantaged in having been required to pay taxes to finance immigrants' income transfers. There is therefore an immigration-policy puzzle: why have political parties that represent workers chosen immigration policies that are contrary to their core constituents' interests?

The puzzle of labor not being protected has not always been present. Shughart et al. (1986), using data for 1900 to 1982, found that labor was protected through more stringent enforcement of immigrant entry restrictions when economic activity was in decline and immigration was more threatening to domestic labor. The restrictive immigration policies were with regard to *legal* migration.

Moving forward in time, rather than protecting labor, U.S. President-to-be Joseph Biden declared, in the third of the 2020 presidential debates, that, if elected, he would legalize the presence of 11 million *illegal* immigrants estimated to have been present in the U.S. Then, on entering office, the Biden administration replaced the restrictive policy of the previous Trump administration regarding illegal immigration with openness at the southern border, so adding to the number of illegal immigrants whose presence could be potentially legalized. Previously, in November 2014, President Barak Obama had announced that he would introduce the opportunity for illegal immigrants to "come out of the shadows and get right with the law." The opportunity was to come through an amnesty by executive action defining a new status of "legal presence."²

² The unilateral action was judged in court in 2015 to be unauthorized abdication of the responsibility of the Department of Homeland Security to enforce the law. On the grounds that that they would be obliged to finance the legalized immigrants' entitlements, 26 states objected to the executive action. On the other

Whereas the Republican Party traditionally has represented business interests and the higher-income population, the Democratic Party (the party of presidents Obama and Biden) has traditionally been the party of labor and minorities. Immigrants in the U.S., when they have the right to vote, have tended to vote for the Democratic Party (Cain et al. 1991; See Lim et al. 2006). Mayda et al (2020) found that high-skilled immigrants tended to vote for the Republican Party and low-skilled immigrants for the Democratic Party. Evidence from other western democracies shows the same nexus between low-skilled immigrants tending to vote for Leftist parties and electoral incentives of parties of the Left to support open immigration.³ The support of unskilled immigrants for political parties of the left or ‘progressive’ political parties is predictable because of budgetary and welfare policies that benefit lower-income populations of which unskilled or

hand, 12 states took the position that the illegally present immigrants were beneficial. See Carasik (2015) and Volpp (2016).

³ In Germany, the leftist Social Democratic Party has been the ‘party of and for immigrants’ (Schmidtke 2016). For evidence on voting by immigrants in Belgium, see Amjahad and Sandri (2012) and on the Netherlands, Groenendijk et al. (2011). On France, see

<https://www.lefigaro.fr/elections/presidentielles/2017/04/13/35003-20170413ARTFIG00255-jerome-fourquet-la-gauche-a-fait-l-erreur-de-croire-que-l-electorat-musulman-lui-serait-acquis.php>

(accessed 09/01/2021). In the United Kingdom, the Labor Party (or new ‘Labor’) favored low-skilled immigration and immigrants have tended to vote for Labor (Sobolewska 2005; Dancygier and Saunders 2006). The same pattern has been present in Australia (McAllister and Makkai 1991; Zingher and Thomas 2012) and in Canada (Bilodeau and Kanji 2011). Evidence on voting by immigrants voting for parties of the Left also comes from local and municipal elections (see Seidle 2015 on Sweden, the Netherlands, and Belgium).

unemployed immigrants tend to be part.⁴ There is also evidence that immigrants, after they acquire wealth, continue to support the left (Saggar 2000).⁵

We formalize the nexus between voting by immigrants and political immigration-policy preferences and propose an answer to the immigration policy puzzle through a model in which immigrants are voters in a future election. We view illegal immigration, like legal immigration, as a policy decision (Ethier 1986, Chiswick 1988) and do not distinguish between other immigrants and asylum seekers.⁶ We exclude from our model cultural incompatibilities that influence voters' attitudes to immigration (Hainmueller and Hopkins 2014). We also do not include social and personal costs of illegal immigration.⁷ Our focus is on economic costs and benefits for original residents and political self-interest expressed in ego rents from political office.⁸ We identify a political-

⁴ Immigrants also support open immigration policies when the custom of marrying within extended families requires bringing marriage partners from prior home countries. See Charsley (2012).

⁵ Exceptions to immigrants voting for the left occur when immigrants are socially conservative (for example in favoring retention of the traditional family) or have been expropriated by or have experienced communism (see Alvarez and Bedolla 2003 and Goerres et al. 2018).

⁶ Hatton (2020) concludes, from in a comprehensive review, that "what matters most to asylum seekers is the prospect of gaining permanent settlement, whatever the short-term hardships."

⁷ Social costs derive from immigrants not being screened for health and for criminal intentions. Human trafficking can be intermingled with illegal immigration (Ugarte et al. 2004 and Infante et al. 2020). Drug cartels (Medel and Thoumi 2014; Bjerk and Mason 2014) take advantage of open borders. Perkowski (2016) describes dangers facing intending illegal immigrants in transit. See Hillman (2022) on social and human costs of illegal immigration.

⁸ Ego rents appear in the citizen-candidate model of political competition (see Osborne and Slivinski 1996, Besley and Coate 1997; for a textbook summary, see Hillman, 2019, chapter 14) as the benefit to elected politicians who can implement desired policies to which they are committed. In our model, ego rents are simply the utility a politician feels from winning an election and being in government.

agency problem that derives from ego rents. Political gain through ego rents is at the expense of voters of politicians' own-supportive-voter constituencies. Politicians of the Left, because of the ego rents from political office, admit more immigrants than their lower-income constituency wants. Politicians representing higher-income constituencies, if in office, conversely choose fewer immigrants than their capital-owning voters want.

