

# **The Challenge of Global Migration Governance: A Rationalist Approach\***

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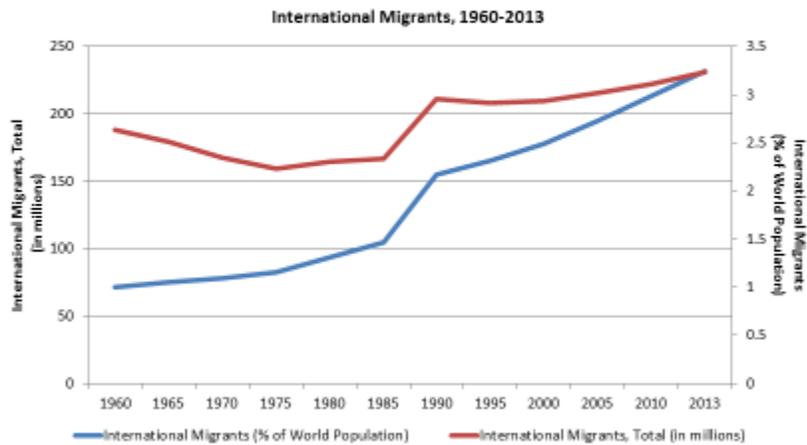
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## Introduction

Why is international cooperation to manage migration so difficult to achieve? International migration—the movement of people across national borders—has been steadily increasing in every region of the globe since the end of World War II. Today approximately 244 million people reside outside of their country of birth and over the past half-century individual mobility has increased at a steady pace (see Figure 1). Tens of millions of people cross borders on a daily basis, which adds up to roughly two billion annually. One of the principal effects of economic interdependence is to compel states to cooperate. Increasing international migration is one indicator of interdependence, and it shows no signs of abating.

Figure 1  
Trends in International Migration:



Source: World Bank Data Bank 2015

2

International mobility of people is part of a broader trend of globalization, which includes trade in goods and services, investments and capital flows, greater ease of travel, and a veritable explosion of information. While trade and capital flows are the twin pillars of globalization,

migration is the third pillar or the third leg of the stool on which the global economy rests. Migration is in many ways connected to trade and investment, yet it is profoundly different. *People are not shirts*, which is another way of saying that labor is not a pure commodity. Unlike goods and capital, individuals can become actors on the international stage (they have agency) whether through peaceful transnational communities or violent terrorist/criminal networks. In the extremely rare instances when migrants commit terrorist acts, migration and mobility can be a threat to the security of states. However, the benefits of migration far outweigh the costs. Immigrants bring new ideas and cultures (diversity) to their host societies, and in liberal democracies they come with a basic package of (human and civil) rights that enables them to settle and become productive members of society, if not citizens of their adoptive countries. Conversely, they may return to their countries of origin where they can have a dramatic impact on economic and political development (Martin et al. 2006).

However, despite the benefits of international migration, discontent with the movement of people across borders has been rising—along with discontent with the movement of goods and capital—in the United States and Europe. During the 2016 American presidential election, Donald Trump’s campaign drew heavily on opposition to immigration, trade, and foreign investment, promoting the nationalist slogan of “America First.” According to Lawrence Katz, quoted in a *New York Times* article: “Just allowing the private market to automate without any support is a recipe for blaming immigrants and trade and other things, even when it’s long impact of technology” (Miller 2016). Edward Alden (2017) argues that the United States has failed to adjust economic and trade policies to the new reality of an automated and globalized economy. As a result, those who have lost the safety net see immigrants and trade as the cause of their economic difficulties.

In this paper, we discuss politics of international migration taking a rationalist approach. We first briefly introduce what we mean with a “rationalist approach.” Next, we explore the collective action problem that makes international cooperation for migration governance so difficult. After this, we examine the logic of another collective action problem to discuss domestic politics of migration governance, which makes international cooperation to manage migration even more difficult. This paper concludes by discussing some implications of our argument on the other two pillars of globalization: trade and foreign investment.

### **Rational Choice and Strategic Interaction**

We can see immediately how migration politics touches every dimension of human activity, including the procedural or distributional dimension—who gets what, when, how, why, and at whose cost—the legal or statist dimension, involving issues of governance and legitimacy; and the ethical or normative dimension, which revolves around questions of citizenship, justice, and participation. The study of politics, like economics, involves preferences, interests, and tradeoffs. But unlike economics, where the emphasis is on scarcity and efficiency, in politics the primary emphasis is on power, influence, and authority, with strong ethical and normative overtones, concerning justice, membership, and citizenship. In a free market, the allocation of scarce goods and resources takes place according to the logic of the marketplace (the price mechanism), that is, the interaction of supply and demand. The exercise of power, however, takes place in the ideational, legal, and institutional confines of political systems.

