

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

Citation for published version (APA):

Sumption, M. C. (2023). *An analysis of success and failure in the immigrant investor programmes of the United States and the United Kingdom*. [Doctoral Thesis, Maastricht University]. Maastricht University. <https://doi.org/10.26481/dis.20230612ms>

**Document status and date:**

Published: 01/01/2023

**DOI:**

[10.26481/dis.20230612ms](https://doi.org/10.26481/dis.20230612ms)

**Document Version:**

Publisher's PDF, also known as Version of record

**Please check the document version of this publication:**

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
- The final author version and the galley proof are versions of the publication after peer review.
- The final published version features the final layout of the paper including the volume, issue and page numbers.

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**An Analysis of Success and Failure in the Immigrant  
Investor Programmes of the United States and the  
United Kingdom**

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ISBN 978 90 8666 562 4

Publisher: Boekenplan, Maastricht  
boekenplan.nl

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**An Analysis of Success and Failure in the Immigrant  
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United Kingdom**

DISSERTATION

to obtain the degree of Doctor at the Maastricht University,  
on the authority of the Rector Magnificus,  
Prof.dr. Pamela Habibović  
in accordance with the decision of the Board of Deans,  
to be defended in public  
on Monday 12 June 2023, at 16.00 hours

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The author is grateful to the University of Oxford's Returning Carers Fund for a grant covering transcription costs.

## 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.



## Acknowledgements

First and foremost, I am immensely grateful to everyone who took the time to be interviewed for this research. Given how busy so many of these people are (indeed, the public policy literature tells us that policymakers' limited time is a major constraint on government action!) I greatly appreciated their willingness to inform this research.

Hearty thanks are due to Melissa Siegel and Elaine Lebon-McGregor for their extensive comments and advice on multiple drafts of this monograph. They have been incredibly generous with their time, and I have benefited immensely from their input.

I am also grateful to several others who gave up their time to entertain my questions, including Kristin Surak, Dimitry Kochenov, Christina Boswell, Paul Cairney, Fabio Savoldelli and Charles Whelan. Thanks also to participants in seminars at Oxford and Maastricht universities for their constructive comments.

And finally, thanks immensely to my mother for valiant proofreading services and to Matt and my lovely children for tolerating my absence on evenings and weekends while I did this research.

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## List of Acronyms

AAO	Administrative Appeals Office
ACF	Advocacy Coalition Framework
CBI	Citizenship by investment
DHS	Department of Homeland Security
EB-5	Employment-based Fifth Preference
FinCEN	Financial Crimes Enforcement Network
GAO	Government Accountability Office
IIP	Immigrant Investor Programme
IMF	International Monetary Fund
INS	Immigration and Nationality Service
IRCU	Investor and Regional Center Unit
IPO	Immigrant Investor Programme Office
MAC	Migration Advisory Committee
MSF	Multiple Streams Framework
OIG	Office of the Inspector General
RIA	Reform and Integrity Act of 2022
RBI	Residence by investment
SEC	Securities and Exchange Commission
TEA	Targeted Employment Area
USCIS	United States Citizenship and Immigration Services



# Chapter 1: Introduction

Immigrant investor programmes (IIPs) offer residence or citizenship in return for a passive investment or other financial transaction. They have become increasingly widespread over the past two decades in high-income immigration destination countries with substantial migrant populations and countries that have not traditionally seen much immigration. A 2019 review identified 60 different IIPs in 57 countries, of which half had been established since the year 2000 (Gamlen et al., 2019). In the European Union, half of Member States had an investor programme by 2019, up from only four in 2010 (Surak, 2020).

IIPs come in two main forms: citizenship by investment (CBI) and residence by investment (RBI). The present study focuses on residence-by-investment programmes, which are also known as investor visas—or sometimes “golden visas” in popular discourse.<sup>1</sup> For the most part, investor visas are a niche area of immigration policy and admit relatively few people compared to more mainstream immigration categories like employment or family unification. For example, investors made up less than 1% of green cards issued in the United States in 2019, less than 2% of permanent work or family visas in Australia in 2020-2021, and less than 5% of first residence permits in Portugal in 2020 (DHS, 2020; Department of Home Affairs, 2021; SEF, 2021).

Despite the relatively small number of people involved, investor visas can be controversial. Although scholarly work on the ethics of investor programmes has devoted much more attention to CBI than RBI programmes (see, e.g., Shachar & Hirschl, 2014; Tanasoca, 2016; Shachar, 2017; Mavelli, 2018; Erez, 2023), some of the ethical criticisms of selling citizenship have also been levelled at policies selling residence (Shachar and Hirschl, 2014; Strumia, 2016). Investor visas have been scandal-prone, attracting allegations of influence-peddling and openness to members of shady foreign elites (see, for example, Transparency International and Global Witness, 2018).

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<sup>1</sup> The term ‘residence by investment’ is not used in many of the countries that have RBI programmes. This includes the two case-study countries the present study examines, which use the term ‘investor visas’.



Behind the news headlines, however, the literature on the impacts and implications of investor visas or residence by investment is still relatively small, with large gaps in the knowledge base. For example, investor visa programmes come in various shapes and sizes: the financial transactions that investor programmes require range from investments in private companies or residential property to simply transferring money to a local bank account (Scherrer & Thirion, 2018). Some expect their holders to live in the country most of the year, while others require only a few days of residence to maintain one's status or eventually become a citizen (ibid). Policy choices such as these will have complex impacts on the programmes' outcomes, affecting who applies, whether they settle permanently at destination, and what economic activities they conduct.

Existing research on the economic impacts of investor visas has typically either examined single cases (e.g. official evaluations in Canada, Ireland, or the UK) or provided a descriptive comparison of policy design across countries. There has been little in-depth analysis of the factors that shape governments' ability to design and implement successful IIPs.

Where evaluations do exist, they have often found that the programmes fell short of expectations. For example, official evaluations in Australia, Canada and the UK concluded that IIPs had brought only modest economic benefits (CIC, 2014; MAC, 2014; Australian Productivity Commission, 2016). Other studies have found surprisingly poor economic outcomes among investment migrants, including in Canada, Australia and New Zealand (Chiang, 2004; Ley, 2011). While a few programmes have received at least some relatively favourable evaluation, such as the United States' EB-5 programme (Department of Commerce, 2017), they have also faced criticisms of insufficient transparency or fraud (GAO, 2015).

Despite the widespread lacklustre evaluations, residence-by-investment programmes persist across many high-income countries, and new ones continued to open up throughout the 2010s (Gamlén et al., 2019).<sup>2</sup>

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<sup>2</sup> Since the late 2010s there have also been some high-profile programme closures or suspensions, including in the United Kingdom (2022), Cyprus (2020) and Hungary (2017).

## 1.1. Research questions and methodology

This study seeks to understand what factors have contributed to policy success or failure in two investor visa programmes channelling funds to the private sector—the United States and the United Kingdom—and why it has been so hard to create programmes that were widely perceived to be successful. It examines three main sub-questions:

- What do US and UK policymakers want from investor visas, and what shapes their assessments of the programmes' success?
- How did policy design choices affect the successes and failures of the UK and US investor programmes, and what are the broader lessons for the design of residence by investment in high-income destinations? Specifically, what factors have shaped policymakers' ability to design and implement programmes that a) direct financial investments in a way that produces meaningful economic benefits and b) admit the desired profile of applicants?
- Why did UK and US policymakers persist for long periods with policy options they did not feel were working?

In other words, there are two main objects of study. On the one hand, the research examines the nature of the policies themselves and the perceived impacts of different features of policy design. On the other hand, it looks at the policymaking process, including how policymakers balance different objectives when assessing the policies' value and what factors have enabled or prevented them from implementing their preferred vision.

The research uses a case-study approach, examining residence by investment in two popular destination countries: the United States and the United Kingdom. The UK programme (which closed in February 2022) and its US counterpart shared headline features when the study was conducted, namely that applicants invested in private-sector businesses in return for a residence status that was initially conditional and became permanent after some time. Both countries are attractive immigration destinations in which substantial numbers of wealthy people would like to live. Both programmes have been the subject of divisive political debates and policy change in recent years, making them valuable cases to examine what drives policy decisions.

By choosing similar case studies, the research can examine whether similar findings are replicated in different external contexts (Yin, 2017). For example, the UK and US investor programmes existed in quite different immigration debates over the past decade. However, there are subtle but important differences in policy design. In particular, US and UK policymakers took quite different decisions on how private-sector investments should be made. The UK programme that closed in 2022 was a relatively light-touch model that permitted almost any private-sector investment except residential property, and made little attempt to channel money to specific types of activity. On the other hand, the US programme is immensely complex and has extensive guidance that attempts to shape who uses investor programme funds and how. The research exploits this difference in policy design to examine the impacts of policy choices towards qualifying investments.

The choice of similar case studies also has limitations. In particular, further research would be required to understand how far different findings apply to other types of destination. For example, both policymakers' and investment migrants' motivations could be quite different in less traditional migration destinations, such as Latvia or Portugal. While some of the basic dynamics of private-sector investment markets for investor visa applicants will apply broadly across many jurisdictions, this study has not been able to examine investments in residential property, which are permitted in destinations such as Portugal and Spain.

The study employs a qualitative methodology, drawing on semi-structured interviews with 63 people involved in the design and implementation of the US and UK investor programmes and a review of official documents and transcripts of legislative debates. Interviews with policymakers and political insiders are used to understand the objectives of the programmes, the factors that contribute to their perceived successes and legitimacy within government, design and implementation challenges, and the factors that have affected policy decisions and policy change. Interviews with investor-programme professionals—including immigration lawyers, wealth managers and businesses receiving investments from investor applicants—are used to understand the programmes' day-to-day operation and the impacts of policy choices on applicants and on demand for IIPs.

## 1.2. Contribution to the literature

Following the recent expansion of residence and citizenship programmes, a growing body of academic research has examined the “what, why and how” of Immigrant Investor Programmes. Most of these fall into one of three broad categories: policy design, applicants’ motivations, and programme ethics.

First, there is a small literature on how IIPs work. Various studies have examined the operation of investor visas in specific case-study countries, including in Canada (e.g. Ley, 2003, 2011), Australia (Birrell, 2000), Portugal (van der Baaren & Li, 2018), and the United States (Straut-Eppsteiner, 2021). For the most part, these studies are descriptive and focus on specific cases rather than attempting to derive overarching lessons about the impacts of policy design choices. Other studies have produced typologies of the different types of both CBI and RBI programme design and their potential implications at a high level (Sumption and Hooper, 2014; Gamlen et al., 2019; Dzankic, 2018; Stadlmair, 2018). For the most part, these latter studies do not dig deeply into the effects of the different available programme design choices. The present research seeks to address this gap with a more detailed analysis of programme criteria and their implications.

Second, a handful of studies have examined the motivations and migration plans of people applying for either citizenship or residence by investment. These studies suggest that motivations can vary widely depending on the destination and the type of programme. For example, David Ley’s (2011) analysis of the former Canadian programme found that investment migrants’ motivations were not necessarily economic, but often involved the search for a quieter pace of life and high-quality education for their children. Analysing the US investor visa programme, Harpaz (2022) finds that visa applications increased when measures of the ‘quality of democracy’ in the country of origin deteriorated, suggesting that investor visas provided a ‘plan B’ for wealthy elites in authoritarian regimes. Other studies have found that some investor programme participants (in both CBI and RBI programmes) are not necessarily interested in settling in a new country but want to gain what Surak (2016, p34) calls “extra-territorial” benefits, such as visa-free travel to other countries (Montezuma & McGarrigle, 2019; Van der Baaren & Li, 2018).

Some studies on the motivations and outcomes of investor visa participants touch on the impacts of policy on the programmes’ attractiveness to

prospective migrants (identifying, for example, that applicants tend to dislike residence requirements). However, past studies have not systematically explored how applicants engage with different policy criteria and how they shape investors' behaviour. Studies have also typically examined *either* programmes' policy goals *or* applicants' motivations rather than bringing the two together. The only exception I am aware of is David Ley's (2003) analysis of the Canadian investor programme, on which this research builds.

Perhaps surprisingly, very few studies have examined the politics or ethics of residence by investment. Some studies have considered whether *citizenship* by investment is morally justifiable, often with particular emphasis on the specific properties of citizenship rather than residence (Shachar & Hirschl, 2014; Tanasoca, 2016; Hidalgo, 2016; Shachar, 2017; Mavelli, 2018; Kochenov, 2019; Joppke, 2022; Erez, 2023). But investor visa programmes that do not offer a rapid path to citizenship receive little attention in this work. Similarly, there is almost no analysis of the broader politics of investor programmes, such as how narratives about different policy options affect policy decisions (but see Ley, 2003). The present study helps to fill this gap by examining the factors shaping the political success of investor visa programmes in the United States and the United Kingdom.

### **1.2.1. Conceptual approach**

Unlike previous literature on IIPs, this study draws on the public policy literature to explore factors contributing to the programmes' success or failure. I start from the premise that policy success has multiple dimensions, including political success, success in achieving a policy's stated objectives, and success in introducing and sustaining policies through a process that is recognised as legitimate (McConnell, 2010). These different dimensions of success may conflict. As a result, people will often disagree on which dimensions are most important and whether the programmes are successful in the round.

Second, I draw on studies on public policy instrumentation, i.e. the quest to understand the effects of policy choices and the reasons for choosing one policy instrument over another (Lascoumes & Le Gales, 2007). Such reasons are not just economic; the analysis brings together political, social and economic considerations to provide a fuller picture of the challenges and trade-offs policymakers face designing IIPs. For example, policymakers often

face tensions between political and socio-economic objectives and must decide what to prioritise. This study's approach thus contrasts with most previous research on investor programmes, which have typically considered *either* the economic impacts of policy choices *or* their social or political implications but have not brought the two together (but see Ley, 2003, 2011).

Third, this study uses theories of public policy decision-making to examine policymakers' ability to enact change (e.g. Kingdon, 1984; Weible et al., 2010). Examining the policy process can help us understand why investor visas currently exist in the form they do. For example, it can help explain why policymakers have taken choices that look irrational to the outside observer, such as allowing applicants to qualify by making an investment with few or no economic benefits.

### **1.2.2. Contributions**

This study aims to contribute to the literature in three main areas.

First, it contributes to the literature on immigrant investor programmes in two main ways. One is to identify the factors that have made success elusive. A critical insight from the public policy literature is that success has multiple dimensions (McConnell, 2010). The study argues that, in large part, the difficulty policymakers have faced designing qualifying investments with convincing benefits arises from trade-offs between the economic benefits of the programmes and their operational tractability and political acceptance. If policymakers want to channel funds towards private-sector investments that will generate new economic activity, they must push hard against market forces, including the incentives of both investor programme applicants and businesses who use their money. The need to shift participants' behaviour creates operational complexity and puts more demands on the expertise and resources of the immigration agency. The most straightforward strategies to avoid these problems are politically unpopular, namely to take money directly from investors as a payment or give the government a substantial role in allocating the funds. This dilemma provides one plausible explanation for the widespread existence of investor visa programmes worldwide whose qualifying investments do not have obvious economic benefits.

The study also contributes to the literature on residence by investment by providing a fuller understanding of the programmes' potential objectives.

Despite the standard view of investor programmes as the ultimate economic policy tool within the field of immigration, investor visas' perceived success depends heavily on non-economic considerations. These considerations include the symbolic impacts of having an investor programme or the political benefits of specific elements of its policy design (such as job creation requirements), as well as programmes' integrity and ability to guard against security risks and fraud. Because political success depends substantially on political narratives about investor programmes, the study shows that perceptions of success are inherently unstable, shifting over time in response to external events and other institutional priorities. Perceptions also vary significantly among policymakers within the same political system, depending on their beliefs, missions and priorities.

Second, the study contributes to the literature on immigration policy design. It does this by examining the conditions under which economic migration programmes—in this case, investor visas— will admit the people policymakers hope to attract. It argues that three main factors together affect economic migration programmes' ability to attract the desired applicants, namely: 1) the country's underlying attractiveness to the target applicants, 2) the attractiveness or unattractiveness of immigration policies to applicants, and 3) the precision with which selection mechanisms can identify them.

Past research has identified these factors separately but has not, to my knowledge, brought them together to examine how they interact. For example, I show that the precision of the selection criteria can undermine the attractiveness of the immigration rules to prospective applicants. As a result, policymakers must decide how much they prioritise *not* admitting people who do not fit their vision of the ideal applicant and what costs they are willing to pay to advance this priority. I also identify conditions under which selection criteria are not very precise. These include cases where the qualities policymakers seek are intangible or poorly defined; where there is no third-party sponsor who can demonstrate "demand" for the applicants; and where there is no immediately available or relevant track record on which to base selection decisions.

Another contribution to the literature on immigration policy design comes from an analysis of symbolic migration policies. Past research has sensibly identified salience as a factor behind the pressure to adopt symbolic policies. When policy problems are salient, but politicians do not have effective ways

to address them, they have the incentive to use simplistic but likely ineffective responses that *appear* to address the problem (Boswell, 2018; Zaun & Nantermoz, 2022). However, the investor programme case shows that policies need not be salient or simple to have symbolic value. A seemingly plausible link to other salient policy areas may be sufficient. I also suggest that symbolic policies might be fungible to some extent: at least in theory, they can be replaced with something entirely different that fulfils the same signalling function. I argue that the signalling value of symbolic policies is potentially unstable over time because it depends on which narrative frames or lenses dominate the debate and determine what the policies signal.

Third, this study aims to contribute to the study of migration policymaking by analysing the broader dynamics of low-salience immigration policies. While the migration studies literature often focuses on the most salient topics—such as irregular migration and enforcement or large-scale immigration categories like family unification—many decisions policymakers take attract little public attention. Using the investor programme case and drawing on the broader public policy literature on institutional inertia in policymaking (particularly Kingdon [1984]), this study illustrates how low salience does not necessarily lead to technocratic or interest-group-driven solutions to policy problems being taken behind closed doors. It can instead lead to messy or inefficient outcomes that result, among other things, from neglect.

Finally, the study builds on existing studies of success and failure in public policy. Drawing on research by Allan McConnell (2010), it provides an in-depth case study to illustrate the different dimensions of success and failure, including achieving the programme’s specified objectives (and avoiding negative consequences), securing a legitimate policy process, and bringing political benefits. Indeed, the investor programme case illustrates how the different dimensions of success can conflict.

Finally, the study suggests some minor adjustments to McConnell’s framework. In particular, I expand the definition of “process success” to include day-to-day programme implementation (and not just initial policy development); and I adopt Newman and Head’s (2015) proposal to separate programmatic success into the ability to achieve objectives and the ability to avoid negative consequences, which often arise in different domains or affect different people.



### **1.3. Structure of the study**

The study begins with an overview of what we already know about investor programmes. It outlines how investor visa programmes work and what existing research on them has found. Chapter 3 then examines the research questions, hypotheses and relevant theories in more detail. The chapter has three sections corresponding to the research questions outlined above, i.e. the objectives of investor programmes and ways of conceptualising success; the challenges designing policy instruments that deliver on policymakers' objectives; and the challenges policymakers face enacting policy change. This chapter is separate from the overview of the existing literature because this study takes a different theoretical approach compared to previous research. Chapter 4 explains the qualitative methodology, which uses semi-structured interviews with policymakers and private-sector intermediaries who work with investor programme applicants in the two case-study countries, as well as a review of government policy documents and legislative debates.

Chapter 5 provides descriptive background on the UK and US investor programmes, drawing primarily on the document review. It maps the trajectories of the two programmes over time, identifies the main problems that had emerged in the debate by the time the fieldwork began in 2020 and discusses similarities and differences between the UK and US cases that the subsequent chapters will explore.

The following four chapters present the results of the fieldwork. Chapter 6 examines policymakers' objectives for investor programmes and the factors they felt contributed to success or failure. Chapter 7 looks at the impacts of the money invested through the UK and US investor programmes, examining the challenges governments face in their attempts to channel funds towards beneficiaries they consider deserving. Chapter 8 looks at the people who apply to investor programmes and how programme criteria interact with individual motivations to shape their profiles and activities at destination. Chapter 9 examines how the policymaking process has shaped the investor programmes' design and impacts. Chapter 10 concludes, bringing together findings from the previous four chapters to identify the main challenges and trade-offs facing policymakers designing and implementing investor programmes. It also outlines the implications for policy, contribution to the literature and avenues for further research.

## Chapter 2: Existing research and concepts

This chapter outlines the state of the knowledge on investor programmes to date. It starts with an overview of investor visa programmes and their main design features, followed by a review of existing studies on the design and impacts of investor programmes. Since the present study takes a different theoretical approach than most existing studies on investor programmes, the theory behind the current research is discussed separately in Chapter 3.

### 1.1. What are investor visa programmes and how do they work?

In this study, I define investor visa programmes (or residence by investment) as policies in which the government awards residence permits in return for a financial transaction or passive investment, with relatively limited requirements to be actively involved in the day-to-day operations of a business. Residence permits can usually lead to permanent residence and later citizenship, although this will often require applicants to meet additional criteria.

Defining where investor visa programmes begin and other migration policies end is not entirely straightforward (for a discussion, see Strumia, 2016). First, investor programmes differ from entrepreneur programmes, which are for entrepreneurs who actively manage a business at destination. However, some entrepreneur visa holders might delegate day-to-day operations to others, and requirements to be actively involved in entrepreneurship may not be enforced (MAC, 2014), making them conceptually similar to investor programmes. In some countries, such as Australia, investor and entrepreneur programmes are lumped into a single category called “business migration”. This study thus occasionally uses the term business migration when referring to analysis or data from countries where the two are evaluated together.

Second, investor programmes differ from residence permits for “self-sufficient” people who can demonstrate a given income level. For example, Austria has a residence permit for financially independent people that requires no investment. These policies may attract similar clientele as investor programmes. For example, the law firm Henley & Partners, which produces

a glossy volume outlining what it determines to be the top investment migration programmes, listed Austria as the joint most attractive programme in 2021, alongside the Portuguese “golden visa” programme (Henley & Partners, 2021). However, the Austrian residence permit is strictly not an investor programme because there is no investment.

The term “investment”, which traditionally implies an expectation of a financial return, is used rather loosely. Many countries’ programmes involve investments by the standard definition of the word, with money flowing to private companies, professionally managed funds, government bonds or residential property (Sumption, 2023; European Commission, 2019). Some cannot really be classified as investments at all but require applicants to donate to charity or simply deposit money in a personal account with a local bank (see Surak, 2022a for a discussion). In a survey of 60 citizenship- or residence-by-investment programmes in 57 countries, Gamlen et al. (2019) found that the most common investment option (on offer in 53% of cases) was private-sector investments into real estate, active businesses or managed funds. A further 28% allowed investments in recoverable deposits such as bank balances or government bonds, and 19% offered financial commitments that were “better classified as fees than investments” (p528).

### **1.1.1. Eligibility criteria**

The main eligibility criterion for investor visa programmes is the financial transaction the programmes require. However, most programmes have at least some other criteria. For example, investor programmes will generally require applicants to provide evidence of the source of their wealth and the funds they are investing, to address concerns that the programmes might attract illicit wealth.

Some programmes require applicants to have a business background, demonstrate a given net wealth or assets (beyond what they are investing), or meet language proficiency requirements. In some cases, the initial residence permit comes with relatively few criteria, but applicants who want to move on to permanent status or citizenship must meet additional requirements. For example, the United Kingdom programme that closed in

2022 had no language requirement at entry, but applicants for permanent status needed to pass the same language and civic integration tests as migrants coming through other routes.

Investor visa programmes often require a minimum physical presence in the country for applicants who want to move from temporary to permanent status. For example, New Zealand requires applicants to spend 44 or 146 days per year (depending on the investment amount) for three years to qualify for permanent status, and the UK requires at least 183 days. In Portugal, however, applicants can progress to citizenship by spending only 7-14 days per year in the country.

The following sections provide an overview of existing research on IIPs around the world, organised into four themes: the objectives of investor programmes; goals of the people who apply to them; economic impacts; and normative and political debates.

## **1.2. The objectives of investor programmes**

Few studies have directly examined investor programmes' objectives, although a handful of official evaluations and academic studies have addressed this question to some extent.

Official evaluations in some countries have briefly discussed investor programmes' objectives, against which the programmes were evaluated. These documents and official statements about investor programmes, such as the examples cited above, tend to be relatively generic, pointing to economic benefits such as job creation and the development of new businesses. For example, a 2014 official evaluation of Canada's Business Immigration Programme stated that the purpose of the investor category was to "attract experienced businesspersons and capital to Canada" (CIC, 2014, p2). An evaluation of the Irish investor programme stated that the "benefit to the Irish economy is the investment made by the applicant combined with the possible economic activity of the applicant if resident in Ireland" (DJE, 2017, pii).

Some academic studies looking at the design or impacts of investor programmes make assumptions about their objectives by looking at their eligibility criteria, but without necessarily examining this directly. For example, Gamlen et al. (2019, p528) identify two likely objectives of different programmes based on their eligibility criteria: attracting capital and cultivating immigrant “engagement”. Dzankic (2018) argues, based on a review of eligibility criteria, that different programme designs attract different degrees of economic vs political engagement from investor migrants. Other papers attribute motivations to policymakers introducing investor programmes, but with limited empirical evidence (e.g. Harrison, 1996; Parker, 2017). Surak and Tsuzuki (2021) take a different approach and examine economic conditions in EU countries at the time they introduced IIPs. They show that programmes were more likely to be introduced after periods of slow economic growth, suggesting that governments introduced them to address perceived economic problems. While this latter approach is more empirical, it nonetheless assumes that the motivation of policies is to address specific problems rather than—for example—to signal that the government is “doing something” about the problem.

The two main investor-programme objectives that emerge from such studies are attracting capital and attracting migrants, particularly those with entrepreneurial skills. However, the most detailed empirical examination of what investor programmes seek to achieve comes from the work of David Ley (2003, 2011), who uses qualitative interviews to explore policymakers’ perceptions of the Canadian Business Immigration Programme. His conclusion is more nuanced. He finds that the Canadian programme was not simply a tool to bring about specific economic objectives; policymakers also used it to project a particular image of Canada’s ability to attract entrepreneurial migrants. Indeed, he found that policymakers turned a blind eye to the programme’s poor economic performance because they were too attached to the “convenient fictions” it offered (ibid, p428). This is consistent with studies showing policy instruments may be valued for their symbolic functions and not (or at least not exclusively) for their substantive effects (Sunstein, 1996).