We proceed in section 2 to describe elements of the model. The model with employed immigrants is formally set out in section 3. In section 4 immigrants are welfare-dependent. Section 5 is an addendum on political entry and vote switching. We give a hearing to opposition to our theory in section 6. Brief concluding remarks are in the final section.

2. Elements of a model

We differ from prior explanations of immigration policy (see Freeman 1995; Mazza, and Van Winden (1996); Benhabib 1996; Freeman, and Kessler 2008; Mayer 2000) in assigning a role to immigrants as future voters. Voters' net incomes are determined by asymmetrically distributed domestic capital ownership and by political choice of taxation (see Tribin 2020). We use taxation policy to specify base voter constituencies of the parties of the Left and Right. Individual voters are non-decisive (they vote for expressive reasons - Hillman 2010; Hamlin and Jennings 2011). Immigrants are 'poor' (they bring no capital). When they arrive, the immigrants change the composition of core political constituencies over the spectrum of low and high-income voters. Voting is probabilistic. Immigrants vote in a future election. For legal immigrants a time dimension in the model reflects a

required durations of presence for citizenship.⁹ For illegal immigrants and asylum seekers, the time dimension reflects citizenship acquired through amnesties.¹⁰ Political ego rents create a political-agency problem for voters. Politicians are of two types, with either high or low ego-rents. The type is politicians' private information (see Laussel and Long 2020). The type determines the extent of departure of immigration policy from the welfare-maximizing policy of a party's core constituents. Political time horizons are sufficiently long for immigrants to be politically valued as future voters. Time horizons of voters need not extend to the future election in which immigrants vote. With a future election determining the party that is to be in office, ego-rents from office give politicians an incentive to choose immigration policy that accounts for future voting by immigrants. An implication of the model is that, if political entry barriers are overcome (see Tullock 1965, Stratmann 2005), lower-income voters defect from their traditional party to new-entrant anti-immigration political parties or candidates. Assumptions of convenience are that immigrants are individuals, not families.¹¹ We assume full employment of originally resident workers. We leave as exogenous reasons for immigrant welfare-dependence. We

⁹ In the U.S. for legal immigrants the requirement is five years residence or three years if married to a U.S. citizen. There is a continuous residence requirement in Australia of four years; in Canada four years presence is required out of six years is required; five years in France, Sweden, and the United Kingdom; eight years in Germany; and ten years in Italy and Switzerland. For illegal immigrants or asylum seekers, the right to vote requires first amnesties

¹⁰ The motive proposed for immigration amnesties has been fiscal benefit from bringing illegal immigrants into the tax base (Krieger and Minter 2007; Epstein and Weiss 2011; Magris and Russo 2012). Amnesties, after a residence requirement, also provide the right to vote.

¹¹ On immigrants as people with families, see for example Mincer (1978), Hillman and Weiss (1999), and Borjas (1999, 2014).

assume that, if employed, immigrants have the same productivity and receive the same return to labor as originally present domestic workers and attribute higher incomes of original residents to capital “ownership” (we do not distinguish between physical and human capital).¹²

3. A theory of immigrants as future voters

We consider a country populated by N original residents who differ in ownership of shares of aggregate capital K . For simplicity, we use the standard aggregate one sector model.¹³ The number of immigrants is M . Immigrants do not bring capital and own none of the domestic capital. We assume in this section that, having arrived, immigrants find employment in a competitive domestic labor market. Immigrant labor has the same productivity as originally-resident labor. Everyone (original residents and immigrants) has an endowment of one unit of labor. We denote by $G(x)$ the proportion of the original resident population whose capital endowment is not more than x . $G(x)$ is the cumulative

¹² Evidence shows that immigrant productivity and employment are influenced by language ability, educational disadvantages, cultural limitations on females working outside of the house, and informal employment (for a review of the evidence, see Hillman 2022). Dustmann et al. (2016) suggest that immigrants’ qualifications are ‘downgraded’. See also Bisin et al. (2011).

¹³ As we have noted, basic results regarding one-sector effects of immigration on incomes parallel a Ricardo-Viner model. In a multi-sector model, the population would have portfolios of ownership of sector-specific capital. When immigrants arrive and work, the allocation of labor in a multisector model increases in different ways the returns to the different types of specific capital in individuals’ capital ownership portfolios. If we assume aggregation of returns from capital-ownership portfolios is possible (but then conditions for aggregation need to be satisfied), we return to a specification in which individuals own shares of aggregate capital.

distribution of capital ownership. The corresponding density function is denoted by $g(x)$, such that $G(x) = \int_0^x g(\tilde{x}) d\tilde{x}$, with $G(0) = 0$ and $\lim_{x \rightarrow \infty} G(x) = 1$. With immigrants not owning capital, it follows that

$$K = N \int_0^{\infty} xg(x)dx. \quad (1)$$

Total labor is $L = (N + M)$. Aggregate output is given by:

$$Q = K^{\alpha}L^{1-\alpha}. \quad (2)$$

With perfectly competitive markets, α is the share of capital income in national income. We denote by $k = K/L$ the economy's capital-labor ratio (inclusive of immigrants). Familiar relationships between the wage rate W , the rate of return to capital R , and the capital-labor ratio are $W = (1 - \alpha)k^{\alpha}$, $R = \alpha k^{\alpha-1}$, $\frac{W}{R} = \left(\frac{\alpha}{1-\alpha}\right)k$.