Then what does a rationalist approach add to the study of politics of migration? We know that politics, unlike economics, is not interested narrowly in the allocation of scarce goods and resources. Although politics affects markets through policies, laws, and rules that regulate

competition, in a mixed capitalist system politics is not *directly* concerned with the individual economic decisions of consumers and producers or the optimal allocation of scarce resources. Nonetheless, politics, like economics, does involve choices and strategic interactions. This is where those who advocate a positive approach to the study of politics join forces with economists to lay the *micro-foundations* of political analysis. So-called rational choice approaches in political science share common assumptions with economists about human rationality and strategic decision-making, and they seek to construct economic theories to explain political behavior.

We take a rational choice approach, which assumes that individuals are rational in the sense that they will make choices to “maximize their chances of achieving their goals” (Geddes 2003, 177). We give priority to agency (individual rational actors) over structure (institutions and other political constraints). We assume that individuals have goals, and that institutions and other factors affect individual strategies and preferences. In this framework, utility maximizing individuals will do what they can to achieve their goals, engaging in strategies to anticipate the actions of others (their opponents), who will in turn anticipate the actions of the other side. Strategic interactions therefore refer to the ways in which each individual not only looks out for his or her own interests but also takes into account the interests and strategies of others. In this rational choice framework, conflict and cooperation, and the give and take of political life are the result of myriad strategic interactions.

We use game theory to understand the complexity of strategic interactions in situations of conflict. Game theory is not a “theory” in the sense of a set of claims, laws, or propositions about the way the world works. It is rather a method for constructing theories, and it offers the analyst a set of concepts and tools that enable her to formalize her arguments. Game-theoretic analysis requires careful specification of the beliefs, wants, and needs of individuals, and a clear

understanding of what strategies are available to them. The need for specificity makes game theory less useful as a tool for applied political and social science; nonetheless, it helps us to understand the logic and structure of migration politics and global governance .

## **International Cooperation for Migration Governance**

In strategic interactions over the issue of migration, international cooperation is difficult. Figure 2 highlights the inadequacies of global migration governance compared to trade and finance. Why has no international migration regime emerged to complement the Bretton Woods regimes for trade (GATT/WTO) and finance and development (IMF and World Bank)? The answer lies in collective action problems. To date, unwanted labor migration is more of a nuisance for host countries, especially from a political and security standpoint, although radical right politicians like Donald Trump in the U.S. or Matteo Salvini in Italy have seized upon the migration issue to advance their political and electoral agenda. Radical right politics and the building of walls, labor migrants are not fundamentally threatening. Migration governance often is unilateral and done on an *ad hoc* basis. The payoff from international cooperation in the area of unwanted labor migration is negative, and opportunities for defection from a global migration regime are numerous. The possibilities for monitoring, enforcing, or developing some core principle of non-discrimination (as in the WTO) are minimal at this point, and there is little or no reciprocity. Thus, states have a strong incentive to *free ride* on other states' efforts, and international migration of all types poses a challenge for individual states, as well as for regional integration processes like the European Union, NAFTA, and the Association of Southeast Asian Nations, and for the international community as a whole (Hollifield et al., 2014).

Figure 2  
A Typology of International Regimes



*The Logic of Collective Action: The Prisoner's Dilemma*

To account for the logic of why international cooperation to manage migration is so difficult, we use a game-theoretic term, the Prisoner's Dilemma, whereby the two actors' rational strategy to maximize individual payoffs creates a worse outcome than some other possible outcome that would be better for *both* actors. This interaction captures why international cooperation is difficult under anarchy: in the absence of enforcement mechanisms to punish defections, states can give into a temptation to defect unilaterally. The point is that states have an individual incentive to defect, which leads to an outcome of mutual defection even though both would be better off with cooperation. Thus, the Prisoner's Dilemma provides the micro-foundations for realist theories of international relations, which argue that states will approach international relations as a zero-sum (win or lose) game thus making international cooperation extremely difficult, if not impossible (Mearsheimer 2001; Morgenthau 1954; Waltz 1979).

