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Getting The Best Of Us: Multinational Corporate Networks And The Diffusion Of Skill-Selective Immigration Policies

Vivienne Born
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Getting The Best Of Us: Multinational Corporate Networks And The Diffusion Of Skill-Selective Immigration Policies

Abstract
Populist backlash has emerged as an alarming trend shaping immigration policy across the developed world in recent years. At the same time, a less-sensationalized pattern has appeared in the form of policies designed to attract the highly skilled. In the face of so much anti-immigration sentiment, how can we understand this push for global talent? One possibility is that these seemingly divergent agenda are but two sides of the same coin. Policymakers and members of the business community point to labor shortages and a global war for talent as justifications for skill-selective policies. Yet some in the academic community contest that the evidence for these concerns is lacking. This gives rise to a two-pronged question. Is there really a competition between states? And how can we understand the role of corporations in advancing the international mobility of the highly skilled? This dissertation offers a theory of the multinational corporation (MNC) as the instrument of international policy diffusion. It explores the preferences and incentives that shape the behaviors of individuals, policymakers and firms and demonstrates that there is a window of political space within which firms have an opportunity to advance a skill-selective compromise. To test this theory, two original datasets are introduced, the first tracking policies targeting highly skilled migrants from 1980-2017 and the second following the expansion of MNC subsidiary locations over time. Using spatial regression analysis and case study evidence, this project finds considerable support for the idea that MNCs act as agents of international policy diffusion with regard to skill-selective immigration policies. The major contribution of this dissertation is its contention that the geographic structure of the multinational firm alters the firm’s strategic incentives and political activity, making it organizationally unique from the single-nation firm and connecting MNC incentives with policy diffusion.

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GETTING THE BEST OF US:
MULTINATIONAL CORPORATE NETWORKS AND THE DIFFUSION OF
SKILL-SELECTIVE IMMIGRATION POLICIES

Vivienne Born

A DISSERTATION
in
Political Science
Presented to the Faculties of the University of Pennsylvania
in
Partial Fulfillment of the Requirements for the
Degree of Doctor of Philosophy
2019

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GETTING THE BEST OF US: MULTINATIONAL CORPORATE NETWORKS AND THE DIFFUSION OF SKILL-SELECTIVE IMMIGRATION POLICIES

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Before and during the dissertation stage, many in Penn’s Political Science Department beyond my committee members have offered me welcome advice and encouragement, including Ryan Brutger, Alex Weisiger, Michael Jones-Correa, Guy Grossman, Jessica Stanton, and Marc Meredith. In addition, the graduate students in the department have proven to be an inexhaustible well of help and comradery. Within my cohort, I am especially indebted to Patricia Posey, Victoria Gilbert, Jeremy Springman, Julia Cramer, and Patrick O’Halloran, who spent the last six years studying with me, teaching with me,\(^1\)

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\(^1\) While these three organizations provided financial support for this project, none exerted influence over the subject matter or the direction of the research.
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ABSTRACT
GETTING THE BEST OF US
Vivienne Born
Beth Simmons

Populist backlash has emerged as an alarming trend shaping immigration policy across the developed world in recent years. At the same time, a less-sensationalized pattern has appeared in the form of policies designed to attract the highly skilled. In the face of so much anti-immigration sentiment, how can we understand this push for global talent? One possibility is that these seemingly divergent agenda are but two sides of the same coin. Policymakers and members of the business community point to labor shortages and a global war for talent as justifications for skill-selective policies. Yet some in the academic community contest that the evidence for these concerns is lacking. This gives rise to a two-pronged question. Is there really a competition between states? And how can we understand the role of corporations in advancing the international mobility of the highly skilled? This dissertation offers a theory of the multinational corporation (MNC) as the instrument of international policy diffusion. It explores the preferences and incentives that shape the behaviors of individuals, policymakers and firms and demonstrates that there is a window of political space within which firms have an opportunity to advance a skill-selective compromise. To test this theory, two original datasets are introduced, the first tracking policies targeting highly skilled migrants from 1980-2017 and the second following the expansion of MNC subsidiary locations over time. Using spatial regression analysis and case study evidence, this project finds considerable support for the idea that MNCs act as agents of international policy diffusion with regard to skill-selective immigration policies. The major contribution of this dissertation is its contention that the geographic structure of the multinational firm alters the firm’s strategic incentives and political activity, making it organizationally unique from the single-nation firm and connecting MNC incentives with policy diffusion.
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Chapter 1: Introducing the Global War for Talent

Chapter 1
Introducing the Global War for Talent

In March 2008, the founder of Microsoft Corporation, Bill Gates, told the House Committee on Science and Technology that “Congress’ failure to pass high-skilled immigration reform has exacerbated an already grave situation” (H110-84 2008, p. 19).

The grave situation of which Gates spoke was the shortage of qualified technology workers in the U.S. labor market and the limited, oversubscribed quota of skilled visas available to employers to bridge the gap. Gates also regretfully informed the committee members of the consequences of their legislative inaction, explaining that “many U.S. firms, including Microsoft, have been forced to locate staff in countries that welcome skilled foreign workers” (H110-84 2008, p. 119).

With these words, Gates sent a clear message. Unless the U.S. Congress took action to liberalize skilled immigration policies, it should expect the country’s most successful and rapidly expanding companies to relocate some of their core capabilities offshore. In other words, Gates used his 2008 testimony before Congress to lay out the logic of the global war for talent. Credit for the idea cannot be given to Gates, however, for this same dynamic had been invoked before. The report from the Independent Commission on Migration to Germany, led by Rita Süssmuth, called attention in 2001 to a “Wettbewerb um die besten Köpfe”—a battle for the best brains (p. 26). In 2005, political scientist Devesh Kapur and economist John McHale published a book called Give Us Your Best and Brightest: The
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Global Hunt for Talent and its Impact on the Developing World. A spokesman for the Sarkozy administration complained in 2006 that “the most qualified immigrants, the most dynamic and competent ones, head to the American continent, while immigrants with little or no skills come to Europe” (UPI). In 2008, the Organization for Economic Cooperation and Development (OECD) put out a comparative study of immigration policies in its member states titled The Global Competition for Talent: Mobility of the Highly Skilled.

These examples show that by 2008, global business leaders, policymakers, and researchers had reached a consensus on the global labor market for skilled workers: For whatever reason, skilled labor had become scarce, and new approaches to immigration policy should be used to address the problem. Furthermore, the data show that governments have been acting on these views—according to a survey of policy objectives conducted by the UN Population Division, the percent of governments with policies aimed at raising high-skill immigration “increased from 22 per cent in 2005 to 39 per cent in 2011” (2013, p. 40). While the conventional wisdom in the study of immigration policy holds that policy change is a battle played out between domestic interest groups, the competition-for-talent consensus demands an evaluation of the role played by international politics.

Understanding Immigration Policy

Political economy explanations of immigration policy have focused on the economic
Chapter 1: Introducing the Global War for Talent

interests of political actors and how successfully these actors coordinate their actions and communicate with policymakers. Based purely on economic positioning, this literature says that individuals should form immigration policy preferences in accordance with their own vulnerability to job market competition. In practice, this has often meant dividing people according to their relative levels of education—native workers with low levels of education are more likely to be directly impacted by low-skilled immigrants, who comprise the bulk of contemporary immigration flows. Therefore, we should not be surprised when opinion polls consistently show that respondents with lower levels of education are less sympathetic to liberal immigration policies. Table 1.1 illustrates the consistency and regularity of this finding, using Pew survey data to show the perceived economic threat of immigration by the education level of the respondent for eight European countries. As the Pew report notes, the difference shown between the two groups is significant in every case (Silver 2018).

On this other side of this basic story of economic motives, employers ought to see immigration as an easy way to boost the labor supply and cut wage-related costs. The infamous U.S. Bracero program, which enabled agricultural employers to import Mexican workers on short-term labor contracts, was the direct result of growers’ demands, arising from the fear that the Second World War would cripple their labor supply (see Tichenor 2002).

Unions have occasionally also been seen as representative of anti-immigration
Table 1.1: Education Level and Perceived Threat of Economic Competition from Immigrants

<table>
<thead>
<tr>
<th>Country</th>
<th>Less Education</th>
<th>More Education</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>32%</td>
<td>17%</td>
<td>+15</td>
</tr>
<tr>
<td>France</td>
<td>37%</td>
<td>16%</td>
<td>+21</td>
</tr>
<tr>
<td>Germany</td>
<td>23%</td>
<td>12%</td>
<td>+11</td>
</tr>
<tr>
<td>Italy</td>
<td>48%</td>
<td>24%</td>
<td>+24</td>
</tr>
<tr>
<td>Netherlands</td>
<td>35%</td>
<td>16%</td>
<td>+19</td>
</tr>
<tr>
<td>Spain</td>
<td>33%</td>
<td>11%</td>
<td>+22</td>
</tr>
<tr>
<td>Sweden</td>
<td>18%</td>
<td>10%</td>
<td>+8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>28%</td>
<td>5%</td>
<td>+23</td>
</tr>
</tbody>
</table>

Source: Adapted from a table in a 2018 Pew Research Center Report entitled “Immigration concerns fall in Western Europe, but most see need for newcomers to integrate into society,” by Laura Silver. Data in this report pulled from a Pew survey of eight Western European countries conducted October 30-December 20 2017.

sentiments, either in place of or in addition to similarly skilled individuals. Most studies that incorporate unions expect them to oppose immigration in an attempt to preserve their bargaining power by limiting employer access to non-union labor. It was in part the power of organized union opposition to employers’ tactics of recruiting Chinese labor to bring wages down in late 19th-century Australia that led to the creation of the White Australia policy (see Castles, Vasta & Ozkul 2004). It is not hard to locate empirical examples that

2 Though increasingly, studies of contemporary union political activity have seen a strategy shift wherein some unions choose to support immigrant rights rather than seeking to restrict immigrant access (see Krings 2009, for example).
Chapter 1: Introducing the Global War for Talent

support predictions founded on economic rationalism; clearly, economic interests must be a part of explaining changes to immigration policy.

Most work that draws upon these economic interest-based expectations handles outcome uncertainty arising from opposing interest groups by utilizing the logic of collective action (e.g. Freeman 1995) or by leveraging differences in institutional design\(^3\) (e.g. Cerna 2009; Menz 2011), but while these approaches can often tell us something about the general orientation of immigration policy, they are ill-suited to explaining change. Furthermore, there are countless instances in which immigration policy change can be more effectively explained by social or normative factors than by economic motives. For example, the movement in many countries away from racially selective policies during the post-World War Two period is hard to connect to an organized group of employers or unions, but it is situated in the context of a global swell of repudiation for institutionalized racial discrimination\(^4\).

---

\(^3\) By looking at variation in institutional structure, the varieties of capitalism literature offers some helpful generalizations based on how the structure of political and economic institutions impacts the relative allocation of interest-group political power, but this approach has struggled to define power independently from policy outcomes and cannot be applied when there is no institutional variation.

\(^4\) Scholars differ on the relative importance of contemporaneous developments in the domestic versus international arenas. In the United States, the momentum created by the Civil Rights Movement and the assassination of the most prominent critic of the national origins quotas—John F. Kennedy—are central to explaining the passage of the 1965 Immigration and Nationality Act (LeMay 1987). At the same time, however, the gruesome legacy of the Holocaust, the widespread movements toward decolonization, and the inclusion of the newly independent states emerging from this process in international institutions like the United Nations, are also credited with creating pressure for change among domestic governments (see Triadafilopoulos 2013).
Chapter 1: Introducing the Global War for Talent

Can the spread of skill-selective policies and the global war for talent be explained by the standard political economy approach or the model of international normative diffusion? Freeman and Hill make the case that “highly skilled immigration policy in the U.S. is a wholly self-contained national affair,” pointing to the complex interactions between political interest groups that take place around the policymaking process (2006, p. 7). At the same time, however, Peters’ (2017) examination of low-skilled immigration policy in the face of globalization is a testament to the impact that global economics can have on the interests and capabilities of domestic political participants, suggesting that even national affairs may not be “wholly self-contained” (Freeman and Hill 2006, p. 7). Skill-selective immigration policies are usually justified in terms of the contributions the highly skilled are expected to make to the domestic economy, but the rapid spread of skilled immigration policies across states with distinct immigration regimes and the rhetorical focus on an international competition undermine a purely domestic, political economic answer.

Previewing the Argument

The central argument of this dissertation is that multinational information technology firms act as agents of diffusion for high-skilled immigration policies. Rather

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5 Throughout this project, the terms high-skilled immigration policy, skilled immigration policy, and skill-selective immigration policy are used interchangeably. All three terms refer to policies that aim to filter prospective migrants in terms of their economic, educational, or occupational achievement.
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than rejecting political economy explanations about the role of the firm in shaping immigration policy, this project uses conflicting interest-group preferences to establish a more nuanced set of expectations around firm behavior. Firms are by design strategic organizations. Just as we assume that firms engage strategically with market competitors, making decisions based on the expected decisions of other firms, we should also anticipate that firms will be strategic with political competitors, making decisions based on the expected decisions of other interest groups. This project thus embraces the view that actors with economic motives strategically endeavor to utilize—or at least avoid being harmed by—opposition interests, even those driven by non-economic factors.

In the case of immigration, existing work tells us that individual preferences on immigration policy are only partially driven by perceptions of economic threat. Individuals also express cultural anxieties and racially motivated hostility. But there is no reason to suppose that this reality invalidates the economic motives of profit-driven actors or that firms remain somehow unaware of the non-economic components of societal views. This means that we should expect firms to pursue their own economic interests, such as immigration liberalization, while strategically accounting for the non-economic motives driving their opponents to support restriction. In practice, this dissertation contends that a subset of multinational firms accomplishes this strategic balancing by pushing for policies that selectively liberalize admission, using public bias in favor of the highly skilled to gain policy concessions for skilled immigrants. If we relax the assumption of economic
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rationalism at the individual level and allow for the possibility that normative or prejudicial individual attitudes have the power to influence policy outcomes, political economy explanations can still tell us something about how economic actors respond in this environment.

Furthermore, the argument presented here distinguishes between multinational and single-country firms, highlighting the cross-border network structure and polity-diversified interests of multinationals to show how they can draw upon change in one state to mobilize support for change in another. Thus, this theory requires a reevaluation of process of policy diffusion, which is traditionally expected to take place through interstate observation or interaction. In the case of high-skilled immigration policy, subsidiaries that inherit their preferences for skill-selective immigration from their parent companies cite successful reform efforts in sibling-subsidiary and headquarters locations to support the influence campaigns they direct at their own host governments. The logic they employ, of course, is that the state and all the employers that drive its economy are caught up in a growing, global competition for talent. As multinational firms continue to expand their operations to new states, the geographic spread of their political influence will expand as well, creating a pattern of policy diffusion that travels along the paths created by corporate hierarchy.

---

6 This distinction is not meant to imply that single-country firms are universally uninterested in advocating for liberal immigration policy. Rather, the contrast is used to show that only multinational firms can operate as the conduit between influence campaigns across states. Once a campaign to respond competitively to policy change abroad has begun, some domestic firms will naturally join in.
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Outlining the Dissertation

This dissertation is organized into eight chapters. This chapter, Chapter 1, introduces the central research question that motivates the project, and previews the argument and contributions. The recent trend toward skill-selective immigration is a noteworthy departure from the design of immigration policies of the past. To help familiarize the reader with this progression, Chapter 2 provides a historical examination of how selection has figured into immigration policies over the course of the last century. It posits that the organization of the international system into discrete, sovereign states had the effect of dividing the global population in terms of national membership, a naturally discriminatory instrument. Within this context, Chapter 2 then explores the evolution of immigration selection systems, showing how once-ubiquitous ethnically selective policies emerged in different states and eventually gave way to economic and familial strategies of selection. It illustrates how skill-selective policies have grown out of this lineage but shows also how their bracketed application separates them from their legislative ancestors. This policy transformation is referred to as the skill-selective turn. The puzzle implicit in this shift creates the empirical motivation for the rest of the dissertation.

Chapter 3 contains a detailed theoretical treatment of the argument previewed above. Building from a political economy framework, it lays out the immigration preferences of firms and their opposition and introduces a model of the accountability
Chapter 1: Introducing the Global War for Talent

constraints faced by policymakers. Using this to establish the political environment in which firms operate on the issue of immigration, Chapter 3 then analyzes the expected behavioral responses of strategic firms, describing their political activity at home and how these actions get translated into corporate influence abroad. Chapter 3 also distills this argument into a set of observable implications that form the basis for hypothesis testing. The central hypothesis is that countries that host subsidiaries of the same multinational firms—cohosts—will demonstrate policy interdependence in the liberalization of skill-selective immigration policies in accordance with the strength of their cohosting relationship. Secondary hypotheses suggest that this relationship is conditioned by government partisan ideology and electoral institutions. Finally, this Chapter produces a set of three diagnostic criteria to be evaluated qualitatively, using process-tracing.

The fourth chapter introduces the two original datasets that comprise the empirical contribution of this project and enable testing of the hypotheses generated in Chapter 3. First, Chapter 4 gives a descriptive break down of skill-selective immigration policies, demonstrating how the purported purpose of selection has been implemented in terms of policy design. This sets the stage for the introduction of a new dataset of changes to skill-selective immigration policies. Chapter 4 discusses the challenges inherent in the collection of comparative policy data and describes some of the coding choices that determine the structure of the new dataset (for instance, to divide policies along dimensions somewhat akin to their intensive and extensive margins). The next part of Chapter 4 provides an
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analogous discussion of a second original dataset, which catalogues the locational attributes of a select group of multinational firms and their subsidiaries. The remainder of Chapter 4 describes the logic behind the statistical modeling strategy utilized for hypothesis testing in Chapters 5 and 6—spatial regression.

Chapter 5 presents the central statistical results of the dissertation. The results shown in Chapter 5 provide strong statistical support for the central hypothesis. Because this hypothesis predicts policy interdependence, the independent variable is a spatially weighted transformation of the dependent variable, which is operationalized as liberal changes to skill-selective immigration policy. The spatial weights communicate the strength of the cohosting relationships between states, meaning that the independent variable becomes a measure of the political coalition that could potentially translate policy changes abroad into policy influence at home. The emphasis on this variable as a measure of potential should be noted. The results shown in Chapter 5 also support the secondary hypothesis regarding the conditioning effect of government partisan ideology, but the hypothesis predicting a similar role for electoral institutions is not supported. Chapter 5 takes several steps to show that the results are not dependent on modeling choices, including incorporating a battery of economic and institutional controls and introducing a temporal simple moving average.

Additional robustness checks are addressed in Chapter 6. While the primary purpose of the tests in Chapter 5 is to demonstrate that the statistical finding of
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interdependence is not spurious, the attention in Chapter 6 is shifted to the possibility that it may be explained by something else. Chapter 6 begins with an outlier analysis that finds no evidence the results are being driven by a single country or a few high-leverage observations. It also examines two alternative explanations, utilizing measures of international connectivity other than cohosting (specifically, geographic distance and bilateral trade ties) to look for evidence that interdependence travels through an alternative channel. Each of these alternatives finds weak support on its own, but neither is robust to the inclusion of the cohosting measure. Finally, Chapter 6 approaches the separate dimensions of immigration policy coded by the dataset introduced in Chapter 4. The importance of the descriptive, criteria-based dimension of policy over the more arbitrary, red-tape style dimension may be indicative of an important distinction to draw out in future work—the bureaucratic versus legislative source of a given policy change.

Chapter 7 adds a qualitative dimension to the analysis, using case study evidence to provide additional support for the theory outlined in Chapter 3. The case studies in Chapter 7 focus on the emergence of contemporary skill-selective strategies, or the skill-selective turn, within the immigration regimes of four countries—the United States, Australia, Germany, and the United Kingdom. These case studies establish a foundation of evidence for evaluating three observable implications (or diagnostic criteria) that cannot be tested using the datasets described in Chapter 4. First, they look for evidence that multinational information technology firms and their subsidiaries actually exert influence
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on policymakers on the issue of immigration policy. Second, they try to discover whether these firms conceive of skill-selective policies as a way to avoid becoming embroiled in the political controversy surrounding immigration more broadly. And third, they examine whether communications from these multinational firms to policymakers employ the rhetorical device of the international competition for talent. While these elements of the theoretical mechanism are easiest to locate in the United States’ case (where lobbying data is made public, for instance), all four vignettes help fill in the details of the involvement of multinational corporate political activity in the story of skill-selective immigration policy.

In the final chapter, Chapter 8, the quantitative and qualitative findings presented in Chapters 5-7 are considered in terms of the political economic implications of multinational intra-firm networks operating as transnational paths of policy influence and the future of immigration policy. Chapter 8 also discusses some of the most interesting research extensions that follow from the conclusions drawn in this project, including the potential relevance of MNC networks in other policy areas.

While the political economy literature has long thought of firms as supporters of liberal economic policies, the transnational linkages inherent in the structure of multinational firms have not found a place in existing explanations for the diffusion of these policies. This project takes the first step along this research agenda, using the proliferation of skill-selective immigration policies and the placement of information...
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technology subsidiaries to show that multinational firms can act as agents of international policy diffusion.

Contributions and Implications

The work contained in this dissertation makes several notable contributions to the field of political science. First and foremost, the theory presented in this dissertation contributes to the literatures on multinational corporations and policy diffusion by locating firms and their subsidiaries as relational actors at the center of the policy transfer process. Thus, while high-salience policy preferences are spread from the top down within multinational firms, their appearance in different polities is bottom-up, emerging from businesses positioned within the domestic economy before being taken up by policymakers. The potential relevance of this mechanism for the diffusion of a broader spectrum of economic and social policies absolutely must be considered by scholars of globalization and political economy going forward. While this dissertation makes the case that skill-selective immigration policies are most important to a select group of multinational firms, other issue areas may inspire broader and more powerful global coalitions.

Second, the theory of firm strategy on immigration policy productively marries political economic and cultural explanations of immigration policy change. The incorporation of non-economic individual preferences as a part of the strategic economic calculation made by firms engaged in corporate political activity is a useful way to relax certain assumptions about economic rationalism without sacrificing the potency of the
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political economic model. Third, the original datasets described in Chapter 4 have the potential to become resources for other scholars.

The immigration policy implications that follow from this project should not be overlooked either. The increased use of skill-selective immigration policies in recent decades has acted to bifurcate the discourse on legal immigration. While skilled migrants are not the first immigrant group to be deemed desirable in juxtaposition with a racially or culturally undesirable other, they are the most recent incarnation of this xenophobic tendency. Some multinational firms have seen the creation of skilled migrant visas as a way to elude the restrictive impulses of anti-immigrant publics, but circumventing nativism has no long-term potential to mute it. Rather, if the most economically and politically influential proponents of immigration have shifted their attention from broad-based reforms to a limited offshoot of high-skilled admissions, they have effectively left the rest of the field open to its detractors.
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The Strategy of Selection

Why Do States Select?

Many of the challenges in immigration policy today are linked, institutionally and ideologically, to the role of the state. The project of nationalism and the emergence of the so-called nation-state legitimized the centralization of power along the lines of a newfound national identity, replacing the feudal hierarchy. Though this tool of nationalism has by no means signaled the erasure of divisions within societies, it has been used by states as a rationale for allocating a good with a distinctly equalizing flavor—universal membership. Yet this offering from the state would be rendered worthless if it were truly universal. To feel properly inducted into a national community, one must be able to compare one’s own membership favorably with others’ non-membership, suggesting that while membership “is internally inclusive, it is externally exclusive” (Brubaker 1992, p. 21)7.

The state, therefore, must retain some level of exclusivity with regard to the membership it allocates to ensure the continued value of that membership. This is where an important contrast must be drawn between the idea of the state and that of the nation—while states may use the language of nationalism, of some kind of cultural or

7 Brubaker is referring specifically to citizenship here, but his observation applies just as well to the wider, more diluted concept of membership used here that includes all sanctioned residents.
religious identity derived from kinship and historical ties, states are not defined by these features, but by territorial bounds (Connor 1978). The autonomy a state has within its territory and its capacity to regulate borders is therefore its primary resource for allocation. The state may control who crosses its borders, who lives and works within them, and who is turned away at the gate. Walzer, in his exploration of state membership, notes that “[a]dmission and exclusion are at the core of communal independence. They suggest the deepest meaning of self-determination” (Walzer 1983, p. 62). A state that excludes no one has sacrificed the self it had the authority to determine.

Because of this, even memberships conceived of along nationalistic lines take on a crude, territorial reality, where members are those who belong within state borders and strangers are those who don’t. But even as this distinction is recognized, the fundamental inconstancy of an individual’s location ensures that “so long as members and strangers are, as they are at present, two distinct groups, admissions decisions have to be made, men and women taken in or refused” (Walzer 1983, p. 34).

A straightforward means of protecting the value of membership would be to declare complete exclusivity and refuse entrance to every stranger. While there is some precedent for total closure, most notably in the case of North Korea, the vast majority of countries

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8 There is a rich literature on nationalism that goes well beyond the scope of this project. See works by Karl Deutsch (1953), Walker Connor (1978), Eric Hobsbawm (1990), and Anthony Smith (1991) for discussions of how to define nationalism and the nation. See works by Elie Kedourie (1960), Benedict Anderson (1983), and Ernest Gellner (1983) for examples of theories explaining the emergence of nationalism as a political phenomenon.
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have found this strategy to be excessively rigid. State borders are legal instruments. They do not effectively demarcate the end of one community and the beginning of another or distinguish between economically independent units of space. Shutting the doors would mean sacrificing benefits accrued not only to individuals that live along the border, but to the country as a whole.

Beyond the potential costs of complete exclusivity, state governments have often found themselves presented with clear benefits to the issue of new membership cards. States with small populations and large territories may perceive their unattended lands as targets for foreign powers. States with populations that have been decimated by wars or whose technological advancements have increased the labor productivity of their industries may find themselves in need of extra bodies to help their economies recover and grow. Thus, while states will not throw open their borders for all, neither will they close them completely.

It is therefore imperative for states to find a way to induct new members without undermining the value of the membership they offer. If admissions can be neither fully open nor fully closed, a state government must decide who and how many get through the door. While absolute openness and absolute closure are both fundamentally non-discriminatory in nature, any fractional strategy (barring a full-fledged lottery) is inherently discriminatory, selecting some strangers as good candidates for membership while shutting the door on others. The task of the state government then, and the principal
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The purpose of immigration policy, is to fashion and perform this act of discrimination.

How Do States Select?

The inevitability of discrimination in the creation of immigration policy guarantees that any outcome will provoke some amount of controversy. This is not true because people are opposed to such discrimination, but because, as members of a state, each has his or her own ideas about what that membership means and who deserves to procure it. A few diverse forms of selection have found varying levels of support across countries and the popularity of each has fluctuated over time. When forms of selection have become widely unpopular, the issue of immigration has risen to the top of national debate, placing immense pressure on governments to find a new strategy. The immigration policies designed by governments are therefore constructed not only to ensure that the state gains access to the benefits associated with new members, but also to reflect the priorities of the existing membership.

Perhaps the most common theme vocalized by existing members of states is that they desire consistency in the identity of the state society. That is, while it is undeniable that granting a person entry has the legal impact of transforming them from stranger to member, existing members may continue to perceive this newly card-carrying individual as a stranger. The sooner the new member is able to shed his or her aura of strangeness, the more comfortable existing membership feels. Indeed, most state strategies of immigrant selection are at least partially determined by this phenomenon. For example, states that
promote their stories of nationhood based on ties of kinship or ethnicity have often chosen
to pursue immigration policies that select new members on the basis of ethnic origin and
have defended these strategies as necessary to maintain the stability of the domestic
environment. Sir Alexander Downer, the Australian Immigration Minister from 1958-1963,
once proclaimed “[w]e seek to create a homogeneous nation. Can anyone reasonably object
to that? Is not this the elementary right of every government, to decide the composition
of the nation?” (as cited in Walzer 1983, p. 46).

Another strategy states often pursue is the selection of family members. In their
1953 report, “Whom Shall We Welcome?” the U.S. President’s Commission on Immigration
and Naturalization wrote that family reunion should be a central pillar of U.S. immigration
policy because “a great part of our moral and spiritual fiber grows out of the sacred place
of the family in American life” (p. 119). While offering admission to family members does
not explicitly require that new members look like the old, it does require that a new
member share a bond of kinship with at least one existing member, increasing the short-
term likelihood that the goal of consistency will be achieved. Furthermore, the purpose of
preserving the family unit is to take advantage of ready-made social and economic ties.
With the mutual support families provide, each new member should be empowered (in
theory) to adapt more expeditiously to the norms of membership.

Finally, the identity-focused priorities of current members cannot fully constrain
governments from seeking the advantages that new members symbolize. The most
prevalent strategy employed for this purpose is to select new members based on economic criteria and skills. Joppke argues that “selection according to skills or economic need ... is the only domain in which state interests reign supreme ... the state may consider the individual only for what she does, not for what she is” (2005, p. 2). The absoluteness of the state’s interests here is not quite so stark as Joppke suggests—it has often been argued that new members who meet with economic success are more likely to be socially successful as well, making them more palatable candidates by societal as well as state standards.

In the search for a way to effectively discriminate between potential new members of states, these three strategies—selection based on ethnicity, family, and economic criteria—represent the most established and widespread answers governments have seized upon. Before World War Two, ethnic selection dominated the immigration policy scene around the world, but in the years after the war most countries shift their approach, dividing membership access between familial and economic categories. The remainder of this chapter briefly explores the emergence and use of each of these three strategies and highlights a recent split between the economic criteria more popular in the early to mid-20th century and the high-skill focus that appears in newer policies.

9 This chapter does not devote time to the important and complex problems of humanitarian migration, because “[s]electing according to human need is not selecting at all” (Joppke 2005, p. 2). That said, all forms of immigration are connected in the mind of the existing state membership, so it should not be ignored that the 1951 Geneva Convention marks the introduction of the concept of asylum and the internationally imposed responsibility of the liberal state to consider the plight of the individual, at least to the point of granting him or her a legal hearing (Hollifield 2004).
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Ethnic Selection

“To say that states have a right to act in certain areas is not to say that anything they do in those areas is right.”
Michael Walzer 1983, pp. 39-40

While each country has its own unique history of and relationship with immigration, the trends that can be charted across international borders are just as interesting. In describing the late-19th and early-20th centuries, Joppke points to “strikingly similar restrictive policies in all new settler (and, to a certain degree, other immigrant-receiving) states” (2005, p. 34). He refers in particular to the use of ethnic selection as the primary strategy for structuring immigration policy and allocating membership. In this section, a few of these similarities (as well as the variation within them) are highlighted to illustrate the dominance of ethnic selection at the start of the 20th century and to set the scene for the changes that followed.

In 1882, the United States Congress passed “the first federal law to forbid immigrants on the basis of race” (Benton-Cohen 2018, p. 16). Up until that point, immigration had been handled in an ad-hoc fashion by individual states11, so the change

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10 In immigration scholarship, the phrase “settler states” usually refers to the Anglophone colonies including the United States, Canada, Australia, New Zealand, and sometimes South Africa. Despite having been subject to a different European colonizer, the colonial background and policy similarities of some Latin American countries, such as Argentina and Mexico, arguably suggest that this settler category should be expanded to include them.

11 California in particular had been active in its attempts to discourage Chinese immigration, passing an entry tax as early as 1852.
represents the moment in which the U.S. government began actively to participate in the
task of fashioning the discriminatory criteria of U.S. membership. The 1882 act that
signaled this shift is known as the Chinese Exclusion Act, and its primary purpose was to
forbid the immigration of Chinese laborers. Other settler states followed this example. The
Chinese Immigration Act was passed in Canada in 1885, levying a head tax on all Chinese
immigrants that grew progressively steeper in revisions over the following years
(Ghezelbash 2017). In 1901, a newly independent Australia officially passed its infamous
White Australia policy, designed specifically to exclude Asian migrants. The rhetoric and
backlash surrounding these policies has become known as the Yellow Peril—the anxiety
stoked by popular stereotypes of Asian migrants as mentally inferior, uncivilized, and
morally base. By contrast, in the words of Clifford Sifton, the Interior Minister of Canada
at the time, “[t]he American settlers did not need sifting; they were of the finest quality
and the most desirable settlers” (as cited in Hawkins 1991, p. 5).

Policies in settler states were not limited to Asian discrimination, however. As the
norm of ethnic selection spread, the policies became more comprehensive. The Dillingham
Commission, appointed in 1907 to study immigration to the United States, developed as
part of their final 41-volume report, Dictionary of Races or Peoples, which sought to
rigorously, and in accordance with scientific scholarship, classify the existing races of the
world and their immigration to the U.S. (Benton-Cohen 2018). The methods used by the
Dillingham Commission and the writings they produced reflect heavy influence by the
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eugenics movement, which was just beginning to gain popularity in the United States at the turn of the century.

In part because eugenics had been built out of the Darwinian theory of evolution as a process of natural selection, “the eugenicist language of selection and improvement easily translated into immigration policy” (FitzGerald & Cook-Martín 2014, p. 16). Though the principles of eugenics have been so thoroughly discredited over time that it is difficult to conceive of the once hegemonic position they held in world politics, the early 20th century witnessed a profusion of international scientific conferences and world congresses devoted to eugenic ideals. The 1921 U.S. Emergency Quota Act wrote these biases into law by establishing the National Origins Formula, which restricted immigration by country of origin and remained in place until 1965. Mexico, which had in prior years legislated immigration with a strong commitment to racial tolerance, experienced anti-Chinese backlash in the 1910s, and at 1927 Pan American Conference on Eugenics and Homiculture, the government committed to harmonize its legislation with “the best eugenic practices” of the time (FitzGerald & Cook-Martín 2014, p. 232).

The development of immigration policy in non-settler states followed a different, but related pattern. To understand this history, it is helpful to distinguish between “negative selection” and “positive selection” (Joppke 2005, p. 22-23). The cases above illustrate instances of negative selection, in which governments single out a particular group or set of groups and make laws against them. Negative selection specifies who is not
allowed in. Positive selection, on the other hand, takes place when favored groups are enumerated, specifying who should be encouraged to come in. Though it has been argued that positive selection is morally superior to negative selection (see Carens 1992, pp. 44-45, for example) this distinction is only useful insofar as we seek to understand policy framing. Though many non-settler states produced ethnically selective immigration policies over the course of the 20th century, they primarily employed strategies of positive selection to do so.

Colonialist states, like settler states, employed policies of ethnic selection during the first half of the 19th century. Unlike the policies in the settler states, however, they developed a system that was a part of a larger plan to remain economically and socially linked to the colonies they held dominion over. Over the course of the 20th century, the United Kingdom and France “first established and then revoked regimes that had exempted migrating natives of their former colonies from the restrictions on entry and settlement that ‘other’ aliens already faced” (Joppke 2005, p.94).

Already at the start of the century, the British had a principle of non-discrimination toward migrants from its various colonies and claimed that all peoples within the British Empire were members of an imperial citizenship. This meant that migration of colonial subjects to Britain was not considered immigration at all, but internal migration. In other words, “British policy distinguished two types of migrants: British subject (who could enter the United Kingdom largely freely) and aliens (who could not)”
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(Hansen 2014, p. 201). This was not a signal of a particularly progressive view toward other races, but rather a reflection of the notion, shared by the French, of colonialism as a “civilizing mission” (Bleich 2005, p. 178). While the two empires had differing methods for managing their colonies—the British more often employing an arms-length form of indirect rule through local institutions and the French preferring a more direct, structurally assimilationist approach—the eugenicist ideas that proliferated in the settler states found broad support in the Old World as well. A major justification of the project of empire-building was couched in this kind of logic, casting the violent subordination of millions of people as moral because “less favored races needed supervision by advanced peoples in order to proceed to higher levels of civilization” (Heussler, as cited in Bleich 2005, p. 176). As Hollifield notes, French immigration policy during the early part of the 20th century was “organized but uncontrolled” (Hollifield 2004, p. 188).

The British further utilized the freedom of movement as a bargaining chip with which to secure its diplomatic and trade relations with East Asia, signing treaties with China in 1860 (to which France was also a signatory) and Japan in 1894 that granted permission to residents of these countries to travel to or reside in the territories of the British Empire (Lake & Reynolds 2008). An interesting consequence of these agreements was an increase in the active recruitment by employers in British colonies of labor from these newly accessible East Asian countries, a trend that sparked some of the backlash
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that led to policies of Asian exclusion in the settler states. For France and the United Kingdom, however, the feeling of moral rectitude that went along with being of the superior race gave them a sense of responsibility for the peoples they conquered.

Of course, these policies were not unique to the British and French. The 19th century saw the construction of many empires, and all faced the same questions regarding how to rule over and interact with foreign subjects. In terms of immigration policy, Japan shares some similarities to France and Great Britain during the first half of the 20th century. The Japanese colonization of Korea began in 1910. During this period, Japan’s immigration policies were quite open to Koreans as well as migrants from other territories Japan had laid claim to (Chung 2014). Newcomers were classified as internal rather than international migrants because of their colonial status (Kashiwazaki & Akaha 2006), a strategy that echoes the policies of the British and French. The Japanese “repeatedly listed their similarities with Koreans as the primary reason” they were optimistic about Korean potential for integration, but anticipated that Koreans would require “as long as a century of guidance” before they became cultural equals of the Japanese (Caprio 2009, pp. 7 and 17).

In a meditation on the morality of regulating migration and citizenship, Joseph

12 Indeed, these arrangements became a sticking point between the British government and the Australian leadership at the end of the 19th century, when Australian policymakers made several moves toward restricting Asian migration. In an attempt to soften the Australian stance, the British government suggested that they impose a literacy test rather than using racial criteria outright. This suggestion was accepted and literacy tests later appeared in other settler states as well.
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Carens notes that citizenship today has many of the qualities of feudal status in the medieval world—“it is assigned at birth; for the most part it is not subject to change by the individual's will and efforts; and it has a major impact upon that person’s life chances” (1992, p. 26). While Carens speaks of today’s world, the truth of his words is even more starkly evident when applied to the first half of the 20th century. But the policies that reinforced these hierarchies by legitimizing the differences between peoples on the basis of race, ethnicity, and place of birth were largely abandoned in the years following the Second World War. This was partly the result of normative change as “the foundations of scientific racism [were] battered by hard evidence from genetics and anthropology,” and partly a signal of a realignment of foreign policy interests as institutions like the United Nations gave voice to peoples long ignored (FitzGerald & Cook-Martín 2014, p. 64). In both settler and colonialist states, ethnic selection was incrementally discarded over the course of the 1950s and 60s.

Even so, it is important to note that de-ethnicization of immigration policy is not synonymous with liberalization. In the United States, the restrictive immigration policies that existed during the interwar period were such a divergence from the mean that the two trends could only go hand in hand. Here, de-ethnicization meant the dismantling of racist policies and the creation of less discriminatory laws, but for colonialist states de-ethnicization heralded a formal retraction of the preferential welcome once extended to citizens of colonial empires, regardless of race. In colonialist states in particular, the wave
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of decolonization that followed the Second World War was accompanied by major conflict and political upheaval in most newly independent states. These disturbances pushed many people out of their homes, and the language and cultural links the long period of colonization had created between their own countries and their colonizers drew them toward the lands of their former conquerors. The initial policies of postcolonial states were mostly consistent with their prewar stance— they hoped to maintain positive relationships with their former colonies and to make use of foreign workers to fill postwar labor shortages. One means of accomplishing this was to continue to offer freedom of movement. However, after experiencing years of upswing in migration in the wake of decolonization, Britain and France developed an interest in doing away with their policies of positive ethnic selection. By the early 1970s both had erected policies of largely unbiased restriction.

In a few cases, new strategies of ethnic selection have emerged in the postwar period, despite the widespread repudiation of this instrument of discrimination. Joppke points to the need for a “special legitimizing effort” to justify these policies in the wake of World War Two (2005, p. 159). In Germany and Israel, for instance, policies were developed to attract a newly established category of migrants—the co-ethnic diaspora. The specially designed justification for this ethnically based method of positive selection was explained in terms of their persecution abroad, and their immigration was characterized not as entry, but as return.

While the persecution logic in the post-World War Two context was undeniable in
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Israel’s case, giving Israel a strong humanitarian claim for an ethnic immigration policy, their use of the idea of return was dependent on a rather long-term vision of Jewish dispersion. This meant that no individual was actually returning to Israel, but rather that the Jewish people as a whole were invited to return from the exile they had born since antiquity. The very same post-World War Two context that gave strength to the validity of the Israeli policy ensured that “the German ethnocultural idiom of nationhood had in principle been delegitimized” (Joppke 2005, p. 171). Thus, while the Israeli policy retains a strong, ethnically selective bias even today, the attempt to repatriate once expelled ethnic Germans was constrained and restricted into nothing.

Under different circumstances, Japan, too, gravitated toward positive ethnic selection in the postwar period. Directly after the Second World War, Japanese immigration policy changed dramatically, largely owing to the U.S. occupation of the country and its heavy-handed influence over economic and social reforms. In fact, the new immigration policy Japan initiated in 1952 was meant to be modelled on the system used in the U.S. However, it did not encourage permanent settlement, differentiating it notably from U.S. immigration policy and setting the tone for Japanese immigration policy during the second half of the 20th century. The process of decolonization and the swell of Korean refugees created by the war on the peninsula spurred Japan to tighten the reigns on immigrant admissions, restricting entry to ethnic Japanese (Chung 2014).

