Inequality and Immigration Policy[*]

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Abstract

How does inequality between capital and labor affect immigration policy? Increasing inequality can heighten anti-immigrant attitudes among host-state workers. Yet, for labor-intensive firms, their increasing share of the value added provides more business opportunities to expand their production, which in turn leads to increased business support for open immigration. Given these countervailing pressures of rising inequality in immigration policymaking, we argue that a country's level of economic development holds the key to the causal mechanism between inequality and immigration policy openness. In less developed economies where local and immigrant workers compete for the same jobs, rising inequality leads to more restrictive immigration policy. In advanced economies where local and immigrant workers are complements, rising inequality leads to less restrictive immigration policy. Using data on the capital share of the value added in the industrial sector as a measure of inequality in 24 democracies from 1947 to 2006, we find support for our argument.

How does inequality affect immigration policy? Thus far, scholars have suggested office-seeking policymakers respond to rising inequality by restricting immigration to stay in office (e.g., Timmer and Williamson 1998). This is a fair assertion given advances in public opinion research, which reveal wide-spread popular opposition to immigration—particularly toward low-wage migrants (Hainmueller and Hopkins 2014).[1] Increasing inequality—especially the income gap between employers and workers—may be unpopular among voters concerned about potential labor-market competition from immigrants (Freeman 1995). Yet, for labor-intensive firms, their increasing share of the value added provides more business opportunities to expand their production, which in turn leads to increased business support for additional labor via open immigration.[2] As in other issue areas of international political economy (IPE), such as trade and finance, the interests of powerful firms are likely to sway policy outcomes in directions not always consistent with the preferences of the majority of voters. Then, the effects of inequality on immigration policy depend on the political dynamics between labor and capital.

To understand the countervailing effects of inequality on immigration policy, we focus on inequality between capital and labor in the labor-intensive industrial sector, including manufacturing and construction. Previous studies have focused on how an increase in this particular type of inequality can cause an immigration backlash (Luttmer 2009). In this article, we highlight another important implication of rising inequality between capital and labor; we argue that it affects the incentives of labor-intensive firms to lobby on immigration

[1]Our use of "low-wage" reflects that highly skilled immigrants may end up working in low-paying jobs and that many jobs referred to as "low-skill" may require a great number of skills and specialized knowledge but are not compensated for their skills (e.g., childcare workers, agricultural workers, etc.). We still use the term "skill" when discussing specific skills needed for a position or a specific industry.

[2]The capital share of the value added is defined as one minus the ratio of compensation of employees to the value added, which is the labor share.

since rising inequality means that capital takes a larger share of the pie vis-à-vis labor, increasing their demand for additional labor necessary to expand their production. When capital captures a greater share of the value added in labor-intensive industries, additional capital will move into those industries, as the returns have increased. This leads to expanded production in relatively labor-intensive sectors, which increases the demand for labor and open immigration.[3] Therefore, rising inequality exacerbates this divergence in the preferences between local labor and capital owners.

Given these opposing preferences, it is unclear whether increasing inequality leads unconditionally to more liberal or restrictive immigration policy outcomes. While labor-intensive firms tend to support more open immigration as their shares increase, host-country workers are likely to stand in opposition to open immigration when they think they are losing out to foreign workers (Facchini, Mayda, and Mishra 2011).[4] To fully unravel the connection between inequality and immigration policy, it is then crucial to elaborate on the conditions under which inequality induces labor to feel most threatened by immigrant competition. To do this, we argue the effect of inequality on labor's policy preferences toward immigration hinges on whether immigrants are substitutes or complements for locals in the labor force.

If immigrants have similar skills as locals, or if production in a country consists of more routine tasks and does not rely much on language skills, then they are much more likely to be substitutes in the labor market. In this case, increasing inequality induces a political message that low-income locals are somehow "losing out" vis-à-vis capital owners and more skilled locals, and that the competitive environment is skewed against them. Policymakers could respond to this grievance of labor by increasing restrictions on low-wage immigration,

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[3]See Peters (2014; 2015; 2017); Shin (2019) on how increasing demand for labor leads to increased business support for immigration.

[4]Our use of "host-country workers" instead of "native workers" reflects that mass publics in the states of our interest may not be part of indigenous groups but are rather descendants of immigrants themselves.

even if these restrictions do little to address the underlying reasons for inequality. At the same time, pro-immigration firms lose (relative) influence in immigration policymaking when immigration policy becomes salient among the majority of locals. We expect then that inequality leads to immigration restrictions when immigrants are substitutes for locals.

In contrast, when immigrants are complements to locals, inequality between capital and labor should have a smaller effect on the preferences of labor. In this case, it is more difficult to argue that inequality between capital and labor is the result of immigration, as few immigrants compete with locals for jobs. Rising inequality, then, should primarily affect firm preferences over immigration and should lead to greater openness for low-wage labor as the coalition of pro-immigration firms expands.

The wealth of a country will determine whether immigrants are substitutes or complements, and thus which of the countervailing effects of inequality will be the primary driver of immigration policy. First, as countries become wealthier, they invest more in education (and greater investments in education lead to greater wealth), which makes it less likely that a low-wage migrant would compete with a local for the same job. Second, wealthier countries also tend to have knowledge- and skill-based economies in which a low-wage immigrant who does not have country-specific skills (e.g., spoken language) is unlikely to compete with a local. Low-wage immigrants, then, are a much greater threat to low-income locals in less wealthy countries than in wealthier countries. Thus, it is only in less-developed economies that inequality between capital and labor should lead to restrictions on immigration. In very wealthy countries—in which immigrants are unlikely to be substitutes for locals—increased inequality should lead to increased openness, as firms move into the low-skill intensive sector in response to increased returns.

However, not all forms of inequality are likely to lead to increased demands for open immigration by firms. Heightened demand for open immigration should be most pronounced when the level of inequality in the industrial sector rises. This is because labor-intensive firms in the industrial sector, albeit with some exceptions, are most vulnerable to labor

shortages. For instance, without acquiring of new labor through immigration, expansion in manufacturing is likely to fail when matched against more competitive labor-intensive firms abroad. Moreover, construction companies rely on a stable supply of immigrant labor to reduce production costs and maintain business. While agriculture also requires low-wage labor to expand, it is more insulated from foreign competition. Agriculture typically benefits from subsidies and tariff protection in advanced industrial democracies. Accordingly, open immigration may be preferable, but it is not always necessary for the survival of the agricultural sector. This article therefore restricts its focus to rising inequality *within the industrial sector*, including manufacturing and construction, and how this may cause the pro-immigration coalition of firms to expand.

Using one of the most comprehensive datasets on low-wage immigration policy for 24 democracies from 1947-2006, we show that inequality between capital and labor in the industrial sector has a negative effect on low-wage immigration policy, but only in middle-income countries.[5] Moreover, at very high levels of income, *decreasing* inequality in industrial is actually associated with increased restrictions as pro-immigration firms abandon labor-intensive sectors. In line with some of the previous research (e.g., Peters 2017), we also find that other forms of inequality—those that do not directly affect the incentives of capital to enter low-wage industries or the returns to labor—have no effect on immigration policy.

Does Immigration Increase Inequality?

Much of the early work on immigration and wages assumed that immigrants and locals are perfect substitutes. Assuming immigrants and locals are substitutes, increased immigration should lower wages; increase the returns to capital; and increase inequality between capital

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[5]Neither our dataset nor others of which we are aware include low-income countries, making our prediction for these countries impossible to evaluate. However, poor countries are less likely to be immigrant destinations.

and labor. As immigration increases, the number of workers in the country increases, leading to lower wages (or higher unemployment). With lower wages, increasing returns to capital widens the income gap between capital and labor. The model makes similar predictions about skill-based income inequality by examining high-wage and low-wage labor as inputs (instead of capital and labor). The substitute model has empirical support in middle income countries; several studies of the effects of forced migrants flows on wages and employment find that increased immigration had a negative effect on the wages of low-wage workers while increased wages for high-wage workers (Becker and Ferrara 2019).