Both parties if in office spend a constant fraction of national income β on public spending and balance the government budget. Taxes finance βQ . Everyone benefits from public spending equally.¹⁴

Assumption A1: $\beta < 1 - \alpha$.

The Right if in office raises revenue through a constant proportional tax rate t_c on wage income. For a balanced budget, t_c is required to satisfy

$$t_c WL = \beta K^{\alpha}L^{1-\alpha}, \quad (3)$$

which implies

¹⁴ For simplicity, because of symmetry of benefits, we do not include benefits from public spending in voters' utility functions. If public spending is for example on the rule of law, everyone is equally more secure. For specifications of "public inputs", see Hillman (1978).

$$t_c = \frac{\beta}{1-\alpha} < 1. \quad (4)$$

A government of the Right implements this tax rate.

The Left if in office taxes capital income at a positive rate denoted by θ_s and also sets a tax t_s on wage income. A balanced budget requires the tax rates t_s and θ_s of the Left satisfy

$$t_s WL + \theta_s RK = \beta K^\alpha L^{1-\alpha}. \quad (5)$$

The Left can choose any combination of t_s and θ_s in (5). For any combination chosen,

$$(1 - \alpha)t_s + \alpha\theta_s = \beta. \quad (6)$$

It follows from (4) and (6) that tax rates are related through:

$$t_s = \frac{\beta}{1-\alpha} - \theta_s \left(\frac{\alpha}{1-\alpha} \right) = t_c - \theta_s \left(\frac{\alpha}{1-\alpha} \right). \quad (7)$$

From (7), we confirm that $t_s < t_c$ (the tax rate of the Left on labor is less than the tax rate of the Right, for any $\theta_s > 0$).

Observation: Political competition could here be modelled with the Left choosing only a capital income tax rate θ_s . Since our focus is on the immigration policy, we include taxation of labor income by both parties. We treat θ_s as a parameter. As is clear from Remark 1 below, our qualitative results hold regardless of the magnitude of θ_s as long as this tax rate is positive.

3.1 Budgetary policy and base political constituencies

We now ask which types of individuals are better off under the tax policy of the Right compared to the Left, given the Right only taxes labor and the Left taxes labor at a lower

rate than the Right and also taxes capital, with the difference between the tax rates given in (7).

Proposition 1: *The tax policy of the Right is preferred by individuals whose endowment of capital, x , exceeds the economy's capital-labor ratio, k ; the tax policy of the Left is preferred by individuals whose endowment of capital, x , is less than the economy's capital-labor ratio, k .*

Proof: Given K and L , under the tax policy of the Right, the after-tax income of an individual whose capital endowment is x is

$$Y_c(x) = (1 - t_c)W + xR = \left(1 - \frac{\beta}{1-\alpha}\right)W + xR. \quad (8)$$

Under the tax policy of the Left, the corresponding after-tax income is

$$Y_s(x) = (1 - t_s)W + (1 - \theta_s)xR. \quad (9)$$

That is,

$$Y_s(x) = \left(1 - \frac{\beta - \alpha\theta_s}{1-\alpha}\right)W + (1 - \theta_s)xR. \quad (10)$$

The excess of $Y_c(x)$ over $Y_s(x)$ is

$$\Delta(x) = \left[x - \frac{\alpha}{1-\alpha}\left(\frac{W}{R}\right)\right]R\theta_s = (x - k)R\theta_s. \quad (11)$$

This excess is positive if and only if $x > k$. Individuals whose capital endowment x is just equal to the critical value $\tilde{x} \equiv k$ are indifferent between the two tax policies, while better capital-endowed individuals strictly prefer the tax policy of the Right and voters with less capital prefer the tax policy of the Left. ■

Remark 1: It is interesting to note that the critical value \tilde{x} is independent of the magnitude of the tax rate θ_s provided that $\theta_s > 0$. The magnitude of θ_s affects only the income losses

of wealthier individuals and the income gains of less wealthy individuals if the tax policy of the Right is replaced by the tax policy of the Left.

The proportion of residents that prefers the tax policy of the Right is $(1 - G(k))$. We denote by B_c the number of such residents:

$$B_c = N \times (1 - G(k)). \quad (12)$$

We refer to B_c as the base constituency of the Right. Similarly, we define the base constituency of the Left, denoted by B_s , as the sum of those residents who prefer the tax policy of the Left, plus immigrants (who by assumption do not own capital). Then

$$B_s = M + NG(k). \quad (13)$$

3.2 Immigration and the base political constituency

Note that, since $k = K/L = K/(M + N)$, an increase in immigration will decrease k , and thus increase the base constituency of the Right:

$$\frac{dB_c}{dM} = \frac{dB_c}{dk} \frac{dk}{dM} = Ng(k) \frac{K}{(M+N)^2} > 0. \quad (14)$$

The change in the base constituency of the Left following an increase in immigration is:

$$\frac{dB_s}{dM} = 1 - Ng(k) \frac{K}{(M+N)^2}. \quad (15)$$

To determine the sign of dB_s/dM , we make the following assumption regarding $g(x)$.

Assumption A2: The density function of the distribution of wealth is $g(x) = \gamma e^{-\gamma x}$.

