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# Why Immigration Policy Should Be a Federal Policy: Considerations on the EU and the US

by

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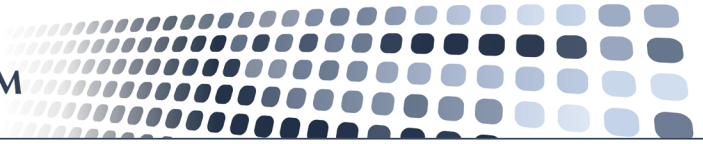


## Abstract

In a union of states such as the EU or the US, should immigration policy be decentralized or should it be a federal policy? Experience and economic logic offer a simple argument against decentralization. Because immigration reforms in one state are felt beyond its borders, other states will respond in kind. Decentralization will, therefore, create coordination problems between states and will reduce their individual and collective ability to manage immigration. In the EU and the US, the existence of a federal policy is a precondition for an effective management of migratory flows

## Key-words:

Immigration Policy, Decentralization, Coordination Failures



In the immigration policy debate the contradiction between the long-run interests of societies and the short-run incentives of politicians is striking. This is visible on both sides of the Atlantic. Policy-makers in the EU member states and in the states of the US appear irresistibly attracted to unilateral immigration measures. "Decentralize immigration policy!" seems to be the new mantra. Whatever the reasons that motivate this new trend, succumbing to these temptations would be wrong.

Immigration in the EU is in principle a common policy. According to Article 63a(1) of the Lisbon Treaty, "The Union shall develop a common immigration policy aimed at ensuring, at all stages, the efficient management of migration flows, fair treatment of third-country nationals residing legally in Member States, and the prevention of, and enhanced measures to combat, illegal immigration and trafficking in human beings." The response to the immigration shock caused by the turmoil in the Arab world, however, poorly reflects the spirit of the text<sup>11</sup>. The Council Conclusions on April 12 did not go beyond general statements in support of co-operation. This in a context where member states are reluctant to provide the central authorities the resources for an effective common policy and some leading politicians openly call for unilateral actions and question the wisdom of a single EU policy.

In the US the debate has surprisingly similar elements. The law passed in Arizona in April 2010 required local police to detain suspected illegal immigrants and proposed to make it a state crime not to carry immigration papers. Aside from having an alarming discriminatory nature (President Obama argued that the law risks "to undermine basic notions of *fairness* that we cherish as Americans"<sup>1111</sup>), the Arizona reform shifted important responsibilities on immigration matters back to the state level. In July 2010 a federal judge in Phoenix blocked the Arizona law, a decision that has been upheld this week by a Court of Appeals. However, several other US states are considering similar reforms.

State policy-makers in the EU and in the US should ask themselves if unilateral immigration measures are in the long-run interests of the societies they represent. Will the decentralization of immigration policy (that is, the move away from central authorities to state intervention) improve the control over immigration? Experience and simple economic logic offer a clear and negative answer to this question. Because immigration



reforms in one state are felt beyond its borders, other states will respond in kind. Decentralization will, therefore, create coordination problems between states and will reduce their individual and collective ability to manage immigration.

Data on international migration show that migrants (legal or not) choose their destination in response, among other things, to differences in policies in host economies. In their historical account of migratory flows and immigration policy, Professors Hatton and Williamson find that receiving countries paid close attention to each other's policies as migrants were pulled from and pushed toward one country in response to less or more restrictive policies in others. (Hatton and Williamson, 2005). For instance, in the late 19th and early 20th century Australia's open immigration policy decreased flows to Canada, while Argentina saw an influx of migrants as the United States closed its doors. It will not come as a surprise that something that was true over a century ago for loosely interconnected countries is highly magnified at present times within a union of states.

A first well-documented example is provided by recent European history. In January 2004, the European Union incorporated ten new member states from Eastern and Central Europe. Transitional arrangements allowed individual EU states to postpone for a transitional period their complete implementation of the principle of free movement of people inside the Union and to impose temporary restrictions on immigration from the new members. As shown by Boeri and Bruecker (2004), these varying arrangements affected the geographical orientation of migrants from Eastern and Central Europe (Boeri and Bruecker, 2005). Specifically, different unilateral measures resulted in substantial diversion of migration flows from states with tougher rules to states with more open rules.

A second example is provided by the consequences in the US of the passing of the Arizona immigration law. Even though its central provisions had been suspended, in the shadow of legal ambiguity the effects on migratory decisions started to materialize. In November 2010, *The Economist* reported a study of BBVA Bancomer, a Mexican Bank. Researchers estimated that around 100,000 Hispanics, both legal and illegal, are leaving Arizona for other destinations in response to the adoption of the law.<sup>IV</sup> Some immigrants return to Mexico, many find their way to other states of the US.

The mobility of migrants across different jurisdictions makes immigration policy choices interdependent. This interdependence is stronger for host economies that are closely interconnected, as is the case for the states of the US and the members of the EU.



Specifically, the choice of one state will inevitably affect others through the location decisions of migrants. In this environment, individual states will easily mismanage immigration as unilateral decisions will trigger reactions of other state governments.

In a recent paper (Giordani and Ruta, 2011), we show that the decentralization of immigration policy may lead to what economists refer to as “coordination failures” - a situation where policy choices are driven by beliefs rather than fundamentals and are associated with a lower social welfare. (Giordani and Ruta, 2011). These coordination failures are likely to emerge when state policy-makers are uncertain about the immigration reforms of other states. For instance, fears that other states will be tougher on migrants will trigger an unnecessary escalation in restrictions as governments set up barriers to avoid possible sudden influx of migrants. In brief, properly controlling immigration is a powerful argument for a single policy on this matter in a union of states.

There are many open and difficult questions related to the management of the flows of migrants in receiving economies, but there is something that we know in any case: The end result of decentralization of immigration policy in a union of states, such as the EU or the US, will be an increased inability to address the challenges presented by immigration. This is not in the long-run interest of proponents of unilateral state interventions and - what matters more - of the people they represent.

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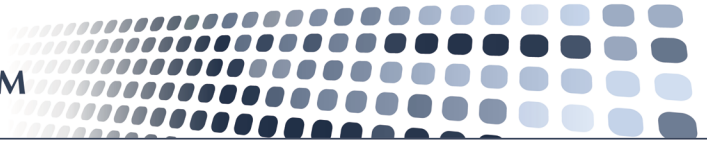
<sup>II</sup> The recent influx of migrants has also prompted a debate on the reform of the Schengen Treaty which allows the free mobility of people across signatory states in Europe. For a critical assessment of this proposal, see Tito Boeri, 2011

<sup>III</sup> The speech is available online at the following address: <http://www.whitehouse.gov/the-press-office/remarks-president-comprehensive-immigration-reform>

<sup>IV</sup> The study can be accessed online at the following address: [http://www.bbvaresearch.com/KETD/fbin/mult/101025\\_PresentationsMexico\\_66\\_eng\\_tcm348-234645.pdf](http://www.bbvaresearch.com/KETD/fbin/mult/101025_PresentationsMexico_66_eng_tcm348-234645.pdf)

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