In Japan, as in Israel and Germany, the language of return rather than entry was
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used to justify the ethnically discriminatory nature of the policy. But the Japanese further claimed a desire to maintain an ethnically homogenous population so as to preserve their cultural heritage. Carens argues that these policies, which excepting co-ethnics, exclude universally, are different from the examples of negative selection pursued by the settler states in the early part of the 20th century (1992). But are they? Or are they simply more restrictive? Over the course of the second half of the 20th century, states found that some strategy would have to replace the systems of ethnic selection that they had dismantled in the wake of World War Two. The two methods that have had the most longevity and success have been centered on familial ties and economic criteria.

Family and Economic Selection

“We called for workers, but people came.”
Max Frisch 1967, p. 100

In some ways it is misleading to draw a clear distinction between strategies of ethnic selection and those of economic and family-based selection. In the U.S. for example, policies now recognized as quintessential examples of race-based discrimination are hard to disentangle from economic factors such as class or education. The Chinese Exclusion Act of 1882 was not a barrier to all Chinese migrants, but to Chinese laborers. Chinese merchants were still permitted to enter the United States even as Chinese laborers were shut out (Guendelsberger 1988). The founder of the Dillingham Commission, that body that inspired the National Quotas Formula, argued that the Gentleman’s Agreement (a
policy to restrict the entry of Japanese migrants) was not based on racial discrimination, but simply a tactic to avoid large-scale immigration. He explained (however convincingly) that “educated Japanese and educated Americans mingle each with the other on terms of absolute equality” (Jenks, as cited in Benton-Cohen 2018 p. 48).

Family restrictions have historically been tied up with race as well. In the mid-19th century, U.S. courts viewed family unification for immigrants as a “natural right,” ruling against local legislation that sought to restrict it (Guendelsberger 1988, p. 7). However, the popular backlash against the Chinese as the century wore on and the rising levels of immigration overall resulted in a ruling by the Supreme Court granting Congress the authority to abridge the right to family reunification where they determined it to be in the national interest (Guendelsberger 1988). This allowed Congress to restrict or prevent family reunification on a discriminatory basis, and they proceeded to do so.

In addition to these cases where we see compound strategies of selection, there are also examples in which policy has been developed with an ostensibly economic or familial rationale but was actually intended to target the restriction of some ethnic groups over others. A collection of such examples can be found by examining the instrument of the literacy test, which was adopted first in the British Colony of Natal—now part of South Africa—and then in New Zealand, Australia, the United States, and Canada (in this order) over the course of the next 22 years (Ghezelbash 2017). While the rhetoric in favor of such tests pointed to the importance of education and the degree of civilization required to self-
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govern, the literacy test adopted in Natal had been inspired by a device employed in Mississippi starting in 1890 to disenfranchise black voters (Lake & Reynolds 2008).

The logic for literacy tests became no less racially motivated as they began to spread. In 1896, Australia (still officially a British colony at the time) sought to enact an immigration policy that would explicitly distinguish between white and non-white peoples. As discussed in the section on ethnic selection above, the British saw this as potentially offensive to their trade partners and other colonies (namely India) and tried to temper the language of the Australian legislation. At the suggestion of a Japanese minister, who wished to distinguish the educated Japanese from other non-white races, the British pushed the Australians to consider a literacy test “as the perfect method to implement racial discrimination without appearing to do so” (Lake & Reynolds 2008, p. 145). In fact, the British Secretary of State for the Colonies at the time, Joseph Chamberlain, made this argument at a meeting of British colonial leaders in 1897, speaking not only to the Australians, but also to the premiers of Canada, New Zealand, and Natal, among others. He argued that the literacy test would “avoid hurting the feelings of Her Majesty’s subjects, while at the same time it would amply protect the Australian Colonies against the invasion of the class to which they justly object” (Chamberlain, as cited in Ghezelbash 2017, p. 248).

Another famous example in which the selection mechanism of a major policy change was written to hide a racially motivated intent appears in the design of the U.S.
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Immigration and Nationality Act of 1965, more commonly known as the Hart-Celler Act. It is undeniably true that the central purpose of the legislation was to do away with the National Origins Formula, and it did succeed in this goal. However, to gain enough support in Congress, the writers of the legislation had to make certain compromises. The language of the original bill allotted some 50% of admissions to those applying on the basis of economic criteria—skilled or unskilled individuals who could help fill a labor shortage.

Groups like the American Legion and the Daughters of the American Revolution, who were opposed to the removal of national origins quotas, could see that a direct bid to uphold what was increasingly recognized as a racist policy would be ill-advised, particularly in a country mobilized by the Civil Rights Movement. Along with labor union leaders, who worried about an increased supply of skilled tradesmen, they managed to find support in the House Judiciary Committee in the form of Representative Michael Faegen (D-OH) (Briggs 2003; Kammer 2015). Instead of directly fighting the removal of national origins quotas, they focused on shifting the priority of the policy’s selection mechanism toward family migrants. The logic was that the restrictions of the past could be used to ensure consistency in the future. If most of the immigrants residing in the United States at the time were of European origin, then most of the relatives of the U.S. immigrant population should logically come from Europe, allowing “essentially the same racial and ethnic priorities that the national origins system had fostered, even if this mechanism itself was abolished” (Briggs 2003, p. 128). With help from Faegen, these groups succeeded in
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redirecting the focus of the legislation so that 74% of visas were granted based on family ties. This turned out to be a major miscalculation. The ensuing years brought a radical change in the racial make-up of immigrant inflows into the United States. But this outcome was inconsistent with the intent. It is worth noting that this watershed moment in the history of U.S. immigration policy is partly the result of a campaign to subvert change.

Whatever the initial intentions, the policies that grew out of these foundations continued to build upon the devices of economic and familial criteria. As with the Hart-Celler Act in the United States, most settler states incorporated both methods, recognizing on the one hand the importance to their growing economies of access to foreign labor and maintaining on the other hand the long-held view of immigrants as settlers (Green & Green 1999). The points system famously pioneered by Canada in 1967 and taken up by Australia in 1979 and New Zealand in 1991 purported to select immigrants based on a more holistic view. Points were awarded to prospective migrants using both economic as well as familial criteria as well as other things, like age and knowledge of the English language. A migrant was granted admission upon meeting a prespecified threshold of points.\(^\text{13}\).

An interesting contrast emerged in Europe during the postwar period, however. During this time, several states made attempts to separate the immigrant as an economic unit from the immigrant as a social unit by introducing policies that are now collectively

\(^{13}\) While each points system has its own quirks, in general migrants admitted using these criteria are still divided into economic and family streams. In all three of these cases, the family stream was given priority over the economic stream.
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referred to as guest worker programs. The main purpose for forcibly dividing the economic
and social components of immigration has been to prevent permanence, ensuring that a
migrant recruited as a laborer will not establish his family and build a life in his new home.
Like other postwar countries that found themselves in need of labor as their economies
began to recover, Germany, Switzerland, and Austria, turned to foreign labor. However,
unlike their settler-state and postcolonial counterparts, these countries recruited foreign
labor\textsuperscript{14} using the “rotation model,” in which workers would be housed in dormitory or
barracks-style facilities for the duration of their several-yearlong contract and would then
be asked to return to their home country as new workers were brought in to replace them
(D’Amato 2014, p. 310).

The guest worker programs were intended to bring immigration policy in line with
the needs of a growing economy, but a fundamental issue with the guest worker system
was the lingering disconnect between what the state wanted and how employers preferred
to operate. As Martin points out, “rotating guest workers through permanent jobs is often
not in the interest of the employers” (2014, p. 228). The rotation model failed to take into
account the added costs employers would be required to bear every time their reliable,
skilled workers were rotated out for brand new, unskilled ones. Pressure from employers
led to spotty enforcement of the rotation requirements and a number of relaxations of the

\textsuperscript{14} Primarily from Southern and Eastern Europe (including Turkey), but also in some cases from
North Africa and, in the case of East Germany, which made a point of recruiting solely from other
communist countries, Vietnam.
restrictions against family reunion. By the time the economies of Western Europe were hit with the economic reverberations of the oil crises in the 1970s, the labor market flexibility they had sought to create by stripping guest workers of rights and privileges did not materialize.

While the failure of the guest worker programs caused them to fall out of favor in Europe, even more extensive examples of states utilizing migrants for economic purposes while preventing family reunification and integration can be found today. Boucher and Gest categorize a number of different states’ immigration policies as kafala (in Kuwait and Saudi Arabia, for example) and what they refer to as quasi-kafala (in China and Singapore, for example) systems (2018). Beyond being inherently temporary arrangements designed to prevent the integration of migrant workers, these systems are also associated with denial of worker protections under labor laws. Combined with this, kafala systems usually grant employers full authority over the laborers they sponsor, creating conditions under which worker exploitation is common. In contrast to the operation of guest worker programs in Europe in the postwar period, the states that currently operate kafala systems show few signs relaxing the restrictions placed on their migrant workers, suggesting that natural dissolutions of these programs by means of increasingly integrated immigrant populations is unlikely.

Still, as immigration policies after the Second World War have evolved, the immigration regimes of liberal states have increasingly resembled a union of economic and
family selection. While we often think of migrants in primarily economic terms, according to Castles:

Family reunion—spouses, children, and other relatives coming to join existing primary migrants—is actually the largest single entry category for immigrants in many countries ... Similarly, marriage migration, which is very significant for Asian countries with demographic and economic imbalances like Japan, S. Korea, and Taiwan, is generally the result of demographic and social factors, and is unlikely to be affected much by short-term economic trends. (Castles 2011, p. 320)

But the U.S. experience after the passage of the Hart-Celler Act in 1965 did not go unnoticed; the legislation, which offered expansive admissions permissions on the basis of family ties, resulted in a long-term shift in the demographics of U.S. immigration. Most notably, it vastly increased the share that first Latin American, and then Asian immigrants represented within overall migrant inflows. Because of this, family immigration policies both in the U.S. and abroad have been subjected to serious scrutiny and debate.

Chief among the issues animated by family migration are the major differences across cultures regarding the structure and obligations of the family unit. For instance, a policy may be written to limit the number of family members a single migrant can sponsor by specifying that only immediate family members qualify for sponsorship. But who is considered to be an immediate family member? In accordance with Western priorities and Western economic and legal responsibilities, strongest rights have always been given to
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spouses\textsuperscript{15} and dependents. Historically, spousal rights have gone to men but not women. During the earlier part of the 20\textsuperscript{th} century in the U.S. and the U.K., a woman who married a foreigner lost her citizenship due to the expectation that she would join her husband in his country of origin (Demleitner 2003).

Fortunately, this imbalance has been corrected in both places to ensure equal spousal rights for women, but other ambiguities continue to arise. Canada has struggled to manage its family migration stream in part because migrant groups from different countries disagree on this point of immediacy (Hawkins 1991). While the West favors the nuclear family arrangement, this standard is not a cultural constant. Even within the West, the dominance of this social, familial paradigm emerged only in the mid-20\textsuperscript{th} century.

The use of family ties as an instrument for determining admission has thus meant that governments liberalize or restrict in part by redefining the meaning of a close relative. On several occasions, policymakers in the United States have sought to remove the preference category allowing for the sponsorship of adult siblings in an attempt to restrict immigration overall (Tichenor 2002). Beyond this, thornier issues have also sparked debate. For instance, polygamous marriages, which are common in some regions of the world, are not recognized under the laws of most Western states, meaning that multiple spouses cannot be sponsored for entry (Demleitner 2003).

\textsuperscript{15}This has historically given same-sex couples, who are denied the right to marry in much of the world, no recourse for reunion. This may be changing, however, as a few dozen mostly-Western states have introduced marriage equality in recent years.

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The willingness of the U.S. Supreme Court to subordinate a non-discriminatory right to family reunification to Congress’ right to legislate immigration in the late 19th century was a harbinger of the many restrictive policies that followed. In 2003, the European Council issued a directive on family unification seeking to harmonize immigration legislation across the European Union to “create sociocultural stability facilitating the integration of third-country nationals” and “promote economic and social cohesion” (Council Directive on Families). Despite this stated purpose, the directive left a number of decisions up to the states. For instance, states that grant marriage licenses domestically at the age of 18 were given leeway to refuse spousal reunification if one member of the migrant spousal pair happened to be younger than 21. As Demleitner writes, “Such restrictions indicate that states consider immigration benefits, even for spouses, not a right” equal to those afforded their own citizens, “but rather a benefit that can be granted and restricted at their discretion” (2003, p. 284).

While economic and familial means of immigrant selection have largely prevailed over overt ethnic selection in the postwar period, neither of these strategies has emerged as dominant and neither has been embraced wholeheartedly by governments as the foundation around which the rest of immigration policy should be designed. This is primarily the result of discomfort among the existing membership of states—democratic societies have time and again communicated to their representatives that the current system of selection is undesirable. It is for this reason that immigration policy today is a
process of half-measures, and that the current economic criteria look increasingly like some of the class-based bids for indirect racism (a la literacy tests) characteristic of the turn of the last century.

The Politics of Selection

For many, immigration has become such a fraught political issue that the central theoretical purpose of immigration policy gets lost. Returning to the concept of residency status as a form of membership makes it easier to see why exclusion remains an important instrument of the state. The politics that surround exclusion draw out some of the awkward inconsistencies of democratic societies. In places where the rights of individuals have been elevated and institutionalized, governments have instituted systems of partial membership for migrants, limiting their residency, work, and family unification rights. Citizenries of proclaimed social welfare states, which were designed in part to protect people against the vulnerabilities of unequal birth, demand entry restrictions for those most subject to these vulnerabilities, simply because they began their lives beyond state borders. These seeming hypocrisies are actually illustrations of a dynamic that is central to understanding the political economy of immigration—that of the trade-off.

One of the most compelling ways to understand the development of U.S. immigration policy in the postwar era is in terms of cross-cutting coalitions that form around different dimensions of immigration. While parties tend to be fairly united on issues of immigrant rights, Tichenor maps out how both the left and the right are divided on the
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issue of immigrant admissions (2002). For example, while the left wing of the U.S. political spectrum generally supports granting existing immigrants expansive rights, a portion of left leaders feel that this is only possible if admissions overall are low—otherwise immigrants have the potential to crowd out resources and opportunities for other minority groups. On the other side, while right-wing leaders are largely united on the restriction of immigrant rights, a pro-business and thus pro-immigrant admission coalition within the political right has a tendency to clash with closed-door advocates. Because of these cleavages, a left-right coalition favoring liberalized immigrant admissions must make compromises on immigrant rights in order to reach common ground. The rights-admissions trade-off Tichenor explores illustrates how individual rights and group interests come into conflict, even (or perhaps especially) in liberal states.

Another way of thinking about the trade-offs policymakers face when legislating immigration is in terms of the backlash argument. This idea suggests that policymakers in democracies must limit progressive, liberal change in order to avoid destabilizing support for democratic institutions as a whole. In other words, democratic states’ illiberal policies, though seemingly a threat to liberalism, might be necessary if society’s objection to immigration is so strong that it is willing to dismantle liberal principles just to reign it in (Carens 1992). Practically speaking, the implication that emerges from both of these trade-off models is that policymakers who wish to make progress on immigration policy will be compelled to make compromises. Policy compromise itself is not a bad thing (most would
agree that it’s preferable to unilateral decision making, for instance), but it can be used to perpetuate bad things.

As discussed earlier in this chapter, Carens has observed that today’s system of citizenship shares certain features in common with the feudal systems of medieval Europe. In its assignment of rights and opportunities according to something as arbitrary as the location of a person’s birth, it limits the outcomes of entire societies (1992). Furthermore, the consequences of inequalities produced by citizenship cannot be undone simply by promising to ignore a person’s ethnicity or place of origin. As politicians all over the world found at the end of the 19\textsuperscript{th} century, a literacy test constituted an effective substitute for outright racial discrimination. While concerned publics of settler states were distressed by the immigration of people of other races, they were most distressed by a particular subset of this group—the poor and uneducated.

In this way, we can draw out an important continuity and a corresponding divergence in the use of selection mechanisms in the history of immigration policy. Throughout the entirety of the period examined here, the class of the immigrant has been an important determinant of the kind of welcome he or she could expect to receive in the new country. But it has not, until recently, been interchangeable with the idea of skill. In a 1924 debate on an immigration bill the U.S. Senate floor, then-Senator Furnifold Simmons (D-NC) argued in favor of devoting the proposed economic preference category to skilled agriculturalists, reminding his colleagues “[w]e want skilled labor to do a specific
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ting thing, namely, to help us in the economical process of diversification and the introduction of new methods of farming” (p. 6609). At the start of the 20th century, the categorization of an individual as a skilled worker did not suggest that they were of the educated class; rather, a skilled worker was of the working class.

By the end of the century, however, the same term—skilled—was being used to describe an entirely different group of individuals. Today, policies that bestow favor on the highly skilled use criteria that are almost exclusively directed at the professional-managerial class. Possession of a tertiary degree, a salary of a certain level, or status as a manager are just a few of the metrics states now use to determine whether a migrant is skilled and deserving of admission. This chapter’s overview of the use of selection in immigration policy makes it possible to think of these developments in terms of the historical drivers of selection mechanisms—that is, the concept of skill has become tied up with class in the same way that class was once tied up with race.

But when did selection based on skill diverge from economic selection? When did it become a euphemism for white-collar status as opposed to a term that refers to non-routinized, blue-collar labor? Most importantly, what developments within society and which political coalitions have caused this system of selection to become increasingly popular among developed states? In this project, these developments are referred to

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16 This refers to people with white-collar occupations requiring tertiary degrees.
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together as the skill-selective turn in immigration policy, and they constitute an important empirical puzzle. What explains the skill-selective turn across the developed world? The purpose of this research project is to develop and test a theory that explains this proliferation of skill-selective immigration policies.
This chapter lays out a theory of how skill-selective immigration policies diffuse across countries. Why is the trend toward skill-based selection so recent? How can we explain the design similarities in the policies emerging all over the developed world? Whose interests are served by this phenomenon? The answers proposed in this chapter form the theoretical foundation of this dissertation. Although the mechanism of diffusion offered here is located in the cross-border subsidiary networks of multinational firms, any attempt to explain policy change requires a treatment of the domestic policymaking process. The aim is to present a general enough explanation that it can, without too much violence, be applied broadly to democratic systems.

This chapter begins by exploring the interests and corresponding preferences of pro and anti-immigration factions within a polity. Specifically, broad-based opposition to immigration is represented here by the general public, while businesses represent the pro-immigration front. As the purpose of this project is to explain skill-selective immigration policies, these groups’ preferences are considered with particular reference to immigrants of different skill levels. The expectations derived from these discussions of preferences become the parameters of the theories of policymaker and firm behavior. The described interactions between policymakers and firms and within the firms themselves form the crux of the theorized process of skill-selective immigration policy diffusion. This chapter
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offers a major contribution to the international political economy literature through its theoretical treatment of the multinational firm. The behavior of the firm, particularly its behavior abroad, opens up a new set of possibilities for understanding interdependence between states. A major criticism of studies documenting policy diffusion has been that they lack a coherent, identifiable mechanism through which we can observe the process taking place. The firm-based pathway of diffusion introduced in this chapter has the advantage of being theoretically founded and at least partially empirically observable.

Theory of Societal Preferences

“In almost any immigration situation, there are significant groups among the hosts who believe that newcomers in general, or particular groups among them, would jeopardize the established national ways” (Zolberg 2006, p. 16). This has emerged as one of the fundamental truths of public opinion in Western-style democracies over the last century (see Table 3.1 for a breakdown of public attitudes toward immigrants in European countries in 2003). Under the best conditions, the issue of immigration is met with apathy or discomfort by the general public. Under the worst conditions, reactions are openly hostile, discriminatory, or even violent. Furthermore, negative feelings towards immigrants such as those shown in Table 3.1 are closely linked to the policy preferences individuals express.
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Table 3.1: Views on Immigration in European Countries, 2003

<table>
<thead>
<tr>
<th>Country</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>84.2</td>
<td>15.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>85.1</td>
<td>14.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>59.8</td>
<td>40.2</td>
</tr>
<tr>
<td>Finland</td>
<td>43.8</td>
<td>56.1</td>
</tr>
<tr>
<td>France</td>
<td>74.6</td>
<td>25.3</td>
</tr>
<tr>
<td>Germany</td>
<td>84.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Great Britain</td>
<td>87.9</td>
<td>12.1</td>
</tr>
<tr>
<td>Greece</td>
<td>98.9</td>
<td>1.1</td>
</tr>
<tr>
<td>Ireland</td>
<td>82.2</td>
<td>17.8</td>
</tr>
<tr>
<td>Italy</td>
<td>84.9</td>
<td>15.1</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>70.1</td>
<td>29.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>75.4</td>
<td>24.6</td>
</tr>
<tr>
<td>Northern Ireland</td>
<td>53</td>
<td>47</td>
</tr>
<tr>
<td>Portugal</td>
<td>90.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Spain</td>
<td>82.5</td>
<td>17.5</td>
</tr>
<tr>
<td>Sweden</td>
<td>51.4</td>
<td>48.6</td>
</tr>
</tbody>
</table>

Source: Eurobarometer 59.2, Q.14

Table 3.2\textsuperscript{17} shows the results from a question on a 2018, cross-national attitudes survey in which respondents were asked whether the overall level of immigration to their country should be raised or lowered. In every instance, the vast majority of respondents show opposition to any further liberalization of immigration. At the same time, most of the scholarly work on contemporary immigration has concluded that immigration is good

\textsuperscript{17} Both Tables 3.1 and 3.2 demonstrate evidence of cross-national consistency in opposition to immigration. Surveys that provide answers to the same attitudes indicators on immigration over time are few, but Figure A.1 in Appendix A shows results from generally comparable questions in U.S. Gallup opinion surveys from 1965-2018.
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for economic growth, which is seen as a central ingredient in the contentment of any
governed populace (Castles & Miller, 2014). So how can we explain the pervasive pockets
of animus toward the foreign-born?

This section divides the existing theories on negative immigration attitudes into

Table 3.2: Views on Level of Immigration
by Country, 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Fewer/Same</th>
<th>More</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>80</td>
<td>18</td>
</tr>
<tr>
<td>Canada</td>
<td>80</td>
<td>19</td>
</tr>
<tr>
<td>France</td>
<td>83</td>
<td>16</td>
</tr>
<tr>
<td>Germany</td>
<td>88</td>
<td>10</td>
</tr>
<tr>
<td>Greece</td>
<td>97</td>
<td>2</td>
</tr>
<tr>
<td>Hungary</td>
<td>94</td>
<td>2</td>
</tr>
<tr>
<td>Israel</td>
<td>88</td>
<td>9</td>
</tr>
<tr>
<td>Italy</td>
<td>89</td>
<td>5</td>
</tr>
<tr>
<td>Japan</td>
<td>71</td>
<td>23</td>
</tr>
<tr>
<td>Mexico</td>
<td>86</td>
<td>11</td>
</tr>
<tr>
<td>Netherlands</td>
<td>88</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>85</td>
<td>9</td>
</tr>
<tr>
<td>Russia</td>
<td>90</td>
<td>7</td>
</tr>
<tr>
<td>South Korea</td>
<td>80</td>
<td>18</td>
</tr>
<tr>
<td>Spain</td>
<td>69</td>
<td>28</td>
</tr>
<tr>
<td>Sweden</td>
<td>85</td>
<td>14</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>80</td>
<td>16</td>
</tr>
<tr>
<td>United States</td>
<td>73</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Adapted from a Pew Research Center report entitled “Many worldwide oppose more migration – both into and out of their countries” by Phillip Connor and Jens Manuel Krogstad. Data in this report pulled from the Spring 2018 Global Attitudes Survey, Q52.
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four broad categories, though other, less widely accepted ideas have been circulated as well. The four addressed here include (1) employment competition theory, (2) welfare state theory, (3) cultural threat theory, and (4) contact theory. While none of these theories is able to create a perfect model of how individual resentment toward immigrants functions, a review of the existing findings will help clarify an overarching theme; while it is generally true that people have neutral to negative feelings about immigration, they can and do distinguish between the kinds of immigrants they don’t like and the kinds they may be willing to accept. By looking closely at how past studies have represented characteristics of immigrant groups in experiments and surveys, it is possible to piece together a comparison of the wanted and the unwanted.

Explaining Immigration Attitudes

The economic competition theory and the welfare state theory both emerge from political economy models of individual attitudes, locating opinion formation within an economic cost-benefit framework. If an individual perceives that immigrants create costs that he or she will have to bear, the logical response is to oppose immigration. Both theories draw on the idea of coalitions borne of economic cleavages, drawing on Rogowski’s (1987) famous predictions about trade preferences.

To test the two theories, scholars have relied primarily on variation in the skill-level and wealth (respectively) of survey respondents to approximate the predicted coalitions. Some early studies find evidence consistent with the employment competition
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theory (Scheve and Slaughter 2001; Mayda 2006), but later work has chipped away at this conclusion, pointing out that when the skill level of the potential migrant—and not just the respondent—is considered, low-skill natives and high-skill natives display the same bias, signaling partiality for high-skill immigrants regardless of the employment competition they may represent (Hainmueller & Hiscox 2007; 2010; Hainmueller, Hiscox & Margalit 2011). Evidence for the welfare state theory has also been mixed, with some scholars finding results consistent with the model (Facchini & Mayda 2009) and others contesting that the real underlying dynamic is a society-wide bias in favor of the highly skilled (Hainmueller & Hiscox 2010).

Both of these debates about whether immigration preferences can be traced to individual economic circumstances have dragged on for the same reason—small changes in the operationalization of core concepts seem to lead to divergent conclusions. One idea that deserves some more exploration is that attitudes may be rooted in economic logic yet formed based on sociotropic views rather than individual experiences. Such an explanation would help reconcile much of what has been perceived as contradictory in the existing literature, allowing that people “might prefer well-educated, experienced, high-status professionals based on perceptions about their impact on the national economy or their likely tax contribution” (Hainmueller & Hopkins 2015, p. 531).

Despite the neatness of the political economy theories, their ability to explain public opinion on immigration has been limited. The most influential alternative to the
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economic hypotheses is the cultural threat theory, which proposes that individual attitudes may derive from perceived threats to cultural identity or values (Brader, Valentino & Suhay 2008). To clarify what such a perception might look like, a society in which the majority of people speak English might perceive an influx of non-English speakers as a potential threat to their lifestyle. Restaurant owners may feel compelled to order new, bilingual menus. Retailers may have to hire translators to do business with local providers. Bilingualism may become a veritable job prerequisite. And language preference is but a single aspect of how a group defines its cultural profile—skin color and visible signs of religious worship can also be perceived as signals of cultural difference (McLaren 2003).

Thus, symbolic prejudice emerges as a result of the expectation that the out-group lives somehow differently (Riek, Mania & Gaertner 2006).19

The contact hypothesis cannot really be considered separately from the three theories discussed above, because its starting point posits a circumstance in which a dominant social group has already developed prejudicial feelings toward a minority group.20 At first, the idea was simply that intergroup relations could be improved if individuals of different groups were made to work together to achieve a common goal (Williams 1947). Further work stipulated that equal status, common authority, and

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18 Such as attire, public prayer, or dietary restrictions, for example.
19 Cues from elites and the media may trigger stronger reactions (Brader, Valentino & Suhay 2008).
20 Indeed, the hypothesis was developed by American sociologists in the 1940s and 50s with the normative goal of reducing intergroup prejudice between whites and blacks.
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personal relationships, would make such contact more successful (Allport 1954).

A parallel idea, inter-group conflict theory, emerged around the same time, stipulating that contact between social groups was actually more likely to generate enmity than amity and drawing on examples such as racism in the South to make the point. In response to this, later studies began to differentiate between contextual measures of contact, such as living in areas with higher proportions of minorities, and behavioral measures of contact, such as engaging in regular social interaction with members of minority groups (Stein, Post & Rinden 2000). Contextual measures of contact have occasionally led to findings suggesting that contact increases prejudice (Hood & Morris 1997). But even this distinction cannot fully capture differentiated effects. Looking at individual attitudes in the U.S., Hood and Morris (1997) show that while living in close proximity to large Asian populations does not seem to negatively impact individual preferences for immigration, living in close proximity to Hispanic populations does. This, again, may suggest that the real driver of attitudes is something akin to perceived cultural threat, and that contact can only mediate that effect.

Eluding Stigma

Leaving aside some of the major unresolved questions in the literature on immigration attitude formation, there is at least one conclusion that has found support from all camps. Proponents of both the economic as well as the cultural theories agree that different migrants are met with different responses. Scholars looking into the employment
competition and welfare state theories have repeatedly concluded that people prefer high-skill migrants. Hainmueller and Hopkins (2015), using a survey experiment in which participants rank profiles of potential migrants, expand on this finding, showing that higher levels of education, better paid jobs and work experience all contribute to an individual migrant’s attractiveness to members of a host society. The results in Table 3.3 from a 2018 global attitudes survey reveal that even respondents who articulate explicit opposition to immigration express support for policies that focus on the highly skilled.

Those exploring cultural threat theory and the contact hypothesis have found that ethnicity and visibility of outgroup traits seem to influence reactions too. Brader, Valentino and Suhay (2008) demonstrate that even when people expect different migrant ethnic groups to impose the same overall costs on society, racial cues trigger emotional reactions that produce discriminatory immigration preferences. In a variation on the economic theories, Helbling & Kriesi (2014) use a survey experiment to differentiate between economic threat and what they call feelings of deservingness. They find that participants who think immigrants are lazy are more likely to punish low-skill immigrants than high-skill immigrants for this perception. Together, the findings from these studies serve as a powerful reminder that people do not assess migrant characteristics independently of their views on immigration overall. Rather, they use signals like “low-skill” or “Latino” to construct an image of a person based on beliefs they already hold about different kinds of people. These beliefs are often discriminatory and racially biased but incorporate a range
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Table 3.3: Support for Skilled Immigration
Among Anti-Immigration Respondents

<table>
<thead>
<tr>
<th>Country</th>
<th>Support</th>
<th>Oppose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>82%</td>
<td>17%</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>76%</td>
<td>19%</td>
</tr>
<tr>
<td>United States</td>
<td>63%</td>
<td>36%</td>
</tr>
<tr>
<td>Canada</td>
<td>62%</td>
<td>37%</td>
</tr>
<tr>
<td>Australia</td>
<td>62%</td>
<td>34%</td>
</tr>
<tr>
<td>Greece</td>
<td>57%</td>
<td>39%</td>
</tr>
<tr>
<td>France</td>
<td>55%</td>
<td>44%</td>
</tr>
<tr>
<td>Spain</td>
<td>51%</td>
<td>46%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>43%</td>
<td>54%</td>
</tr>
<tr>
<td>Israel</td>
<td>41%</td>
<td>51%</td>
</tr>
<tr>
<td>Italy</td>
<td>36%</td>
<td>50%</td>
</tr>
</tbody>
</table>


of non-race-based attributes as well.

Most examinations of public opinion on immigration seek to explain the causes of attitude formation. Partisan affiliation is therefore largely treated as a correlate of the preexisting differences between individuals that generate policy preferences. However, if the purpose is not to explain the formation of attitudes but to make generalizations about the distribution of attitudes that may help illuminate the impact of public opinion on the immigration policymaking process, partisan divides must be considered. Below, Figure 3.1 shows the difference in the response rates between self-identified Republicans and
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Democrats asked to weigh in on whether U.S. immigration policy should prioritize potential migrants based on their level of education and skill or their family ties. While respondents who identify as Democrats are evenly split on the issue, more than two thirds of Republican respondents support skill selection rather than family reunification as the central priority for U.S. immigration policy.

Collectively, the attitudes expressed in these studies are describing an approximate ranking of potential migrants’ social status. Distaste for immigration is driven by distaste for an increasing number of people with low social status, whatever low social status happens to mean for a given society. And interestingly enough, the tendency to want the door closed on individuals of low social status seems to hold regardless of a respondent’s

Figure 3.1: Public Priorities for U.S. Immigration Policy by Party ID

<table>
<thead>
<tr>
<th>Party ID</th>
<th>Education and Skill</th>
<th>No Response</th>
<th>Family Ties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Republican</td>
<td>69%</td>
<td>27%</td>
<td></td>
</tr>
<tr>
<td>Democrat</td>
<td>48%</td>
<td>47%</td>
<td></td>
</tr>
</tbody>
</table>

Note: Difference between proportion of Republican and Democrat respondents choosing skill is significant at the $\alpha = .05$ level. Respondents giving no response is just over 4% for each group. Source: Data come from the American Trends Panel survey (Q ST.15) conducted in 2015 by the Pew Research Center.
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own race and class. The assumptions made about societal preferences throughout this project follows from these observations. The theory described in this chapter utilizes the generalization that public opinion about immigration is negative, but that individuals of higher social status may be exempt from some of this stigma if they can find a way to be considered separately from the larger pool of potential migrants.

Theory of Firm Preferences

In contrast to individuals’ preferences, political economy models tend to characterize employers\(^\text{21}\) as broadly pro-immigration because of the expectation that they prefer a larger supply of labor (Freeman 1995). However, employers represent a large, diffuse group of actors. It is certainly true that some of these players have been instrumental in the formation of past immigration policies, but many more have demonstrated little interest in the issue. Fortunately, this variation among employers is largely predictable, because unlike individuals, employers’ preferences usually align with their positioning in the economy.

The H-2A visa in the United States—which is designated for temporary agricultural workers—was created in 1986, the same year the Reagan administration passed the Immigration Reform and Control Act (IRCA), tightening controls on illegal immigration\(^\text{22}\).

\(^{21}\) Throughout this section, terms firms, employers and businesses are used interchangeably.

\(^{22}\) IRCA was comprised of a set of reforms that primarily centered around criminalizing the hiring of undocumented workers and enforcing employer sanctions, although it also granted amnesty to a large number of undocumented immigrants to avoid some of the anticipated fallout.
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As is still true today, undocumented immigration at the time served as a pipeline for cheap, seasonal farm labor. The proposed crackdown on illegal immigration mobilized a massive lobbying effort on the part of the American Farm Bureau Federation (Tichenor 2002). The 1986 Immigration Reform and Control Act likely had an impact on the supply of low-skilled labor in the country overall, but the impacts were most concentrated for agricultural employers, and the H-2A program that emerged in response to that impact directly reflects the preferences of this group. As one means of recruiting labor from across the southern border was shut down, agricultural employers were able to use their influence with politicians to secure a new, legal approach. Not every example is quite so direct, but it is often possible to make inferences about specific immigration programs by looking more closely at their main beneficiaries.

Seekers of Skill

Which employers benefit from skill-selective immigration policies? Table 3.4 uses information from a 2017 report published by the Bureau of Labor Statistics to illustrate that some occupations (those with checkmarks next to them) are likely to be filled by immigrants at a higher rate than by native workers. Looking through this list of occupations, it is clear that they are not all of the same type. Thus, within the subset of

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23 This does not mean that the total number of foreign-born employed in this occupation is higher than the total number of native-born. Rather, when the two groups are compared, the percentage of foreign-born concentrated in some occupations is larger than the percentage of native-born workers who take the same jobs. This is consistent with the way we think about immigrant labor—the immigrant job is often discussed in terms of work that native-born workers don’t want to do.
employers that rely on a heavily immigrant workforce, there are a few major groups that can be eliminated. While the agricultural lobby has on multiple occasions succeeded in influencing immigration policy, farm workers are traditionally unskilled and are paid low

Table 3.4: Which Occupational Groups Disproportionately Employ Migrants?

<table>
<thead>
<tr>
<th>High-Skilled Occupations</th>
<th>Low-Skilled Occupations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management, business, &amp; financial operations</td>
<td>Management</td>
</tr>
<tr>
<td>Management</td>
<td></td>
</tr>
<tr>
<td>Business &amp; financial operations</td>
<td></td>
</tr>
<tr>
<td>Computer &amp; mathematical</td>
<td></td>
</tr>
<tr>
<td>Architecture &amp; engineering</td>
<td></td>
</tr>
<tr>
<td>Life, physical, &amp; social science</td>
<td></td>
</tr>
<tr>
<td>Community &amp; social service</td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td></td>
</tr>
<tr>
<td>Education, training, &amp; library</td>
<td></td>
</tr>
<tr>
<td>Arts, design, entertainment, sports, &amp; media</td>
<td></td>
</tr>
<tr>
<td>Healthcare practitioners &amp; technical</td>
<td></td>
</tr>
<tr>
<td>Healthcare support</td>
<td></td>
</tr>
<tr>
<td>Protective service</td>
<td></td>
</tr>
<tr>
<td>Food preparation &amp; serving related</td>
<td></td>
</tr>
<tr>
<td>Building and grounds cleaning &amp; maintenance</td>
<td></td>
</tr>
<tr>
<td>Personal care &amp; service</td>
<td></td>
</tr>
<tr>
<td>Sales &amp; related</td>
<td></td>
</tr>
<tr>
<td>Office &amp; administrative support</td>
<td></td>
</tr>
<tr>
<td>Farming, fishing, &amp; forestry</td>
<td></td>
</tr>
<tr>
<td>Construction &amp; extraction</td>
<td></td>
</tr>
<tr>
<td>Installation, maintenance, &amp; repair</td>
<td></td>
</tr>
<tr>
<td>Production</td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; material moving</td>
<td></td>
</tr>
</tbody>
</table>

Note: Checkmarks indicate the proportion of foreign-born workers > the proportion of native-born workers and this difference is statistically significant.

wages, so policies that select only high-skilled workers are unlikely to be much help to agricultural employers. The same is true for several service-sector industries shown in Table 3.4 such as food service and personal care and service, in addition to some service industries not listed separately by the Bureau of Labor Statistics’ report, like hospitality and private household service. Employers in these industries, like those in agriculture, while likely to prefer looser immigration policies overall, are unlikely to be avid advocates of skill-selective policies.

Construction is another industry with a high percentage of immigrant employment, and some of the jobs within this category do demand specific vocational skills. However, because vocational training is not usually what is meant by highly skilled, construction employers are unlikely to benefit from skill-selective policy liberalization unless it involves adding these occupations to an occupational shortage list. Healthcare is similar to construction in the sense that some of the positions most likely to be filled by immigrant workers are not classified as high-skilled work in the general sense. Many skill-selective permits, including the H-1Bs for example, require applicants to have a bachelor’s degree or its equivalent. The minimum educational requirement for a registered nurse is an associates degree, meaning that many fully qualified registered nurses do not meet the criteria for a skill-selective permit.\footnote{Instead, nurses have been the targets of two other specialized permit programs, the H-1A, which was created in 1989 and expired in 1995, and the H-1C, which was created in 1999 and expired in}
That said, there are other healthcare professions that require graduate degrees, and this part of the industry is less comparable to construction and more akin to legal and engineering professions. While potential immigrants’ positions as doctors, lawyers or engineers certainly require degrees that would make them contenders for skill-selective permits, these occupational groups have local licensing requirements, instituted and maintained by influential members of the profession, that act in part as a barrier to an expanding labor supply (Peterson, Pandya & Leblang 2014). In other words, while a hospital may be desirous of a visa that would enable them to recruit foreign doctors, the restrictions to employment within the occupation itself limit the benefits that a hospital, as a potential employer, could accrue from an H-1B-style program\textsuperscript{25}.

The above discussion helps divide the larger labor market into categories based on the prevailing labor market institutions that may influence firm preferences. As can be seen in the examples provided, variation in skill-intensity and occupational barriers to entry cause these cleavages in employer preferences to occur at the level of the industry (see Caviedes 2010 for further development of these sectoral differences). This suggests that the main beneficiaries of skill-selective immigration policies will be employers in industries that require high levels of education but exhibit low levels of professional

\textsuperscript{25} Note that while Table 3.4 shows employment in the “healthcare support” category to be disproportionately foreign-born, the “healthcare practitioners and technical” category reflects the exclusionary impacts of occupational licensing, which give the advantage to native-born workers.
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protection (see Figure 3.2 below).

The information technology industry clearly demonstrates both of these characteristics. The Bureau of Labor Statistics’ Occupational Outlook Handbook reports that the typical entry-level educational requirement for computer programmers, network architects, systems analysts, database administrators and security analysts is a bachelor’s degree. The high standards employers set for filling these positions are reflected in the level of pay employees receive—all of these occupations recorded a median annual income of more than $80,000 in 2017.