Remark 2: From A2, the arithmetic mean of the wealth distribution is $1/\gamma$ (equal to K/N)

and the median of the wealth distribution is $(1/\gamma) \ln 2 < \frac{1}{\gamma}$.

We assume that the Left is in power and decides on the number of immigrants. Immigrants change original-resident voter support through change in the base constituencies of the two parties, with support for the Left expanding relative to support for the Right.

Proposition 2: *An increase in immigration decreases the ratio B_c/B_s .*

Proof: Define

$$\phi(M) = \frac{B_c}{B_s} = \frac{1-G(k(M))}{(M/N)+G(k(M))}. \quad (16)$$

We have:

$$\phi'(M) = \frac{kg(k)-(1-G(k))}{N[(M/N)+G(k)]^2}. \quad (17)$$

The numerator is equal to

$$(\gamma k - 1)e^{-\gamma k}, \quad (18)$$

which is negative for $k < 1/\gamma$. This inequality holds for all $M > 0$, because

$$k = \frac{K}{N+M} < \frac{K}{N} \equiv E(x) = \frac{1}{\gamma}. \quad (19)$$

Since $\phi'(M) < 0$ for all $M > 0$, it follows that the higher is immigration, the smaller is the relative size of the constituency base of the Right and the larger that of the Left. ■

Remark 3: Immigration decreases k and thus decreases the threshold \tilde{x} , resulting in an increase in fraction of residents who vote for the Right. Immigrants however enlarge the base constituency of the Left by more, such that B_c/B_s declines.

3.3 Immigration and the election outcome

There will in the future be an election in which immigrants vote. Probabilistic voting allows for immigrants not necessarily voting for the left.

Observation: Probabilistic voting models usually assume that a voter's preference for a party is additively separable, consisting of a strictly concave function of net income, and an additional term that is interpreted as the utility that the individual derives from non-economic policies of that party; see for example Lindbeck and Weibull (1987, equation 1) and Enelow and Hinich (1982). We now use a specification consistent with this approach.

A fraction of the base constituency of the Left votes for the Right. This fraction is a random variable, denoted by Z , with the cumulative distribution $H(z)$ where $0 \leq z \leq 1$. $H(z)$ is the probability that the random variable $Z \leq z$. We assume that $H(0) = 0$, $H'(z) \geq 0$ and $H(1) = 1$. Let V_s (respectively V_c) be a random variable indicating the number of voters for the Left (respectively, the Right) in the election. Then:

$$V_s = (1 - Z)B_s \tag{20}$$

$$V_c = B_c + ZB_s. \tag{21}$$

The Left wins the election if and only if $V_s > V_c$, that is, if and only if $2ZB_s < B_s - B_c$. It follows that, if $B_s \leq B_c$, then the Left will lose with certainty, while if $B_s > B_c$, there is a positive probability that the Left will win. We restrict attention to this latter case. The probability that the Left will win the future election is then given by

$$Z < \left(\frac{1}{2}\right) \left(\frac{B_s - B_c}{B_s}\right). \tag{22}$$

We have defined $\phi(M) = \frac{B_c}{B_s}$. It follows that the probability that the Lefts wins the election is $H\left(\frac{1}{2}(1 - \phi(M))\right)$. We can state the following:

Proposition 3: *The greater the number of immigrants admitted before the election, the higher is the probability that the Left wins in the election. This probability never exceeds $H\left(\frac{1}{2}\right)$.*

Proof: The greater is M , the smaller is $\phi(M)$, due to Proposition 2. If M is very large, $\phi(M)$ approaches zero, and the probability that the Left wins approaches $H\left(\frac{1}{2}\right)$. ■

3.4 Myopic voters

We have established our basic result that the Left has an interest in immigration for electoral reasons. Voters might however be myopic and not consider consequences of the election outcome for their incomes. For a complete analysis of the effect on incomes of immigration, we note:

Lemma 1:

(i) *An increase in M decreases the wage rate, but successive marginal falls in the wage rate (following additional immigration) are diminishing.*

(ii) *An increase in M increases the return to capital and successive marginal increases in R are increasing.*

$$\frac{dW}{dM} = -\frac{\alpha W}{M + N} < 0$$

$$\frac{dR}{dM} = \frac{(1 - \alpha)R}{M + N} > 0$$

$$\frac{d^2W}{dM^2} = \frac{(\alpha(1+\alpha))W}{(M+N)^2} > 0$$

$$\frac{d^2R}{dM^2} = \frac{(1-\alpha)(1-2\alpha)}{(M+N)^2} > 0$$

Proof: The proof is straight-forward. ■

For myopic voters, we have:

Proposition 4: *When voters are concerned only with their pre-election incomes, there exists a threshold level of wealth \hat{x} such that individuals whose wealth x exceeds this threshold support and individuals with wealth below this threshold oppose a marginal increase in immigration.*

Proof: Before the election, since the Left is in power (denoted by S), the tax rates are t_s on wage income and θ_s on capital income. The pre-election after-tax income of a voter whose wealth is x is

$$Y_1(x, M, S) = (1 - t_s)W(M) + (1 - \theta_s)xR(M) \quad (23)$$

where $W(M) = (1 - \alpha) \left(\frac{K}{M+N}\right)^\alpha$ and $R(M) = \alpha \left(\frac{K}{M+N}\right)^{\alpha-1}$. After substituting for t_s , we obtain

$$Y_1(x, M, S) = \left(1 - \frac{\beta - \alpha\theta_s}{1 - \alpha}\right) W(M) + (1 - \theta_s)xR(M). \quad (24)$$