Yet, the theoretical predictions of these models have found little empirical support in wealthy countries. The general consensus in the literature focusing on wealthy, developed countries in the West is that immigration inflows have no effect on host-country workers' wages (Peri 2012; Dustmann, Glitz, Tommaso et al. 2008) or a negligible negative effect on very low-wage host-country workers (Clemens and Hunt 2017; Dustmann, Frattini, and Preston 2013; Edo and Toubal 2015; Longhi, Nijkamp, and Poot 2005; Ottaviano and Peri 2012; Peri 2013).[6] Even in the cases of sudden, massive inflows of immigrants, such as the mass immigration of Soviet Jews to Israel after the collapse of the Soviet Union, immigrants did not have an adverse impact on host-country citizens' labor market outcomes in wealthy countries (Friedberg 2001).

There are several reasons that immigration does not increase inequality empirically. Most importantly, immigrants are rarely perfect substitutes but rather complements to locals in many occupations. Due to the rise of the service economy since the 1970s, many occupations require language and other customer-related or managerial skills, which new immigrants are

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[6]A notable exception in the literature is Borjas (2003) who argues that immigration inflows have substantial negative effects on locals' wages but see Clemens and Hunt (2017) for a rebuttal. Edo and Toubal (2015) argue that high-wage immigrants can be detrimental to high-wage local workers and beneficial to low-wage local workers. See Card (2009) for a concise review of the literature.

unlikely to possess upon their arrival. Firms, then, hire low(er)-wage immigrants to perform more routine tasks while hiring locals, at a higher wage, to perform the tasks that require language or country-specific skills. Since most locals in wealthy states work in the service industry or other industries where there are both routine and language- or country-specific tasks, the effect of immigration on host-country citizens' wages is likely to be small or even positive (Peri and Sparber 2009).

There are other reasons for the lack of a relationship between immigration and wages. First, firms may substitute technology or may move production elsewhere if there is little immigration (Lewis 2011; Peters 2017). Second, immigrants tend to move to areas that are growing; in the absence of immigration, it is possible that locals wages would increase (Borjas 2006). Third, immigrants not only work, but they also consume, which may increase economic activity and lead to increasing wages. Fourth, host-country citizens may move out of areas with many immigrants, leading to a null result (Borjas 2006). Finally, in open economies, capital may follow labor flows, as it did in the nineteenth century, compensating for immigration's effect on wages (Hatton and Williamson 1998) or increased immigration may turn import-competing industries into export industries (or at least make them more competitive), increasing domestic production and wages (Peters 2017).

Nonetheless, the absence of an *economic* effect of immigration on inequality does not mean that it has not had a *political* effect. Since both inequality and immigrant flows (in total numbers) have been increasing in recent years, is it the case that inequality has led, at least in part, to increased immigration restrictions, as it may have in the early twentieth century?

A Theory of Inequality and Immigration Policy

In our argument, we examine how inequality affects immigration through a model of politics that focuses on domestic electoral considerations. This model necessarily elides some

international factors to examine how inequality within one state affects immigration. In particular, states may face greater pressure to regulate immigration based on other state's immigration policies or world events. For example, if core states, like the US or the E.U. decrease immigration barriers, more migrants tend to move to the core and fewer move within the periphery, reducing pressure to regulate migration in the periphery. In contrast, as the countries of the E.U. and the US have increased restrictions on immigration, more immigrants have moved within the periphery, increasing the demands to regulate immigration there. In addition, major crises in neighboring countries can increase calls for immigration control. For example, Turkey, Colombia, and now many Eastern European states have had to rethink their policies towards migrants in the wake of the Syrian Civil War, the Venezuelan economic crisis, and the Russian invasion of Ukraine, respectively. Yet, our paper focuses solely on the effect of inequality on immigration while holding these other factors constant.

We model immigration policy formation as a process through which re-election-minded policymakers take into account pressure from interest groups—especially firms[7]—but also other organized interests, the position of the mass public, and any of their own personal or ideological positions when crafting policy. We can think of these different actors influencing a single policymaker—for instance, a Prime Minister with high party discipline—or multiple policymakers, moving the position of the legislature median.

Firms have several ways in which they might pressure the policymaker for their preferred position. First, in some countries, like the US, businesses can lobby politicians on their own or as part of a business association and can help finance their campaigns. In other countries, like the Netherlands, there are formal consultancy organizations in which business groups, labor, and other groups advise the government on policy. In less consolidated democracies, businesses may also bribe politicians to get their preferred policies.

Changes in mass support for immigration may come to the policymaker through three

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[7]For instance, see Somerville and Goodman (2010) for the role of employers and businesses in shaping the UK's economic migration policy.

channels. First, voters may directly contact policymakers about their views. Second, policymakers may not have direct communication with their constituencies but instead use the median income level of their constituencies to deduce voter preferences about immigration when inequality increases. Third, changes in support for immigration may be channeled through interest groups that represent segments of the mass public, such as unions or left-wing political parties.

From the input of firms through lobbying, campaign contributions, institutionalized channels, or bribes; the policymaker's understanding of mass opinion; and her own ideology or personal views, the policymaker crafts the immigration policy most likely to keep her in office. Generally, if support from businesses for open immigration increases (decreases), she will open (close) immigration and if opposition from the mass public increases (decreases), she will close (open) immigration.

How Inequality Shapes Firms' Immigration Policy Preferences

We examine the effects of one type of inequality—the share of the value added captured by capital versus labor in labor-intensive industries—on firm demand for immigration and mass attitudes towards immigration. The mechanism of our argument does not require an empirical regularity that low-wage immigration actually increases income inequality between capital and labor. Inequality is likely the product of many factors besides immigration, including the rate of economic growth (Piketty 2014); the existence or lack of labor laws, which determine how much firms have to pay workers; the strength of unions, which again condition the pay for workers; economic conditions which affect the demand for labor; and so on.[8] Instead, we emphasize the importance of how income inequality might increase calls for immigration restrictions based on the degree of substitutability between host-country

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[8]See Grossman and Oberfield (2022) for a review of the literature on the declining labor share.

citizens and immigrants and how policymakers take these preferences into policymaking.

When capital garners a larger share of the value added in labor-intensive industries (i.e., the returns to capital are greater), the demand for labor grows due to changes on both the extensive and intensive margins. On the extensive margin, more capital is likely to move into labor-intensive sectors, since returns in these sectors are greater. This capital includes domestic capital, switching from one industry to another; foreign direct investment, taking advantage of higher returns; or host-country multinational corporations choosing to re-shore previously off-shored production. On the intensive margins, it is less likely that firms invest in labor-saving technology or move their production to another country, since labor is relatively cheap. Both factors will increase the demand for labor among businesses and their demand for immigration (Peters 2014; 2015; 2017). For example in 1972, Singapore enacted a policy of wage restraint, which artificially increased capital's share of the the value added. Because labor was cheap, firms increased the labor-intensity of production and lobbied for increased immigration, which they received (Peters 2017, 176).

