

Citizenship, Economics and Immigration in a Federal Polity:

Evidence from Canada and the EU

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Centre de droit public

En collaboration avec du Pôle Bernheim pour la Paix et la Sécurité

CYCLE DE CONFÉRENCES 2004-2005

FÉDÉRALISME ET CITOYENNETÉ

Mercredi 1 décembre 2004

12h00 – 14h00

Salle NA 5.303

ULB

Campus du Solbosch

1. Introduction

This paper asks the question: why would immigration policy be centralized or decentralized in a federal system? What incentives do political actors at the central and sub-central levels of government possess vis-à-vis immigration policy?

In the next section, I use the literature on fiscal federalism to propose an optimal division of powers, whereby immigration *control* policy is centralized, but immigrant *integration* policy is decentralized. I then apply this model to the cases of Canada and the European Union (EU), assessing the actual degree of (de)centralization of these two aspects of policy, and explaining the reasons behind this (de)centralization. I analyze factors related to both economics and the preservation of “nations”, including citizenship policy. I conclude by briefly speculating on the relevance of three other federal systems for my model: Switzerland, Australia, and the United States.

2. Immigration Policy Devolution and Theories of Fiscal Federalism

How can we explain the degree of decentralization of immigration policy in federal systems? That is, under what conditions would political actors in federal systems choose to decentralize immigration policy? Presumably, central and sub-central governments will face differing costs and benefits in controlling or not controlling various aspects of immigration policy. These costs and benefits might be economic, or they might manifest themselves in non-economic areas, such as cultural and linguistic preservation.

The literature on fiscal federalism (Oates 1999, Weingast 1995, Tiebout 1956) presents one line of reasoning on the likely costs and benefits of placing immigration policy jurisdiction

at various levels of government, and thus the likely preferences of governments regarding whether or not to push for such jurisdiction.

Let us take economic costs and benefits first. There are two features of the economics of immigration that hold relevance for federalism: a free-flowing labor market, and matching immigrants with the specific needs of a provincial market. We will deal with each of these in turn.

Take the public good of a free-flowing labor market.¹ Economic theory touts the virtues of labor mobility. Given that labor surpluses and shortages are variable over time and location, the faster that workers can shift to respond to relative changes, the more efficient the economy will be. Given discrepancies between labor markets, the market value of an individual is higher in one locale than in another, meaning that the gains from a move will normally outweigh the expected costs of a move, even given the existence of significant transaction costs. These gains are in theory reaped by both the immigrant and the employer, and are thus welfare gains for society as a whole, since such gains generally outweigh the costs that are imposed on social welfare services, and other externalities (Simon 1989). Thus, any factor standing in the way of worker mobility becomes a hindrance to economic growth. Obviously, then, border controls and immigration controls are among the restraints that are frowned upon by economists and businesses alike.

If we conceive of border controls as a transaction cost, then immigration control might be prohibitively expensive, since it might make an otherwise profitable move more costly than the expected gains. Visa checks, waiting periods, administrative fees, border patrols, customs agents, and immigration lawyers all cost money. Why is this especially relevant to federal

¹ A free-flowing labor market can be considered a public good, because its “consumption” is non-excludable and non-rival.

polities? Because, *ceteris paribus*, one would expect that the crossing of *two* borders entails more transaction costs than the crossing of one border. Thus, despite the fact that a province may have an interest in keeping labor out (or in), federal polities will have an (overall) more efficient labor market if they allow the free flow of workers between subnational units, without the maintenance of subnational immigration controls. Therefore, from an economic point of view, immigration *control* policy (monitoring immigrants at the frontier) should be national (centralized).

Further, the primary purpose of immigration controls is to keep out unwanted immigrants. Thus, maintaining *subnational* immigration controls would not only impede the workings of labor market efficiency, but could also lead to another problem, commonly known in the fiscal federalism literature as a “spillover effect”, or in economic terms, an “externality”. Imagine a federal polity (like today’s EU) where 25 different territorial units all maintain their own immigration controls.² A given immigrant wants to gain entry to one of these 25 jurisdictions to look for work, and when he enters one jurisdiction (legally or illegally), that jurisdiction bears transaction costs in dealing with him. If the immigrant is denied legal access to that jurisdiction, and is unable to gain illegal entry due to the costly monitoring and border patrol by that jurisdiction, he will face incentives to immigrate into one of the other 24 polities that might need labor. So, he goes on to the second jurisdiction, which also faces transaction costs in monitoring his presence and keeping him out. In practice, immigrants who have been denied entry are often dumped onto neighboring polities, causing externalities (Geddes 2000). The problem here is that without wholesale cooperation, or at least coordination, between these subnational units, one immigrant is free to attempt entry to all 25 units, forcing each one of them