In the meantime, international cooperation is more likely if interactions occur repeatedly with the same partners (Axelrod 1984). In this situation—commonly known as the repeated (iterated) Prisoner’s Dilemma—actors find their best interest to be cooperating in every period if future payoffs are valued highly enough—this is the so-called “shadow of the future” and it forms a basis for cooperation in world politics. In this way, the likelihood of cooperation is increased through deepening economic interdependence, building international institutions, and spreading liberal democracy. The repeated Prisoner’s Dilemma lays the micro-foundations for liberal theories of international relations. Interdependence and constant strategic interactions produce common interests and therefore increase the likelihood of cooperation among states (Ikenberry 2011). Institutions, then, both international and domestic, can mitigate the effects of anarchy, and as a result, there is opportunity for positive-sum, mutually beneficial cooperation (Keohane 1984; Lake 2011; McDonald 2009). Even under anarchy, international institutions help states to promote cooperation by creating the expectation of repeated interactions across time and with multiple partners, defining norms (standards of acceptable behavior), providing information about activities of other states, and creating linkages across policy dimensions (Copeland 2015; Davis 2004; Jervis 1976; Martin and Simmons 2001; Voeten 2005). This logic of cooperation suggests that states will seize opportunities to cooperate over time and across issues if each state *trusts* that the other states see the virtues of cooperation. If a powerful state accuses its allies of defection and free riding, the shadow-of-the-future based cooperation would not work and the chance for international cooperation will diminish. Hence, the logic of the iterated Prisoner’s Dilemma suggests that the America First foreign policy of the United States under Donald Trump makes international cooperation more difficult.

### *Migration Interdependence and International Cooperation*

The movement of populations affects international security, and in some situations like the partition of India or the breakup of Yugoslavia, it can change the balance of power. Migration is an important factor driving economic interdependence and creating an international labor market. The first rule of political economy is that markets beget regulation. Hence, some type of a stronger global or regional migration regime is necessary to sustain open labor markets. What will be the parameters of such a regime, how will it evolve, and how can the rationalist approach help us to understand it?

As the logic of the iterated Prisoner's Dilemma suggests, one of the principal effects of economic interdependence is to compel states to cooperate. As the international market for skilled and unskilled labor grows, pressures to create an international regime will increase. We identify two ways in which states can overcome collective action problems in the absence of a multilateral process that builds *trust* and *reciprocity* and thereby helps to overcome asymmetries: (1) through the centralization of regulatory power and pooling of sovereignty (as in the European Union), and (2) suasion and "tactical issue linkage."

We already have seen an example of the first strategy at the regional level in Europe. The European Union and, to a lesser extent, the Schengen and Dublin regimes were built through processes of centralization and pooling of sovereignty. This was easier to do in the European context because of the symmetry of interests and power within the European Union and the existence of an institutional framework (the various treaties of the European Union). It is much more difficult to centralize control of migration in the Americas or Asia, for example, where the asymmetry of interests and power is much greater, and levels of political and economic development vary tremendously from one state to another. Different from the European Union, it

is unlikely that regional trade regimes like the North American Free Trade Agreement (NAFTA), Asia-Pacific Economic Cooperation, or the Trans-Pacific Partnership (now Comprehensive and Progressive Agreement for Trans-Pacific Partnership) will lead quickly to cooperation in the area of migration. Nevertheless, the regional option—multilateralism for a relevant group of states where migration governance is a club good—is one way to overcome collective action problems and to begin a process of centralization of regulatory authority.

Most international regimes have had a long gestation period, beginning as bilateral or regional agreements. It is unlikely, however, that an international migration regime (a Global Compact on Migration and Refugees) could be built following the genesis of international organizations such as the General Agreement on Tariffs and Trade (now the WTO), the International Monetary Fund, and the World Bank, which provide a certain level of multilateral governance for the other two pillars of globalization. In the area of migration governance, it is difficult to fulfil the prerequisites of multilateralism: indivisibility, generalized principles of conduct, and diffuse reciprocity. The norm of non-discrimination (equivalent of the most-favored nation status) does not exist, and there are no mechanisms for punishing free riders and no way of resolving disputes. In short, as depicted in Figure 2, the basis for multilateralism is weak, and the institutional framework is not well developed. However, this has not prevented the international community (via the United Nations) from moving forward with a Global Compact for Migration, built around the principle of “safe, orderly and regular migration.” The challenge of course will be to convince the most powerful states, especially the United States, to support a multilateral process for global migration governance. For the moment, the United States and other powerful countries (like the United Kingdom) are moving in exactly the opposite (nationalist and unilateral) direction.

