
Welfare state, immigration policy, and political parties formation

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Abstract

This paper studies the political economy of immigration policies and redistribution. An inflow of relatively low-skilled immigrants can be mitigated by tight immigration policies. Due to complementarities across high-skill and low-skill tasks, more immigrants result in lower (higher) incomes for low (high)-skill natives. Immigrants are also more likely to be beneficiary of welfare transfers. We study a model of endogenous party formation when the native population votes simultaneously on immigration policy and redistribution. We show that low-skilled and high-skilled workers may form a winning coalition resulting in lower redistribution and a tighter immigration policy with respect to the preferred policy mix of the middle class. The result suggests that, when immigration is a salient political issue, support for redistribution may be weakened. It also provides a non-ideological rationale for the fact that anti-immigration political parties also tend to be in favor of lower redistribution.

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