Yet unlike engineers, who earn similar median incomes, computer specialists are almost never required to obtain a professional license. The absence of state or national licensing boards in the information technology industry may be a product of the constant

Figure 3.2: Labor Institutional Determinants of Firm Preferences

<table>
<thead>
<tr>
<th>Skill Requirement</th>
<th>Level of Professional Protection</th>
<th>Outcome</th>
<th>Industry: agriculture, hospitality, food service, maintenance, manufacturing (some)</th>
<th>Industry: construction, manufacturing (some)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>Outcome: employers lobby for low-skill labor permits</td>
<td>Industry: information technology</td>
<td>Industry: healthcare, law, engineering</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>Outcome: employers lobby for high-skill labor permits</td>
<td>Industry: information technology</td>
<td>Industry: healthcare, law, engineering</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Industry: construction, manufacturing (some)</td>
<td>Industry: healthcare, law, engineering</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Outcome: labor unions resist low-skill labor permits</td>
<td>Outcome: professional associations use licensing to restrict occupational access</td>
</tr>
</tbody>
</table>
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technological advancement within the field, a dynamic that often obviates practices before
they have a chance to become standardized. This creates a field of attractive, well-paid
occupations with a high-level of labor market flexibility. Because information technology
employers can hire foreign computer specialists without worrying about additional barriers
imposed by professional licensing boards and because most candidates already clear the
educational hurdle of having a bachelor’s degree, technology firms are the clearest
beneficiaries of skill-selective permits like the H-1B.

Domestic vs. Multinational

Even within the information technology industry there is likely to be some variation
in the extent to which employers demonstrate an interest in immigration policy. Peters
(2017) anticipates that firms with high production mobility are more likely to express
indifference on immigration policy issues because they can simply move their production
facilities abroad to more favorable labor markets. This makes sense when a firm’s locational
decisions are based primarily on the accessibility of a large supply of cheap labor, and
indeed, Peters’ study focusses on low-skill-intensive industrial firms (2017). But firms that
make their locational decisions in order to access multiple markets should be both
interested in preserving high levels of labor mobility and at the same time more reluctant
to exit a market they covet enough to invest in.

Therefore, within the category of the types of firms described above that employ
highly skilled labor in industries with low professional protections, multinational firms
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should be more invested in immigration policy outcomes, not less. Specifically, a multinational firm is likely to have stronger preferences for liberal immigration policies for five reasons. Two of these—qualification assessment and recruiting pipelines—are a part of the cross-border hiring process—and the other three—innovation clusters, proprietary knowledge, and client proximity—emerge from the logistics of product design and implementation.

First, by having facilities in different countries, multinational firms overcome some of the barriers created during the international hiring process itself. Because of the specialized nature of the training and work, employers seeking to fill high-skill positions need more information about prospective employees than those hiring for low-skill positions. Aside from the standard application materials, filling a high-skill position may necessitate an interview, a reference from someone inside the company, or a test of a particular skillset. Modern technology makes it possible to do some of these things at a distance, but in-person interactions are a more effective way to confirm a candidate’s qualifications, so firms with an international presence have an advantage when it comes to hiring abroad.

Second, beyond simply providing a physical presence internationally, a multinational firm’s foreign subsidiaries are often integrated elements of their host economies. Particularly when a company requires access to a skilled workforce, subsidiaries develop relationships with regional educational institutions, establishing pipelines for
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access to qualified graduates (Aurora & Gambardella 2005). Universities and training institutes have an interest in developing this relationship, and often put additional resources into programs that will allow them to serve as more effective recruiting pools for local employers, even if those employers happen to be branches of larger, foreign-owned firms. While this overtly benefits the subsidiary, a strong connection between said subsidiary and a trusted educational institution, especially if that institution churns out graduates with desirable skills, can greatly reduce the information costs associated with hiring foreign workers.

Even once the hiring is done, however, multinational technology firms stand to benefit from high levels of international labor mobility. First, firms in the information technology industry rely on constant innovation to maintain their relevance in the market. But innovation is unpredictable and costly and works best when researchers with different backgrounds and training are exposed to new ideas or environs. Though it is perhaps the best-known innovation center in the world, Silicon Valley is hardly the only such cluster of informational technology research and development (R&D). Multinational IT firms have a strong incentive to engage in R&D in multiple locations throughout the world, and to relocate researchers from successful teams to places with more lackluster track records. This phenomenon has only grown as China and India have invested considerable resources into building innovation-centered industrial parks (Garber 2013).

Second, many firms, particularly those whose employees operate with a high degree
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of specialized and proprietary knowledge, have an incentive to keep turnover down and to promote from within. If a firm has locations in more than one country, this can mean an international transfer. Multinational firms in the information technology industry in particular rely heavily on the value of the specialized knowledge needed to build their products and offer their services. Through these pathways as well as others, the multinational nature of a firm creates circumstances requiring a level of international mobility that purely domestic firms need not worry about.

Third, information technology firms in particular are likely to offer products that combine hardware or software (sometimes of custom design) with services. Though most individuals are most familiar with IT products in the form of personal computers, data processing software, communications applications, and so on, a large part of the industry’s production is intermediate. IT firms produce for client companies in their own or other industries (Miozzo & Grimshaw 2008). Particularly in recent years, these firms commonly take on temporary projects in foreign countries for which they need to move entire teams, if for only a short period of time.

Naming the Beneficiaries

Based on this analysis, multinational enterprises in the information technology industry are the greatest beneficiaries of skill-selective immigration policies. Yet it’s not entirely clear why skill discrimination should divide pro-immigration interests in the first place. Wouldn’t information technology firms be more successful at making their voices
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heard if they could band together with organizations like the American Farm Bureau Federation? By widening their ask to encompass more broad-based immigration liberalization, employer associations across industries could find common cause and speak with a louder voice. And regardless of skill, the disharmony between government regulation and employers’ predilection for efficiency should mean that all employers who hire from abroad would prefer as few government restrictions on the hiring process as possible. All of this suggests that we should see large employer coalitions with very broad immigration platforms.

However, employers are not operating in a vacuum. They pay attention to public opinion and they have an incentive to respond strategically. The following sections discuss how the divergent preferences of businesses as opposed to the general public create constraints on policymaker behavior, and how, understanding these constraints, firms are likely to respond strategically. The theory proposed in the following sections provides a possible explanation for why industry-specific coalitions advocating narrow policies are more successful than economy-wide coalitions that seek broader immigration reform.

Theory of Policymaker Behavior

The importance of interest groups and public opinion in determining policy outcomes has been the subject of extensive study in the American politics literature. Establishing their respective impacts is beyond the purview of this project, but the finding that policymakers are responsive to both sources of pressure is worth expanding upon,
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because it has implications for the scope and limitations of the policies that succeed in becoming law. On one hand, the fact that diverse societal interests have a role in the policymaking process is vital to the structure of Western democracy. At the same time, the unwillingness of policymakers to make concessions on issues that may lose them donors or mobilize voters against them creates a circumstance in which some matters get progressively whittled down, narrowed to the point of being broadly unobjectionable, even if it means they no longer address the bigger picture.

Making Choices

Models incorporating special interests along with public opinion evolved out of public choice theory and the median voter theorem. The earliest median voter model (Black 1958) suffered from its neglect of special interest groups but was revolutionary in its attempt to make predictions of policy outcomes based on aggregated models of individual preferences. Pelzman’s (1976) adaptation brought interest groups into the model, suggesting that policymakers seek to maximize votes by trading off the utilities of producers (special interests) and consumers (voters), who are pitted against each other in an essentially zero-sum game. A more tempered version of this idea of a trade-off was provided by Austen-Smith (1987), who proposed that interest groups can use campaign contributions to sway politicians, but that this tactic only really works when the public has a high level of ignorance about the policy and their policymaker’s position.

These models create a helpful foundation from which to generate predictions about
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policymaker behavior. The above discussions of public opinion and firm preferences form the basis for the expectation that these two groups are generally at odds when it comes to immigration policy reform. This section adds the assumption that most policymakers want to avoid surrendering special interest contributions to their campaigns but require at the same time some degree of public approval in order to get elected. Policymaker behavior in this case will reflect an attempt to both balance and maximize these inputs. Understanding the implications of the desire to balance does not necessitate a formal model of the potential equilibria outcomes that result from policymakers’ decision-making process. Instead, this section focuses on demonstrating that the actors in the model have both the incentive and the capability to ensure that at least one equilibrium emerges.

The Policymakers’ Dilemma

The balancing act policymakers perform can be illustrated using a simple line graph (see Figure 3.3 below). The line represents the spectrum, going from very liberal to very restrictive, of possible immigration reform packages policymakers could choose to support. While business interests may prefer more liberal policies and the general public

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26 Interest groups, such as ethnic or religious groups, are excluded from this particular representation of interests. While these groups can be and have been profoundly important in influencing changes in immigration policy (see Tichenor 2002), the simplest way to illustrate the position of policymakers among competing interests is by restricting the model to one group that favors immigration and one group that opposes it. A more accurate representation would include additional ranges of acceptable policy reform and would create multiple windows of equilibria—a degree of complexity that is not necessary for understanding the idea behind the Policymakers’ Dilemma.
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more restrictive ones, neither group is homogenous, so each must be represented by a range of policies on the broader spectrum that would satisfy a large enough proportion of the group to ensure the policymaker’s minimum threshold of needed support. The more an issue has become polarized, the further each respective group’s acceptable range will move away from the center of the spectrum. If there is no overlapping policy space between the business interests’ acceptable range and the general public’s acceptable range, policymakers face a dilemma with regard to immigration reform. In this scenario, illustrated by the top graph in Figure 3.3, the policymaker cannot visibly back any reform package without endangering support for his or her reelection. In this case, a policymaker’s best option may be to try and preserve the status quo, which is to say, to choose no point on the policy reform spectrum whatsoever. They may even try to impede reform proposals that have been instigated by other policymakers, seeking to avoid a vote that would link their name to a policy position.

If the range of policies business interests are willing to accept overlaps with the range of policies the general public is willing to accept, as shown in the bottom graph of Figure 3.3, the policymaker may select any policy within the overlapping space without policymaker trapped into inaction by the world illustrated by the top graph can find him or herself shifted into the world illustrated by the bottom graph instead. How is this possible? To understand this, we must remember that the policymaker is not the only sacrificing too many votes or too much donor support. Importantly, there is a way that a
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player aware of and impacted by a no-win scenario. Interest groups, too, can see that their representatives are conflicted and have the opportunity to make changes to their positions.

Assuming that an interest group’s stance on a policy emerges from a stable set of preferences, that interest group will have no wish to shift or expand their range of acceptable outcomes based on a reiteration of the same policy proposal. However, their range would shift naturally if they were to be presented with a different policy reform. Their best strategy for an interest group seeking change, therefore, is to alter the issue itself, reducing the scope of its application to ensure that while it still works in their favor, it becomes less objectionable to the opposition. When the newly narrowed reform has become innocuous enough that the policy ranges for business interests and the general public meet in at least one place, the policymakers’ dilemma has been solved\(^\textsuperscript{27}\).

\(^{27}\) While it is true that this understanding of policymakers’ role in the policy formation process essentially casts them as beholden to their constituents (an idea that requires a functioning and regular mechanism of electoral accountability), it does not necessarily preclude opportunities for policymaker agency. Within the framework described above, policymakers still have the ability to use argumentation and charisma to sell policies they’d like to pass to their publics, or to promise
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This model is unusually applicable in the case of immigration policy. Immigration policy today generates strong, polarized preferences that reduce or obviate policy reform options that might allow policymakers to please their supporters. This creates another level of strategy space for special interests to occupy. While narrowing the scope of the issue is a strategy available to both sides of the debate, in this case business interests are more likely to succeed in taking advantage of the opportunity. The reason for this can be expressed in terms of the logic of collective action (Olsen 1965). Firms are larger and more organized than individuals. The benefits accrued to a handful of employers who recruit abroad are far more concentrated than the costs experienced by general public (Freeman 1995).

However, even with this information, it is not immediately clear how business interests may go about narrowing the scope of proposed policy reforms. Different employers will have different outcomes they wish to emphasize, so a successful use of this strategy will involve building a coalition of employers that can agree upon the same, more limited reform goals. Furthermore, they must then find an effective way to communicate these newly established goals—and the advantages they represent in terms of reaching political compromise—to policymakers. Below, the theory of firm behavior discussed the processes and tactics firms might use to solve the policymakers’ dilemma, particularly as it arises

business interests desirable outcomes in other relevant policy areas to discourage them from defecting if a few bills don’t go their way.
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with regard to immigration policy.

Theory of Firm Behavior

Behavior at Home

When the policy preferences of business interests and the policy preferences of the general public do not overlap, the resulting incentive on the part of policymakers is to keep their hands off the issue entirely. As political factions have become increasingly polarized over immigration, it has become just such an issue. Big immigration policy reforms are toxic for any party that claims them, meaning that most attempts to make major changes are nonstarters. However, as discussed briefly above, one potential tactic interest groups can pursue when opinion on a particular issue has become too polarized is to narrow the scope of the issue itself.

Extending the strategic implications of this approach, we can imagine that organized business interests might take it upon themselves to refocus or circumscribe the preferences they express to policymakers in the interest of making impossible reforms possible. If these more limited requests can be squared with public opinion, policymakers are at least given the option of realizing them. This process is not specific to immigration policy but can explain how narrow exemptions and loopholes appear across all kinds of legislative issues, from the tax code to health and safety regulations to trade.

The logic of collective action helps shed light on this. A policy can be strategically
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specialized so that its adoption accrues considerable benefit to a small number of organized actors while the costs associated with the policy are more diffuse and harder to trace. This formula of concentrated benefits and diffuse costs is a major element in creating a collective action problem (Olson, 1965). While a few large firms may not have much trouble coordinating their influence in favor of a policy that reduces corporate tax burdens, the people who bear the costs of that change belong to a much larger group, each member of which has but a small fraction of the stake in the policy change (Freeman 1995).

Even so, it should not be assumed that large firms have complete control over legislative action. An important function of parties in democratic systems is to create competition in policymaking. If representatives from a particular party neglect the welfare of their constituents too often, their constituents have the opportunity to elect someone else. Opposing parties make an effort to differentiate their values and behaviors so that their candidates become natural alternative options. Because of this, party members will work to call out policy changes they see as damaging, and to find evidence and ways to measure this damage in an attempt to reduce the barriers to collective action and mobilize the public to reject said changes.

In 1995, Freeman argued that due to collective action problems and low voter information on immigration issues, most Western democracies had adopted excessively liberal immigration policies. Even if we assume that his logic held true at the time, the increased salience of immigration as a political issue all across the Western world suggests
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that it wouldn’t today. Interest groups and policymakers cannot simply rely on a heedless or untroubled public in their attempt to reform immigration policies small piece by small piece. They must also be able to support the benefits, or at least the harmlessness, of the changes they want with argument and evidence (though the quality of these rhetorical tools may not determine their efficacy).

To clarify this point, firms attempting to effect a policy change in a controversial issue area within a single country must proceed according to the following three steps: (1) they must establish their own need for the policy, preferably in a way that evokes a sense of industry or economy-wide importance, (2) they must settle upon a narrow, scope-delimited policy proposal that follows naturally from the need they have established, and finally (3) they must sell it to policymakers.

As discussed earlier in this chapter, large, multinational technology firms should have a particular interest in skill-selective immigration. To firms, immigration means labor, so the most obvious way for a firm to establish a need for immigration policy reform is to attest to a shortage of labor. Their next step would be to put bounds on the kind of reform they would like to see, ensuring that the scope of the policy they suggest is both consistent with the need they have identified and limited enough to create a collective action problem for the other side. Multinational technology firms employ primarily human capital-

\[28\] For recent illustrations of this rise in the salience of the issue of immigration over time, see works by Green-Pedersen and Otjes (2017), Hatton (2017), Dennison and Geddes (2018), and Grande, Schwarzbözl and Fatke (2018).
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intensive labor, so they might choose to limit the scope of their desired liberalization on the basis of education, or of restricting reform only to occupations within their industry.

The final step, which involves selling this policy to lawmakers, will vary depending on the political system. In the United States, firms hire lobbyists to communicate their preferences to policymakers for them, join industry associations that do lobbying for their members, publish reports and studies that support their arguments, and more (see Table 3.5 for a breakdown of corporate political influence strategies). Many countries in Europe do not formally acknowledge lobbying as a political process but have historically included industry and labor representatives (often referred to collectively as the “social partners”) formally in policymaking. Different systems of interest group influence are likely to result in different patterns and degrees of regulatory capture, but every democracy has a way for interest groups to voice their demands.

Table 3.5: Taxonomy of Political Strategies

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Tactics</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Strategy</td>
<td>Lobbying; Commissioning research and reports; Testifying; Position papers</td>
<td>Targets political decision makers by providing information</td>
</tr>
<tr>
<td>Financial Incentive Strategy</td>
<td>Contributions; Honoraria; Paid travel; Revolving door</td>
<td>Targets political decision makers by providing financial incentives</td>
</tr>
<tr>
<td>Constituency-building Strategy</td>
<td>Mobilization of employers, suppliers, customers; Advocacy advertising; Public relations</td>
<td>Targets political decision makers indirectly through constituent support</td>
</tr>
</tbody>
</table>

*Note: Adapted from a table in Hillman & Hitt 1999.*
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Some firms boast dedicated government affairs teams\(^{29}\) within their organizational structures. This purpose of this unit is to interface with government officials, professional association representatives, members of the scientific community and sometimes also members of the press. The individuals that comprise the team are expected to maintain expertise on policy issues impacting the company and develop connections with those who have the power to make policy on these issues. That said, the general consensus in the business literature is that “[m]embers of Congress are more interested in speaking with the company’s CEO or local store managers than with a Washington lobbyist” (Baron 2013, p. 43). Therefore, even in companies with internal government affairs structures, top executives continue to play a major role in politics.

Behavior Abroad

The above discussion of firm behavior should as easily describe the behavior of domestic firms as it does the behavior of multinationals. Early theorizing on multinational enterprises is linked almost exclusively to economists\(^{30}\). Though many of these canonical works were foundational to both the international political economy (IPE) and international business (IB) literatures, disciplinary segregation and differences in priorities have since caused the trajectories of the two literatures to diverge. In IPE, most work on

\(^{29}\) Variably referred to also as “public affairs, corporate affairs, external relations, public relations and government relations,” (Boddewyn 1972, p. 240)

\(^{30}\) Much of our theoretical basis for understanding MNCs today comes out of work by influential economists such as Stephen Hymer, Charles Kindleberger, John Dunning, Albert O. Hirschman, and Raymond Vernon.
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MNCs has focused on foreign direct investment (FDI), the initial step that turns a domestic firm into a multinational one. The international business literature, interestingly, has been somewhat more expansive in its exploration of the political activities, often termed nonmarket strategies, of multinational firms (Baron 2013).

Beyond the initial investment decision, a subset of the business literature begins with the assumption that political action is “second nature” to a multinational firm (Boddewyn 2007, p. 139) and proceeds by assessing the organizational structure and hierarchy of government relations responsibilities within the firm, the public relations of corporate social responsibility, interactions between firms and non-governmental or intergovernmental organizations, and so on. That said, the theoretical backbone of the MNC-host government relationship that informs both of these literatures was constructed based on the “modern MNE” of the 1950s (Boddewyn 2007, p. 140), the concept of the multinational firm as it was originally developed by economists at the time. This conceptualization of such organizations, while theoretically rich and instructive, cannot fully capture their role in the global economy 70 years down the road.

The theory advanced here, which depends in large part on expectations regarding the behaviors of multinational firms, must draw on what we do know. For this reason, both political science and international business scholarship create a foundation for a theory of the MNC as a public policy influencer. This section begins by examining the institutional tension that emerges when a government interacts with a foreign firm seeking
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to invest within its borders, a subject central to the IPE literature. The institutions of
sovereignty and democracy in particular create a nonmarket environment in which
multinational firms have an incentive to become participants in policy formation. The
discussion then turns to the organization of the government affairs responsibility within
the firm, and in particular to the internationalization of that responsibility. Insights from
the IB literature help build the case for conceptualizing decision-making in IT MNCs not
as multinational, but as transnational.

IPE scholarship does view multinational firms as a political actors, but most IPE
work focuses on the political power wielded by multinational firms through the act of
foreign direct investment (FDI), often at the moment the locational decision is made.31
Among firms interested in engaging in FDI, how do they decide where to invest? Locational
advantages of destination economies already provide a basis for answering this question,
but some work draws politics in as well, suggesting that market failures caused by taxes
and tariffs can be avoided entirely by simply moving production across a troublesome

31 The degree of attention attracted by this topic is understandable in terms of the role it plays in
the larger ontological inquiry—why do multinational firms exist? The early explanations for the
emergence of MNCs reflect the post-World War Two concentration of FDI in the developed world.
Hymer (1976) suggested that the most market-dominant firms used their advantage to spread out
to foreign markets once the home market had been saturated, while Vernon (1974) argued that FDI
is a natural extension of the principle of increasing returns to scale. As investment to the developing
world picked up steam, Dunning (1979) and others turned the discussion toward the potential
locational advantages of differing factor endowments, reserves of natural resources, and untapped
markets.
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border (Caves 1982). This observation is particularly significant for IPE scholars, who see in this phenomenon the potential for MNCs to create a wave of global regulatory change simply by leveraging their own mobility. Potential investors could force countries to compete for capital, a process that would theoretically result in a global regulatory convergence, or a race to the bottom on things like tax, labor, and environmental policies (Grossman & Helpman 1994). Thus, existing IPE work suggests that it is not the multinational structure of firms that makes them unique political actors, but their demonstrated tendency toward mobility.

This is best exemplified by the idea of the obsolescing bargain, the canonical tension at the root of the MNC-host government relationship, which focuses on the way power shifts from the firm at the time of the locational decision to the government once the investment has been made (Vernon 1971). The model assumes that governments want foreign direct investment and are willing to promise rights and incentives to make their country more enticing. Firms can choose to invest elsewhere if they find a better offer, giving firms outsized bargaining power at this stage. Yet the costliness of establishing a physical presence in a foreign country implies that the decision cannot be easily reversed (the firm having sacrificed its easy mobility), giving the host government space to renege.

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32 Empirical evidence on convergence is mixed (Walter & Sen 2009). See, for instance, Vogel (1995) for evidence in favor of a race-to-the-top argument (or, to use Vogel’s words, the “California effect”) (p. 6).
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on earlier promises and effectively transferring power to the host government instead (a possibility usually referred to as political risk\(^{33}\)). Importantly, this model assumes that the particular political power of the multinational firm vanishes once a commitment is made.

However, extensions of this idea that incorporated characteristics of the host country’s political system drew out some noteworthy variation. Early theorizing of the relationship between regime type and FDI predicted that autocrats, who are less constrained by institutions, would be free to offer firms more enticements and should therefore be more successful at attracting investment (O’Donnell 1978). But empirics have not borne this out\(^{34}\). In fact, democracies have performed better at attracting FDI. Scholars have since demonstrated that there are concrete advantages to well-defined property rights and contract laws (Olson 1993; Li, Owen & Mitchell 2018) executive constraints (Jensen 2008; Li, Owen & Mitchell 2018), and veto players (Henisz 2000), namely in their ability to mitigate political risk. Once an investment has been made, democratic governments

\(^{33}\) Scholars became particularly interested in this phenomenon of political risk during the 1970s, when a number of Latin American countries engaged in well-publicized nationalizations of foreign firms. Though government expropriation is still a reality of operating in many economies, its contemporary forms tend to be more subtle, rarely reaching the level of nationalization.

\(^{34}\) It is true that some well-known, empirical studies have returned results consistent with the advantages autocrats might have (e.g. Li & Resnick 2003). However, a recent meta-analysis conducted by Li, Owen and Mitchell (2018) shows that much of the variation in the findings on this question of regime type and FDI stems from researchers’ choice to operationalize the dependent variable either as a level (total FDI) or a share (FDI as a percentage of GDP). Using mediating variable approach, they find that when looking at the level of FDI, the effects of democracy are strong and positive, and operate through mediating variables such as property rights and political constraints.
cannot renege on their agreements with MNCs without being held accountable by their own domestic institutions (Jensen 2003).

On the other hand, policymakers in these countries are constrained by voters, allowing them less space to make the kinds of sweeping promises to MNCs that have elsewhere raised concerns about a race to the bottom on things like environmental and labor regulations. This means firms cannot gain as much leverage from their locational flexibility as the obsolescing bargain predicts. Simply speaking, democratic institutions tie the hands of the government so it can become neither the exploiter nor the exploited. Even where governments have been able to offer investment incentives like corporate tax rates, firm locational decisions have proved rather inelastic to these overtures (Jensen 2012), indicating that the reduced political risk achieved by constraining a government is often worth more to firms than a few regulatory favors.

This reveals something very interesting about democracies. It suggests that MNCs are often willing to surrender their unique quality of mobility in order to obtain status as a constituent. While said model of the obsolescing bargain ends at the conclusion of the investment decision, the interactions between the firm and the government of the host country continue. Bargaining on the value of a locational decision may be over, but the firm has now effectively become a domestic political participant, so bargaining for the
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firm’s support has just begun.\textsuperscript{35} The democratic institutions that incorporate domestic firms and their interests in the political process give multinational firms most of the same rights. So what makes the multinational firm interesting? Once the quality of mobility has been surrendered, MNCs should have the same political options as domestic firms. Yet it is this equivalency that is noteworthy. Subsidiaries of foreign firms hold an interesting position in which they have become a part of the host economy and can claim a stake in the host’s political processes but remain under the ultimate control of a parent company that belongs to an entirely different economy and polity. While the investment commitment may limit the political leverage MNCs gain by exercising their mobility, it also opens political access to an actor with a multinational structure.

This access matters, because a corporate hierarchy that reaches operationally across international borders should impact firm behavior. Just as most export-oriented firms are likely to favor lower barriers to trade, multinational firms are likely to favor lower barriers to their continued multinational operations. This is not an abstraction of

\textsuperscript{35} In his 1970 book, Exit, Voice, and Loyalty, Albert O. Hirschman characterizes the relationship between customers and management as a constant choice between exit and voice. If management fails to deliver satisfactory products or services, customers can stop patronizing the firm or they can directly communicate their dissatisfaction. Though Hirschman did not link this to the relationship between firms and states, it helps distinguish between a decision made at a determinate point in time—the choice of entry—and the decision being made continuously—the choice of exit or voice. The vast majority of firm-government interactions happen after the initial investment has been made, at which point firms are no longer deciding between potential destinations, but between exit and voice, to borrow Hirschman’s terms (1970).
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the idea that MNCs function differently than domestic firms, but rather an expansion of that claim.

However, knowing that the structure of MNCs creates a set of incentives that distinguish them politically from domestic firms does not tell us specifically what kind of behavior to expect. IPE scholars have spent relatively little time exploring post-investment state-firm dynamics\(^ {36} \), but insights from the international business (IB) literature help further develop the theory of MNC behavior. While this work shows less concern for the potential policy consequences of MNC activity, IB scholars have made considerable strides in theorizing how MNCs engage in corporate political activity.

Early IB scholars describe corporate political activity under the government relations function of a firm as “fundamentally concerned with changing public policy (or preventing changes in it) and/or with gaining favorable (or avoiding unfavorable) treatment under existing policy” (Behrman, Boddewyn & Kapoor 1975). If we accept that there are preferences and behaviors that are unique to multinational firms, we must still question the structural significance of multinationality in terms how it impacts corporate political activity.

In his set of 1988 case studies, Mahini lays out a typology of MNCs based on how they conduct government affairs. Firms in what he calls the Assertive Mode anticipate

\(^ {36} \) Notable exceptions can be found in some of the work on MNC influence in developing countries, though these tend to be case by case. See Chapter 7 of Walter & Sen (2009) for a literature review on this topic.
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policy issues, proactively pursue their political interests and incorporate a wide range of policy issues into their public affairs strategies. In contrast, firms in the Diffuse Mode deal with issues on an ad-hoc basis and treat political concerns as exogenous to their day-to-day corporate affairs. Based on his casework, Mahini finds that the firms that occupy the Assertive Mode (e.g. IBM and Ford) tend to operate in politically “salient” industries and to be “multinationals in the fullest sense of the word,” running manufacturing, marketing and sales operations all over the world (1988, p. 30). Blumentritt’s 2003 study reinforces some of this using a survey of 91 foreign subsidiary managers. He finds that larger subsidiaries are more likely to engage proactively government affairs, and that the technological advancement of the firm is positively associated with formalization of the government affairs function.

At the same time, no multinational firm is a unitary entity. Categorizing a firm in terms of a single set of incentives or strategies is to treat it as a fully cohesive, monolithic entity. The very structure of a firm with one headquarters and a multiplicity of subsidiaries requires a degree of delegation, a devolution of decision-making power. The organizational hierarchy, in other words, may influence the extent to which the preferences of headquarters are realized on the ground in a host country.

Based on a series of interviews conducted with members of global affairs teams from various regions within a global consumer product company, Moss et al. (2012) generalize the hierarchy of government relations in the following way:
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The central corporate public affairs function claimed to have overall responsibility for determining the broad public affairs agenda, strategy and goals, and for setting the direction for the function as a whole but devolved responsibility for day-to-day public affairs operations to regional or country level. (p. 53)

Similarly, Mahini finds that in companies with a designated government affairs function, “it was primarily the country-level subsidiary managers who served as the first line of communication with host governments” and were tasked with “presenting the company position on specific issues” (1988, p. 69). In other words, while the parent may decide on the policy preferences of the firm overall, the directive that goes out from headquarters relies on the company’s international subsidiaries to translate the its preferences into appropriate, localized policy proposals and to engage in the relevant form of political influence.

In order to realize company goals, the staff of a firm’s government affairs team is designed to fill three different roles—intelligence gathering, door opening, and implementation (Behrman, Boddewyn & Kapoor 1975). Intelligence gathering refers to maintaining a level of technocratic expertise in the policy areas of interest to the firm. Door opening is less technical and more social; it is done by individuals who have connections with the existing administration or experience in the political bureaucracy. Ultimately, however, the government prefers to interface with someone at a higher level who has real authority within the firm. Thus, implementation cannot be easily accomplished without the direct participation of a high-level manager (Behrman,

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Boddewyn & Kapoor 1975). Though this may be generalizable up to a point, scholars of organization and management make sure to emphasize that things like subsidiary size, the degree of integration, and operational dependence on government policy can impact decision-making in the headquarters-subsidiary relationship (Hillman & Hitt 1999; Blumentritt 2003; Boddewyn 2007; Moss et al. 2012).

As with the coordination of policy position, the degree of communication between subsidiaries of the same firm varies substantially across MNCs. Much of this variation, it seems, arises from the reporting structure of the firm. When issues are likely to have impacts on subsidiaries in multiple countries due to their operational interdependence, Mahini notes that the management authority is delegated according to the functional organization of the firm (1988). Issues impacting subsidiaries in both the U.S. and Canada might be handled by the North American headquarters for the firm, whereas issues affecting subsidiaries in Denmark and France would go to the European headquarters. Other companies have a less geographically segmented structure, organizing public affairs more along the lines of an “extended international network of communication/public affairs offices and personnel” (Moss et al. 2012, p. 55).

The variation in intrafirm communication is in part a product of its internationalization strategy. While there is a tendency to lump all MNCs into one broad category together, separating them only from firms without operations in foreign countries, some IB scholars have sought to understand MNC organization in terms of their very
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internationalization strategy. A typology popularized by Bartlett and Ghoshal (1989) suggests four distinguishable, organizational forms for internationalized firms—multinational, global, international, and transnational. Though the authors discuss multiple dimensions in their typology, including subsidiary assets and capabilities, as well as the level of local responsiveness subsidiaries demonstrate, their most interesting contribution in light of this project’s theory centers on the dissemination of knowledge. In their book, Bartlett and Ghoshal (1989) use the term knowledge broadly, referring to familiarity with local markets, expertise in product development, and awareness of organizational policies and practices, among other things. Here, their typology becomes important because of what it may tell us about the formulation and diffusion of public policy positions and the strategies for addressing them. Figure 3.4 below shows how knowledge is developed and disseminated within the network of each organizational type.

While a global or international firm uses its headquarters as the sole developer of

**Figure 3.4: Dissemination of Knowledge by Firm Typology**

<table>
<thead>
<tr>
<th>Development of Knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centralized</td>
</tr>
<tr>
<td>Retained</td>
</tr>
<tr>
<td><em>Global</em></td>
</tr>
<tr>
<td>Diffused</td>
</tr>
<tr>
<td><em>International</em></td>
</tr>
<tr>
<td>Decentralized</td>
</tr>
<tr>
<td><em>Multinational</em></td>
</tr>
<tr>
<td><em>Transnational</em></td>
</tr>
</tbody>
</table>

*Note: Adapted from typology in Bartlett & Ghoshal (1989)*
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knowledge, multinational and transnational firms delegate some of the responsibility for knowledge production to subsidiaries. However, whereas subsidiaries of multinationals develop and retain knowledge for their own local needs, subsidiaries of transnationals have an integrated approach to knowledge, diffusing and seeking knowledge jointly with other branches of the intrafirm network. In generating empirical evidence to support Bartlett and Ghoshal’s typology, other scholars have since found that firms of the transnational type experience the highest “inter-subsidiary flows of products, people, knowledge and information” (Harzing 2000, p. 101). Others have observed that advances in technology and integrated systems approaches to production (bundled hardware, software, and services packages, for example) have begun to shift all internationalized firms toward the transnational strategic orientation (Ghoshal & Nohria 1993; Sambharya, Kumaraswamy & Banerjee 2005).

For the sake of simplicity, internationalized firms are referred to as MNCs throughout this project, but the distinction between the multinational and transnational strategic orientation is worth considering. An earlier section of this chapter discusses the kinds of firms that would stand to benefit the most from skill-selective immigration policies. It concludes that based on skill-intensity and labor market characteristics, large, multinational information technology firms are best positioned to propose the skill-selective compromise to policymakers. Based on the empirical applications of the Bartlett and Ghoshal typology, these firms may also be the most likely to have developed transnational
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strategic orientations. Firm behavior abroad should therefore be characterized by the following two features, as derived from the insights of the IB literature: (1) a well-developed government relations function that has been somewhat decentralized to better adapt to local political environments, and (2) a degree of inter-subsidiary knowledge transfer.

The Multinational Advantage

The above expectations regarding the dissemination of knowledge within MNCs and the organizational hierarchy of the government relations function provide an opportunity to situate this project’s theory of firm behavior within the domain of international policy transfer. As a theory, policy diffusion gained popularity in all subfields of political science in the 1990s and early 2000s (Graham, Shipan & Volden, 2012). In the international political economy literature, diffusion has been most frequently employed to understand regulatory convergence and economic liberalization in the context of globalization (e.g. Elkins, Guzman & Simmons, 2006; Levi-Faur, 2005; Simmons & Elkins, 2004). But it has also been central to explaining the international spread of norms (e.g. Finnemore & Sikkink, 1998) and has been productive in assessing even fundamentally domestic social policies (e.g. Weyland, 2005; Linos, 2013).

Immigration policy has not been considered in these terms. The traditional theories of international policy diffusion draw on four direct government-to-government mechanisms of transfer—emulation, learning, competition and coercion (Dobbins,
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Simmons & Garre (2007). In almost all cases, the pathways implicitly propose policymakers who look to the actions of other governments in order to make their choices at home. No connection has yet been drawn between a network of international policy diffusion and the internal network of a multinational corporation. The main argument of this dissertation is that this pathway does exist and can be used to explain the spread of skill-selective immigration policies.

Mechanisms of Diffusion

Foreign subsidiaries are at a disadvantage in some ways, for while they enjoy the same rights as domestic firms in a democracy, their international linkages are still visible to their hosts. Because of this, they are burdened by laws that seek to limit undue influence by foreign actors. At the same time, they have the advantage of being a part of a larger network. While political actors in a host country may be easily able to identify a foreign-owned firm and to say where the headquarters are, the complexity of the intra-firm network prevents most reasonable observers from seeing the larger geopolitical picture. Reaching beyond the contrasts between MNCs and domestic firms established by the international business literature, there is a major advantage to multinationality as it

37 There are some interesting exceptions to this precedent, however. Chwieroth (2007), for example, shows that the trained neoliberal economists serving as policy advisors helped diffuse the ideas that led to the liberalization of capital controls in the 1990s. A similar argument has been made to explain privatization during this period (Kogut & Macpherson 2007).

38 Although the transnational advocacy networks idea made famous by Keck and Sikkink (1999) is similar in nature to the idea of a corporate network.
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pertains to nonmarket strategy. It is born of firms’ awareness of their own transnationality.

Studies examining federalism often point to regional political jurisdictions as potential laboratories of democracy, in which local policy changes can act as trial balloons for neighboring governments (Osborne 1988; Karch 2007). In the language of policy diffusion, this laboratories concept suggests learning. Policymakers who observe that reforms have resulted in positive outcomes in nearby areas may take away the lesson that they should pursue similar reforms. Multinational firms have something of a federalist structure of their own. This creates a structural opportunity for MNCs to use knowledge gained from subsidiaries’ political successes to shape their approaches to political influence in other host countries.

With regard to immigration policy, the successful application of the skill-selective compromise in one country where an MNC subsidiary is located could lead that MNC to try and establish similar compromises in some of its other host countries. In this example, the strategy of the skill-selective compromise is learned at the level of the firm, not at the level of the state, meaning that policymakers need not be explicitly aware of the antecedents to their legislation. In fact, MNCs may even have an incentive to misrepresent the purpose of transferring the policy to a new host country. For example, firms can point to skill-selective immigration policies in other countries (perhaps even instances where sibling subsidiaries have been instrumental in creating these policies) to demonstrate how important a policy is to the competitiveness of an economy and to the MNC’s interest in

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operating there. Such an argument is particularly potent, because a state’s ability to compete economically is the concern of a policymaker, not a company. The MNC’s liabilities are dispersed across many countries, while the government is fully invested in the country it represents. If an MNC can persuade policymakers that skill-selective immigration reform in another country makes that country’s economy more competitive, a corresponding skill-selective reform at home would signal the intent of policymakers to compete. So while multinational firms may be learning to promote skill-selection under the heading of national economic competition from their subsidiaries abroad, the relevant intent may actually become competition as the responsibility for change is passed into the hands of policymakers.

Because of this role, an intra-firm network should be viewed as a constellation of international pressure when it comes to policies the firm is willing to actively promote. Once an MNC decides to engage in policy advocacy, that company’s subsidiaries will attempt diffuse desirable policy, creating an imperfect but potentially recognizable, geographical pattern of reforms along the lines of the intra-firm network.

Observable Implications

Building on the behavior of individual firms theorized above, it is possible to set down some expectations about the larger, emerging policy pattern. In each polity, as we know, there is a struggle between interests that oppose immigration and those that seek to promote it. This chapter’s treatment of these factions uses existing work and polling
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data to establish the assumption that the general public is broadly opposed to immigration and that business interests are broadly in favor.

This chapter lays out a model in which policymakers, who seek to strike a balance between the opposing interests that keep them in power, will avoid issues on which no common ground can be found, thereby incentivizing proponents of change to propose less controversial, more limited reforms. The examination of societal preferences demonstrates that space for such compromises exists around policies that favor potential immigrants with a high social status, a concept that includes characteristics such as education and income. The discussion of firm preferences presents a profile of the business interests best able to take advantage of immigration reform that limits its scope to highly educated migrants and finds multinational information technology companies to be the most likely beneficiaries of such policies.

These companies are also uniquely positioned to carry their demands across borders, creating a multiplier effect on the influence of their preferences. The theory suggests that this multiplier goes beyond whatever influence each subsidiary might be able to have on its host government if it functioned in the same way as domestic firms. Early on in the cycle of policy diffusion, MNCs may be under greater pressure to present evidence of labor shortages within the relevant labor market to convince policymakers of the need for specialized policy reform. But as more countries embrace skill-selective immigration policies, different arms of the same transnational firm have the opportunity to shift their
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evidence away from what’s happening in the domestic economy and toward what peer and competitor countries are doing instead. Such knowledge can be passed along from other members of the intra-firm network, enabling them to use the company’s victory in one country to fuel further policy gains in others. If policymakers find this information compelling, these firms will have effectively succeeded in constructing an international competition for skilled labor merely by claiming it already exists.

Thus, the most central implication of the theory described in this chapter is that liberalizations of skill-selective immigration policies can be linked to similar policy changes in other countries, and that the pattern of linkages can be traced using the spatial, intra-firm networks of multinational information technology companies. A couple of other, smaller hypotheses also arise. First, as illustrated by the Policymaker’s Dilemma (see Figure 3.3), policymakers with particularly divided constituencies are more likely to be faced with situations in which no acceptable compromise is available. Right-wing parties receive higher levels of support from members of the public who hold anti-immigration attitudes, so right-leaning policymakers, who draw support from this base while still relying on contributions from the business community are the most likely to be faced with an empty set of options. For this reason, governments dominated by right-leaning parties are the most likely to respond to a new, narrower, less objectionable policy proposition from employers. In other words, these governments are more likely to be in the Policymaker’s Dilemma in the first place, and so more likely to need help getting out of it again.
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Second, this theory sets up a scenario in which there are only two opposing views among members of society. This, while certainly an oversimplification, is more likely to manifest in polities that operate on plurality electoral systems, often alternately referred to as first-past-the-post. The way these voting rules are constructed, a candidate who answers to the constituents of a specific geographical district faces a member from an opposition party and the result is binary—the candidate either wins or loses. Unlike in a system of proportional representation, where a small loss of votes may mean a corresponding loss in seats, if a candidate running in a plurality system loses just one additional percent of the electorate, it can mean the difference between complete victory and absolute defeat. Because of the duality created by this institutional design, policymakers in plurality systems should be more amenable to small, unobjectionable policy changes, and therefore more likely to accept the compromise proposed by multinational information technology firms. These implications are formalized into three hypotheses laid out in Table 3.6 below.