Finally, some research has found that investor programmes' objectives are unclear. In the UK, a 2014 independent evaluation commissioned by the government found that "the underlying policy objective of the Tier 1 (Investor) route is not readily apparent" (MAC, 2014, p85). Gamlen et al. (2019, p532) argue that "remarkably few" investor programmes have well-specified objectives and that this lack of clarity contributes to the inefficient use of financial capital. The lack of clearly specified economic goals is consistent with the possibility that investor programmes have symbolic purposes, i.e. policymakers have not developed a proper theory of change because the aim is signalling rather than substance.

In summary, past research has provided different views of the purpose of investor programmes. Studies often assume (though usually without empirical evidence) that the programmes are straightforward economic policies designed to achieve economic outcomes via new capital or new migrants. David Ley's (2003) work on Canada has suggested they can have a more symbolic function. Some studies have also argued that the objectives are not clear. A better understanding of the objectives of investor programmes is thus an important starting point for examining their design and effects, since how we assess the performance of a policy will depend at least to some extent on its objectives. For example, an investor programme that brings few economic benefits might be considered a failure if the objectives were only economic, but might appear more successful if its purpose was primarily symbolic or political.

### **1.3. Motivations of investor migrants and non-migrants**

Who applies to investor programmes and why? Typical IIP applicants come from emerging economies, particularly China, Russia and the Middle East, that have experienced rising wealth among the middle and upper classes but are not democracies and do not fully guarantee individual and property rights (Surak, 2022a). The motivations of individual investor applicants vary, and depend significantly on the country to which they are applying. This is not surprising since different countries are offering quite different things. A person applying to the UK's pre-2022 investor visa, which required the whole family to relocate to the country and spend at least half the year there for five

years before getting permanent status, would be getting a very different deal compared to someone who shelled out \$195,000 for a St Kitts and Nevis passport.

Studies examining investment migrants going to traditional immigration destinations such as Canada or Australia have typically found that their main motivations are not economic. For example, David Ley (2011) finds in his study of Business Programme immigrants in Vancouver, that many actually expected to lose money as a result of their move away from high-growth markets in East Asia to a country with lower investment returns and high taxation. His interviewees cited quality of life (including a quieter pace of life), education of children and the desire to escape political uncertainty as the main motivations for moving.

Liu-Farrer (2016) paints a similar picture for Chinese emigrants to high-income countries such as the United States, Australia and Canada. She finds that investor visa migrants from mainland China expected to lose money through the programmes and did not expect to be able to establish businesses abroad. She argues that applying for investor visas is a form of “class-based consumption”, giving people access to a “wholesome living environment and an imagined elite lifestyle overseas” (p500). She also cites children's education as a key driver, pursued to secure their position as part of the global elite. Similarly, Colic-Peisker and Deng (2019) found that Chinese business migrants in Australia were mostly not motivated by career or business opportunities but by the desire for less stressful education for their children and a clean, safe environment.

These studies also note that since the family's main (usually male) breadwinner would generally have much better knowledge of the business environment in their country of origin than at destination, split families were common. That is, the father would continue to live primarily in the country of origin, while the mother and children would relocate, allowing the children to attend prestigious schools and colleges at destination (Liu-Farrer, 2016; Ley, 2011; Colic-Peisker & Deng, 2019). More broadly, investor applicants' plans may be fluid and uncertain. Some plan from the outset to stay long enough to secure permanent residence or citizenship, which gives

the flexibility to come and go without the same residence requirements (Colic-Peisker & Deng, 2019). This period of physical residence imposed by the immigration system is sometimes referred to as 'immigration jail' or 'immigration prison' (Teo, 2007; Liu-Farrer, 2018). In Canada, Ley (2011) finds that substantial shares of business migrants eventually returned home, whether this was the original plan or a response to disappointment with life in Canada

Perhaps not surprisingly, given these findings, applicants are not necessarily attracted to investor programmes because of the opportunity to invest. Indeed, migrants may accept substantial losses on the programme investment if they are confident it will lead to the desired immigration status (Tseng, 2000). However, some studies have found that real estate investment is independently attractive to many investor visa applicants. Real estate is seen as a reliable investment, providing a safe haven for assets in the face of uncertainty about the rule of law at home in countries such as China, Russia and the Middle East (Montezuma & McGarrigle, 2019; Short, 2016; de Verteuil & Manley, 2017). It also facilitates leisure and tourist visits, which are sometimes an important motivation for applying to the programmes (Holleran, 2019). Indeed, a quantitative study of investor programme take-up in EU countries found that a country's attractiveness as a tourist destination (measured by overall tourist visit volumes) was closely correlated with take-up of residence-by-investment programmes (Surak & Tsuzuki, 2021).

Surak (2022b) and Kalm (2022) find that, perhaps even more than in other fields of migration, intermediaries have played an essential role in shaping the market for residence- and citizenship-by-investment programmes. For example, an extensive network of immigration consultants in China has helped shape choices of destination and choices of investment, often in return for kick-backs or commissions (Surak, 2022b).

Another motivation that is sometimes discussed in debates about investor programmes is taxation. Tax liabilities usually depend primarily on physical presence rather than a person's immigration status. As a result, we should not necessarily expect tax considerations to drive demand for investor programmes, at least where the applicants do not intend to relocate. That



said, the OECD (2018) has argued that some people use investor programmes to falsify residence status, especially in low-tax jurisdictions with minimal requirements for physical presence.

Empirical studies on investor applicants' motivations and tax considerations have produced mixed results. Much of the research has focused on residence by investment in relatively high-tax destinations such as Canada and Australia, where tax is cited primarily as an obstacle to doing business rather than an attraction (e.g. Ley, 2011; Liu-Farrer, 2016). Surak's (2020) broader geographical analysis finds that tax advantages were generally not cited as a motivation for applying to investor programmes, except for Americans seeking to renounce US citizenship. However, similar research on investor migrants in Portugal did find that low personal taxation was one of several factors that made the destination attractive (Montezuma & McGarrigle, 2019).

#### *Extra-territorial benefits and investor 'non-migrants'*

Some investor migrants do not plan to relocate using their new immigration status, but instead use the programmes to facilitate business travel or tourism in other jurisdictions. This motivation is often but not exclusively associated with CBI rather than RBI programmes. Examining citizenship-by-investment programmes across the world, Surak (2016, p34) finds that applicants more often seek "extra-territorial benefits," notably the ability to travel visa free to other countries. Visa free travel rights save time and hassle applying for visas. They also remove the stigma of not being able to travel freely – something felt vividly among high net worth individuals with high status at home (ibid). In some cases, acquiring a different citizenship can facilitate visa applications. For example, wealthy individuals often apply for citizenship by investment in Grenada in order to benefit from the US E-2 "treaty trader" visa, which is only open to certain nationalities; while Iranians can benefit from an additional citizenship in order to avoid Iran-specific visa restrictions (Surak, 2022a).

This kind of demand derives from the fact that citizenship—and to some extent residence permits—grant rights and access not just in the state that issues them. Investors' new immigration status is also recognised by other

countries, who extend them visa-free travel, residence rights or other rights such as the ability to buy property or do business (Surak, 2022a). For example, temporary residence permits for countries in the Schengen area allow visa-free travel to other Schengen countries, while citizens of high-income countries like Japan and Germany have visa-free access to a large number of countries across the world (Kochenov & Lindeboom, 2019).

Another commonly cited motivation is to secure a second residence status or citizenship as an insurance policy, in the face of political or economic uncertainty at home, even if applicants do not immediately plan to move (Tseng, 2000; Montezuma and McGarrigle, 2019; Surak, 2020; Harpaz, 2022). Successful business people living in countries with autocratic regimes, for example, may have no need to move in the present but want a plan B in case the political climate turns against them; external geopolitical threats could also play a role (e.g. Taiwanese applicants concerned about relations with China) (Surak, 2020).

These motivations for applying to investor programmes are thus conceptually similar to the “strategic” or “instrumental” acquisition of citizenship through ancestry-based routes (Joppke, 2021). For example, Harpaz (2013) finds that Israelis used second EU citizenships to improve their travel rights and as an insurance policy; while Knott (2019) finds that Moldovans securing Romanian citizenship valued the insurance option and also viewed EU citizenship as a status symbol, even where they did not plan to migrate (see also Pogonyi, 2019).

The studies cited in this section have provided a good overview of why people apply to investor programmes. However, they give relatively little detail about how applicants view and are affected by different programme requirements. We have only a high-level view of what makes different programme designs attractive to applicants and how selection criteria affect who is willing to apply (e.g. that residence requirements are disliked and property investments can be particularly desirable). Less is known about how applicants view other investment types and the impact of other selection criteria, such as due diligence checks or human capital requirements. Research to date has also not provided much insight into how and whether

applicants choose between multiple destinations offering IIPs. For example, it is not clear whether some groups of applicants actively shop around to find the best programme vs use the programmes to access the only destination they would have considered.

#### **1.4. The economic impacts of investor visa programmes**

Section 2 above identified two main economic objectives for investor visa programmes: attracting capital and attracting wealthy migrants. The literature examining investor programmes' economic impacts in practice is not very extensive, but there is at least some theoretical analysis and empirical evidence on programme impacts. Most studies examine a single country and therefore look at a specific policy model in isolation rather than comparing the effects of different policy designs.

##### **1.4.1. Impacts of investments themselves**

Different investor programmes have varying requirements for how money should be invested (or donated), and these policy choices will affect the programme's economic implications. The following sections address the evidence on each type of investment in turn, drawing on evidence from both residence and citizenship by investment.

##### *Investments in private-sector companies*

Many IIPs require investments in private-sector companies. A common way of doing this is what I will term "decentralised" private-sector investment models, which allow applicants to choose what to invest in, so long as it meets general rules (such as having employees in the destination country). In centralised models, by contrast, the government identifies specific businesses eligible to receive the funds (see the Singapore model discussed below, for example).

Programmes requiring private-sector investments share a common feature: once the applicant has received the desired immigration status (e.g. permanent residence or citizenship), they can almost always withdraw their

investment.<sup>3</sup> Qualitative research has found that business immigrants to Canada tended not to re-invest the funds in Canadian businesses after the initial “lock-in” period, because returns were lower than they could get in their countries of origin and because they struggled to find good investment opportunities in Canada (Tseng, 2000; Ley, 2011).

In theory, programmes that reward investments in private businesses might bring economic benefits by enabling new business start-ups or projects that generate jobs or improve productivity (MAC, 2014). The highest-profile example of this model is the US EB-5 programme, where it is the only option available to investors. The Irish investor programme offers a similar option that has attracted some applicants despite the other available choices (DJE, 2017).

A 2013 report from the DHS Office of the Inspector General (OIG, 2013) on the US EB-5 programme found that the immigration agency, United States Citizenship and Immigration Services (USCIS), could not demonstrate the benefits of the programme to the economy, because of the complexity of the programme and USCIS’ role in it. For example, USCIS only had the authority to oversee the main business enterprise that received the investment; but applicants often claimed credit for job creation resulting from loans to other businesses, and USCIS was not able to verify these claims. By contrast, a Department of Commerce (2017) analysis commissioned by USCIS in response to the OIG report attempted to quantify the programme’s total benefits, which it estimated at \$16.4bn over the two-year period of fiscal years 2012 and 2013, with around 170,000 jobs created. However, the analysis did not account for the fact that projects may have gone ahead without EB-5 finance and took applicants’ claims about expected job creation at face value rather than calculating them afresh. As DJE (2017) notes, this approach will likely overstate the net economic benefits. The Australian Productivity Commission (2016) similarly points out that focusing on gross business and

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<sup>3</sup> An exception is Cyprus, whose programme—which was suspended in late 2020—required investors to maintain residential property in the country even after becoming citizens, although the legality of this provision has been questioned (Kudryashova, 2019).

job creation when evaluating migrant investment programmes overstates net benefits because new businesses may displace other business activity.

Calderon and Friedland (2015) point to some potential benefits for businesses of the private-sector investment model in the United States. Investor funding was cheaper than many other sources of finance because investors were willing to accept low rates of return. It also provided “patient capital” (2015, p33), suitable for projects such as seed funding for infrastructure work and major real estate developments that can take several years to generate returns.<sup>4</sup> Indeed, investors needed to ensure that their funds were not paid back too quickly, so they could qualify under the programme rules that require the investment to be sustained for at least two years.

An Irish government evaluation of the country’s investor programme used economic modelling to examine the impacts of its private-sector enterprise investment option under various plausible assumptions, and found that the net benefits overall were relatively small. It calculated that from 2012 to 2016, 37 projects supported by 268 investors would have led to a net increase in employment of between 221 and 664 jobs (DJE, 2017). The evaluation identified various factors that affect the economic impact. These included whether other sources of funding would have been available under the same conditions (i.e. at the same cost) in the absence of investor capital. Other factors included whether the economy was already at full employment; and whether the investment stimulated activity that was sustained beyond the duration of the applicant’s temporary investment.

It is possible that investor-funded projects could have broader spill-over effects that are difficult to capture using economic models of the kind that have been employed to evaluate the Irish and US private-sector investment models. In the Caribbean, for example, some countries have channelled investments towards resort developments that they hope will boost the

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<sup>4</sup> In other respects, EB-5 capital can be ‘impatient’. For example, investors want to ensure the project meets the requirements of the immigration process, and thus are likely to avoid projects that face risks of delays in favour of those that can start construction immediately (Calderon & Friedland, 2015).

tourism industry and create jobs for local employees (Gold and El-Ashram, 2015).

Some studies have also identified implementation challenges associated with the private-sector business model. For example, the incentive structure facing applicants can make applicants vulnerable to poorly managed investments or scams (Tseng, 2000). The United States' EB-5 scheme has been beset with incidents of fraud since the 1990s (Singer & Galdes, 2014) and the US Securities and Exchange Commission has pursued numerous fraud cases (Cohen, 2016). Reviewing the EB-5 programme, the US-China Economic and Security Review Commission argued that the prevalence of fraud and the fact that investors were "disinclined or unable to assess business risks" and raised questions about whether the programme was bringing the intended economic benefits (Koch-Weser and Ditz, 2015, p15). Investors pay high fees as they navigate through a web of intermediaries on whom they rely to make the investments (Singer and Galdes, 2014).

In summary, the limited in-depth research on the private-sector investment model has found that the investments *can* have net positive benefits but that these are difficult to calculate due to the numerous assumptions required. It has found that the net benefits are likely to be considerably smaller than the gross benefits once one accounts for economic activity that displaces other activity that would have happened in its absence. It has also identified potential compliance risks of the model resulting from investors' naivety and the involvement of weakly regulated private sector actors.

#### *Investments in professionally managed funds*

Some investor programmes, such as the United Kingdom and Singapore, allow investors to invest their money in professionally managed funds rather than direct it towards individual companies. There has been very little research on the impacts of this way of managing investments. However, if investor applicants buy shares on the secondary market, as in the UK, the funding does not represent an injection of new capital to companies and thus should not have an appreciable economic impact (MAC, 2014).

Singapore takes a slightly different approach, requiring applicants to direct their money to managed funds that must invest in unlisted companies, with most of the money going to private equity. At least in principle, this should mean that companies receive new investment as a result of the foreign investors' participation, although Gamlen et al. (2016, p27) note that these funds are still for-profit vehicles that "fail to link the IIP monies they receive to a demonstrable public-good outcome". The benefits of this approach might depend on the extent to which ordinary capital markets have failed to provide sufficient funding for the companies that investor programmes benefit. The Australian Productivity Commission (2016) examined Australia's Significant Investor Visa, which required investments in higher-risk venture capital funds, and concluded that it was unlikely this brought any benefits. In particular, they argued that Australia did not have an investment problem that needed to be fixed: the country was already attracting significant investment from abroad, and investment through the programmes would probably just crowd out other foreign investment.

#### *Government bonds purchased on the secondary market and bank transfers*

Some countries offer investment options that are unlikely to bring particular economic benefits. The most obvious examples are requirements to deposit funds with a local bank or purchase ordinary government bonds on the secondary market. For instance, Spain allows applicants to qualify by depositing €1,000,000 with a Spanish bank, and New Zealand permits investments in ordinary government bonds.

Unless the government has serious liquidity problems or the number of investor programme participants is very large, applicants purchasing government bonds are unlikely to shift the cost of government borrowing and so should not have much economic impact (MAC, 2014). The UK government offered this option until early 2019 despite its Migration Advisory Committee finding that the economic benefits of doing so were "not obvious" (ibid, p55). Looking at the Australian investor visa, Coates et al. (2021) note that investments in state government bonds were unlikely to affect the cost of state borrowing and that government bond rates were already low.

Similarly, bank deposits may bring minor benefits to the bank in question, but unless injected at a very large scale relative to the overall size of the banking sector, will not appreciably affect liquidity or have broader economic benefits. While there may be unusual cases in which bank deposits or regular government bond purchases might have some impact—for example, in cases of a credit crunch or liquidity crisis—this is not the normal operating scenario for most countries with investor visa programmes.

Surprisingly, such options have been used in the recent past in some of the most popular destinations such as Australia and the United Kingdom—places that could probably afford to charge a high price for entry but who instead have essentially given away residence for free.

### *Residential property*

Several EU countries (including Latvia, Spain, Greece, and Portugal) allow investors to qualify by investing in real estate. This model exists as an option alongside non-refundable donations in some Caribbean islands with citizenship-by-investment programmes, such as Dominica.

Residential real estate is an attractive option for many investors: Surak and Tsuzuki (2021) find that in countries that offer multiple options alongside it, real estate attracts the large majority of investors.

Benefits of this model to the countries operating the programmes may exist but are less obvious. The potential impacts of real estate qualifying investments fall into various categories: pushing up existing property prices; stimulating new construction or renovations; creating profits for property owners or developers who sell properties at inflated prices; and nudging people to spend time in the country because they own a home.

First, interventions that boost demand for property from foreign buyers may push up the price of existing properties. Whether this actually happens in practice will depend on the volume of demand from investors, which varies by country but can be substantial. For example, Surak and Tsuzuki (2021) calculated that investor applicants made up as much as 3% of the entire value



of residential real estate purchases in Portugal in 2018 and 6.7% in Latvia in 2014 before the investment threshold increased and the share fell to 1.7% (in 2015). If such investments are concentrated in particular places (e.g. more desirable tourist locations), it is plausible to assume that there would be a meaningful impact on prices.

If IIPs affected property prices, this would have winners and losers: benefits for existing homeowners and costs for first-time buyers. The overall economic benefits are therefore not obvious and may be negative in places where housing affordability is a concern (MAC, 2018). Indeed, Ley (2017) documents substantial public discontent about increasingly unaffordable housing in Vancouver, often attributed to foreign buyers.

The fact that several of the EU programmes allowing property investments were introduced in the aftermath of the late 2000s economic crisis when falling property prices were a significant concern may account for policymakers' interest in this option (Lindeboom & Meunier, 2022), and may have mitigated concerns that price increases might make housing less affordable.

Second, property purchases may stimulate new construction or renovations that create jobs in the construction sector. Gold and El-Ashram (2015, p50), for example, argue that CBI investments in real estate fuelled "a construction boom which has pulled the economy out of a four-year recession". Portugal operates a lower threshold (€350,000 instead of €500,000) for properties at least 30 years old in areas of "urban regeneration," which hints at the expectation that the programme will encourage property owners to undertake renovations.

Third, one potential consequence of real estate investment options is that applicants pay over the odds for their properties, especially if the amount they have to spend is relatively high. Indeed, several of the Caribbean Island CBI programmes, investors have a choice between an investment in real estate and a donation of over \$100,000. The fact that many choose to give away large sums of money rather than invest in property developments that can be sold again after a few years (IMF, 2016 2017b), suggests that the

property investment options do not offer particularly good value as an investment in its own terms. (Applicants may also prefer to avoid the hassles of property ownership in a country they do not plan to spend much time in, although if the property investment was a good deal, they might be inclined to outsource its administration to agents). If applicants pay too much for their properties, this implies that some existing property owners or developers will benefit.

Finally, it is possible that owning property in a country will encourage investor visa holders to spend more time and money there, potentially bringing secondary economic benefits of the kind discussed in the next section. Research on Portugal, for example, has found that investor visa holders use their properties for tourist visits and holidays, if not permanent moves (Montezuma and McGarrigle, 2019).

In summary, there has been little empirical analysis evaluating the actual impacts of the real estate investment model. Potential benefits include construction activity from renovations and the possibility that investors will end up spending more time in the country. Changes in real estate prices may also result, and this will have winners and losers.

#### *Non-refundable donations*

Some investor programmes require applicants to make a payment or donation rather than requiring an investment. Payments to the government are currently only found in citizenship-by-investment programmes, although some residence-by-investment programmes have solicited charitable donations.

The cash model has existed for decades in Caribbean CBI programmes, and it is an option in St Kitts and Nevis, Dominica, Grenada, Antigua, and St Lucia. In these cases, the money goes into a government fund that is then disbursed to various projects such as infrastructure development or public services. In Malta applicants make a donation of between €738,000 and €888,000 to a government fund in addition to meeting various other requirements, including buying or renting property.

In some countries, investors can make a non-refundable donation directly to a charitable cause rather than paying the money to the government. Ireland offers this option, for example, allowing applicants to donate to a charitable project of their choice so long as they can show that it has a “clear public benefit” (DJE, 2019, p7).

In principle, non-refundable payments to government funds or charitable projects provide some seemingly obvious economic benefits—a source of “free money” that can be channelled towards worthy causes such as social programmes or infrastructure. Because the investor never gets it back, the net benefit is larger.<sup>5</sup> This has been the conclusion of various studies examining the potential impacts of the donation model in theory. The UK’s Migration Advisory Committee (MAC, 2014), for example, concluded that cash payments were the option with the greatest demonstrable benefits and that UK investor visas should be auctioned to the highest bidder. Gamlen et al. (2019) argue that the benefits of investor migrants’ capital would be greatest if governments drew on lessons from Sovereign Development Funds (SDFs), taking non-refundable donations and using them to invest in financially viable projects that would contribute to local development objectives. An Irish government evaluation of its investor programme also concluded that the charitable donation option had more significant benefits than private-sector investments because it does not have to be paid back (DJE, 2017).

There is relatively little empirical evidence about the impacts of investor programme donations. One reason is that it is often hard to identify what the funds were spent on and distinguish this from other public-sector spending, since money is fungible. In Malta, for example, a share of the cash donations supplements ordinary government revenues while the majority goes to the National Development and Social Fund (NDSF). The official purposes of the fund are broad and resemble normal government functions, such as contributing to the “development of better public services” (NDSF, 2020, p6)

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<sup>5</sup> Note that this also depends on the amount. For example, a sufficiently large interest-free loan could have a net present value that exceeds the value of a small donation, depending on the interest rate.

and initiatives to improve health care for the elderly. Similarly, the Government of Dominica has described the purpose of its citizenship by investment fund as providing capital for public and private sector projects, citing examples such as the construction of schools and hospitals (Government of Dominica, n.d.).

Even where concrete information exists about how the funds were spent, it is not necessarily generalizable since the specific causes governments choose to spend the money on will vary by country. For example, an official evaluation examined the business immigration programme in Canada during the 2000s, in which investors gave the government interest-free loans distributed to provinces and territories (CIC, 2014). It found that the subnational governments invested only a minority of the funds in economic development projects of the kind the project was supposed to facilitate, reducing the expected economic benefits of the programme (CIC, 2014). However, there is nothing inherent to cash-based programmes that mean this aspect of the Canadian experience would be repeated elsewhere.

It may thus make more sense to evaluate the advantages and disadvantages of cash windfalls in general rather than to assess the merits of specific programmes funded in a given country. IMF evaluations of countries running cash-based investor programmes provide an interesting insight into the macro-level benefits and risks, at least in small countries whose investor programmes bring in a lot of money. In Saint Kitts and Nevis, for example, the IMF estimated investor programme fees at a transformative 12.4% of GDP in 2015 but projected that this would fall to 1.8% of GDP by 2019, in part due to greater competition with other programmes in the region (IMF, 2017a). The IMF found that revenues estimated at 7.4% of GDP in 2016 in Dominica provided short-term fiscal benefits (IMF, 2017b). Even in higher-income Malta, the IMF (2018) projected that cash revenues from the Individual Investor Programme would reach around 2% of GDP in 2017 and would substantially improve the fiscal balance.

However, the IMF has repeatedly warned that investor programme revenues are not necessarily sustainable (2017a, 2017b, 2018). It suggested, for example, that if funds simply increased overall government spending, it would be

difficult to reverse these measures if and when revenues declined. It criticised Antigua and Barbuda for not allocating the money to longer-term priorities such as repaying debt and building up “fiscal buffers for future shocks” (IMF, 2016, para. 10). Large inflows of capital can also bring the risk of inflation and exchange-rate changes that make exports less competitive (Xu et al, 2016).

In other words, sizeable cash-based citizenship programmes in small countries can make a tangible impact on public finances but also bring risks because the revenues are unpredictable, and governments cannot count on them for the long term.

#### *Comparing investment models*

As the discussion in this section has shown, evidence on the economic impacts of qualifying investments is rather patchy. Some models, such as investments into managed funds or bank transfers, have not been studied at all, to my knowledge. Even where research does exist, it faces methodological limitations that make it difficult to quantify the benefits. Partly because most studies focus on a single case, they have also typically not attempted to assess the impacts of different policy models or specific design criteria (such as job creation requirements, for example).

#### **1.4.2. The impacts of investors themselves**

If investors spend time at destination, they may bring economic impacts independent of the transaction that qualified them for the programme. Nathan et al. (2013) and MAC (2014) outline various potential impacts that investor migrants could bring if they settle at destination. These include further investments, entrepreneurial or business activity, skills and expertise that may have positive spill-overs for the local economy, facilitating trade relationships through ethnic networks and country-of-origin knowledge, economic impacts of consumer spending, and tax payments associated with income and consumption at destination.