The effect of an increase in immigration on $Y_1(x, M, S)$ is

$$\frac{dY_1(x, M, S)}{dM} = -\frac{\alpha W}{M+N} \left(1 - \frac{\beta - \alpha\theta_s}{1 - \alpha}\right) + \frac{(1 - \theta_s)(1 - \alpha)}{M+N} xR. \quad (25)$$

Upon substitution, we obtain

$$\frac{dY_1(x, M, S)}{dM} = \frac{\alpha(1-\alpha)k^{\alpha-1}}{M+N} (1 - \theta_s) \left[x - \frac{(1-\alpha-\beta+\alpha\theta_s)}{(1-\alpha)(1-\theta_s)} k(M) \right]. \quad (26)$$

Thus, a marginal increase in migration will decrease the pre-election income of the poorer residents, i.e., those with capital endowment x that falls short of the threshold level \hat{x} , defined by

$$\hat{x} \equiv \left[\frac{1-\alpha-(\beta-\alpha\theta_s)}{(1-\alpha)(1-\theta_s)} \right] \frac{K}{N+M} = \left(\frac{1-t_s}{1-\theta_s} \right) k. \quad (27)$$

The term inside the square brackets is positive in view of equation (6). Notice that a larger θ_s implies a higher value for the threshold \hat{x} . ■

Remark 4: The ratio of the number of residents that prefer the tax regime of the Left to the tax regime of the Right is given by $G(\hat{x})/G(\tilde{x})$. When the Left's tax rate on wage income equals its tax rate on capital income, this ratio is exactly equal to 1, in which case the entire Left base is opposed to a marginal increase in immigration.

We come now to the agency problem that is basic to a view of immigrants as future voters.

The agency problem

For the myopic supporters of the Left who as in proposition 4 care only about their pre-election income, there is an agency problem if M is positive. They lose from immigration and their time horizon does not extend to benefits from immigration after the election.

Voters who support the Left and whose time horizons encompass pre- and post-election incomes want immigration to take place if they gain sufficiently from post-election benefits from budgetary policy of the Left being in office rather than the Right.

Politicians value ego-rents from political office. Two types of politicians have low or high value of ego rents as private information. A politician's type is denoted by η , which can be η^{high} or η^{low} , where

$$0 < \eta^{low} < \eta^{high} < 1. \quad (28)$$

An incumbent politician of type η (where η may be high or low) attaches a weight η to personal ego-rents and a weight $(1 - \eta)$ to the aggregate welfare of his or her party's base constituency (B_s or B_c). With the Left in power, the objective function of the incumbent Left government is

$$P^s(M, \eta) = [(1 - \eta)U^s(M) + \eta J^s(M)] \quad (29)$$

where $U^s(M)$ is the welfare of Left's base B_s and $J^s(M)$ is expected ego-rents from winning the election. J^s is a function of M because the expected post-election ego-rent depends on the probability of winning the election, which in turn depends on how many immigrants are admitted before the election. We specify $J^s(M)$ as:

$$J^s(M) \equiv \chi^{in} + \frac{1}{1+\rho} \{H(\psi(M))\chi^{in} + [1 - H(\psi(M))]\chi^{out}\} \quad (30)$$

where χ^{in} (respectively, χ^{out}) denotes respectively the ego-rent of the politicians when they win and do not win the election and $H(\psi(M))$ is the probability that the Left party is reelected to office in the election.

For myopic original residents who have capital endowment x and are concerned only about their pre-election income, income is $Y_1(x, M, S)$, as given in the proof of proposition 4. We assume that the term $U^s(M)$ in the Left government's objective function is a weighted sum of the individual values of $Y_1(x, M, S)$ over all the possible values of x from 0 to infinity, with weight $e^{-\delta x}$ where $\delta > 0$, indicating that incomes of

individuals with lower capital endowment (supporters of the Left party) are given greater weight:

$$U^s(M) = \int_0^\infty e^{-\delta x} Y_1(x, M, S) g(x) dx. \quad (31)$$

The Left politicians (with either η^{high} or η^{low}) choose M in to maximize (29). Because $\eta > 0$, there is a misalignment of interest and an agency problem between the government of the Left and the constituency of the Left. The extent of misalignment and scope of the agency problem depends on whether $\eta = \eta^{high}$ or $\eta = \eta^{low}$.

For myopic voters of proposition 4, the agency problem is expressed in:

Corollary 4.1: *For original residents with sufficiently low capital ownership and with a time horizon that encompasses only about pre-election income, there is no support for immigration; but the government of the Left favors immigration because of ego rents obtained if the Left wins the election.*

For voters whose time horizons encompass post-election incomes, the agency problem is expressed in:

Corollary 4.2: *Capital-poor original residents incur a fall in pre-election income from immigration but they may still support immigration because of the effect of immigrants as future voters on budgetary policy through the election outcome; for these voters, there is an agency problem because of ego rents independently of whether in (29) η is high or low.*

In this latter case, low-wealth voters may support immigration because of favorable budgetary policy if the Left wins the election. Politicians of the Left want to win the election because of ego rents. *Both the voters and the politicians benefit from immigrants as*

future voters. The agency problem is present because $\eta > 0$. Voters do not internalize politicians' ego rents and politicians in choosing immigration do not maximize the expected welfare of their base consistency of voters.