Table 3.6: Hypotheses

<table>
<thead>
<tr>
<th>If Policy $\Delta$ in Country A</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: ↑ MNC Cohosting $\rightarrow$ ↑ Chance of Policy Lib. in Country B</td>
</tr>
<tr>
<td>H2: ↑ MNC Cohosting $\times$ Right-Leaning Gov’t $\rightarrow$ ↑ Chance of Policy Lib. in Country B</td>
</tr>
<tr>
<td>H3: ↑ MNC Cohosting $\times$ Plurality Voting $\rightarrow$ ↑ Chance of Policy Lib. in Country B</td>
</tr>
</tbody>
</table>
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The common purpose of these hypotheses is to uncover evidence of interdependence in skill-selective immigration policy liberalization. They focus on the outcome, and they are tested statistically in Chapters 5 and 6 using two new datasets described in Chapter 4. While this is arguably the most important set of tests of the theory laid out in this chapter, additional empirical implications can be generated to evaluate the process theorized to produce interdependence. However, these implications are not of the same nature as hypotheses and refer more to the process by which X produces Y rather than this relationship itself. In other words:

When the observable events that intercede between hypothesized causes and observed effects have this character, they constitute “diagnostic evidence,” not “variables.” Diagnostic evidence indicates the kind of process taking place but does not transmit any independent effects to the dependent variable. (Bennet & Checkel 2015, p. 7)

Drawing on the expectations that follow from the theories of firm preferences and behavior developed above, three such diagnostic criteria for the policymaking process emerge. First, the theory of firm preferences offers an argument for the multinational information technology firm as the most obvious beneficiary of skill-selective immigration policies. If these preferences are correctly assigned, the theory of firm behavior suggests that the largest and most successful of these IT MNCs will proactively engage in attempts to influence policymakers in favor of liberalizing skill-selective policies. Even where lobbying is neither institutionalized nor regulated, clues to the actors involved in policymaking processes can sometimes be gleaned from committee reports, evidence
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presented to parliamentary bodies, newspaper articles and so on. If IT MNCs are not visible in this process or if they are surpassed by other groups with consistently higher levels of participation in the development of skill-selective policy, this evidence would indicate that the group relevant actors is broader than the theory predicts.

Second, the logic of the Policymakers’ Dilemma sets up a circumstance in which firms have an incentive to demand narrow, low-controversy liberalizations from policymakers because it increases the likelihood that they will be successful. Based on this, empirical evidence that firms and policymakers view skill-selective immigration policies in this light, as a way to liberalize immigration without generating backlash among anti-immigration voters, would lend additional support to the theory. This speaks directly to the strategic aspect of firm behavior, so it is unlikely that firms will be particularly vocal on this point.

Finally, the third aspect of firm behavior that would lend credence to the theory proposed in this chapter concerns the presentation of skill-selective immigration as a necessary tool in the international competition for talent. The employment of this rhetoric by MNCs in their attempts to convince policymakers to liberalize skill-selective immigration policies would be consistent with expectations. Together, these three diagnostic criteria39 (summarized in Table 3.7 below) form the basis against which four

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39 The diagnostic criteria (rather than hypotheses) are presented separately from the hypotheses shown in Table 3.6 to clarify that they are evaluated using a different strategy. While the hypotheses
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case studies are evaluated in Chapter 7.

Table 3.7: Diagnostic Criteria

<table>
<thead>
<tr>
<th>Diagnostic Criteria</th>
<th>Empirical Implications for Qualitative Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>IT MNCs engage in influence campaigns in favor of skill-selective immigration policy.</td>
</tr>
<tr>
<td>B</td>
<td>IT MNCs and policymakers see skill-selective immigration as a policy compromise.</td>
</tr>
<tr>
<td>C</td>
<td>IT MNCs use war-for-talent arguments to support their influence campaigns.</td>
</tr>
</tbody>
</table>

in Table 3.6 are tested statistically, the diagnostic criteria in Table 3.7 are evaluated against qualitative case-study evidence.
A major contribution of this project is the original collection of data that makes it possible to provide a real look at patterns and events that have until now only been documented anecdotally. The first dataset records changes to skill-selective immigration policies, classifies the instrument and scope of each change, and indicates whether and for whom each change makes immigration more or less restrictive. The second dataset tracks the geographical expansion of major information technology companies, recording which countries they operate in and which countries they expand to over time. Both datasets represent knowledge that is missing on a larger scale from the resources commonly used by political scientists, and both therefore serve as inroads into the vast space of unmeasured information. The purpose of this chapter is to describe data collection and measurement decisions, visualize the data that have been compiled, and discuss the logic and mechanics of spatial regression—the chosen testing strategy.

Before getting into the details of the data collection process, this chapter discusses the phenomenon of skill-selection as a method of straining the prospective migrant pool. While there is much to be said about the evolution of ideas that has made this mechanism of selection viable and about the governments and individuals that advocate these policies, these elements are explored in terms of specific cases in Chapter 7. Instead, the focus here is on making clear what a skill-selective policy is and what these policies look like
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empirically. The second part of this chapter is devoted to providing a clear and informative picture of the data used to test the hypotheses, and the final part of the chapter outlines the spatial regression modeling strategy and discusses why the data introduced here and research question of this project lend themselves to this kind of technique.

Skill-Selective Immigration Policy

The first dataset records changes to skill-selective immigration policies in the Organization for Economic Cooperation and Development (OECD) from 1980-2017. Over the course of the past several decades, most OECD countries have experienced a shift in their immigration policies. Whether admissions have become more or less restrictive or rights have been extended or revoked, a skill-selective tendency has emerged in almost all of these countries. This does not necessarily signal convergence in the realm of immigration policy. In fact, states have found a variety of ways of differentiating their strategies, from labor market restrictions to fast-track procedures to the selection mechanisms themselves. Yet similarities have also been noted—a new policy tool will emerge in one country and be picked up in a handful of others. In general, skill-selective policies appear to grow more complex over time as new tools are phased in. Given this variation in policy design, how should we set the bounds on what constitutes skill selection?

Most people, particularly those following the actions of the current American government, have some familiarity with the most popular kinds of migrant entry streams. In many countries there are three standard categories for entry. Migrants are allowed in
on the basis of their family ties to current citizens, in order to work jobs employers have difficulty filling with access only to domestic labor, or because they have made a refugee claim that has passed muster. However, no system in the world is actually this simple. In most cases, each of these categories represents a multitude of different entry visas, each with its own permissions and requirements. This project is concerned almost entirely with the labor category, focusing particularly on a class of labor visa that limits access by setting some minimum, skill-related bar for prospective foreign workers to pass.

As other scholars have already noted, “it is problematic to define skill” (Cerna, 2016, p. 78). Using a statistical concept, we can think of skill as a latent variable, a characteristic or combination of characteristics that cannot be (or at least is not) directly observed. What policymakers want, it seems, is to be able to choose migrants based on their future successes and contributions, or perhaps based on how well they will integrate themselves into societal and economic life. But because the future obviously cannot be known, they have to rely on information about the individual’s past to make a reasonable guess at their prospect for success. This is a common problem in labor economics, but when governments take on the job of sorting through prospective migrants based on their economic potential, that problem becomes a matter of policy. Latent variables are dealt with in statistical models by using observable proxies to give us more information about the likely value of the unobservable variable.

The most common proxy for skill in political science work is education. As it turns
out, this is a popular solution among policymakers as well, but it is far from being universal. A study conducted by the European Migration Network in 2013 found that among the 23 countries surveyed, only 13 maintained an official definition of “high skill” that required a certain level of educational achievement. 10 included criteria relating to an individual’s professional experience and 16 had definitions that required a minimum salary (though the number itself varied from state to state) (EMN, 2013). Setting a minimum salary presumably transfers the issue of skill determination to the employer, relying on the assumption that an employer would only be willing to pay such a high income to an individual judged to be worth the cost. Some systems, like Canada’s, that award points for different criteria, also overtly place value on language ability (English or French, in Canada’s case), age (over 18, but with plenty of time left before retirement is preferred), and a verifiable job offer, none of which are features that necessarily speak to an individual’s level of skill. There is some ambiguity too, about whether a sector-specific program should be considered a mechanism of skill selection. Many countries maintain occupational shortage lists, which use labor market statistics to determine which occupations are insufficiently supplied by domestic labor alone. Most would consider a scheme designated for information technology specialists to be skill-selective, but there is a tendency for people to think of vocational work as something different, so the same could not be said for metalworking machine operators, though this was the top shortage occupation in Austria in 2015 (EMN, 2015).
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In the literature, the most frequently discussed variation in skill-selective immigration policies centers on demand-driven versus supply-side systems. The focus on this distinction probably arises from the fact that up until recently, most immigration policy innovation (and therefore, most of the writing on immigration policies) happened in the United States, Canada, and Australia. As Canada and Australia have both operated supply-side, points-based systems for decades, the employer-led American policy has been used to set up a natural contrast. Fundamentally, the difference is this: a demand-driven system puts the agency in the hands of the employer. The employer, as in the case of the United States, files the application for a potential migrant, pays the application fee, verifies that appropriate steps have been taken to attempt to hire domestically first, and guarantees that the migrant employee, once he or she arrives, will be paid fairly and treated in accordance with domestic labor standards. Any migrant wishing to enter the country on a labor visa, therefore, must have a pre-arranged deal with their future employer.

A supply-side system, on the other hand, allows potential migrants to file their own applications and selects entrants based on criteria that may or may not take the preferences of domestic employers into account. The main advantage of employer-led systems is that they respond directly to the needs of employers, while supply-side systems are often touted as flexible and transparent (Papademetriou, Somerville & Tanaka, 2008). Though the distinction between the two strategies is always more ambiguous than this
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simple dichotomy would imply, the points-based system has found its way into the immigration policy strategies of Austria, the Czech Republic, Denmark, Hong Kong, the Netherlands, New Zealand, Singapore, Slovenia, and the United Kingdom (Duncan, 2012; EMN, 2013).40

On the whole, while it is tempting to use the demand-driven versus supply-side distinction as a way of binning countries based on their immigration policies, a closer look at how these systems really work reveals that the distinction is not very productive. The points systems in Denmark and the Netherlands, for example, are used for only one or two narrow entry tracks, so that supply-side selection represents a small fraction of total immigration. Both these countries, as well as others on the list of points-system adopters, use demand-driven selection for other entry tracks. A few countries have even introduced fast-track, temporary permits specifically called “green cards,” in reference to the American Green Card (though they more closely resemble H-1B visas—the American Green Card is not a fast-track permit). Green cards have appeared in Germany, the Czech Republic, Denmark and Ireland at least (EMN, 2013; Papademetriou, Somerville & Tanaka, 2008; Martin, 2014).41 And even in Australia and Canada, the path-breaking innovators of the points-system, demand-driven elements have begun to creep into the selection process.

40 Germany and the United States have seriously considered points-based systems, though neither has ever adopted one (Duncan, 2012).
41 Oddly, the Danish Green Card was operated as a points-based, rather than employer-led entry path, though it so heavily weighted education that it was possible to pass on education alone (Papademetriou, Somerville & Tanaka, 2008).
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While supply-demand dichotomy may have been able to tell us something about immigration standards 20 years ago, focusing on the distinction today draws attention away from the variation that matters, such as the drivers of policy change.

In essence, this typology of immigration policies that separates supply-side and demand-driven policies presents a false dichotomy and may be obfuscating the variation that can actually tell us something about the development of immigration policy. In other words, existing datasets may be measuring the wrong thing. Rather than distinguishing between supply and demand mechanisms, the immigration policy dataset introduced here focuses on policy dimensions, putting together a broad picture of how skill as an abstract concept has been operationalized in existing policy. Secondarily, this creates an opportunity to note which countries rely on which dimensions, distinguishing between policies that set up vague, class-based mechanisms (using education, white-collar work experience or salary) and those that home in on specific skill shortages (establishing lists of narrowly defined occupations). The dataset that came out of this and the variables it includes are discussed in more depth below.

Immigration Policy Data

The combination of frequent, low-publicity changes and the growing number of policy instruments states use to assemble policies they can sell to their publics makes the collection of immigration policy data a formidable task. Unlike scholars of international trade, we have no World Trade Organization or analogous intergovernmental body to
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undertake the enormous process of recording the development of the full range immigration policies around the world over time. Because of this, much of the work must be done country by country, year by year, accounting for the nontrivial comparison problems that arise when dealing with different systems of lawmaking, bureaucracy, juridical procedure and information archiving. The existing datasets on changes in immigration policy have made a good start down this road. Most aim to cover many aspects of immigration policy, which means they are forced to paint in broad brush strokes and strictly limit the number of countries and years they can cover. The dataset introduced here cannot overcome this trade-off, but errs on the side of more detail about a particular set of target groups rather than less detail about all target groups.

However, even as this dataset seeks to expand how we understand immigration policy, existing data have proven crucial to its creation. The researchers who compiled the DEMIG Policy data had already put a considerable effort into categorizing the target groups of the policies they recorded, so the skill-selective policies they identified and the

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42 There are a few important caveats to this. The International Organization for Migration (IOM) and the United Nations (UN) have put in significant efforts to fulfill this role in terms of refugee and asylum policies and the International Labor Organization (ILO) keeps some data on cross-national regulation of working conditions for migrants. Most importantly, the Organization for Economic Cooperation and Development (OECD) produces annual International Migration Outlook reports that contain some information on changes to immigration policies in member countries. These OECD reports are crucial sources for the immigration policy dataset introduced here, but they lack systematic, comprehensive criteria for country reporting.

43 See for example the DEMIG Policy dataset (2015), Mayda (2010), and Peters (2015).

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sources they uncovered provided the scaffolding for the collection process behind this dataset. The applicable observations in the DEMIG Policy data were researched and recoded, and additional primary and secondary sources were reviewed for any further relevant policy changes. The data, which follow policy changes in OECD member countries (see Table 4.1 below for full list of countries covered) over the course of the 1980-2017 period, contain 1,407 country-year observations. In 322 of those country-years, some kind of skill-selective policy change is coded, and of those 322, 139 are not captured by the DEMIG data.

Table 4.1: OECD Countries Included in Dataset

<table>
<thead>
<tr>
<th>Australia</th>
<th>Austria</th>
<th>Belgium</th>
<th>Bulgaria</th>
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<tr>
<td>Canada</td>
<td>Czech Republic</td>
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<td>Luxembourg</td>
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<td>Netherlands</td>
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<td>Portugal</td>
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<td>Russia</td>
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<td>Slovenia</td>
<td>Spain</td>
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<tr>
<td>Sweden</td>
<td>Switzerland</td>
<td>Turkey</td>
<td>United Kingdom</td>
</tr>
</tbody>
</table>

Note: Data for former Soviet countries begins in year of independence.

The countries and years included in the data were selected for both theoretical as well as practical reasons. The theoretical connection between skill-selective immigration policies and the emergence of the information technology (IT) industry suggests that the action must take place in those countries and years in which a tangible IT industry exists.
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That said, there are a handful of countries that are not members of the OECD that fit this criterion, including for example China, Singapore, Brazil, and India, among others. Practically speaking, there is just not enough detailed information available in English about the targets and instruments of the immigration policies of these countries to include them at this time. Despite this weakness, there are a number of countries included in the data that—much like China, Singapore, Brazil and India—develop nascent IT industries over the course of the 1980-2017 period, providing some helpful variation in the type of economy represented (Ireland and Israel, for instance).

The most basic measure of policy change recorded in the dataset ignores the specifics of policy design and even the direction of the change (more or less restrictive) and focuses solely on whether any skill-selective change to immigration policy occurred in a given country in a given year. It simply seeks to determine whether a country sought to alter its approach to skill-selection at all in the stated year, providing the broadest view of action on skill-selective policies over the course of the period. Figure 4.1 and Figure 4.2 illustrate the distributions of policy changes captured by the dataset by country and year, respectively.

Figure 4.1 maps out the total number of policy changes made by each country throughout the period studied. Darker colors represent a larger number of total policy changes. All countries in the sample have made at least a few skill-selective policy changes over the course of the period, but three countries in particular—Australia, Canada, and
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Figure 4.1: Comparative Frequency of Skill-Selective Policy Change in OECD Countries, 1980-2017
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New Zealand—stand out with the highest policy change counts. The status of these three countries on the extreme end of the spectrum is not surprising due to their histories as traditional receiving countries and their relatively early adoption of skill-selective strategies, but it is important not to allow the experiences of these states to dominate the overall story. This is discussed further in Chapter 6, in conjunction with statistical results.

Figure 4.2 shows policy changes by year. The trend is undeniably positive. This is consistent with the oft-used but ill-supported claims regarding the proliferation of skill-selective policy changes that inform the central puzzle of the project, but it also means that time-related trends must be considered in the construction of the statistical models.

While the occasional policy touched on issues of skill in the 1980s, each decade thereafter demonstrates an increased level of skill-selective focus. The highest count recorded in the data takes place in 2014, when 24 out of 37 countries made changes to their skill-selective immigration policies in one year. This is four times as many country-changes as were
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recorded in 1994, and more than twice the number documented in 2004. By anyone’s measure, the increase in the popularity of these policies is astounding.\footnote{Although the dataset records changes through 2017, Figure 4.2’s trend line is truncated in 2015. Many of the sources used exhibit delays in the documentation of changes by two or even three years. Because of this, the data for the most recent couple of years are likely incomplete and are therefore excluded here.}

In this project, skill-selective policies are defined by the kinds of individuals they target. A policy is skill-selective if it limits entry, rights or procedural advantages to potential migrants falling into one of five categories—the highly qualified, the occupationally skilled, students, investors or intra-company transfers. Most of these distinctions are easily determined, and policies tend to directly refer to students or investors if these are the groups they seek to regulate. However, the highly qualified and occupationally skilled categories are not uniformly classified across countries and are usually not differentiated at all.

Despite this, this project considers them to be conceptually distinct. Here, the highly qualified are potential migrants who are selected based on their educational qualifications, non-specific white-collar profession, or high-end salary. The occupationally skilled are potential migrants who are selected based on their specific vocation. Worth noting is that individuals in the occupationally skilled category often fall outside the purview of definitions of skilled migrants. Yet the word skill most aptly applies to vocational or trade-specific work and has an occupational connotation that general
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Educational qualifications do not. For this reason, occupational skills are included in the general definition of skill selection but are also coded separately. Figures 4.3, 4.4 and 4.5 break down and compare the targeting of these two groups among the countries and years covered by the data. Across the period studied, Figure 4.3 shows that OECD countries have favored strategies targeting potential migrants based on abstract qualifications rather than occupational skills. In fact, Figure 4.5 clarifies that only just over half of the countries in the sample have dabbled in occupational skill-based targeting at all. In contrast, almost every country covered by the data has used some kind of qualification-based measure to target migrants, as shown in Figure 4.4.

The remaining target categories are much narrower, much less frequently used, and much easier to define. Students are, in this context, international students at the tertiary level. Investors refers to international investors or entrepreneurs, potential migrants who are selected based on their willingness to invest a certain quantity of money or create a certain number of jobs in the receiving country. And intra-company transfers category refers to potential migrants employed by companies already located in both the origin and destination countries who wish to relocate their internal staff. Where applicable, more than one group can be coded as the target of a policy change.

A central feature of the dataset is the inclusion of variables that describe changes made to policy instruments. Unlike the overall measure of policy change, these measures
Figure 4.3: Policy Changes Targeting the Highly Qualified and the Occupationally Skilled by Year
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Figure 4.4: Total Policy Changes Targeting the Highly Qualified by Country, 1980-2017

Figure 4.5: Total Policy Changes Targeting the Occupationally Skilled by Country, 1980-2017
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reflect directionality, expressing a positive change when policies are made more permissive and a negative change when they become more restrictive. The overall policy change indicator is not coded as more permissive or restrictive because, even within admissions policy alone, there are really two dimensions at work in any given policy and they can move in opposite directions. These dimensions are referred to in this project as criteria and red tape. Policies are coded as employing red tape instruments if they make changes to administrative hurdles facing anyone within one or more of the above-defined target groups. A red tape instrument has been used to liberalize policy if an administrative or procedural barrier is reduced or dismantled, making it easier for potential migrants to complete the immigration process successfully. For example, if skilled migrants were previously subject to a labor market test (in which the employer must attest or show evidence of having searched for a domestic worker to fill the position before looking abroad) but are no longer subject to such a test, the red tape has been reduced, making the regulation more permissive. Policies are coded as employing criteria instruments when they alter the degree of selectivity and thus the scope of the target group itself. In other words, policy can be liberalized without any change to red tape by lowering or expanding the criteria for admission, meaning that a wider range of potential migrants now qualify for entry. If, for example, a skilled migrant visa that previously required applicants to have a graduate degree now only requires an undergraduate degree, the criteria for entry have
been made more permissive.

Figure 4.6 compares the use of these two instruments in designing skill-selective immigration policies over time. As mentioned above, each of these measures can be coded as a positive value (more permissive) or a negative value (more restrictive), providing an opportunity to get a look at the direction of policy changes as well as the magnitude. The second graph in Figure 4.6 illustrates that almost all red tape changes over the course of the period have been positive, while the first graph indicates that states have tinkered with their admissions criteria in an ongoing attempt to match policy with preferences. For both kinds of policy instruments, however, the liberalizations have outweighed the restrictions, suggesting that the over-time trend tilts in favor of the expansion of skill-selective strategies.

These data on changes to skill-selective immigration policies open up an opportunity to test questions about the variables that contribute to such changes. Given the increased regularity with which skill-selective designs have been employed by OECD countries, this dataset constitutes a notable contribution to the study of contemporary The coding of these data opens up new possibilities for researchers, expanding the range of research questions we are able to pursue and productively complicating our understanding of what matters when it comes to policy design.
Figure 4.6: Changes to Criteria and Red Tape Restrictions by Year
MNC Influence Data

The theory of firm behavior introduced in Chapter 3 proposes that firms with a special interest in skill-selective immigration policies pursue a strategy that can be broken down into three steps. They begin by orchestrating an information campaign about their need for skilled labor. They then settle upon a narrow set of policy demands based on that publicized need, and finally, they go about selling their policy ideas to lawmakers. While all three steps are important in understanding how firms are able to leverage their position within an economy to achieve policy goals, the third step in particular would be an ideal place to show how active firms are in the policymaking process. However, such data are available only in a few cases and for a limited number of years.

In the United States, in spite of the Lobbying Disclosure Act, it is widely acknowledged that plenty of lobbying happens by way of lobbyists who, through legal technicalities, are never required to register and whose activities go therefore unrecorded. Unfortunately, the data on lobbying that the U.S. makes publicly available is probably the best such data provided by any country in the world. Transparency standards in lobbying have not yet become widespread, even within democracies. In fact, most countries do not keep data on the lobbying activities of firms at all, meaning that there are no existing records that could be made available to the public in the future. The Sunlight Foundation offers a list of the countries that maintain lobbying registers as of 2016, noting
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also the kind of information contained in those registers so as to provide some kind of measurable standard. Their list identifies 14 countries that make some kind of data available, but only 10 of these disclose the client as well as the lobbyist, and only two of the 14 include spending numbers (Watson 2016).

As much trouble as the U.S. has in defining who is a lobbyist and what kind of activity must be disclosed, it does at least set a minimum threshold for what is unambiguously lobbying, and those cases have been made transparent. Many countries in Europe, on the other hand, have built influence channels into their formal policymaking processes, allowing representatives of industry associations and labor organizations to consult with policymakers and engage in things like labor market negotiations within the context of policy planning. This does not mean that these groups and others are not also engaged in influencing politicians in other ways, but it does add an extra layer of complication in separating outside pressure on the policymaking process from what is considered an internal part of the policymaking process itself.

Because of these issues, a sounder strategy for looking at the macrolevel outcomes is to abstract away from measurable forms of influence and look instead at stakeholder status. While it may not be possible to obtain information about how much a particular company donates to a politician’s campaign or how often they employ lobbyists to push their policy preferences, it is at least possible to determine whether a firm occupies a position in a particular economy and is therefore subject to and able to comment on the
rules of the corresponding polity. Specifically, if a parent company can claim a subsidiary in a foreign country, the subsidiary, and by extension, the parent company are impacted by and have an incentive to influence the laws of that foreign country.

Following this logic, the second dataset created for this project tracks the international locations of the subsidiaries for 25 of the largest information technology companies over the period 1989-2017. The full list of companies included in the dataset is shown in table 4.2 below. The primary source for these data is the Corporate Affiliations database, but the dataset also makes extensive use of the Moody’s International and OTC Industrial manuals, 10-Ks obtained from the Securities and Exchange Commission, and

<table>
<thead>
<tr>
<th>Accenture</th>
<th>Apple Inc.</th>
<th>Atos</th>
<th>Capgemini SE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fujitsu Ltd.</td>
<td>Hewlett-Packard</td>
<td>IBM Corp.</td>
<td>Infosys Limited</td>
</tr>
<tr>
<td>Intel Corp.</td>
<td>LG Corp.</td>
<td>Microsoft Corp.</td>
<td>NEC Corp.</td>
</tr>
<tr>
<td>NTT Data Corp.</td>
<td>Oracle Corp.</td>
<td>Qualcomm Inc.</td>
<td>Samsung</td>
</tr>
<tr>
<td>SAP SE</td>
<td>Sony Corp.</td>
<td>Tata Consultancy Services</td>
<td>Toshiba Corp.</td>
</tr>
<tr>
<td>Wipro Limited</td>
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</tbody>
</table>

Table 4.2: Companies Tracked in MNC Subsidiaries Dataset

*Note: Data missing for all companies for 1992, 1994 and 2009.*

information in individual companies’ annual and financial reports. Even using all of these sources and beginning as late as 1989, there are a number of years of missing data for most companies. Figure 4.7 shows missing company-years marked by a black circle. The years 1992, 1994 and 2009 stand out as particularly data-poor. This is because, while the Corporate Affiliations manuals for these years do exist, they are missing from the
Figures 4.8 and 4.9 track the changes in MNC subsidiary locations over time and use interpolated data where the missing value can be guessed with a high level of certainty. Figure 4.8 provides a series of plots that track the number of MNCs with a physical, operational presence in each country over time. Unsurprisingly, the common trend is for the number of MNCs hosted to increase, a reflection of the increased size and global presence of the IT industry, particularly the big players in the IT industry, over the period covered. A couple of countries, the United States and Germany, for instance, are such attractive destinations for foreign direct investment that by the end of the period they
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have collected a subsidiary from every company included in the dataset. Figure 4.9 illustrates the change in geographical prevalence by company over time. A couple of companies in particular, Cisco, IBM and SAP, for example, have locations in most OECD countries by 2017. It is worth noting that this creates a special advantage when dealing with phenomena occurring over the past several decades. The variation in subsidiary locations that can be exploited for the purpose of looking more closely at MNC influence over policy is disappearing. The more companies achieve this kind of ubiquity, the harder it will be to determine the impacts they have on the polities they inhabit.

Due to the staggeringly complex nature of corporate hierarchy in modern MNCs, compiling this data required a number of difficult coding decisions. The first concerns how far to extend down the ladder of corporate ownership. The theory outlined in Chapter 3 anticipates that parent companies interact with their direct subsidiaries (i.e. children), but should we expect a parent company to engage with a grandchild or great-grandchild? In many cases this problem can be circumvented simply by noting that if the daughter firm already represents a presence in a given foreign country, her subsidiaries will have a high likelihood of being located within that same country. However, there are cases where this is not true. For this dataset, coding was limited only to the direct children of the parent company and its immediate children.

There are also a number of firms included in the dataset that operate in multiple industries. Toshiba, for instance, is a big player in the information technology industry,
Figure 4.8: Number of MNEs Subsidiaries by Country, 1989-2017
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Figure 4.9: Number of Countries of Operation by IT MNCs, 1989-2017

Note: The corporate affiliations included for 1992, 1994, and 2009 are missing from the University of Pennsylvania Library's dataset.
but also produces things like household appliances, medical equipment and lighting. For
these mega-multinationals that span a range of distinct product and service markets,
coding begins on the second rung of the corporate hierarchy ladder, identifying the
headquarters of the information technology group or division as the ultimate parent firm.
In Toshiba’s case, for example, this means that first-level subsidiaries within the digital
products and electronic devices groups are coded, while subsidiaries within the home
appliances group are ignored. The assumption behind this choice is that firms operating
in multiple industries are likely to have several distinct, and possibly even conflicting, sets
of policy preferences. While the most general policy positions may be set at the highest
level, stances on industry-specific issues are more likely to be developed and pursued by
the affected divisions and groups.

A third important coding complication arises with regard to mergers and acquisitions. Large, multinational companies are constantly in the process of purchasing
and selling other companies. Most acquisitions are small and do little to change the overall
geography of the firm’s internal subsidiary network, but occasionally a purchase of a
sizeable competitor will open up a whole new region of operations. For example, in 1991,
Fujitsu acquired International Computers Limited (ICL), a British computer giant
championed by the U.K. government with the intent of enabling it to compete with IBM.
Fujitsu had encountered obstacles in their attempts to gain a foothold in Europe.
Governmental actors sought to keep the growing Japanese IT industry from squeezing
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European players out of the market, but Fujitsu’s acquisition of ICL finally opened the door. The increase in locations Fujitsu achieved in 1991 is visible in Figure 4.9 and is largely the result of this major acquisition.

Thus, in cases where firms tracked in this dataset acquire other big, multinational players within the IT industry, the subsidiaries of the acquired firm are coded as subsidiaries of the new owner starting the year of (or, if the sources do not reflect the change until the following year, the year after) the acquisition. However, if one of the firms tracked in the dataset acquires a company belonging to a different industry, the subsidiaries gained in this acquisition are ignored, consistent with the approach to multi-industry firms described above.

This dataset of subsidiary locations represents the stakeholder status of 25 of the largest IT MNCs in each of the OECD countries. If a firm has a subsidiary in a given country, it will be impacted by policy changes within that country. If it is impacted by these policy changes, it has an incentive to try and influence them. While physical presence is a straightforward criterion for establishing whether a company has a stake in policy outcomes, the biggest weakness of these data is that they cannot shed light on the size of that stake. Such a measure could theoretically be approximated by looking at the number of physical locations a company has in a given country or the amount of business a company does in that country, but this information is simply unavailable for most companies throughout the time period covered.
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That said, all of the companies included are massive, powerful enterprises with operations all over the world, so a binary proxy for stakeholder status can still has the potential to reveal important information. For example, the fact that these companies have locations in so many different countries, including those with relatively high wage rates and tax requirements, suggests that market access is a significant determinant in locational decision making. Furthermore, the sheer size and economic power of these firms guarantees that they have the means to continue exerting influence on government actors even after the locational decision has been made.

Even with all of these difficulties in mind, the dataset described here represent an entirely new approach to understanding the way MNCs function in global politics. Past work is primarily limited to comparing companies within a single country or comparing subsidies of one company across a couple of countries. The emphasis, therefore, has been largely on operational differences. Particularly with such low numbers for comparison, similarities in behavior do not stand out. But this ignores the structure of the contemporary multinational firm, which spreads out like a network across host countries, expanding geographically without losing the fundamental, financial and organizational links to firm headquarters. While subsidiaries must have some level of independence, the needs of the firm overall cannot be ignored.

These data represent a first attempt at mapping out the changing network structure of multinational firms over time. It focuses, as is consistent with the theory
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presented in Chapter 3, on a narrow subset of MNCs, specifically the largest, most global firms in the information technology industry. Many of these firms are known to be highly politically active, and the increasing importance of the computer industry suggests that these data, beyond representing a new way of looking at MNCs, are themselves likely to be a useful contribution as we continue to study trade, intellectual property, cybersecurity, and more.

Taking Space into Account

Chapter 3 proposes a way of looking at multinational firms as policy diffusers. As actors with interests in multiple polities, MNCs are likely to pursue similar policy reforms in at least some of their various locales. Though the decision to pursue a policy reform is naturally contingent on a number of factors that will vary by subsidiary—size and purpose of the subsidiary, for instance, but also the institutional and economic environment of its host—the overall impact will be a pattern of policy change that is associated with the geographic shape of the firm’s multinational network. The idea that a private actor could have political influence in multiple countries is simple enough. Modeling that influence, however, becomes more complicated. Here, the spatial regression technique is introduced. This section discusses its advantages and limitations and assesses how well the spatial regression model lines up with the theory of this project.

The purpose of spatial regression is to model spatial interdependence. The word “interdependence” refers to circumstances in which the behavior of one actor is at least
partly predicated upon the behavior of another, separate actor. Thus, while the two actors exist as distinct units, each with its own fully-formed decision-making capacity, the decisions themselves are not fully independent. The “spatial” component of spatial interdependence simply describes the nature (the direction and/or the strength) of the interdependent relationship. Perhaps the simplest way to conceptualize this relationship is in terms of physical, geographic space. Two gas stations located across the street from one another are more likely to have the same price for gas than two gas stations located a mile apart, for example, and the two located a mile apart will likely have a more similar price than two located 100 miles apart. Their proximity determines the extent to which they must consider the other’s price before setting their own. If a researcher were to attempt to model gas prices by station, he or she would miss part of the story by excluding information on the distance between the gas stations in the sample. Not only would this reduce the quality of the overall model, it would increase the risk of omitted variable bias.

There are two standard ways of transforming a standard linear regression model (OLS) into a spatial linear regression model (S-OLS). In form, they resemble the same transformations we see in time-series analysis, where lagged elements are built into the models to link past observations with present ones. Spatial models, rather than linking observations by lagged units of time, link them by lagged units of space. What this means in practice is entirely dependent on how space is defined within the model, a decision discussed in more detail below. The first way to build a spatial regression model involves
estimating spatially lagged errors (analogous to the error correction model in time series analysis). This is meant to correct for spatial interdependence among the independent variables. The second way to build a spatial regression model, which is also the method used in the following chapters, is to include a spatially autoregressive term (i.e. spatially lagged dependent variable). This version is analogous to the autoregressive time-series model. It allows the researcher not only to correct for spatial interdependence but also to try and measure it. Because the central hypotheses revolve around networks of intra-firm connectivity and their political impacts, it is crucial that the testing strategy be able to estimate the interdependence inherent in the relationships posited. For this reason, the analyses in Chapters 5 and 6 employ the second kind spatial regression model described above, adding a spatially lagged version of the dependent variable to the right side of the equation. Franzese and Hays (2007) formalize the spatially lagged dependent variable model in the following way:

\[ y = \rho Wy + X\beta + \epsilon \]

In this model, \( y \) appears on both the left-hand and right-hand sides of the equation. On the left-hand side, \( y \) is an \( NT \times 1 \) matrix of particular instances of the dependent variable, but on the right-hand side, where it is combined with the matrix \( W \) to form an explanatory term, it represents the sum of all the other instances of the dependent variable during the corresponding time period. Before these spatially lagged instances of the dependent variable are summed, they are weighted by \( W \), an \( NT \times NT \) matrix containing
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the distances between each pair of observations at each time period.

The example matrix $W_t$ shown below illustrates how the weights might look in time period $t$. The diagonal is represented by weights of 0 to ensure that country 1 is never influencing itself. The product of $W_t$ and $y_t$ give an N * 1 matrix, $Wy_t$, representing the sums of the weights influencing each country in year $t$. The real weights matrix covers all countries in all time periods, but this single-year model provides a good visualization of how the total weights are calculated.

$$W_t = \begin{bmatrix}
0 & w_{1t2t} & \ldots & w_{1tn_t} \\
w_{2t1t} & 0 & \ldots & w_{2tn_t} \\
\vdots & \vdots & \ddots & \vdots \\
w_{nt1t} & w_{nt2t} & \ldots & 0
\end{bmatrix} \times \begin{bmatrix}
y_{1t} \\
y_{2t} \\
\vdots \\
y_{nt}
\end{bmatrix} = Wy_t = \begin{bmatrix}
w_{1t} \\
w_{2t} \\
\vdots \\
w_{nt}
\end{bmatrix}$$

The data on skill-selective immigration policies described earlier in this chapter provide the dependent variable, and the relationships between countries are expressed using weights built out of the MNC subsidiary location data. But the construction of the weighting matrix is not so straightforward. The first step is to establish a method for turning these data into a measure of distance. When using spatial regression to incorporate physical, geographical distance between countries, scholars often select some point (the center or the capital city) in each country and calculate the Euclidean distance between the two points. The MNC data introduced in this chapter, which record the presence or absence of a subsidiary for each of 25 companies in each OECD country from 1989-2017,
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do not offer up a logical center. Because there are 25 separate companies that could possibly create linkages between countries, there are too many dimensions to imagine space in terms of Euclidian distance. However, some studies using geographic space choose to measure linkages in terms of contiguity, instead. If two countries share a border, they are linked. Franzese and Hays (2007) discuss the idea of comembership, saying:

[D]iffusion might alternatively occur via contiguity (borders), leader-emulation, cultural-connection, or other mechanisms. Here, outcomes from some unit or set of units \{j\}, but not the outcomes from other units, would be expected to diffuse to the outcome in \(i\). This implies that the weights are \((n_{ij} - 1)^2\) for those \(ij\) where \(i\) and \(j\) both belong to some group (e.g., share a border, language, or membership in an institution or any other group) and 0 for all others. Call this class of interdependence patterns comembership. (p. 144)

The MNC subsidiary data can be thought of in these comembership terms (where two countries that both host subsidiaries of the same company are comembers in that company’s network), but in a multidimensional space. It is possible, after all, for two countries to host many of the same companies. The strength of the relationship is therefore measured as a count. Each weight \(w_{ij}\) in the weighting matrix is given by the number of companies with subsidiaries in both \(i\) and \(j\). As the countries in this analysis are comembers in hosting companies, this relationship is referred to in this project as cohosting. Figure 4.10 below displays a panel of graphs that describe the cohosting relationship between each country in the data and four that have been selected for the purpose of visualization. While it is clear from these graphs that certain cohosting relationships are stronger than others
Figure 4.10: Number of MNCs Cohosted with the US, South Korea, Canada and Russia by Year

Note: These plots incorporate interpolated data where alternative sources could not be found.
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throughout the entire period, there is a good deal of variation in the cohosting measure both over time and across partner countries.

Spatial regression analysis may also be prone to certain modeling problems. Franzese and Hays (2007) write that S-OLS suffers from simultaneity bias due to the endogeneity that exists by definition in the Wy term. That is, the interdependence in behavior between two states will experience some level of feedback, where policy changes in Australia may bring about policy changes in France, where policy changes may again increase the likelihood of policy changes in Australia. However, the authors find that simultaneity bias is “mild over a small-to-moderate interdependence range ($\rho < .3$) or so” (Franzese and Hays 2007, p. 156). The coefficients of interdependence estimated in the following chapter are quite small, so S-OLS should be appropriate in this case.

Another potential concern arises because the model specification places a lagged dependent variable on the right-hand side of the equation. Aklin (2015) says this is only effective if serial correlation isn’t a problem. Because the dependent variable records changes to policies rather than an overall level of restrictiveness, there is no theoretical reason the value of the dependent variable in the previous time period should be uncorrelated to its value in the current time period. A statistical test confirms that there is no correlation. Chapters 5 and 6 use spatial regression to test the data introduced in this chapter for evidence of interdependence in skill-selective policy liberalization.
This project introduces an empirical puzzle around the proliferation of skill-selective immigration policies—how can we explain the recent and widespread proliferation of these policies in the context of broad, anti-immigration sentiment? Chapter 3 lays out a theory of multinational information technology firms as potential agents for the international diffusion of such policies, and Chapter 4 describes two original datasets which show how ubiquitous skill-selection in immigration policy has become and illustrate the patterns of geographical expansion pursued by technology MNCs. In this chapter, these elements are brought together, using the data described in Chapter 4 to test the empirical implications outlined in Chapter 3.

The central hypothesis from Chapter 3 is that a permissive change in Country A will increase the likelihood of a permissive change in Country B, and that this relationship will be conditioned by MNC influence. Thus, a permissive change in a Country A must be weighted in terms of MNCs’ potential to engage in policy transfer between Countries A and B. The results discussed in this chapter exhibit strong evidence in support of this relationship. These findings do not mean that MNC subsidiary networks are the only factors affecting the liberalization of skill-selective policies, but the evidence shown in this chapter suggests that ignoring them would mean excluding a crucial piece of the puzzle. Further tests assess the interactive effects between MNC network connections and
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institutional and ideological characteristics of domestic environments. Findings from these tests demonstrate that a right-leaning government ideology positively conditions skill-selective immigration policy interdependence through the MNC-network pathway, but the results do not support the hypothesis that the electoral system plays a similar role. The transnational network structure of MNCs requires a testing strategy that has the ability to capture interdependent outcomes. Therefore, the following tests utilize a spatial regression technique to express the cross-border relationships inherent within a firm.

Though much of this chapter is devoted to exploring the models themselves, it begins with a brief review of the most important points of the theory and hypotheses explored in depth in Chapter 3. The next section introduces the spatial regression models, beginning with a basic form and moving toward more complex specifications to validate the robustness of the results. In each case, the findings are discussed in terms of the hypotheses. The robust evidence provided in this chapter for the involvement of MNC-networks in the recent wave of skill-selective immigration policy liberalizations opens up an exciting new research direction for scholars of immigration and policy diffusion alike.