² While most EU member states no longer have mutual border controls for short-term travel, they still maintain their own, individual immigration controls for longer-term entrants. The new EU constitution makes immigration a “federal” matter, but this aspect of the constitution is far from taking effect.

to bear costs to keep him out. Despite the fact that they would be better off with a cooperative policy, all polities will thus scramble to be the least hospitable to unwanted immigrants, causing a “race to the bottom”, whereby polities attempt to outdo each other by devising more costly and restrictive immigration control structures, and dumping more immigrants onto their neighbors. Thus, the advantage of coordination is that it reduces all of these costs, including externalities, by centralizing the provision of the public good of immigration control. As the EU is attempting to do, if there is a common administrative apparatus, with a common database of immigrants, who are identified when they arrive at any point on the market’s external border, then instead of bearing the costs of 25 entry attempts, the combined polities must only bear the cost of one entry attempt. Thus, the nature of the public good itself militates towards centralized immigration *control* policies.

But immigration control policies are not the only aspects of immigration policy that have economic implications. Jeannette Money (1999) posits an important distinction between immigration *control* policy, and immigrant *integration* policy. Defined broadly, immigrant integration policy deals with the recruitment, selection, welcoming and settlement of desired immigrants (whereas immigration *control* policy, of course deals with the separation of unwanted from wanted immigrants). And whereas immigration control entails economic public goods (a free-flowing labor market and optimal exclusion of unwanted immigrants) that are best provided centrally, we can apply fiscal federalism logic to argue that immigrant integration entails economic public goods that are best provided at the sub-central level.

Assuming that immigrants and employers might not have perfect information about each others’ preferences, it will be more efficient for this public good to be provided sub-nationally, being that subnational governments can tailor the output of this good “to the particular

preferences and circumstances of their constituencies” (Oates, 1121-1122). Some labor markets might not need immigrants at all (and indeed might want this to be well-advertised), while other constituencies might want only high-tech workers, or perhaps unskilled workers, according to local variation in labor markets. Also, some constituencies might not care at all if there is information released about their labor markets or not. The economic logic here is that “efficient level of output of a ‘local’ public good . . . is likely to vary across jurisdictions as a result of both differences in preferences and cost differentials” (Oates, 1122).

Subnational officials probably possess knowledge of “both local preferences and cost conditions that a central agency is unlikely to have” (Oates, 1123). Also, “there are typically political pressures . . . that limit the capacity of central governments to provide higher levels of public services in some jurisdictions than in others (Oates, 1123). Thus, even if one subnational unit could gain more from providing information to immigrants and employers than another unit, a centralized policy might not be flexible enough to respond to these varying potential gains in an optimal manner, perhaps due to political concerns over “equality” between subnational units.

Further, in line with the literature on “market-preserving federalism” (Weingast 1995), competition among jurisdictions in providing information and matching labor market needs with immigrants might make the provision of this public good more efficient. The logic here is that mobile capital and immigrants alike will punish, through their exit, jurisdictions that do not efficiently provide the public goods of information and matching. That is, if two jurisdictions need skilled high-tech workers but only one of them has an effective recruitment policy, with overseas promotional offices and such, then both immigrants and capital will flock to the jurisdiction that is providing the more useful information and matching, thus providing gains to

that jurisdiction, and incentives for other jurisdictions to improve their public goods to attract similar capital and workers, if they are needed.

In a situation like this, an additional argument for decentralization comes into play, which is the argument for “laboratory federalism” (Oates 1999). In this account, decentralized immigrant integration policies will provide an additional public good beyond their immediate uses to particular jurisdictions, that being the dissemination of knowledge about newer and better methods for recruiting and settling immigrants. That is, successful subnational immigrant integration policies will not only provide beneficial returns to their jurisdictions, but will also provide an exemplar and a model whereby the less successful jurisdictions can learn and benefit from the successful experiment of their counterpart.

Of course, the laboratory argument might apply to immigration *control*, as well, so why should immigration control not be decentralized so that subnational units can learn from the successes and failures of each others’ immigration control strategies? The answer is that the efficiency losses from transaction costs and externalities/spillovers in the realm of control (as mentioned above) will most likely outweigh the potential gains from subnational experimentation and policy emulation. On the other hand, any efficiency losses from multiple immigrant *integration* policies would presumably be less than the benefits reaped from local differentiation in this policy area.