In contrast, when capital's share of the value added decreases, firms should be less likely to lobby for open immigration. Because capital takes home a smaller share of the value added, some capital will move out of labor-intensive industries altogether into another industry domestically or move production to another country with higher returns to capital. Others will increase their use of labor-saving technology. For example, capital owners are likely to substitute labor-saving technology for labor when labor becomes more expensive (Lewis 2011). Still others will be unable to move to another industry, another country, or adopt labor saving technology. These firms likely will still lobby for more immigration; however, the total number of firms demanding immigration should decrease, giving the policymaker more latitude to restrict immigration (Peters 2014; 2015; 2017). Returning to the example of Singapore, when the wage restraint was abolished, firms increased their skill intensity of production and decreased their support for immigration (Peters 2017). Thus, regardless of what drives inequality, when inequality between capital and labor rises (decreases), business

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support for low-wage immigration increases (decreases).

How Inequality and the Degree of Substitutability Shape Opinion on Immigration

Inequality should also affect the stance of labor on immigration based on the degree of substitutability between host-country citizens and immigrants, which differs by the level of economic development. If immigrants are substitutes for low-wage host-country citizen workers, increases in immigration can lead to wage losses. In this case, we expect that local workers already generally oppose immigration, as immigrants are in direct competition with them for work. Higher-wage and wealthier workers may also oppose immigration in this situation due to sociotropic concerns or concerns that they will have to pay more into the fiscal system to support host-country citizens who are facing potentially lower wages or support immigrants.

Increasing inequality exacerbates this opposition toward immigration. As workers face decreasing returns to their labor, they are likely to want policies that mitigate their perceived losses. This frequently increases hostility toward ethnic minorities, especially when they are thought to compete for common resources. Scholars have found that economic losses of individuals in the majority group (e.g., Olzak 1992), relative deprivation (e.g., Walker and Smith 2002), and relative gratification related to anxiety about losing income and privileged economic status (e.g., Dambrun, Taylor, McDonald et al. 2007) all lead to increased fears over competition. Indeed, a large literature in social sciences notes that these shifts in attitudes are more likely to surface in response to rising inequality (e.g., Jetten, Mols, and Postmes 2015) and tend to increase public support for far-right parties (e.g., Betz 1994; Kitchelt 1995) and more restrictive immigration policies (e.g., Jetten, Mols, and Postmes 2015). Most importantly, these studies note that inequality has an independent effect on individual attitudes toward immigration even when respondents' localities do well economically.

When immigrants are complements, instead of substitutes, we expect rising inequality to play a smaller role. First, the issue saliency of immigration in the mass public should be lower in general, since few locals compete against immigrant workers at work or even work in sectors, like agriculture, that employ lots of immigrant workers. This complementarity should also decrease the immigration concern among higher-wage and wealthier individuals, as there are fewer of their compatriots hurt by immigration, leading to fewer sociotropic or fiscal concerns. In this case, rising inequality should have little effect on mass opinions, as locals do not see immigrants as a plausible source of inequality, and immigrants may, in fact, lower inequality among host-country citizens even if it increases inequality overall.[9]

When are host-country citizens more likely to be substitutes for immigrants? Economic development plays a crucial role by affecting the types of jobs in the economy. We can categorize jobs into those which consist of mostly routine tasks that do not require specialized knowledge or language skills and those which consist of knowledge-based and highly specialized tasks. As low-wage immigrants bring a surplus of manual labor, firms often assign local workers to more complex or communication-oriented jobs while producing more goods and services. This often results in welfare improvement among local workers due to an influx of low-wage immigration. As local workers' wages increase due to immigration, policymakers also face less pressure for redistribution if inequality increases. While all economies have both types of jobs, more developed countries have more non-routine tasks that require more knowledge and country-specific skills.

Development is also likely to change the degree of substitutability within countries over time as well. In much of the late 19th century, agriculture and industry relied on routine

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[9]Immigration may still raise total inequality in the country as immigrants take the place of host-country citizens at the low end of the income distribution. This substitution effect stretches the overall income distribution—including both immigrants and host-country citizens—while shrinking the income distribution among host-country citizens. Piketty (2014) argues that immigrants have played this role in the US.

tasks even in the most developed economies such as the US, the UK, and Germany (Goldin and Katz 1996). Low-wage immigrants could easily replace host-country citizens; even young children could handle many tasks on the farm or in the factory. As the economy developed, there was a greater need for skilled labor (Goldin and Katz 1996), which meant that low-wage immigrant labor was unable to substitute for local labor in many positions.

The role of substitutability in labor market competition is borne out in the public opinion literature. In wealthy democracies where locals do not compete for jobs with immigrants, scholars find less support for the idea that fears based labor market competition affect support for immigration, once you control for other concerns (e.g., Hainmueller, Hiscox, and Margalit 2015; Helbling and Kriesi 2014). Correlations between labor market concerns and support for immigration may be due to social desirability bias; once scholars use methods that control for this bias, the relationship disappears (Hainmueller and Hopkins 2014). In contrast, in middle income democracies, we do see evidence of labor market competition affecting opinions (Holland, Peters, and Zhou 2022; Adida 2014).

In countries and at times when there is lower levels of development, rising inequality is likely to lead to increased demand for immigration restrictions. For example, in the 1870s, the completion of transcontinental railroad led to a recession and increased inequality in California. Given that the technology of the time easily allowed firms to substitute less educated (mostly Chinese) immigrant labor, women's labor, and child labor for more educated white male labor, the increased inequality led to increased salience of immigration in the mass (white male) voting public and increased demands for immigration restrictions. In contrast, today when most immigrants are complements for host-country citizens in the US, increased inequality and even the Great Recession has not lead to large increases in anti-immigrant sentiment (Gallup 2017; Goldstein and Peters 2014).

Empirical Implications

In all economies, increased economic inequality, measured as the share of the value added going to capital, will lead to an increase in labor-intensive production and, with it, an increase in firm support for open low-wage immigration. In less developed, middle-income countries, it is more likely that (more) low-income voters will compete with low-wage immigrants for jobs and demand immigration restrictions. This leads to our first hypothesis:

Hypothesis 1: Increasing inequality leads to immigration restrictions only in less developed countries.

In more developed countries, inequality may have little effect or may even have a positive effect on low-wage immigration policy. In these countries, very few host-country citizens are likely to compete against low-wage immigrants in the labor market; instead, most host-country citizens are likely to complement immigrant workers (Peri and Sparber 2009). Yet, inequality increases labor-intensive production and, with it, business support for low-wage immigration. This leads to our second hypothesis:

Hypothesis 2: An increase in inequality leads to more open immigration policy openness in highly developed countries.

Alternative Theories on Inequality and Immigration

There are alternative ways in which inequality may affect immigration policy. Here, we highlight four different mechanisms. First, host-country citizens may believe that immigration lowers wages and assign the blame for increasing inequality on immigrants, regardless of whether immigrants are complements or substitutes for local workers. While there may

be little economic effect of immigration on wages and inequality in highly developed states, there exists evidence that the mass public *says* that immigration leads to lower wages.[10] Even some policymakers have attributed rising inequality to immigration; then Senator Jeff Sessions argued in an op-ed that immigration increases income inequality (Sessions 2014). Host-country citizens, then, may wrongly attribute rising inequality to immigration, especially if there is a correlation between rising inequality and increased immigration, and demand immigration restrictions. On the other hand, concerns about immigrants' effects on the labor market may simply be used as a screen for less socially acceptable concerns.