Expanding Firms, Expanding Influence

In Chapter 3, policymakers are described in terms of a central issue they face—satisfying constituents that position themselves on opposite sides of an issue. However, the theory allows for the possibility that well-organized interests within constituencies anticipate or observe this dilemma and respond by asking for narrower, less politically
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contentious outcomes. That is, by reducing the scope of the sought-after policy reform, they effectively shrink the number of people who are directly impacted (or who perceive themselves as directly impacted), thereby decreasing the strength of the opposition. At some point, the sought-after policy reform becomes narrow enough to make it politically viable for the policymaker to pass. In other words, the support he or she gains from the pro-reform interest group outweighs the loss of support he or she incurs on the anti-reform side.

It is within this context that this project proposes an explanation for the increased use of skill-selective immigration policies in countries all across the OECD. The rise in the political salience of immigration since at least the 1970s (see Grande, Schwarzbözl & Fatke 2018 for a good illustration of this) has made immigration-friendly policy reforms all but impossible. Restrictions on immigration have emerged in many countries, and even those that have resisted such changes have seen anti-immigration movements grow up within their polities. Particularly in such an environment, interest groups that seek to expand access for migrants have an incentive to narrow the scope of their requests. While not all employers engage in significant recruiting abroad, those who do are unlikely to be pleased by the squeezing of migrant entry channels.

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46 Findings from a 2013 paper by Malhotra, Margalit and Mo support this expectation, showing that attitudes toward H-1B visas (the main U.S. temporary work visa for skilled migrants) only show evidence of labor market competition concerns when respondents are limited to the high-technology sector. Because most people do not feel directly impacted by the immigrants who receive these visas, this effect is “generally not detected in aggregate analyses” (p. 1).
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Chapter 3 notes that industries with low professional protections—such as agriculture, maintenance and food service, and industries that don’t require licensing like the information technology industry—are the most likely employers of migrant workers. Within this subset of occupations, however, there is variation in the kind of labor different employers seek. Employers looking for food service workers are interested in people who are willing to accept low levels of pay and irregular hours. Employers looking for computer experts, on other hand, are also interested in workers with particular experience or skillsets. Emphasizing the employee characteristics they seek, they can separate themselves from other industries demanding access to foreign labor by specifically demanding access to highly skilled foreign labor. This has the effect of narrowing the scope of their sought-after policy reforms.

This story, while impactful enough in terms of interest group strategy and domestic political outcomes, becomes more important when it plays out on the global stage. Ultimately, this is what distinguishes this project’s treatment of firm-level behavior from past theories of interest-group politics. Multinational firms, besides being larger and more politically engaged than domestic firms, are different in one very important way. An MNC’s organizational structure, which is by its very nature transnational, requires that it consider the resources, restrictions, and policies of all its subsidiaries’ various hosts within the strategic planning of the firm as a whole.
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Putting Together a Base Model

The theory advanced in this project is rooted in the idea that multinational information technology firms act as agents of policy transfer between states, using their transnational network structure and subsidiary influence in host-country politics to propagate firm-level goals on a global scale. As laid out in Chapter 3, these firms are some of the central beneficiaries of skill-selective immigration policies and have demonstrated commitment to engaging in non-market strategies of corporate political influence. The central hypothesis tested in this chapter is therefore that the diffusion of skill-selective immigration policies can be linked to the physical locations of IT MNC subsidiaries over time—a policy liberalization in one country will increase the likelihood of liberalizations in other countries contingent upon the number of IT MNC firms they cohost. Further hypotheses tested in the following section posit that this influence of MNCs is likely to be conditioned by factors that vary at the level of the host country. Two such factors are most likely to impact policy change.

The first is government ideology. The choice to go after skill-selective policies in particular is, as argued in Chapter 3, the result of a compromise firms propose to policymakers, a compromise with the purpose of removing restrictions to foreign labor without activating anti-immigrant backlash. Policymakers who rely more heavily on the support of anti-immigrant voters are more likely to have their hands tied by the Policymaker’s Dilemma laid out in Chapter 3 (see Figure 3.2). Unless they can reform
immigration policy without betraying the base that elected them, they have no way to respond to employers’ demands for foreign labor. For this reason, the second hypothesis proposes that right-leaning governments are more likely to be responsive to the skill-selective compromise advanced by multinational firms, so the interaction between a right-wing government and the MNC-cohosting weighted measure of policy liberalization abroad should be positively correlated with policy liberalization at home.

The other factor that may condition the impact of MNC influence on immigration policy is the electoral system. The relationship theorized in Chapter 3 is that policymakers operating in a first-past-the-post\textsuperscript{47} electoral system will be more receptive to the skill-selective compromise proposed by multinational firms. First-past-the-post voting is associated with a higher level of seat-vote elasticity due to its single-member district design. The competitive nature of single-member districts opens up an incentive for policymakers to invest in higher levels of campaigning, a strategy that requires more extensive funding. Therefore, candidates must be willing to take small risks in order to maintain the loyalty of the special interest groups operating in their geographic sphere, making them good targets for special-interest-promoting compromises. Thus, the interaction between a plurality voting and the MNC-cohosting weighted measure of policy liberalization abroad should be positively correlated with policy liberalization at home.

\textsuperscript{47} This categorization of electoral systems includes both plurality and majoritarian voting.
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All three of the hypotheses outlined above refer to the same dependent variable—liberalizations of skill-selective immigration policies. The data described in Chapter 4 do not classify policy changes as permissive or restrictive overall, but rather sort out the permissive and restrictive dimensions they contain. Each change is coded in terms of two categories of instruments—Criteria and Red Tape—that capture separate dimensions of policy design (see Chapter 4 for further discussion of these dimensions). To test the hypotheses described above, which specifically posit liberalizations to policy, a combined variable of positive changes is used. This indicator is coded as 1 whenever Criteria is liberalized, regardless of Red Tape, but is also coded as 1 whenever Red Tape is liberalized, regardless of criteria. It is coded as 0 when neither Criteria nor Red Tape have been liberalized.

With regard to the central hypothesis, which posits MNCs as the agents of skill-selective policy diffusion, the primary independent variable is the weighted liberalization of skill-selective immigration policy abroad. If these two countries host none of the same companies, we should not expect their policy liberalizations to be interdependent. On the other hand, the more companies they share, or cohost, the wider the channel of potential policy transfer becomes. Therefore, while the primary independent variable is operationalized using data on liberal changes to skill-selective immigration policy in other countries (1 for country-years with liberalizations, a 0 otherwise), each of these
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observations is multiplied by a dyadic matrix\textsuperscript{48} of cohosting relationships (simply the number of firms cohosted by each pair in each year). In the models, this central independent variable is labeled MNC-Cohost to represent other countries’ liberalizations weighted by the cohosting connections.

The primary independent variables for the second and third hypotheses are operationalized by interacting MNC-Cohost with data obtained from an external dataset, the Database of Political Institutions\textsuperscript{49} (DPI). For the government ideology hypothesis, which posits that right-leaning governments are more likely to take up the skill-selective compromise, the DPI’s variable for the ideology of the largest party in the legislature is utilized. If the largest party is right-leaning, this variable is coded as 1, if not, 0. The ideology of the legislature, rather than the ideology of the executive, is used for two reasons. First, legislators are policymakers in the truest sense—their primary task is the drafting and passage of law. Second, because they tend to be held accountable for the actions of the body as a whole, legislators are more likely to be interested in the way specific issues impact their constituents. For the electoral system hypothesis, the models

\textsuperscript{48} This matrix is then flattened so that each country-year observation has a single value of MNC-cohosting policy pressure assigned to it. This value is the sum of all of that country’s dyadic cohosting values, each of which has been multiplied by either 0 or 1 depending on whether a policy liberalization occurred in the partner country in that year.

employ the DPI’s dummy for plurality voting, which is coded as 1 for any first-past-the-post system and 0 otherwise.

The results from the base models are depicted by the coefficient plots in Figures 5.1 and 5.2 below. The model itself is a spatial ordinary least squares (S-OLS) regression (described in more detail in Chapter 4). Because the dependent variable is binary, the S-OLS specification becomes a linear probability model (LPM), wherein the coefficients on the explanatory variables represent changes to the probability that the dependent variable is equal to one.

The first term in the models, MNC-Cohost, represents the effect of a spatially lagged, weighted measure of policy change—partner country-year liberalizations of skill-selective immigration policy weighted dyadically by the number of MNCs they cohost. This variable is scaled throughout the analyses in this chapter and Chapter 6 to make it easier to interpret, meaning that it has been centered around a mean of zero and divided by its standard deviation. Therefore, the coefficient for MNC-Cohost shown in the figures below represent the effect of a one-standard deviation change in the MNC-Cohost variable. Figure 5.1 demonstrates that, consistent with the central hypothesis, this term is positive and significant, providing initial evidence that the network of multinational

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50 This values for this variable range from 0 to 302. The standard deviation is 52.76. Because the MNC-Cohost variable is scaled, its coefficient represents the effect of a one-standard deviation change in the value of the variable. This sounds large, but because of the way the variable is constructed, a policy liberalization in a country that cohosts 15 IT MNCs with the home country can single-handedly increase the value of MNC-Cohost by 15 in that year.
information technology firms may act as agents of policy diffusion.

Figure 5.2 shows a second OLS coefficient plot that includes the interaction terms between the MNC-Cohost variable and the indicators for a right-leaning government and plurality electoral system. These interaction terms are used to evaluate the second and third hypotheses. While there does appear to be evidence that a right-leaning government has a positive conditioning effect on the diffusion of skill-selective immigration policies through MNC networks, the interaction term MNC-Cohost * Plurality is neither statistically significant nor consistent with the direction of the proposed relationship. Thus, while these base models support the first and second hypotheses, the third hypothesis is not born out by this specification.
Figures 5.3 and 5.4 plot the marginal effects of the interaction terms shown in Figure 5.2. This is important to look at because, while the indicators for government ideology and the type of electoral system are constructed as dummy variables, the primary independent variable (weighted changes to skill-selective policies in other countries) is a continuous variable. It may be that government ideology or the electoral system impact policy liberalization differently at different levels of this cohosting relationship, a dynamic that cannot be captured by a single regression coefficient. A marginal effects plot shows the estimated effects across the full range of the interaction. Again, the primary independent variable (MNC-Cohost) has been scaled so that the mean is 0 and the standard deviation is 1.
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In Figure 5.3, the marginal effect of MNC-Cohost on skill-selective policy liberalization for observations with a right-leaning government is contrasted with the effect of this variable for observations without a right-leaning government. The plot confirms the aggregate results of the regression; MNC-Cohost is positive and significant across the board and regardless of the ideology of the government. However, we do see that the additional, marginal impact of a right-leaning government is only distinguishable starting just above the mean level of MNC-Cohost (which is 0). This suggests that at very low levels of connectivity, the impact of policy change abroad is not conditioned by government ideology. This lines up well with the hypothesized relationship between government ideology and the impact of cohosting on skill-selective policy liberalization.
Figure 5.4 also depicts the marginal effect of MNC-Cohost on skill-selective policy liberalization, but in this case the plot contrasts observations from plurality electoral systems with observations with non-plurality-based electoral rules. In the regression results from the base model, we noted that there was no significant added effect of a plurality electoral system at a given level of MNC-Cohost. The marginal effects plot depicted in Figure 5.4 confirms this result, showing that the slopes on the different electoral systems actually converge as the cohosting relationship grows stronger. The only part of the plot that shows a statistically distinguishable difference between plurality and non-plurality systems is when the value of MNC-Cohost is below the mean, where there is a very weak level of foreign pressure by way of the cohosting networks.

Overall, the evidence from the base models is consistent with the hypotheses
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regarding MNC networks and government ideology, but it does not support the conditioning impact of plurality-based elections. Yet the base models are purely that—a starting point from which to conduct additional tests of the findings’ robustness. The remaining sections of this chapter present models with economic and institutional controls, relax the temporal assumptions inherent in these models, and employ placebo tests to strengthen confidence in the results. The findings are largely stable across these additional checks.

Economic and Institutional Controls

Changes to immigration policies are often connected to macroeconomic conditions and political institutional variation between countries. Incorporating some of these factors into the model helps reduce the likelihood that omitted variable bias is impacting the results. The economic controls include trade volume, inward FDI flows, a measure of GDP and a measure of GDP per capita. These were selected in order to capture the general state of the macroeconomy, particularly as it pertains to multinational actors. All of these were obtained using the World Development Indicators (WDI) data compiled by the World Bank. The institutional controls include a regime type indicator (parliamentary or not) and an indicator of federalism, both of which come from the Database of Political

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Institutions (DPI)\textsuperscript{52}. These elements have been found in other studies to contribute to foreign direct investment decisions (Jensen, 2006) because of the way that the impact the translation of domestic interests into state policies. The centrality of interest group politics in the formation of immigration policy suggests these variables may be important here as well. The institutional controls also include a measure of veto points, obtained from the Political Constraint Index Dataset\textsuperscript{53}, and a dummy for EU membership based on the years the countries in the datasets joined the European Union. Table 5.1 presents summary statistics for this set of economic and institutional controls.

<table>
<thead>
<tr>
<th>Table 5.1: Summary Statistics for Control Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>Trade</td>
</tr>
<tr>
<td>Inward FDI</td>
</tr>
<tr>
<td>Log GDP</td>
</tr>
<tr>
<td>Log GDP p/c</td>
</tr>
<tr>
<td>Gov Right</td>
</tr>
<tr>
<td>Plurality</td>
</tr>
<tr>
<td>EU Member</td>
</tr>
<tr>
<td>Parliamentary</td>
</tr>
<tr>
<td>Veto Points</td>
</tr>
<tr>
<td>Federalism</td>
</tr>
</tbody>
</table>


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Table 5.2 provides the results from three models. Again, the models are S-OLS models with a binary dependent variable, skill-selective policy liberalization, so the coefficients represent the effects of the regressors on the probability that the outcome is equal to one. The first includes only economic controls, the second only institutional controls, and the third incorporates the full battery of control variables. The models are divided in this way because of the modeling issues associated with the use of fixed effects. All three models, include year-fixed effects, ensuring that an overall time trend does not bias the coefficients of the other variables. The first model in Table 5.2, also includes country-fixed effects. This is the most thorough way to ensure that observations from the same country in different years are not treated as independent. However, many of the institutional controls in the second and third models experience little or no variation within countries over the period studied. To get reasonable estimates for these variables, the country-fixed effects must be dropped whenever the institutional controls are included.

The models in Table 5.2 test the first hypothesis, which focuses on the impact of MNC networks on the diffusion of skill-selective liberalizations. The variables of greatest interest to the theory are highlighted in blue. The primary independent variable, MNC-Cohost—which represents the policy changes in foreign countries weighted by the strength of the cohosting relationships—is directionally consistent with the first hypothesis across all three models and is statistically significant in the second and third models. Gov Right, which is an indicator for a right-leaning legislature, and Plurality, which is an indicator
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Table 5.2: Modeling Liberal Change to Skill-Selective Policies

<table>
<thead>
<tr>
<th>Economic Controls</th>
<th>Institutional Controls</th>
<th>All Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>MNC-Cohost</td>
<td>0.022</td>
<td>0.047*</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>Trade</td>
<td>0.0002</td>
<td>-0.0001</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>FDI Inflow</td>
<td>0.001</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Log GDP</td>
<td>-0.123</td>
<td>-0.025</td>
</tr>
<tr>
<td></td>
<td>(0.104)</td>
<td>(0.018)</td>
</tr>
<tr>
<td>Log GDP p/c</td>
<td>0.322</td>
<td>0.096**</td>
</tr>
<tr>
<td></td>
<td>(0.205)</td>
<td>(0.034)</td>
</tr>
<tr>
<td>Gov Right</td>
<td>0.050*</td>
<td>0.064*</td>
</tr>
<tr>
<td></td>
<td>(0.030)</td>
<td>(0.032)</td>
</tr>
<tr>
<td>Plurality</td>
<td>0.095**</td>
<td>0.121**</td>
</tr>
<tr>
<td></td>
<td>(0.033)</td>
<td>(0.038)</td>
</tr>
<tr>
<td>EU Member</td>
<td>-0.085*</td>
<td>-0.082*</td>
</tr>
<tr>
<td></td>
<td>(0.033)</td>
<td>(0.037)</td>
</tr>
<tr>
<td>Parliamentary</td>
<td>0.079*</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>(0.046)</td>
<td>(0.054)</td>
</tr>
<tr>
<td>Veto Points</td>
<td>0.283*</td>
<td>0.160</td>
</tr>
<tr>
<td></td>
<td>(0.130)</td>
<td>(0.165)</td>
</tr>
<tr>
<td>Federalism</td>
<td>0.049</td>
<td>0.075*</td>
</tr>
<tr>
<td></td>
<td>(0.040)</td>
<td>(0.045)</td>
</tr>
<tr>
<td>Constant</td>
<td>0.456</td>
<td>-0.149</td>
</tr>
<tr>
<td></td>
<td>(1.720)</td>
<td>(0.121)</td>
</tr>
<tr>
<td>Country Fixed Effects</td>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Observations</td>
<td>969</td>
<td>747</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.186</td>
<td>0.176</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>0.124</td>
<td>0.138</td>
</tr>
</tbody>
</table>

Note: $^*p<.1$, $^{*}p<.05$, $^{**}p<.01$

for a plurality electoral system, are also both positive and significant in the models in suggesting that these variables represent political or institutional factors conducive to skill-
selective policy change. Without the interaction terms, however, their relevance to the second and third hypotheses cannot be evaluated.

The models in Table 5.3, therefore, incorporate the interaction terms. Table 5.3 excludes the purely economic model because both interactions make use of institutional variables. Otherwise, Table 5.3 is structured in much the same way as Table 5.2, showing first the institutional control model, and then a model incorporating both economic and institutional controls. Again, the relevant variables have been highlighted to make the table easier to read. Consistent with the results obtained in the base interaction model (see Figure 5.2 above), the interaction between the MNC-Cohost variable and the indicator for a right-leaning government is positive, stable between models, and statistically significant, providing further evidence that the skill-selective compromise advocated by MNCs is more attractive to right-leaning governments. However, the second interaction term also confirms the findings in the base model, suggesting that a plurality electoral system, despite its tendency to divide constituencies into two camps, does not necessarily provide special interests with the power to define the terms of compromise.

It should be noted that including the interaction term splits the effects of the primary variable of interest, meaning that the coefficient on the non-interactive MNC-Cohost term only represents cases where both Gov Right and Plurality are equal to zero. The fact that this term is not significant in these models should not be interpreted to mean that the effect of MNC-Cohost is no longer relevant.
Chapter 5: Testing for Spatial Interdependence

Table 5.3: Modeling Liberal Change to Skill-Selective Policies

<table>
<thead>
<tr>
<th></th>
<th>Institutional Controls</th>
<th>All Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>MNC-Cohost</td>
<td>0.036</td>
<td>0.032</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.033)</td>
</tr>
<tr>
<td>Gov Right</td>
<td>0.045</td>
<td>0.056*</td>
</tr>
<tr>
<td></td>
<td>(0.030)</td>
<td>(0.032)</td>
</tr>
<tr>
<td>Plurality</td>
<td>0.096**</td>
<td>0.120**</td>
</tr>
<tr>
<td></td>
<td>(0.033)</td>
<td>(0.038)</td>
</tr>
<tr>
<td>MNC-Cohost * Gov Right</td>
<td>0.077*</td>
<td>0.070*</td>
</tr>
<tr>
<td></td>
<td>(0.030)</td>
<td>(0.032)</td>
</tr>
<tr>
<td>MNC-Cohost * Plurality</td>
<td>-0.048</td>
<td>-0.040</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.033)</td>
</tr>
<tr>
<td>Trade</td>
<td>-0.0002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>FDI Inflow</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td></td>
</tr>
<tr>
<td>Log GDP</td>
<td>-0.024</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td></td>
</tr>
<tr>
<td>Log GDP p/c</td>
<td>0.091**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.034)</td>
<td></td>
</tr>
<tr>
<td>EU Member</td>
<td>-0.090**</td>
<td>-0.084*</td>
</tr>
<tr>
<td></td>
<td>(0.033)</td>
<td>(0.038)</td>
</tr>
<tr>
<td>Parliamentary</td>
<td>0.082*</td>
<td>0.008</td>
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<tr>
<td></td>
<td>(0.046)</td>
<td>(0.054)</td>
</tr>
<tr>
<td>Veto Points</td>
<td>0.313*</td>
<td>0.176</td>
</tr>
<tr>
<td></td>
<td>(0.130)</td>
<td>(0.164)</td>
</tr>
<tr>
<td>Federalism</td>
<td>0.056</td>
<td>0.078*</td>
</tr>
<tr>
<td></td>
<td>(0.040)</td>
<td>(0.045)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.174</td>
<td>-0.338</td>
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<tr>
<td></td>
<td>(0.120)</td>
<td>(0.398)</td>
</tr>
<tr>
<td>Country Fixed Effects</td>
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<td>NO</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Observations</td>
<td>747</td>
<td>712</td>
</tr>
<tr>
<td>R^2</td>
<td>0.186</td>
<td>0.187</td>
</tr>
<tr>
<td>Adjusted R^2</td>
<td>0.146</td>
<td>0.140</td>
</tr>
</tbody>
</table>

Note: °p<.1, *p<.05, **p<.01
Chapter 5: Testing for Spatial Interdependence

Time-Lagged Effects

Though the models shown up until this point have all used a contemporaneous policy changes in the rest of the OECD to represent moments of increased pressure for skill-selective policy change in a given country, there is no theoretical reason why this assumption should be so rigid. A change in the weighted, spatially lagged measure of skill-selective policy liberalization that serves as the main independent variable may have a delayed impact on the dependent variable for a handful of reasons.

First, policymaking itself can be a slow process. In the U.S. Congress (which may, admittedly, be one of the slower legislative systems in the sample) a new bill must be sponsored by a congressperson, researched and approved by the relevant committee, debated by the chamber, voted on, taken up by the other chamber, debated, voted on, reconciled in conference, and assuming all of that goes smoothly, it must still be approved by the president. Lack of sufficient support at any of these stages can delay or even terminate the process. Second, before the institutionally designed obstacles can even be confronted, interested actors must convince policymakers to use their limited social and political capital to pursue the policy reform at all. Actors with pre-established government affairs capabilities have an advantage here, but the business of lobbying is still one of deliberative network building and iterative negotiations. Third, IT MNCs are included in the weighting formula as soon as they give notice that they have begun operations in a given country, but their first years in a new political environment are unlikely to be
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particularly politically lucrative. The establishment of a government affairs function itself may take time, meaning that delays in the impacts of the main independent variable could be expected to come from both the policy-influence and policy-process stages.

In addition to these mechanism-driven delays that can be imagined but remain virtually impossible to observe, there is also a major issue on the operationalization side. The unit of observation in the datasets is given by the country-year, meaning that the data cannot specify whether an event (say a policy reform or the market entry of an MNC) occurred at the start, middle, or end of a given year. Therefore, even weakly theoretically-driven estimations of how long we might expect a policy in one country to have some impact on policy in other countries will be suffer from noise induced by a relatively coarse-grained measurement of time.

To best deal with this, the models shown above are built using the simplest possible expectation about policy interdependence—that some part of the effect will be observable within a single time period. The models thus use MNC-weighted policy liberalizations that happen in time t to look for influence on domestic policy changes in time t. However, confidence in the above results can be improved by ensuring that the model estimates are not dependent on this choice. Looking at several alterative specifications of the temporal element of this relationship makes this possible. Traditional time lags are inappropriate in this case because the main independent variable represents a weighted change rather than a level. There is no reason why a country that made a policy change last year would be
more or less likely to make one this year, so time lags, which were designed to deal with autocorrelation, are not particularly helpful in this case. Instead, the models in Table 5.4 employ a moving average to capture the effects of weighted policy liberalizations over the course of a time period that exceeds one year. For example, a two-year simple moving average (SMA) calculates the unweighted average of the independent variable (MNC-Cohost) in t and t-1. A three-year SMA does the same for the current and previous two periods.

A comparison of these models provides a chance to evaluate how robust the results are to the specification of the temporal relationship. Table 5.4 shows results for five models. The first model in Table 5.4 is the same as the model with both economic and institutional controls shown in Table 5.2. It uses only a contemporaneous measure of foreign policy change to calculate the independent variable. All of the same economic and institutional controls have been included in this model as well, though they are not displayed in the table for the sake of simplicity. The remaining four models in Table 5.4 show versions of the original model that have been recalculated using simple moving averages going from two through five years. The coefficient estimates predicted by these alternative specifications are quite robust, showing that the relationship between the weighted policy liberalizations abroad and the policy liberalizations people see at home remains positive even when we account for a delayed impact of several years.

While it appears at first glance as though the three- and four-year SMAs may do
Chapter 5: Testing for Spatial Interdependence

the best job of capturing the interdependence in policy change, it is not necessarily true
that these coefficients are statistically larger than those estimated by the other models.

Unfortunately, the coefficients on the variants of MNC-Cohost shown in Table 5.4 cannot

be directly compared because the use of lagged data in calculating the SMAs results in
lost observations in the earliest years of the sample. Thus, the sample size shrinks a little
bit as the window of the moving average grows, resulting in a different variance for each

Table 5.4: Simple Moving Average Models

<table>
<thead>
<tr>
<th></th>
<th>Original Model</th>
<th>2-Year SMA</th>
<th>3-Year SMA</th>
<th>4-Year SMA</th>
<th>5-Year SMA</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC-Cohost</td>
<td>0.044*</td>
<td>0.053*</td>
<td>0.093**</td>
<td>0.088**</td>
<td>0.068*</td>
</tr>
<tr>
<td>(0.020)</td>
<td>(0.024)</td>
<td>(0.030)</td>
<td>(0.033)</td>
<td></td>
<td>(0.035)</td>
</tr>
<tr>
<td>MNC-Cohost (2-yr avg)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC-Cohost (3-yr avg)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC-Cohost (4-yr avg)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MNC-Cohost (5-yr avg)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.078</td>
<td>-0.040</td>
<td>0.096</td>
<td>0.053</td>
<td>-0.042</td>
</tr>
<tr>
<td></td>
<td>(0.107)</td>
<td>(0.107)</td>
<td>(0.110)</td>
<td>(0.115)</td>
<td>(0.116)</td>
</tr>
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<td>Economic Controls</td>
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<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Institutional Controls</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Country Fixed Effects</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Observations</td>
<td>712</td>
<td>690</td>
<td>667</td>
<td>642</td>
<td>616</td>
</tr>
<tr>
<td>R²</td>
<td>0.179</td>
<td>0.180</td>
<td>0.184</td>
<td>0.178</td>
<td>0.172</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.134</td>
<td>0.134</td>
<td>0.139</td>
<td>0.132</td>
<td>0.125</td>
</tr>
</tbody>
</table>

Note: °p<.1, *p<.05, **p<.01, ***p<.001
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model. However, the models shown in Table 5.4 do much to help ensure that the results presented thus far are not dependent on assumptions regarding the temporal dynamics. Instead, we see that the central relationship stands up to alternative temporal specifications.

Placebo Tests

The figures and tables discussed above provide a fairly thorough examination of how robust the findings are to model specification. This should substantially increase confidence in the relationship between the variables. But what if the primary independent variable ends up being nothing more than an unusually noisy proxy for the orientation of an economy towards a global market? The simplest way to strengthen the claim that the models shown in this chapter are actually testing the theory advanced in Chapter 3 is to conduct placebo tests. The weights constructed for the independent variable assign a specific multiplier to each observation of the lagged dependent variable (expanded to represent country-country dyads) based on the strength of that dyad’s cohosting relationship. If this weights matrix is capturing something broader about the investment environment, or if it alternatively is likely to be spuriously correlated with any policy-change-based dependent variable, it should be possible to uncover this problem with a couple of tests.

First, as discussed in Chapter 3, the basic expectation about the immigration preferences expressed by multinational, information technology firms is that they would
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like access to a larger supply of skilled foreign labor. The theory further proposes that these firms carry these preferences across country borders by diffusing them to their subsidiaries, learning from policy liberalizations in other countries and subsequently encouraging policy reform in new host states. If, as theorized, MNCs do play the role of agents of policy transfer, we would expect to see interdependence in liberal policy change along the lines of MNC subsidiary networks, which are represented by the cohosting relationship. On the other hand, we would not expect these same companies to spread restrictive policy reforms. Though companies may pass along information about new, restrictive immigration regulations to their subsidiaries, it would be for the purpose of ensuring that their human resources offices are not taken by surprise. We should not expect to see restrictions follow the networks of IT MNCs because their interest would be in preventing such changes rather than diffusing them.

Figure 5.5 below sorts the countries in the data by total number of policy changes enacted over the period, showing restrictive changes on the left and liberalizations on the right. It illustrates that many of the same countries that issue frequent liberalizations for skill-selective immigration policy dominate the skill-selective policy restriction game as well. If the cohosting weights are capturing something more general about the propensity of a country to legislate immigration, they should be able to capture a similar relationship for restrictive changes as they do for permissive ones. Thus, this reversal of the dependent variable can be used to conduct the first placebo test.
Figure 5.6 shows an OLS coefficient plot of the results from this placebo test. In this placebo model, the dependent variable consists of restrictive changes to skill-selective immigration policies. The same, cohost-based weighting scheme is now applied to a spatially lagged version of the new dependent variable. Otherwise, the same base model specification shown earlier in this chapter (see Figure 5.1) is utilized. Consistent with expectations, the cohosting weighted restriction indicator is not significant.
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Figure 5.6: S-OLS Determinants of Skill-Selective Restriction

Figure 5.7 shows an OLS coefficient plot of this restriction model incorporating the interaction terms. Neither of these interactions is significant, which further confirms that the cohosting weights are appropriately constructed. One point of interest, however, is that the indicator for a plurality electoral system in Figures 5.6 and 5.7 shows up here as positive and significant, much as it did in the models of policy liberalization. While any additional speculation on this finding would be purely inductive, it may suggest that the back-and-forth swings associated with plurality electoral systems result in a constant kind of course correction when it comes to contentious policy issues.

A second way to ensure that the weighting system is appropriately capturing the dynamic laid out in the theory chapter is to consider other forms of immigration liberalization. Chapter 3 discussed the issue of the Policymaker’s Dilemma, in which
policymakers faced with constituent factions that represent necessary resources (votes, campaign contributions) for reelection but who cannot find compromise space on a particular issue have an incentive not to act. If one of these factions is intent on seeing policy movement on that issue, they have the opportunity to narrow the scope of the desired reform, limiting its impacts until it becomes unobjectionable enough that a compromise space is created between the two groups. In terms of immigration policy, skill-selective policies can be thought of as this kind of strategically narrowed reform. Firms requesting better access to skilled foreign labor thus leave everything else off the table, allowing the broader issue of immigration reform to go without their added support.

From this, a second placebo test can be constructed. The weighting system is designed to capture MNC-cohosting relationships and thereby to approximate the
networks of political influence they represent. If MNCs have chosen to strategically focus their efforts on skill-selective immigration policies, the same weighting system should not be able to tell us anything about immigration policies targeting other groups. That is, we should not expect to see MNCs spreading liberal changes to family-based immigration policies, for example.

Figure 5.8 shows an OLS coefficient plot of the results from the second placebo test. The dataset of changes to immigration policy introduced in Chapter 4 focuses exclusively on skill-based targeting, so for this model the dependent variable of permissive changes to family-based immigration policies is constructed using data from the DEMIG Policy dataset. Again, the weights are the same, but this time they are applied to a

![Figure 5.8: S-OLS Determinants of Family-Selective Liberalization](image)

---

spatially lagged version of the liberalizing changes to family immigration. As before, the weighted term is not statistically significant. The coefficient for a right-leaning government is negative and weakly significant in this model. This is consistent with the expectation that right-leaning policymakers face, on the whole, a greater degree of opposition to immigration from their voter base, making them more likely to be paralyzed by the Policymakers’ Dilemma on this issue.

The coefficient plot for the family model with interaction terms included is shown in Figure 5.9. Neither of these interaction terms are statistically significant, confirming that the cohosting measure is not important for explaining all liberalizations in immigration policy, but rather becomes relevant only for skill-selective liberalizations,
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consistent with the theory. Again, the coefficient for a right-leaning government is negative and weakly significant. The results of this placebo test, therefore, provide further confirmation that the models shown in the earlier part of this chapter are appropriate tests of the theory.

Summarizing the Findings

The primary purpose of the testing conducted in this chapter is to evaluate whether MNC-cohosting relationships can constitute an instructive tool for understanding spatial interdependence in skill-selective immigration policymaking. By utilizing a spatially lagged dependent variable and a weights matrix constructed from original data on the geographical expansion of multinational subsidiary locations, the models in this chapter test the idea that policy changes in other countries impact policy changes at home, and that shared status as hosts of major IT firms channel this transfer. The results from these models provide strong evidence in favor of this idea.

Additional tests look at some possible ways in which domestic political factors may condition the ability of MNCs to spread their policy preferences across borders. Specifically, the models consider government ideology and the design of the electoral system in these terms, using the logic of the Policymaker’s Dilemma (introduced in

55 The confidence bands have been constructed at the $\alpha = .05$ level. The first term in the model looks like it could be read as positive under a different confidence threshold but is not significant at the $\alpha = .1$ level.
56 Gov Right is significant at the $\alpha = .1$ level.
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Chapter 3) to construct a hypothetical set of circumstances under which this sequence of events might be most likely to unfold. The models provide evidence that government ideology may be an important conditioning factor on the strength of the interdependent policymaking relationship. They do not confirm that a plurality electoral system has a similar effect. Together, these findings suggest that multinational information technology firms may be acting as agents of international policy diffusion, at least with regard to immigration policy.

Even with these compelling results, there are some additional questions that must be addressed. Chapter 6 employs additional empirical tests to resolve questions regarding outliers and alternative mechanisms. Chapter 7 turns to the case material, focusing on crucial points in immigration policy history across a handful of countries to figure out where skill-selection comes from and how it has spread. Together, Chapters 5-7 provide strong and varied results that together form the basis for the central finding of this project—to understand the emergence of skill-selective immigration policies and the evolution of immigration policy more broadly, we must not restrict ourselves to the standard set of domestic political determinants that have been used in the past. Instead, we have to consider these changes in terms of the broader structural economic transition that trudges relentlessly on. We are by no means living in a borderless world, but the tension between would-be borderless actors and the remaining political barriers that constrain them is crucial to understanding the international political economy today.
Chapter 6: Outliers, Alternatives, and Policy Dimensions

Chapter 6
Outliers, Alternatives, and Policy Dimensions

The models shown in Chapter 5 provide statistical evidence supporting the claim that MNCs act as agents of international policy diffusion with regard to skill-selective immigration policies and that this relationship is particularly potent under right-leaning governments. However, issues specific to the data, their distribution and leverage, and the operationalization of variables create a need for some additional checks.

This chapter approaches that task in three different ways. The first section discusses the potential bias introduced by outliers and poorly operationalized control variables and assesses the results of a number of tests designed to confirm that these issues are not driving the central results of the project. The second section of this chapter examines two potential alternative ways in which skill-selective immigration policy interdependence could be obtained and finds that while some limited evidence in favor of these mechanisms exists, neither path diminishes the result in favor of MNC network influence. Finally, the third section explores the main results of this project in terms of policy design. The main takeaway from this assessment is that MNCs are more impactful when it comes to criteria-based policy liberalizations as opposed to red tape cuts. Overall, the purpose of this chapter is to develop a more comprehensive, nuanced, and well-rounded understanding of the main results presented in Chapter 5.
Chapter 6: Outliers, Alternatives, and Policy Dimensions

Outliers and the Operationalization of Controls

A helpful way to gain a more complete picture of a dataset and to improve confidence in statistical findings is to conduct an analysis of how outlying data points impact the results. First, changes to skill-selective immigration policies are not uniformly distributed across countries. Figure 6.1 below shows a coefficient plot drawn from an OLS regression in which the dependent variable, permissive changes to skill-selective immigration policies, is regressed on a set of country dummies\textsuperscript{57}.

What stands out is that some countries explain a larger proportion of the total variation in the dependent variable than others, pulling the overall model farther from the intercept. In particular, because it contributes so many of the instances of skill-selective policy change itself, Australia is a stronger predictor than any other country. This is not a problem of measurement or operationalization, but simply a feature of how active the Australian government has been on the issue of immigration reform\textsuperscript{58}. A simple way to overcome this issue would be to include country fixed effects in the model, a strategy that has the practical effect of running separate models for each country in the dataset. However, as discussed in Chapter 5, employing country fixed effects limits the controls that can be included—any controls that exhibit no variation within a country over the period covered.

\textsuperscript{57} The constant has been suppressed in this model, allowing all country coefficients to be shown and forcing the intercept to be set at zero.

\textsuperscript{58} Australia is similarly active in skill-selective policy restriction. Refer back to Figure 5.4 for a look at restrictions and liberalizations by country.
Chapter 6: Outliers, Alternatives, and Policy Dimensions

by the dataset will be effectively dropped from the model. As many of the institutional controls used in this analysis are unlikely to contain a great deal of year-to-year variation, country fixed effects become an impractical solution. Instead, the information yielded by Figure 6.1 assists in the development of a more suitable approach. Reviewing the full model with a dummy in place for Australia can help ensure that one country is not driving the outcomes of interest.
Chapter 6: Outliers, Alternatives, and Policy Dimensions

The first model in Table 6.1 below includes an Australia dummy along with the full batter of economic and institutional controls and the added interaction terms. As one would expect, the Australia indicator is both positive and significant, and has a notably larger magnitude than any of the other coefficients estimated by the model, so we can see that the inclusion of the dummy variable is successfully accounting for the outsized variation associated with Australia in Figure 6.1. At the same time, the interaction between MNC-Cohosting and Gov Right remains positive and significant in this model, confirming that the prolific legislation of immigration policy in Australia is not driving the result.

While Australia’s unbalanced representation in the sample of the policy changes that make up the dependent variable does not appear to be causing any fatal bias, it is also important to consider the possibility that outlying observations within the control variables are distorting the fit of the model. Figure 6.2 shows the results of three-pronged test used to detect outliers in regression modeling. The observations, represented in Figure 6.2 by the bubbles on the graph, are plotted on the x-axis by their hat-values (the influence of observations on predicted outcomes) and on the y-axis by their studentized residuals (residuals divided by their standard deviation). The size of each bubble is scaled by the value of the observation’s Cook’s distance (effect on the model of deleting the observation).

No one of these three metrics represents a foolproof way of identifying outliers, so it’s useful to draw upon multiple methods. Thirteen total observations, which have been
Chapter 6: Outliers, Alternatives, and Policy Dimensions

labeled by their country code and year in Figure 6.2, were identified as potential outliers by one or more of these methods\textsuperscript{59}. Interestingly, a few countries, including Luxembourg and Mexico, for example, appear in this short list multiple times. Whether this is because

Figure 6.2: Influence Plot
Cook's Distance given by circle size

of errors in the data or some highly irregular years in these countries, it is important to make sure that a group of unusual observations is not driving the results. The second model in Table 6.1 shows the full model run without the thirteen potential outliers shown

\textsuperscript{59} The cut-offs used to make this determination are as follows: Studentized residuals—outlier if more than three standard deviations from the mean. Hat-values—outlier if larger than three times the mean. Cook’s distance—outlier if more than two standard deviations from the mean.
Chapter 6: Outliers, Alternatives, and Policy Dimensions

in Figure 6.2 above. As with the first model in Table 6.1, the results of the second model show that the findings on policy interdependence and the role of right-leaning governments are robust to the exclusion of these observations.

Beyond this issue of outliers, we should also retain some skepticism as to whether the controls have been chosen and operationalized correctly. The economic controls included in the models shown Chapter 5 were selected to capture broad macroeconomic trends and the degree of international orientation reflected by a country’s economy. While these variables have the potential to impact skill-selective immigration policy liberalization, they are also relevant to the investment decisions of MNCs. Thus, controlling for the level of the GDP, GDP per capita, total trade, and inward FDI help to internalize some of these issues, improving the strength of the claim that the MNC networks themselves—and not just the economic conditions that covary with them—are relevant to understanding variation in policy change.