Having covered the possible economic costs and benefits of decentralizing two aspects of immigration policy (control and integration), let us now turn to the most salient *non-economic* issues at stake. Immigration has a contentious political dimension that other economic issues lack, which is its connection with national identity, membership and belonging. This makes it a particularly acute challenge for all states, federal or not. Whether the “nation” is conceived as a

subnational ethnic group, or all the people of an entire federation, immigration is much more than a technocratic issue of policy efficiency, because it can ultimately define who the nation is, and by doing so can challenge deeply-held norms regarding the nature of belonging to the nation (culture, language, etc.).

In federal polities, this question becomes even more complex, because sub-central units often consider themselves as “nations” in their own right, or at least hold distinctive norms regarding language and culture. Thus, the particular needs of local jurisdictions take center stage, and become politically acute. Again, we can use the fiscal federalism literature to derive hypotheses about the costs and benefits of decentralization.

First, let us take immigrant integration policy. Regarding their unique “nation-preserving” needs (cultural, linguistic, etc.), sub-central governments can tailor the output of immigrant integration policy “to the particular preferences and circumstances of their constituencies” (Oates, 1121-1122). This would include things like language classes, “citizenship” classes on topics like local culture, and, most importantly, the recruitment of the “right” immigrants for matching distinct linguistic and cultural needs. Also, the “efficient level of output of a ‘local’ public good . . . is likely to vary across jurisdictions as a result of both differences in preferences and cost differentials” (Oates, 1122). In other words, some sub-central units might stand to gain a great deal from a particular immigrant integration policy, while others might gain less. Also, sub-central officials probably possess knowledge of “both local preferences and cost conditions that a central agency is likely to have” (Oates, 1123). And finally, “there are typically political pressures . . . that limit the capacity of central governments to provide higher levels of public services in some jurisdictions than in others” (Oates, 1123). For example, Canadian taxpayers might balk at financing French classes for immigrants (and

might punish central politicians that approved such a policy), but *Quebecois* voters would certainly be more willing to bear the costs of such a policy. A federation as a whole might not have an interest in preserving a sub-central culture or language, but a sub-central “nation” will have an interest in self-preservation, and thus will be more willing and able to design and finance a policy to ensure this self-preservation.

If sub-central governments should be in charge of recruitment, settlement and the societal integration of immigrants, then why should the central government have any role in immigration *control*, especially in a multi-ethnic, multi-national or multi-lingual federal polity? Why shouldn't passports, citizenship, visas, etc. be made an all-provincial affair? Aside from the previously-described economic and enforcement inefficiencies of multiple border controls, there are two “nation”-related reasons why immigration control, in theory, needs to remain a central affair, even in a diverse polity. The first has to do with norms and traditions of national sovereignty, and the second has to do with the political goal of cohesion in a federal polity.

Norms and traditions of national sovereignty arise out of the Westphalian system, and are important in determining why immigration control should theoretically remain centralized. Aside from the coordination problems and efficiency losses that would come from having multiple passports, visas, border controls, or rights of passage in a federal polity, there is also a strong tendency towards perceiving all the trappings of national “sovereignty” as a public good. This view is bound up with concepts like security and defense, and sees the protection of common borders as one of the powers that consistently lies at the centralized end of the federal spectrum. Riker (1964) sees the advantage of federalism as allowing sub-central units “to make use of the technological advantages in the size of treasuries and armies and thus to compete successfully with their neighbors” (5). One of these technological implications is the ability to

control a large border and patrol it with armies, police, airplanes, boats, radar, metal detectors, etc. Pooling sovereignty to control a larger border allows sub-central units to gain protection from any potential external threats, as well as to participate in the aggression of the polity and the expansion of these borders (Riker 1964).

The second “nation”-related factor militating against devolution of immigration control is the goal of political cohesion and maintaining some baseline common identity. In addition to the traditional elements of territorial control inherent in statehood, the idea of *citizenship* is traditionally administered at the central level, even in multi-national polities. This is partly bound up with Westphalian norms and traditions, but is also employed as a practical political exercise in devising a baseline identity, i.e. some minimal form of “we-ness”. Indeed, if the “nation-preserving” aspects of immigration control policy (like passports and citizenship) were decentralized, then we might say that secession has already taken place – in other words, the federal polity would no longer be a polity! Thus, for a federal system to truly be a federal system, basic aspects of citizenship policy must be centralized. This obviously presents a political problem for today’s European Union, as I will discuss in Section 4.