A second mechanism through which inequality may affect anti-immigrant sentiment is through economic anxiety. Numerous surveys have shown that increasing inequality is associated with increased anxiety over the state of the economy and increased pessimism about the future (Yellen 2006). Increased economic anxiety has been shown to increase reported anti-immigrant sentiment (Goldstein and Peters 2014). As inequality makes low-wage/low-income host-country citizens more anxious, anti-immigrant sentiment increase, again leading to more demands for restrictions.[11]

Regardless of whether voters wrongly attribute rising inequality to immigrants or if inequality increases anxiety and this increases anti-immigrant sentiment, we do not have reason to believe that these mechanisms should differently affect voters in countries based on their income. Policymakers in all countries face the same *relative* share of poor voters; in each country there is a bottom third of the income distribution. If inequality leads that bottom third to disproportionately blame immigrants for their fate or increase anti-immigrant sentiment (or its salience), it should affect all countries, regardless of economic development.

We have similar expectations if the fiscal burden model holds. The fiscal burden model

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[10]Dustmann, Glitz, Tommaso et al. (2008, 478) argue the belief that immigrants hurt unskilled host-country workers is widely accepted by the public.

[11]In contrast, high-wage/high-income locals benefit from increased inequality and their opinions on immigration should be relatively unaffected.

argues that fears about increased taxation due to immigrants' supposed increased use of the social welfare system leads voters to oppose immigration (Hanson, Scheve, and Slaughter 2007; Razin, Sadka, and Suwankiri 2011). While other studies have not replicated the prior findings on the fiscal burden (Goldstein and Peters 2014; Hainmueller and Hiscox 2010), Gerber, Huber, Biggers et al. (2015) find that survey respondents believe that both high and low-wage immigrants will increase their tax burden. If the fiscal burden model holds, we would expect that increases in inequality would induce low-wage and high-wage locals to increase their opposition to immigration. Increasing inequality might lead to an increase in taxation for the social welfare system, increasing opposition from wealthy host-country citizens, or might lead to crowding out, increasing opposition from poor host-country citizens. These three mechanisms lead to the following alternative hypothesis.

Hypothesis A1: An increase in inequality leads to immigration restrictions in all *states.*

Yet, we have different expectations if the nativism model holds. In contrast to our or the alternative reasons for opposing immigration based on pocket-book concerns, other scholars argue that the opposition by low-wage locals towards immigration is largely driven by prejudice (Hainmueller and Hiscox 2007; 2010). If nativist sentiment has no economic component, then increasing inequality should have no effect on immigration in either poorer or wealthier countries. This leads to our second alternative hypothesis.

Hypothesis A2: An increase in inequality has no effect on immigration restrictions in all *states.*

Data and Sample

Data on Immigration Policy and Inequality

We use the Low-Skill Immigration Policy (LSIP) dataset developed by Peters; Peters and updated by Shin; Shin. The dependent variable is a factor score generated primarily from entry policies concerning low-wage immigration, such as universality by skill or income, recruitment, and quota. Since immigration policy dimensions are often correlated with one another, a factor analysis is an appropriate method to remove redundancy across multiple policy variables. Although other indicators of immigration policy exist in the field, we have chosen the LSIP dataset for its cross-national and temporal coverage.[12] In addition, this measure has been shown to explain the variations in immigration inflows whether the outcome variable is changes in bilateral immigration inflows (Peters 2017) or flows—bilateral or aggregate—divided by the population of a receiving country (Shin 2022).[13]

Since the LSIP dataset provides data on immigration policy that seeks to control the flow of low-wage worker, it captures the political dynamics surrounding the public debate on the income gap between capital and labor. It also has a long time span that includes country-year observations of both low inequality and high inequality. For the post-World War II period, the dataset includes 24 democracies around the world, including traditional immigrant destinations in the New World, virtually all Western European democracies, and wealthy democracies in Asia.[14]

Given the characteristics of the immigration policy dataset and the required time coverage, we need an inequality variable that meets the theoretical underpinnings and empirical

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[12]For an excellent discussion of these indices, see Goodman (2015).

[13]It has been also documented that migrant-sending states' dual citizenship policies encourage emigration (e.g., Alarian and Goodman 2017).

[14]See Peters (2017) and Shin (2019) for more details on collecting and coding the data.

requirements of our argument. Following the scholarly trend in the comparative politics of inequality (Acemoğlu and Robinson 2006; Houle 2009; Przeworski, Alvarez, Cheibub et al. 2000; Dunning 2008), we use the capital share of the value added in the industrial sector collected by Ortega and Rodriguez as a measure of inequality (Ortega and Rodriguez 2006).[15] Higher values indicate higher shares of the value added accruing to capital while lower values mean labor reaps higher shares of the value added.

This measure of inequality has several advantages for our study. First, it measures the degree of inequality between capital and labor. Immigration is believed to benefit capital and to reduce the earnings of labor. This perceived effect of immigration fuels public concerns about the impact of immigration on the income gap between the poor and the rich with an assumption that the rich are owners of capital and the poor offer labor. Second, it is a measure of inequality in the corporate industrial sector. Since our argument concerns low-wage immigration and how poor voters perceive its role in exacerbating income inequality, our analysis is not applicable to the capital shares of the value added in more knowledge-based industries that primarily rely on high-wage workers, such as high-tech industries. Third, it also captures whether firms have interests in labor-intensive production because it implicitly measures labor costs across multiple sectors. As the capital share of the value added increases in a sector, it becomes more profitable to invest in that sector.[16] Finally, the measure was constructed from industrial survey data collected by the United Nations Industrial Development Organization (UNIDO). As a measure of pre-tax inequality, this frees us from dealing with measures of post-tax inequality, which may include policy consequences of redistribution.

We measure development in the standard way, by examining the gross domestic product

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[15]We use Houle (2009)'s imputed version of the data

[16]The compensation-productivity gap—the gap between real hourly compensation and labor productivity—widens when labor share falls. Fleck, Glaser, and Sprague (2011).

(GDP) per capita.[17] We use a measure of real GDP in International Dollars in 2000 constant prices with annual inflationary trends removed from the data. The data, however, are not adjusted for purchasing power parity (PPP). This is consistent with our theory since we approach development as a transitional process toward a more knowledge-based economy, not as a measure of living standards. While this measure is not perfect, it is the best measure we have.[18]

Sample Selection

Since we focus on how the degree of substitutability between immigrants and host-country citizen voters in the labor market modifies policymakers' response to increasing inequality on immigration policy, we focus on a sample of democracies by using the regime classification proposed by Przeworski, Alvarez, Cheibub et al. and updated by Cheibub, Gandhi, and Vreeland (Przeworski, Alvarez, Cheibub et al. 2000; Cheibub, Gandhi, and Vreeland 2010). This gives us a total of 24 democracies. Some democracies, such as Argentina and Brazil experienced a series of democratic failures and then transitions. We include only democratic years for these countries in the sample. As an extension, we examine whether autocrats respond only to firms' changing preferences while ignoring labor's concern about the labor-market competition aspect of immigration when inequality increases.

We focus on the post World War II period (1947–2006) for practical reasons. First, the data on the inequality variable of our choice are only available for years after World War II (1947–2006). Further, studying the relationship between inequality and immigration policy prior to the post-WWII period also requires a careful assessment of each country's political

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[17]We have retrieved data on GDP per capita from Haber and Menaldo (2011) who assembled the data using the Penn World Tables (PWT).

[18]There are very wealthy states, such as the states of the Gulf Cooperative Council, that do not have high levels of development.

franchise and the median voter's characteristics.

[**Table 1 Here**]

Table 1 lists of country-year observations included in the sample based on the regime classification and data availability on immigration policy and inequality. The sample shows a wide variation of inequality across countries. We have Latin American democracies that exhibit unusually high levels of inequality and Western European democracies characterized by low levels of inequality. Ideally, we would have included poor democracies in addition to middle-income and developed democracies, but data on immigration policies of low-income countries has not been coded.

Empirical Strategy

The following ordinary least squares (OLS) specification with panel-corrected standard errors (PCSEs) is used to evaluate the hypotheses.