Inclusive effects on incomes

It remains to address more specifically the ambiguity for voters whose time horizons encompass pre- and post-election incomes and who incur a loss from immigration before the election but can benefit after the election. We therefore consider how an increase in immigration affects an individual with wealth level x after the election. The fraction of the Left Base that votes for the Right is a random variable Z with distribution $H(z)$. The probability that the Left wins the election is $H\left(\frac{1}{2}(1 - \phi(M))\right)$. Since $\phi(M)$ is a decreasing function, it is convenient to define

$$\psi(M) = \frac{1}{2}(1 - \phi(M)) . \tag{32}$$

It follows that ψ is increasing in M . Note that the effect of an increase in immigration on the probability of a Left electoral win is directly related to the effect of an increase in M on $\frac{B_s - B_c}{B_s}$. We denote $H\left(\frac{1}{2}(1 - \phi(M))\right)$ by $H(\psi(M))$. Let $Y_2(x, M, S)$ denote the post-election income of a person with wealth x under the tax policy of the Left, given that the immigration level is M and denote by $Y_2(x, M, C)$ this person's post-election income under the tax policy of the Right. That is,

$$Y_2(x, M, S) = (1 - t_s)W_2(M) + (1 - \theta_s)xR_2(M) \tag{33}$$

and

$$Y_2(x, M, C) = (1 - t_c)W_2(M) + xR_2(M). \tag{34}$$

The individual's expected post-election income is

$$V_2(x, M) = H(\psi(M))Y_2(x, M, S) + [1 - H(\psi(M))]Y_2(x, M, C). \quad (35)$$

There are two effects on how an increase in M affects the post-election income of an individual with wealth level x , expressed in the following proposition.

Proposition 5a: *The effect of an increase in immigration on an original resident's post-election income depends on the individual's wealth. There are two effects.*

(i) *An electoral tilting effect increases post-election expected income of low wealth individuals and decreases post-election expected income of high-wealth individuals.*

(ii) *A capital-labor ratio effect conversely decreases post-election expected income of relatively low-wealth individuals, and increases post-election expected income of relatively high-wealth individuals.*

A higher θ_s tends to magnify the positive effect on low relative-wealth individuals, making them more pro-immigration, and tends to magnify the negative effect on relatively high-wealth individuals.

Proposition 5b:

For relatively low-wealth individuals, the positive effect dominates the negative effect if in combination (i) the tax rate on capital income, θ_s , is high, the probability density $h(\psi)$, evaluated at $\psi(0)$, is high, and the effect of a marginal increase in immigration on the ratio $\frac{B_s - B_c}{B_s}$ is high.

Proof: See appendix 1.

4. Welfare-dependent immigrants

We now assume that, rather than being employed, immigrants live from budgetary income transfers financed by taxes paid by the original resident population. Immigrants then do not work and receive an income transfer of b per person. The total income transfer to migrants, bM , is financed by an increase in income tax rates on both capital income and on labor income. For simplicity, assume that both tax rates are increased by ε such that

$$\varepsilon NW + \varepsilon KR = bM. \quad (36)$$

Then

$$\varepsilon = \frac{bM}{NW+RK} = \frac{bM}{K^\alpha N^{1-\alpha}} = \frac{bk^{-\alpha}}{N} M. \quad (37)$$

We modify Proposition 4 to account for the income transfers to immigrants. The superscript u denotes net income of residents after paying the tax for immigrant welfare support:

$$Y_1^u(x, M, S, \varepsilon) = (1 - t_s - \varepsilon)W + (1 - \varepsilon - \theta_s)xR. \quad (38)$$

The effect of an increase in immigration on $Y_1^u(x, M, S, \varepsilon)$ is

$$\frac{dY_1^u}{dM} = -(W + xR) \frac{d\varepsilon}{dM} = -(W + xR) \frac{bk^{-\alpha}}{N} < 0. \quad (39)$$

It follows that:

Proposition 6a: *Under the conditions of proposition 4 (voters are concerned only with their pre-election income), every resident incurs a fall in income as more immigrants are admitted, with the fiscal burden disproportionately borne by wealthier individuals.*

When voters' incomes encompass the post-election period, under specified conditions:

Proposition 6b: *When post-election income is valued, politicians of the Left choose a policy of immigration, even though all taxpayers including their own base constituency oppose immigration because of a fiscal burden of financing income transfers to immigrants.*

Proof: See appendix 2

5. Addendum: Political entry and voter switching

We have assumed two political parties. Implicitly there are political entry barriers.

Allowing for political entry, it follows that:

Proposition 7: *Without political entry barriers, a new political party (or candidate) can attract voters from the Left constituency by announcing the immigration policy of the Right and the budgetary policy of the Left. This is so whether immigrants are employed (section 3) or live from budgetary income transfers.*

Proof: The proof is evident from parties' policy choices and voters' policy preferences in sections 3 and 4.

Proposition 7 is consistent with political entry in Europe of anti-immigrant parties (Arzheimer 2018; Galston 2018) and in the U.S. with anti-establishment anti-illegal-immigration Donald Trump attaining presidential office. In the U.K., in the final vote on Brexit, for which control of immigration was a primary issue, workers switched en masse

from the traditional party of the Left to the Conservative Party and politicians also switched political allegiance (Aidt et al. 2020).

6. Other explanations

We now consider other explanations for immigration policy that departs from the predictions of economic theory.