With the asymmetry of interests and power between developed (migration receiving) and less developed (migration sending) countries, *suasion*, including financial incentives, is the only viable strategy for overcoming collective action problems, whether at the regional or international level. This game follows several steps. The first step is to develop a *dominant strategy*, which can be accomplished only by the most powerful states, sometimes using international organizations (like the United Nations) to persuade or coerce smaller and weaker states. From the standpoint of recipient countries, the orderly movement of people, defined in terms of rule of law and respect for state sovereignty, should be the principal objective of the powerful liberal states. From the standpoint of the sending countries, migration for development, taking advantage of remittances and returns (brain gain) or circular migration, should be the guiding principle of an international migration regime. Then, the second step is to persuade other states to accept the dominant strategy. This will necessitate *tactical issue linkage*, which involves identifying issues and interests not necessarily related to migration and using these to leverage, compel or coerce states to accept the dominant strategy. This is, in effect, an “international logroll.” Such tactics will have only the appearance of multilateralism, at least initially. Tactical issue linkage is central in negotiations between the United States and Mexico over the NAFTA (now the United States-Mexico-Canada Agreement, if it is ratified) and over refugee flows from Central America. Likewise, migration management figured prominently in negotiations between the European Union and neighboring states, especially EU candidate countries in the Western Balkans and Turkey. The third step for developed countries is to *institutionalize* this process. The long-term benefits of such a strategy for recipient countries are obvious. It will be less costly to build a multilateral migration regime than to fight every step of the way with every sending state, relying only on unilateral or bilateral agreements. Multilateral processes may entail some short-term loss of control and sovereignty in

exchange for long-term stability and orderly migration based on rule of law. The payoff for sending states is greater freedom of movement for their nationals, greater foreign reserves and a more favorable balance of payments (thanks to remittances), increased prospects for return migration, and increases in technology transfers. Thus, it is potentially a “win-win-win” for sending and recipient countries and the migrants themselves.

However, changes in the international system with the end of the Cold War have altered this game in several ways. First, it has made defection easier. Since the 1990s, states have had more incentives to free ride by not cooperating with neighbouring states in the making of migration and refugee policies. Second, the new configurations of interests and power in the post-Cold War world make it more difficult to pursue a multilateral strategy for managing international migration. In recipient countries, internationalist coalitions of the left and the right (for example, civil rights Democrats and business or so-called “Wall Street” Republicans in the United States) have broken apart. Instead, increasing polarization and politicization over immigration and refugee issues have led to nationalist coalitions of the far left and the far right (for example, job threatened unionized workers in the UK and economic nationalists in the U.S.). Yet liberalization and democratization in formerly authoritarian states have dramatically reduced the transaction costs for emigration. Initially, this caused panic in Western Europe, where there was a fear of mass migrations from east to west. In the early 1990s, headlines screamed, “The Russians are coming!” Even though these massive flows did not materialize, Western states began to hunker down and search for ways to reduce or stop immigration. The time horizons of almost all Western democracies are much shorter because of these changes in domestic and international politics since the end of the Cold War. The terrorist attacks of the 2000/10s have exacerbated these fears, and migration and mobility are perceived by many to pose a threat to national security.

If, as seems likely, the United States and the European Union defect from international cooperation over migration and refugee flows, such defections would alter the equilibrium outcome, making migration costlier in political terms to all states and to the international community, and the economically virtuous process of increased exchange and mobility would be reversed. International cooperation on migration depends on how the more powerful recipient countries manage migration, whether they will pursue an aggressive strategy of multilateralism, or revert to unilateralism and beggar-thy-neighbor policies. To avoid a domestic political backlash against immigration, powerful liberal states must take the short-term political heat for long-term political stability and economic gain, much as Angela Merkel and Germany did in the face of the refugee crisis of 2015–16. However, the asymmetry of interests, particularly between developed and developing countries and short-term political considerations (countering the rise of the extreme populist right) are too great to permit states to overcome problems of coordination and cooperation. Thus, even as states become more dependent on trade and migration, they are likely to remain trapped in what James Hollifield (1992) calls a *liberal paradox*, needing to be economically open and politically closed, for decades to come.

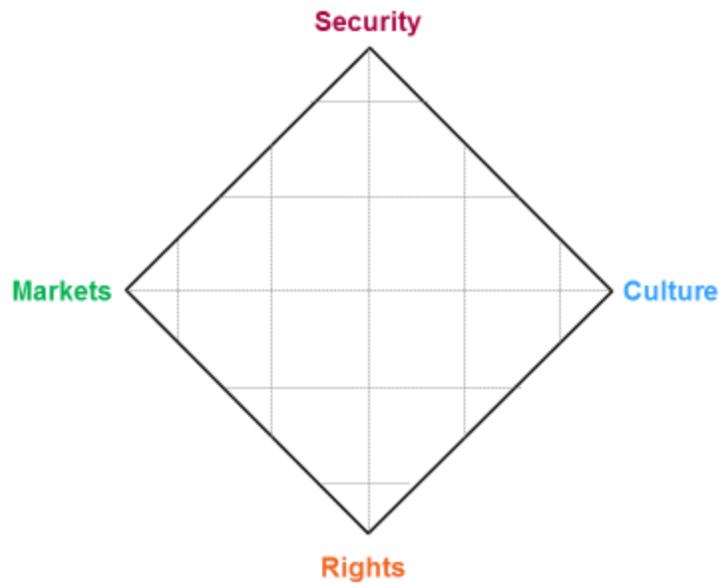
### **Domestic Politics of Migration Governance**

The complexity of domestic politics of migration governance makes international cooperation to manage migration even more difficult. This brings us back to the domestic level in our quest to explain why states risk openness, and it requires a political economic approach. Political leaders are always engaged in a strategic interaction, a two-level game, seeking to build domestic coalitions to maximize support for policy but with an eye on the foreign policy consequences (Putnam 1988).