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\begin{aligned}
\text{Immigration Policy}_{it} = {} & \beta_0 + \beta_1 \text{Immigration Policy}_{it-1} + \beta_2 \text{Inequality}_{it} \\
& + \beta_3 \ln(\text{GDP per capita})_{it} + \beta_4 \text{Inequality}_{it} \times \ln(\text{GDP per capita})_{it} \\
& + \mathbf{X_{it}}\gamma + \alpha_i + \mu_t + \epsilon_{it},
\end{aligned}
\tag{1}
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where Immigration Policy$_{it}$ is the openness of immigration policy of country i in year t, $\mathbf{X_{it}}$ is a set of control variables, and α_i and μ_t indicate country fixed effects and year fixed effects, respectively. Inequality is measured as discussed above. We use ln*(GDP per capita)* as an indicator of the country's economic development.

We include the lagged dependent variable to account for temporal dynamics. Since policymakers often make immigration policy at time t by tweaking existing laws and policy measures from time $t-1$, which may be correlated with our key independent variables at

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time t, including the lagged dependent variable is essential in minimizing the estimator's bias and inconsistency. Given that the panel is long—with the number of years significantly greater than the number of countries included in the sample—the Nickell bias is unlikely to be problematic.[19]

Including the lagged dependent variable also addresses the issue of the composition of the immigrants trying to enter the country. In our theoretical discussion, we assumed that voters are responding to low-wage immigrants. Unfortunately, there is very little data on the skill composition of immigration to most countries, so we cannot measure this directly.[20] Low-wage immigration policy last year should help measure the skill composition of the immigrants, as states with more open policies in the previous year should have a greater proportion of low-wage immigrants.

The first set of controls includes the natural log of population in year $t-1$, GDP growth rate, the level of political development measured by the Polity score ranging from -10 (most autocratic) to 10 (most democratic), and the degree of trade openness measured as $100 \times (1 - (Import\ Duties/Imports))$.[21] We include an index of democracy as a covariate because while all the countries in our sample are democracies, they vary in their level of consolidation. Less consolidated democracies may give additional weight to special interest groups over the mass public when making policy. We control for trade openness because trade liberalization may decrease the wages of unskilled workers and trade openness leads to immigration policy

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[19]We have alternatively run both models with the lagged dependent variable but without country fixed effects and without the lagged dependent variable but with country fixed effects and found substantively similar results.

[20]Docquier, Lohest, and Marfouk (2007) have data on flows by skill level but only for 1990 and 2000.

[21]Most of the data on import duties over imports come from Clemens and Williamson (2004). Peters (2015) and Shin (2019) collected and updated the data to fill in missing values.

restrictions due to changing firm preferences for immigration (Peters 2014; 2015; 2017). As robustness checks, we include other variables that are potentially correlated with both inequality and immigration policy openness including personal and welfare taxation, right-wing populism, and government partisanship.[22]

Given the inertia of immigration policy from year to year, we expect β_1 to be positive and statistically significant. We think that inequality should have a negative effect on immigration policy in less developed countries, but that this effect should be attenuated at higher levels of GDP per capita. This implies that β_2 should be negative and β_4 should be positive. We have no theoretically informed prior about the sign or significance of β_3, the coefficient on GDP per capita.[23] As a robustness check, we replace $\ln(\text{GDP per capita})_{it}$ with the average years of tertiary education for individuals who are 25 years and older in

[22]We retrieved and updated the taxation data from Cusack and Beramendi (2006) and the party data from Swank (2014). Note that the original taxation dataset in Cusack and Beramendi (2006) is only available for country-year observations from 1950 to 1995. Our updated taxation dataset is available up to 2015, but since the inequality dataset is available up to 2006, our analysis covers country-years observations between 1950 and 2006. To measure right-wing populist influence in each country, we use the lower-chamber vote shares of national right-wing populist parties defined by Betz (1994), excluding more traditional neo-fascist parties (e.g., German National Democratic Party) and centrist and left-wing nationalist parties (e.g., the True Finns). Left governing party seats are coded as a share of all legislative seats. Left parties include communist, socialist, social democratic, labor, and other various left-wing parties (e.g., left-libertarian parties).

[23]On the one hand, less developed states may have a larger low-income constituency that should be more opposed to immigration in general (i.e., income effect). On the other hand, more developed countries typically have higher levels of productivity and a larger knowledge sector, both of which Peters (2014; 2015; 2017) argues should lead to a less open policy (i.e., development effect).

Models 2 and 4.

Finally, we include both GDP per capita and years of tertiary education as well as their interaction terms with inequality to adjudicate between the increased education mechanism or the change in the structure of the economy mechanism in Model 5.[24] If the effect of inequality is driven by the average education of locals, we expect that the coefficient on the education variable should remain statistically significant. If the effect is driven by the changing nature of the economy, we expect that the coefficient on GDP per capita should remain statistically significant. For straightforward interpretations, we report the marginal effects graphs of all models.

Results

Throughout the models, the analyses provide empirical support for our hypothesis that inequality leads to increased immigration restrictions for low-wage immigrants in less wealthy, less developed countries; empirical evidence suggests that policymakers respond differently to increasing inequality depending on the level of development, as measured by GDP per capita. There is no support for the alternative specification that inequality leads to less support for immigration in countries with less educated populations. This suggests that much of the effect of immigrants in the labor market is driven by the effect of development on the composition of routine versus country-specific knowledge tasks rather than the education level of locals.

Over all of the countries included in sample, there is little relationship between inequality and immigration policy (Fig. 1). Thus, there is little support for alternative theories that argue that inequality should have a similar effect at different levels of development (Hypothesis

[24]We use the education data collected by Barro and Lee (2013). The data on education are available only at five-year intervals from 1950 to 2010. Since educational attainment tends to follow a linear trend, we use linear interpolation to fill in missing values.

A1). In contrast, once the data is divided by income group (Fig. 2), we find a negative relationship between inequality in middle-income states, no relationship in high-income states and a positive relationship in the very high-income states, consistent with Hypotheses 1 and 2.

[Fig. 1 and Fig. 2 Here]

Table 2 examines this relationship with regression models, reporting the results for all 24 democracies in the sample. We find in Models 1, 3, and 5 that the coefficient on inequality is negative and statistically significant while the coefficient on the interaction between development and inequality is positive and statistically significant. This is consistent with our argument that increased inequality should lead to increased restrictions on low-wage immigration in middle-income countries but should have a positive effect or no effect in wealthy countries. Note, however, that if immigration was driving inequality, we would expect a *positive* correlation as increased openness would lead to increased immigration and greater inequality in all countries.

[Table 2 Here]

As interaction effects can be difficult to interpret, we illustrate the marginal effects from Model 1 of inequality based on income in Fig. 3.[25] As we can see in the figure, at lower levels of GDP, under about $8,000$ per capita the effect of inequality is negative. Increasing inequality in these middle-income states leads to greater restrictions on low-wage immigration. In contrast, at very high levels of income (above about $22,000$ per capita), the effect is positive.

[Fig. 3 Here]

It appears that the positive effect of inequality in wealthy countries may be driven by firm preferences rather than another factor. Most of the result is driven by the 1990s and

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[25]We find similar results in Models 3 and 5.