In conclusion, the following table summarizes the policy implications of this broad theory, for both immigration control and immigrant integration policies.

Table 1	Immigration control	Immigrant integration
Market-preserving federal immigration policy	<i>Centralized:</i> free-flowing labor market, no externalities and no race to the bottom	<i>Decentralized:</i> respond to local labor market needs, provide information to and match preferences for employers and immigrants
Nation-preserving federal immigration policy	<i>Centralized:</i> preserve national cohesion, national security and Westphalian sovereignty.	<i>Decentralized:</i> efficiently respond to local cultural and linguistic preferences without triggering political animosity

3. Late-Decentralizing Canada as a Ideal-Type Case of Federal Immigration Policy?

Having used the fiscal federalism literature to posit that immigration control should ideally be centralized, while immigrant integration should ideally be decentralized, let us now turn to the real world and measure these propositions against empirical fact. Oates (1999) calls on scholars of federalism to discover “the extent to which the potential gains from decentralization can explain the observed variation in actual governmental structure and policies” (1124). This section will take up that challenge, by showing how Canada faced a relatively recent increase in potential gains from decentralizing immigrant integration policy to the provinces, and thus made this policy choice in 1991 in order to reap these gains.

Immigration is one of the few policy areas deemed a “concurrent power” in the Canadian constitution, meaning that jurisdiction is formally shared between Ottawa and the provinces. Federal legislation is given “paramountcy”, but provincial legislatures possess the ability to make immigration laws, while the federal government is only given the ability “from time to time” to make immigration laws. As long as the provincial laws are not “repugnant” to the federal, they stand as official legislation. Further (and in line with our theory), the provinces possess greater powers in the area of immigrant *integration* and settlement, because these tend to fall under the exclusively provincial jurisdictions of property and civil rights (Black and Hagen 1993). Thus, actual practice aside, Canada’s constitution itself already leans toward the ideal-type model implied in the fiscal federalism literature, with immigrant integration being decentralized, and immigration control being centralized through the federal powers over border control and citizenship.

However, despite their constitutional prerogative, the Canadian provinces went over a hundred years without fully taking advantage of their constitutional powers in the area of

immigration. I will show here that they did not do this because there were few gains to be had in getting involved in immigration policy, until recently, thus confirming Oates' theory regarding the explanatory power of the gains of decentralization.

How did the recent potential gains from decentralization manifest themselves politically? The 1991 Canadian devolution of immigration power was mainly caused, not surprisingly, by the efforts of politicians in Quebec, with its distinct French language and culture. But why were there no gains for Quebecois politicians to pursue immigration powers earlier? In fact, there were gains to be had in the much earlier period between confederation and 1874, when Quebec pursued an actively independent immigration policy, based upon "a blend of demographic, linguistic and economic considerations" (Black and Hagen 1993, 282), aimed at the preservation of its Francophone character in the face of increasing Anglo immigration and settlement. This policy even included the establishment of provincial immigration offices overseas (a practice widely revived under the 1991 Accord). However, at a federal-provincial conference in 1874 it was decided that this arrangement be scrapped, as a needless exercise in duplication and overlap. Quebec complied, in closing shop, since it had experienced little success with recruiting the Francophone and Catholic immigrants it desired. As Quebec's birthrate was still quite high at that point in history, the demographic implications of such a non-involvement were not nearly as severe as they were to become under modern conditions. Thus, the Quebecois community willingly gave up the immigration game, preferring to isolate itself in rural, religious communities while non-Francophone immigrants flocked into the province in substantial numbers.

This dangerous situation (from the point of view of "national" survival), continued unabated for decades, until World War Two and the subsequent boom in Canadian immigration.

While this new influx was met largely by hostile indifference from Quebecois, an alternative discourse began to emerge from a small Francophone elite around this time, with four themes: the threat of growing immigration levels to French survival, the need for integration of new immigrants into the French community, the need for expanded French language education, and the need for the provincial government to take an active involvement and interest in meeting these challenges (Black and Hagen, 285-6).

Along with the “Quiet Revolution” and growing French self-determination in the 1960s, the Quebecois government eventually jumped into the field of immigration, utilizing its constitutional mandate to take concerted action. Immigration was now newly conceived as a potential gain. Vineberg (1987) argues that “in the past immigration had been perceived as a cultural invasion, destroying the linguistic balance of the province. From 1965, however, increasingly immigration came to be perceived as a tool to strengthen the francophone nature of Quebec society” (307).