However, these economic controls are not exhaustive. It may also be important to consider the economic factors that have the potential to create demand for skill-selective policies entirely outside the interests of multinational firms. For this reason, the third model in Table 6.1 includes measures of the unemployment rate and the labor force participation rate. If skill-selective policies can be explained in terms of labor shortages, we might expect to see more permissive policies emerge when unemployment is low (a negative relationship) and labor force participation is high (a positive relationship). Model
### Table 6.1: Additional Checks on Skill-Selective Liberalization Models

<table>
<thead>
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<th>Australia Dummy</th>
<th>Outliers</th>
<th>Labor Market</th>
<th>Executive</th>
</tr>
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<td>(1)</td>
<td>(2)</td>
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<td>(4)</td>
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<tr>
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<tr>
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<td>(0.042)</td>
</tr>
<tr>
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<td>(0.001)</td>
</tr>
<tr>
<td>FDI Inflow</td>
<td>0.001</td>
<td>0.001</td>
<td>0.001</td>
<td>0.001</td>
</tr>
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<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Log GDP</td>
<td>-0.015</td>
<td>-0.024</td>
<td>-0.013</td>
<td>-0.028</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
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<tr>
<td>Log GDP p/c</td>
<td>0.077*</td>
<td>0.091**</td>
<td>0.054</td>
<td>0.094*</td>
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<td></td>
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<td>0.284**</td>
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* p < 0.1
** p < 0.05
° p < 0.01
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<td>Year Fixed Effects</td>
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<td>Adjusted R^2</td>
<td>0.153</td>
<td>0.138</td>
<td>0.142</td>
<td>0.131</td>
</tr>
</tbody>
</table>

Note: *p<.1, *p<.05, **p<.01

3 shows evidence of a positive relationship between labor force participation and skill-selective policy liberalization. However, the coefficient on the unemployment variable is neither significant nor negative, making it difficult to draw conclusions about the impact of these labor market indicators on changes to skill-selective policy. Still, the direction and approximate magnitude of the coefficient for the MNC-Cohost and right-leaning government interaction term remains positive and stable. It should also be noted that the scarcity of labor market data for some years and countries results in the loss of almost a hundred observations in Model 3, so it may be preferable to exclude them in order to maximize the generalizability of the model.

Finally, the fourth model in Table 6.1 constitutes a check on the choice to look at the ideological position of largest party in the legislature to measure government ideology. In Chapter 5 this choice is justified by considering the role of legislators as lawmakers, arguing that the issue of pleasing both pro- and anti-immigration interests is most problematic and salient at this level. However, it is not hard to imagine cases in which the
real drive behind policy change comes from the executive. To help ensure that the operationalization of this key variable is not driving the bulk of the findings, the fourth model in Table 6.1 uses a measure of a right-leaning executive in place of a right-leaning legislature. This substitution shows no evidence of model dependence. The interaction between the MNC-Cohost variable and the new measure of executive ideology is positive and significant, making it consistent with the models using legislative ideology. However, as is the case with Model 3, the use of a less populated variable results in the loss of a large number of observations, so the legislator-based measure remains the preferred operationalization choice.

The four models in Table 6.1 all produce results that are consistent with the findings in the models shown in Chapter 5. This provides additional support for the theory that MNCs play the role of agents of policy transfer, particularly in domestic contexts in which right-leaning governments would be more receptive to a skill-selective compromise.

Alternative Paths to Policy Transfer

The diffusion literature opens up an important set of potential explanations for international policy change. However, these explanations often go together. Countries that take cues from their next-door neighbors may also feel a need to keep up with economic

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60 In the U.S. for example, the executive immigration orders created by Presidents Barak Obama and Donald Trump in order to bypass Congress have received a considerable amount of attention from the media and the public.
competitors, for example. This has made it difficult for scholars to establish confidence in a singular mechanism of diffusion—why should one explanatory variable be accepted when it correlates highly with three others? A set of placebo tests (see Figures 5.6-5.9 in the previous chapter) helped demonstrate that the main explanatory variable—skill-selective policy liberalization abroad weighted by the strength of the IT MNC subsidiary network—is unlikely to be spurious, but these models were not able to test the potential significance of alternative mechanisms. To discover whether the pattern of skill-selective immigration policy liberalization can be explained by alternative connections between states, the design and results of two additional tests are discussed below.

The first of these tests incorporates geographic distance. There are a couple of ways geographic distance could be playing an important role in the spread of immigration policies. First, the importance of distance in the determination of a migrant’s destination was one of the earliest scholarly insights in the study of immigration, and gravity models continue to be employed by economists and demographers interested in push and pull factors. Because distance impacts destination decisions, countries in close proximity to one another are more likely to experience migrant flows from the same places, subjecting them to a common set of experiences. States that experience the same phenomena should be more likely to institute control measures. This is not, in and of itself, a diffusion story.

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61 Ravenstein’s first law in his famous work, “On the Laws of Migration”, published in 1885, noted that the vast majority of migrants “only proceed a short distance” (p. 198).
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But states that experience the same phenomena may also be more likely to emulate one another’s responses, borrowing a policy mechanism from a neighbor rather than going through the trouble of instituting a new one itself. Closer proximity between the two states may also raise the likelihood that policymakers become informed of policy changes made by a neighboring government due to dynamics like cross-border social interactions, economic activity, and media spillover, to name a few (Linos 2013).

Based on this logic, Figure 6.3 below shows the results of a model that incorporates a geographically weighted independent variable, using the inverse of the logged geographic distance\(^{62}\) between two countries to represent their spatial connectivity. The use of an inverse measure of distance makes the explanatory variable consistent with a hypothesis based on proximity, so that we should expect a positive relationship between policy liberalizations in nearby states and policy liberalizations at home. The results shown in Figure 6.3 are not consistent with the proximity hypothesis. The coefficient for proximity is both negative and not significant, suggesting that geographic distance is not a helpful predictor of skill-selective policy diffusion.

As noted above, one mechanism of policy diffusion does not preclude another. Fortunately, the spatial regression technique can be expanded to include multiple matrices of connectivity simultaneously (Beck, Gleditsch, Beardsley 2006). This enables the MNC-

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cohosting explanatory variable to be included in the same model to provide a point of comparison and to serve as a check that one measure of connectivity is not by proxy capturing some of the effects of another. As the first coefficient in Figure 6.3 shows, the measure of the MNC-cohosting relationship is still significant and directionally consistent with expectations about the role of IT MNCs as agents of policy diffusion. Furthermore,

Figure 6.3: S-OLS MNC vs. Geographic Determinants of Skill-Selective Liberalization

the positive coefficient on the interaction between MNC-cohosting and a right-leaning government is also robust to the inclusion of the proximity measure.

The second alternative pathway for diffusion tested in this section makes use of bilateral trade relationships. In existing work, scholars have incorporated trade to explain
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the diffusion of other policies using varying logics, including using the network of trade relationships or the similar trade product profiles to approximate trade competition (Simmons & Elkins 2004; Elkins, Guzman & Simmons 2006) and conceptualizing trade ties as an indicator of communication between states (Jandhyala, Henisz & Mansfield 2011). In his 2016 study of the diffusion of pollution, Aklin argues that stronger trade ties between states enable firms to engage in production (and therefore pollution) outside of their home country without sacrificing easy access to the home-country market (Aklin 2016). It is possible to imagine that for one or more of these reasons, strong bilateral trade relationships may signal an increased incentive for states to harmonize access to skilled foreign labor.

Using a combined measure of dyadic import and export flows as a proportion of home-country GDP, the model in Figure 6.4 tests the possibility that the strength of bilateral trade relationships can tell us something about the diffusion of skill-selective immigration policies. Again, the measure of MNC-cohosting relationships is included as well for comparison. As with the results for geographic distance, the coefficients in Figure 6.4 show no evidence that bilateral trade relationships impact the diffusion of skill-selective immigration policies. While the coefficient on the bilateral trade variable is positive, which is consistent with its hypothesized relationship to skill-selective policy diffusion, it remains statistically indistinguishable from zero. It is possible that the concurrent testing of the bilateral trade and MNC-cohosting mechanisms are partly washing each other out—the
cohosting of major global firms is likely to be correlated the strength of trade ties. That said, the measures of MNC-cohosting connectivity and the interaction of this term with a right-leaning government, however, remain positive and statistically significant.

Figure 6.4: S-OLS MNC vs. Bilateral Trade Determinants of Skill-Selective Liberalization

To ensure that the strength of the MNC-cohosting measure is not overwhelming the importance of these other possible mechanisms of policy diffusion, Table 6.2 provides full regression results for models including the geographic distance and bilateral trade variables but excluding the MNC-cohosting variable, and here we do find some evidence to support the potential importance of alternative mechanisms of diffusion. Models 1 and 2 Table 6.2 test these measures of connectivity without including interactions with
government ideology or a plurality electoral system, while Models 3 and 4 do incorporate these interaction terms.

The coefficients for geographic proximity in both the interaction and no-interaction models are weakly significant (allowing a rejection of the null hypotheses at $\alpha = 0.1$, but not at $\alpha = 0.05$) and the magnitude of the coefficient is consistent across the two models. Interestingly, while the relationship between geographic proximity and the diffusion of policy hypothesized earlier in this section is positive, the coefficients for geographic proximity in Table 6.2 are negative. It is possible that the extraordinarily large distance between two of the major drivers of skill-selective liberalization in the world (Australia and New Zealand) and the rest of the countries in the sample is responsible for reversing the direction of the proximity effect.

Models 2 and 4 test the relevance of the bilateral trade measure of connectivity in the diffusion of skill-selective policy. Though model two shows no evidence that bilateral trade ties may help explain this policy interdependence, the coefficient for bilateral trade in Model 4 is positive and weakly significant. This is particularly interesting because Model 4 incorporates the two interaction terms—the measure of trade connectivity combined respectively with a right-leaning government or a plurality electoral system. Thus, the coefficient on the term Bilateral Trade/GDP in Model 4 represents cases in which both interaction terms are equal to zero (meaning the government is not right-leaning and the electoral system is not based on plurality voting). This is a fairly narrow subset of cases.
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Table 6.2: Alternative Explanations for Skill-Selective Policy Diffusion

<table>
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<th>No Interactions</th>
<th>With Interactions</th>
</tr>
</thead>
<tbody>
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<td>Geographic Proximity</td>
<td>Bilateral Trade</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
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<td>Proximity</td>
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<td>-0.144*</td>
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<tr>
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<td>(0.085)</td>
</tr>
<tr>
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<tr>
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</tr>
<tr>
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<tr>
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<tr>
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<tr>
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</tr>
<tr>
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<td>0.043</td>
</tr>
<tr>
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<td>(0.034)</td>
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<td>Log GDP p/c</td>
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<td>0.119**</td>
</tr>
<tr>
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<td>(0.034)</td>
<td>(0.040)</td>
</tr>
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</tr>
<tr>
<td></td>
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<td>(0.042)</td>
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<td>(0.071)</td>
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<td>Federalism</td>
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<td>(0.048)</td>
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<tr>
<td>Constant</td>
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<td>-0.875</td>
</tr>
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</table>
and completely excludes the six most prolific skill-selective policy adjusting states (Australia, New Zealand, Canada, the United State, the United Kingdom, and France). It is possible that this result is an indication of different pathways of policy diffusion in countries with lower immigrant inflows. However, this result is quite weak and it must be emphasized that any implications discussed here are purely speculative.

On the whole, this assessment of potential alternative paths of policy diffusion explanations in comprehensively modeling interdependence in skill-selective policy liberalization, the inclusion of relational variables like geographic proximity and bilateral trade by no means diminishes the significance of the MNC-cohosting measure. These cannot be effectively used in place of the MNC-cohosting mechanism. Therefore, these tests provide further evidence of the contribution made by this project; thinking of MNCs and their subsidiary networks as potential agents of policy diffusion can help us improve our understanding of phenomena like the spread of skill-selective immigration policies.

**Digging into the Dimensions of Policy**

As discussed in Chapter 4, the datasets introduced in this project represent one of
its central contributions. Operationalizing policy change requires a strong set of coder assumptions regarding which data are important and whether data points are comparable. Studies of immigration policy have suffered in part from the fact that these policies are immensely complex, reaching across departmental jurisdictions, operating along multiple dimensions, and targeting different groups using different instruments. The immigration policy data introduced in this project represent a first step toward addressing some of these concerns. As described in Chapter 4, the dataset of skill-selective changes to immigration policies codes policy developments according to their target group (Highly Qualified, Occupationally Skilled, Student, Investor, or Intra-Company Transfer), and with reference to the dimension along which the policy is changed. The data distinguish between two possible dimensions of policy liberalization or restriction—Red Tape and Criteria (see Chapter 4 for additional information on these coding decisions). This opens up an opportunity to suspend the assumption that all skill-selective policy changes work in the same way.

The main advantage of having this additional data is that it facilitates a more inductive exploration of how and when policy design matters in the study of policy change. Scholarly theorizing on the purpose of a particular policy design will necessarily be focused on the outcome of the policy, which is observable, rather than the motivation for it, which is not. This bias is especially hard to swallow for researchers in political science, who should be especially cognizant of principle-agent dynamics and the problem of perverse incentives.
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Therefore, it is worthwhile to try and develop a stronger empirical understanding of the determinants of variation in policy design.

The models in Table 6.3 are the same workhorse models used elsewhere throughout this project, but the dependent variable has been broken up by policy dimension. Red Tape liberalization is regressed on the covariates in Models 1 and 3, and Criteria liberalization is used in Models 2 and 4. Models 3 and 4 include the interaction effects between the spatial regressor—MNC-Cohosting—and the indicators for government ideology and a plurality electoral system, while the first two models exclude these interactions.

It is immediately apparent from these results that liberalizations along the Criteria dimension are more consistent with the overall findings than liberalizations along the Red Tape dimension. In Models 1 and 2, which test the relevance of MNC-Cohosting as a relevant measure of connectivity for spatial interdependence in policy change, the coefficient on MNC-Cohosting is positive and significant only in the Criteria model. Similarly, in Models 3 and 4, which test the differential impact of this effect given a right-leaning government or plurality electoral system, the only interaction with a positive and significant coefficient is the one between MNC-Cohosting and a right-leaning government in the Criteria model. This suggests that while Red Tape liberalizations are likely

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63 An analogous set of models divided by target group can be found in Table A.? in Appendix A.
Table 6.3: Determinants of the Dimensions of Liberalization

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<td>(0.017)</td>
<td>(0.013)</td>
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<td>0.008</td>
<td>0.071**</td>
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<tr>
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</tr>
<tr>
<td>Log GDP p/c</td>
<td>0.016</td>
<td>0.061**</td>
</tr>
<tr>
<td></td>
<td>(0.029)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>EU Member</td>
<td>0.018</td>
<td>-0.082**</td>
</tr>
<tr>
<td></td>
<td>(0.032)</td>
<td>(0.025)</td>
</tr>
<tr>
<td>Parliamentary</td>
<td>-0.015</td>
<td>0.021</td>
</tr>
<tr>
<td></td>
<td>(0.046)</td>
<td>(0.036)</td>
</tr>
<tr>
<td>Veto Points</td>
<td>0.140</td>
<td>0.115</td>
</tr>
<tr>
<td></td>
<td>(0.142)</td>
<td>(0.112)</td>
</tr>
<tr>
<td>Federalism</td>
<td>0.049</td>
<td>0.034</td>
</tr>
<tr>
<td></td>
<td>(0.038)</td>
<td>(0.030)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.419</td>
<td>-0.121</td>
</tr>
<tr>
<td></td>
<td>(0.343)</td>
<td>(0.271)</td>
</tr>
<tr>
<td>Country Fixed Effects</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Observations</td>
<td>712</td>
<td>712</td>
</tr>
<tr>
<td>R²</td>
<td>0.102</td>
<td>0.145</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.053</td>
<td>0.098</td>
</tr>
</tbody>
</table>

Note: *p<.1, *p<.05, **p<.01
Chapter 6: Outliers, Alternatives, and Policy Dimensions

contributing to the overall findings shown in the main models in Chapter 5, the Criteria liberalizations are the true drivers of these effects.

While it is possible that policymakers are more willing to respond to MNC influence by expanding the range of people who qualify for admission rather than lowering administrative hurdles, there may be simpler explanation that accords better with the theory introduced in Chapter 3—it may be that Red Tape changes are serving as a proxy for bureaucratic and ministerial decisions, whereas Criteria changes better reflect the decisions made by policymakers with real accountability to voters. This is important, because the skill-selective compromise is premised upon the idea that policymakers are under pressure to balance the interests of large, pro-immigration business interests and a more general anti-immigration sentiment from their constituents. While many elements of immigration policy are decided by the legislature, bureaucratic officials and courts also have the power to impact the shape these policies take (Guiraudon 2000). Furthermore, the division of policymaking authority among these three arenas varies based on the institutional histories and structures of different states. In discussing immigration policy in France, Cerna notes that “in contrast to the most recent, parliamentary-approved laws, many of the previous initiatives were circulars, implemented by the government and relevant ministries” (2016, p. 204).

Interestingly, much of the literature on MNC-host government bargaining focuses on regulation and the aspects of policy that may slow or hinder cross-border transactions.
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These issues are more similar in form with immigration policy changes coded as Red Tape, but they are also more likely to be controlled by bureaucrats than to reflect changes voted on by a legislature. In the context of investment incentives, this makes sense—the bargaining happens behind closed doors and policymakers seek out regulatory exemptions rather than risking public disapproval. But with regard to the theory of policy interdependence proposed in Chapter 3, the mechanism relies on private actors engaging in influence campaigns to sway the votes of legislators. Thus, it is only logical that the measure of MNC-Cohosting, which ultimately approximates connectivity among high-influence business interests between countries, would be more important in explaining Criteria changes.

At the same time, the Red Tape-Criteria distinction, though it may naturally capture much of the division between bureaucratic and legislative authority, is not designed to code this distinction. The variation in institutional authority makes it difficult to determine the source of the authority from anything other than primary source material, which is often not easily available. However, among cases where the source of a change can be clearly tracked, it is clear that the policy dimensions used in this dataset do not perfectly line up with the bureaucratic-legislative division. For instance, a change in the visa cap is coded in the data as Red Tape, because it represents a reduction in arbitrary hurdles without altering the actual criteria for selection. In Australia, the migration planning levels (or caps on total migration) are set by the Ministry for Immigration and
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Citizenship based on the annual budget, so in this case the ministerial authority lines up well with the Red Tape coding. However, in the U.S., visa caps are set by the Congress, actually written into the bills that legislators vote to approve or reject. The upshot of all of this is that while the finding in favor of the importance of the Criteria category is likely demonstrating something about the importance of distinguishing between policymaking venues, a conclusive finding will have to wait for additional data coding and a more explicit test of this dynamic.

Table 6.4 breaks down the average values of the MNC-Cohosting variable for the Red Tape and Criteria dimensions by target group. The values associated with the Criteria dimension are higher across the board, suggesting that the importance of MNC connectivity for criteria-based policy changes is not limited to a particular migrant stream. This imbalance is particularly large for the policy changes targeting investors and intra-company transfers, and difference in means tests illustrate that the differences between the average MNC-Cohosting values associated with a criteria-based change as opposed to

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Red Tape</th>
<th>Criteria</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Qualified</td>
<td>70.14</td>
<td>80.81</td>
<td>10.67</td>
</tr>
<tr>
<td>Occupationally Skilled</td>
<td>87.03</td>
<td>101.06</td>
<td>14.03°</td>
</tr>
<tr>
<td>Student</td>
<td>76.41</td>
<td>96.79</td>
<td>20.38*</td>
</tr>
<tr>
<td>Investor</td>
<td>61.38</td>
<td>92.81</td>
<td>31.43**</td>
</tr>
<tr>
<td>Intra-Company Transfer</td>
<td>66.27</td>
<td>113.14</td>
<td>46.87**</td>
</tr>
</tbody>
</table>

Note: °p<.1, *p<.05, **p<.01
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A red tape-based change are greater than zero for these two groups. The fact that investors and intra-company transfers are the most overtly business oriented target groups of skill-selective immigration policies increases the plausibility that the importance of the Criteria dimension is a real part of the MNC influence network story.

Substantive Takeaways

The primary purpose of this chapter has been to use the information gleaned from additional statistical tests to gain a more complete and secure understanding of how well the quantitative work in this and the previous chapter build up a foundation of support for the central theory of this dissertation. Tests to determine whether the central models presented in Chapter 5 are dependent on the leverage of outlying observations suggest that the results are robust to their exclusion. A look at alternative mechanisms of policy diffusion across states also supports the strength of the findings in favor of the central role played by MNCs. Finally, a dissection of the main results according to policy dimensions suggests that future work should seek to learn more about the involvement of MNCs in altering the criteria required for immigrant admission and the extent to which the policymaking venue matters for this relationship to hold.
Chapter 7: Variation in the Skill-Selective Turn

Chapter 7
Variation in the Skill-Selective Turn

Locating the Skill-Selective Turn

The previous two chapters demonstrate statistical support for the claim that the subsidiary linkages within multinational information technology companies can help explain the recent diffusion of skill-selective immigration policies. However, these statistical findings cannot tell us whether the theory is supported where the politics of immigration actually takes place—within the domestic policymaking apparatus. In other words, an argument, even one backed by evidence of statistical correlation “will be not be very meaningful, will be difficult to generalize upon, and may also be difficult to prove in a convincing fashion” without an examination of the underlying process or mechanism at work (Gerring 2012 p. 217).

Therefore, this chapter uses a process-tracing technique to explore the evolution of skill-selective policymaking across four short case studies: The United States, Australia, Germany, and the United Kingdom. All four of these countries are immensely popular migration destinations in today’s world. Additionally, all four exhibit high levels of MNC cohosting and high propensities to liberalize skill-selective immigration policies, making

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This section also includes a short assessment of the European Union’s influence and jurisdiction over immigration policy to give a more complete picture of the actors and events impacting changes in Germany and the U.K.
them typical cases, or cases that are “representative of the phenomenon under study” (Gerring 2007, p. 49). Because of this, they help strengthen the plausibility of the causal mechanism proposed in Chapter 3. At the same time, they also provide important variation in terms of their external and intervening variables. Beyond having diverse political institutions and practices for incorporating the interests of businesses in policymaking, these countries offer distinct historical approaches to immigration policy and have varied experiences in the growth and success of their IT industries. This lends credibility to the assertion that the actions of IT MNCs are the driving explanatory variable.

While Australia and the United States are traditional countries of immigration with policy regimes that have been explored in detail all the way back to the days of their founding, Germany and the U.K. have only recently begun to view themselves as receiving countries. In the 19th century, both were primarily immigrant sending countries, and between them they supplied large percentages of the populations in Australia and the U.S. This variation in the historical legacy of immigration helps ensure that the similarities across senders and receivers are not overdetermined by path-dependent policy regimes. At the same time, both country pairs exhibit real variation in the degree to which their economies have been engaged with the multinationalization of IT firms and production, and together, the four countries present a wide spectrum of the relative importance of IT to an OECD economy.

Table 7.1 below shows that U.S. firms have been by far the most active in
Chapter 7: Variation in the Skill-Selective Turn

orchestrating cross-border mergers and acquisitions in the IT industry. This should not be too surprising, given that many of the global giants in this industry were founded in the United States. Interestingly, however, the IT industry does not demonstrate the same overwhelming dominance within the U.S. economy. Though it does account for a considerable share of total merchandise exports over the period shown, these numbers barely exceed those from the United Kingdom’s IT industry, despite its overall smaller size. Thus, it is clear that the IT industry has not played the same role in shaping the contemporary economies of each of the four cases examined in this chapter.

Table 7.1: Case Variation in ICT Industry Strength

<table>
<thead>
<tr>
<th>1. ICT Cross-border M&amp;A Deals by Country of Acquirer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country</td>
</tr>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>United States</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Share of ICT Goods in Total Merchandise Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
</tr>
<tr>
<td>Germany</td>
</tr>
<tr>
<td>United Kingdom</td>
</tr>
<tr>
<td>United States</td>
</tr>
</tbody>
</table>

Source: OECD Information Technology Outlook, 2010

As mentioned above, this chapter employs process tracing to evaluate how skill-selective strategies are liberalized. Bennett and Checkel define process tracing as “the use
Chapter 7: Variation in the Skill-Selective Turn

of evidence from within a case to make inferences about causal explanations of that case” or, “the examination of intermediate steps in a process to make inferences about ... whether and how it generated the outcome of interest” (2015, pp. 4-6). Though this chapter does provide some historical context for each of the four cases, the main focus is on the moment referred to here as the skill-selective turn. The purpose is to uncover when and under what circumstances skill selection became a major instrument in immigration policy.

The case studies in this chapter explore where the ideas for the policy changes came from, which actors were involved, and how the societal mood and economic environment contributed to the drive for change. Borrowing from Bennett and Checkel, this information is treated as “diagnostic evidence,” or rather, “observable events that intercede between hypothesized causes and observed effects” (2015, p. 7). To make this possible, the case studies in this chapter draw upon primary and secondary sources, using not only other scholars’ accounts of the politics surrounding policy change but also contemporaneous newspaper articles (particularly those containing interviews with prominent business leaders), governmental reports and press releases, transcripts from committee hearings and parliamentary minutes, and in the U.S. case, additional committee documents obtained from the National Archives in Washington D.C. and College Park, Maryland.

Just as the statistical analyses in the previous chapters are designed to reveal whether the macro-level pattern of skill-selective policy liberalization could be in part
Chapter 7: Variation in the Skill-Selective Turn

explained by IT MNC networks, the case studies are designed to help establish micro-level support for the expectations concerning the behavior of policymakers and firms. Ultimately, much of the evidence presented in this chapter is consistent with the diagnostic criteria generated in Chapter 3 (these are reproduced in Table 7.2 below for reference). There are indications that an expanded view of the relevant MNCs in future work might provide a more generalizable model of influence.

Table 7.2: Diagnostic Criteria

<table>
<thead>
<tr>
<th>Empirical Implications for Qualitative Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: IT MNCs engage in influence campaigns in favor of skill-selective immigration policy.</td>
</tr>
<tr>
<td>B: IT MNCs and policymakers see skill-selective immigration as a policy compromise.</td>
</tr>
<tr>
<td>C: IT MNCs use war-for-talent arguments to support their influence campaigns.</td>
</tr>
</tbody>
</table>

Traditional Receiving States

Settler State Policy History

In contrast to traditional sending states, Australia and the United States have always viewed immigration to be central to their national identities. In large part, this comes from their origins as British colonies. As far-flung settlers clinging to the rims of unfathomably large, indominable territories, the first British colonists to stake claim to the shores of these foreign lands must have felt the true meaning of safety in numbers. Yet contradictory impulses arose.
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The influx of Chinese laborers recruited at the onset of the Australian Gold Rush during the mid-19th century was seen by white colonists as a cultural and economic threat (de Lepervanche 1975). Strong trade unions pushed through a series of exclusionary policies, directed first at the Chinese and later other nationalities as well, with the intent of keeping cheap labor out of the Australian market. Organized labor was also the driving force behind the Chinese Exclusion Acts passed in the second half of the 19th century in the United States (Tichenor 2002). While American independence ensured that the British could not overtly interfere with the U.S. legislation, the racism built into these policies was so explicit and offensive that the British, concerned about their own trade relationships in East Asia, eventually insisted that the Australian colony find a less overtly bigoted way to restrict immigration (Stevens 2016).

Although Australia acquiesced, their new approach was the creation of a dictation test, during which potential immigrants were commanded to write 50 words dictated to them in any European language chosen by the testing official. Upon Australia’s acquisition of independence in 1901, this immigration test was formalized in the White

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65 The similarity between the Australian and U.S. policies here is not coincidental. While each country certainly did experience the same external catalyst—an increase in Chinese immigration—they looked to each other to learn from the exclusionist policies each installed. Anti-Chinese immigration policies were passed in Canada and New Zealand during this time period as well.

66 Modelled on a similar such test imposed by a white colony in South Africa (Jupp 1995).

67 As though the racial bias were not already clear enough in the design of this test, the testing officials also had wide discretion to determine potential immigrants unsuitable for settlement even if they passed.
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Australia Policy, enacted by the newly established Federal Parliament as part of a broader Immigration Restriction Act. Thus, one of the new government’s earliest acts was the establishment of a racially exclusionary Australian identity (Castles, Vasta & Ozkul 2014).

In the United States there were parallel efforts to institute a literacy test during this period. Attempts began before the turn of the century and were vetoed by Presidents Grover Cleveland, Howard Taft and Woodrow Wilson before finally passing over Wilson’s veto in 1917. However, while literacy certainly seems like it could be an early incarnation of skill selection, it was generally understood that “the chief purpose behind the literacy test was to decrease the total volume of immigration rather than to select a more desirable type of immigrant” (S. Rep. 81-1515 1950, p. 202), and that illiterates was simply another category to be added to the list of excluded groups, along with criminals and insane persons.

Both countries found themselves struggling to establish cohesive post-War immigration strategies, initially clinging to the racially biased selection systems of the past. In Australia, the 1901 legislation was finally replaced by the Australian Migration Act of 1958, which can be characterized as a “lack of policy on all but the most basic issues” (Hawkins 1991). With the McCarren-Walter act of 1952, the United States government succeeded in putting together a codified form of the many disparate immigration bills that had been passed, piecemeal, during the earlier decades, but the new legislation was unsatisfying in its complete lack of reform.
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United States

The McCarran-Walter Act of 1952\(^{68}\), which modified but fundamentally maintained the national origins quotas established by 1920s legislation, was meant to be a codification of the many disparate U.S. immigration laws. The first preference category under the 1952 legislation divided the first 50% of each quota area between immediate relatives and skilled workers. To clarify the meaning of skilled workers in this context, the 1952 act calls for:

qualified quota immigrants whose services are determined by the Attorney General to be needed urgently in the United States because of the high education, technical training, specialized experience, or exceptional ability of such immigrants and to be substantially beneficial prospectively to the national economy, cultural interests or welfare of the United States. (Immigration and Nationality Act 1952)

On its face, this makes it sound like the skill-selective turn in the United States came about in the 1950s, but the logic behind such a policy choice can sometimes force a reevaluation of its purpose. In codifying the existing U.S. immigration laws, the McCarran-Walter Act served to reinforce the national origins quotas built into the foundation of the preference system. Truman, in opposition to the perpetuation of the national origins quotas\(^{69}\), vetoed the bill, and then proceeded to appoint the Presidential Commission on

\(^{68}\) Officially the Immigration and Nationality Act of 1952.

\(^{69}\) The bill and Truman’s opposition to it, however, must be considered through the lens of global politics. Much of the support for restricting immigration at the time came from the ardently anti-communist camp, who saw migrants from countries with communist movements as threatening. Truman was particularly concerned about cases in which these sentiments had the potential to alienate U.S. allies (Tichenor 2002).
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Immigration and Naturalization (PIN) just a few short months after his veto was overturned. The purpose of the commission was to conduct its own study of the immigration policy of the United States, this time including the most recent legislation, and to make recommendations for legislative and administrative action based on this examination. According to Zolberg, “this was tantamount to a counter-McCarran Commission, whose composition ensured a liberal recommendation” (2006, p. 318). While the economic criteria in the 1952 act were almost completely overshadowed in the Commission by discussion of the national origins quotas, there were iterative exchanges on the distribution of manpower between Europe and the U.S., the free movement of scientists and the location of scientific conferences, and the handling of foreign investors.

One illustration of this is a chain of correspondence between the North Atlantic Council and the House Committee on the Judiciary during the writing of the McCarran-Walter Act. It highlights the North Atlantic Treaty Organization’s (NATO’s) interest in redistributing what was seen as a surplus of skilled labor in parts of Europe to the U.S., where unforeseen labor shortages could be “impeding defense production” (North Atlantic Council, Jan. 1952, p. 1). Based on the letters on file, the legislative response to these concerns was the H visa, a nonimmigrant visa allowing for temporary residence of highly skilled or urgently needed labor introduced by the McCarran-Walter Act. Referring specifically to section of the bill that introduces the nonimmigrant class, the North Atlantic Council expressed concern about the temporary nature of these visas, stating that “it would
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hardly be economically feasible, for instance, to transport labor from NATO countries to the United States for a period of less than three years” (North Atlantic Council, Dec. 1951, p. 1). The authors of the act may have felt that a temporary economic entry track would be a clever way to circumvent raising quotas.

The National Foreign Trade Council also made its voice heard, sending Congress multiple requests for greater leniency for foreign investors throughout the drafting of the McCarran-Walter Act. The National Foreign Trade Council asked that the new legislation make it possible not only for foreign investors to enter as nonimmigrants, but that they also be allowed to “secure like privileges of entry and sojourn for the executive, managerial and technical personnel essential to the effective operation of their business enterprises” (Sullivan 1949). Of particular interest was the reasoning behind the request. In the years following the Second World War, the U.S. signed a series of Friendship, Commerce and Navigation Treaties to enable American investment abroad. As with many international agreements, reciprocity was a key ingredient for successful cooperation. However, certain operational considerations, such as the international movement of investors and their employees, could not be guaranteed by treaty unless Congress made the necessary changes to immigration policy first. While the McCarran-Walter Act did alter the treaty-trader nonimmigrant class to include investors, Representative Francis Walter (D-PA) commented to the Foreign Trade Council that “a further extension of the scope of the type of visa authorized to be issued to ‘treaty traders’ did not appeal to us,” and so the
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introduction of the intra-company transfer visa was effectively put on hold (Francis Walter 1952). Thus, it was not for the sake of attracting foreign investors that the U.S. first granted them exemption; instead, the motivation derived from American business interests with global aspirations.

Even if the legislation passed in 1952 did not signal the beginning of a skill-selective turn, it did sketch the outline for some of the skill-selective policies that would follow. However, the picture did not resolve for several decades yet. The 1965 Hart-Celler Act\textsuperscript{70} simply carried over the economic preference tier, the investor visa, and the H-1 visa. Its real purpose was to end the national origins quotas that had shaped U.S. immigration policy for so long. However, this landmark reform set in motion a drastic shift in the composition of the immigrant inflows. The national origins quotas had artificially tilted the scale in favor of early-19\textsuperscript{th} century migration to the United States, favoring Northern Europeans while at the same time blocking immigration from Asia and Latin America. The high levels of immigration from the latter regions in the years following the 1965 reform were unexpected and brought on an increase in hostility toward immigration among the general public. During the 1970s and 80s, much of the public attention focused in on the high levels of immigration and in particular on undocumented immigration, and the U.S. Congress found itself in a stalemate as the issue became increasingly toxic (Tichenor

\textsuperscript{70} Officially the Immigration and Nationality Act of 1965.
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2002; Zolberg 2006).

In an attempt to try and build some legitimacy and consensus around immigration policy again, in 1978 Congress convened a Select Commission on Immigration and Refugee Policy (SCIRP), a group comprised of representatives from both houses, several members of the cabinet, and a handful of members of the public. Among the policy issues SCIRP discussed were skilled immigration and the possible implementation of a points system. Members of the Commission expressed distaste for skill selection, noting that they were designed to exclude “groups or types of persons who lack education or English language skills” (as cited in Stevens 2016, p. 80). In the official report they produced in 1981, they emphasized the social benefits of family reunification, the importance of immigration for U.S. economic prosperity, and the significance of a generous refugee program for supporting U.S. foreign policy (Tichenor 2002). Somehow the spirit of the SCIRP’s findings were lost in the legislative proposals pursued by two of its members, Senators Edward Kennedy (D-MA) and Alan Simpson (R-WY). Both advocates of a Canadian or Australian-style points system\(^\text{71}\), which they felt would help ensure “that these people who come here assimilate themselves” (Simpson, as cited in Stevens 2016, p. 80), they included such a system in the 1989 legislation they introduced into the Senate, cherry-picking elements of the

\(^{71}\) Interestingly, this political marriage was born of two separate goals. While Simpson was influenced by U.S. business interests through the Business Roundtable, Kennedy had plans to allocate the points to favor potential Irish immigrants, who claimed that the 1965 Act’s family preference category placed them at a disadvantage (Tichenor 2002).
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Commission’s recommendations to support their proposal while conveniently ignoring others.

In one important way, SCIRP was highly influential. Before the Commission offered its report, much of the political discourse around immigration tended to take one of two tones—it would either pander to racist stereotypes and fear of cultural threat, or it would espouse a liberal vision of altruism and generosity. After the Commission’s report was issued, the discourse centered almost entirely on the national interest and how immigration could be used productively to promote it (Tichenor 2002; Stevens 2016).

It was in this environment that the American Electronics Association (AeA) issued a study in the early 1980s claiming that the U.S. economy was about to suffer a “crisis level shortage of engineers” (Cerna 2016, p. 172). Though they later retracted this claim, calling it an “unfortunate editorial misrepresentation” (Hubbard, as cited in Reed 2006), their revision came only after considerable investment had been made to grow engineering schools and combat the predicted shortage (Reed 2006). Yet the hearings that eventually produced the 1990 Immigration Act quoted extensively from a 1989 National Science Foundation (NSF) study that made similar claims (Cerna 2016). “Responding to the wishes of the electronics industry,” the new policy produced by the 1990s Act “facilitated the recruitment of highly skilled and managerial employees by easing regulations for the award of H-1B visas” (Zolberg 2006, p. 381). In 1992, evidence of poor methodology and lack of peer review presented during a Congressional hearing all but destroyed the credibility of
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the NSF report (Reed 2006). Though the skills shortage arguments advanced by the AeA and the NSF during this period relied on dubious evidence, they discovered that the new, national interest-focused view of immigration policy had rendered policymakers sympathetic to their claims.

As the 1990s continued, “[t]he AeA, the ITAA\textsuperscript{72}, the Chamber of Commerce and the Computing Research Association (CRA) were the main pro-H-1B actors. The members of AeA and ITAA were largely MNCs, many of them belonging to all three organisations” (Cerna 2016, p. 173). As the information technology (IT) industry grew larger and began to experience a boom in the late 1990s, they used this strategy repeatedly to secure increases in the cap on H-1Bs. Specifically,

Companies such as Microsoft, Cisco, Amazon, Texas Instruments, Oracle and Intel took their claims of labour shortage to Congress, citing strong projected job growth, higher than average salaries and industry unemployment rates of about 2%. They argued that, because the IT industry made up nearly one-third of the growth of the US economy and IT had entered almost all sectors, a shortage of high-skilled IT labour threatened the global competitiveness of the US economy. (Cerna 2016, p. 175)

These corporations successfully organized to pursue the liberalization of skilled migration. Fourteen CEOs of major IT companies signed a letter to Congress attesting to the necessity of access to skilled foreign labor to ensure future growth (Senate Report 106-260 2000; Watts 2001). Bill Gates, the CEO and founder of Microsoft, testified before

\textsuperscript{72} Information Technology Association of America.
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congress in 1998, emphasizing the importance of “immigration policies that give our industry and other high-tech companies access to the best and the brightest” ("Testimony of Bill Gates" 1998).

In 1996, “[e]xecutives from such companies as Intel, Apple, Hewlett-Packard, Sun Microsystems, Oracle, Varian, Sybase, Xilinx and 3COM [wrote] to California Senator Dianne Feinstein” (“US executives” 1996). The immigration bills under review at the time contained provisions for removing family preference status for siblings and adult children and broader cuts to legal immigration. In their letter, these IT MNCs asked for an amendment that would formally separate issues of legal and illegal immigration and fix certain flaws they saw in the bill’s changes to legal immigration. But these flaws had nothing to do with protecting the family preference categories—rather the MNCs wrote that certain forms of legal immigration should be spared, because “we need to be able to transfer key employees in our overseas subsidiaries back to the US,” and that continued restriction of access to skilled workers might “compel some companies to transfer high wage engineering and research jobs overseas” (“US executives” 1996).

These actions illustrate how IT MNCs built up a narrative of necessity around the issue of access to foreign labor, pressed policymakers to separate their actions on skilled migration from changes to family or illegal migration, and then organized their influence in favor of skill selection. The evidence of an organized influence campaign and IT MNCs’ recognition that lower restrictions on skilled immigration would be less objectionable than
broader immigration reform supports the first and second diagnostic criteria laid out above. The rhetorical choices further show that IT MNCs chose to frame their demands in terms of the competitiveness of the U.S. economy and its continued value as a country of operation, which is consistent with the third diagnostic criterion.

On the other side, there was little organized opposition to the expansion of the H-1B program. In a study of interest groups' immigration platforms during this period, Marquez and Witte find that the only real opposition to the immigration of skilled workers came from nativist groups that opposed immigration across the board. Organized labor, they find, including the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), was largely uninterested in the discussion of skill-selective immigration and took no position (2009)\textsuperscript{73}.

The advocates of H-1B increases were successful in 1998, raising the H-1B cap temporarily to 115,000. But as the IT boom continued, they returned to congress to try the same tactic again. The AeA reiterated that a higher cap was “a critical business issue for our member companies” (Dash & Thibodeau 2000). A spokeswoman for Intel warned that “[i]f Congress decides not to raise the cap, companies will move more work offshore,” and her assertion was supported by a survey conducted by the Employment Policy

\textsuperscript{73} A notable exception to this generalization was the American Engineering Association, which released a statement to the Senate in 1995 in which it stated “a powerful coalition of multinational corporations and universities which find it in their self-interest to encourage skilled immigration regardless of the impact on U.S. workers” (Bellinger 1995).
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Foundation (EPF), which found that “more than one-third of 42 Fortune 500 companies surveyed ... said they would move jobs out of the U.S. if H-1B workers weren't available” (Dash & Thibodeau 2000).

In response, in tandem with a parallel bill that passed in the Senate, “Representatives Zoe Lofgren (D-CA) and David Dreier (R-CA), both of whom represented IT-heavy districts, co-sponsored a bi-partisan bill in the House that would raise the cap to 200,000” (Freeman & Hill 2006, p. 11). The chair of the House Immigration Subcommittee, Lamar Smith (R-TX), proposed an alternative bill with a more modest H-1B cap, attempting to moderate the corresponding Senate bill. But the Conference Committee made the unusual decision to adopt the Senate's version on all counts, essentially choosing to consider the Lofgren-Dreier proposal instead of the bill submitted by the Subcommittee chair (Freeman & Hill 2006). The H-1B cap was accordingly raised to 195,000 for the next three years.