The key empirical question about these impacts is whether they take place on any appreciable scale. Some of the most detailed evidence on the economic activities and outcomes of investor migrants comes from a Canadian

government evaluation (CIC, 2014). The study found that business immigrants had weaker economic performance than people selected on other work visas. Ten years after admission, investor visa recipients declared one-third as much taxable income as economic migrants selected through Canada's points test and paid only 13% as much personal income tax, suggesting their economic activity was not very extensive. There was only limited evidence of investor migrants' involvement in business activity: almost 14% of investor migrants who had been admitted in the previous 14 years owned a business in 2009, and businesses were mostly concentrated in the real estate rental sector. Investor visa recipients were more likely to have emigrated after 10 years, compared to those on other economic visa types. The evaluation also noted that it was common for the main breadwinner within a family to return to the country of origin and leave the rest of the family in Canada; it argued that this helped to explain the limited economic benefits of the scheme.

In the UK, the Migration Advisory Committee (2014) concluded that both business creation and further investments appeared to take place on a limited scale, and that for many investors the main business activity continued to take place abroad. The Irish government evaluation also found that the impacts of investors themselves were likely to be quite small, largely because few actually took up residence in Ireland (DJE, 2017). The Australian Productivity Commission (2016, p464) concluded in an evaluation of permanent migration to Australia that it was "doubtful" that the business immigration programme was achieving its objectives, both because Australia was already successful at attracting investment and did not need the additional capital, and because investment migrants themselves were not engaged in productivity-enhancing economic activities after arrival.

The impacts of investor migrants themselves depends on what they do at destination, and how successfully they are able to integrate economically. Research on the investor or business migration programmes (the latter include both investors and entrepreneurs) in Canada, Australia and New Zealand during the 1990s and 2000s found surprisingly poor outcomes among migrants who settled at destination (Ho & Bedford, 1998; Chiang, 2004; CIC, 2014). For example, Taiwanese business migrants in Australia had

high unemployment rates and struggled to establish successful businesses because of limited English language proficiency, insufficient knowledge of Australian business norms and regulations, and high taxes (Chiang, 2004). Business immigrants from Hong Kong in New Zealand in the 1990s fared similarly, struggling to make successful ventures in an unfamiliar business environment; in many cases, the men returned to Hong Kong, leaving their wives and children in New Zealand (Ho and Bedford, 1998). More recently, Coates et al. (2021) found that business migrants in Australia earned much lower incomes than skilled migrants selected through points tests and had lower levels of qualifications and language proficiency. They attribute the lower economic performance partly to the lack of relevant selection criteria.

David Ley (2011) argues that the investor programme in Canada sought to attract people who would bring their entrepreneurial skills to the country, whom he describes as “homo economicus”. He finds that “homo economicus evidently does not travel well,” however (ibid, p81). In interviews with business programme participants, he shows that migrants who had been successful at home found it difficult to break into the Canadian market, struggling with an unfamiliar business environment and high taxes. Looking at the Australian case, Birrell (2000) argues that businesses migrants had experience with types of businesses (for example, wholesale trade of goods produced in Mainland China) that were not transferrable to the market at destination and did not position them to work in the high-tech, high-productivity industries the Australian government had envisaged they would contribute to. In her study of wealthy Chinese emigrants to high-income destinations such as the United States, Canada, and Australia, Liu-Farrer (2016, p508) finds that investor visa holders “had no clue how to make money overseas other than by buying and selling properties”. The barriers to transplanting business success overseas are consistent with Cristobal Young’s (2017) analysis of the relatively low mobility rates among millionaires, who lose place-specific social capital and business knowledge if they move. It is also consistent with the broader literature on migrant entrepreneurship, which shows that migrants’ unfamiliarity with the local business environment and their lack of country-specific human capital create barriers to successful business creation (Kloosterman et al., 1999; Jones et al.,

2010; Naudé et al., 2017; Jones et al., 2018). The small literature on investor or business migrants suggests that wealth does not eliminate these barriers.

While there is plenty of evidence that migrants are often successful business people and can contribute to innovation (see Nathan et al., 2013, for a summary), evaluations of investor visa programmes do not suggest that the schemes have successfully selected such people or created the conditions under which they can flourish economically.

In summary, research on the impacts of investment migrants has often questioned whether they were bringing the economic benefits some policymakers have hoped—in part because people who moved on investor programmes often lacked either the desire or the ability to contribute to business activity in the country of destination.

### **1.4.3. Overall economic impacts**

Theory and empirical evidence on investor programme benefits are not enormously positive. There is evidence that specific citizenship-by-investment programmes have had transformative effects by bringing large cash donations to support small economies (e.g. in the Caribbean). In more traditional migration destination countries, where investor visa programmes are small relative to the size of the economy and do not involve cash donations, the impacts of the programmes are likely to be small. The benefits are thought to be modest because, in many cases, the financial investments are not stimulating much additional economic activity and because investors themselves do not necessarily establish themselves economically at destination.

Evaluating the Australian investor visa programme, for example, the Productivity Commission (2016) recommended after assessing the programme impacts that the category should be abolished. It concluded that “the economic benefits of the Significant and Premium Investor Visa Programmes are likely to be relatively modest and accrue mainly to the visa holders and to fund managers” (ibid, p45).



Even when programmes do not generate particularly impressive economic benefits, from an economic perspective, they probably do little harm. Economic evaluations have generally not identified substantial economic costs resulting from investor programmes. Applicants are wealthy and not expected to require significant support from social security systems and publicly funded services—although the Australian evaluation cited above does suggest that investor applicants could have negative fiscal costs due to poor economic outcomes and high numbers of dependents (Australian Productivity Commission, 2016).

However, some analysts have pointed out potential non-economic drawbacks against which any economic benefits would need to be weighed. For example, Cooley and Sharman (2017) argue that investor programmes can facilitate financial crime and that they are one of several transnational mechanisms through which wealthy individuals turn illicit wealth extracted from developing countries into apparently respectable assets, facilitated by a network of professional advisors. OECD (2018) also argued that some investor programmes could facilitate tax evasion by helping individuals to misrepresent their place of tax residence using residence documents from the programmes.

Transparency International (TI) has similarly argued that the UK's investor visa scheme failed to provide sufficient safeguards against money laundering from Russian and Chinese applicants (TI UK, 2015). The United States' Financial Crimes Enforcement Network (FinCEN) issued an advisory on St Kitts and Nevis CBI in 2014, stating that "illicit actors are abusing this program to acquire SKN citizenship in order to mask their identity and geographic background for the purpose of evading U.S. or international sanctions or engaging in other financial crime" (FinCEN, 2014, p1). The Cyprus Audit Office (2020) report said that a review of case files had uncovered several irregularities in the Cypriot programme before it was suspended. These included cases where applications were approved without proper checks on the source of funds and suspicions that in some cases the spouses of businesspeople had applied to the programme as the main applicant to avoid such checks. Again, it is difficult to understand the extent of illicit activity associated with investor programmes, and to my knowledge,

there has not been any systematic analysis of what policy factors contribute to the risks (for example, whether some due diligence procedures or approaches are more effective than others, or whether certain IIP models are inherently more susceptible). Indeed, publicly available information about what due diligence is actually conducted under IIPs is scarce (Veraldi & Gstrein, in press).

In summary, while some IIPs have received positive evaluations, the overall picture of the economic impacts emerging from past research on programmes across the world has not been particularly glowing. Meanwhile, some government and NGO analyses have raised concerns about unintended consequences, including the risks of facilitating financial crime.

### **1.5. Political debates about investor programmes**

Very little empirical research has examined the politics of investor visa programmes and the policy narratives about them. Those studies that do exist have usually focused on citizenship by investment, not residence.

Analysis of the actual motivations of politicians and other policymakers is almost non-existent—the exception being David Ley’s (2011) thorough examination of the Canadian case, which draws on interviews with policymakers themselves.

Similarly, little is known about public attitudes towards investment migration policies. One study using a mail-in survey in a single US city found that most respondents were opposed to the idea of selling citizenship on principle, primarily because they believed it would be discriminatory (Borna & Stearns, 2002). Peck and Hammett (2022) analyse three media articles in countries with citizenship by investment and show that some commentators object to the schemes on principle. However, based on a larger sample of conversations with residents in microstates with CBI schemes, Surak (2023) shows that many locals were quite supportive of the principle. She finds that locals tended to question whether the government was spending CBI revenues transparently and to the benefit of ordinary residents much more than they challenged the idea of selling citizenship itself. To my knowledge,

there are no such studies on public attitudes towards residence by investment, which in theory could elicit a different response because it is not directly associated with citizenship acquisition.

Some studies have looked at whether investor programmes are morally justifiable—again, focusing on CBI rather than RBI. This work is of interest for the present study because it indicates some *potential* political objections the programmes might arouse. For example, some scholars have criticised citizenship by investment for commodifying citizenship, exacerbating inequalities between rich and poor, or undermining social solidarity (Shachar & Hirschl, 2014; Tanasoca, 2016; Shachar, 2017; Mavelli, 2018). These critiques often apply arguments made by Sandel (2013), who makes the case that some things are inherently sacred and should not be bought and sold. Other scholars have disputed the idea that selling citizenship is unethical. For example, they have argued that the current determination of citizenship is arbitrary and unfair (Kochenov, 2019) or that citizenship is already widely treated as a commodity outside of investor programmes (Joppke, 2022). Some have argued that ethical arguments against citizenship by investment incorrectly conflate citizenship with other concepts, such as the performance of civic duties (Erez, 2023), and that it is hard to identify concrete ways investor programmes actually harm existing citizens (Hidalgo, 2016).

## **2.6. Gaps in the research**

This chapter has shown that while substantial literature on IIPs has developed over the past two decades, there are still many gaps in the evidence. Existing research has provided a good overview of how investor programmes work and why people use them, showing a clear distinction between people looking for extra-territorial benefits vs those interested in actually relocating to a new country in the short or long term. It has identified a range of problems that policymakers must overcome if they are looking for economic benefits from the investment or the investors themselves. These include the fact that programmes have often primarily attracted economically inactive people; and that the impacts of investments are often unclear. Robust empirical evidence on the economic effects of IIPs has been hard to produce for methodological reasons, but the theoretical and empirical research that

does exist has raised serious questions about whether most programmes that do not accept cash payments bring meaningful economic benefits.

Interestingly, the normative debates about IIPs often implicitly assume that states offer the programmes because they are economically beneficial and that they face a trade-off between economic and ethical considerations (e.g. Parker, 2017). By introducing investor programmes, the argument goes, policymakers are selling their souls to gain economic benefits. However, residence-by-investment programmes' ambiguous economic benefits somewhat complicate this analysis, suggesting that policymakers are not selling their souls but giving them away for free. To the extent that policymakers understand this, we may thus need another explanation for their willingness to embrace investor programmes aside from economic expediency. Drawing on the US and UK cases, the first task of the present study is thus to understand better what investor programmes are for in the eyes of policymakers themselves.

A second gap in the literature on investor programmes is that there has not been much systematic analysis of the conditions under which programmes will bring more vs less positive impacts. Existing research has not fully explored the extent to which policy design choices shape investor programmes' outcomes and the micro-level factors influencing programmes' ability to achieve their objectives. Gamlen et al. (2019, p532) touch on some potential systemic design challenges, including that the "skill of creating wealth" is inherently difficult to define and that policy objectives are not clearly defined. They point to a need for further research on how varying programme criteria and administration could affect the programmes' impacts and how they engage investors in the destination country's economy and society. In this study, I seek to address some of these gaps, focusing on the most common investment model: investments in private companies.

Finally, existing research suggests that different programme criteria will have different impacts and are perceived differently, suggesting that policymakers will face trade-offs between objectives. For example, the economics-focused literature has argued that the greatest benefits would come from accepting non-refundable payments, but programmes that have actually done this have

been widely criticised in ethical and normative analyses. Economic benefits may need to be weighed against non-economic risks, such as the risk of facilitating financial crime. However, existing research on investment migration has typically examined these factors in isolation, looking in depth at only one dimension (e.g. the economic impacts, potential negative consequences, or ethical considerations). As a result, there has been little analysis of how policymakers or politicians balance such competing demands when they design the programmes and how operational and political constraints shape their choices. Understanding the trade-offs between different policy choices is one of the main proposed contributions of the present study.

## Chapter 3: Conceptual Framework

This study's central question is why it has been difficult to produce investor programme designs that policymakers perceive to be successful. I address this question by examining three sub-questions:

- What do policymakers want from investor visa programmes, and what shapes their assessments of success?
- How do policy design choices affect the successes and failures of investor visa programmes? Specifically, what factors have shaped governments' ability to design and implement programmes that a) admit the desired profile of applicants; and b) direct financial investments in a way that produces meaningful economic benefits?
- What features of the policy process have shaped the successes and failures of investor visa programmes, and why have policymakers often persisted with policy options they do not feel are working?

The key theme that binds these questions together is policy success. Section 1 of this chapter starts by outlining different definitions of success in the public policy and migration studies literatures. Section 2 then discusses research on how policy design features affected perceived successes and failures. It draws on general insights from the public policy literature and specific challenges facing migration and investment incentive policies. Section 3 reviews the literature on the drivers of policy change, examining the political and institutional barriers to enacting reforms.

### 3.1. Understanding success and failure in migration policies

The first research question this study addresses is what policymakers want from investor visa programmes and what shapes their assessment of whether the policies are successful. To answer this question, we must understand what success and failure mean in practice. This section examines how success and failure are defined and measured in public policy. It also reviews relevant public policy studies that examine how policymakers perceive and take decisions about public policies. These latter studies help us to examine what lies behind perceptions of success or failure.

### 3.1.1. How should we define success?

Policy success does not have a single definition. Whether a policy is successful will depend on what policymakers are trying to achieve and which outcomes they prioritise (Wildavsky, 1979/2017; Ingram, 1980; Wolman, 1981; McConnell, 2010, 2016). Success and failure have different dimensions, and a policy might succeed in some respects and not in others.

Studies on success and failure in public policy have taken two main approaches to categorising different dimensions of success. Some primarily focus on the stages or activities in the policy process that generate failure, such as policy formulation or implementation (Wolman, 1981; Czaika & de Haas, 2013; Hudson et al., 2019; Leong & Howlett, 2021). Others emphasize the distinction between political vs social or economic outcomes (McConnell, 2010, 2015, 2016; Newman & Head, 2015).

#### *Success and failure in different parts of the policy process*

Scholars have largely abandoned the idea that policymaking takes place in a neatly defined series of “stages,” in which policymakers first identify problems, then formulate policies, and then implement and evaluate them. Instead, alternative frameworks have developed to explain policymaking in practice (see, for example, Sabatier, 2007). In reality, different types of policy activity will not always come in the same order. Different activities in the policy process also affect each other and thus cannot be studied separately. The close interconnection between different “stages” is especially clear when change is incremental and when policies evolve gradually over time rather than being designed from scratch (Nakamura, 1987).

Nonetheless, the underlying activities in the policy cycle still exist: policies still need to be formulated and implemented, for example, and the idea of different stages or types of activity is thus still useful for descriptive purposes. These different types of government activity may emerge as the main sources of problems or failures. Leong and Howlett (2021) usefully group the stages into five: agenda-setting, policy formulation, decision-making, implementation, and evaluation.

Agenda-setting failures can include cases where governments establish unrealistic or unattainable objectives due to political pressure to solve a problem (Ingram, 1980; Hudson et al., 2019). Policy formulation failures can occur where programmes have inaccurate theories of change, are not feasible from a technical perspective, or bring significant unintended consequences (Wolman, 1981). Decision-making failures include cases where policymakers fail to “decide on a policy within a reasonable period of time” or “distort its intent through bargaining and logrolling” (Leong & Howlett, 2021, p9). Implementation failures occur when the policy is not carried out on the ground as intended—for example, because of insufficient resources, expertise, or motivation (Wolman, 1981). Finally, evaluation failures involve failure to understand how the programme performs and adjust accordingly (ibid).

Similar frameworks have been used in the migration studies literature. Czaika and de Haas (2013, p493), for example, categorise various ways in which migration policies might be considered ineffective by identifying three kinds of gaps between what policymakers say their policies will do and the outcomes of policies on the ground. A “discursive gap” may emerge between public policy discourse—i.e., politicians’ stated objectives—and what the policies do on paper. An “implementation gap” may appear between policies on paper and the practices on the ground—for example, because of decision-maker discretion. Finally, an “efficacy gap” arises when migration policies cannot steer behaviour in the way policymakers hope.

These categorisations can be helpful for the practical work of diagnosing (and attempting to address) problems in particular programmes. For example, if it is clear that a problem arises from implementation, we can start to unpack why this happened and whether there is a solution. However, if we focus only on the stages of the policy process, we may miss broader relationships and trade-offs between other types of success and failure. I will discuss these relationships next.



### *Success and failure in politics and programmes*

McConnell (2010, 2016) usefully distinguishes three dimensions of policy success and failure: process, programmatic, and political. Programmatic success is the most common focus of policy evaluation. A policy might achieve programmatic success if there is evidence that it achieved its intended outcomes for the specific beneficiaries that policymakers had in mind. As discussed in Chapter 2, intended outcomes may include admitting apparently “desirable” migrants and attracting investments that generate social or economic benefits.

Political success includes whether a policy was popular with the public, received positive media coverage, or boosted the government's credibility (McConnell, 2010, 2015). Weaver (1986) distinguishes two ways of pursuing political objectives: credit claiming and blame avoidance. He argues that because voters pay more attention to losses than gains, politicians often have a greater incentive to avoid blame than to claim credit. As a result, politicians will not always maximise social or economic benefits but may avoid taking leadership positions on controversial issues or forego policies that bring risks.

Finally, process success includes factors such as whether policy formation followed due process, had a politically sustainable coalition of supporters and eschewed vested political interests (McConnell, 2010). While McConnell focuses on the process of a policy's initial introduction, this category could also include ongoing implementation—for example, whether individual cases are adjudicated fairly and transparently.

Building on McConnell's typology, Newman and Head (2015) divide programmatic failure into two categories: failure to achieve the intended objectives and negative distributional consequences. A policy might succeed in helping one target group but have negative and potentially unexpected impacts on another. This division is helpful because it can accommodate a wide range of adverse effects that are not just related to the ability to achieve the original objectives. The present study adopts McConnell's (2010) typology of programmatic, political, and process success but follows Newman and Head (2015) in dividing programmatic success into a)

achieving programme objectives and b) avoiding other negative consequences.

Importantly, success and failure across these different dimensions are not perfectly correlated. For example, a programme may achieve its intended outcomes but be politically unpopular; or be politically popular but fail to deliver many benefits in practice (McConnell, 2010).

*How high is the bar for success?*

Success along these dimensions may depend on the standard we hold a policy to (Ingram, 1980). The standard definition of failure used in programme evaluation is a failure to achieve the goals the government initially set out to achieve (McConnell, 2016). Those initial goals may have been too ambitious or too opaque, however. Perceived policy failures may result from unrealistic expectations among the public about what government action can achieve (Wildasvky, 1979) or “excessive policy demand” that makes it hard for politicians to admit that the government does not have the tools to solve a given problem (Ingram, 1980, p17).

A slightly more forgiving metric of programmatic success is whether a policy produces benefits greater than costs (McConnell, 2016). Under this definition, a policy that brings benefits but falls short of expectations might be considered a failure if we evaluate the policy against its objectives, but not if we take a cost-benefit approach.<sup>6</sup>

McConnell (2010, pp 346, 351) suggests that a genuinely successful policy must be successful along all three of the dimensions he identifies—programmatic, process and political—while a genuinely failed policy meets none of them:

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<sup>6</sup> Other approaches include cost-effectiveness analysis, which identifies whether interventions cost more or less than *other available alternatives* to produce the same amount of gains.

*“A policy is successful if it achieves the goals that proponents set out to achieve and attracts no criticism of any significance and/or support is virtually universal”.*

*“A policy fails if it does not achieve the goals that proponents set out to achieve, and opposition is great and/or support is virtually non-existent”.*

These are rather extreme cases. McConnell (2015, p228) notes that by his definition, “failure is rarely all or nothing”, and most policies will be in one of the “grey areas” in between. McConnell’s high bar for success may be helpful if we want to make a relatively objective statement about success. That is because even if a person supports a policy, McConnell’s proposed definition requires them to recognise that others do not (although there is still a subjective judgment to be made about what counts as criticism “of any significance”). However, the fact that so few policies would meet the criteria set out in McConnell’s definition reduces its practical value.

Ultimately, defining a policy’s *overall* success will still be a subjective exercise in all but the most extreme cases. In my view, the main practical value of McConnell’s (2010) contribution is not to help us identify genuinely successful policies but to provide a framework to break down the different dimensions of success and examine the factors that have shaped them.

The first empirical chapter, Chapter 6, discusses whether and how the US and UK investor programmes have been successful by looking at them primarily through policymakers’ eyes. The chapter asks whether policymakers’ perception of programmatic, political and process success, respectively.

A key benefit of looking at the programmes through policymakers’ eyes is that it allows us to provide a relatively detailed analysis of *political* success. After all, policymakers (and, of course, politicians in particular) are the ones who reap the benefits of political success and who understand the actions taken behind the scenes to achieve it.

Taking policymakers’ perspective also has the advantage of allowing us to analyse one particular definition of failure: when policymakers’ overall assessment—after considering the programmatic, process or political

implications—is that the programme should close. There are institutional and psychological barriers to terminating policies, as section 3.3.1 describes. As a result, favouring termination is a relatively damning judgement from policymakers on the policy's outcomes.

### **3.1.2. Identifying objectives**

As noted above, objectives play an important role in almost any evaluation of policy success. One of the first analytical tasks for this study is thus to identify what the goals of the US and UK investor programmes were. But the quest for objectives brings challenges. As Wildavsky (1979/2017, p227) puts it, “objectives are not just out there, like ripe fruit waiting to be plucked”. There are various reasons for this.

First, some objectives are hidden. Policymakers might announce publicly that a policy has particular goals, but those public statements may not be the whole truth—or even the truth at all (Newman & Head, 2015). For example, politicians might announce that the purpose of investor programmes is to attract investment but also want to introduce the policy to benefit wealthy political donors.

Second, not everyone agrees. Introducing a new policy requires agreement on what the policy should be but not on why it is a good idea. Policies may be a negotiated compromise between policymakers with different preferences and beliefs (Sabatier, 1988). As a result, it may be politically helpful not to be too clear about a policy's objectives to allow different interests to support it (Wildavsky, 1979; Wolman, 1981).

Third, objectives may be unclear, even among policymakers who broadly agree with each other. Politicians may be under pressure to make decisions before they have time to reflect on what they want to achieve (Zahariadis, 2007). Objectives may change over time so that the original goals are no longer the most relevant ones by the time a programme is evaluated (Hacker, 2004). Indeed, goals might not precede action. For example, we may see “solutions looking for issues to which they might be an answer” (Cohen et al., 1972, p2) or justifications produced after the fact. As Carol Weiss (1997,

p515) argues, “much action, including policy and program initiatives, is undertaken without any clear goals, and goals emerge from the action—not the other way around”.

Similarly, the theory behind a policy intervention is often not clear. Government programmes will typically have some theory of change or beliefs about what the intervention will change and how it will achieve this—whether those beliefs are correct or not—but these theories are “rarely explicit” (Weiss, 1997, p503). There may be several competing theories that could potentially underlie the same intervention (Cook, 2000).

Without clearly stated objectives and underlying theories, research must find a way to “reconstruct” them (Leeuw, 2003, p5). Scholars do not necessarily agree on how strongly the researcher or evaluator should impose their own analytical framework on the policies they examine. Leeuw (2003) presents various empirical methods that rely on interviews, focus groups or document reviews to reconstruct programme theories directly from the ideas and arguments that policymakers have in mind. Linder and Peters (1989, p55) similarly argue that the academic researcher should not seek to impose their own framework for examining policies but should understand policymakers’ perceptions and the “mental pictures that policymakers have of the instruments they choose to employ”.

By contrast, proponents of theory-based evaluation argue that researchers must typically impose their own programme theories to supplement policymakers’ understanding. For example, Weiss (1997, p509) argues that relying solely on policymakers’ views will usually not work because they are often unable to articulate underlying programme theories explicitly; she suggests that programme evaluators will thus also need to bring their own ideas to the table, drawing on prior research and “logical reasoning”. Similarly, Pawson and Tilley (1997, p164) put the researcher-evaluator at the top of a “hierarchy of expertise”, arguing that policymakers should be just one source of information about programme theories.

This study starts by focusing on policymakers’ views to understand the policy objectives and causal theories that underlie them (Chapter 6).

Policymakers' views about programme objectives and theories of change are a useful object of study in themselves, even if they are not fully elaborated or faulty. For example, if policymakers think that a policy instrument will be effective even if theory or empirical evidence suggests it is not, this is an important part of the explanation of how and why the policy has been developed. However, this study will not limit itself to policymakers' views when assessing the factors that contribute to success and failure. In particular, Chapters 7 and 8 impose additional theoretical assumptions to examine plausible mechanisms through which investor programmes might achieve their goals.

### **3.1.3. Factors shaping the objectives and perceptions of success in public policies**

The studies reviewed above show that policymakers' objectives and perceptions of policy success will vary depending on who we ask and which dimensions of success we prioritise. An extensive public policy literature has examined the factors shaping these attitudes and decisions (see Cairney [2020] for a review). The next few pages review key themes we should expect to see when examining what policymakers want from investor programmes and whether they consider them successful. This section focuses on factors shaping policy preferences in general; section 3.3.1 examines what shapes changes over time.

#### *Beliefs*

The positions policymakers take depend largely on their beliefs about the nature of economic or social problems and the appropriate way to address them. Proponents of the Advocacy Coalition Framework (ACF) argue that public policies are "best thought of as a translation of beliefs" (Weible et al., 2009, p122). These beliefs influence whether policymakers support particular options, and changes in beliefs may enable them to agree on policy change. The ACF identifies different types of beliefs, from "deep core beliefs" that are normative and rarely change over time, through "policy core beliefs" about whether and how government should address particular problems, to "secondary beliefs", which are narrow and more empirical (Jenkins-Smith &

Sabatier, 1994, pp180-1). Different coalitions of actors in the policy community share different beliefs and preferences about public policies. As a result, when we study policy objectives and policy success, the picture may vary quite a lot depending on whose perspective we take.