2000s when capital's share of the value added was generally *decreasing* and low-wage immigration policy was becoming more *restrictive*.[26] We do not think that it is the restrictions on low-wage immigration that are leading to decreased inequality; as discussed above, much of the economics literature has found little negative effect or even positive effect of immigrants on host-country citizens' wages in these high-income states. Instead, locals and low-wage immigrants are most likely to be complements in very high-income countries, implying opening low-wage immigration can greatly benefit most host-country citizens. However, when inequality decreases in these states, firms are less likely to support low-immigration policy because they find labor-intensive production less attractive when the labor share of the value added *increases*. Without firm support for open immigration policy, policymakers restrict immigrant (or at least do not open it) since they face other anti-immigrant groups who oppose low-wage immigration on non-material grounds (Peters 2014; 2015; 2017).

To account for the possibility of education—instead of development—as a modifying variable, we also examined the effect of education interacted with inequality. Given that income is correlated with education, an alternative explanation is that it is not that economic development changes the degree of substitutability between low-wage immigrant workers and locals, but instead that the effect is based on education which is a proxy for locals' wages. Fig. A1 in the appendix shows that there is little interactive effect of education; the confidence intervals overlap zero through most of the range of the data in Models 2 and 4 and the relationship flips signs in Model 5, once we control for development and its interaction term with inequality, and is also not statistically significant throughout much of the range of the data. The data then support the nature of the task mechanism: even controlling for education, development has a statistically significant effect whereas education does not.

In addition, the coefficients of other covariates demonstrate the importance of political and economic forces. First, in all models we see a positive and statistically significant effect

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[26]Fig. A6 in the appendix shows how inequality and immigration have varied over time in the wealthiest countries (income above about $22,000$ per capita).

of lagged immigration policy, showing strong overtime policy inertia. Second, the coefficient of GDP growth rate is positive and statistically significant across the five models. This suggests that policymakers are more likely to welcome immigrants when their economies do better. Finally, the coefficient of the Polity score is consistently negative albeit statistically insignificant. This is because (1) our model specification includes country fixed effects; and (2) most countries in our sample have been stable democracies with little change in their Polity score over the time period of the sample.[27]

Robustness Checks and Extensions

We also conducted several robustness checks. First, in Table 3, we replicate Table 2 for OECD countries to include taxation indicators and party variables that may be correlated with both inequality and immigration policy. Model 6 serves as a baseline by replicating Model 1 of Table 2 for only OECD states. We find similar results in this subsample.

Next, we include taxation and party variables in Models 7 through 10. Since we use an indicator of pre-tax inequality, inequality may be correlated with redistributive policies, including increased taxation. Further, the literature on immigration policy has found evidence that states with large welfare systems tend to limit immigration (Neuman 1993; Peters 2015; Razin, Sadka, and Suwankiri 2011; Shin 2019); therefore, we include two different sources of tax revenues—welfare and personal income—as shares of GDP in Models 6 through 10. We also include the vote share of right-wing populist parties because an increase in inequality

[27]Interestingly, once we account for country-specific time trends in Table A5 in the appendix, the coefficient of the Polity score gains more statistical significance. The differences in results between Table 2 and Table A5in the appendix may owe to that country-specific time trends can clarify the correlation between the dependent variable and the Polity score by simultaneously accounting for downward trends of immigration policy and upward trends of democratization in several countries.

may cause voters to support right-wing populism, which in turn leads to more restrictive immigration policy (Williams 2006). Lastly, we include the population share of foreign-born individuals from the previous year to account for the impact of immigration flows on immigration policy.[28]

[**Table 3 Here**]

Our results are robust to the inclusion of these variables. We report the marginal effects of inequality while holding the level of ln(GDP per capita) constant at various levels in Fig. A2 in the appendix. The effect of inequality is still negative when the development level is relatively low and is positive when it is high. Our results on taxation are consistent with the argument that voters care about *pre-tax* inequality more than post-tax inequality. Assuming that increased welfare tax revenue or personal income tax revenue decreases post-tax inequality, then we would expect that more tax revenue would lead to more support for low-wage immigration by providing a safety net for host-country workers. However, we find little statistical significance of welfare tax revenue and personal income tax revenue.

Our results also hold when controlling for the vote share of right-wing populist parties. We might be concerned that rising inequality leads to increased support for right-wing populist parties, which tend to support restrictions on immigration inflows. It could be the case that the voters do not want these restrictions and instead vote for these parties for other reasons. We find that electoral support for right-wing parties moderates the effect of inequality; however, that is likely because voters choose these parties specifically because they want to restrict immigration. Moreover, inequality still has a statistically significant effect, suggesting that voters' increased demand for restrictions due to rising inequality affects parties across the ideological spectrum. Finally, our results remain robust to the inclusion of country-specific time trends (Table A5 in the appendix) and to lagging all independent variables by

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[28]The migration stock data come from United Nations Department of Economic and Social Affairs (2020).

one year with country-specific times trends (Table A6 in the appendix).

Given the symmetry of the interaction terms in our model, we can also perform construct validity tests of the key independent variables to see if our proposed theoretical mechanisms are plausible. Following the suggestion in Berry, Golder, and Milton, we compute the marginal effects of ln(GDP per capita) on the dependent variable by inequality (Berry, Golder, and Milton 2012). As discussed earlier, there are two countervailing effects of economic development on immigration policy. First, the income effect of a wealth increase leads to more open immigration policy because it makes locals feel more secure as they become more complementary to foreign labor. Second, the development effect causes firms to move into more knowledge-based, less labor-intensive industries, leading to restrictions on immigration inflows due to decreasing business support for low-wage immigration policy.

We have argued that when inequality is high, firms have more interests in labor-intensive industries. When inequality is low, firms are less likely to invest in routine production. The income effect (support for immigration), then, is likely to dominate when firms do not abandon labor-intensive production as wealth increases, that is when inequality is high. On the other hand, the development effect leading to restrictive immigration policy is likely to dominate when firms become less labor-intensive as wealth increases, that is when inequality is low. We find overwhelming support for these predictions.[29]

Finally, if our theory is correct, autocrats are less likely to respond to the public's concern for immigration-induced labor-market competition regardless of the degree of substitutability between immigrants and locals. Since an increase in inequality incentivizes more firms to engage in labor-intensive production and these firms have strong preferences for low-wage immigration, we should expect a positive correlation between inequality and immigration policies in autocracies. Similarly, the income effect of wealth is unlikely to have its influence on autocracies' immigration policies. Instead, we should observe only the development effect of economic wealth in autocracies. Since more firms move into less labor-intensive industries

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[29]See Fig. A4 in the appendix.

as development takes place, we should observe a negative correlation between GDP per capita and immigration policy openness in autocracies. We find that in autocracies the degree of substitutability and mass preferences do not matter much in immigration policy formation. Instead, autocracies tend to respond to firms' dynamic preferences.[30]

Other Measures of Inequality

Finally, we have examined other measures of inequality. For our main analysis, we used the capital share of the value added in the industrial sector as it incorporates socioeconomic cleavages between those who presumably benefit from low-wage immigration (capitalists) and those who are believed to lose from low-wage immigration (labor). As empirical extensions, we have regressed immigration policy on other measures of inequality: (1) the top 10% income share; (2) the top 5% income share; (3) the top 1% income share; (4) the Gini coefficient; (5) the top 1% wealth share; (6) the top 10% wealth share; (7) the top inheritance tax; and (8) the top income tax.[31] Top 10%, 5% and 1% income shares indicate a country's total income that is earned by each of these respective segments at the top of the income distribution. The Gini coefficient represents the overall income distribution of a country. The Top 10% and 1% wealth shares measure a country's share of wealth owned by the top 10% and 1% of the population, respectively. Top Income Tax and Top Inheritance Tax represent the tax rates

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[30]See Table A7 in the appendix. Autocracies tend to have more open immigration policy than democracies. See Shin (2017) for more information.