6.1 Cultural effects

Politicians of the left may favor a multicultural society and their ego rents from political office can include the feeling of satisfaction of being able to use immigration to achieve their multicultural objectives. Our theory is incomplete in not encompassing evidence that voters' attitudes to immigration policy include responses to cultural differences and opposition to multiculturalism (Verdier et al. 2012; Algan et al. 2017). In our model, economic interests alone motivate voting decisions. Economic interests of voters have been sufficient to identify a political agency problem. The agency problem is compounded if politicians have multicultural objectives that their base constituency of voters do not support.

6.2 Attributes of voters

Our view of voters as rational and self-interested contrasts with claims that voters who oppose immigration suffer from personal inadequacies. Alabrese et al. (2019) describe voters who favored the U.K. leaving the European Union (the issue of national control

over immigration was central for the Brexit vote) as having attributes of ‘older age, white ethnicity, low educational attainment, infrequent use of smartphones and the internet, receiving benefits, adverse health and low life satisfaction’ – by implication backward and miserable people. Poutvaara and Steinhardt (2017) also proposed personal inadequacies, of voters in Germany who opposed immigration. Based on German survey data, they conclude that opposition to immigration stems from ‘bitterness in life’ by people who believe that they deserve more, which makes them ‘spiteful’ toward immigrants. We do not disparage the character of voters.

6.3 Force majeure of the ‘state’

A view counter to our theory of political determination of immigration policy is that the ‘liberal state’ overrides political self-interest to compel politicians and governments adopting pro-immigration policies whether they want to or not. See for example Joppke (1998) on ‘why liberal states accept unwanted immigration.’ Boswell (2007) compares political-economy perspectives based on self-interest groups with a neo-institutionalist theory of ‘the state having preferences that are not reducible to some matrix of societal interests.’ She adds a view that openness in immigration policy sustains the legitimacy of the ‘state.’ As in economic studies generally, we do not view the ‘state’ as an independent actor that through force majeure can impose policies contrary to governments’ political interests.

6.4 Ethics and exceptionalism

A view is that ethical criteria (Weiner 1996; Anderson 2017) should underlie immigration policy. This is a normative view. Our model is not normative. Moving in a normative direction, a view of people as natural equals (see Levy and Peart 2019) makes immigrants deserving of opportunities and welfare payments intended through social insurance for the unlucky among an originally resident population.

Based on such a view, Swedish ‘exceptionalism’ has combined an open-door immigration policy for unskilled and unemployable immigrants and asylum seekers with access to the benefits of the welfare state. Righteousness has been expressed in a belief that people born in high-income countries to whom fate has been kind should display benevolence to those others to whom grace in this life has not been revealed.

Ethical ‘exceptionalism’ has not been immune to the agency problem of our theory. McCluskey (2019) describes the limits of ethical righteousness among residents in Sweden, who are initially welcoming of immigrants, but whose feelings change to exasperation when over the course of time the immigrants continued to rely on income transfers. Dahlstedt and Neergaard (2019) more broadly describe the end of ‘exceptionalism’ in Swedish immigration policy. As predicted by our theory, and as elsewhere in Europe, voters defected from establishment parties to a new-entrant anti-immigration party.¹⁵

¹⁵ Another case that can be interpreted as ‘exceptionalism’ occurred when in Germany in 2015 the government of Angela Merkel admitted more than a million asylum seekers. For a personal self-interest view of the policy, see Hillman and Long (2018). See also Tomberg (2021).

6.5 Political expectations

In the addendum to our model in section 5, new-entrant parties are a ‘surprise.’ The surprise can be due to establishment politicians mistakenly believing that voters would be unable to overcome expressive emotional barriers that prevent them from voting for anti-immigrant parties. Castles (2007) includes in immigration policies with unintended consequences the German guest worker program that created unintended permanent immigrants. He also includes the 1986 U.S. Immigration Reform and Control Act, which was directed at illegal immigration from Mexico and resulted in unanticipated “massive growth in undocumented migration, an exponential growth in deaths at the border, and a cash bonanza for *coyotes* – the people smugglers who helped migrants cross the increasingly militarized border.” The parallel with the change in U.S. policy in 2021 is limited by the border having been open rather than being militarized.

7. Concluding remarks

Precedents from prior migrations to high-income economies suggest eventual successful social and labor-market integration of immigrants with benefits for original residents.¹⁶

¹⁶ On precedents from prior immigrations, see for example Ewing (2008) and Abramitzky et al. (2014) on the U.S., Richards (2008) on Australia, and Friedberg (2001) and Remennick (2012) on Israel. Benefits from the immigrations has included a non-agricultural middle class (Hillman 1977), sharing of financing public spending (Arad and Hillman 1979), and prospects for resolving demographic problems of integrational transfers (Storesletten, 2000; Hillman 2004). On policies to attract high-income immigrants, see Ley (2011), Chiswick (2011), and Konrad and Rees (2020)

In different locations, immigration from low-income countries however continued when it was evident that a form of low-skilled migration was taking place to which the model of successful labor-market and social integration no longer applied. Our theory and interpretation of the evidence suggest that immigration was sustained because of anticipated future political benefits from voting by immigrants. We have described politicians as using immigration policy in seeking to win elections to benefit from ego rents of political office. The immigration-policy puzzle is resolved by immigrants unwanted by a party's constituency of present voters being politically valuable as future voters. The agency problem in which politicians depart from the policies beneficial for their political constituency is in a sense political betrayal.