Along with linguistic motivations for provincial immigrant integration policy, demographic concerns played a large part, as well, in the re-conceptualization of immigration as a gain. The massive drop in birthrate that accompanied the Quiet Revolution was seen as a critical threat to the survival of “the nation”, and a perception existed that immigration policy, along with state-supported natalist policies, could counteract this demographic trend. Economics, as well, played a role, since Quebec’s government (like most other governments during that time period), took an activist role in the economy, including intervening in labor markets. Such intervention matched with the “desire to maximize the economic benefits associated with the selection of skilled or capital-endowed candidates” (Black and Hagen 1993, 280), and meant that Quebec’s government would want to take an increasing provincial role in

selecting and integrating immigrants for economic purposes, while being willing to leave immigration control to the central government (aside from the desire by some Quebecois for outright independence, of course).

In response to the new perceptions of potential economic, linguistic and demographic gains to be won, and after a long period of constitutional turmoil and political contestation between Quebec and Canada, Quebec successfully negotiated the 1991 “Canada-Quebec Accord Relating to Immigration and Temporary Admission of Aliens”, which decentralized aspects of immigrant integration policy (recruitment, selection, reception, settlement, etc.) while leaving immigration control policy (border control, citizenship, passports, visas, etc.) as a federal power. This division of powers matches the ideal-type division proposed above, because Quebec provides locally relevant, immigration-related public goods (integration) itself, while consuming nationally-relevant, immigration-related public goods (control) provided by the government of Canada. Quebec now sets its own annual immigration targets, and has sole responsibility for selecting immigrants who wish to settle in the province (with the exception of refugees and family reunification). “The government of Quebec also assumes full responsibility for providing orientation and integration services to new permanent residents” (CIC 2003, 1). Quebec even has independent offices abroad, for recruitment, selection and screening purposes.

But what of the other nine provinces? While identity-based arguments would see no gain for English-speaking provinces to pursue distinctive immigration policies, fiscal federalism theory would argue that even absent the potential “nation-preserving” gains of recruiting and settling immigrants according to linguistic criteria, provinces should still want to take advantage of the *economic* benefits of decentralized immigrant integration policy (matching immigrants with needs of local labor market). And indeed, bilateral agreements have now been signed with

nine provinces and one territory: Quebec, Manitoba, Saskatchewan, British Columbia, New Brunswick, Newfoundland and Labrador, Prince Edward Island, Yukon, Alberta and Nova Scotia (see Table 1). As for the tenth province, Ontario, while it has not negotiated a formal agreement, it has in fact signed a memorandum of understanding on federal-provincial immigration consultation in 2002 (CIC 2003).

Table 2: Federal-Provincial/Territorial Agreements (Source: Citizenship and Immigration Canada)

	Date signed	Expiry date
Canada-Quebec Accord	February 5, 1991	Ongoing
Canada-Manitoba Immigration Agreement	October 22, 1996; Renewed June 6, 2003	Ongoing
Canada-Saskatchewan Immigration Agreement	March 16, 1998; Letter of Extension July 17, 2003	March 16, 2004
Agreement for Canada-British Columbia Co-operation on Immigration	May 19, 1998; Letter of Extension May 19, 2003	May 19, 2004
Canada-New Brunswick Agreement on Provincial Nominees	February 22, 1999	February 22, 2004
Canada-Newfoundland and Labrador Agreement on Provincial Nominees	September 1, 1999	December 31, 2004
Agreement for Canada-Prince Edward Island Co-operation on Immigration	March 29, 2001	March 29, 2006
Agreement for Canada-Yukon Co-operation on Immigration	April 2, 2001	April 2, 2006
Canada-Alberta Agreement on Provincial Nominees	March 2, 2002	March 2, 2004
Canada-Nova Scotia Agreement on Provincial Nominees	August 27, 2002	August 27, 2007

Some of these agreements fall under the “Provincial Nominee Program”, which allows provinces to identify and nominate an agreed-upon number of potential immigrants who will “contribute to economic development by filling specific regional or local needs” (CIC 2003, 1).