For example, policymakers' views on the merits of investor visas might depend on factors such as their attitudes towards the deservingness of wealthy individuals or the benefits of having more of them around in the economy; or beliefs about the appropriate role of government in economic markets (in this case, the markets in which applicants invest). Bonjour (2011) finds that moral beliefs play an important role in immigration policy decisions and argues that ideology and ethical considerations have not received enough emphasis in migration research. David Ley's (2003) analysis argues that Canadian policymakers had a favourable attitude towards immigration programmes for migrant entrepreneurs and investors because they were attached to the idea that the state could harness the advantages of globalisation. This attitude might be classified as a "policy core belief" in the ACF terminology.

### *Information*

Empirical beliefs shaping policymakers' understanding of investor programmes' benefits might include assumptions or knowledge about the economic or social impacts; and whether policymakers believe there is an investment-related problem to be fixed. These attitudes should, in theory, be able to change over time in response to new information and learning (Jenkins-Smith & Sabatier, 1994). Sources of knowledge and learning are discussed in more detail in section 3.1 of this chapter.

Of course, data and research are not always used in a neutral and technocratic way: they may become political weapons to confirm and advocate for pre-existing beliefs (Boswell, 2009; Jenkins-Smith and Sabatier, 1994). For example, Mayblin (2019) found that asylum policy in the UK was largely driven by senior politicians' intuitive beliefs or "imaginaries" about how asylum seekers behaved. Civil servants tended not to challenge these beliefs

even when they were aware of evidence that contradicted them (see also Zaun & Nantermoz, 2022; Baldwin-Edwards et al., 2018).

### *Venues*

Many different individuals and institutions are involved in policymaking. For example, decisions may be taken at different levels of government (local, regional, national or supranational); and in different branches (legislature, executive, or the courts). As Lindblom (1959, p85) argues, “almost every interest has its watchdog”, and different government agencies will prioritise different outcomes depending on the subject matter in which they specialise.

Who takes decisions and where they sit can affect their choices. For example, politicians may favour policies that resonate with public audiences, while officials have more appetite for complex or technical solutions (Gormley, 1986). When politicians represent specific geographic areas, this will also affect how they view a policy problem (Eshbaugh-Soha, 2006).

Policymakers also specialise in different topics. Within the executive, for example, Wilson (1989) argues that agencies often see the same policy in different ways due to their different missions or cultures that affect how they envisage the objectives of policy and which outcomes are most salient to them. He argues that a shared culture or sense of mission within government agencies improves their effectiveness in executive core tasks but comes at the price of “selective attention” (ibid, p101), which makes it harder to achieve goals that are not a natural fit with the overarching mission. Duvell and Jordan (2003) illustrate these dynamics, identifying different professional identities and missions among front-line staff across UK agencies dealing with immigration at the end of the 1990s. They show how identities and missions were shaped by the nature and coherence of officials’ day-to-day tasks and the people they served (i.e. businesses vs asylum seekers).

People’s professional backgrounds, disciplines or—in the case of policymakers—roles within government will affect the lens through which they view policy. For example, a policy considered primarily through a security lens will attract the scrutiny of policymakers in agencies,



departments or legislative committees responsible for security issues. As a result, framing and policy images are crucial: they affect which members of the policy community care about the policy and who claims jurisdiction over it (Baumgartner & Jones, 1993).

### *Framing and problem definition*

Policies and the problems they are supposed to address can be represented in different ways (Rochefort & Cobb, 1993; Bacchi, 2009). Stone (1988, p112) shows that discourse about policies and their impacts rely on simplifying comparisons and metaphors—such as narratives of decline or stories about “heroes, villains and innocent victims”). Between the lines of these stories are embedded assumptions about the causes and solutions of a problem (Rein & Schön, 1996). Framing can thus be used for different purposes, including diagnosing a problem and identifying who is to blame; proposing suitable solutions; or providing a call to action (Benford & Snow, 2000).

It will generally be possible to frame a policy or its beneficiaries in more than one way, and some framings may be more effective than others. Benford and Snow (2000) argue that how well different frames resonate with their target audiences depends on their credibility and salience. They argue that framings that implicitly rely on plausible claims, have authoritative messengers, or feel consistent with target audiences’ everyday experiences, are expected to be more resonant. That said, causal narratives do not necessarily have to be accurate or empirically justifiable to be compelling (Boswell et al., 2011). Indeed, causal claims that have been disproven in research can nonetheless gain traction if they are intuitively plausible and serve the interests of those who promote them (Zaun & Nantermoz, 2022).

Which frames dominate public debate about a policy can shape perceptions about the problem, who is responsible for addressing it and what solutions are most appropriate (Weiss, 1989; Bacchi, 2009; Benford & Snow, 2000; Stone, 1988). In the immigration context, for example, Blinder (2015) shows that different people have very different mental images of immigration and that what they imagine when they think about immigration strongly affects their preferences about immigration policy. Indeed, Baumgartner and Jones (1993,

p25) argue that framing or “policy images”—that is, how policies are “understood and discussed”—crucially affect receptiveness to different policy options.

The people a policy targets can be framed in a positive or negative light. Schneider and Ingram (2019) identify four broad categories of people affected by policies, depending on whether they are considered weak or strong and deserving or undeserving. They also identify specific characteristics that are associated with positive narratives of deservingness, including that individuals are “strong, important for economic success, serving the public interest, honorable, patriotic, heroic, successful, helpful, disciplined, good people, respectful, loyal, and moral” (p213). Negative frames, on the other hand, included individuals who were “dangerous, violent, greedy, dishonest, cheaters, lazy, undisciplined, irresponsible, mean-spirited, and immoral”. They cite property owners as a group considered both strong and deserving; “big banks” as strong but undeserving; children as weak but deserving; and criminals as weak and undeserving. They show that while policymakers are happy to provide benefits to those who are strong and deserving and to punish those who are weak and undeserving, the other two groups get more ambiguous treatment. Strong and undeserving groups receive hidden benefits (such as tax loopholes), while weak and deserving groups receive promises that are not followed up with meaningful action.

Policy images can change over time, whether due to factors such as the activities of policy entrepreneurs promoting a new narrative about a policy, changes in public opinion or external developments that bring to light new information (Weiss, 1989; Baumgartner & Jones, 1993). These factors affecting change are discussed further in section 3.3.1.

In the case of investor programmes, while the natural inclination may be to view the policies as economic interventions, the studies cited in Chapter 2 show that they can also be viewed through a security lens (e.g. whether applicants pose a security threat). The investors themselves may also be portrayed as either deserving or undeserving—for example, as beneficent philanthropists or money launderers buying visas. We should expect these representations to affect investor programmes’ political costs or benefits.

### *Interest groups*

Policy preferences may be driven by the political power and influence of those affected by policies. Interests outside of government, such as businesses or advocacy organisations, shape policy processes in various ways (Rozbicka & Spohr, 2016). For example, interest groups may increase the attention an issue receives; affect which policy proposals are considered plausible; signal how much public support a proposal receives; mobilize members or local organisations; or (in the case of unions) threaten industrial action (Kingdon, 1984; Rozbicka & Spohr, 2016; Hall & Deardorff, 2006). Interest groups may also influence how problems and policies are framed in policy or media debates (Baumgartner & Jones, 1993).

Different scholars have framed the role of external interests in different ways. For example, Wilson (1980) presents a relatively transactional vision of interest groups applying pressure on politicians or officials to secure their self-interest and mobilising most energetically when a policy change imposes concentrated costs or benefits on them. He argues that interest groups can better ensure the outcomes they want when the costs or benefits to others are diffuse and thus not very salient, as they will face less opposition from organised voices who oppose them. On the other hand, ACF scholars such as Jenkins-Smith and Sabatier (1994) envisage a more consensual relationship in which non-governmental interests ally with policymakers and researchers who share belief systems to form advocacy coalitions—rather than being motivated purely by self-interest. The common theme is that interest groups influence policy outcomes and that their power will vary depending on the context and policy question at stake.

Turning to immigration, Freeman (2006) adopts Wilson's (1980) approach to identify situations in which interest groups will be more influential. For example, he argues that concentrated benefits for particular groups (such as businesses) combined with diffused costs for others will lead to a "client politics" mode in which interest groups secure outcomes that are not necessarily in the interest of a broader public. In practice, his theory ends up having little predictive power because it is hard to define the costs and benefits of immigration policies objectively (Boswell, 2007). Other studies

have critiqued Freeman's view that policy choices are heavily driven by pressure from external interest groups, finding through case studies that policymakers acted with a reasonable degree of autonomy when making decisions about migration (Statham & Geddes, 2006; Wright, 2015).

Interest groups that might influence investor programmes include those who benefit directly from the capital that investor applicants bring to the country (i.e. businesses receiving the investment). In addition, as Surak (2016, 2020) shows, a large industry of middlemen and brokers facilitates the investment migration industry globally, linking up applicants and investment opportunities, often in return for commissions. This industry, as well as other professionals such as immigration lawyers, may thus also play a role in shaping policy decisions.

#### *Reconciling competing objectives*

As the discussion in this chapter shows, a single policy may have several different effects, requiring policymakers to trade off costs and benefits. Policymakers will not necessarily agree on which objectives are most important (Ingram, 1980; McConnell, 2016; Bardach & Patashnik, 2019).

Boswell (2007) argues that immigration policymakers typically seek four overarching objectives: promoting economic growth, protecting national security, perceived fairness, and institutional legitimacy. These categories broadly overlap with other analyses of overarching political goals, such as Stone's (1988) categorisation, which includes equity, efficiency, security and liberty. The problem that policymakers face is that there will often be trade-offs between objectives (Stone, 1988; Boswell, 2007) or different ethical imperatives (see, e.g. Aleinikoff & Owen, 2022; Lenard, 2022). For example, investor programmes might contribute to economic prosperity while also being considered unfair because they prioritize applicants based on their wealth. And the policy options that are most economically beneficial (e.g. non-refundable donations) may be the least politically popular.

Tensions between objectives may encourage policymakers to pursue strategies that external observers might consider irrational or contradictory

but that have a political logic. These contradictions can manifest in different ways. First, they include internal inconsistencies within policies. In immigration policy, for example, conflicting political pressures create a “need to be both open and closed” (Schultz et al., 2021, p765), generating a combination of apparently inconsistent liberal and restrictive measures that attempt to satisfy multiple stakeholders (Parsons et al., 2020).

Second, politicians may reconcile competing demands by saying one thing and doing something else (Czaika & de Haas, 2013). For example, Schneider and Ingram (2019) show that politicians are keen to make promises to groups of people the public considers deserving. However, if these groups lack political clout, the promises are less likely to turn into real action—especially if action means allocating new resources. Strategic re-announcements of funding that has already been committed are one such example. In immigration policy, Slaven and Boswell (2018, p1477) identify strategies in which restrictive rhetoric consistent with public demands accompanies “cosmetic adjustments” to distract publics from overall immigration policies that are relatively liberal. Similarly, Gormley (1986, p612) argues that politicians will favour “procedural, not substantive, intervention” such as reorganising government agencies or introducing consultation mechanisms in salient policy areas that are also complex and difficult to address.

Third, policymakers may sacrifice or ignore substantive policy goals in favour of symbolic policies that policymakers do not expect to be effective but that they believe are consistent with public expectations (Ford et al., 2015; Zaun & Nantermoz, 2022). Slaven and Boswell (2018, p1478) describe this strategy as “adaptation” to public demands, with policymakers adopting policies that play a largely symbolic role. Merli (2020) makes a similar argument and suggests that immigration policy is particularly prone to symbolic policymaking because of governments’ difficulties satisfying restrictionist public opinion with policies that do what the public wants.

The factors outlined here—beliefs, information and learning, venues, framing and problem definition, the influence of interest groups, and political strategies for resolving competing priorities—will emerge as important explanatory variables throughout the study. In particular, they are expected

to play some role in shaping policymakers' objectives and evaluations of investor programmes; this is discussed in Chapter 6, which examines which dimensions of success were most salient to policymakers and why. They also play an important role in explaining policy change, as discussed in Chapter 9.

### **3.2. What features of investor visas contribute to perceived successes and failures?**

After identifying factors that shape whether policymakers consider their investor programmes to be successful (in Chapter 6), Chapters 7 and 8 examine how policy design choices affect IIPs' ability to achieve the objectives policymakers set out for them. Chapter 7 focuses on the flows of money that result from investor programmes' investment requirements, and Chapter 8 looks at the factors shaping who investor programmes admit, i.e. the migrants themselves. Together, these two chapters address the second research question outlined above, namely, how policy design choices affect the successes and failures of investor programmes. Specifically, they ask what factors have shaped governments' ability to design and implement programmes that a) direct financial investments in a way that produces meaningful economic benefits and b) admit the desired profile of applicants.

The following pages outline some factors from the existing literature that should affect the impacts of different policy designs. The section starts by examining some general challenges that policymakers face when formulating and implementing policy before looking at specific problems that emerge from research on migration policy and investment incentives.

#### **3.2.1. General challenges in policy formulation and implementation**

An extensive literature on policy formulation has developed over the past sixty years or so, examining and classifying different policy instruments and tools (see Howlett [2019] and Hood [2007] for a review). Not all of it is relevant to the present study. However, some studies have identified general challenges or trade-offs that policymakers must confront when formulating policy. Some of these focus on programmatic success, i.e. the efficacy of the programme in delivering the anticipated benefits and avoiding negative

consequences. Others are more political. And some affect both programmatic and political success or create trade-offs between them.

Linder and Peters (1989) identify characteristics of policy instruments that policymakers should, in theory, care about. These include: (1) how resource intensive they are (i.e. the operational and administrative costs); (2) how well targeted they are, i.e. whether they precisely identify the target group for the intervention; (3) whether they bring political risks (which will depend in part on how publicly visible the instruments are); and (4) whether they are ideologically acceptable (for example, whether they are considered too coercive). They then note that there will frequently be trade-offs between these different characteristics. For example, policy instruments that more accurately identify members of the target group are likely to be more complicated, more resource-intensive to implement, and potentially more intrusive for applicants (ibid; see also Diver, 1983).

Salamon (2001) identifies a different but partially overlapping list of dimensions affecting perceptions of policy tools' advantages and disadvantages: coerciveness, directness, automaticity and visibility. More coercive tools involve greater restrictions on individual liberty. More direct tools involve concentrated responsibility for all elements of implementation in a single government entity (rather than, for example, delegating responsibility to diffuse local bodies or private sector companies). More automatic tools rely on existing structures and processes, such as market forces, rather than creating new ones. Finally, more visible tools are easier for the public to observe (e.g. a tax or fee as opposed to the hidden cost of regulation).

Salamon's study identifies trade-offs between different objectives when choosing instruments with different values on these four dimensions. For example, indirect tools that farm out responsibility for implementation to the private sector or local bodies may be politically beneficial as they "provide important opportunities to cut affected interests into a 'piece of the action'" (Salamon 2001, p1654). They also give the programme access to resources and skills the government may lack. However, indirect tools will also be harder to manage because there is a greater risk that the interests of different actors

will not align. Similarly, it may be easier to secure political agreement on less visible tools, but these tools may be less efficient if they have hidden costs. Salamon argues that less visible tools will be preferred when they benefit wealthy interests, “such as oil well owners or large investors” (ibid, p1669). Schneider and Ingram (2019) make a similar argument, showing that policymakers will still help groups considered powerful but undeserving so long as they can find ways to hide it (e.g. via loopholes in policies).

Sabatier and Mazmanian (1980) focus on policy implementation and identify a range of factors that affect a programme’s efficacy. In particular, some problems are more tractable than others. They note that policies that implicitly require significant behavioural change from participants will face an uphill struggle, making implementation more complex and resource intensive. Policies attempting to shape the behaviour of larger, more diverse groups of participants will also face greater challenges. Policy design factors affecting implementation efficacy include the clarity of objectives, financial resources and expertise available for implementation. They also include how much of the implementation process is controlled by a single, hierarchically integrated agency (rather than being dispersed across different actors with different motivations) whose mission is aligned with the policy goals (see also Lipsky, 2010).

Finally, in addition to facing trade-offs between different types of benefits, policymakers face more general challenges that can threaten their programmes’ success. For example, Howlett and Leong (2022, p920) discuss what they call the “inherent vices” of policy design: uncertainty, maliciousness and non-compliance. Policymakers must often take decisions in the absence of good information about their likely impacts or how the targets of policy will respond; programmes may be abused by self-interested decisions of politicians or government officials themselves; and the people whom policy instruments target may not respond in the way that policymakers envisaged—or may even actively frustrate their plans (ibid).

While different studies emphasise different challenges, there is substantial overlap between them. Some of the challenges outlined primarily concern the policy’s effectiveness in delivering anticipated social or economic benefits



and avoiding negative consequences—i.e. the programmatic impacts. These include a) the precision with which the target group can be identified, b) the extent of behavioural change a programme envisages and the extent to which the incentives of government and non-government actors involved in delivery are aligned, and c) the costs of implementation (e.g. the resources and expertise required). Other challenges are more likely to affect political or process success, including d) whether the programme presents political risks, e) how visible it is, and f) how ideologically acceptable it is.

When analysing the effects of policy choices on investor programmes' outcomes or success, Chapters 7 and 8 thus seek to identify what trade-offs different policy options implicitly impose. The following two sections discuss in more concrete terms how we might expect these trade-offs to emerge in practice.

### **3.2.2. Challenges designing qualifying investments**

The most distinctive feature of investor programmes is the financial transaction they require from their applicants. When the fieldwork took place, the US and UK qualifying investments both required investment in private-sector companies. However, the US EB-5 programme required investments based on more complex criteria that attempted to target specific types of job-creating activity. By contrast, the Tier 1 Investor programme allowed applicants to choose from a broader list of options, including simply buying shares in listed companies. These different models should have different implications regarding the factors considered in the section above, such as immigration agencies' ability to oversee and manage the money flows, their ability to control the different actors involved, and the implementation resources they require.

Drawing on an analysis of the US and UK experience, Chapter 7 examines the programmatic and political implications of different policy models.

*Achieving expected programme outcomes: the efficacy of investor programmes as a form of investment incentive*

Building on the discussion of policymakers' objectives for investor programmes in Chapter 6, Chapter 7 examines the factors that have affected policymakers' ability to achieve programmatic outcomes, such as stimulating job-creating economic activity. As described in Chapter 2, some previous research has cast doubt on the effectiveness of the investments that these immigration programmes solicit, especially when they involve a genuine investment rather than a straight donation.

To examine the impacts of investor programmes on the economy, it is helpful to take an excursion outside of immigration policy. Various studies have examined the implications of investment incentives in other domains of economic policy, such as tax credits designed to encourage firms to make capital or R&D investments, to locate in a particular area, or to generate employment (Hall & Jorgenson, 1967; Bronzini & De Blasio, 2006; Gabe & Kraybill, 2002; Harris & Trainor, 2005; Faulk, 2002; Eisinger, 1993). Investor programmes are slightly different from these policy tools because the money comes from foreign investors rather than immigrant investors and thus is "free" in the sense that taxpayer-funded government incentives are not. Nonetheless, these studies identify some relevant challenges in any attempt to steer the investment behaviour of private companies and individuals.

The impacts of investment subsidies depend on whether money provided as an incentive "crowds out" or "crowds in" private-sector funding (David et al., 2000; Zuniga-Vicente et al., 2012). That is, investment subsidies might catalyse additional spending by making investments more worthwhile, enabling firms to increase output (Harris & Trainor, 2005) or employment (Faulk, 2002), or they might simply substitute for money that firms would otherwise have spent regardless. For example, firms receiving investment subsidies may crowd out unsubsidized competitor firms that would otherwise have made similar investments (Bronzini & De Blasio, 2006). Investment incentives may encourage firms to bring forward investments that they would have made anyway at a later date (ibid). Expected job creation may not materialise (Gabe & Kraybill, 2002). Overall, empirical

results on the impacts of investment subsidies have been mixed, with some studies finding positive impacts and some finding that incentives simply crowd out other investments (Zuniga-Vicente et al., 2012).

Some businesses find it more difficult to attract capital than others. In these cases, it is less likely that investments incentivised through interventions like an investor programme would displace other funding. For example, small businesses are often considered riskier than others; they find it harder to access capital and must offer higher rates of return (Ang, 1992). As a result, governments sometimes implement policies designed to improve access to capital for small companies because these companies may otherwise struggle to secure the money they need to grow (Eisinger, 1993).

Some studies have examined the impacts of foreign direct investment (FDI) incentives such as tax breaks. Reviewing studies on FDI impacts, Blomstrom & Kokko (2003) show that the main benefit of incentive policies is to encourage knowledge transfers where foreign companies bring new technologies or production techniques. They argue that if foreign direct investors are motivated by subsidies rather than the “economic fundamentals of the host country” (ibid, p7), the benefits of providing incentives for them will be lower as they will be more likely to withdraw their investment over time. This analysis suggests that some of the benefits of FDI will not be present in the case of IIP-induced investment, which does not involve foreign firms that will provide technology and knowhow.

The present study does not aim to measure the economic impacts of investor programmes. Instead, it seeks to identify conditions under which the programmes can bring about economically beneficial investments and how policy choices affect these conditions. In particular, programmes should be more likely to bring about new economic activity if they induce investment that would not have happened anyway in the absence of the policy. Chapter 7 thus asks how policy choices affect two main things: first, whether immigrant investors would have invested regardless if the programme did not exist, and second, whether their money is displacing others who would otherwise have invested instead—including in high-risk ventures. If these conditions are not met, the prospects of stimulating new economic activity are lower.

From a public policy perspective, encouraging additional investment activity in investor programmes is a question of both targeting and behavioural change. That is, policymakers need to be able to *identify* projects that are likely to involve additional investment and steer the behaviour of investors and investment beneficiaries to push them towards investments they may not otherwise have pursued.

#### *Avoiding negative consequences*

Policy evaluations and reports have identified various possible unintended consequences of investor programmes that could undermine their overall benefits, as outlined in Chapter 2. The two most prominent have involved risks from programme participants—either the applicants themselves (if they have criminal backgrounds, for example) or the businesses and intermediaries who benefit from applicants’ investments (if they are involved in fraud).

Chapter 7 examines how policy decisions about the nature of the qualifying investment have affected the risks of negative consequences, focusing on fraud. The other main risk identified in previous studies—i.e. risks from the investors themselves—are discussed in Chapter 8, which focuses on the immigration side of the equation.

#### *Political implications of policy choices*

While several studies have concluded that non-refundable payments in return for residence rights are likely to be economically beneficial, the normative literature reviewed above in Chapter 2 shows that they are often perceived to be unethical. More broadly, public opinion studies have shown that moral judgments about the rights and wrongs of policy can play an important role in generating support or opposition to immigration policies (e.g. Wright, Levy & Citrin, 2016). It is thus reasonable to assume that the public will not look favourably at policies that explicitly sell residence rights, or at least that policymakers will fear negative public reactions even if they believe it is a good idea.

Different options for qualifying investments are thus likely to be received quite differently. Coming back to the characteristics of policies outlined in Section 2.1, Chapter 7 examines the extent to which different options are considered ideologically acceptable, how visible their potentially unpalatable elements are to the public and the political risks they create.

#### *Process success*

In theory, there may be some relationship between the design of the policy and the transparency of the process required to introduce it. For example, politicians may prefer to introduce politically controversial policies in ways that involve less public scrutiny. If we broaden the concept of process success beyond McConnell's (2010) definition to include not just the process of introducing and enacting policies but also the implementation, we may also see other effects of policy choices on success. For example, some policy designs might encourage greater involvement of vested interests in the implementation if they have a stronger stake in the outcome. This is equally the case for the policies governing the selection of individual investors, discussed next.

### **3.2.3. Challenges in designing migration selection and admission policies**

The next question this research addresses is whether and under what circumstances investor visas have been effective in admitting the types of people policymakers desire. Unlike in the case of qualifying investments, investor programmes around the world vary relatively little in the selection criteria facing applicants themselves. The primary eligibility criteria are making the required investment and demonstrating that the source of wealth is clean. Relatively few impose other selection criteria at initial entry, such as having a business background (Henley & Partners, 2021).

One important dimension in which programme criteria for applicants vary, however, is whether they require them to live in the country for a certain amount of time each year to maintain their status or qualify for permanent residence. The UK and US programmes were similar in how candidates were

selected—i.e. based on the investment and a source-of-funds check—although the UK programme required applicants to spend more time in the country to qualify for permanent status.

Chapter 8 examines the same dimensions of success as the previous chapters, i.e. achieving the intended objectives, avoiding negative consequences, political outcomes and process success. When considering the immigration component of the programmes, the first two of these criteria are effectively a question of selection and targeting—i.e. the policy aims to admit people who fit policymakers’ vision and *not* to admit those who do not. The next section examines challenges past research has identified in selecting and admitting the desired groups of prospective migrants. The subsequent sections then address political and process aspects of applicant selection.

#### *Three key factors shaping the effectiveness of selection policies*

This section reviews past research identifying challenges that policymakers face as they attempt to select and admit migrants who fit the vision policymakers have in mind. It groups the challenges into three main categories: 1) the country’s attractiveness to potential movers in the target group, 2) the ability to identify and select those who meet the criteria, and 3) the risk that immigration policy will deter qualified applicants.

#### *Attractiveness to potential movers*

Policy is just one of several factors that affect the number of people who move. There is some evidence that immigration policies affect migration flows, but the number of people who move also depends on factors beyond immigration policymakers’ control. These include geographic distance and economic differentials between origin and sending countries, the salaries and incomes of highly skilled people at destination, and networks and colonial ties (Ortega & Peri, 2013; Mayda, 2010; Grogger & Hanson, 2011; de Haas et al., 2019). Amenities that affect quality of life can be a pull factor, with some people moving for “lifestyle” rather than economic opportunity (Graves, 1979; Benson & O’Reilly, 2009).

There are also well-documented cases of policymakers' failure to *restrict* types of migration they do not want. Despite intense political attention devoted to asylum policy in many countries and the numerous attempts to limit asylum applications, Hatton (2009) finds that tougher asylum policies accounted for only one-third of the decline in applications in the early 2000s. In his study of failures in migration policy, Castles (2004, p858) argues that migration policies have often failed to produce their intended results because policymakers did not appreciate the "social dynamics of the migratory process". Factors such as social networks, family and community links, the activities of brokers and agents, and the fact that the incentives and plans of migrants themselves were not well aligned with policymakers' preferences led to the continuation of migration flows that policymakers wanted to restrict (ibid). Hollifield (1992) also emphasises that market forces—combined with the fact that migrants are human beings with rights, preferences, and behavioural responses to policy—make immigration policy an imprecise tool of economic policy.