Despite its benefits both economic and cultural, international migration is one of the most politically controversial issues in developed countries. Reactive populism in Europe and the United States is nativist and xenophobic, and immigration is a key issue for many voters, as evidenced by the British vote to leave the European Union and the election of Donald Trump as President of the United States. Four factors drive immigration policies: economic interests, cultural and ideational concerns, security, and rights (see Figure 3). Opponents claim that immigrants suppress the wages of native workers (markets), impose welfare burdens and diminish citizenship (rights), threaten national identity (culture), and cause crime and terrorism (security). In their research on public opinion, Gary Freeman and Alan Kessler (2008) find that opposition to immigration is related not only to economic factors, such as job market threat from immigrants and higher taxes to support immigrants' use of welfare programs, but also to non-economic factors, such as the desire for cultural homogeneity and a fear of loss of national identity (see also Huntington 2004).

Figure 3  
The Dilemmas of Migration Governance

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### ***The Logic of Collective Action: The Stag Hunt***

It is often taken for granted, as long as economic interests are involved, that people usually attempt to further their economic interests. Then, political leaders are expected to respond by maximizing the economic interests people seek. In fact, in liberal democracies elected officials at least to a certain extent can be held responsible for responding to people's economic preferences—most typically through electoral institutions. Almost three decades ago, Bruce Russett (1990, 20) suggested that politicians respond to popular demands using four strategies: “To prevent voters’ dissatisfaction, officials can deliver what the voters want, persuade the voters that they are delivering what the voters want, persuade the voters not to want what the officials cannot or do not wish to deliver, or distract the voters’ attention by creating or dealing with a new problem.”

The first two strategies are straightforward. Politicians will deliver what the voters want if they can. Even if politicians cannot deliver what the voters want, they will try to persuade the

voters that they can deliver it. However, if politicians cannot pretend to deliver what the voters want, they will have a strong incentive to distract the voters' attention, so that voters will not demand what they cannot or do not want to deliver. For example, during the electoral campaign Trump told workers that he would bring back unskilled jobs by restricting immigration, trade, and foreign investment, although the jobs lost will almost certainly never come back because automation ensures that manufacturing employment will continue to be a small percentage of the labor force. Even though technology is a much bigger threat to unskilled jobs than immigration or trade, immigrants or foreigners are more convenient scapegoats than machines or robots, psychologically appealing in the political context. Thus, when Trump found it difficult to deliver what voters wanted (i.e., bringing back unskilled jobs), he took advantage of popular discontent with globalization to distract the voters' attention from the real cause of their economic difficulties—automation of production and the loss of the social welfare safety net.

Voters also find immigration and trade to be convenient scapegoats. Yotam Margalit (2012) finds that popular discontent with globalization has rested—at least to some degree—on the social-psychological effects such as the fear of foreign influence, loss of sovereignty (security), and national identity (culture). Even though immigration is not a cause of job losses, the perception that immigrants are “taking our jobs” has proven to be politically potent in developed countries (e.g., Scheve and Salughter 2001). Voters will gain psychological satisfaction by bashing immigrants or foreigners while they do not gain such satisfaction by bashing machines or robots. Thus, the optimal outcome for voters is where they can free ride on the economic benefit that immigrants will bring while gaining the psychological benefit of blaming immigrants for loss of security and identity

Considering the psychological payoff, domestic politics of migration governance can be drawn as another game-theoretic concept, the Stag Hunt—also known as the assurance game—as depicted in Figure 4. In this game, two players, Leader and Public, have a choice of supporting or scapegoating immigrants. Assume that the state will take pro-immigration policy if and only if both Leader and Public support immigrants, and that neither can gain the economic benefit that immigrants will bring unless pro-immigration policy is adopted. Each player will gain an additional payoff by scapegoating immigrants. Each player now faces a decision: you could gain from the psychological benefit by scapegoating immigrants, but to do so you must abandon the economic benefit that immigrants will bring (a version of Hollifield’s ‘liberal paradox’). At the same time, even if you give up the psychological benefit, there is no guarantee that you can gain the economic benefit because it depends on whether the other player will also give up the psychological benefit.