This matches well with the implied economic benefits of decentralization proposed by the fiscal federalism literature. “Many of the levers that make immigration work are the responsibility of the provinces . . . education, health, welfare, social housing . . . In general, provinces want . . . to influence immigration planning, policies and programs . . . to support their particular social, demographic and economic development” (Hall 2002, 3). For instance, in the province of Manitoba, small rural towns have used the program to bring in skilled workers. Under the Manitoba “Community Initiative”, a number of stakeholders, such as the Chamber of Commerce, schools, churches and employers, provide guaranteed employment and social support for immigrants. Early indications show that “provincial nominees are staying in the rural areas, raising families, contributing to economic growth, integrating well into host communities” (Hall, 9). Prince Edward Island, as it is facing depopulation, uses its immigrant strategy for demographic purposes, whereas New Brunswick’s strategy places a higher priority on immigrants who can be economically self-sufficient. British Columbia’s strategy, on the other hand, targets labor shortages in certain high-growth economic sectors, such as health, high-tech and management (Hall 2002).

From the diffusion of bilateral agreements across the provinces, it is clear that Quebec provided a policy laboratory that set an example for other provinces. While the ball could not, perhaps, have begun rolling without Canada’s legacy of dual founding nations, we see that a distinct provincial “identity” is not a necessary condition for policy diffusion. Although the decentralization of immigrant integration policy in Canada is not complete (Ottawa still retains primary power over setting total *levels* of immigration, though this could be seen as a control issue), the Canadian case does seem to approximate the fiscal federalism theory outlined above. While other factors come to mind as possibly explaining the rapid policy diffusion across

provinces (e.g. party politics or institutional factors biasing Canadian politics towards regional interests), the above evidence shows that the economic, demographic and social costs and benefits of immigration (for the provinces) seem to explain the degree of devolution of Canadian immigration policy.

4. The Non-Centralized EU as a Sub-Optimal Federal Immigration Control Policy

This section argues that the logic of the EU's common market, as enshrined in its treaties, demands the free flow of labor across borders. Such a free flow of labor requires a common, centralized policy of immigration control, at the common market's external borders, to reduce transaction costs and ensure that member states are not causing spillovers by dumping immigrants on each other and duplicating immigration control efforts towards the same set of immigrants, as these immigrants attempt to move around the common market looking for points of entry. However, I will show that member state and EU politicians have been unable to achieve the necessary degree of cooperation for centralization of immigration control policy, due to the high political salience and intense degree of controversy surrounding the granting of immigration control to Brussels.

The European Union is a very different kind of federation than Canada. While Canada is a nation-state that has only recently devolved a wide range of powers to its provinces, the EU is a quasi-federal common market, made up of sovereign states, that have only recently "evolved" a wide range of powers to a center, in Brussels. Thus, my ideal-type argument becomes empirically problematic in the EU case, because the two justifications for centralization of immigration control, market-preservation and nation-preservation, are locked in deep political conflict. Specifically, the market-preserving gains to be had from a centralized immigration

policy in a common market (a free-flowing labor market, no externalities, and no race to the bottom) are in place in the EU, and politicians have seized upon these gains to push centralization. However, the “nation”-preserving gains to be had (preserving national cohesion, security, and Westphalian sovereignty) are for the most part *not* in place, especially considering that the EU is not a nation. Only security might come into play as a potential gain, since the EU might be able to provide the public good of national defense more effectively with pooled sovereignty. However, even this feature is controversial, while support for “national” cohesion in Brussels, and a transfer of Westphalian sovereignty (passports, citizenship) to the EU level, is somewhere between highly skeptical and virtually nonexistent. Thus, for the time being, the political costs of centralizing immigration control have conflicted with the economic gains of doing so, resulting in a patchwork solution whereby some control responsibilities are kept national, while some are transferred to Brussels. I will now show how this patchwork solution, while probably the only politically realistic one at this time, does *not* approximate my ideal-type conditions, and has thus led to sub-optimal public goods provision. This section draws on the work of Geddes (2000) and Papademetriou (1996) in sketching out the political and economic costs and benefits of centralizing immigration control in the EU case.

