An analysis of success and failure in the immigrant investor programmes of the United States and the United Kingdom

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Abstract

Immigrant Investor Programmes (IIPs), which offer immigration status in return for a passive investment, have become widespread across the world over the past two decades. Despite a growing literature on their impacts and normative justifications, little is known about why governments design them in the way they do and how policy design choices affect the programmes' success. Indeed, many programmes are designed in apparently irrational ways—for example, requiring applicants to make investments that are not structured to bring any particular economic benefits. At the same time, previous research and evaluations have suggested that IIPs have often failed to achieve their stated economic objectives. These disappointing economic evaluations have been especially common for residence-by-investment programmes, which award temporary or permanent status rather than citizenship.

This study examines why it has been so difficult to design residence-by-investment programmes that policymakers feel are successful. It draws on qualitative research in two countries that have operated investor programmes based on private-sector investments: the United States and the United Kingdom.

Previous studies on success and failure in public policy have shown that success has multiple dimensions. Drawing on insights from this literature, which has not previously been applied to investment migration, I argue that one of the main reasons policymakers have struggled to produce successful residence-by-investment programmes is that different dimensions of success persistently conflict. In particular, policy design options that would be more economically beneficial and easier to operate, such as accepting payments rather than investments, were less politically palatable. Policymakers typically preferred designs that allowed them to portray applicants as genuine 'investors'—rather than simply wealthy people purchasing their status. As a result, policymakers accepted less economically efficient designs in which investor applicants' funds displaced other available funding.

While previous studies on investment migration have typically inferred policymakers' intentions by looking at policy design, I provide direct empirical evidence of policy decision-making through qualitative interviews with government officials, politicians and their staff. I argue that while past research has typically portrayed IIPs as the ultimate economic tool, there is more politics to IIPs than meets the eye. Residence-by-investment programmes can have important symbolic and political functions that most previous research has ignored. Indeed, this study shows that the symbolic role was the *primary* function of the investor programme in the eyes of many policymakers in the United Kingdom.

The study then examines programme design choices facing policymakers in investment migration. Drawing on previous studies on public policy instrumentation, I show that producing investor programmes that are perceived to be successful has been a challenge for several reasons. First and foremost, policymakers have faced trade-offs between 1) the precision with which they could identify target beneficiaries; and 2) the complexity and attractiveness of the programme to its users and operational officials.

I argue that governments face some intractable technical difficulties in their quest to channel programme applicants' private-sector investments towards the 'right' projects. For example, US policymakers often wanted funds to flow towards small businesses that would not otherwise have been able to raise the money. They also wanted to be confident that the investment would create jobs and that businesses operated with integrity and complied with financial and immigration laws. However, these objectives conflicted. In particular, the companies that were best able to attract investor migrants' money, meet job creation requirements and comply with programme rules were also typically ones that were already quite successful in raising funds from

other sources. Detailed regulations designed to target money flows in the way US policymakers wanted also generated extraordinary complexity, making the programme unwieldy to administer and putting immense pressure on the immigration bureaucracy.

The study examines the challenges policymakers have faced in admitting applicants they consider desirable by drawing together insights from a diffuse literature that identifies three main factors affecting whom policies admit. These include the destination country's underlying attractiveness to the target group of migrants, the ability of selection criteria to identify them, and the extent to which the immigration policy attracts or deters prospective applicants.

UK policymakers in particular wanted to attract entrepreneurial "go-getters" and found this more difficult than expected. First, successful business people of the kind policymakers wanted to attract often did not want to migrate: they were busy being successful at home. They would not necessarily be able to replicate that success in an entirely different business environment. Second, the "go-getting" qualities policymakers desired were intangible and difficult to specify in transparent immigration rules. Third, in some cases, the immigration rules deterred the target applicants: for example, the UK imposed substantial residence requirements that successful international business people were often unwilling to meet.

Finally, the study asks why policymakers have often persisted with policy models that do not appear to be successful. Consistent with existing theories of the policy process, it shows that limited resources, low salience and disagreements between policymakers about how to change policy produced stalemates that for long periods favoured the continuation of the status quo in the United States and the United Kingdom. The US and UK IIPs were niche areas of immigration that were low on policymakers' agenda, and the resulting neglect came at the expense of the programmes' economic benefits.