**Figure 4. The Immigration Stag Hunt**

		Public	
		Support	Bash
Leader	Support	3, 3	1, 2
	Bash	2, 1	2, 2

Bashing immigrants will bring the psychological benefit but not as much as the economic benefit that immigrants will bring. Thus, in this game, both Leader and Public are best off supporting immigrants and enjoying the economic benefit. The next best outcome is to secure the psychological benefit while giving up the economic benefit. The worst outcome for each player

is to support immigrants while the other player bashes them, leaving the player unable to gain either benefit.

Despite the clear superiority of mutual support for immigration, an assurance dilemma arises. If each player, Leader and Public, expects that the other will seek the economic benefit that immigrants will bring, each is best off supporting immigration. However, if each expects that the other will be tempted to scapegoat immigrants, thereby losing the economic benefit, the player will also bash immigrants and secure the psychological benefit. Lacking a dominant strategy, each can do no better than what one expects the other to do—creating two equilibria: (Support, Support) and (Bash, Bash).

The assurance dilemma can be solved if the Leader can implement a pro-immigration policy without public support, as depicted in Figure 5. In this game, the Leader can assure the Public that pro-immigration policy will be implemented because the Leader’s unilateral support for immigration is sufficient for the Leader to reach higher payoffs—creating a dominant strategy. Assured of the pro-immigration policy, the Public is best off bashing immigrants *and* free riding on the economic benefit that they bring. And the Public will get the best outcome—which is also the best outcome for the Leader—at the unique equilibrium of the game.

**Figure 5. The Immigration Stag Hunt (If the Leader Leads)**

		Public	
		Support	Bash
Leader	Support	3, 3	3, 4
	Bash	2, 1	2, 2

The logic of the Stag Hunt game points to the importance of political leadership in the domestic politics of migration governance. As long as voters are tempted to seek the psychological benefit of bashing immigrants and free ride on the economic benefit that they bring, the domestic political debate on immigration policy will not converge unless a political leader leads the policy debate in a liberal direction. If the political leader abandons the leadership role—as David Cameron did for the Brexit referendum—the debate will drift and may end up with a suboptimal outcome for all players, the sending and receiving states and especially the migrants themselves. Moreover, the logic of the Stag Hunt captures conditions in which the public may push the leader for a policy that the public prefers—as one of these equilibria is an optimal outcome in the Stag Hunt. If the public can send a credible signal of their *unified* preference on immigration policy, the leader may respond accordingly. However, given the divided state of public opinion over immigration in developed countries, this scenario is theoretically possible but in reality very difficult, if not impossible.

### ***Migration and Governance***

As Figure 3 shows, four factors drive immigration policies in domestic politics: markets, culture, security, and rights. In “normal” times, the debate about immigration control in liberal democracies revolves around two poles related to economic benefit: markets (numbers) and rights (status); or how many immigrants to admit, with what skills, and what status? Should migrants be temporary (guest) workers, or allowed to settle, bring their families, and get on a “path to citizenship”? To explain push and pull factors of international migration, economic analysis assumes individual migrants as preeminently rational, utility-maximizing agents (Martin 2015). For example, George Borjas (1990) argues that the welfare state itself is a significant pull factor

because low-skilled migrants would choose to migrate expecting that they can benefit from the recipient country's social welfare services after admission. As a result, Martin Ruhs (2013) argues, there are trade-offs in the policies of developed countries between openness to admitting immigrants (numbers) and the rights granted to immigrants (status).

Those who argue for the trade-offs between markets and rights *assume* that migrant and native workers are substitutes, and hence that immigration harms native workers as their wages fall (e.g., Borjas 2003). However, migrants and native workers can be complements if they belong to different skill groups, so that immigrants may have a positive impact on the wages of native workers (e.g., Peri and Sparber 2009). Accounting for the complementarity effects, Gianmarco Ottaviano and Giovanni Peri (2012) find that in the United States immigrants during 1990–2006 had a small positive effect on average wages of U.S.-born workers (including unskilled workers) and a substantial negative effect on wages of recent, low-skilled immigrants. This economic analysis draws two important implications: the more social mobility the workers—both migrant and native—have, the more economically beneficial the arrival of migrant workers are for both native workers and employers, and previous immigrants would economically lose from more immigration if they fail to raise their skill levels after arrival. In other words, policies that increase workers' social mobility would mitigate the negative economic impacts of immigration and create what economic theory calls a Pareto improvement, which makes at least somebody (if not everybody) better off without making anyone worse off. Thus, regulatory reform to create more flexible labor markets and education reform to enhance skill levels of *both* native and migrant workers would be important to mitigate negative psychological public reactions to immigration.