Before migration policymakers even begin to design policies to select and admit particular groups of migrants, their room for manoeuvre has thus already been constrained by powerful factors beyond their control that shape who wants to move. Immigration regimes might fail to attract the desired migrants if the underlying conditions the country offers are not sufficiently attractive. As Doomernik et al. (2009, p14) put it, "even an optimal design of the recruitment system will not provide success if there is no demand" among prospective migrants.

*How effectively can policymakers select prospective migrants?*

One of the main jobs of immigration policy is to identify the people governments want to admit from a larger pool of prospective migrants. The main way governments do this is to apply eligibility criteria at entry. However, other programme criteria that apply after entry—such as requirements to maintain a certain kind of job or be physically resident for a given amount of time—may have a selection effect if only some applicants are able to meet them. Henceforth, I describe the combined package of rules applied at and after entry as the "programme criteria".

Not all of the characteristics policymakers would like to select for are easily observable (Bertoli et al., 2016). For example, governments can easily observe education but not motivation or soft skills, which also determine migrants' outcomes after arrival. In addition to positive traits that governments seek, the same challenge also applies to negative traits that create risks or harms, such as criminal backgrounds, which may be difficult to detect.

As a result, governments designing selection criteria have to rely on imperfect proxies. Looking at points tests, for example, Papademetriou and Sumption (2011) argue that the characteristics that make a person employable in the local labour market are not easily captured in simple criteria that can be used in points tests, such as education and results on language tests. Green and Green (1995) conclude that selection policies affected the occupational composition of skilled migrants in the Canadian points-based system but that there was little scope for the government to fine-tune the impacts using the tools at its disposal.

In some cases, governments have developed programme criteria that mitigate the problem of unobservable characteristics. For example, employer selection offers a way to outsource a more nuanced consideration of the person's skills to prospective employers (Papademetriou & Sumption, 2011; Koslowski, 2018). However, outsourcing selection decisions can also create problems. Hawthorne (2010), for example, evaluated attempts to recruit highly employable former international students as permanent skilled workers in Australia on the basis that they would have language skills, locally recognised qualifications and cultural knowledge. She found that while some did fare well in the labour market, outcomes among many were poor, largely because educational institutions were not playing the selection role that the government had expected. As other public policy studies have found, involving external actors in the implementation of a programme can bring benefits of external expertise but also has hazards—including the likelihood that not all the actors involved will have the same incentives as the policymakers designing the programme (Sabatier & Mazmanian, 1980; Salamon, 2001).



The question of precision in identifying the target group is of particular interest in the case of immigration since one of the central tasks of immigration policy is to determine who should be eligible for status and who should not. Investor programmes also involve another kind of targeting—i.e. identifying which people or institutions should be able to use investors' money. A helpful contribution on the question of precision is Colin Diver's (1983) analysis entitled *The Optimal Precision of Administrative Rules*. Diver shows that since policymakers operate with limited information about the true characteristics of each person subject to a policy, they need to specify general eligibility rules that may include some people they should not have included, and exclude some who should have been included. The lengths to which policymakers will go to develop rules that only affect a specific target beneficiary will depend on the costs of not being precise. If being over-inclusive is not particularly costly, there is a stronger argument for casting the net wider and accepting that not everyone who qualifies will meet policymakers' vision of the desired applicant (Diver, 1983). This logic can apply to both positive and negative selection characteristics in immigration policy. For example, an investor programme might be over-inclusive but low cost if it admitted people who imposed few negatives but did not bring the expected benefits. Or it might be over-inclusive at higher cost if it admitted people who brought net negatives, for example due to criminal behaviour.

#### *Potential unintended effects of selection policies*

Programme criteria select migrants and regulate their activities within the country to produce a given set of social or economic impacts. They can have unintended effects too, however. For example, Anderson (2010, p308) shows that immigration policies are “not a neutral framework facilitating the sorting of individuals [...] into particular categories”. They can also unintentionally distort migrants' decisions about where to work and undermine their bargaining power vis-à-vis their employers.

Similarly, immigration rules may inadvertently deter the people policymakers want to attract if their conditions are too demanding. Papademetriou et al. (2008, p23) identify elements of the “immigration package” that may make policies more or less attractive to prospective

migrants. These include “fair and transparently applied immigration rules” that deliver predictable outcomes for migrants and their family members; clear paths to permanent status within an acceptable timeframe; recognition of foreign qualifications; and opportunities for family members.

As discussed above, social, economic and geopolitical factors that have little to do with immigration policy are important drivers of migration. As a result, we should not necessarily expect immigration policy to be the major factor shaping flows. However, some previous research has identified impacts of immigration policies on the movement of skilled workers even if other factors are more important. For example, Czaika and Parsons (2017) find that points systems attract larger numbers of highly skilled migrants than employer-driven migration, which tends to be more bureaucratic—suggesting a trade-off between the ability to select skilled migrants more precisely using employer sponsorship and the potential deterrent effect of doing using this mechanism.

#### *Factors affecting the effectiveness of immigration selection policies*

Chapter 8 brings these three strands of the migration literature together to consider how policy design choices affect policymakers’ ability to admit the desired profile of migrants through investor programmes. From the research reviewed in this chapter, we can identify three main conditions for a selection policy to admit the people policymakers are targeting:

- Country attractiveness: prospective investor migrants must find the destination country sufficiently attractive to want to spend time there. If they do not, immigration policy will face an uphill struggle admitting them, no matter how well-designed the policy might be otherwise.
- Selection effectiveness: programme criteria need to be capable of identifying the target group of migrants. Policymakers will face trade-offs between the risks of false positives and false negatives. More liberal eligibility criteria may admit people who do not fit policymakers’ vision of who should be admitted, while more restrictive criteria will screen out people who would have been considered desirable. If the desired investor applicants have

characteristics and skills that are difficult to identify, policymakers may have to decide at what cost they are willing to make their selection mechanism more precise.

- Immigration policy attractiveness: prospective investor applicants need to be willing to meet the immigration requirements, which should not have unintended consequences that reduce the programme's benefits.

Chapter 8 uses this framework to examine investor programme design. It looks at trade-offs between the effectiveness of the selection mechanism and its attractiveness to prospective applicants. In particular, more precise selection mechanisms may be more likely to deter applicants if they are more intrusive or burdensome for individuals (Linder & Peters, 1989; Diver, 1983). Different selection mechanisms may also affect the likelihood of including undesirable applicants.

#### *Political and ideological acceptability*

Choices about programme criteria for selecting investor applicants may affect the scheme's political risks and ideological acceptability. For example, programme criteria might affect the extent to which applicants are considered "deserving" (Schneider & Ingram, 2019), thus shaping the programme's political success. The size of the investment required could affect the extent to which the programme is seen to be attracting the most wealthy (something that could be perceived positively or negatively politically, depending on the framing). The amount of time applicants are required to spend in the country might also affect perceptions of commitment and belonging. Cash donations could create more of a narrative that applicants are "queue jumping" by purchasing status. Finally, some programmes may carry more political risks—for example, a larger programme that admits more people could increase the chances of one or more scandals involving controversial individuals who were not screened out by due diligence procedures.

Chapter 8 examines how specific features of policies designed to identify and admit individuals shape political narratives about the programmes; and

whether policymakers face trade-offs between political and programmatic objectives when designing them.

### **3.3. How does the policy process affect investor programmes' successes and failures?**

It is tempting to assume that policies are the way they are because policymakers want it that way. However, the policy process is not a rational process of producing the best solutions to all the known problems policymakers face (Simon, 1957; Cohen et al., 1972). It is messy and imperfect. Therefore, no examination of how investor programmes are designed would be complete without considering the pressures and obstacles policymakers face when designing and implementing policy. This is the task of Chapter 9.

Policymakers in the United States and the United Kingdom have participated in fraught debates about the future of investor programmes. In both cases, it took many years to secure consensus on policy changes to address policymakers' concerns. In the meantime, inefficiencies and contradictions in the programmes persisted. When change did arrive, UK and US policymakers took very different approaches to resolve their concerns about the programmes. US policymakers opted for incremental reform, sticking to broadly the same model. UK policymakers chose to shut the investor programme down after considering various alternatives. Chapter 9 examines these decisions, asking why policymakers persisted for long periods with policy options they did not feel worked, and what impacts the policy process itself had on the policies and their outcomes.

#### **3.3.1. What causes policy change, and why is it so slow?**

Various theories seek to explain what causes policies to change or remain the same, and while they emphasize different things, they are not necessarily contradictory (Cairney, 2020; Mukherjee & Howlett, 2015). The analysis of policy change in this study is structured using John Kingdon's (1984) Multiple Streams Framework (MSF), although it also draws on complementary insights from studies using other theoretical frameworks such as the Advocacy Coalition Framework (ACF).

According to the MSF, change in public policies will usually be slow because a specific set of conditions is required to enable policymakers to enact reforms. In particular, Kingdon (1984) argues that three conditions must be met before policies can change—or, in his terminology, three “streams” must come together: problems, policies and politics. That is, policymakers must believe there is a problem to be addressed, have a feasible policy solution at hand, and be able to mobilise political resources to secure agreement on change.

Kingdon argues that the three streams are largely independent of each other. For example, advocates of policy proposals often put them forward as the solution to any number of problems (Cohen et al., 1972). Political attention may veer towards an issue long after policymakers know it is a problem. Kingdon argues that occasionally “windows of opportunity” open up, enabling the three streams to come together and make policy change possible. “Policy entrepreneurs” play an important role in uniting the three streams, linking problems to solutions and exploiting windows of opportunity to promote the ideas they favour. (“Policy brokers” play a similar role in the ACF approach.) Because windows of opportunity may be relatively short, the most attractive solutions will be those that have already been “softened up” in the policy community (Kingdon, 1984/1995, p127-131).

### *Problems*

Policymakers must be aware that a problem exists and believe it is important, if they are to do anything about it. However, many issues compete for their attention, and they can only address a few at any one time (Baumgartner & Jones, 1993; Zahariadis, 2007). Policymaking is also not a rational process in which governments identify problems and then sift through all available information to find the policy solutions that will most effectively address those problems (Simon, 1957, 1976). Looking for information is costly, and policymakers will rely on gut instincts and “fast thinking” (Kahnemann, 2011) to analyse policy problems, ignore much of the available information, and look for solutions that are “good enough” (Simon, 1976, pxxv).

In principle, various types of information should affect whether policymakers consider problems significant. These include data from research and feedback from existing programmes (Kingdon, 1984; Zahariadis, 2007) and “focusing events” such as crises or scandals that direct people’s attention to an issue and illustrate underlying problems (Birkland, 1998).

Cairney and Zahariadis (2016) argue that an issue is more likely to be seen as a problem if it involves sudden change or focusing events, affects larger numbers of people, or sets precedents for other policy areas. Zahariadis (2016, p7) argues that most theories of public-policy agenda setting invoke four “Ps” that affect issue salience: *power*, i.e. who can get their voice heard; *perception*, i.e. how problems are framed or perceived; *potency*, i.e. how intense and widespread their impacts are; and *proximity*, i.e. how relevant and immediate the problems feel to people’s lives. Whether policy issues secure a spot on policymakers’ agenda will also depend on factors such as how much media attention it receives and how successfully different actors—such as interest groups or politicians—can draw attention to their issues, mobilise others to do so, or redefine the nature of the problem (Baumgartner & Jones, 1993; Dearing & Rogers, 1996). While influential individuals or interest groups will often have the power to shape narratives or redefine how problems are discussed, they do not have exclusive control, and factors such as external events may introduce new frames to a debate against the wishes of powerful actors that had previously dominated (Baumgartner & Jones, 1993).

### *Policies*

If policymakers are to enact change, they need to be able to propose a solution that is technically feasible and ideologically acceptable. Many ideas float around in the “policy primeval soup” (Kingdon, 1984/1995, p116), and some will gain traction over time while others do not. Policies that are repeatedly circulated and discussed within the policy community may come to be considered mainstream and legitimate, eventually gaining acceptance as a reasonable option. For example, Zaun & Nantermoz (2022) show that EU policymakers embraced a policy proposal based on a false causal narrative, i.e. that development aid to countries of origin could help reduce irregular

migration. They did this partly because the idea had been circulating for years in the policy community as a solution to a different problem and could be repackaged quickly to serve a new purpose.

New policy proposals must compete against the status quo. Once policy instruments have developed in a certain way, for whatever original reason, it can become more difficult to dislodge them—not just because policymakers do not have time to revisit them but also because they acquire an aura of legitimacy. The fact that a policy exists as the status quo may mean that it is considered normal and legitimate compared to competing options (Lascoumes & Le Gales, 2007). For example, Ellerman (2015) finds that historical experiences with migration policy shape what policymakers feel is acceptable and legitimate, while Wright (2012) shows that policy changes that push against long-standing norms can face more pushback and are thus easier to reverse.

Since policies will typically have resulted from some past effort to secure agreement among policymakers, radically changing them may go against existing consensus (Lindblom, 1957). If policies were a reflection of policymakers' underlying beliefs, we should not necessarily expect those beliefs to change rapidly (Jenkins-Smith and Sabatier, 1994). Large changes also bring more uncertainty; since policymakers already have some experience with existing policies, the consequences of small, incremental changes are likely to be more predictable (Lindblom, 1957).

In some cases, there may be increasing returns to remaining on the same path (Pierson, 2000). For example, the costs of switching to a new policy arrangement may increase over time, and stakeholders may have learned to work with the existing policy, making a switch to a new model more costly (ibid; Wilson, 1980).

### *Politics*

Finally, policymakers must be sufficiently motivated to make policy changes. In other words, policymakers with sufficient authority to consent to change must see political dividends from doing so. In theory, motivations to act may

change over time if decision-makers alter their beliefs about what should be done (e.g. due to changes in public opinion or pressure from interest groups). Alternatively, motivations may change because the policymakers themselves change—i.e., new personnel with different beliefs enter positions of authority due to elections, new appointments, or shifts in the venues responsible for decision-making (Kingdon, 1984).

The factors facilitating such changes have been detailed in studies following the Advocacy Coalition Framework. This framework identifies three primary sources of change that substantially overlap with those identified by Kingdon: policy learning and changes in beliefs; changes in the balance of power between policymakers supporting different views; and changes in the resources at the disposal of competing coalitions (Nohrstedt, 2011; Weible et al., 2009). Resources are broadly defined and include legal authority to take decisions, access to information and financial resources, and supportive stakeholders or public opinion (Weible & Sabatier, 2007).

Policymakers resist changing their core beliefs, and secondary or empirical beliefs only change slowly—as discussed earlier in this chapter. However, they may shift the policies they support when they learn and adapt to new information or when they respond to exogenous shocks such as changes in socio-economic conditions or the election of a new government (Jenkins-Smith and Sabatier, 1994). Learning can occur in different ways and at different levels: for example, Moyson et al. (2017) usefully distinguish between micro-level learning by individuals within an organisation; meso-level learning, i.e. organisations' ability to learn, including by identifying errors; and macro-level learning, such as the transfer of ideas across countries or units of government. However, learning does not lead mechanically to policy change; policymakers may instead use new information strategically to justify pre-existing positions rather than alter their beliefs (Moyson et al., 2017; Boswell, 2009).

However, various factors can change the balance of power between coalitions or the resources available to them, without requiring large changes in individuals' core policy beliefs. For example, external events can give greater credibility to policymakers advocating policy positions that had previously



been less persuasive; mobilize supporters in favour of an alternative policy; or shift authority to a more favourable venue (Rinscheid, 2015; Nohrstedt & Weible, 2010). Factors contributing to such changes, such as venues, problem definition and interest groups, were reviewed in more detail in section 3.12. Finally, a common reason for stasis is that policymakers cannot agree on what should change. Securing policy change will typically require the agreement of multiple policymakers, who may bring different perspectives and requirements. Since policymakers have no reason to accept an outcome they like less than the status quo, policies will only change if feasible options are acceptable to every veto player (Weible & Sabatier, 2007). Tsebelis (2011) argues that policy change is more difficult when there is a larger number of “veto players” in the political system, i.e. people who have the power to block change, and when the ideological distance between them is greater.<sup>7</sup> Stasis driven by disagreement between decision-makers with different beliefs may change due to elections and appointments shifting their authority, but stakeholders supporting different positions may also be able to negotiate with each other and reach a consensus. Such negotiations are more likely in policy systems with negotiating environments that encourage consensus-based decision-making (Weible et al., 2010).

#### *The particular bias against policy termination*

Many factors discussed in this chapter come together to make one specific policy change particularly difficult: closing down an existing programme. Terminating a programme is usually a proactive policy decision, so it faces all of the same problems as efforts to make any significant policy change. Ending a policy will usually be a more substantial policy shift than tweaking or reforming it, so it should be harder to close policies than adjust them incrementally (Lindblom, 1959; Tsebelis, 2011).

Additional barriers to closing policies also exist. Policymakers may be reluctant to accept that a policy is not working and thus terminate it rather

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<sup>7</sup> Note however that in the longer term, a system in which everyone holds broadly the same position is not necessarily conducive to major policy change. Indeed, Rinscheid (2015) argues that some degree of polarisation between policymakers can facilitate major policy change, because disagreement will mean that competing ideas are circulating in policy debates.

than amend it. Politicians may consider policy termination an implicit recognition of failure and worry that it will damage institutional morale (DeLeon, 1979). The public may expect political systems to be able to solve problems; ending a programme may thus be unpopular if it is an admission that problems are intractable and the government will no longer attempt to resolve them (Ingram, 1980). Because policymakers typically assume that the policies they have introduced will work, they may not be on the lookout for hallmarks of failure (DeLeon, 1979). In addition, once policies already exist, the constituencies that benefit from them have the incentive to fight to protect them (deLeon, 1978; Kingdon, 1984; Jordan et al., 2013).

As a result, it is now well established that “failed” policies are often replaced with something else rather than ended (Hogwood & Peters, 1982). In addition, policymakers who cannot end or replace policies they dislike may try to adapt them in incremental ways. As Thelen (2003) and Hacker (2004) show, the sum of incremental changes that bolt new provisions onto existing policies can sometimes substantially change their function and impacts. As a result, policy change is not *either* radical *or* marginal; there are grey areas in between.

To understand why US and UK policymakers persisted for long periods with policy models they did not perceive to be successful—and why policy change eventually emerged in both countries in 2022—Chapter 9 draws on Kingdon’s (1984) multiple streams analysis. It examines how policymakers understood the nature of the ‘problems’ to be fixed, the factors affecting the acceptance of alternative policy proposals, and how the politics of the programme changed over time. It uses changes in these factors to examine why windows of opportunity for change opened in 2019 and 2022 in the United States and in 2022 in the United Kingdom.

### **3.3.2. How has the policy process itself shaped the outcomes of investor programmes?**

The final question this research addresses is how well-known features of policy decision-making have affected the mechanics and outcomes of the programmes themselves. In particular, I examine the implications of policies

*not* being high on the policy agenda. A consistent finding from the public policy literature is that many issues compete for policymakers' attention, and less salient ones are more likely to be neglected (Kingdon, 1984; Cairney & Zahariadis, 2016; Baumgartner & Jones, 1993).

In the United Kingdom and the United States, investor programmes are a classic example of a low-salience policy in that they represent a small share of overall immigration and affect relatively few people. The low salience of investor programmes raises the question of whether and how inattention from policymakers affects the programmes and their outcomes. For example, being a relatively low-visibility issue might mean that problems can be ironed out in a technocratic manner without pressure on policymakers to adopt potentially ineffective but symbolically useful measures. Alternatively, it could mean that policies are neglected and problems are not ironed out at all.

Scholars have identified various ways salience can affect the details of a policy's design and implementation. First, salience affects who participates in policy debates and decision-making. In theory, if topics are salient, politicians should face more pressure to align policies with public expectations (Lahav & Guiraudon, 2006; Boswell, 2018). For example, Givens and Luedke (2005) argue that high issue salience leads to more restrictive immigration policies, in line with public preferences in many high-income countries. These policies will not necessarily lead to the outcomes politicians announce, however. Boswell (2018) argues that in higher-salience policy areas, the difficulty governments often have steering complex human behaviour will push politicians to adopt symbolic policies that look like a response to the problem at hand but will not have their intended effects.

Baekegaard et al. (2015) find that salience shapes the relative influence of politicians and bureaucrats and that policies are more likely to reflect politicians' preferences in high-salience areas and less likely to do so in low-salience ones. Similarly, some studies have also suggested that the influence of interest groups tends to be lower in policy areas that receive significant media coverage because there is more pressure for policymakers to pursue policies that the public expects (Stevens & De Bruycker, 2020).

How salience affects policymaking may depend on other characteristics of the policy area in question, including its complexity and uncertainty about the likely outcomes. Bromley-Trujillo and Karch (2021) find that uncertainty discourages political involvement: legislators were less active in policy areas that media stories characterised as being subject to significant uncertainty. Gormley (1986) argues that salient policy areas bring demand for public accountability and attract attention from politicians, while complex ones require the expertise of bureaucrats or external interests and are less attractive to politicians because they are difficult to explain to the public.

Gormley (1986, p606) argues that different combinations of complexity and salience attract different modes of politics and decision-making. Among low-salience policies, complex ones will attract “policymaking by a power elite” with little intrusion from the media or the public; business interests will be reasonably influential in securing what they want unless they face opposition from a competing business lobby. Low-salience but simple policies, he argues, are more likely to be dealt with by lower-level bureaucrats who “tend to rely on standard operating procedures that permit them to get through a day with a minimum of thought and aggravation” (ibid, p610), and policymakers will have few incentives to develop coherent rules.

Eshbaugh-Soha (2006) builds on this argument by distinguishing between different groups of politicians, namely the President and legislators. He argues that both are interested in salient policies, but legislators have more appetite for specialising in complex ones than Presidents do. For example, there may also be issues that are salient locally in a legislator’s district but not nationally.

In addition to salience and complexity, another dimension that affects policy processes and their outcomes is whether the policy issue at stake is politicised, i.e. has generated conflict between different actors in policy debates. Weible et al. (2010) and Weible (2008) distinguish between adversarial and collaborative policy subsystems. In adversarial ones, coalitions supporting different views compete with each other to secure decision-makers' attention, while in collaborative ones, they seek a negotiated consensus. Issues in adversarial subsystems are thus more politicised—

though they may still have low salience in the broader public and political debate. The authors argue that participants in adversarial policy subsystems are less able to learn from technical expertise and more likely to distort scientific or technical information to support their pre-existing advocacy positions and core beliefs. They argue that complex policy issues can, at least in theory, be resolved more satisfactorily in consensus-based systems where higher levels of trust allow more policy experimentation and learning (Weible et al., 2010; Weible, 2008).

In summary, the research reviewed here suggests that the salience of a policy issue and the political context will affect its design and outcomes. In addition to complexity and politicisation, salience affects who is at the table, the pressure for public accountability, and the way evidence shapes the debate. These different forms of decision-making should have concrete impacts on policy and its effects. It is not necessarily possible to conclude that policymaking will be “better” in higher or lower salience areas: public scrutiny has pros and cons. Higher salience may be associated with more populist policies and pressure to adopt symbolic policies that align with public expectations, even if they are likely ineffective. Low-salience issues may avoid some of these problems but instead create more scope for policy debates to be quietly resolved in favour of the most influential interest groups, ignoring the broader public interest.

Since the UK and US investor programmes are low-salience policy areas in both countries, the second half of Chapter 9 thus examines how low salience has affected the design, implementation and outcomes of the US and UK investor programmes.

### **3.4. Summary**

Policy success is the main concept binding together the research questions in this study. This study draws primarily on McConnell’s (2010) framework of programmatic, political and process success to examine the factors that have contributed to success or failure in the UK and US investor programmes.

The analysis is presented in four empirical chapters. Chapter 6 uses McConnell's framework to introduce the factors that contributed to positive and negative assessments of the programme, particularly in the eyes of policymakers. Turning to the details of programme design, Chapters 7 and 8 examine programmatic, political and process success as distinct categories. They also draw on theoretical work by Linder and Peters (1989), Salamon (2001) and Diver (1983) to understand the trade-offs between different policy and implementation objectives, such as the trade-off between complexity and precision. Finally, Chapter 9 focuses on the drivers of policy change. It draws primarily on Kingdon's (1984) multiple streams framework, although the analysis of investor programme politics also draws to some extent on insights from the Advocacy Coalition Framework.

Table 3.1 summarises the research questions for the study as a whole and the main theories informing each chapter.

**Table 3.1: Research Questions**

<b>Main research questions</b>	<b>Subsidiary research questions</b>	<b>Key theories</b>
<p>What did US and UK policymakers want from investor visa programmes, and what shaped their assessments of the programmes' success? <b>(Chapter 6)</b></p>	<p>What were the objectives of IIPs in the eyes of US and UK policymakers?</p> <p>To what extent did UK and US policymakers consider their investor programmes successful, and how did perceptions of success vary by dimension (i.e. programmatic, political and process success)?</p> <p>How did US and UK policymakers balance competing dimensions of success when coming to an overall assessment?</p> <p>What factors shaped different groups of policymakers' objectives and assessments of investor programmes?</p>	<p>McConnell's (2010) framework for establishing policy success.</p> <p>Boswell's (2007) analysis of competing preconditions for state legitimacy.</p>
<p>What factors have shaped US and UK policymakers' ability to channel financial investments in a way that produces meaningful economic benefits? <b>(Chapter 7)</b></p>	<p>To what extent have policy choices affected programmatic success, particularly the likelihood of inducing genuinely additional investment, rather than simply displacing investment activity that would have happened anyway?</p> <p>Have different policy design choices affected the prospects of political and process success?</p> <p>What tensions exist between different dimensions of success?</p>	<p>McConnell's (2010) framework for establishing policy success.</p> <p>Linder &amp; Peters (1989) and Salamon (2001) analysis of trade-offs between policy objectives.</p>

<p>What factors have shaped governments' ability to design and implement programmes that admit the desired profile of applicants? <b>(Chapter 8)</b></p>	<p>What factors have affected governments' ability to admit the desired applicants?</p> <p>What tensions exist between different dimensions of success?</p>	<p>McConnell's (2010) framework for establishing policy success.</p> <p>Linder &amp; Peters (1989) and Salamon (2001) analysis of trade-offs between policy objectives; and Diver (1983) analysis of the "optimal precision of administrative rules".</p>
<p>Why have policymakers often persisted with policy options they did not feel were working? <b>(Chapter 9)</b></p>	<p>What were the barriers to reforming the UK and US investor programmes?</p> <p>Where policies have changed, what made it possible? In particular, what have been the respective roles of problem awareness, the availability of alternatives and politics in preventing and enabling change?</p> <p>How has the policy process—and the relatively low salience of US and UK investor programmes within it—shaped the outcomes and impacts of investor programmes?</p>	<p>Kingdon's (1984) Multiple Streams Framework (MSF)</p> <p>Advocacy Coalition Framework (ACF), e.g. Jenkins-Smith &amp; Sabatier (1994), Weible et al., 2010.</p> <p>Gormley's (1986) analysis of the impacts of complexity and salience.</p>



## Chapter 4: Methodology

As the previous chapters have outlined, this research seeks to understand why it has been difficult to design IIPs with the impacts policymakers seek and what factors have driven policymakers' choice of design. The study takes a qualitative case-study approach, drawing on semi-structured interviews with policymakers and intermediaries involved in the programmes in two case-study countries: the United States and the United Kingdom.