Politicians in the European Commission and some of the more federalist-minded member states have pushed for the centralization of immigration control policy, in line with the 1987 Single European Act’s proclaiming of free movement of labor as one of the “four freedoms”, and the 1997 Schengen Agreement’s dropping of all internal border controls within the single market. Not only did national security concerns over immigration necessitate cooperation (floods of immigrants from the Balkan Wars and the East Bloc in the early 90s, whose arrival triggered worries over crime, social destabilization, and threats to public order), but economic

logic dictated that the free movement of labor within an internal market requires a common policy for the EU's *external* borders. Once an immigrant is admitted to the shared space of the EU, they are now free to carry out short-term travel among the member states. This means that there must be agreement over who to let in, for how long, and what rights and duties they are to have once they are admitted to this shared space. Thus, despite staunch opposition from a few member states, notably the UK, the EU was finally able to achieve some of its goals in this area with the recent completion of multiple solutions to centralize immigration control, of which I will highlight five: 1) the Schengen Agreement to eliminate internal borders, after years of blockage, was finally implemented by allowing the UK and Ireland to opt out; 2) The Schengen Information System is a database of fingerprints that allows EU countries to immediately identify immigrants who might have repeatedly tried to gain access to multiple EU countries, over a period of years, using false or no documents to successfully delay deportation orders; 3) A common list of countries whose nationals need visas to enter the EU; 4) a common list of countries that are not considered unsafe, and thus whose nationals are immediately denied political asylum claims; and 5) an agreement that the EU country that was the initial point of entry for an asylum-seeker must be the country that hears a political asylum claim, thus obviating spillovers and "dumping".

Not only does this new lack of internal borders and the completion of a free-movement zone with common external borders and controls reduce transaction costs and economic inefficiencies that arise from an impeded flow of labor, but it also reduces the kinds of spillovers and the race to the bottom mentioned earlier. Previously in the EU, immigrants were free to lodge political asylum claims in all 15 countries, one at a time. Since adjudicating each of these claims can take up to a decade, during which the state is normally obligated to house and support

the claimant, this was obviously a large inefficiency. Further, once an applicant's claim was rejected, they were often shipped to a neighboring country, sometimes by choice. For instance, several years ago the UK government accused Belgium of giving asylum-seekers one-way train tickets from Brussels to London. France also maintained the infamous Sangatte refugee camp, which was a kind of way-station for asylum-seekers wanting to enter the UK. This is an example of the kinds of spillovers, mentioned earlier, that harm efficient public goods provision. The race to the bottom comes into play when each member state government, seeking to be known as the least hospitable to immigrants, becomes the most restrictive and spends the most money on control, often in practice dumping immigrants onto neighboring countries, who could then hop from country to country, lodging expensive and often unsuccessful asylum claims. However, these externalities were finally addressed with the newfound cooperation on immigration control.

Although the new system still has some problems, most notably the ongoing opt-outs by the UK and Ireland, it has cut down a great deal on transaction costs and spillovers. However, as noted earlier, the EU still has *not* centralized the Westphalian aspects of its immigration control policy, including, most importantly, *citizenship*. To the extent that there is something called EU citizenship, it is still dependent upon holding citizenship of one of the member states, and confers almost no additional rights or duties above and beyond national ones. Why is this a problem where public goods provision is concerned? I will conclude this section by showing how the decentralization of citizenship policy leads to labor market inefficiencies because a large group of workers (roughly 15 million) is excluded from the benefits of free movement, since they have legal *residence* in an EU member state, but not citizenship.

These workers are commonly called "Third-Country Nationals" (TCNs), since they are members of a non-EU country that may wish to move from one EU member state to another.

For instance, a Turk with a permanent residence permit in Germany might wish to move to the Netherlands to work. But because they do not hold citizenship in their country of residence, they do not have the right to move within the single market, because there is no EU citizenship that could grant them transnational “market rights” like mobility (Caporaso 2003). The efficient workings of a labor market, as specified earlier, would dictate that these workers should have the right to move, but because citizenship policy is still decentralized in the EU, this right is absent. Given this, the provision of the public good of citizenship, being decentralized, undermines the centralized provision of the public good of a free-flowing labor market, by giving rise to more inefficiencies (an inflexible labor market), more transaction costs (monitoring, controlling and deporting TCNs who attempt to travel across borders) and more spillovers (attempting to dissuade TCNs from traveling, sending them back to countries of residence). Until there is some kind of EU citizenship that can guarantee that *all* EU workers can participate in the labor market, the efficient provision of this public good will be undermined. The new European constitutional convention and the accompanying Charter of Rights and Freedoms has attempted to address the issue of pan-EU citizenship rights and duties. Further, the European Commission and Parliament, and several of the member states, have called for TCNs to be granted free movement rights. The new directive on the rights and the status of “long-term resident” TCNs in the EU takes some steps towards granting EU-level rights to TCNs. This directive specifies that legally-resident TCNs should be allowed to move between EU countries. However, member states succeeded in placing several strict conditions on this right, which limit its practical effect. Thus, the historical attachment to national citizenships in Western Europe, supported by unique national identities, xenophobia, and fears over cultural survival, will probably make full centralization of citizenship policy a political impossibility for a long time to come. At the

Tampere European Council in 1999, some of the member states did call for a harmonization of naturalization policy, but this call has been ignored in more recent years. Thus, the EU, while taking strides in recent years towards my ideal-type model, in which immigrant integration would remain decentralized while immigration control would become centralized, still remains an incomplete approximation of this model, in contrast with the case of Canada.

