Abstract: Can immigration policy be driven by self-fulfilling beliefs? This column argues that pessimistic (optimistic) beliefs on the skill composition of the migrant population (and, hence, on the effects of immigration on welfare) induce a country to impose higher (lower) barriers to immigration, which crowd out (crowd in) skilled migrants and thus confirm initial beliefs. This self-fulfilling mechanism sustains the endogenous formation of an anti or pro-immigration "prejudice" and may help rationalize the cross-country variation in attitudes towards immigration and choices of immigration policy.

Immigration policy varies across receiving countries, sometimes to a large extent. While virtually all countries in the world impose restrictions on the mobility of people, different countries impose different levels of restrictions to immigration. These differences reflect the perception of the relative costs and benefits of immigration for the recipient countries in terms of economic performance, redistributive consequences, effects on public finances and the labor market, crime, capacity to integrate, etc. (see Facchini and Mayda, 2008). In particular, these costs and benefits are affected, among others, by the skill composition of the migrant population. It is widely believed that skilled migrants are more beneficial to the receiving country than unskilled migrants. Several arguments have been advanced to maintain this claim, such as: positive spillovers of skilled migrants for the receiving economy, higher production complementarities between skilled labor and capital, greater flexibility of the skilled labor market, higher fiscal cost of low-skill immigrants (see Borjas, 1995).

As theory suggests that unskilled migrants are less beneficial than skilled migrants, it would be reasonable to expect that, over time as well as across countries, an "adverse" skill composition be associated with more restrictive immigration policies. Empirical evidence seems to confirm this claim. In a two-century historical overview of migration inflows in the traditional receiving countries (such as US, Canada, Australia, etc.), Hatton and Williamson (2004) show that a deterioration of the quality of immigrants has been concomitant with a tightening of immigration policy. In addition, recent work by Hanson, Scheve and Slaughter (2007) emphasizes the role of the skill composition of the immigrant population in determining individuals’ views on immigration within the United States. They find that individuals in the US are more opposed to immigration in states with relatively less skilled immigrant populations. Figure 1 suggests that this holds true for Europe as well. We plot the data on views on immigration policy for several European countries against the skill composition of the immigrant population for each country. The figure shows that lower levels of skills are associated with tougher anti-immigration attitudes.

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This relationship between attitudes towards immigration and immigration policy on the one hand, and the skill composition of the migrant labor force on the other hand, has been given one obvious explanation. An adverse skill composition, which is perceived to have a negative effect on the welfare of the receiving country, triggers tougher anti-immigration attitudes and higher migratory restrictions. It is, however, well possible that immigration policy itself affects the migration choices of skilled and unskilled foreign workers, which alter the skill composition of migrants and feed back into attitudes and policies in the receiving country. This consideration leads us to raise a second set of important questions that we address in a recent paper (Giordani and Ruta, 2008). What is the effect of immigration policy on the skill composition of the migrant labor force? Can immigration policy be driven by self-fulfilling beliefs?

To tackle these questions we need economic models that explicitly take into account how migration choices of foreign workers are formulated and how immigration policies alter such decisions. Several studies document that migrants are not a random sample of the population of the sending region, and that high and low-skill workers tend to respond differently to economic incentives and policy restrictions. In particular, high-skill migrants appear to be more internationally mobile than low-skill migrants, in the sense that they can choose to emigrate to a larger set of destination countries. Several reasons can be identified to rationalize this behavior. The choice of low-skill migrants is more constrained by such factors as geographical distance (because of more stringent poverty constraints), cultural distance such as language, or colonial origin, or network effects (because of lower adaptation capacity to diversity), and skill-selective migration policies which, by construction, render high-skill migrants more free to choose where to migrate relative to unskilled workers. If, for instance, geographical distance matters relatively more for unskilled than for skilled migrants, we would expect that, other things equal, in any destination country immigrants coming from distant countries are relatively more skilled than immigrants coming from near countries. Belot and Hatton (2008) confirm empirically this claim by showing that immigrants are more positively selected by education, the greater the distance between the source and the destination country.

As a result, a restrictive immigration policy in a receiving country has two effects: it reduces the total inflow of migrants in the country and it negatively affects the skill composition of the incoming foreign labor force, as high-skill immigrants choose to migrate where restrictions are lower (crowding out effect). In contrast, a softer immigration policy increases the total inflow of foreign workers and positively affects its skill composition, by attracting

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1 Chiquiar and Hanson (2005), Hatton and Williamson (2004) and Brucker and Defoort (2006) among others.
skilled migrants from the rest of the region (crowding in effect). This mechanism has important implications for the conduct of immigration policy. In our paper, we show that the interaction between beliefs on the benefits of immigration and immigration restrictions generates multiple equilibria which depend on expectations of the migrants' skill composition.

In a first equilibrium, the economy benefits from a high-skill immigration boom which is driven by optimistic expectations on the skill composition of migrant flows. If the policy maker anticipates that a relatively large number of highly skilled foreign workers will be entering the country (and, hence, that the effects of immigration on the destination country will be largely positive), it will rationally set low restrictions to immigration. The effect of low barriers to immigration will be to attract (highly mobile) skilled migrants and, hence, to improve the skill composition of the migrant labor force in the destination country. This validates the initial beliefs. In the second (and opposite) equilibrium, the economy can be stuck in an unskilled immigration trap, driven by pessimistic expectations. If the government has pessimistic beliefs about the skill composition of migrants, the rational response to this belief is to impose high barriers to immigration. Given the skilled migrants' larger freedom of choice, this policy will have the effect of crowding them out. The composition of immigration in this country will be then biased towards low-skill immigrants, thus validating the initial pessimistic belief. This self-fulfilling mechanism will sustain the endogenous formation of a prejudice pro- or anti-immigration. While clearly not the only explanation, our work thus sheds some light on why differences in attitudes towards immigration may be so rooted in different countries.

This analysis contributes to the discussion on the proper design of immigration policy in host countries. It implies that the choice of the right policy may have a significant impact in the short run, as well as in the long run through the formation of attitudes towards immigration. First, a country must be careful in implementing restrictive immigration policies to control the migration flow. The reason is that migration policies affect not only the number of immigrants but also their quality, and a restrictive policy could indirectly act as an instrument of selection of the lowest quality immigrants. Secondly, while skills of foreign workers may be difficult to infer correctly, several arguments have been proposed in favor of policies that filter applicants in terms of observable skills. This analysis adds to these arguments that selective policies may influence natives' attitude towards immigration and, hence, increase support for further reductions of barriers. In principle, an anti-immigration prejudice could "vanish" via a combination of rules that favor more productive migrants with a more open migration policy.

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