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Appendix 1

Proof of proposition 5

Differentiating $V_2(x, M)$ with respect to M , we obtain

$$\frac{dV_2(x, M)}{dM} = [Y_2(x, M, S) - Y_2(x, M, C)] \frac{dH}{dM} + \left[H \frac{dY_2(x, M, S)}{dM} + (1 - H) \frac{dY_2(x, M, C)}{dM} \right]. \quad (36)$$

The right-hand side of the above equation consists of two terms. The first term reflects the fact that an increase in the number of immigrants increases the probability that the Left wins the election. This increased probability is multiplied by the individual's difference in personal disposable income under the two tax regimes. Upon simplification, the first term is equal to

$$h(\psi)\psi'(M)\theta_s a k^{\alpha-1} [k - x]. \quad (37)$$

This expression is positive for individuals whose capital endowment x is below the national average, k , and is negative for wealthier individuals. The magnitude of this term is increasing in θ_s . (Note that, from the proof of Proposition 2 and the definition of $\psi(M)$, we have $\psi'(0) = 1/2$). The second term represents the effect of reduced capital-labor ratio on the expected income of an individual with wealth x . It is equal to

$$\left[1 - t_c + H\theta_s \left(\frac{\alpha}{1-\alpha}\right)\right] W'(M) + [x(1 - H\theta_s)]R'(M). \quad (38)$$

Since $W'(M) < 0$, $R'(M) > 0$, $1 - t_c > 0$ and $1 > H\theta_s$, the sign of this term is negative for individuals with a small x , and positive for those with a large x . Using Lemma 1, this term can be simplified to

$$\frac{(1-\alpha)k^{\alpha-1}}{M+N} \left[(1 - H\theta_s)x - \left(1 - t_c + \frac{\alpha H\theta_s}{1-\alpha}\right)k \right]. \quad (39)$$

It follows that

$$\frac{dV_2(x,M)}{dM} = \left[A(M) \frac{x}{k} - D(M) \right] k^\alpha \quad (40)$$

where

$$A(M) \equiv h(\psi(M))\psi'(M)\alpha\theta_s - \frac{1-\alpha}{M+N} (1 - H(\psi(M))\theta_s) \quad (41)$$

$$D(M) \equiv h(\psi(M))\psi'(M)\alpha\theta_s - \frac{1-\alpha}{M+N} \left[\frac{\alpha}{1-\alpha} \theta_s H(\psi(M)) + (1 - t_c) \right]. \quad (42)$$

Note that (i) $A(0) > 0$ if the tax rate on capital income θ_s is high and both $H(\psi(0))$ and $h(\psi(0))\psi'(0)$ are sufficiently great, and that (ii) $D(0) < 0$ if $H(\psi(0))$ is sufficiently large. If both conditions (i) and (ii) are met, then, assuming that only post-election income matter, a small increase in the number of immigrants is welcomed even by the least wealthy individual. ■

Appendix 2

Proof of proposition 6

For simplicity, assume that all immigrants are unemployed before the election and are employed after the election. The fiscal burden is then limited to before the election. The expected welfare of a resident taxpayer who owns x units of capital is

$$\Omega(x, M, \varepsilon) = Y_1^u(x, M, S, \varepsilon) + \frac{1}{1+\rho} V_2(x, M) \quad (48)$$

where $\rho > 0$ is again the discount rate. There is a consensus among taxpayers against immigration if

$$\frac{\partial \Omega(x, M, \varepsilon)}{\partial M} < 0 \text{ for all } x \geq 0 \text{ and all } M. \quad (49)$$

This condition is satisfied if the negative term $\frac{\partial Y_1^u}{\partial M}$ dominates the term $\frac{1}{1+\rho} \frac{dV_2}{dM}$ when the latter is positive. Denote by $U(M)$ the expected welfare of resident taxpayers:

$$U(M) \equiv \int_0^\infty \Omega(x, M, \varepsilon) g(x) dx. \quad (50)$$

We represent the Left government's objective function as $U^s(M)$, with a transformation that gives greater weight to the income of poorer residents (those with low endowment of capital, x). These weights are represented by the factor $e^{-\delta x}$, where $\delta > 0$, such that

$$U^s(M) \equiv \int_0^\infty e^{-\delta x} \Omega(x, M, \varepsilon) g(x) dx. \quad (51)$$

We denote by $J(M)$ the expected ego-rent of the politicians of the Left:

$$J(M) \equiv \chi^{\text{in}} + \frac{1}{1+\rho} \{H(\Psi(M))\chi^{\text{in}} + [1 - H(\Psi(M))]\chi^{\text{out}}\} \quad (52)$$

where again χ^{in} and χ^{out} denote the ego-rent of the Left politicians when they are in and out of the office, and $H(\psi(M))$ is the probability that the Left party is elected to office. The objective function of a type η incumbent politician of the Left is

$$P^s(M, \eta) \equiv (1 - \eta)U^s(M) + \eta J(M). \quad (53)$$

Under the maintained assumption that the derivative of Ω with respect to M is negative, we have $\frac{\partial U}{\partial M} < 0$ for all $M \geq 0$, and thus the sign of $\frac{\partial P^s}{\partial M}$ is ambiguous. The sign is positive if $\eta = \eta^{\text{high}}$, with $(\chi^{\text{in}} - \chi^{\text{out}})$ and η^{high} being sufficiently large. Even though the electorate is opposed to immigration, the incumbent Left government implements a policy of admitting immigrants. ■