Although the first signs of skill selection in U.S. immigration policy can be traced at least to the McCarran-Walter Act of 1952, the skill-selective turn did not really take shape until the 1990s. With the Immigration Act of 1990, the H-1 visa that had been created in 1952 was reshaped to serve the purported needs of the electronics industry. The strategic use of data to compel Congress to take this action served as an important lesson for the IT industry in the years that followed. With the economy performing well and the IT industry booming, the technology giants began to look like the true drivers of the
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contemporary economy, and they leveraged the discourse introduced by the SCIRP report to ensure that skill-selective policy would be viewed as part of the national interest.

Australia

In Australia, immigration in the post-war years had been characterized by a high rate of returns. People who passed the highly subjective entry standards were making the decision to return to their country of origin with disturbing frequency. Given the long-stated government goals of growing the Australian population, the administration perceived this as problematic and commissioned an inquiry with the purpose of improving the process of selection. They wanted people who would stay. Though Prime Minister Whitlam was himself in favor of a Canadian-style points system, the division even within the Labor Party at the time tempered this progressive impulse (Hawkins 1991). The system that finally did emerge in 1973—the Structured Selection Assessment System (SSAS)—put some emphasis on potential economic contribution while leaving a good amount of discretion to consular officials to evaluate cultural and social suitability. Hawkins refers to the SSAS as a “half-way house” because of the awkward and inefficient way it attempted to reconcile the concerns of the Labor Party and the Liberal opposition74 (Hawkins 1991).

The SSAS should not be viewed as the skill-selective turn in Australian immigration policy. Though the incorporation of economic criteria makes it tempting to

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74 The Australian Labor Party is recognized to be ideologically center-left while the Liberal Party is center-right.
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label this as the first real instance of a government focus on skills, the purpose of both the
economic and social components of the entry evaluation was to vet migrants for integrative
capacity. However, it may be the case that in Australia, as in the United States, the early
experimentation with economic criteria helped encourage the later distillation of the skill-
selective compromise.

During the 1970s, however, the country remained committed to Labor’s interest in
integration. While Australia was by no means as liberal as Canada in its view of diversity\textsuperscript{75},
integration in this context not to be confused with assimilation. The Minister of
Immigration under Whitlam, Al Grassby, gave a speech in 1973 entitled \textit{A Multi-Cultural
Society for the Future}. It was the first mention of multiculturalism in an Australian
government document (Koleth 2010), a value the Labor Party proceeded to develop and
espouse through the 1980s. Interestingly, the true implementer of the new multicultural
ideology was Malcolm Fraser, who led the center-right Liberal Party when it took control
of government in 1975. Fraser was committed to maintaining high levels of immigration
in the name of national development and security. In accordance with this, he did away
with the lingering vestiges of policy aimed at enticing British immigrants and immigration
policy became considerably more focused on granting entry to people with family ties and
those claiming asylum (Hawkins 1991). The numbers of immigrant arrivals by origin show

\textsuperscript{75}The government explicitly sought to avoid the formation of ethnic enclaves, for example (Hawkins
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how impactful these changes were—in 1975, the first year of the Fraser administration, 19% of immigrant arrivals came from Asia while 64% came from Europe. By 1985, those numbers had shifted to 40% from Asia and 30% from Europe (Stevens 2016).

Unfortunately, this rapid and visible shift led to a popular backlash against migrants of Asian origin, and the increased salience of immigration as a political issue was reflected back in an important change in the rhetoric coming from politicians. If the 1970s were not the harbinger of the skill-selective turn, the 1980s certainly were. The pendulum swung again to Labor in 1983, but at some point during this period the widespread public support for multiculturalism had evaporated. A speech made by historian Geoffrey Blainey to a local Rotary Club in 1984 and the following explosion of news coverage and attention it received illustrates this well. Blainey warned that the rising level of Asian immigration had the potential to create a backlash against immigration in general. His overt reference to an ethnic group, however, helped create the backlash he predicted by bringing race back into the public discourse on immigration (Stevens 2016). While a few Liberal parliamentarians attempted to capitalize on this anti-Asian furor to gain support for a more restrictionist stance on immigration, debates in the Australian parliament in 1984 reflected the subtler approach chosen by the Labor administration. Rather than addressing the racially-driven outcry outright, they “redirected the debate toward discussing the weighting allocated to the family reunification migrant intake in relation to the skilled migrant intake” (Stevens 2016, p. 44).
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This dichotomy was used to address the public tension while attempting to avoid language that would harken back to an era of Chinese exclusion and the White Australia policy. The political signaling was effective—while in the 1960s there had been high levels of public support for increasing immigration overall, by the mid-1980s there was a general consensus that immigration levels were too high and the distribution of entry visas should be more skewed toward skilled migrants (Goot 1991). Thus, the 1980s saw the emergence of the rhetoric and public support for skill-selective policies. Still, policy did not quite match the new rhetoric. The government at the time was led by Prime Minister Bob Hawke of the Labor Party, a politician who had previously served as President of the Australian Council of Trade Unions (ACTU). While the family-skilled immigration balance under Hawke shifted marginally toward skill selection (from an 80-20 to a 66-33 split), he also pushed though requirements stipulating that employers seeking to hire a skilled migrant had to demonstrate both that no Australian could be found to fill the open position and that the employer had put enough money into workforce training (Wright 2010).

Interestingly, there is some evidence that even when survey respondents were not explicitly asked to choose between skilled and family-based migration, mere reference to family ties was enough of a signal to inflate opposition. A poll conducted by Morgan in May 1984 asked “Next about immigration. Last year about 93,000 people came to Australia to live permanently. In your opinion were 93,000 people too few, too many or about right?” 58% of respondents felt this number was too high. The same month of the same year, a poll conducted by McNair phrased the question a little differently, asking “In 1984 about 90,000 migrants in total will be allowed to come and live in Australia, mostly relatives of previous migrants. Do you think this is too many migrants or too few migrants or about the right number?” Despite the fact that the question rounded the previous year’s intake down from 93,000 to 90,000, the percentage of respondents who thought the number was too high jumped to 64% (Goot 1991, p. 280).
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Furthermore, the Department of Immigration was not particularly committed to skilled migration but saw the inclusion of economic criteria as a way to protect its own position. In an interview with scholar Chris F. Wright, one official from the Immigration Department explained the Department’s position by pointing out that “You can more easily defend immigration if it’s easily seen that immigrants are adding to the economic welfare of Australia” (2010 p. 66). In other words, skilled migrants were not valued so much for their economic contribution as for their low level of visibility to the Australian public.

Though the ideas needed to activate the skill-selective compromise had taken hold within society, employers were not quite ready to exploit them (Wright 2010). United, they may have been able to steer into the skill-selective turn years earlier, but the sectoral pattern of trade protectionism in Australia during those years set manufacturing against other industries (Bell 1995). Manufacturing, for its part, was not particularly interested in pursuing immigration as a policy issue, a stance that hobbled the ability of business organizations to make cohesive representations of employer interests to the government (Wright 2017). In contrast, trade unions were well-organized and effective during the 70s.

77 The FitzGerald Report, published by the government-commissioned Committee to Advise on Australia’s Immigration Policies in 1988, drew the same conclusions about economic criteria. In the Executive Summary of the report, the Committee writes “The [current immigration] program is not identified in the public mind with the national interest, and must be given a convincing rationale. Selection methods need a sharper economic focus, for the public to be convinced that the program is in Australia’s interests” (p. 1).
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and early 80s.

All of this changed under the Hawke government in the late 80s. Both the high levels of protectionism and the power of organized labor were dismantled under by Hawke and his Treasury Minister Paul Keating\textsuperscript{78}, who together were responsible for a large-scale restructuring of the Australian economy. During this period, Hawke and Keating dismantled tariffs, deregulated finance, and floated the Australian dollar. These reforms, amazingly, were carried out with the cooperation of the ACTU, which, having suffered crippling job losses in the struggling manufacturing industry, had agreed to sign on to the government’s economic revitalization strategy in return for some welfare service guarantees (Collins & Cottle 2010). The liberalization and privatization of the economy created space for widely encompassing employer associations to flourish.

Ultimately, the skill-selective turn finally appeared in the 1990s. The initial architecture for skill-selection had been built up by administrations attempting to stave off anti-immigration sentiments during the previous two decades. Society had learned to think of skilled migrants as the less-threatening alternative to family members and refugees. And finally, as the 1980s came to a close, a newly restructured Australian economy emerged, ready to flex its industrial muscle.

In 1994, in response to “the concern expressed by Australian business ... that

\textsuperscript{78} Keating followed Hawke as Prime Minister, taking office in 1991.
existing business entry policies and procedures were too complex,” Prime Minister Keating commissioned the Committee of Inquiry into the Temporary Entry of Business People and Highly Skilled Specialists (Voigt-Graf & Khoo 2004, p. 138). To head the committee, he appointed Neville Roach, who was Managing Director (and soon after, CEO) of Fujitsu Australia at the time 79. The report that the committee produced recommended creating a new visa class for temporary, skilled business migrants. They asked for less onerous criteria, streamlined procedures, fast-track processing, and a path to permanent residency, all in line with “the principle of benefit to Australia” (Roach 1995). The idea of a temporary employment visa might have been repugnant to Australian politicians, who had long rejected the concept of guest worker programs, but in the wake of the recent wave of economic liberalization, the flexibility afforded by such a program received bipartisan support (Wright 2015).

The Roach Report was welcomed by Australian business leaders. Though the inquiry was commissioned by a Labor Party administration under Keating, the Committee’s recommendations were realized by Liberal Prime Minister John Howard with the creation of the 457 Visa. Philip Ruddock, the Minister for Immigration and

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79 This was not the only occasion on which Roach contributed openly to government affairs. He was later also appointed to the Business Advisory Panel for oversight (Birrell 2003) and the National Multicultural Advisory Council (Mares 2013). This involvement was strategic and intentional. In a 1995 interview, Roach explained “[w]hen I became managing director of Fujitsu (in 1989) it did not have as high a profile as our competitors. One objective was to lift that profile, to become closer to the top of the minds of the decision-makers” (Head 1995).

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Multicultural Affairs, announced the new visa in 1996, stating that the reform was representative of the government’s “commitment to work closely with business to ensure that the Australian economy maintains a competitive edge internationally” (Ruddock 1996).

The years that followed were marked by a flurry of reforms intended to further liberalize business and skilled immigration. Employers sought to lower the entry criteria for skilled workers across the board but found resistance from a government that worried about reconciling their economic rationale with a diluted definition of skill that had the perceived potential to displace Australian workers. Business leaders pushed back against these concerns: “Price Waterhouse’s Australasian director, Mr. Bob Gillen, who represented the firms, said the temporary business immigration program was designed to help employers fill skills and experience gaps, and not to replace local workers” (Field 1997). Instead, a policy making it easier for recent graduates of Australian universities to obtain skilled visas was passed. Based on interviews with business leaders and Immigration Department officials, Wright argues that “this idea originated within the business community, gained support from [employer organizations] and several industry associations who then successfully lobbied the Immigration Minister and Cabinet” (Wright 2017, p. 357).

The government was also “under enormous pressure from the information technology and communications industries to increase the supply of skilled workers in these
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fields” (Birrell 2003, p. 41). Anderson Consulting and IBM-Australia actively complained of the difficulties they were having in recruiting skilled IT workers, noting that their business and ability to compete in the market was “constrained by lack of staff” (Hollands 1998). The influence of these industries was reflected in the shortage occupations list, which grew rapidly to include almost every ICT occupation despite the recognition among policymakers that:

> there has been a question mark hanging over the commonly cited figure of 30,000 jobs vacancies, which was first quoted by the Australian Information Industry Association and has been repeated by the Minister for Information Technology, Senator Richard Alston. (Hepworth 1999)

Senator Alston also echoed the rhetorical device of the global war for talent, telling an audience that “countries such as Taiwan [are] paying enormous amounts of money to attract back their technology graduates from the US” and that skilled workers, rather than coming to Australia, “are rushing to Silicon Valley” to take advantage of the high salaries American IT firms offered (Potter 2000). Bob Gillen, Director of Price Waterhouse in Australia, added that barriers to immigration in the form of regulation were also a “major disincentive to setting up regional headquarters in Australia because multinationals needed to be able to bring in specialists. Other countries in the region [are] not burdened with this kind of disincentive” (Field 1997).

In these examples, it is clear that the influence MNCs exerted over the development

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80 Anderson Consulting formally changed its name to Accenture in 2001.
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of immigration policy was strategic. The influence campaigns are consistent with the first diagnostic criterion described above, and the intentional narrowing of policy to skilled workers to make it more widely acceptable is consistent with the second criterion. Wright’s interviews with employer organization officials provide formidable support. He writes that “[t]he focus in business advocacy on higher-skilled rather than lower-skilled immigration was also seen as crucial, because ‘you could only press the envelope so far and still retain community acceptance of the programme’” and that “presenting credible evidence was seen as important for persuading sceptics in government and the broader community” (Wright 2017 p. 359). Finally, the rhetoric used by politicians and business leaders is consistent with the third diagnostic criterion.

Although economic criteria became a part of the immigrant selection process early in the post-World War Two period, the policies enacted during years up until the 1990s were primarily characterized by an uneasy shifting back and forth between liberal ideals of multiculturalism and rising anxieties about the perceived cultural threat of non-white migrants. Economic criteria in these years were employed as something of a relief valve for popular pressure in the form of racial animus, but they also built the groundwork for the skill-selective turn in the 1990s. The Australian public had been primed to see the employer-led push for skill-selective policies as both predictable and legitimate.

Comparing the Receivers

Much like Australia, the United States found itself searching for immigration
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In the years after the Second World War. Though both states found it difficult to shake the legacy of racism in their immigrant selection procedures, they each began to experiment with new criteria of selection as well. Thus, we can see that it would be a mistake to characterize economic selection criteria as a straightforward replacement for ethnic and national criteria. These elements existed together at first as Australia and the United States built up the courage and the public will to enter a new policy space.

The two countries’ post-World War Two immigration experiences mirror each other in several ways. After a halting start, both succeeded in abolishing the race-based selection practices they had employed for decades. For both, the new combination of family ties and economic criteria stimulated a transformation of their migrant streams, pulling in migrants from East Asia and, in the United States, from Latin America as well. The popular backlashes that arose in response to these shifts demonstrated that the rewriting of legislation was only the first step in overcoming the racist legacies both countries’ immigration regimes bear.

And in the face of these anti-immigration movements, we can see the architecture of the postwar policies being used to achieve a new end. Rather than demanding that immigration policy be overhauled, business interests saw an opportunity to address their own needs using some of the policy instruments that were already in place. The 1990s, then, signaled the skill-selective turn in both Australia and the United States.
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Traditional Sending States

Europe’s Policy History

In some ways, the immigration stops that swept across Europe in the 1970s provide a natural foundation for the investigation of selective immigration policy. These stops, which were primarily the result of a drop (or anticipated drop, for some countries) in labor demand due to the widespread macroeconomic impacts of the 1970s oil crises, ensured that each participating country would be forced to reassess their immigration policy some years in the future. Though active labor recruitment strategies—including guest-worker programs and the extension of rights to colonial subjects—had been common in Europe in the 1950s and 60s, most European powers rejected the notion that they had become countries of immigration. Rather, they saw the surge in labor demand as an aberration. This distinction had to be upheld by virtue of policy rather than economics. Indeed, the demand for foreign labor in the post-World War Two boom years was responsible for the import of a massive wave of foreign workers. Yet the labor recruitment schemes were intentionally designed to facilitate temporary residence in most cases (despite the investment costs of training labor and the resultant employer preference for longer periods of stay), a choice that reflected a general refusal to accept long-term change.

The freezes on recruitment that appeared in so many countries in the 1970s are important for two main reasons, and both emerge from one of the central problems of
immigration policy—there is often a profound difference between intention and outcome (Cornelius, Martin & Hollifield, 1994). First, as European states clamped down on entry, many of the imported workers who were meant to return home after a few years decided not to risk leaving in case they were never allowed back in. And many of these individuals brought their families in to join them, meaning that despite the reduction in labor recruitment, overall immigration levels remained high. Most scholars see this unanticipated outcome as a major element in explaining the politicization of immigration and immigrant policy across Europe, though perspectives vary on whether this jump in salience is a reaction more to perceived cultural or economic threat. In any case, the debate on whether to insist on immigrant assimilation (or allow for multiculturalism) that already raged in the traditional countries of immigration found its way into politics in Europe in the 1980s and 90s. But a segment of public opinion in Europe called for a third path. These groups, which rose on the tide of nationalism and xenophobia, pointed out that the integration dilemma could be obviated by simply closing the doors to immigration overall. The consequences of the recruitment stops changed the prominence of immigration as an issue for the average citizen in Europe, and this shift is central to explaining the policies that have followed.

The second reason the recruitment freezes provide a good background for examining policy change is that their failure to achieve the desired outcome has pushed policy makers to strategically reevaluate their responses to demands for foreign labor. The
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reduced demand for foreign labor that justified the immigration stops in the 1970s evaporated as economies recovered, but governments were reluctant to return to policies that had gone so wrong in the past. How could short-term economic migration be made viable? This problem was further complicated by the expansion of anti-immigrant sentiment among the populace.

Finally, toward the end of the 90s and in the first years of the new millennium, several European countries made profound changes to their immigration policy regimes. These are of paramount importance here because they represent the moment in which European countries begin to reach out for skill-selective, foreign models of immigration policy. Most of this section is dedicated to an examination of the skill-selective turn in Germany and the United Kingdom. Following these examinations of specific cases, this section gives an overview of the European Union’s attempts to formulate policy on immigration and the role the E.U. has played in the move toward skill-based selection schemes.

Germany

Germany remained steadfastly opposed to any acknowledgment that it had become a country of immigration until 2000, when that image began to erode. During the 1990s, the German government had found ways of allowing the import of foreign labor without being forced to admit to an end to the recruitment ban. For example, by subcontracting foreign companies to complete projects and allowing them to bring in their own equipment
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and labor, but only for the duration of the project (Martin, 2014).

In 1998, the Social Democratic Party of Germany (SPD) and the Green Party formed a coalition government, replacing the center-right coalition that had been in place for 16 years. Though the SPD-Green coalition was certainly more pro-immigration than the government it replaced, change was not immediately forthcoming. Otto Schily, the Interior Minister of the SPD, rejected the possibility of immigration reform in 1999, stating that “There is no need for an immigration law because, if we had one, the quotas would be zero” (Martin, 2014, p. 237).

In 2000, however, major business leaders within the German IT sector had begun to voice their disagreement with Schily’s assessment. The CEO of Siemens, Heinrich von Pierer “warned that the number of electrical engineers who graduated last year fell to 9,000, down from 13,000 in 1995,” and the German Chambers of Industry and Commerce “confirmed Pierer’s warning” (Menke-Glückert 2000). CEO of IBM Germany, Erwin Staudt, “said that by conservative estimates his company and those in his knowing might soon need at least 10,000 IT experts in near future” (Gurha 2000). The Federation of German Employers put out a statement that “as many as 1.5 million high-skilled immigrants were necessary for Germany to remain competitive” (BBC, as cited in Duncan 2012). Some in the media noted that a few “big companies like SAP, Dell and Compaq and the smaller ones like J. D. Edwards, Daamgurd and Tria Software have managed to fill all vacancies,” arguing that the outcry over the need for skilled labor was overblown.
Chapter 7: Variation in the Skill-Selective Turn (Gurha 2000). Reporters pointed out that there was no centrally collected data on the number of IT jobs available in the country, meaning that most estimates were produced by IT companies themselves (Gurha 2000).

Yet in response to the urging of the newly formed IT industry association, BITKOM, and Initiative D21 (an organization that referred to itself as a public-private partnership between the federal government and the information technology industry), the government announced the creation of the German Green Card—a new, high-skill work permit—in March 2000 (Klusmeyer & Papademetriou, 2009). Initiative D21 was founded by the chief of IBM-Germany at the time, Erwin Staudt with the support of German Chancellor Gerhard Schröder, and comprised a “body of computer bigwigs, including IBM, Deutschland, Siemens, Debis and Microsoft” (Gurha 2000). Unsurprisingly, the Green Card strongly reflected these business leaders’ concerns—a five-year permit designed to bring in third-country computer programmers to address skill shortages in the information technology (IT) industry (Klusmeyer & Papademetriou, 2009). Consistent with the first diagnostic criterion, large, multinational IT firms (including IBM, Siemens, Sony, and Microsoft, all of which are included in the dataset introduced in Chapter 4) played a central role in influencing policymakers in favor of skill-selective immigration in Germany.

The unveiling of this new program changed the way policymakers in Germany thought about immigration. The program received broad media attention and was opposed by trade unions and a large portion of the general public. In part because it was a time of
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high unemployment, German labor fretted about the creation of a new entry permit. These fears were encouraged by the center-right party, the Christian Democratic Union (CDU), and in particular by a politician named Jürgen Rüttgers. Rüttgers began using the slogan “Kinder statt Inder,” meaning “children instead of Indians” to express the sentiment that the government should be investing in education and training rather than importing foreign labor (“Kinder statt Inder”, 2000). The overt reference to a specific national group, however, allowed him to speak to a feeling of xenophobia among the general public that most policymakers had spent years trying to keep under wraps.

In April 2000, IBM-Germany Chief Erwin Staudt gave an interview with the newspaper *Berliner Zeitung* in which he responded to the CDU-led critiques of the Green Card program and emphasized how important the Green Card would be for the competitiveness of the IT industry in Germany. When asked if he was surprised by the remarks made by the opposition, he admitted he was, telling the interviewer “[w]e had expected bipartisan approval. Because we have always said that the green card should only apply to a limited number of highly qualified candidates” (Michel 2000). Implicit in this statement is the expectation that by narrowing the range of the policy to apply only to the highly skilled, they could successfully avoid a parliamentary battle. This is consistent with the second diagnostic criterion laid out above, which states that IT MNCs see skill-selective policies as a necessary compromise to achieve immigration reform.

In September 2000, Reuters reported that “[d]omestic and foreign firms, including
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Siemens AG, IBM and Sony, told Schröder the technology sector depended on non-German expertise and warned that right-wing intimidation was scaring off skilled foreign workers” (“German IT firms” 2000). The Green Card passed. The CDU did not work up enough opposition to block the program, and labor unions agreed to support the new policy so long as employers would commit to increasing their investment in training programs (Duncan 2012). In his April interview, Staudt responded to a question about whether the Green Card should be further liberalized by saying “[y]es. But we cannot rush things. We have to take the fears of people seriously” (Michel 2000). Again, the acknowledgement here of the compromise represented by skill-selective immigration is apparent. Staudt is clear that he hopes to avoid inciting a nativist response by moving slowly and liberalizing immigration selectively and incrementally.

In spite of the rhetoric and the societal tension it inspired, the unveiling of Green Card program did two things. First, because the opposition party was ultimately unable to block the policy, it helped “break the mantra that Germany is not a country of immigration” (Martin, 2014, pp. 234-235). Second, it reimagined German immigration policy in terms of the competition state. As opposed to the side entrances the government had opened in the 1980s and 90s to allow some limited and temporary mobility, the Green Card was being touted as a way to bolster the competitiveness of the German IT industry.

Dieter Hundt, the president of the German Employers’ Federation, tried to make the link as explicit as possible for policymakers. He asserted that enabling the immigration
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of skilled IT workers to Germany was crucial “to stopping the migration of young IT companies from Germany” (Gurha 2000). IBM-Germany Chief Erwin Staudt explained that Germany could not afford to place additional barriers in the way of skilled migrants, because young, qualified information technology workers already “want to go to the USA” (“Green Card” 2000). A Siemens representative echoed this problem, voicing the preference she’d heard from many Indian programmers: “I don’t want to go to Germany. I would much rather go to the US” (Harding 2000).

In contrasting the attractiveness of Germany as a destination state to that of the U.S., advocates of the Green Card attempted to shift the perceived purpose of the program away from their own narrowly defined interests and toward the national interest. This shows that, consistent with the third diagnostic criterion, the IT MNCs that acted to push skill-selection in German immigration policy did so in part by invoking the rhetoric of international competition. Beyond this, the name of the German program was borrowed from the American Green Card, though in design it more closely resembled the H-1B (the temporary skilled employment visa created in the United States in 1990). In the years just prior to the introduction of the German Green Card, the U.S. had begun to raise the cap on the quota of H-1Bs, ratcheting up the number of skilled foreign workers U.S. employers could recruit from abroad. IBM had also been an active participant in these developments.

Not only was the German Green Card inspired by an American program, its subsequent failure to attract the desired number of IT specialists to Germany was
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attributed to the fact that the comparable American visa, which offered a longer period of stay and a possible path to permanency, was more attractive to prospective migrants (Cerna 2014). Staudt lamented in his April interview that “Indians or our neighbors in Eastern Europe prefer to go to the USA or England. Because the Americans send a clear signal to the foreign elites: Here you are welcome. This signal does not come from Germany” (Michel 2000).

Beyond changing the way German policy makers regarded immigration, there is some evidence that the Green Card “inspired other European governments to follow suit” (De Somer 2012 p. 5). According to Caviedes, “[i]n Austria and the Netherlands employers explicitly referenced the German policy in order to motivate their governments to action” just shortly after the Green Card was announced (2010, p. 197). In both cases, the IT sector succeeded in getting its government to lower some entry restrictions for IT specialists, though neither engaged in a full immigration policy overhaul for a number of years. In Austria, Hewlett-Packard (HP) took the lead, with CEO Jörg Menno Harms advising the government to support the creation of a body similar to Germany’s Initiative D21, which he directly credited with the successful passage of the Green Card program. HP executive Wolfgang Gruber elaborated, explaining that Austria faced the same obstacles as Germany, namely a “lack qualified employees” to maintain the competitiveness of the information technology industry (“Schrittmacher” 2000).

The turbulence caused by the German Green Card program drove leaders of
German political parties across the spectrum to the conclusion that comprehensive immigration policy reform was necessary. In June 2000, Interior Minister Otto Schily announced that the government was assembling a commission to study the problem of immigration policy and make recommendations. He appointed Rita Süssmuth, a CDU party leader, to head the commission, hoping to protect the commission’s work from accusations of partisan bias. The commission’s recommendations, published in 2001 in a report entitled “Zuwanderung gestalten, Integration fördern” (shape immigration, promote integration), call for a Canadian-style points-based system for selecting immigrants.

Interior Minister Otto Schily proceeded to introduce legislation largely in accordance with the commission’s recommendations. Minister Schily, who only two years earlier had flatly rejected the need for a new German immigration law, now claimed that “Germany is an immigration country,” and pointed to the “competition among the industrialized countries for the best minds” to justify moving “immigration law more strongly toward our own economic interests” (“Germany” 2002).

Though a points-based system was never enacted in Germany, the new legislation did maintain the skill-selective focus that emerged with the Green Card initiative and gained support from the Süssmuth commission’s report. While policy remained restrictive

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81 The passage of the legislation was halted on a technicality and the governing coalition lost seats in the German Parliament in 2002. By the time a revised version of the legislation made it through in 2004, the initial momentum had been lost and the major features of the commission’s recommendations had been gutted (Geddes & Scholten, 2016).
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Overall, exceptions were made for the highly skilled and for students. A “third exception, taken direction from US legislation, applies to investors,” (Klusmeyer & Papademetriou 2009, p. 259).

United Kingdom

Much like in Germany, the shift in immigration policy in the United Kingdom was sudden. In the early part of the 20th century, British immigration policy had been mostly unrestricted. As the center of a global empire, the U.K. chose to allow its immigration policy to reflect the tone of a benevolent colonizer, giving all Commonwealth citizens the right to enter and work in the U.K. In 1962, however, there was a restrictionist shift as geopolitical upheaval in Africa, the Caribbean, and South Asia caused a sudden rise in the number of Commonwealth citizens who sought to resettle in the U.K. (Wright 2012). For British citizens, this meant not only more migrants, but also more migrants of visibly foreign origin, unlike those that had come from Australia, Canada and New Zealand in previous years. The response was the Commonwealth Immigrants Act of 1962, which essentially closed the doors to nonwhite immigration (Duncan 2012). With minor adjustments, this policy persisted through the 1980s when, under the leadership of Prime Minister Margaret Thatcher, “strict controls against nonwhite immigrants were considered good for race relations” (Duncan 2012, p. 90).

Immigration was so restrictive in Britain for such a long time that political discussion of the issue had all but disappeared by the time the Labour Party won control
Chapter 7: Variation in the Skill-Selective Turn of government in 1997. Their platform called for reform on a number of social and economic issues, but “immigration played no role in the campaign” (Hansen, 2014). Outside of government, however, nascent ideas were taking shape. In 1994, the Institute for Public Policy Research (IPPR)\textsuperscript{82} produced a report in which they advocated a friendlier and more evidence-based approach to immigration. Policies aimed at attracting highly skilled immigrants would be central to this change.

In preparing the report, the IPPR consulted with the Confederation of British Industry (CBI), a multi-industry employer organization the Financial Times has referred to as “Britain’s biggest business lobby group” (Groom & Parker 2014). The CBI brought the institute’s questions to some of its members, who responded that the barriers to hiring foreign workers were problematic. Sue Shortland, the Manager of the CBI Employee Relocation Council, explained the position the CBI’s members in a letter to the IPPR’s Sarah Spencer, who was the driving force between the thinktank’s report on immigration. According to Shortland, Britain’s immigration regulations were particularly problematic for multinational firms:

“[f]or example, a multi-national company with a UK headquarters may wish to recruit in the US, bring the trainee to the UK to gain UK HQ experience before deploying him in the US or elsewhere in the Company’s global network. Restrictions via the Work Permit Scheme on such recruitment and training strategies may result in multi-nationals moving their HQ

\textsuperscript{82} The Guardian’s list of thinktanks in the U.K. characterizes the IPPR by asserting that it “rose out of the ashes of Labour’s 1987 election defeat, aiming to invigorate leftwing thinking” (“List of thinktanks” 2013). The Guardian also notes that “[p]roposals from the IPPR formed much of Labour’s agenda under Tony Blair” (Inman 2018).
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operations to countries where work permit restrictions are considered less onerous (Shortland, as cited in Spencer 1994, p. 312-13).

Referring to the IPPR report’s policy recommendations, a 1994 article in the Financial Times drew out its main points, namely that “immigration restrictions are depriving UK businesses of much-needed professional and managerial skills,” and that liberalizing entry requirements for skilled workers could “help in attracting international companies by making it easier for them to transfer staff to the UK” (Willman 1994). Yet policymakers were not immediately responsive. Under John Major, who served as prime minister in the years between the Thatcher and Blair administrations, the United Kingdom was “widely characterised as having the most restrictive immigration selection criteria of any developed economy” (Wright 2013, p. 137). By the time Tony Blair stepped into the role of prime minister in 1997, the “policy orthodoxy [surrounding immigration] had become so deeply entrenched among the major political parties and within the bureaucracy” that liberalizing immigration policy was not even considered to be an option (Wright 2012, pp. 732-33). Within the next couple of years, that orthodoxy had been shredded.

The cracks in Britain’s restrictionist posture really began to show in 1998. While the Home Department maintained a dogmatic focus on asylum seekers, proposing no changes to the character of labor migration (Home Department, 1998), the Department of
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Trade and Industry (DTI)\textsuperscript{83} published a white paper on competition in which it endorsed immigration policies that open the door to the highly skilled (DTI 1998). The Institute of Directors, an employer organization for international business leaders, responded to this report by submitting a memorandum to the Select Committee on Trade and Industry backing the DTI’s recommendations and urging the parliament to “take steps to encourage entrepreneurs and skilled individuals from overseas to come and work in Britain” (IoD 1999).

The same year, representatives of multinational firms began to speak out as well. They drew upon the mobilization of business leaders in the U.S. around H-1B-visa liberalization to bolster their case. Trish Boag, head of resourcing at KPMG, a multinational professional service company\textsuperscript{84} headquartered in the Netherlands, pointed to the lobbying efforts of Bill Gates and others in the U.S., warning British policymakers that “[t]he UK should reconsider its own policies on such matters, or risk being left behind in the continuing scramble for IT skills” (Nicolle 1998). The Japanese Chamber of Commerce

\textsuperscript{83} The primary objective of the DTI, according to a web archive capture of the department’s website in 1997, was to “seek to identify the needs of UK business through a close dialogue with individual sectors and an understanding of what influences competitiveness at home and abroad” (DTI 1997).

\textsuperscript{84} KPMG is best known for its financial auditing, consulting, and tax services. Along with companies like Ernst & Young and PriceWaterhouseCoopers, however, KPMG also offers assistance in the international recruitment, transfer, and management of employees. KPMG’s website notes that “[a]s multinational companies continue to expand into new global markets, there is an increasing demand for highly mobile, international workforces,” and their U.K. subsidiary subsequently offers immigration advice, expatriate tax advising, and other such services (KPMG 2008). KPMG is not one of the firms included in the dataset of MNCs introduced in Chapter 4.
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and Industry expressed similar concerns on behalf of the companies it represented, claiming in the evidence it submitted to the Select Committee on Trade and Industry that “the process of issuing [and] ... extending work permits by the Department for Education and Employment takes too long,” and asking that special allowances be made for the family members of intra-company transfers. It noted that these issues in particular were “seen as an impediment to living and doing business in the UK” by Japanese companies (Japanese Chamber of Commerce and Industry 1998).

Tony Blair’s administration was not initially set up to be responsive to these demands. During his early years in office, Blair suffered a constant media barrage on the subject of asylum seekers. This high level of media attention stemmed from the perceived threat of the “bogus asylum seeker,” a phrase “used to represent asylum seekers/refugees as perpetrators of two types of fraud, namely, ‘identity fraud’ and ‘welfare fraud’” (Khan 2012, p. 67). Blair’s Minister of Immigration, Michael O’Brien, struggled to balance his attempts to quiet the “moral panic,” enforcing control mechanisms on one hand while trying to avoid mass deportations on the other. He was not successful, and in 1999, Blair replaced O’Brien with Barbara Roche. Whether Blair had intended it or not, Roche was surprisingly progressive on the issue of immigration. She did not like deportation, felt that asylum seekers should be allowed to stay, and saw the existing British immigration policies

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85 It is not clear where this phrase originated, but it became a popular way to refer to migrants in the British tabloids in the early 90s and was picked up by right-wing politicians as well as the U.K. Home Office (Khan 2012).
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as undeniably racist (Bower 2016).

Coincidentally, Blair’s progressive new immigration minister also happened to have formerly served as a junior minister in the Department of Trade and Industry (DTI) and was familiar with the DTI’s white paper on competition, which presented skilled immigration as a desirable policy. At the same time, Roche was also acquainted with Sarah Spencer, the researcher behind the IPPR’s 1994 report. Blair’s appointment of Roche provided the necessary connection between advocates of skill-selective policies and an administration desperate for a way to change the conversation and quiet public outrage on the issue of immigration. Utilizing Spencer’s research on business demand for skilled migrants, Roche set out to shift the national discourse on immigration, a process she called an “imaginative rethink” (BBC, as cited in Wright 2010). In his critical examination of the Blair administration, Tom Bower notes that Roche explicitly connected her policy ideas to the demands of employers:

Employers had frequently complained about red tape preventing their recruitment of skilled foreign workers, despite the dearth of equivalent British labour. To overcome that bottleneck, Roche argued that Britain should ‘modernise the work permit system.’ (2016, p. 176)

By the time the government commissioned a review of immigration to the U.K. in 2000, the views of the IPPR had found a prominent place in the party’s platform on immigration policy.

In 2000, the existing system of demand-driven work permits was relaxed and
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expanded, and a pilot, supply-side program called the Innovators Scheme was added. To emphasize the potential economic benefits of the Innovators Scheme, the new program was introduced jointly by Barbara Roche, the Minister for Immigration, and Alan Johnson, the Minister for Competitiveness. This collaboration was underlined in a speech made by Roche to the IPPR a few months later, in which she claimed that the U.K. was “in a competition for the brightest and best talents,” and suggested that immigration policy should be designed to reflect that reality (Roche 2000). Roche told her audience that new visa policies could be used to address the “shortage of skilled workers in the IT sector, where there is an international scramble to attract experts and wealth creators,” and reiterated that she was “particularly keen to hear from members of the business community about how they think the Government can help to attract those with the skills and expertise they need” (Roche 2000).

The government waited until the 2001 election had passed to make another move, but the lack of overtly negative reaction to the immigration policy changes of 2000 and the landslide victory returning Labour to power in 2001 were enough of a mandate to move forward. The High Skilled Migrant Programme (HSMP)\(^86\), a points-based selection system was announced that year.

The new rhetoric portraying immigration as a national asset and an engine of

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\(^{86}\) The HSMP was introduced as an Australian-style points system. Hansen claims that associating the program with Australia instead of Canada was intentional, as the government feared that Canada “appeared too soft on immigration” (Hansen 2014, p. 206).
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economic growth caught on. As the government proceeded with this previously untried strategy, they sought input from external actors, including “Labour-aligned think-tanks, above all the Institute for Public Policy Research (IPPR), and interest groups, especially employer associations” (Consterdine & Hampshire 2014, p. 286-7). This meant that employer organizations were included directly in the immigration policymaking process in a way they hadn’t been before and became “especially crucial to the development of policy” (Somerville & Goodman 2010). It also inspired them to increase their lobbying on the issue, which had previously been somewhat anemic and ad-hoc, thus also amplifying their indirect influence on immigration policy\(^87\) (Consterdine & Hampshire 2014). According to Somerville, “[e]mployers who have lobbied for high-skilled labour migration include insurance companies, major oil and energy companies (such as BP and Shell), accountancy firms and financial companies working in the City of London financial markets” (p. 108).

Though the U.K.’s immigration policy was highly restrictive as recently as the mid-1990s, the numerous skill-selective liberalizations that began in 2000 and continued for the next ten years completely changed the policy environment. The immigration troubles experienced by Tony Blair’s administration initially made the idea of liberalizing

\(^{87}\) Wright argues that while employer associations were consulted in the policymaking process, they were not the driving force behind the changes. He cites an official from the CBI as saying that while the government’s new policies “did have the support of the CBI” it was not pressure from the CBI that “motivated the decision” (2017, p. 361). Instead, he suggests the immigration liberalizations were driven largely by “core executive agencies” like the Treasury and the Home Office (2017, p. 363).
immigration unthinkable. The actions of Barbara Roche suggest that skill-selective policies were intended to address economic demands for migrant labor without stoking the debate on asylum seekers. This is consistent with the second diagnostic criterion, which states that policymakers see skill-selective immigration as a policy compromise. Additionally, the involvement of KPMG, the Japanese Chamber of Commerce and Industry, and the CBI (together with the CBI’s discussion of multinational members) shows the active involvement of multinational firms in shaping and supporting this compromise, and the language used by these actors illustrates their choice to frame the issue in terms of international competition. This shows, consistent with the first and third criteria, that MNCs did engage in influence campaigns in support of skill-selective immigration policies, and that a major rhetorical justification was the global war for talent.

That said, in the United Kingdom case IT firms do not stand out as the central players. Though there is plenty of evidence of MNC involvement, much of the influence of private actors is channeled through employer organizations, making it difficult to distinguish interests and priorities at the level of the industry. However, the outspokenness of KPMG and Somerville’s mention of financial and accounting firms may suggest that an IT-only theory is too narrow, and that expanding the scope of influence to include more of the high-income service sector would better represent the politics of the issue. Furthermore, this grand transformation in British immigration policy may only have been possible given the exceptionally strong growth experienced by the British economy in the
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90s and the cooperation of the labor unions, which was forthcoming.

Though skill-selective entry tracks have been affected less than other visa classes, the 2016 Brexit vote provided another hairpin turn in the history of British immigration policy. It remains to be seen whether the next government will continue to favor the highly skilled.

European Union

The European Union has made numerous attempts to claim supranational competence to harmonize immigration policy among member states since the early 1970s, inspired, in part, by the 1973 oil crisis and the widespread restrictions on immigration that followed in all member states. The European Commission took a broadly pro-immigrant stance, suggesting that member state barriers to immigrant rights were causing some of the integration problems they were experiencing and urging states to give third-country nationals the same treatment they reserved for citizens of the European Community. By and large, states resisted this pressure from the Commission, and the gap between the freedoms accorded EC nationals and TCNs only grew wider (Roos 2013). Despite the fact that the core of the EU’s strength in coordinating other issue areas had been reliant on the logic of economic gains from cooperation, the European Commission experienced virtually no success on labor migration until the 2000s. Two policy drafts—the first in 2001 and the second in 2007—and an examination of the strategic shift in purpose and framing that occurred between them, can help shed light on the priorities of member states
Chapter 7: Variation in the Skill-Selective Turn and the role of the EU.