[31]Data for the top 10% income share, the top 5% income share, and the top 1% income share are taken from the World Wealth and Income Database (WID) assembled by Alvaredo, Atkinson, Piketty et al. (2016). The Gini coefficient measure is taken from Deininger and Squire (1996). The top 10% and 1% wealth shares are retrieved from Roine and Waldenström (2015)'s dataset. Lastly, top inheritance and income tax data, are obtained from Scheve and Stasavage (2016).

applied to a country's top income earners. Although these tax variables do not measure the level of inequality directly, it captures the redistributive impacts of a country's fiscal policies with respect to income and inheritance.

These other measures of inequality do not capture the socioeconomic cleavage between capital and labor in the low-skill intensive sector. The income or wealth share generally captures the social cleavage between the rich and the rest of society, including the long-run discrepancy in wealth accumulation. Although income or wealth inequality between the rich and the poor may have implications for redistributive policies, we argue that these measures are less likely to affect immigration policy. As discussed above, there are three mechanisms that could lead to a negative relationship between these measures and immigration policy. First, it could be the case that voters wrongly attribute rising inequality to increased immigration and seek immigration restrictions as a remedy. Second, it could be that inequality increases economic anxiety and this leads to decreased support for immigration. Third, inequality leads voters to be concerned about their fiscal burden and want to restrict immigration in order to lessen their burden as either they attribute the rise in social welfare use to immigrants or believe that locals would use social welfare programs less in the absence of competition with immigrants. In all three cases, we should expect that inequality has a negative effect on immigration policy, regardless of the wealth of the country (Hypothesis A1). We, however, find no robust effect of inequality as measured by these eight different measures, on immigration policy, even when we interact these variables with the level of development as measured by GDP per capita or by education.

Since these measures capture inequality from not just the low-wage labor market but a host of other factors, we argue that there should not be a relationship between these measures and immigration policy. As discussed above, survey respondents seem to understand whether or not they compete with immigrants on the labor market: labor market concerns do not explain opinions on immigration in wealthy democracies (Hainmueller, Hiscox, and Margalit 2015; Helbling and Kriesi 2014) but do seem to in the limited research we have in middle

income democracies (Holland, Peters, and Zhou 2022; Adida 2014). Thus, they are unlikely to support policies that will not affect income inequality just because a politician tells them that restricting immigration would reduce inequality.

Yet, we still see politicians argue, and get public support, when they offer immigration restrictions in the face of rising inequality for two reasons. First, concerns over labor market competition may be a front for less socially acceptable concerns like nativism, racism, and anti-Muslim prejudice. Second, policymakers, especially those on the right, may provide immigration restrictions to forestall redistribution.

Instead, in response to rising inequality, we have seen demands for wealth taxes to address long-run wealth gaps (Kuper 2020), increased anti-trust legislation (Peterson Institute for International Economics 2020), and increased union drives (Peterson Institute for International Economics 2020). Similarly, in middle income countries, where much of the wealth inequality has been driven by the existence of large landowners, we have seen demands for land reform (Albertus and Kaplan 2013).

Conclusion

In this article, we argue that rising inequality between capital and labor should lead to increased restrictions on low-wage immigration policy in middle-income countries, and perhaps in low-income countries. In all countries, if capital gains a larger share of the value added in labor intensive industries, more capital will move into these industries, increasing the demand for labor.[32] With increased demand for labor, firms should demand more immigration. Whether or not firms get more immigration will depend on how the rest of society responds. In low- and middle-income countries, immigrants are much more likely to compete

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[32]The capital share of the value added measures the level of inequality between capital and labor since it is the proportion of the value added in production accruing to capital owners. Higher values indicate more inequality against the interests of the labor class.

with locals in the labor market. When times are good, this competition is unlikely to arouse much anger. However, when inequality is rising and wages are falling or at least stagnating, competition from immigrants is likely to provoke demands for restrictions.

In more highly developed countries, immigrants are less likely to compete with locals; instead they are likely to complement locals in the labor market. Rising inequality, then, is unlikely to lead to calls for increased restrictions in highly developed, wealthy nations. Instead, the channel through which inequality levels shape firm preferences is the primary driver of immigration policy. To this end, our findings imply that while an increase in democratic accountability may lead to more immigrant restrictions, this effect is offset by the change in a country's economic structure that often accompanies democratic developments. In other words, voters may gain more influence in immigration policymaking as their countries' democratic institutions improve. Yet as their countries reap the economic benefits of more representative institutions, the economy will shift toward more knowledge-based production where the immigrant-local substitutability decreases. Changes in inequality will then have a smaller impact on voter demands for immigrant restrictions while locals may have other concerns, such as cultural or sociotropic, to oppose immigration.

Using comprehensive data on low-wage immigration policy and inequality, we found that democracies with lower levels of development were more likely to restrict immigration when inequality increases. This finding holds even controlling for many potential confounding variables. We also found that very wealthy democracies restricted immigration as inequality decreased in the 1990s and early 2000s. While the mass public' opposition to immigration was likely decreasing somewhat due to decreased inequality, this lack of inequality-induced opposition was not enough to overcome opposition from other sources without the help of firms. Finally, we found independent effects of inequality and economic development according to firm preferences in autocracies, consistent with the idea that citizens have less voice in these states. These implications highlight further needs for qualitative or comparative-historical methods to understand the relationship between inequality, public opinion, and

policymaking in the politics of immigration. Our quantitative analysis remains limited in unraveling the country-specific details that would further verify some of the core assumptions of our argument. In particular, scholars should examine the roles of business groups and organized labor in different contexts.

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TABLES

Table 1: Country-Year Observations in the Sample

Group	No.	Country	Years Included in the Sample	Inequality (Mean)
Settler States	1	United States	1947–2006	0.59
	2	Australia	1961–2006	0.51
	3	Canada	1947–2006	0.53
	4	New Zealand	1961–2006	0.43
	5	South Africa	1994–2006	0.48
	6	Argentina*	1947–2006	0.70
	7	Brazil*	1947–2006	0.80
	8	Chile*	1947–2006	0.80
	9	Venezuela	1961–2006	0.76
Western Europe	10	Austria	1955–2006	0.48
	11	Belgium	1950–2006	0.54
	12	Denmark	1950–2006	0.41
	13	Ireland	1950–2006	0.63
	14	France	1947–2006	0.36
	15	Germany	1955–2006	0.55
	16	Netherlands	1947–2006	0.45
	17	Norway	1961–2006	0.43
	18	Sweden	1950–2006	0.54
	19	Spain	1977–2006	0.55
	20	Switzerland	1947–2006	0.63
	21	United Kingdom	1947–2006	0.53
Asian Exporters	22	Japan	1952–2006	0.67
	23	South Korea*	1960–2006	0.76
	24	Taiwan	1996–2006	0.65

Note: * indicates countries that experienced regime changes from autocracy to democracy and vice versa. Only democratic years of these countries are included in the sample.