5. Conclusion

The table below summarizes the findings of my two case studies for the ideal-type model proposed earlier. To recap, it was argued that based on federalist theory of public goods provision and levels of government, immigration control policy should be centralized, while immigrant integration policy should be decentralized. Centralizing immigration control would preserve markets by allowing the free flow of labor, minimizing externalities, and preventing a race to the bottom, and would preserve nations by upholding national cohesion, national security and Westphalian sovereignty. Decentralizing immigrant integration policy would preserve markets by allowing provinces that stand to gain to respond to local labor market needs, and to provide information and match preferences for prospective immigrants and employers, and would preserve nations by allowing provinces to efficiently respond to local cultural and linguistic preferences without triggering political animosity.

In general, we see that both federations approximate the conditions of my model, with one notable exception, this being the EU's lack of a thoroughly centralized immigration control policy. This lack has excluded fifteen million workers from the benefits of free movement, leading to labor market inefficiencies, transaction costs, spillovers, and a race to the bottom. Since the centralization of citizenship policy is politically impossible in today's EU, the potential

gains in this area cannot be achieved, though most Europeans would probably prefer it that way, since they simply do not see the existence of a European “nation” in need of preservation.

Table 3	Control – centralized?	Integration – decentralized?
Market-preserving federal immigration policy?	<p><i>Canada:</i> Yes. Free-flowing labor market, no externalities and no race to the bottom</p> <p><i>EU:</i> Almost. In recent years has made much progress towards the above goals</p>	<p><i>Canada:</i> Yes. Provinces that stand to gain can respond to local labor market needs, provide information to and match preferences for employers and immigrants</p> <p><i>EU:</i> Yes. National governments still manage labor markets, provide information and match preferences.</p>
Nation-preserving federal immigration policy?	<p><i>Canada:</i> Yes. Despite separatist worries, they have preserved national cohesion, national security and Westphalian sovereignty.</p> <p><i>EU:</i> No. No EU “nation” yet. Member states are unwilling to give up sovereignty for markets, security and cohesion.</p>	<p><i>Canada:</i> Yes. Quebec’s control over integration efficiently responds to local cultural and linguistic preferences while triggering relatively little political animosity, separatist worries and Anglo-Canadian complaints aside.</p> <p><i>EU:</i> Yes. Member states still control immigrant integration, allowing them to preserve culture and language.</p>

Aside from public goods provision, what other factors might explain the degree of decentralization or centralization in federal polities? Controlling for alternative explanations in a thorough way is beyond the scope of this paper, but preliminarily, some might argue that my focus on *market-preserving* elements of *decentralization* is not relevant, arguing that devolving immigrant integration power would probably *only* play a nation-preserving role, and thus would only be seen in culturally or linguistically diverse federations like the EU or Canada, while in homogenous, uni-national federations, we would not expect to see *any* devolution of immigration

policy, integration *or* control. The fact that diverse Switzerland devolves immigrant integration power, while the homogenous U.S. does not, would seem to lend credence to this objection. However, I can highlight the case of Australia, which confirms the relevance of my distinction. Australia, despite being a homogenous country, devolves immigration power to the states, meaning that the market-preserving role of devolution is obviously the salient one there, and the economic benefits of decentralized immigrant integration are obviously the key motivating factor for politicians, in the absence of any cultural or linguistic pressures (“nations”) pushing for devolution. The U.S., then, remains the only anomaly for my model, because in the absence of cultural or linguistic groups that are coterminous with state boundaries, U.S. policymakers still have not realized the *economic* benefits of devolving immigrant integration policy. Whether this is due to institutionalization and/or constitutional limitations on state authority over immigration policy, or the spillover of Westphalian sovereignty into immigrant integration areas, or simply fears over duplication of efforts and the efficiency of 50 different state offices for recruiting, selecting, welcoming and settling immigrants, is beyond the scope of this paper. Determining the answer, however, will shed further empirical light on my ideal-type model, and will also be an interesting further commentary on the relevance of federalist theory for immigration policy, across all real-world cases.

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