This chapter explains the rationale for this approach and outlines its advantages and limitations.

### 4.1. Overview of the research methodology

The research questions in this study focus on motivated action, i.e. why those involved in all sides of the transaction in investor programmes—policymakers, migrants, and professional intermediaries—take the decisions they do and what implications this has for the programmes' impacts. A qualitative methodology provides a relatively efficient way of collecting new empirical material on these questions that can explore how and why the programmes are designed and used.

The research combines analysis from two sets of interviewees: policymakers and intermediaries. While it would be possible to conduct a study drawing on just one or the other, bringing the two together allows a more nuanced examination of the trade-offs in policy design. That is because it shows not just what policymakers intended and what problems they experienced but also how applicants experienced those same regulations. To my knowledge, this is the only study to have taken this dual approach in the case of investment migration, except for David Ley's (2003, 2011) excellent work on the Canadian business immigration programme.

A case-study approach allows us to understand both the "supply" and "demand" sides of the equation, examining how policymakers' and programme participants' objectives interact in a specific country. The need to explore both supply and demand for programmes within the same country

limits the number of countries that can be covered while also achieving theoretical saturation. As a result, the case studies focus on one particular (and common) type of programme, namely decentralised private-sector investment programmes in popular immigration destinations. The next sections discuss the case study selection, recruitment and interview process, and the analysis approach, respectively.

#### **4.2. Case study selection**

The countries that have introduced residence-by-investment programmes in the past vary enormously, ranging from major immigration destinations like the United States or Australia to less traditional destinations such as Latvia or Hungary. There are many options for programme design, as outlined in Chapter 2. Applicants in different programmes are also likely to have different expectations about whether they will spend much time at destination. For example, countries that are not traditionally attractive migration destinations are likely to be of greater interest to applicants who do not want to move there but want to secure status that will give them access to other countries (Surak, 2020).

There are several variables to consider when selecting the case studies. These include, first and foremost, the design of the investor programme: for example, what type of investments it facilitates and what requirements it imposes on applicants, if any. In addition, multiple other differences between the countries selected will affect the findings but do not result directly from policy design, necessitating some caution in interpreting results and discussing causation (King et al., 2021). In the investor programme context, such factors will include the political environment within and outside of the immigration debate and features of the country itself that make it desirable or undesirable to prospective migrants. A country's economic, social and political environment may, in turn, affect programme design choices, making policy endogenous to some of the factors that influence its outcomes. This does not prevent causal inference but creates risk. In the case of the present study, for example, it will be important to avoid attributing to the policy design problems or benefits that actually result from the broader political or immigration context.

This study examines two case studies where the investor programmes are—at least on the surface—relatively similar, namely the United States and the United Kingdom. When the fieldwork took place, both programmes facilitated investment through decentralised private-sector models, with an expectation that applicants would settle in the country after receiving immigration status. Selection criteria for applicants were similarly minimal, and both countries were attractive destinations for international migrants. Analysing relatively similar case studies has benefits as it enables the researcher to see if the same outcomes are replicated in more than one setting (Yin, 2017).

However, an important rationale for choosing these two particular private-sector IIP case studies is a difference in the rules on qualifying investments. While the UK programme offered no theoretically plausible route for the investment to have a meaningful impact, the US programme was designed in a way that could plausibly stimulate new economic activity. The study can thus exploit this difference to examine how applicants interact with different investment rules.

The UK case study is a common case in that it allows applicants to choose almost any private-sector investment, except residential property. This freedom of investment choice is a surprising feature of many IIPs (Gamlen et al., 2019) and thus warrants explanation. For example, several other countries have offered qualifying investments with little plausible economic benefit, namely in government bonds, shares, or bank deposits, including Spain, New Zealand, Italy, Greece, and New Zealand.

The US case is more unusual in its prescriptive rules that apparently attempt to nail down an economic benefit from the investment activity. It thus provides a helpful counterpoint to examine the consequences of departing from the more common, less prescriptive model.

Both countries are relatively attractive destinations with substantial migrant populations. Their attractiveness gave them the freedom to impose slightly more onerous conditions on investor applicants than less attractive destinations might have. For example, in both countries, there was an

expectation that the applicants would establish themselves in the country, although the UK rules were more demanding than the US ones. In particular, the UK Tier 1 Investor programme required both members of couples to meet residence requirements if the children wanted to acquire permanent status.

**Table 4.1: Similarities and differences between the US and UK cases**

<b>Characteristic</b>	<b>United Kingdom</b>	<b>United States</b>
Investment type	Private sector	Private sector
<i>Significant restrictions on acceptable private-sector investments</i>	No	Yes
Residence expected	Yes (stricter rules for families)	Yes
Selection criteria (except investment & clean funds)	No	No
Popular immigration destination	Yes	Yes
Recent policy changes	Yes	Yes

The choice of two relatively similar case studies means that the study has some limitations. In particular, the findings will be more relevant to some contexts than others. For example, analysis of applicants' migration motivations is likely to be relevant to other high-income destinations where migrants are willing to settle but less relevant to non-traditional migration destinations, such as Latvia or perhaps Portugal. Policymakers' room for manoeuvre in less traditional migration destinations is more constrained since the market for their programmes would probably disappear if they imposed onerous requirements on applicants (for a discussion, see Sumption, 2022). Some of the analysis of qualifying investment design will be relevant in countries with different models, including countries that allow decentralised markets in real estate to determine programme eligibility, although the analysis will not shed light on any market dynamics specific to real estate.

### *Politics and policy processes*

Both case-study countries have had active political debates about investor visas over the past decade, including substantial policy changes in the past three years. Recency is helpful from a pragmatic perspective because it means more policymakers have relatively recent experience with policy discussions about the programmes. As a result, it is possible to recruit people for fieldwork who still have clear recollections of the policy dilemmas and decisions.

This research examines the politics of investor programmes and how different narratives about the programmes and their design have taken hold in the policy community. Such narratives will not manifest in the same way in countries with different political debates and institutions. That said, it is reasonable to expect that many of the same basic themes will circulate in other countries using the same policy tools. These include the concern that selling residence rights is ethically questionable or concerns that investment migrants may have earned their money through illicit means.

Nonetheless, the ability to generalise the findings has limits. For example, the United States and the United Kingdom are both countries where policymakers do not feel great pressure to offer attractive policies and have used approaches such as numerical limits to *reduce* migration, even of the highly skilled. Separate research would be needed to understand the policy thinking behind IIPs in countries at the bottom or middle of the “attractiveness” spectrum, i.e. where policymakers may feel more pressure to compete for applicants by offering attractive conditions or imposing few requirements.

#### **4.3. Document review**

The first step in the empirical research was to map the development of policies over time and understand existing publicly available information about the rationale for the programmes and the reasoning behind policy changes. To identify relevant documents, I searched three sources for

references to keywords including “EB-5”, “Tier 1 Investor”, “investor programme”, and “investor visa”:

- Transcripts of legislative debates and hearings in the United States and the United Kingdom (through Lexis Nexis in the former case, and Hansard and the Parliament.uk website in the latter);
- Official statements of proposed or actual changes to the immigration rules, published in the Federal Register in the United States; and in the United Kingdom, Statements of Changes laid before Parliament, as well as White Papers outlining proposed policy changes;
- Guidance memos and other documents outlining programme rules and changes, as well as official reports into investor programmes (e.g. by the US Government Accountability Office and Department of Homeland Security Office of the Inspector General), were identified through Google searches and by following references from other documents.

These sources were used to construct timelines and a descriptive overview of the main problems emerging in the programmes’ political debates, presented in Chapter 5, and to develop the interview questionnaire for the fieldwork.

#### **4.4. Participant recruitment and interview process**

The research draws on interviews with 63 policymakers and practitioners in the United States and the United Kingdom between October 2020 and July 2022. The participants fell into two groups, each of which was asked questions from different interview guides. The first group (37 people) included policymakers with a mix of legislative and executive roles and a small number of lobbyists or other political insiders with a good understanding of policy processes and political decision-making.<sup>8</sup> In the empirical chapters, I refer to this latter group as “political insiders” because not all were registered lobbyists. The second group of interviewees included 26 private-sector professionals who work with applicants in one way or another, advising them on their applications or investments or—in the US

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<sup>8</sup> In practice, the balance was skewed towards policymakers; the 37 interviewees receiving the policy questionnaire included 33 policymakers and four political insiders or lobbyists.

case—soliciting and employing investor capital. In two instances, interviewees asked to bring other colleagues into the conversation, although in both of these cases, one participant provided most of the responses, so the additional participants are not included in the count of 63 people above.

**Table 4.2: Participant roles**

	United Kingdom	United States	Total
Policy/political insiders	22	15	37
Practitioners	11	15	26
Total	33	30	63

The timing of the fieldwork meant that most interviews were conducted before the closure of the UK Tier 1 Investor programme and before the March 2022 legislative reform package in the United States. However, two of the 63 participants were also re-interviewed towards the end of the fieldwork period because of their knowledge of the most recent policy developments.

Due to the Covid-19 pandemic, all interviews were conducted remotely, mostly over videoconference, although a handful were audio only. Participants were asked for permission to record the interview and to use direct, anonymised quotes. Interviews usually lasted between 45 and 75 minutes. Audio recordings were transcribed for qualitative analysis. One interviewee did not want to be recorded, and interview notes were analysed instead. Some interviewees did not want to be quoted directly, and some asked to review and approve any direct quotes. The project received ethical approval from the University of Oxford, where the author is employed.

The following sections describe the fieldwork in more detail.

#### **4.4.1. Policymakers**

Policymakers were identified from a review of publicly available documents naming individuals who had participated in policy debates about investor programmes or who held positions of responsibility during times when the programmes were being debated; through the author’s professional networks; and via recommendations from existing participants. Recruitment

in both countries covered a range of types of policy respondents in order to cover people with different roles in the design and implementation of investor programmes. These included people involved in policy development and casework, as well as political advisors and politicians. Most had worked on investor visas between 2010 and 2020, although a handful also had experience dating back to the mid-2000s and in one case the late 1990s. Interviewees had spent different amounts of time working on investor programmes. Some had dealt with the category as a small part of a much larger portfolio of issues, while for others, it had been a primary or exclusive area of focus and these latter participants typically understood the programme in forensic detail. Respondents had operated at varying levels of seniority, from mid-level civil servants to senior ministers or political appointees. Some interviewees were clearly associated with one coalition or belief system (i.e. they strongly supported or strongly opposed investor programmes or had taken advocacy stances in favour of or against particular reform proposals). Others were not obviously aligned, including most of those who were more involved in programme implementation than policy design.

Policymakers were asked to talk about their experience with investor visas in five main areas:

- The objectives of the programme, including its intended impacts and preferred applicant profiles;
- Their assessment of the effects of the policy and its implementation challenges;
- Whether they had continued other policy options and why those options were considered attractive or unattractive;
- The rationale behind specific policy changes and the level of consensus or disagreement about those changes; and
- Reflections on the factors driving political narratives about investor visas.

The policy interview discussion guide was adapted to the person's specific role, i.e. some interviewees were primarily asked about one time period or policy change. While the key themes remained throughout all the interviews,



I adjusted the interview guide after the first few interviews in both countries to probe themes that emerged from early interviews in more detail. For example, later interviews discussed the impacts and drivers of disagreements between policymakers in more detail, because this had emerged as an important theme early on; later interviews also included more direct questions about how policymakers perceived success and failure. The final template interview guides are included in Appendix A.

The purpose of the interviews with policymakers was to understand the factors driving decision-making within government. In-depth interviews with policy respondents have advantages and limitations in this regard. The benefit of in-depth interviews is that they enable the researcher to elicit information that would not otherwise be available, e.g. from published material or other methods. In the case of a niche topic like investor visas, there may not be enough public statements to form a complete picture of policy discourse. Public comments are also often brief and limited only to the most politically compelling reasons; they may also be oversimplified to make them easier to communicate and understand. However, interviews are also subject to biases, which are discussed in section 4.4.3 below.

#### **4.4.2. Intermediaries**

Several studies on investment migrants or high-net-worth individuals have interviewed intermediaries rather than individual applicants themselves (Tseng, 2000; Surak, 2020; Montezuma & McGarrigle, 2019; Atkinson, 2016; deVerteuil and Manley, 2017). This study also follows that approach. One reason is that it is difficult to identify and access wealthy individuals, whereas intermediaries are relatively easy to contact. Interviewing intermediaries is also efficient because a single immigration lawyer may deal with dozens or hundreds of clients and thus be able to give an overview of general trends.

There are some other benefits of interviewing intermediaries. First, they are likely more comfortable discussing sensitive questions about income and expenditure. For example, wealth managers and tax advisors have very detailed knowledge of their clients' finances. Some wealth managers I spoke

to were directly responsible for conducting due diligence checks on clients' sources of wealth, which gave them an overview of the individual or family's financial background. Second, intermediaries are also well placed to discuss how individuals respond to regulations because they understand the details of the regulation better than the individual clients do. Advisors will typically have conversations with their clients about how to comply and what adjustments they would need to make to do so.

On the other hand, the drawbacks of interviewing intermediaries rather than the applicants themselves include that while professionals have had extensive conversations with their clients about their circumstances and motivations, their understanding of their clients' opinions and behaviour is necessarily second-hand. Intermediaries' preconceptions and values may affect their assessments of overall trends—for example, the profile of a “typical” client. In some areas, their knowledge also has limits: for example, immigration lawyers often had little knowledge about what their clients ended up doing in the long term after they no longer needed immigration advice.

Intermediaries working on investor programmes are relatively easy to identify, as they advertise their services online (i.e. on professional websites). Intermediaries were identified using online searches, the author's existing professional networks, and recommendations from other respondents. Potential participants were selected to cover a range of segments of the market. In the UK, the interviews included lawyers advising on the immigration component of the application, wealth managers advising on the financial transactions, and tax advisors working with investor visa clients. In the US, they included immigration lawyers and people involved in the financial side of US EB-5 projects, particularly regional centre operators. Some US immigration lawyers also had clients who were regional centres (e.g. seeking advice on how to structure their investments to comply with immigration law) and thus had insight into both the applicant and regional centre sides of the programme.

Investor visa professionals were asked about the following:

- The profile of typical clients or groups of clients (e.g. their background, planned activities and motivation for applying);
- How applicants selected investments and what types of investments were most attractive;
- Applicants' experience of the application process (e.g. to what extent different requirements were considered easy vs difficult to meet) and any factors that deterred applicants from applying;
- Why businesses use this source of capital and what challenges they face in doing so.

During the interviews, it became clear that immigration lawyers were able to provide much more specific information about the motivations of investor visa applicants compared to regional centre professionals, whose expertise was, in most cases, valuable primarily for examining the US EB-5 business model. The interviews with regional centre professionals thus focused primarily on money flows, although questions about applicants' motivations were still helpful for understanding how applicants and businesses interacted.

#### **4.4.3. Mitigating bias in qualitative research**

In-depth interviews face several challenges. Small and Cook (2021) identify five main problems that confront qualitative researchers seeking to understand the motives for individual actions or decisions. Respondents may misrepresent their motives to make them more socially desirable (*deception*) or feel the need to produce reasonable-sounding (*reasonableness bias*). Respondents may be biased towards explanations suggesting an action or decision was intentional when it was barely thought through (*intentionality bias*), or they may only produce one motivation when several factors were at play (*single-motive bias*). Finally, there may be *recall error*, particularly when the events they are discussing took place some time ago.

These problems cannot be eliminated, although various strategies can reduce their impacts on the research. The research employed several of the strategies

that Small and Cook (2021) identify to address these problems. First, the interview protocol provided several different opportunities to examine the same themes (e.g. asking about programme objectives, measures of success/failure, and the thinking behind specific policy measures) to provide opportunities to identify multiple motives and competing explanations. Where interviewees' accounts were inconsistent with other respondents, their reasoning was probed further to identify reasons for the discrepancies. Interviewees were asked to describe the context and detail for specific policy choices or challenges to encourage a focus on particular events that are more likely to be recalled accurately). Multiple people were interviewed about the same events, allowing the research to corroborate answers.

In theory, we should expect policy interviewees to want to present themselves, and potentially also the policies over which they presided, in a good light. Intermediaries may also want to present their clients in a good light and provide information supporting the argument that investor programmes are beneficial. That said, many interviewees provided information that did not. For example, policymakers were often critical of decisions or policies they had been responsible for. Many intermediaries, particularly in the UK, shared portraits of their clients that did not conform with the standard positive vision, i.e. explaining that most of their clients were not economically active or struggled to set up successful businesses.

A specific challenge with policymaker interviewees is the accuracy of recall. While most intermediaries were still working with investor clients and thus had recent experience with the programmes, the interviews with policymakers included respondents who had worked on the programme over the past twenty (but primarily in the past ten) years. Most interviewees were no longer in the post in question. As a result, some interviewees needed to recall experiences from several years previously, and some struggled to remember details. Indeed, two policymakers from the 2000s said they recalled almost no discussions of the investor category but suggested that they would have remembered them if the policy had been considered important. Respondents made identifiable errors on a handful of occasions, such as confusing the time period and thus the personnel involved in a policy choice, or conflating the rules of two different immigration categories.

Policymakers sometimes suggested *potential* reasons for their actions (e.g. “I suspect we would have decided x or y”). In other cases, policymakers provided general rather than specific information (e.g. explaining what had *generally* been the case). These responses are helpful in identifying general factors shaping policy decision-making, even if they are less reliable for identifying the causes of specific identifiable decisions.

#### 4.4.4. Positionality

I have been conducting policy-focused research on immigration for the past 15 years in various capacities, including the think tank world in Washington, DC and as the director of a small policy-focused research team at Oxford University. I hold a part-time advisory position with the UK government and am frequently interviewed for broadcast and print media as a policy specialist. These positions will have affected the recruitment process for the research. First, I have professional networks that made it easier to identify appropriate interviewees who may otherwise have been difficult to locate. Second, I had already met some of the interviewees professionally, and others were familiar with my research in other areas of immigration policy—particularly, but not exclusively, among UK participants. As a result, it is likely that some interviewees will have been more willing to accept interview requests and may have spoken more candidly. However, being a (partial) “insider” can also have drawbacks, such as introducing bias if the researcher is overly sympathetic to the participants or feels unable to ask questions that appear naïve (Holmes, 2020).

More broadly, when embarking on the research, I was naturally more interested in some lenses for examining investor programmes than others. For example, I am most interested in economics and the policy mechanisms for achieving economic goals. My initial scope of work did not focus on security risks in investor programmes, and I was initially sceptical that this lens was important; however, I was persuaded during the research that the integrity of the UK programme had in fact been a meaningful challenge and was not a political overreaction.

#### 4.5. Analysis

Transcripts were edited to remove speech idiosyncrasies that hindered understanding (e.g. stutters, inadvertently repeated words and verbal tics). An edited transcription was suitable for this research for various reasons. First, the potential advantage of transcripts that represent speech precisely as it was uttered is relatively limited for expert interviews in which the information content is more important than the communication style and emotions associated with verbal delivery. Second, lightly edited transcripts are less likely to disclose the identity of participants with idiosyncratic speech habits and can be more respectful to participants who would not have chosen to include verbal tics in a representation of their own words (Oliver et al., 2005). This transcription approach also improved readability and analysis of the key themes.

To this end, the research used a deductive approach, analysing the interview data using NVivo. The analysis began with a basic descriptive coding frame that was developed from the three major research questions outlined in Chapter 3. The key categories in the coding frame for policymaker interviews included:

- Programme objectives (e.g. job creation, supporting particular geographic areas, admitting entrepreneurs, or symbolic/political advantages);
- Evaluations of whether the policy was successful and why; and more general observations about the hallmarks of success or failure;
- Design and implementation challenges;
- Factors facilitating or preventing policy change (e.g. disagreements within government, resource constraints, lack of information, etc.);
- Competing policy options considered.

The coding frame for intermediary interviews included:

- Profiles of typical applicants, their motivations and planned activities;
- Factors affecting the attractiveness of the investor programme;
- Factors shaping choices of investments; and
- Challenges meeting regulatory requirements.

These descriptive themes or overarching categories were established in advance. The main analysis took place in assigning subcategories within each of these themes, however, and emerged from the interview material. By way of example, factors preventing policy change included subcategories such as the low priority of investor programmes, disagreements between policymakers, and interventions by interest groups, among others. The codebook can be found in Appendix B.

After initial coding, the coding frame was reorganised to group the themes more coherently. By way of example, in the policymaker interviews, external/environmental factors outside of government that shaped policymaking were organised separately from internal factors such as resources and administrative processes. A second round of coding was conducted to ensure all relevant text had been analysed, including from interviews that were coded earliest.

There is no single definition of theoretical saturation, i.e. the standard concept for defining sufficient sample size in qualitative research. Definitions typically include the notion that theoretical saturation has been reached when additional interviews do not change the coding frame (Urquhart, 2013; Saunders et al., 2018). The sample size in this research was sufficient to reach a point at which the coding frames no longer needed to be adjusted based on new interviews and there were multiple examples of each of the major themes and subthemes. A code only had one interviewee associated with it in a few instances, although these were usually variations within a particular subtheme. However, the sample size was not always sufficient to confidently attribute different perspectives to different subgroups of interviewees.

Some divides emerged clearly and consistently, such as the difference in opinion between Home Office and non-Home Office policymakers in the UK. Other smaller subgroups did not permit more detailed breakdowns of different types of policymakers. In particular, it was not possible to attribute specific views to policymakers working in different periods, except in a few cases where respondents identified specific external factors that had shaped their working environment (such as the presence of a coalition government in the UK from 2010-2015) or discussed their experience of change over time. As a result, the research identifies issues that can in principle arise from different policy design choices; the reader should note, however, that the intensity of different challenges is likely to have varied over time. For example, ensuring sufficient expertise within the immigration agency to regulate the investor programme was a persistent concern across policymakers in the United States. This challenge was exacerbated by specific features of the US policy design and would likely arise in other jurisdictions choosing a similar policy approach. However, the challenge varied in intensity over time and some policymakers thought that improvements in the immigration agency's staff and expertise in the mid-2010s had substantially addressed the problem.

The major themes in the coding were the same for the US and the UK, although some sub-themes were only relevant in one country. For example, within the category of investor programmes' attractiveness to applicants, interviews with US intermediaries generated substantial material (organised into several subthemes) on the impacts of waiting times. This issue was absent in the UK, which processed most visas quickly. The factors comprising policymakers' evaluation of the programmes were also quite country-specific, which is to be expected given that the programmes are designed differently and generate different impacts and unintended consequences. In the analysis of the data, the US and UK material is thus examined together in cases where the themes are relatively similar – for example, when examining investor programme applicants' motivations for moving. By contrast, where the prevalence of different subthemes varies substantially by country, they are analysed consecutively.



### *Participant confidentiality*

The number of people involved in investor programmes is relatively small, particularly in the case of policymakers. This creates challenges in ensuring respondents' anonymity. As a result, this research departs from the standard practice of providing demographic or contextual information about participants. Instead, interviewees holding government roles are described simply as "policymakers", and only basic information is provided about them where it is needed to understand their perspective, e.g. in the UK case, whether they were from the Home Office or a different government department. In most cases, I do not attribute directly quoted policymakers to a specific period. I also refer to interviewees in the same way regardless of whether they were still in the relevant role at the time of the conversation (e.g. as a "Home Office policymaker").

## **Chapter 5: Background to the investor programmes in the United Kingdom and the United States**

This chapter explains how UK and US investor programmes—the Tier 1 Investor visa and the US EB-5 programme, respectively—developed from their inception until the fieldwork for this study took place in 2020-2022. It examines how the programmes worked, what previous analysis has found about their impacts and the main issues they have raised in policy and political debates. The chapter draws on a review of government documents, Congressional and Parliamentary debates mentioning investor visas, and research reports.

The first section of this chapter maps the trajectory of the UK investor programme, and the second does the same for the United States. The third section draws out some of the main contrasts between the two cases and examines questions that the two investor programmes' histories raise that will be examined in the fieldwork.

### **5.1. The UK investor programme**

The UK's investor programme was introduced in 1994 under a Conservative government and was known as the "Investor Immigrant" programme. In the programme's early days, applicants had to have at least £1m under their control and invest at least £750,000 in government bonds, share capital or loan capital in active and trading UK-registered companies (excluding property companies and ordinary bank deposits). In return, they received a residence permit that could lead to indefinite leave to remain (ILR) after four years. Until 2008, the programme did not give work authorisation as an employee: the expectation was that investors would be self-employed or would not need to work.

The programme's basic structure remained in place for the next two and a half decades and has not been salient in the UK's immigration debate. Immigration white papers—the main vehicle through which governments in the UK communicate proposed policies—have barely contained any discussion of the investor programme since the programme's inception. For

example, investor visas were not discussed in the white papers on immigration in 1998 and 2002 (Home Office, 1998; Home Office, 2002). They received only a passing reference in the 2005 white paper that formed the basis for a major reorganisation of the immigration system in 2008-2009 conducted under a Labour government (Home Office, 2005). Policymakers interviewed for this study recalled almost no discussion of the investor category during the 2000s, confirming that it was simply not an important issue on the government agenda.