Table 2: Inequality, Development, and Immigration Policy since World War II

	(1)	(2)	(3)	(4)	(5)
Immigration Policy$_{t-1}$	0.893***	0.914***	0.899***	0.914***	0.899***
	(0.007)	(0.007)	(0.007)	(0.007)	(0.007)
Log of GDP per capita	-0.356***		-0.320***	-0.003	-0.406***
	(0.050)		(0.053)	(0.019)	(0.061)
Inequality	-4.957***	-0.036	-4.494***	-0.038	-5.758***
	(0.692)	(0.080)	(0.738)	(0.079)	(0.889)
Log of GDP per capita × Inequality	0.518***		0.471***		0.620***
	(0.069)		(0.073)		(0.094)
Years of Tertiary Education	-0.140**	-0.018	-0.142**	0.200**	
	(0.050)	(0.019)	(0.050)	(0.072)	
Years of Tertiary Education × Inequality		0.219**		0.224**	-0.386**
		(0.083)		(0.083)	(0.124)
ln(Population)$_{t-1}$	-0.112***	-0.003	-0.100***	-0.004	-0.098***
	(0.022)	(0.025)	(0.023)	(0.026)	(0.023)
GDP Growth	0.228$^+$	0.288*	0.262*	0.288*	0.258*
	(0.124)	(0.122)	(0.126)	(0.122)	(0.126)
Trade Openness	-0.006***	-0.004***	-0.005***	-0.004***	-0.005***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Polity Score	-0.004	-0.003	-0.004	-0.003	-0.004
	(0.003)	(0.004)	(0.003)	(0.004)	(0.003)
Observations	1067	1049	1049	1049	1049
Countries	24	24	24	24	24
R^2	0.974	0.974	0.974	0.974	0.975

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year t. All independent variables are taken from year t unless otherwise noted. Panel-corrected standard errors are shown in parentheses. ***, **, * and $^+$ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

Table 3: Inequality, Development, and Immigration Policy (1950–2006)

	(6)	(7)	(8)	(9)	(10)
Immigration Policy$_{t-1}$	0.904***	0.898***	0.882***	0.889***	0.882***
	(0.012)	(0.014)	(0.013)	(0.013)	(0.013)
Log of GDP per capita	-0.252***		-0.353**	-0.130**	-0.539**
	(0.073)		(0.129)	(0.043)	(0.181)
Inequality	-3.386***	0.042	-3.696*	-0.107	-6.942**
	(0.968)	(0.185)	(1.873)	(0.173)	(2.640)
Log of GDP per capita × Inequality	0.357***		0.371$^+$		0.729*
	(0.097)		(0.191)		(0.285)
Years of Tertiary Education		0.025	-0.017	-0.062	0.222
		(0.122)	(0.039)	(0.118)	(0.172)
Years of Tertiary Education × Inequality		-0.083		0.114	-0.460
		(0.205)		(0.205)	(0.312)
ln(Population)$_{t-1}$	-0.148**	-0.222**	-0.251***	-0.239***	-0.233**
	(0.049)	(0.074)	(0.067)	(0.071)	(0.072)
GDP Growth	0.064	0.092	0.197	0.159	0.212
	(0.170)	(0.186)	(0.188)	(0.186)	(0.189)
Trade Openness	-0.004	-0.002	-0.005*	-0.004	-0.005*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Polity Score	-0.003	-0.020*	-0.007	-0.015$^+$	-0.004
	(0.008)	(0.008)	(0.010)	(0.009)	(0.010)
Welfare Tax Revenue as % of GDP		0.002	0.002	0.003	0.002
		(0.004)	(0.003)	(0.004)	(0.003)
Personal Income Taxes as % of GDP		-0.003	-0.004	-0.004	-0.004$^+$
		(0.002)	(0.002)	(0.002)	(0.002)
Legislative Share of Left Parties in Power		-0.000	-0.000	-0.000	-0.000
		(0.000)	(0.000)	(0.000)	(0.000)
Right-wing Populism Vote Share		-0.003**	-0.003**	-0.003**	-0.003**
		(0.001)	(0.001)	(0.001)	(0.001)
Foreign Born (% Population)$_{t-1}$		-0.070	-0.393	-0.317	-0.399
		(0.361)	(0.323)	(0.333)	(0.316)
Observations	845	713	713	713	713
Countries	17	17	17	17	17
R^2	0.975	0.976	0.977	0.976	0.977

Note: This table portrays a pooled cross-sectional time-series ordinary least squares (OLS) analysis of immigration policy in year t. All independent variables are taken from year t unless otherwise noted. Panel-corrected standard errors are shown in parentheses. ***, **, * and $^+$ indicate statistical significance levels of .1, 1, 5 and 10 percent, respectively. Country and year fixed effects are included in all models.

FIGURES

Figure 1: Bi-variate Relationship Between Inequality and Immigration Policy
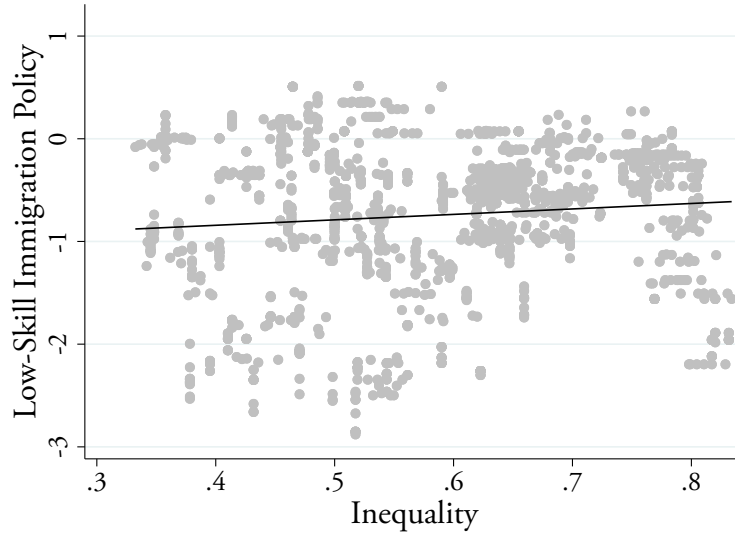
Fig. 1. Dots represent the data and the line represents the regression line from a bi-variate regression.

Figure 2: Bi-variate Relationship Between Inequality and Immigration Policy by Income Level

Fig. 2. Dots represent the data and the line represents the regression line from a bi-variate regression in each income group. Middle-income include country-years with GDP per capita between $1,300 and $8,100; high income include country-years with GDP per capita between $8,100 and $22,000 and very high income include country-years with GDP per capita above $22,000.

Figure 3: Marginal Effects of Inequality on DV by Levels of Development
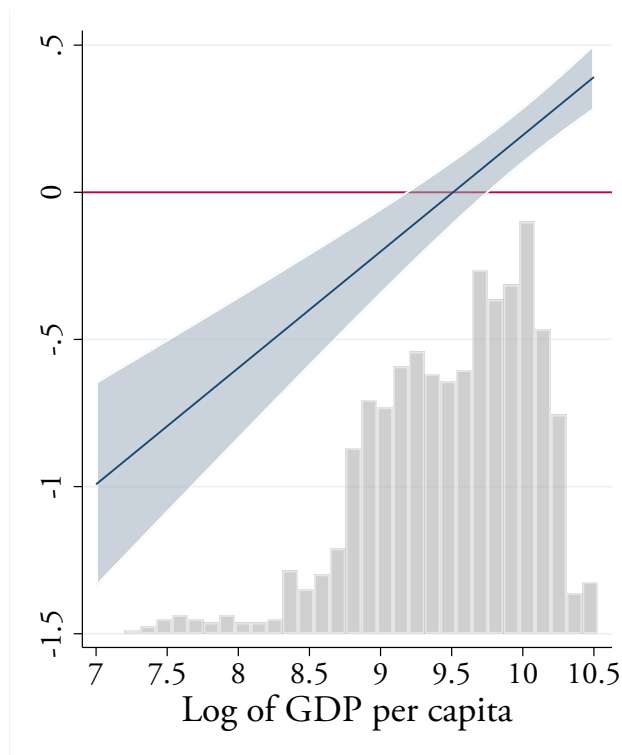
Fig. 3. This figure shows the marginal effect of inequality on immigration policy depending on the level of development as calculated from Model 1 in Table 2. 95-percent confidence intervals are shown. The bars show the distribution of observations.