After decades of member-state resistance, the Amsterdam Treaty in 1999 finally created space for the European Commission to develop legislation on economic immigration policy. The first draft, proposed in 2001, took a comprehensive approach to labor migration. Drawing on existing member state immigration legislation and anticipating fears of increased labor market competition, the Commission’s proposal allowed for the imposition of salary thresholds and outlined a Community preference principle, which required employers to try to hire from within the EU before turning to third-country labor. As Roos puts it, the draft outlined “a flexible framework that left a lot of discretion to member states” (2013, p. 156). Despite this, the effort was rejected by the European Council. The generalized nature of the draft, in failing to discriminate between different kinds of labor migrants, sparked opposition from Austria, Germany and France (Menz 2009), and several delegations found fault with the Community preference principle, pointing to planned or implemented green card schemes that would fail to satisfy such a requirement (Roos 2013). Within a couple of years, the proposal was abandoned.

Before proposing a new draft, the Commission spent some time working on a strategy to ensure that the next attempt to pass labor migration legislation would not encounter the same hurdles. In 2003, the Commission released a communication that “can be interpreted as an attempt to reframe the issue after the first proposal for an EU labour migration directive failed” (Roos 2013, p. 160). The communication pointed to
demographic decline and labor market shortages as common problems across EU member states, mentioned an international competition for the highly skilled and suggested that an EU-wide policy would be an effective way to make the Union as a whole more competitive. It also reminded its audience that such a policy would be in line with goals stated in the 2000 Lisbon Agenda, which prioritized improving the competitiveness of the EU as a knowledge-based economy (CEC 2003, p. 336). In 2004, the Commission released a green paper juxtaposing two different approaches to labor immigration policy and initiated a consultation procedure, asking member states and interest groups to express and explain their preferences. The two broad policy options presented in the green paper included the “horizontal” approach, which was mostly consistent with the Commission’s 2001 draft proposal, and the “sectoral” approach, which was explained as follows:

This draft legislation could focus on seasonal workers, intra-corporate transferees, specially skilled migrants (not necessarily only highly qualified), contractual service suppliers, and/or other categories, putting aside for the time being any overall common framework for the admission of third-country workers. The advantage in this case could be an easier adoption of common rules. (CEC 2005, 811, p. 5)

The results of the consultation procedure gave the Commission reason to believe that EU-wide cooperation could be achieved for four different categories of labor migrant—the highly-skilled, seasonal workers, intra-corporate transferees and paid trainees (CEC 2005, p. 669). In 2007, the Commission introduced its proposal for the Blue Card, a scheme to attract high-skilled workers. The proposal was negotiated among member states over
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the next two years, during which the range of potential migrants who would be eligible for
the Blue Card was drastically narrowed and intra-EU mobility for Blue Card holders (a
provision that had been a priority for the European Commission) was scrapped. Additionally, member states retained the right to maintain parallel, national skill-selective immigration schemes, meaning each could essentially choose to render its Blue Card irrelevant.

On the whole, the developments in economic immigration policy at the EU level in
the 2000s appear to be responding to, rather than driving, national immigration policies. It is clear that between the Commission’s 2001 and 2007 proposals, a conscious shift in framing has occurred as the Commission tries to drive home the added value of harmonization. This is the window that represents the skill-selective moment for the EU. However, much of this seems to be picking up on the kind of language already appearing in member state discourse on immigration, and the final form of the Blue Card shows that, even given overlapping preferences, member states have not yet surrendered their authority to regulate high-skilled immigrants. While this evidence is by no means conclusive, it suggests that the EU has had more of a reinforcing, rather than causal role in the determination of national immigration policies of member states.

Comparing the Senders

In both Germany and the U.K., the end of the 1990s marked a reevaluation of what had long been a restrictive approach to immigration policy. In both cases, newly
elected center-left governments struggled to reinvent their countries as places that embraced the possibility of a long-term immigration regime. And in both cases the decision was made to focus liberalizing moves on a limited group of highly skilled migrants. But there are some differences between the two countries’ experiences that should be highlighted as well. In Germany, the introduction of the German Green Card ignited a national debate on the purpose and form of immigration policy, spurring the opposition party to throw support behind an anti-immigration movement. In the U.K. on the other hand, the newly liberal approach toward skilled migrants was adopted specifically to distract from an anti-immigration movement that had erupted around the rising numbers of asylum seekers. Despite this, the Innovator’s Scheme and HSMP initially received minimal attention from the press. While it is true that employers advocated for skill-selective immigration policies in both countries, the IT industry appears to have been a driving force in Germany, while in the U.K. individual IT companies and IT industry-specific organizations do not appear to have become more involved than non-IT employers.

In part, this difference may be determined by institutional factors. As neither country has a clearly delineated and regulated route by which private actors are given access to policymakers, informal forms of lobbying abound in both places. In the U.K., private business interests are more likely to be in conversation with the Department of Business, Innovation and Skills, than with the Home Office, which handles immigration policy (Wright 2017).
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Evaluating the Skill-Selective Turn

The four cases explored in this chapter—Germany, the United Kingdom, Australia, and the United States—all experienced the skill selective turn around the same time. The 1990s and early 2000s were largely a time of widespread economic prosperity, and they signaled the take-off of information and communications technologies, rocketing the industries’ innovators to the forefront of the global economy. In Australia and the United States, economic criteria for immigrant selection were not new. Even in Germany and the United Kingdom, where immigration had been heavily restricted in the decades leading up to the 1990s, there were historical memories of the recruitment of foreign labor. But the policies that characterized the skill-selective turn in each of these places looked different. Primarily intended for temporary migration, often specifically directed at IT occupations, and mostly streamlined and expedited for ease of use, these were policies that were meant to circumvent immigration restrictions, not to reinvent immigration regimes.

This chapter explores each case in terms of the economic circumstances, social and political conditioning factors, and behaviors of relevant actors. Broadly speaking, these vignettes support the expectations laid out with regard to policymaker and firm-level behavior. In Germany, Australia, and the U.S., this chapter examines explicit examples of the ways in which multinational information technology companies involved themselves in the policymaking process. Consistent with the diagnostic criteria, employers responded to an environment hostile to immigration liberalization by setting their sights on a
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strategically narrowed set of policy demands and presenting these preferences to policymakers along with argument and evidence to undergird their importance. Policymakers too, behaved mostly in accordance with expectations. In the U.S. and the U.K. in particular, the skill-selective compromise appears to emerge from an issue area that has otherwise been considered no-win and untouchable.

At the same time, there are places where the cases reveal themselves to be inconsistent with expectations as well. First and foremost, policy change in the U.K., while supported by multinational employers, does not show information technology MNCs to be the major drivers of change. Instead, there is evidence that other skill-intensive service industries (e.g. finance and consulting) may have been more involved. Furthermore, while the strategy of supporting narrow, skill-selective policy reforms was rapidly picked up by employers in the United States following the successful gambits by the AeA in the early 1980s and the NSF in 1990, these initial instances are lessons more than examples of true intentionality. Within a few years of the 1990 Immigration Act, however, IT MNCs had become the leading advocates of skill-selective policy.
The current administration’s views on legal immigration can be effectively summarized by the comments President Donald Trump made in an Oval Office meeting in January 2018, disparaging immigrants from Haiti and Africa while embracing those from Norway. The incident generated a good deal of media attention, but the outrage seemed to derive more from the impolite language the President used and from the baldness of his remarks than from the sentiments behind his words. A Harvard-Harris poll conducted just a week after the President’s comments were reported found that 79% of respondents think the U.S. immigration system should be based on merit rather than family ties. Part of this result comes from linguistic signals—the idea of merit or of making a contribution implies deservingness in a way that national origin does not. And yet, the preferences expressed by the President and those stated by the survey respondents amount to the same thing. All else equal, people prefer immigrants from high-income countries to those from low-income countries.

During the year of 1984, just two OECD countries passed skill-based changes to their immigration policies. In 2014, 24 OECD countries made such changes. Phrases like “the best and the brightest” and “the global war for talent” are ubiquitous in the rhetoric policy makers and business leaders use to evaluate the world labor market today, and they signal to the public that skill-based immigration is vital to our national interests. But why,
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if our competitive edge and innovative capacity are so reliant on the skills of foreign nationals, is skill-selection in immigration policy such a recent phenomenon? How can this international trend be explained by the political positioning of domestic interest groups?

Multinational Firms and Policy Diffusion

In the context of immigration policy, an unusually controversial policy issue, pro-immigration interests have an incentive to seek a political outcome that will enable some liberalization of access to foreign labor without awakening the full force of immigration opponents. Due to societal prejudices toward immigrants of a lower socio-economic status, high-skilled immigration policies have become just such a compromise. Chapter 3 points in particular to the labor mobility needs of multinational firms and to the skill-intensive and low-protection nature of the information technology labor market to identify IT MNCs as the most likely proponents of skill-selective immigration policies.

The theory advanced in this dissertation expands traditional political economic explanations for immigration policy by incorporating the transnational interests and incentives of multinational firms. While MNC subsidiaries have many of the same qualities as domestic firms, holding stakes in local economies and experiencing the consequences of local regulation, they are organizationally and financially linked to their global network of sibling subsidiaries and to corporate headquarters. The main argument made in this project is that these global MNC networks can be viewed as potential pathways of policy diffusion, and that the proliferation of skill-selective immigration policies can in part be traced back
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to these paths of influence.

This argument is tested using two different strategies—spatial regression and case study analysis. The theory of policy diffusion relies on the idea of interdependence in policymaking, which takes place when policy change in one state somehow impacts the likelihood of policy change in another state. To show not only that liberalizations of skill-selective immigration policies can be explained in terms of policy diffusion, but that the pattern of interdependence is consistent with the theory of multinational firms as conduits of influence, Chapters 5 and 6 utilize a spatial regression technique. This strategy allows for MNC networks to be incorporated into the model as a system of weights for the key independent variable—skill-selective policy liberalization abroad.

The primary research objective in Chapters 5 and 6 is to determine whether there is statistical evidence for interdependence, and the results presented in these chapters stand in support of this hypothesis. The findings in Chapters 5 and 6 also support the hypothesis that right-leaning governments, which more heavily rely on anti-immigration voters, have a positive conditioning effect on this interdependent relationship. However, no such evidence is found to support the idea that plurality electoral systems, which have been theoretically linked to lower insulation from special-interest influence, have a similar condition effect. Chapter 5 also demonstrates that the finding in favor of interdependence is robust to the inclusion of a simple moving average to account for institutional delays, and that MNC networks do not show the same statistical association with restrictive
changes to skill selective policies or liberal changes to family policies. Chapter 6 further probes the robustness of the MNC network-based interdependence finding, showing that it remains robust to the exclusion of outliers and performs better than potential alternative paths of interdependence like geographical distance and bilateral trade ties.

Together, the results discussed in Chapters 5 and 6 provide strong evidence that there is an interdependent relationship between the liberalization of skill-selective immigration policies across the OECD, and that the strength of this relationship can be partly quantified by the MNC networks these countries share. This is a major finding in the studies of international political economy and immigration, both for what it says about MNC networks as well as for what it suggests about the popularity of skill-selection.

At the same time, the statistical results say little about what is happening on the ground. Chapter 7 uses case studies to gain additional insight into the process by which skill-selection has been incorporated into the broader immigrant admissions strategies of four countries—the United States, Australia, Germany, and the United Kingdom. These vignettes support the expectations for policymaker and firm-level behavior generated in Chapter 3. In Germany, Australia, and the U.S., there are explicit examples of the ways in which multinational information technology companies involved themselves in the policymaking process. In Germany, the idea for the Green Card is credited to Ewin Staudt, the CEO of IBM-Germany. In Australia, the 457-visa, the temporary skilled entry visa, emerged from a set of recommendations made by a committee headed by Neville Roach,
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the CEO of Fujitsu Australia. In the United States, a coalition of multinational information technology firms organized a coordinated campaign to voice their support for a liberal change to the quotas placed on H-1Bs, the primary, temporary skilled entry visas in the U.S.

Consistent with the theory described in Chapter 3, these multinational IT firms not only led the campaigns for skill-selective policy liberalization, but also invoked the global war for talent to make use of similar changes abroad and to strengthen their case. Evidence from the U.S., Australian, and U.K. cases also line up well with the hypothesis that firms and policymakers view skill-selective policies as a strategic way to avoid public backlash. Though in every case there must be domestic factors that distinguish a country’s relationship with immigration and approach to its management, the crucial influence of IT MNCs at the moment of the skill-selective turn in each of these places cannot be overlooked. These observations provide helpful qualitative support for the elements of the theory that cannot be tested using statistical methods.

The work contained in this dissertation project represents both major theoretical and empirical contributions to the field of political science. The study of immigration policy by nature crosses subfield boundaries, so while this work is organized primarily to speak to scholars of international political economy, its contributions should also be of interest to those who study immigration policy in the American or comparative contexts. The central theoretical contribution of this dissertation is its conceptualization of the MNC as
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an agent of policy diffusion. Though the international business literature has done some theorizing of the MNC as a network, this definitive structural characteristic has not been applied to questions of policy influence or policy outcomes. This dissertation makes this connection as explicit as possible, using the spread of skill-selective immigration policies to show how the locational patterns of IT MNC subsidiaries can be used to explain interdependence in policy liberalization. As a story of diffusion, this diverges from the traditional image of policymakers as observers of the world. Rather, it suggests that, at least in the case of MNCs, domestic influence can be transnationally motivated.

Additionally, the datasets described in Chapter 4 represent tangible, empirical contributions to the field. One of the main limitations of immigration policy scholarship is the perpetual lack of reliable, comparative data on immigration policies. No one dataset can solve this problem, because immigration policy is in reality a vast category of policies, ranging from family reunification policies to border control policies to citizenship policies and beyond. However, the dataset on changes to skill-selective immigration policies introduced in this dissertation represents an additional step toward making immigration policy operationalizable, and its unique approach to the different dimensions of policy instruments may help inform further data construction work.

The other dataset discussed in Chapter 4 is the first of its kind, focusing only on tracking the annual subsidiary locations of major multinational information technology firms as they become global giants. Though the concept behind this data is quite simple,
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the difficulty associated with obtaining historical information of this kind has led most scholars interested in MNC expansion to use foreign direct investment data instead. Such alternatives sacrifice the ability of the researcher to associate investment with a specific firm. This issue is particularly problematic when it comes to the study of policy change, because a disproportionate amount of amount of policy influence comes from a small number of very large companies. The MNC subsidiary dataset thus represents the start of what will hopefully become a much larger database tracking the expansion of MNC subsidiaries without abstracting beyond the level of the firm.

Avenues for Further Research

The findings presented in this dissertation open up several interesting paths of study. Most importantly, the central finding in support of the role IT MNCs play in the process of skill-selective immigration policy diffusion should be evaluated in the context of other policy areas. This project homes in on IT MNCs as the most likely proponents of skill-selective immigration policies because of the relative skill-intensity of their labor demands and because IT professions have not experienced the same degree of occupational closure as some other high-skilled occupations. Even within this population of IT MNCs, there are other areas of government regulation that may be equally as relevant as skill-selective immigration policies, if not more so, including policies regarding the protection of intellectual property rights and the regulation of information and privacy.

However, nothing about IT firms suggest that they are unique in their potential to
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diffuse policy along their intra-firm networks. One major and exciting undertaking would involve expanding the sample of MNCs to include the giants of manufacturing, food production, banking and so on. This would make it possible to assess the interdependencies that exist within a whole slate of policy areas, including the general-interest issue areas of trade and tax policy, which occupy such a central position in the international political economy literature. With further additions to the MNC data to record information on the primary activity of each subsidiary, employment by subsidiary, or the names of subsidiary CEOs, (most of which, admittedly, is unavailable up until the most recent years) the theory of MNC interdependence could be more fully fleshed out.

Within the realm of immigration policy, the findings on the differences in policy dimensions in Chapter 6 indicate that additional coding of the immigration policy dataset could also provide further leverage in understanding the influence of MNCs. Further work should make an effort to distinguish between the venues in which policy changes occur, because the determinants of bureaucratic change likely differ substantially from the determinants of legislative change.

Another important extension of this work involves expanding the data to include countries outside of the OECD. China and India are the invisible actors behind this project—it is largely because of the enormous developmental and educational changes in these behemoth states that the size of the skilled labor market has ballooned in recent years. Furthermore, the industrial policies oriented toward promoting the nascent IT
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industries in these countries have drastically increased the potential benefits available to IT MNCs with consistent access to foreign labor. At the same time, both of these countries have recently begun to court their skilled diaspora populations, suggesting they are no longer content to play the role of emigration states.

Separate from this, there are several other non-OECD countries that have been adopting and adjusting skill-selective immigration policies in a way that looks very similar to the strategies highlighted in this project. Places like Singapore\textsuperscript{88}, Taiwan, South Africa have been active in their pursuit of skilled migrants in recent years. While the availability of good, comparative information on the features of immigration policy is poor in developed states with long histories of established immigration policies, this problem grows even more intractable outside of the OECD. Still, a concentrated effort to include more places that do not have a Western political and economic legacy would add some helpful variation to the sample and would better describe the global skill-selective trend.

On the qualitative side, further work would benefit greatly from added variation in the selection of case studies. The cases used in this project, the United States, Australia, Germany and the United Kingdom, establish a strong picture of MNC policy influence and the skill-selective turn in large, developed economies with high levels of IT MNC cohosting. Two considerations in particular would greatly improve the ability of case study work to

\textsuperscript{88} Singapore has been particularly purposeful in this regard, and overt policy strategies to attract the highly skilled to Singapore go back to the 1980s.
Chapter 8: Concluding Remarks

contribute this line of research. First, a case that exhibits a low level of IT MNC cohosting would offer an important opportunity to examine how skill-selective policies are proposed and adopted (or not) in an economy without the expected primary influencer. Second, many scholars have noted the problems that may arise when selecting on the dependent variable while choosing cases. While some have argued that “selecting on the dependent variable is not a problem for process-tracing within case studies,” it becomes problematic as soon as cases are compared (Levy 2008, p. 8). Therefore, a case that shows little or no evidence of having experienced a skill-selective turn in immigration policy would be a crucial ingredient for a qualitative, causal claim.

Finally, Chapter 6 briefly touches on the difference between instrumental and political motivations that shape policy design and the potential importance of policy dimensions and target groups in exploring this issue. A thorough treatment of this issue is beyond the scope of this project, but by including some of this basic policy design information, the skill-selective immigration policy dataset described in Chapter 4 makes a future exploration of these issues possible for the first time. In Chapter 6, a division of the data by policy dimension illustrates that the MNC-network pathway of interdependence is a better explanator for policy liberalizations that focus on criteria (e.g. the level of education achieved by the migrant or the field they specialize in) as opposed to regulatory and red-tape barriers. This relationship should be further explicated.

Additionally, while this project looks at several different target groups that all fall
Chapter 8: Concluding Remarks

within the general category of high-skill immigration, a couple of these target groups should be examined separately. For instance, immigration policies that seek to promote the recruitment of international students, while supported by IT MNCs, on the whole, are likely also driven by institutions of higher education. In the United States, high educations institutions often make more money from the steeper tuition fees charged to international students than they do from domestic students.

Investor visas should also be considered in terms of the unique dynamics that encourage their adoption. A number of small countries often thought of as tax havens have in recent years begun to offer residency (and in some cases citizenship) to investors, often without any of the job-creation requirements prevalent to investor tracks in larger states. These visas, which have sometimes been termed “golden visas,” then essentially become memberships for purchase, allowing individuals with large quantities of money to escape potential legal issues in their countries of origin and sometimes, with the help of a new citizenship, achieve a level of global mobility they could not previously access. While this dissertation focuses on the influence of IT MNCs, these are just a couple of examples of the other special interests that may be served by the propagation of narrowly defined, selective visas.

Research and Policy Implications

This dissertation does not argue that the multinational firm is out of control, or that states are experiencing a race to the bottom in immigration policy. It does not argue
Chapter 8: Concluding Remarks

for open borders, or that employers are wrong to seek access to foreign labor. Rather, it
does posit that we who study the international political economy have missed an important
facet of the multinational firm—namely, that such a cross-border economic actor will also
be a cross-border political actor. In recognizing this, researchers must begin to unpack how
the influence of the multinational firm is informed by and spread through its intra-firm
network. Diffusion work has long struggled with the difficulty of tracking the mechanisms
of policy transfer (Gilardi 2016). Even with the understanding that multinational firms
have the incentive and capability to spread policies across states, they process by which
this takes place inside of the firm is still a black box. Incorporating case work at the level
of the multinational firm would enable scholars of diffusion to build upon the theory
introduced in this dissertation and to develop a clearer picture of when firms become
important agents of policy transfer. Policymakers must, at a minimum, seek to make
information about the organizational structure of multinationals available to the public.
There is nothing inherently wrong with the idea that firms can become constituents of
multiple states by way of their subsidiaries, but this information should be made
transparent.

Furthermore, while immigrant admissions policies are perhaps flawed by the very
nature of their exclusivity, it is hard to imagine a reasonable way to dispense with them.
Still, if states must select, they must also be subject to criticism for their chosen strategies
of selection. Skill-selective policies are an in-between place, a compromise that employers
Chapter 8: Concluding Remarks

have chosen to make with society in order to hold on to some level of labor mobility. But they are a compromise in other ways too. Skill-selective policies compromise the already shaky moral basis for admissions regulations, they compromise the ability of our labor markets to adjust to short-term disturbances, and they compromise our chances for broader immigration policy reform.

The push toward skill-selective immigration policies that grows only more common among advanced industrialized countries contains a fundamental willingness to allow potential immigrants branded as undesirable to be shut out and stripped of options. Policymakers on both left and right are willing to accept this compromise because it enables them to be responsive to businesses as well as to a more broadly xenophobic public, which means that the pattern is spreading unchecked. Ultimately, most do not view this compromise as problematic. Selecting based on skill speaks to the contemporary appreciation for the idea of meritocracy, and enough economists have produced calculations showing that highly skilled migrants are economic assets that many have internalized skill-selection as consistent with the national interest.

Yet compromises do not last forever. After the U.S. government responded to the union organized outcry against cheap Chinese labor by enacting the Chinese Exclusion Act in 1882, employers began to recruit Japanese labor instead. In 1907, the Gentlemen’s Agreement with Japan restricted Japanese labor too, so employers began to recruit Filipinos. Restricting migrants by race may no longer be politically viable (current U.S.
executive orders notwithstanding) but favoring those with better access to educational and professional opportunities is hardly more just.
Figure A1: U.S. Public Opinion on the Level of Immigration, 1965-2018

In response to the survey question: should immigration be kept at its present level, increased or decreased?

Appendix A: Additional Figures and Tables

Table A.1: Logit Models of Liberal Change to Skill-Selective Policies

<table>
<thead>
<tr>
<th></th>
<th>Economic Controls (1)</th>
<th>Institutional Controls (2)</th>
<th>All Controls (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC-Cohost</td>
<td>0.109</td>
<td>0.231*</td>
<td>0.220*</td>
</tr>
<tr>
<td></td>
<td>(0.107)</td>
<td>(0.109)</td>
<td>(0.114)</td>
</tr>
<tr>
<td>Trade</td>
<td>0.001</td>
<td></td>
<td>0.0002</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td></td>
<td>(0.003)</td>
</tr>
<tr>
<td>FDI Inflow</td>
<td>0.003</td>
<td></td>
<td>0.005</td>
</tr>
<tr>
<td></td>
<td>(0.008)</td>
<td></td>
<td>(0.007)</td>
</tr>
<tr>
<td>Log GDP</td>
<td>-0.565</td>
<td>-0.176</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.791)</td>
<td></td>
<td>(0.114)</td>
</tr>
<tr>
<td>Log GDP p/c</td>
<td>3.402*</td>
<td>0.770**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.690)</td>
<td></td>
<td>(0.244)</td>
</tr>
<tr>
<td>Gov Right</td>
<td>0.361*</td>
<td>0.452*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.195)</td>
<td>(0.203)</td>
<td></td>
</tr>
<tr>
<td>Plurality</td>
<td>0.605**</td>
<td>0.954**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.217)</td>
<td>(0.266)</td>
<td></td>
</tr>
<tr>
<td>EU Member</td>
<td>-0.490*</td>
<td>-0.370</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.212)</td>
<td>(0.245)</td>
<td></td>
</tr>
<tr>
<td>Parliamentary</td>
<td>0.618*</td>
<td>0.031</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.312)</td>
<td>(0.364)</td>
<td></td>
</tr>
<tr>
<td>Veto Points</td>
<td>2.619*</td>
<td>1.118</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.133)</td>
<td>(1.279)</td>
<td></td>
</tr>
<tr>
<td>Federalism</td>
<td>0.439</td>
<td>0.554*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.301)</td>
<td>(0.327)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>-20.299</td>
<td>-4.732**</td>
<td>-6.687**</td>
</tr>
<tr>
<td></td>
<td>(13.601)</td>
<td>(1.077)</td>
<td>(2.555)</td>
</tr>
</tbody>
</table>

Country Fixed Effects | YES       | NO     | NO     |
Year Fixed Effects    | YES       | YES    | YES    |
Observations          | 969       | 747    | 712    |

Note: *p<.1, **p<.05, ***p<.01
Table A.2: Determinants of Skill-Selective Liberalization by Target Group of Policy Change

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Highly Qualified</th>
<th>Occupationally Skilled</th>
<th>Student</th>
<th>Investor</th>
<th>Intra-Company Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
</tr>
<tr>
<td>MNC-Cohosting</td>
<td>0.021</td>
<td>0.010</td>
<td>0.022</td>
<td>0.031**</td>
<td>-0.003</td>
</tr>
<tr>
<td></td>
<td>(0.018)</td>
<td>(0.011)</td>
<td>(0.014)</td>
<td>(0.012)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>Gov Right</td>
<td>0.045</td>
<td>0.040*</td>
<td>0.025</td>
<td>0.031</td>
<td>0.010</td>
</tr>
<tr>
<td></td>
<td>(0.029)</td>
<td>(0.018)</td>
<td>(0.022)</td>
<td>(0.019)</td>
<td>(0.013)</td>
</tr>
<tr>
<td>Plurality</td>
<td>0.113**</td>
<td>0.040</td>
<td>0.052</td>
<td>0.069**</td>
<td>-0.011</td>
</tr>
<tr>
<td></td>
<td>(0.035)</td>
<td>(0.022)</td>
<td>(0.027)</td>
<td>(0.023)</td>
<td>(0.016)</td>
</tr>
<tr>
<td>Trade</td>
<td>-0.0004</td>
<td>-0.0003</td>
<td>-0.0003</td>
<td>-0.0002</td>
<td>0.0002</td>
</tr>
<tr>
<td></td>
<td>(0.0005)</td>
<td>(0.0003)</td>
<td>(0.0004)</td>
<td>(0.0003)</td>
<td>(0.0002)</td>
</tr>
<tr>
<td>FDI Inflow</td>
<td>0.002</td>
<td>-0.0003</td>
<td>-0.0003</td>
<td>0.001</td>
<td>0.0004</td>
</tr>
<tr>
<td></td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
<td>(0.001)</td>
</tr>
<tr>
<td>Log GDP</td>
<td>-0.025</td>
<td>-0.010</td>
<td>-0.025</td>
<td>-0.026*</td>
<td>0.019*</td>
</tr>
<tr>
<td></td>
<td>(0.017)</td>
<td>(0.011)</td>
<td>(0.013)</td>
<td>(0.011)</td>
<td>(0.008)</td>
</tr>
<tr>
<td>Log GDP p/c</td>
<td>0.079*</td>
<td>0.035</td>
<td>0.038</td>
<td>0.015</td>
<td>-0.004</td>
</tr>
<tr>
<td></td>
<td>(0.031)</td>
<td>(0.019)</td>
<td>(0.024)</td>
<td>(0.020)</td>
<td>(0.014)</td>
</tr>
<tr>
<td>EU Member</td>
<td>-0.076*</td>
<td>-0.013</td>
<td>0.019</td>
<td>-0.015</td>
<td>0.010</td>
</tr>
<tr>
<td></td>
<td>(0.034)</td>
<td>(0.022)</td>
<td>(0.027)</td>
<td>(0.022)</td>
<td>(0.016)</td>
</tr>
<tr>
<td>Parliamentary</td>
<td>0.007</td>
<td>0.024</td>
<td>-0.041</td>
<td>-0.021</td>
<td>-0.053*</td>
</tr>
<tr>
<td></td>
<td>(0.049)</td>
<td>(0.031)</td>
<td>(0.038)</td>
<td>(0.032)</td>
<td>(0.023)</td>
</tr>
<tr>
<td>Veto Points</td>
<td>0.104</td>
<td>0.100</td>
<td>0.114</td>
<td>0.110</td>
<td>0.071</td>
</tr>
<tr>
<td></td>
<td>(0.151)</td>
<td>(0.095)</td>
<td>(0.117)</td>
<td>(0.097)</td>
<td>(0.070)</td>
</tr>
<tr>
<td>Federalism</td>
<td>0.040</td>
<td>0.038</td>
<td>0.030</td>
<td>0.035</td>
<td>0.033*</td>
</tr>
<tr>
<td></td>
<td>(0.041)</td>
<td>(0.026)</td>
<td>(0.032)</td>
<td>(0.026)</td>
<td>(0.019)</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.204</td>
<td>-0.134</td>
<td>0.236</td>
<td>0.512**</td>
<td>-0.517**</td>
</tr>
<tr>
<td></td>
<td>(0.365)</td>
<td>(0.230)</td>
<td>(0.283)</td>
<td>(0.236)</td>
<td>(0.169)</td>
</tr>
<tr>
<td>Country Fixed Effects</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
</tr>
<tr>
<td>Year Fixed Effects</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Observations</td>
<td>712</td>
<td>712</td>
<td>712</td>
<td>712</td>
<td>712</td>
</tr>
<tr>
<td>R²</td>
<td>0.119</td>
<td>0.098</td>
<td>0.112</td>
<td>0.090</td>
<td>0.072</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.071</td>
<td>0.048</td>
<td>0.063</td>
<td>0.040</td>
<td>0.021</td>
</tr>
</tbody>
</table>

*Note:* *p<.1, *p<.05, **p<.01
Appendix B: Immigration Policy Codebook

Year
- Year the policy measure entered into force.

Description
- A short description of the policy change based on the sources obtained. Where available in the DEMIG Policy dataset\(^89\), summaries provided are retained, but particularly where coding draws on additional source material, these descriptions are expanded. Personal additions and changes to the DEMIG descriptions are noted.

Sources
- Sources identified by Demig to inform the coding of the observation as well as additional sources obtained through personal research that provide new or additional information. Enables individual observations to be looked up, double-checked, and improved upon if/when new information is uncovered.

<table>
<thead>
<tr>
<th>any_change</th>
<th>1</th>
<th>Skill-selective policy change</th>
<th>Any change, restrictive or permissive, to a policy that targets one or more of the five target groups included in the definition of skill-selection.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>No change</td>
<td>No change to policies targeting skilled migrants (as defined above) is made.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>high_qual</th>
<th>1</th>
<th>Highly qualified target</th>
<th>• A change to a policy targeting potential migrants based on one or more of the following criteria: the level of education they have achieved (tertiary or post-secondary vocational); employment in one of the first three major occupational groups as specified by the ISCO-08 classification (which correspond to ISCO skill levels 3 and 4 and include managers, professionals, and technicians and associate professionals) or one of their sub-major groups</th>
</tr>
</thead>
</table>

Appendix B: Immigration Policy Codebook

<table>
<thead>
<tr>
<th>occu_skill</th>
<th></th>
<th>(e.g. a policy directed at researchers is not targeting a specific occupation, but all the occupations within the ISCO-08 sub-major group, “science and engineering professionals”)(^90); a minimum salary level consistent with a higher than average income. • A change to a policy targeting family members of highly qualified migrants.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>No change</td>
<td>No change to policies targeting highly qualified migrants (as defined above) is made.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>occu_skill</th>
<th></th>
<th>• A change to a policy targeting potential migrants based on their specific occupation (either at the ISCO-08 minor group, unit group, or occupational level)(^1). Occupations may be located in any of the major ISCO-08 groups, regardless of their corresponding skill level. Said occupations are often chosen in response to shortages identified by a national agency or agreed upon by the social partners, so while these policies sometimes refer to a specific set of predetermined occupations, they may instead refer to a periodically updated list.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Occupationally skilled target</td>
<td></td>
</tr>
</tbody>
</table>

\(^90\) The choice to distinguish between the highly qualified and the occupationally skilled using the hierarchical structure of the ISCO-08 classification system is not arbitrary. ISCO-08 organizes occupations based on two concepts, skill level and skill specialization. These two concepts correspond well to the conceptual difference between highly qualified migrants and occupationally skilled migrants that I seek to draw out in my recoding of the data. Major ISCO-08 groups are arranged by skill level, so a policy selecting by major group indicates an intention to filter potential migrants by the level of qualification they’ve achieved. Minor groups and unit groups are organized solely by increasing levels of skill specialization, so policies containing criteria at these levels suggest that skill content is of greater concern than skill level. Sub-major groups are organized on the basis of both skill level and skill specialization, yet while sub-major groups may agglomerate occupations based their economic sector or the role they represent in the wider production process, they are mostly too broad to allow us to hone in on the field of specialization or the good or service produced. For this reason, sub-major groups say more about skill level than skill content.
## Appendix B: Immigration Policy Codebook

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>student</strong></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>No change</td>
</tr>
<tr>
<td>1</td>
<td>Student target</td>
</tr>
<tr>
<td></td>
<td>- A change to a policy targeting international students at the level of tertiary or post-secondary vocational education.</td>
</tr>
<tr>
<td></td>
<td>- A change to a policy targeting family members of international students.</td>
</tr>
<tr>
<td></td>
<td>No change to policies targeting international students (as defined above) is made.</td>
</tr>
<tr>
<td><strong>investor</strong></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>No change</td>
</tr>
<tr>
<td>1</td>
<td>Investor or entrepreneur target</td>
</tr>
<tr>
<td></td>
<td>- A change to a policy targeting potential migrants based on a minimum sum of money they are willing to invest in the destination country or a minimum number of jobs they can commit to creating.</td>
</tr>
<tr>
<td></td>
<td>- A change to a policy targeting family members of investors or entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>No change to policies targeting investors or entrepreneurs (as defined above) is made.</td>
</tr>
<tr>
<td><strong>job_tied</strong></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>No change</td>
</tr>
<tr>
<td>1</td>
<td>Entry tied to employment offer</td>
</tr>
<tr>
<td></td>
<td>A change to a policy requiring potential high-skill migrants to have a job offer from an employer in the destination country in order to gain entry.</td>
</tr>
<tr>
<td></td>
<td>No change to policies requiring potential migrants to have job offers.</td>
</tr>
</tbody>
</table>
### Appendix B: Immigration Policy Codebook

<table>
<thead>
<tr>
<th>job_search</th>
<th>1</th>
<th>Entry allowed for job search</th>
<th>A change to a policy allowing potential high-skill migrants to enter (or remain in) the country on a temporary basis for the purpose of seeking a job.</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>No change</td>
<td>No change to policies allowing potential migrants to seek work.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>criteria</th>
<th>1</th>
<th>Criteria for entry widened</th>
<th>A change to a policy expanding criteria for potential high-skill migrants or making existing criteria easier to meet. This could mean that a salary threshold has been reduced, education requirements have been lowered, more occupations are eligible, new recognition of foreign qualifications, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1</td>
<td>Criteria for entry narrowed</td>
<td>A change to a policy expanding criteria for potential high-skill migrants or making existing criteria harder to meet.</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>No change</td>
<td>No change to criteria affecting potential high-skill migrants.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>red_tape</th>
<th>1</th>
<th>Red tape reduced</th>
<th>A change to a policy allowing for faster processing or easier entry for high-skill migrants. Often this entails opening up a new permit with lower administrative barriers, but sometimes it simply exempts a category of migrant from undergoing the same regulatory process. Can include, for example, higher caps, lowered fees, fast-track provisions, removal of labor market test, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>-1</td>
<td>Red tape increased</td>
<td>A change to a policy creating more burdensome processing or more difficult entry for high-skill migrants.</td>
<td></td>
</tr>
<tr>
<td>0</td>
<td>No change</td>
<td>No change to red tape for potential high-skill migrants.</td>
<td></td>
</tr>
</tbody>
</table>
### Appendix B: Immigration Policy Codebook

<table>
<thead>
<tr>
<th>work_rights</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Work rights/permissions expanded: A change to a policy in which rights or permissions are extended to give high-skill migrants more flexibility in the labor market. Permissions are sometimes extended to allow migrants to change occupations or to allow international students to work part time, for example.</td>
</tr>
<tr>
<td>-1</td>
<td>Work rights/permissions contracted: A change to a policy in which rights or permissions are contracted to give high-skill migrants less flexibility in the labor market.</td>
</tr>
<tr>
<td>0</td>
<td>No change: No change to work permissions for high-skill migrants.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>res_rights</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Residency rights/permissions expanded: A change to a policy in which rights or permissions are extended to improve access to residency status for high-skill migrants. For example, the period of residence allowed by the permit may be increased or a non-renewable permit may become renewable. (Reduced integration requirements can also be added to this category.)</td>
</tr>
<tr>
<td>-1</td>
<td>Residency rights/permissions contracted: A change to a policy in which rights or permissions are contracted to reduce access to residency status for high-skill migrants.</td>
</tr>
<tr>
<td>0</td>
<td>No change: No change to residency permissions for high-skill migrants.</td>
</tr>
</tbody>
</table>
Appendix C: Immigration Policy Data Sources by Country

The Organization for Economic Cooperation and Development (OECD) publishes a yearly report called the International Migration Outlook (prior to 2006, the title was Trends in International Migration). This report includes a segment on each member state and represents the best cross-national information on contemporaneous change to immigration policies. That said, due to the limited amount of space and lack of systematic reporting guidelines, the information is often not comprehensive. The OECD reports used to compile the immigration policy dataset are listed below. Where additional sources were necessary and available, those sources are listed by country below as well.

Cross-National


Australia

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Appendix C: Immigration Policy Data Sources by Country


Austria

Appendix C: Immigration Policy Data Sources by Country


Belgium


Canada


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Appendix C: Immigration Policy Data Sources by Country


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Appendix C: Immigration Policy Data Sources by Country


Czech Republic


Denmark


Finland

Appendix C: Immigration Policy Data Sources by Country

Contact Point for the European Migration Network.
Kiuru, B. (2012). National Report from Finland for EMN Study on Immigration of International Students to the EU. EMN National Contact Point, Finland.

France

Germany
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Greece


Hungary

Appendix C: Immigration Policy Data Sources by Country


Ireland


Italy


Appendix C: Immigration Policy Data Sources by Country


Japan


South Korea

Appendix C: Immigration Policy Data Sources by Country

Luxembourg


Netherlands


New Zealand


Appendix C: Immigration Policy Data Sources by Country

Norway


Poland


Ministry of Interior and Administration (2009b) EMN 2009 Annual Policy Report for Poland. Warsaw, Poland: Polish National Contact Point to the European Migration Network.

Ministry of Interior and Administration (2009c) The organisation of asylum and migration policies in Poland. Warsaw, Poland: Polish National Contact Point to the European Migration Network.

Portugal


Russia


Slovakia

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Slovenia


Spain


Sweden


Switzerland

Bundesamt für Migration (2013) Ein Berufspraktikum im Ausland. Staatssekretariat für
Appendix C: Immigration Policy Data Sources by Country

**Migration.**


**Turkey**


Migration Policy Centre (2013). MPC Research Report. Florence, Italy: European University Institute, Robert Schuman Centre for Advanced Studies, Migration Policy Centre.

**United Kingdom**


**United States**

Appendix C: Immigration Policy Data Sources by Country


Appendix D: MNC Subsidiary Location Data Sources

The majority of data compiled on the locations of subsidiaries of multinational firms was obtained using the Corporate Affiliations Database. This dataset has changed ownership (and thus its official title) twice over the course of the period. The date ranges covered by each version of the Corporate Affiliations dataset are listed below. The additional sources, which comprise mainly annual reports, documents filed with the Securities and Exchange Commission (SEC), and some information gleaned from manuals and archives maintained by Mergent Inc., a provider of global business and financial data. These additional sources are included by company name below, and the years for which they filled in data not available from Corporate Affiliations are listed.

Corporate Affiliations Data


Additional Data Sources


Appendix D: MNC Subsidiary Location Data Sources

References by Chapter

Chapter 1 References


Silver, L. (2018). Immigration concerns fall in Western Europe, but most see need for newcomers to integrate into society. Pew Research Center.


References by Chapter

Fördern.


Chapter 2 References


References by Chapter


References by Chapter


Chapter 3 References


References by Chapter


References by Chapter


References by Chapter


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References by Chapter

Cambridge, MA: Harvard University Press.


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Chapter 4 References


Chapter 5 References


Chapter 6 References


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Chapter 7 References


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UK: Palgrave Macmillan.


German IT firms urge govt fight vs. radical right. (2000, September 15). Reuters News.
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Retrieved from: https://www.reuters.com/


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Khan, A. W. (2012). UK Media’s Pathology of the Asylum Seeker & the (mis)Representation of Asylum as a Humanitarian Issue. eSharp, Special Issue: The 1951 UN Refugee Convention-60 Years, 54-86.


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References by Chapter


United States. (1952). Immigration and Nationality Act, with amendments and notes on related laws: committee print for the use of the Committee on the Judiciary, House of Representatives, United States. Washington, D.C.


References by Chapter


Chapter 8 References