Some changes took place during the mid-2000s, nonetheless. From 2004, for example, investors were allowed to invest money that had been loaned to them by a regulated financial institution, so long as they had other assets worth at least £2m—an option that was removed again in 2014. The reason given for this change was to allow investors to meet the investment requirement while using their own funds for investments with higher returns and “to attract more high net worth migrants to come to the UK” (Hansard, 2004, para. 2).

In June 2008, the investor programme was incorporated into a restructured immigration system and rebranded as Tier 1 (Investor). The basic criteria remained unchanged, except that the restriction on being an employee was also dropped.<sup>9</sup> Senior policymakers interviewed for this study, who were in place at the time, recalled no discussions about this change, which was overshadowed by the much larger task of reorganising the UK’s labour migration system.

### **5.1.1. Developments in the Tier 1 Investor visa after 2010**

Investor visas became more prominent during the 2010s. In 2010, a general election ended 13 years of Labour government and ushered in a coalition between the Conservatives and Liberal Democrats. The Conservative party

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<sup>9</sup> This restriction before 2008 was contained at paragraph 225 of the Immigration Rules, which was deleted in the June 2008 Statement of Changes to the Immigration Rules. Policy interviewees responsible for the category in the 2000s did not remember making this change or what the rationale for it was.

had made a high-profile commitment during its campaign to dramatically reduce net migration to the UK. This target was not part of the “coalition agreement” with the Liberal Democrats, who objected vociferously to it. However, a Conservative Home Secretary, Theresa May, led the Home Office and the promise to reduce migration remained a stated objective for Conservative ministers.

The government’s efforts to reduce UK migration dominated the migration debate during the early 2010s (Allen, 2016). The arrival of the net migration target, which was later widely recognised as overambitious and essentially unachievable (Boswell, 2018), was followed by a series of restrictions on most categories of non-EU immigration, including high-skilled labour migration (Allen & Sumption, 2015). Among the rare exceptions to the general narrative of restrictions on immigration were investors and entrepreneurs.

Indeed, the Home Office introduced a small, liberalising change for certain investors in 2011. While most would invest £1m and receive settlement after five years, people who invested £5m or £10m would receive settlement in 3 and 2 years, respectively. Allowable absences increased from 90 to 180 days per year, a change that was made to other immigration settlement categories and was not specific to the investor programme (Home Office, 2011). In 2012, minor restrictions were introduced, such as a requirement that investments should not be in offshore companies or trusts (Immigration Rules, Appendix A, paragraph 65(a)). All of these changes were tweaks rather than major reforms, and the programme’s basic structure remained largely untouched.

The investor programme became more popular during the late 2000s and early 2010s. The number of people applying to the Tier 1 Investor route increased from just 138 in 2008 to over 3,400 in 2014 (Figure 5.2, below). While the liberalisation of residence requirements may have played a role in this growth, rising applications also reflect a growing interest in IIPs globally—indeed, US applications also increased substantially in this period, as described later in this chapter.

Despite the growth, the Tier 1 Investor visa remained a niche route in the context of overall UK immigration. From 2010 to 2019, the average number

of investor entry visas granted was 1,149.<sup>10</sup> This compares to an average of 164,000 entry visas granted for work and total long-term immigration of non-UK citizens of 533,000 per year during the same period (calculated from [ONS, 2020a]).

*Growing restrictiveness: 2013 onwards*

Some new developments took the Tier 1 investor visa in a more restrictive direction a few years into the decade. In October 2013, the government commissioned the Migration Advisory Committee (MAC) to review the route, focusing on whether the investment thresholds (of £1m, or higher for the accelerated routes to settlement) were “appropriate to deliver significant economic benefits for the UK” (MAC, 2014, p55). This commission followed a series of MAC reports looking at the economic impacts and potential for restrictions on different types of immigration.

Policy interviewees for this research later identified the MAC’s report, published in February 2014, as a turning point in the policy debate about investor visas in the UK. The report argued that allowing applicants to invest in government bonds brought minimal benefits and recommended that this option be either limited or removed. Controversially, it recommended that a new “premium” investor programme should grant visas by auction, with investors contributing a minimum of £500,000 to a “good causes fund” (MAC, 2014, p88) in addition to making a £2m investment. This premium route would have lower residence requirements, making it more attractive to applicants.

The political response to this recommendation was not enthusiastic. The Home Affairs Committee, a cross-party group of MPs that scrutinises Home Office policy areas, said it was “perturbed” by the auction recommendation. It described investors as “potential new citizens”, suggesting the government

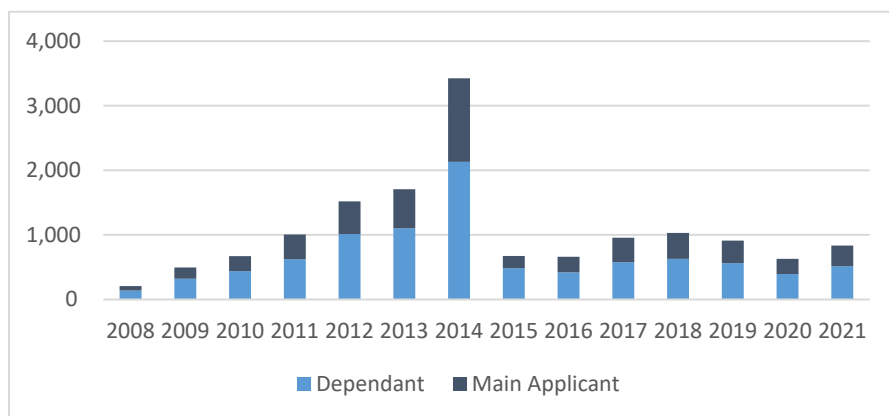
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<sup>10</sup> Some additional investor visa recipients switch from other visas in country and are not counted in these figures. From 2015 to 2019, an average of 55 people per year received investor visas after switching from another visa category. In most (72%) of these cases, they were switching from student visas. Smaller numbers (15%) switched from other work categories.

must be sure that they are “fit and proper persons to be placed on the path to citizenship” (HAC, 2014, para. 46). It also suggested that the route should be suspended pending further reform, following the MAC’s conclusion that it offered little economic benefit.

The government accepted neither the recommendation to auction visas, nor the suggestion to suspend the route. Instead, in October 2014, it announced that in early November it would double the main investment threshold from £1m to £2m and remove the option for applicants to invest using funds loaned for the purpose (Home Office, 2014). The advance announcement led to a rush of applications that is partly responsible for the spike in numbers observed in 2014, as people rushed to qualify under the old rules (Figure 5.1). After this experience, when the Home Office later moved to close the programme, it did so with immediate effect, ditching the conventional requirement to provide at least three weeks’ notice.

**Figure 5.1: UK Tier 1 Investor applications, 2008-2021**



Source: Home Office, Immigration Statistics, year ending September 2021. Note: includes both main applicants and dependents.

Applications then plummeted by 80% in 2015 and remained well below 2012-14 levels from then onwards. The decline in applications could be due to the higher investment threshold, but also regulatory changes making applications harder, which are discussed in the next section. In 2020,

applications dropped during the Covid-19 pandemic—a trend that appears across most other immigration categories in the UK (Home Office, 2022a).

### *Integrity concerns*

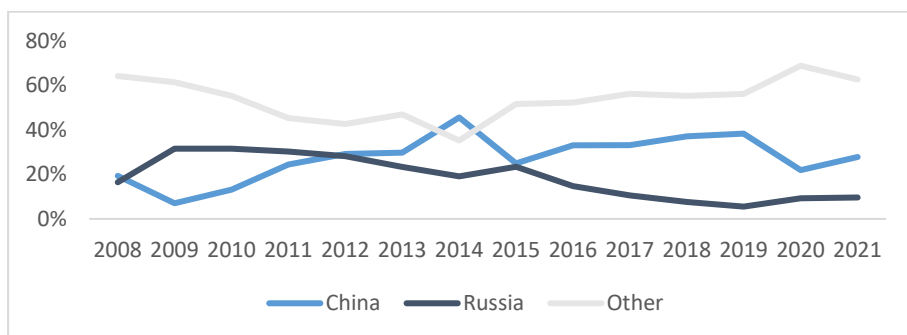
Around the mid-2010s, the Tier 1 Investor route started to attract criticism from those interested in security and money laundering. For example, a Transparency International UK (TI UK, 2015) report argued that banks had been allowing investor visa holders to open accounts without conducting enhanced checks. Integrity concerns arose partly from the fact that a large share of applicants came from Russia and China, where many people who became wealthy in the 1990s and 2000s did so in questionable ways.

Indeed, the nationality profile of investor visa holders was very different from other migration routes in the UK. Russia and China together made up just over half (51%) of applicants from 2008 to 2021.<sup>11</sup> By contrast, overall migration to the UK has been dominated by people from Commonwealth countries (notably India and Pakistan) and those coming under EU free movement rules before 2021 (notably Poland and Romania) (ONS, 2020b). The share of Russians gradually declined over the 2010s, while the share of Chinese applicants increased, peaking at 40% of the total in 2019 (Figure 5.2).

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<sup>11</sup> From 2008 to 2021 inclusive, 32% of all applicants (including dependents) were from Chinese and 19% were from Russian citizens. Numbers from other parts of the world were much lower, although there has been a steady stream of applicants from the United States and Hong Kong (each 5% of the total over the same period). Smaller players included Pakistan (3%), and Kazakhstan, India, Iran, Saudi Arabia and Turkey (2% each) (Home Office, 2022a).

**Figure 5.2: UK Tier 1 Investor Visa Applications, 2008-2021, including dependants**



Source: Home Office, Immigration Statistics, year ending March 2022.

Note: includes dependants.

In response to concerns about programme participants' financial backgrounds, policy changes in early 2015 tightened due diligence and background checks. New rules required applicants to provide criminal record certificates covering the past ten years and to open a bank account before applying.<sup>12</sup> The effect of the bank account requirement was to ensure that banks had already conducted customer due diligence before applying for entry. This policy change followed concerns that the Home Office was relying on banks to conduct due diligence, while banks assumed that detailed checks were unnecessary if the individual had already been approved for an investor visa.

The question of who had been admitted *before* these checks were introduced continued to attract some attention, and in March 2018, Prime Minister Theresa May, stated in Parliament that the Home Office was conducting a review of these cases. By the time of writing in 2022, no further public information was available about the outcomes of this review, although a Home Office spokesperson was reported in July 2021 as stating that the department would report on its findings "in due course" (Kennedy, 2021, para. 10).

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<sup>12</sup> Opening a bank account generally requires a proof of address within the UK, although some banks offer specialist services for non-residents to acquire bank accounts legally.



In July 2020, the UK Parliament's Intelligence and Security Committee produced a high-profile report about the security threat posed by Russia, including by Russian citizens living in the UK (Intelligence and Security Committee, 2020). The report suggested that some Russian citizens living in the UK acted as an extension of the Russian state, advancing its interests in the country. It also suggested that the investor visa had helped to facilitate this activity and recommended that the visa should be reformed with a "more robust approach to the approval process for these visas" (ibid, p17), although the public version of the report contains no specifics on what that should involve.

### **5.1.2. The decline and fall of Tier 1 Investor**

After the 2014-15 rule changes, a period of relative quiet followed. Then, in January 2018, a seemingly minor rule change required dependants of work-visa holders to meet the same requirements as the main applicant. This change had a substantial impact on the investor category. It meant that business people who wanted to remain mostly overseas—whether for tax reasons or to manage their business—could no longer delegate responsibility for meeting residence requirements to their partners (usually, their wives). The main applicant could still get permanent status if their partner had been away for too long, but the children could not.

In December 2018, the government made an unsuccessful attempt to suspend the investor programme entirely. The government sent out a press release announcing that the programme would be suspended with almost immediate effect (McKinney, 2018). However, there was no accompanying statement of changes to the immigration rules. After a brief period of confusion, the government retracted the press release, confirming that the route was not being suspended and that a final announcement would be made "in due course" (ibid, para. 3). Policymakers interviewed for this study indicated that while the Home Office believed it had secured collective agreement across government to suspend the route, the change was blocked at the last moment by the Treasury.

Instead of suspending the route, the Home Office introduced new rules in March 2019. The main change was removing the option to invest in UK government bonds, so applicants had to direct their funds towards the private sector.<sup>13</sup> This policy change, broadly speaking, did not address the central economic criticism of the programme, namely that the qualifying investment was not particularly useful.

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<sup>13</sup> At this point, the government also introduced more specific rules defining companies doing business in the UK. This included a requirement for the company to have at least two UK-based employees and for it to be registered in the UK for payroll and corporation taxes (and not just 'subject to UK taxation' as in the previous version of the rules) (Immigration Rules Appendix A, 65A). Previous iterations of the immigration rules only required that the company should 'demonstrate it is doing business' (Home Office, 2019). A new option was introduced allowing investments in pooled investment vehicles—i.e. funds that aggregate investments from multiple sources—if they also received funding from a government agency.



### *Outline of the programme during the primary data collection period*

When most of the fieldwork for the present study took place in 2021-2022, the investor programme required a £2m investment in shares or loans (including corporate bonds) of companies that were “active and trading”. The companies needed at least two UK-based employees who were not directors, had to be registered for payroll tax, and required bank accounts showing regular trading of goods or services. The companies could be multinationals so long as they had an office in the UK. Other than that, there were no attempts in policy to channel investments to specific types of beneficiary.

Investor applicants did not need to meet English language requirements that applied to other immigration categories in the UK. The stated rationale in the policy guidance was that applicants could live off their investments if they needed to and thus it was less important that they should be employable in the UK labour market (Home Office, 2019). However, they did need to meet language requirements for settlement 2-5 years later. Applicants had to meet other general criteria that apply across immigration categories, however, such as not having serious criminal convictions or a history of breaching immigration rules (ibid).

The Home Office could refuse applications if it had “reason to believe” that the person was not in control of the funds or that the funds were acquired or would be transferred unlawfully to the UK (Home Office, 2019, p2). They had to have a UK bank account, and the funds had to be held with a regulated financial institution—provisions intended to outsource due diligence checks to the banks. Applicants who had held their funds for less than two years had to demonstrate their source, such as the sale of assets or a gift. This requirement increased from 90 days in 2019.

### *The closure of the Tier 1 Investor programme*

In February 2022, however, the Home Office finally pulled the trigger on the Tier 1 Investor visa, closing it to new applications. The official announcement noted that the route was being closed because the economic benefits were not sufficient to justify concerns that the visa was being used by people “seeking

to transfer illicitly obtained wealth to the United Kingdom". It also mentioned concerns about "complex investment schemes" designed to circumvent the requirement to make a genuine investment (Home Office, 2022c, p2). It also indicated that a different route catering to investors would be brought back in future, promising "more targeted provision for investment-related migration" in late 2022 (ibid, p3). The decision to close the investor programme took place during the run-up to the Russian invasion of Ukraine, but was not a result of Russian military activity. Policymakers interviewed for this project confirmed that closure plans had already been winding through the system for some time and were not a response to these contemporary developments.

Does the promise of a replacement mean that the UK's investor programme had not been closed but simply tweaked or replaced? At the time of writing, the details of this new route had not been published, but the public announcement and interviews with policymakers both suggested that the planned replacement was arguably not a residence-by-investment programme in the ordinary sense of the term. Instead, the new scheme would only admit people coming to "execute an investment strategy" (Home Office 2022b, para. 13) rather than migrants making passive investments. The requirement to be involved in specific types of activity makes the proposed programme perhaps more similar to an entrepreneur programme that requires people to operate an investment business. Depending on how the scheme ends up working in practice, it may come to bear some resemblance to the US EB-5 programme, because applicants will presumably need to invest in unlisted companies. That said, the requirement to be actively involved in the investment as a venture capitalist or business angel is very different from the US case.

Hogwood and Peters (1982) argue that we can consider policies to have been replaced when the new policy addresses the same problem and serves a similar clientele as the old one. In the UK case, the clientele for the new policy may well be quite different. The reasons for this will become clear from the analysis in Chapter 8, which shows that the migrants that the Tier 1 Investor programme admitted are not "executing an investment strategy" and do not necessarily have the skills to do so. The practical function of the proposed

new programme is also much narrower, no longer enabling lifestyle migration of the kind that many investor programmes have attracted (see Chapter 2). As a result, this study classifies the 2022 end of the Tier 1 investor programme as an instance of policy termination rather than policy succession or replacement.

## 5.2. The United States EB-5 investor programme

The US EB-5 Immigrant Investor programme was introduced in 1990 as part of a major reorganisation of the US immigration system. It was designed to admit immigrants who would invest in a commercial enterprise that would “benefit the United States economy and create full-time employment” for at least ten existing residents (Immigration and Nationality Act 203(b)(5)). The original investment amount was \$1m, but investments in “targeted employment areas” (TEAs) could be lower, at \$500,000. TEAs included either rural areas or areas with high unemployment—defined as at least 150% of the national average.

The basic structure of the US EB-5 programme is laid out in the original legislation and involves several steps. First, the applicant submits an EB-5 application (known as an I-526 petition), at which point they show that they are investing or have invested in a commercial enterprise. The capital must be “at risk”. It cannot simply be a loan: investors must not have a contract guaranteeing repayments and cannot have a buyer lined up to purchase the business in the future.<sup>14</sup> Applicants must submit a business plan detailing the business’ market position, strategy and projected financials. They must be “engaged” in the business, although this can be limited to having voting rights as an equity holder, so it can be a passive investment. Applicants must also show that they acquired their money legally.

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<sup>14</sup> The investment can be used to create a new business, or to purchase and expand an existing business if it will increase the net worth or number of employees by at least 40%. If investing in a ‘troubled business’ that has lost at least 20% of its net value in the previous 1-2 years, it is possible to meet the jobs requirement by showing that jobs have been *saved* as a result of the investment.

After this initial petition is approved, applicants who are living abroad can apply for a green card at a consular post (a process known as DS-260). People already living in the US on temporary visas can apply for “adjustment of status” (known as an I-485 application), which means that the programme also functions as a route to permanent status for people who have entered the country for other reasons but can meet the investor programme criteria.<sup>15</sup> However, when the legal limit of just under 10,000 EB-5 green cards is oversubscribed, applicants must wait until slots open up before scheduling a green card appointment. (Backlogs in the programme are discussed in more detail below.) If this latter application is successful, applicants receive a conditional green card. Two years later, they can then apply for “removal of conditions” (known as an I-829 petition). To remove the conditions, applicants must demonstrate that the money was invested and maintained and that job creation requirements were met or will be met “within a reasonable time”.

### **5.2.1. How investments are organised**

Like the UK Tier 1 Investor programme, the US EB-5 visa is decentralised: investors can choose what they invest in, so long as the investment meets the programme rules. The immigration agency does not play any role in identifying beneficiaries of the investments, but simply confirms whether the selected investment meets the rules when adjudicating applications.

When the EB-5 programme was first introduced, jobs had to be created directly by the enterprise that received the investment. In 1992, new provisions allowed applicants to invest through organisations known as regional centres. The 1992 legislation paved the way for multiple investors to pool their funds in larger projects. It also allowed them to use “reasonable methodologies” to calculate the number of jobs that would be created.<sup>16</sup> The requirements for the investment were similar, except that regional centres

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<sup>15</sup> The 2022 EB-5 Reform and Integrity Act enabled applicants who were already in the US to file their adjustment of status application at the same time as their I-526 initial petition.

<sup>16</sup> These rules are laid out in Section 610 of the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act of 1993, [Pub.L. 102-395](#), 106 Stat. 1828, 1874 (October 6, 1992).

could rely on indirect job creation to meet the ten jobs requirement and not just on workers recruited directly to work in the applicant’s business. Together, these two policies meant that regional centres could rely on statistical modelling of the likely job creation resulting from given types of investment using commercial, economic modelling software—rather than having to demonstrate that the project employed workers directly. The 2022 EB-5 law tweaked this rule by allowing indirect jobs to make up only 90% of job creation, but the basic principle that jobs could be demonstrated using statistical modelling remained in place.

The introduction of regional centres had a big impact on the shape of the US EB-5 programme over the subsequent two decades. A large majority of investments went through regional centres: 95% in 2019 (Table 5.1). By June 2018, there were over 900 regional centres—up from just 11 in 2007 (USCIS, 2018). Since that point, however, United States Citizenship and Immigration Services (USCIS) terminated some regional centres on the basis that they did not have active projects or had failed to submit the necessary information to maintain their status (Straut-Eppsteiner, 2021). As of January 2021, there were 673 approved regional centres (USCIS, 2021c).

**Table 5.1: Overview of application types for EB-5 programme, 2019**

Characteristics of applicants	Number	Percent
Regional Centres (main applicants)		
<i>Used regional centre</i>	3,135	95%
<i>Did not use regional centre</i>	150	5%
Targeted Employment Area (main applicants)		
<i>In TEA</i>	3,264	99%
<i>Not in TEA</i>	39	1%
New arrival vs already in US on temporary visa (main applicants)		
<i>New arrival</i>	733	22%
<i>Already holds temporary visa</i>	2,552	78%
Main applicant or dependent		
<i>Main applicant</i>	3,285	36%
<i>Dependent</i>	5,800	64%

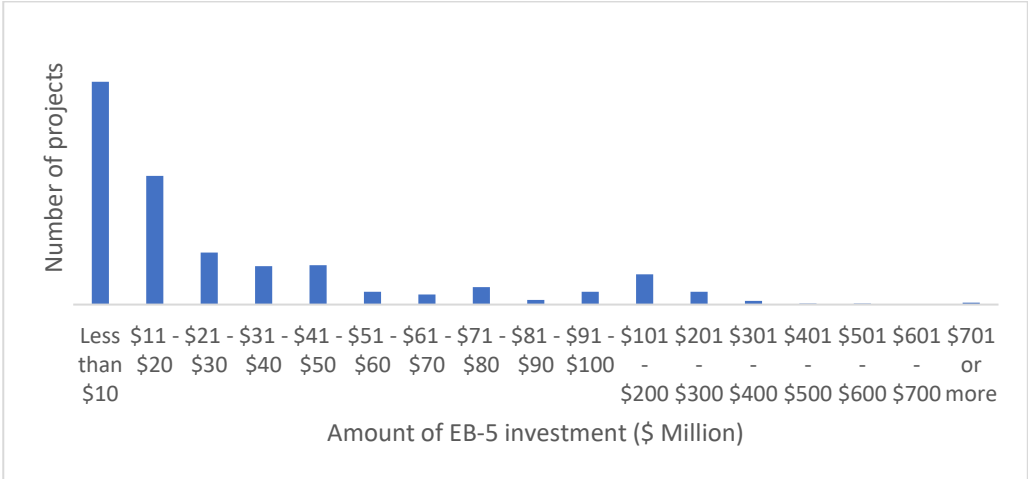
Source: DHS Yearbook of Immigration Statistics 2019.



Regional centres come in various forms. Some are incorporated to invest in a specific project, such as the construction of a hotel or the redevelopment of a particular piece of land. Others house several different projects and act as brokers, identifying projects that want to use EB-5 funds and structuring offerings to market to investors. In both cases, the basic premise of the regional centre programme is that applicants provide a low-cost source of capital over several years. Intermediaries interviewed for this project consistently said that the market rate of return for investors was 0.5% to 1%.

Regional centre projects generally pool together funds from at least 20 investors. For example, data collected by the industry association, Invest In The USA (IIUSA) from 645 projects that raised EB-5 funds from 2009 to 2021 showed that 62% of projects had raised at least \$10m, equivalent to funding from 20 investors each contributing at the \$500,000 TEA rate that applied for most of the period concerned (Figure 5.4). A small share (9%) of very large projects raised more than \$100m from EB-5 investors, i.e. equivalent to 200 or more investors. These figures only include the EB-5 portion of the capital and not funds raised from other sources, so the projects themselves would have been considerably larger.

**Figure 5.4: Projects receiving EB-5 investment (2009-2021) by size of EB-5 contribution**



Source: data provided by IIUSA. Note: only includes projects that had completed fundraising.

### *Job creation requirements and investment types*

Until 2022, regional centre applicants did not have to meet the job creation requirement by directly employing workers at the business that received the investment. Instead, they could rely on indirect job creation illustrated using statistical modelling. The 2022 reform act discussed further below required regional centres to demonstrate at least 10% of the jobs created through direct employment rather than modelling. Immigration agency economists interviewed for a GAO (2015) study said applicants generally preferred to meet the job creation requirement using indirect job creation. This was because regional centres could do this relatively easily using economic modelling software that estimates the likely job creation associated with a given level of investment.

A GAO analysis based on a small random sample of projects in fiscal year 2015 found that three-quarters of projects were investing in some form of real estate (GAO, 2016). A 2015 study found that many projects relied heavily on construction jobs, as they were either more numerous or more predictable than jobs created through the actual business operation after construction had taken place (Calderon & Friedland, 2015).<sup>17</sup> Where projects relied on job creation from the business' actual operations, relatively labour-intensive projects such as hotels or resorts were attractive as they made it easier to ensure the requisite job creation (ibid).

US EB-5 investors do not have to provide all of the capital for a particular project. They can contribute to larger projects alongside non-EB-5 investors and count job creation from the whole project rather than just their share. GAO (2016) estimated that EB-5 financing was usually not the only funding source: in around half of the projects analysed, EB-5 money made up between 10% and 30% of the total project cost. In 32% of the projects, EB-5 funds were a majority of the project costs (ibid).<sup>18</sup> Some EB-5 projects are public-private

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<sup>17</sup> The jobs created do not have to be permanent – for example, applicants with real estate projects can include construction jobs created during the development phase.

<sup>18</sup> A separate study by the Department of Commerce (2017) analysed a sample of projects and, similarly, found that immigrant investor capital made up on average 33% of the total investment.

partnerships designed for infrastructure projects such as bridges, roads or shopping centres.

The involvement of non-EB-5 capital makes the economic impacts of the programme more difficult to evaluate since projects might have gone ahead in some form even without the EB-5 funding. It also means that economic impact assessments based on the assumption that job creation requirements were met are likely to be inaccurate. On the one hand, applicants only need to demonstrate that they created ten jobs but their projects may have created more than that. On the other hand, if EB-5 money makes up only a minority of a project's total finance, much of the job creation will have arisen from the non-EB-5 part of the financing (OIG, 2013). Some politicians have objected to the idea that investors could "take credit" for job creation resulting from US funding sources (Government Publishing Office, 2016, para. 18). No evidence of a causal relationship between the investment and the job creation is required.