The logic of collective action suggests that organized groups would have more impact on policymaking than disorganized public opinion, especially in democratic countries where vote-

maximizing politicians find it more important to cater to influential interest groups (Olson 1965). How do interest groups shape U.S. immigration policy at the sector level? Margaret Peters (2017) argues that firms that lobby for open immigration to lower their labor costs when trade policy is closed will adapt to import competition by other means—such as increasing labor productivity or closing their businesses—when trade policy is open. She states that trade liberalization and the increased ability of firms to move overseas has reduced the business community’s pressure for open immigration, empowered anti-immigrant groups, and spurred greater limits on immigration. Giovanni Facchini and his co-authors (2011) assume that labor unions want restrictions on immigration—so as to maintain higher wages for native workers—while business groups want greater openness to immigration, and they find that barriers to immigration are lower in sectors where business groups incur larger lobbying expenditures and higher in sectors where labor unions are more powerful. In sum, business firms seek greater openness to immigration to confront import competition, while workers demand greater controls on immigration when they fail to upgrade their skill levels and hence have to confront the downward pressure of their wages due to automation—*not* immigration.

In times of war and political crises, the economic dynamic of markets and rights give way to the psychological dynamic of culture and security, and finding equilibrium by compromise in the policy game is much harder—this is the policy dilemma facing leaders across the globe in the 21<sup>st</sup> century. Cultural concerns—where should the immigrants come from, which regions of the globe, with which ethnic characteristics—and issues of integration often “trump” economic interests based on markets and rights, and the trade-offs are more intense in some periods and in some countries than in others. Indeed, studies of public opinion toward immigration show that cultural concerns play a significant role in how willing people in recipient countries are to accept

newcomers (e.g., Hainmueller and Hopkins 2014). For example, in Germany, widely shared but wildly fabricated stories of Arab men raping Western women epitomize the view that the newcomers with particular religious and ethnic backgrounds are defiling the nation (Eddy 2017). Michael Lusztig (2017) takes issue with multiculturalists (Kymlicka 1995) arguing that multiculturalism and other forms of culturalism pose a threat to liberal democracy. With the terrorist attacks of September 11, 2001 in the United States and again with attacks in Europe, on November 13, 2015, in Paris, immigration and refugee policymaking has been dominated by a national security dynamic (with a deep cultural subtext, fear of Islam) and the psychological concern that liberal immigration and refugee policies pose a threat to the nation and to civil society. In the United States, Donald Trump has stoked fear of immigrants to gain votes, and as a result anti-internationalism has escalated from protectionism into xenophobia, nativism, and racism. Those who feel “immigrants have stolen our jobs” are open to Trump’s xenophobic one-way twitter demagoguery of “we are deceived by foreigners.” Protectionism and restricting immigration have become the rallying cry of anti-globalists. Without the social welfare safety net that would create a Pareto improvement, those in the United States who feel left behind by globalization find immigrants and foreigners to be convenient scapegoats. However, the situation in Europe is different. Despite strong welfare states, the fear of Islam and terrorism overrides the basic political economic dynamic of markets and rights.

### **Economy, Psychology, and the Backlash to Globalization**

The election of Donald Trump to be President of the United States in 2016 poses a great challenge to the rationalist approach to politics. Trump’s unpredictability questions one of the key assumptions of rational choice: the consistency of each actor’s preference ordering. Is Trump

irrational? We suspect that the reason why Trump is unpredictable is that his policy agenda has no basis in strategy but relies instead on social psychology. *New York Times* columnist David Brooks (2017a) wrote: “It’s not clear if Trump is combative because he sees the world as dangerous or if he sees the world as dangerous because it justifies his combativeness. Either way, Trumpism is a posture that leads to the now familiar cycle of threat perception, insult, enemy-making, resentment, self-pity, assault and counterassault.” While many analysts have struggled to identify a strategy behind his erratic pronouncements, it makes more sense to assume that he chooses his policy positions based on preference ordering in a way to maximize his ego satisfaction (and his ability to gain votes through appeals to xenophobia). Even if some in the Trump administration believe rulemaking through multilateral institutions benefits U.S. strategic interests, Trump will not listen to their advice because he is impervious to strategic arguments, and only responds to what satisfies his ego and gets the loudest cheers as his political rallies. He also attacks political institutions such as the separation of powers and freedom of speech because those institutions hurt his ego. For many of his supporters the less civil he is the more attractive his rhetoric is, as his anti-institutionalist attitude and lack of civility are criticized by those who, he tells his supporters, look down upon them (Brooks 2017b).

Thus, when observing that an actor seeks psychological benefit, we should not interpret it as meaning that the actor is irrational. The actor is rational. As our analysis of migration shows, Trump’s seemingly irrational behavior can be explained best by incorporating psychological factors into his preference ordering. In fact, economic research shows that enhanced productivity because of automation has had a far bigger effect than import competition with developing countries or immigration from developing countries, pointing out the fact that U.S. manufacturers have increased their productivity through enhanced technologies and therefore need fewer workers

(Alden and Taylor-Kayle 2018; Miller 2016). For example, although the U.S. steel industry lost 400,000 jobs (75 percent of its work force) during 1962–2005, its production did not decline (Collard-Wexler and De Loecker 2015). However, regardless of the economic reality, foreign countries—China or Mexico—are more psychologically appealing villains than machines or robots in the political context. Taking advantage of the fear of globalization, Trump drew crucial support from voters in areas where the loss of manufacturing jobs was particularly acute, just as the vote for Brexit was highest in the north of England where de-industrialization has resulted in job losses.

Considering psychological factors also helps the rationalist approach to explain the logic of the backlash to foreign investment. In the United States for the last three decades, foreign investment by multinational corporations (MNCs) has been creating U.S. manufacturing jobs that had been lost by U.S. companies (Cohen 2017). However, foreign-based MNCs (or the EU) often become psychologically convenient targets of blame by populist politicians. For example, in January 2017, then President-elect Trump picked a fight with Toyota on twitter accusing it of building a new plant in Guanajuato, Mexico (Rich 2017). He tweeted: “Toyota Motor said will build a new plant in Baja, Mexico, to build Corolla cars for U.S. NO WAY! Build plant in U.S. or pay big border tax” (grammatical errors uncorrected).<sup>1</sup> In reality, however, the NAFTA based global value chains (GVCs) connect the United States and Mexico, assembly plants in Mexico use American made parts, and hence the new assembly plant in Mexico will *increase* high-skilled

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<sup>1</sup> <https://twitter.com/realDonaldTrump/status/817071792711942145>, accessed May 19, 2019. Trump’s twitter post was not accurate. Trump said that Toyota would build a new Corolla factory in Baja, but the company is planning to build a new plant in Guanajuato and it already has a factory in Baja. The new plant in Guanajuato builds Tacoma pick-up trucks, not Corollas. Perhaps most importantly, it will not replace any of Toyota’s ten factories in the United States.

parts-supplying jobs in the United States. Thus, Toyota's investment in Mexico will increase manufacturing jobs in *both* Mexico and the United States.

Many of the foreign based MNCs would not have invested and created manufacturing jobs in the United States if the NAFTA had not existed, just as automobile manufacturing in Britain would have disappeared without the access to European markets and supply chains made possible by European integration. Although auto industry workers in Michigan give Trump enthusiastic cheers when he bashed the NAFTA in his campaign for the Republican nomination, the autoworkers picked the wrong target to blame for their economic difficulties. Eduardo Porter (2016), a writer for the *New York Times*, argues that the NAFTA has actually saved a good number of high-skilled jobs in the American auto industry, because without NAFTA the assembly lines in foreign countries or other regions of the United States (like the American South) might have shifted their parts supplies away from Michigan. Indeed, auto producers, like other manufacturers, are procuring parts produced beyond national borders, and it has become common practice for different stages of manufacturing production to be located in different countries (Baldwin 2016).

Despite the economic reality, the NAFTA and other free trade agreements such as the Trans-Pacific Partnership, not to mention the European Union, also have been psychologically convenient targets of blame for job losses in political debates. Trump is not the only politician who has bashed the NAFTA and MNCs, but many American politicians including those of the Democratic Party have joined Trump in bashing multilateral and regional trade agreements. For example, Senator Sherrod Brown, Democrat of Ohio said: "Any trade proposal that makes multinational corporations nervous is a good sign that it's moving in the right direction for workers" (Swanson 2017). Indeed, many of the Democratic Party's Presidential candidates do not understand GVCs based trade and believe that trade is the cause of job losses in manufacturing

industries—although automation is the real cause. In fact, under GVCs based international trade, foreign companies are making, not killing, U.S. jobs.

Our analysis extends the previous rational choice framework with a renewed emphasis on socio-psychological approaches. Policies against immigration, trade, or foreign investment neither builds the needed safety net nor do they make workers more competitive, but they make domestic producers less competitive in the global market. As a result, economic growth is constrained, making it more difficult to establish a safety net because of declining GDP and lower tax revenue. When the backlash to globalization exacerbates economic conditions, both voters and politicians will be further inclined to take immigrants and foreigners to be convenient scapegoats. Thus, the vicious circle of unhealthy politics will continue.

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