### **5.2.2. EB-5 developments in the late 1990s and 2000s**

A recurring theme in the history of the EB-5 programme has been the difficulty the immigration agency has faced regulating a sprawling, decentralised industry involving large numbers of private-sector projects. The first major illustration of these problems came in the late 1990s when an Immigration and Naturalization Service (INS) review identified various irregularities. These included cases in which the investors' funds were not being put "at risk" in the way the programme required or where the total amount was not invested in real business activity (GAO, 2005). In 1998, INS suspended processing for around 900 applications where applicants had received their initial green card but were still waiting to go through the final stage of the process to receive unconditional permanent resident status.

Based on the INS investigations, the agency's Administrative Appeals Office (AAO) then issued four "precedent-setting decisions" on specific cases to clarify how the agency should adjudicate EB-5 petitions. These decisions illustrate some of the difficulties the EB-5 programme had faced (which could surface in some form in any country implementing a decentralised private-

sector investment model). In particular, the AAO decisions addressed cases in which:

- There was no evidence that the business receiving the investment was conducting “meaningful, concrete business activity” (*Matter of Ho*, AAO, 1998, para. 1);
- Businesses that were supposed to be operating in “targeted employment areas” were operating by lending the money to businesses outside of TEAs, or were not truly placing the capital at risk but instead had guaranteed repayment (*Matter of Izummi*, AAO, 1998b);
- Applicants purchased existing businesses without substantially restructuring or expanding them (*Matter of Soffici*, AAO, 1998c); or
- Applicants could not demonstrate job creation (*Matter of Hsiung*, AAO, 1998d).

Many suspended applications remained on hold for years on end (GAO, 2005). In 2002, Congress passed legislation *requiring* the Department of Homeland Security (DHS) to issue new regulations to resolve these cases, including allowing applicants to correct the problems in their applications (Pub. L. 107-273). It also made further adjustments to the EB-5 programme, such as enabling investors to qualify when investing in a business they had not established themselves, and making it easier to create regional centres.

### **5.2.3. Oversight and fraud**

One of the main challenges US Citizenship and Immigration Services (USCIS), the immigration agency, has faced over the past two decades is the difficulty regulating complex financial transactions in the EB-5 programme.

In 2005, DHS set up a specialist unit to oversee the US EB-5 programme, known as the Investor and Regional Center Unit (IRCU), which it said would “strengthen and protect the integrity of the program” (GAO, 2005, p21). However, following the rapid growth in the EB-5 programme from 2009 to 2013 (described below), concerns began to emerge that some regional centres misrepresented investment offerings or committed fraud against investors.

In 2013, the DHS Office of the Inspector General published a report that said USCIS had “difficulty ensuring the integrity” of the EB-5 regional centre programme (OIG, 2013, p1). It noted that USCIS did not have the legal authority to properly oversee regional centres, including because it was only allowed to terminate regional centres if they failed to promote economic growth and not because of fraud. Increasing the executive’s authority to regulate the programme would become a major ask from officials to Congress over the coming years, regardless of which party held the White House.<sup>19</sup>

In 2013 and 2014 alone, the Securities and Exchange Commission investigated or referred to other law enforcement agencies more than 50 possible securities fraud violations in the EB-5 programme (GAO, 2015).<sup>20</sup> This type of fraud generally involved misbehaviour by regional centres that take investors’ funds. An SEC memo published in 2013 identified several warning signs of fraud, including unrealistic promises to investors (e.g. consistently above-market investment returns or guarantees of permanent residence or citizenship) and investment structures with “layers of companies run by the same individuals”, creating conflicts of interest (SEC, 2013, para. 20).

Further administrative centralisation took place in 2013 when DHS created the Immigrant Investor Program Office (IPO) and moved it to Washington, DC. The new IPO hired more specialist staff and increased anti-fraud training (Government Publishing Office, 2016). USCIS also published a memorandum clarifying policy on a wide range of EB-5 issues. The memo was mostly welcomed by the EB-5 industry (see, for example, Klasko, 2013). For the most part, the memo simply codified existing practice, clarifying how USCIS would take decisions. However, it also included some liberalising steps, such as allowing regional centres to invest funds outside of the industries or geographic areas for which they were initially approved (ibid).

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<sup>19</sup> The report also found that politicians and other external parties had attempted to influence decision-making on specific EB-5 projects, and criticised USCIS for not keeping sufficient records of such interventions.

<sup>20</sup> Regional centres also collect high fees from investors, which USCIS estimated at around \$25,000 to \$50,000 per investor in 2013 (OIG, 2013).

A 2015 GAO report identified several sources of programme abuse, including investor applicants' vulnerability to unscrupulous intermediaries. For example, the report found that some intermediaries misrepresented the business investment to applicants, failed to invest funds as reported, or fraudulently reported job creation (GAO, 2015). It found that despite changes within USCIS to improve fraud detection, such as hiring more specialised staff, introducing additional training and collaborating with law-enforcement agencies, USCIS still faced challenges, including poor data for flagging potentially fraudulent projects. It also identified difficulties in detecting misbehaviour among intermediaries operating overseas, where most investors were located when they made their application (ibid).

A string of high-profile fraud cases, often involving regional centres deceiving investors and diverting funds for personal gain, started to shape political and public perceptions of the programme. For example, in the well-publicised case of the Palm House Hotel development, investors were deceived into thinking that bridging loans and equity capital from other sources had already been raised, that the hotel was already under construction, and that Donald Trump and Bill Clinton were on the advisory board for the project (Friedland & Calderon, 2019). Funds from 91 investors went into a fake escrow account and were siphoned off by the regional centre director and the developer involved in the project.

Perhaps the most iconic case of EB-5 fraud is Jay Peak, a ski resort in Vermont. EB-5 investors poured hundreds of millions of dollars into numerous projects to expand the resort, without realising that their funds were also being used to plug hidden budget deficits resulting from the owner's fraudulent activity (McCullum & D'Ambrosio, 2020).<sup>21</sup> The discovery of fraud in this case was particularly surprising because Jay Peak had been widely cited as an EB-5 success story, bringing investment and jobs to rural areas and illustrating productive collaboration between the public and private sectors (see, for example, Kolodziej, 2014). Indeed, in a 2011 Senate hearing on the EB-5 programme, Vermont Senator Patrick Leahy had introduced the CEO of the

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<sup>21</sup> Specifically, the owner had illegally used investor money to purchase the resort itself (rather than to expand it), and to buy personal apartments in New York.

resort as a personal friend, praising him for the jobs and development he had brought to the region and touting the benefits of EB-5 for the United States as a whole (CQ Congressional Testimony, 2011). Within a few years, the narrative had become quite different. Senator Leahy was one of the main proponents of reforms to address fraud, publishing statements referring to “rampant fraud and abuse” in the programme (Leahy, 2016, para. 2).

#### **5.2.4. Gerrymandering of TEAs**

Another factor shaping perceptions of the EB-5 programme has been concerns that projects were violating the spirit—if not the letter—of the rules on Targeted Employment Areas (TEAs). The original 1990 legislation set aside at least 3,000 visas for people investing in TEAs, where the lower investment threshold applies. (This threshold was \$500,000 for most of the programme's history but had been updated to \$800,000 by 2022). The lower TEA threshold in theory created an incentive to invest in areas of the country that applicants might otherwise consider less desirable, instead favouring affluent and urban areas.

Introducing the Immigration Act in the Senate in 1990, Senator Simon predicted that the “vast majority” of immigrants would be investing at the higher threshold of \$1,000,000 (136 Cong. Rec. Senate: October 26, 1990, 35615), with a smaller number investing the lower amount in TEAs. However, the incentive to invest the lower amount was strong, and in practice the large majority of investments have been in TEAs: 99% of the 3,285 main applicants receiving conditional green cards in 2019, for example (DHS, 2020).

Whether an area meets the definition of a TEA (i.e. has high unemployment or is a rural area) depends heavily on how the area's boundaries are drawn. As the programme expanded in the late 2000s and early 2010s, it became clear that TEAs were being “gerrymandered” to enable investors to pay the lower amount, even for developments in relatively affluent areas. For example, regional centres could create a TEA that encompassed both the prosperous neighbourhood in which the business would operate and a string of nearby areas with higher unemployment that would push up the average

unemployment rate for the area. Analysis from the Government Audit Office (GAO) suggested that investments were often physically located in lower-unemployment parts of the TEA and that most projects were in census tracts with unemployment of no more than 8% (GAO, 2016).<sup>22</sup>

Politicians criticised this practice, pointing to high-profile developments such as luxury hotels in affluent areas, which only qualified by “lassoing” in more distant areas with high unemployment (Government Publishing Office, 2016, para. 14). The loose rules on TEA definitions meant that almost any area could qualify as a TEA in practice, undermining the original intent of the programme to incentivise investment in less prosperous areas (Friedland & Calderon, 2019). The main counterargument, put forward by politicians representing wealthier areas, was that the jobs created in affluent areas often benefit people who commute from nearby neighbourhoods with high unemployment (Government Publishing Office, 2016, Testimony of Rep. Nadler).

### **5.2.5. Demand for EB-5 visas and the applications backlog**

Demand for the EB-5 programme was relatively low throughout most of the 1990s and early 2000s. Low take-up during this period had been attributed to various factors, including long processing delays, uncertainty about applicants’ prospects of success, and an onerous application process (GAO, 2005). An investigation by the Government Accountability Office (GAO, 2005, p4) suggested that the large number of applications left “in limbo” while DHS failed to finalise new regulations had contributed to negative perceptions of the programme. A 2009 report from the Citizenship and Immigration Services Ombudsman (2009, p7) argued that “uncertainty has plagued the EB-5 program from its inception”, pointing to numerous problems including fraud, slow processing, unpredictable application outcomes, and unclear guidance.

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<sup>22</sup> The analysis was based on a random sample of 200 applications, and comes with wide confidence intervals. A census tract is statistical subdivision that usually has a population of between 1,200 and 8,000 people (US Census Bureau, n.d.).



After 2008, however, applicant numbers increased sharply (Figure 5.4). This rise has been attributed to greater demand for EB-5 funding after the financial crisis, which reduced access to other lending sources (Calderon & Friedland, 2015; Singer and Galdes, 2014). It is also possible that the 2012 moratorium on new applicants to the Canadian immigrant investor programme, which had previously attracted large numbers of Chinese applicants, played a role (Radia, 2013).

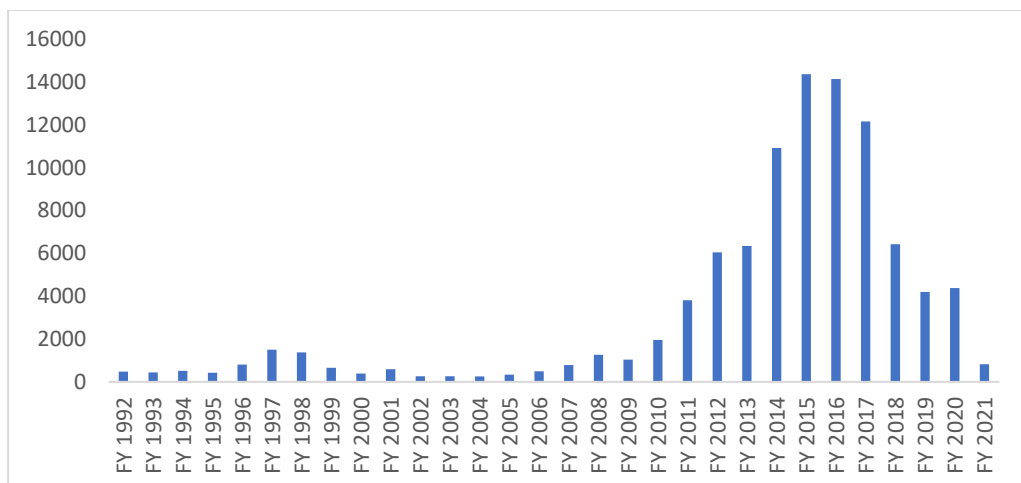
USCIS issued two pieces of policy guidance under the Obama administration in 2009. The new guidance enabled applicants to adjust their business plans and financial arrangements, for example if a business failed or could not be completed (USCIS, 2009). The guidance also allowed construction jobs to count towards the job creation requirement if they were full-time and would last for at least two years (*ibid*)—a development that would prove quite important in the 2010s, as discussed below.<sup>23</sup> These rules were tweaked in the 2022 reform, described later, which capped construction jobs at 75% of total job creation but also allowed regional centres to get credit for construction jobs lasting less than two years, pro-rated by the duration of the job.

One consequence of the sharp growth in the programme was that the cap of just under 10,000 green cards was hit for the first time in 2014, creating a large backlog. US Citizenship and Immigration Services does not publish regular figures on applications by nationality, but data on overseas visa grants (i.e. excluding those who adjust their status in-country) show that over 80% of overseas green-card recipients were from China from 2013 to 2017 (Department of State, 2014, 2015, 2016, 2017, 2018).

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<sup>23</sup> These two changes appeared in a December 2009 memorandum (USCIS, 2009a), which also included changes designed to streamline processing by clarifying the circumstances under which USCIS might revisit previous positive decisions; this involved, for example, cases in which USCIS had approved regional centre's project plans in principle, but where the regional centre then made substantial changes to the business plans. Another piece of policy guidance in June 2009 clarified the required job creation requirements (USCIS, 2009b).

**Figure 5.5 EB-5 Initial Applications (I-526), 1992-2021, fiscal years**



Source: DHS Yearbook of Immigration Statistics 2002, 2011, 2014, 2017 and 2019. Note: USCIS Fiscal years begin in October the previous year, i.e. FY 2021 begins in October 2020.

A defining feature of the EB-5 programme’s implementation in recent years has been the extraordinarily long waiting times that face many applicants. There were two main reasons for this: the EB-5 backlog and long processing times.

The total number of green cards available through the EB-5 programme is set in legislation at 9,940, including dependents (INA Section 201(d), 8 USC 1151(d)). In fiscal year 2014, the EB-5 programme hit this cap for the first time. As a result, a growing backlog emerged.

When EB-5 visas are oversubscribed, a limit on the number of applicants from any single country also kicks in.<sup>24</sup> This rule means that Chinese applicants have been hit hardest by the backlog, because they made up a large majority of the total over the past decade. Excluding green card grants to people

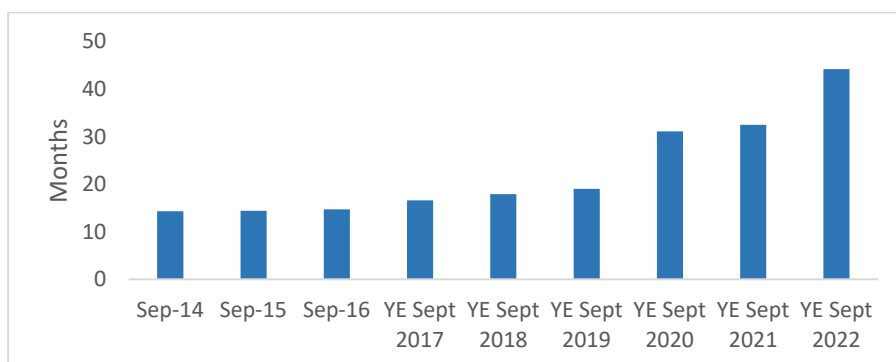
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<sup>24</sup> The limit is set at 7%. If a country makes up more than 7% of the applicants, applicants from nationalities with less than 7% will have all their visas issued, after which any remaining places are allocated to countries that exceed the 7% limit. This is why the number of visas issued to Chinese citizens greatly exceeds 7% even after the per-country limit set in.

already living in the United States on temporary visas (who made up 22% of EB-5 grants in 2019 [DHS, 2020]), the share of EB-5 visas going to Chinese nationals peaked at 87% in 2015. The per-country limit and continued growth in the number of other nationals applying for EB-5 visas greatly impacted Chinese applicants, for whom visa grants halved in absolute terms from 2017 to 2019. Their share of the total fell to 49% in 2019.

A further cause of delay in the US EB-5 programme was that it took USCIS longer to process the initial petition before applicants could even get in the queue for a green card. Although USCIS increased the number of petitions it adjudicated per quarter, decisions did not keep pace with growing application numbers. Processing times increased, rising from a median of 16.6 months in the year ending September 2017 to 41.2 months—that is, over three years—from October 2021 to May 2022 (Figure 5.6).<sup>25</sup>

**Figure 5.6 Median processing times for initial EB-5 (I-526) applications**



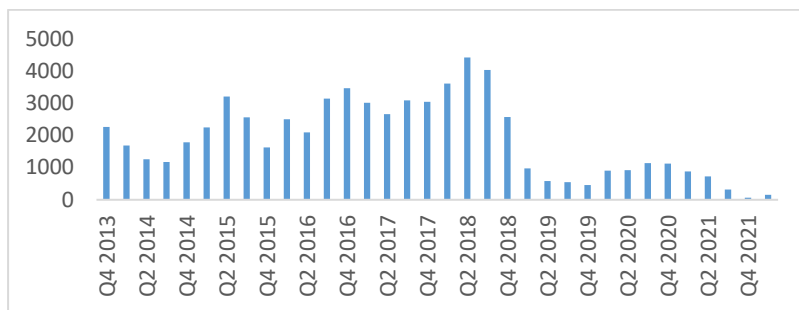
Source: Data for 2014-2016 kindly provided by IIUSA; data for 2017-2022 retrieved from USCIS (2022). Note: 2014-2016 data are for the month of September; later figures are averages for the year ending September.

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<sup>25</sup> Note that processing of most applications stopped during this period due to the expiration of the regional centre programme, but direct EB-5 applications were still being adjudicated.

Long processing times resulted partly from higher numbers of applications, but from 2019 there was also a slowdown in decision-making. In 2019, the number of decisions taken on initial applications fell by 69% (Figure 5.7). The further decline in decision-making in late 2021 and early 2022 results from the lapse of the regional centre programme, which is discussed further below.

**Figure 5.7 Number of decisions taken on EB-5 petitions (I-526), calendar quarters**



Source: USCIS performance data, extracted from USCIS (n.d., “All USCIS application and petition form types”).

There are various possible reasons for the processing slowdown in 2019. It coincides with the arrival of a new head of the Immigrant Investor Program Office (IPO), which manages EB-5 casework. The new chief pointed to various reasons for a slowdown in processing. These included a roughly month-long period during which certain applications were put on hold because Congress had failed to reauthorize the regional centre programme; a “temporary assignment of some staff to other agency priorities” (Laizicki, 2019, last paragraph of quoted material); and an effort to build “a more robust quality assurance and control program” (IIUSA, 2020, p10). A former USCIS employee testifying in Congress in July 2020 said that under the Trump administration, USCIS’ revenues and efficiency had been hurt by factors including “excessive hiring of additional staff to search for fraud” and “cumbersome, time-consuming layers” to decision-making (Dalal-Dheini, 2020, p2).

Whatever the reason, the result was extensive delays for many applicants. As of October 2020, an estimated 83,000 people (both main applicants and family members) were waiting at some stage in the EB-5 process, of whom 69% were from China (Oppenheim, 2020, p10). As of 19 November 2020, the State Department's head of visa control and reporting projected that in a worst-case scenario, the total waiting time for Chinese applicants who filed their initial petition that day would be just over 17 years (ibid).<sup>26</sup>

### 5.2.6. Attempts at reform: 2015 to 2019

Serious attempts to reform the EB-5 programme began in 2015. In June 2015, Senators Grassley (R-IA) and Leahy (D-VT) introduced a bill (S.1501) that would have had a major impact on the EB-5 programme if it had been successful.

The bill proposed changes in several areas. First, it would have increased the investment amounts in line with inflation from \$500,000 to \$800,000 in TEAs, and from \$1m to \$1.2m elsewhere. It would have changed the definition of TEAs, preventing the "gerrymandering" that had advantaged wealthy urban areas. The original 2015 bill would have limited TEAs to a single Census tract, although later drafts of the bill produced during Congressional negotiations included slightly wider definitions (Calderon & Friedland, 2015).<sup>27</sup> New job creation rules would have prevented projects from demonstrating job creation purely using statistical software, requiring at least 10% of jobs to comprise individuals directly employed. Projects in TEAs would also need to ensure that at least 50% of the jobs created were in these areas.

Second, several measures aimed to tackle abuse. A new "EB-5 integrity fund" would be established, using a \$20,000 annual fee from regional centres to

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<sup>26</sup> This includes both the processing time for the initial petition and the waiting time for a green card to become available. Projected waiting times for other nationalities were 7.8 years (India), 7 years (Vietnam), 3.8 years (South Korea), 2.4 years (Taiwan) and 1.8 years (Brazil).

<sup>27</sup> As Calderon and Friedland (2015) illustrate, apparently small differences in how census tracts can be aggregated to form a proposed TEA can have a big impact on whether projects are eligible. Definitions that allow developers to pick and choose which neighbouring tracts are included and which are not, for example, lead to higher numbers of areas qualifying compared to ones that specify exactly which tracts must be included.

conduct compliance audits. DHS would gain authority to terminate regional centres based on fraud or criminal activity and would be required to conduct background checks on regional centre chiefs. The Securities and Exchange Commission would receive more authority to monitor regional centre activities outside of the United States, where many applicants lived when they became involved with the programme. The bill also directed the immigration agency to charge sufficient fees to reduce processing times within set limits for different application types (e.g. 150 days for investors' initial petitions and 120 days for applications to be classified as a regional centre).

Negotiations took place among Senators in the run-up to the reauthorisation deadline, and a deal was almost done (Grassley, 2015). In the absence of agreement one day before the programme would have expired, Congress voted to extend the programme without making reforms.

After Grassley and Leahy's bill failed in December 2015, three Senators who had opposed it – Flake, Cornyn and Schumer – introduced a competing bill (S.2415). This bill included integrity provisions, such as increasing USCIS' authority to terminate regional centres and the establishment of the EB-5 "integrity fund" to support audits of EB-5 activities inside and outside of the United States. However, it did not raise investment thresholds. It also did not include TEA reforms and thus benefited EB-5 industry users in large urban areas that would struggle to qualify under a narrower TEA definition. This bill also failed to move forward, and Congress continued to reauthorize the programme without making changes.

#### *Executive action on US EB-5 reform*

As these discussions continued in Congress, US Citizenship and Immigration Services, the immigration agency, was also developing new regulations to raise the investment threshold and reform TEA designations. These two things were possible within the scope of the original legislation, although the integrity measures were not.

In January 2017, in the final days of the Obama administration, USCIS proposed new regulations (EB-5 Immigrant Investor Program Modernization, 2017). The 2017 proposed regulations had some conceptual similarities with what had appeared in previous bills. It would have raised the TEA and non-TEA investment amounts, although by more than the proposed legislation would have done, i.e. to \$1,350,000 and \$1,800,000, respectively. Like the 2015 bill, it proposed significantly restricting the size of TEAs, so that they would include only the census tracts in which the enterprise was doing business or the ones immediately adjacent.

While some analysts of the US EB-5 programme assumed that the Trump administration would block the proposed regulations, the new administration allowed them to proceed through the public consultation phase. In July 2019, a final rule was eventually published, due to take effect in November 2019. The final rule kept most of the substance of the initial rule in place. The main difference was that the TEA investment threshold was increased to \$900,000 instead of the originally proposed \$1,350,000, to keep a 50% differential between the two amounts and thus incentivise applicants to invest in distressed or rural areas that would otherwise not be as attractive (EB-5 Immigrant Investor Program Modernization, 2019). DHS argued that the higher investment amounts brought the investment threshold closer to other major investor programmes (e.g. the UK and Australia) and that even if a higher price deterred some applicants, the category was already oversubscribed.<sup>28</sup>

The 2019 regulation also standardized and centralised decisions about which areas were TEAs, so USCIS and not state and local governments would decide. In the regulation, DHS argued that states and localities had the incentive to allow TEA gerrymandering in order to compete for investment (EB-5 Immigrant Investor Program Modernization, 2019).

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<sup>28</sup> The 2019 rule also made some technical changes, such as allowing applicants to retain their place in the 'queue' for visa processing even if they need to submit a second application (e.g. if they change their investment).

EB-5 applications nosedived after the 2019 rule came into force. From October 2018 to September 2019, applications averaged just over 1,000 per quarter—a level already well down from the 2015-2016 peak. More than 4,000 petitions flooded in just ahead of the new rule's implementation in November 2019. During 2020, applications numbered in the dozens. The Covid-19 pandemic will have contributed to this downturn, although even from January to March 2020, a mere 21 applications were submitted (USCIS, 2020).

### 5.2.7. From chaos to reform in 2021-2022

After 2019, further bills offered competing visions for reform. On the one hand, new versions of the Grassley and Leahy bills from previous congressional sessions were introduced, focusing more narrowly on integrity measures such as USCIS authority to regulate the programme. This camp was content with the 2019 regulation and sought to leave it in place. A competing proposal sponsored by New York Senator Schumer, among others, sought to reverse some aspects of the 2019 regulation, narrowing the gap between investment thresholds within and outside of TEAs (putting them at \$1m and \$1.1m, respectively). It also contained integrity provisions, albeit slightly narrower than in the Grassley and Leahy proposals.<sup>29</sup> Neither proposal secured sufficient support in Congress to move forward.

Two major developments in 2021 generated new chaos in the US EB-5 programme. First, in June 2021, a California district court struck the 2019 rule down following a legal challenge by one of its industry opponents. The rule did not fall on its merits: the officials who had signed it had not been properly appointed and lacked the authority to do so. This decision effectively reinstated the old rules, reducing the investment threshold to \$500,000 for most applicants.

In ordinary times, this court decision would have been critical. But only a few days later, the EB-5 regional centre programme was allowed to lapse. The regional centre programme had always been a “pilot” that would expire after

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<sup>29</sup> Grassley and Leahy's proposals provided greater protections for investors themselves, including transparency requirements that give them more oversight of money flows.



five years. Congress extended it numerous times over the subsequent decades but never made it permanent. Programme reauthorisations typically passed through Congress with little fuss because they would be attached to other “must pass” pieces of Congressional business, such as budget measures. At the end of 2018, Congress briefly failed to agree on budget measures, and the regional centre programme lapsed for 35 days before being reauthorized.

In 2021, however, a much more substantive programme lapse occurred. Congress failed to reauthorize the regional centre programme in June 2021. The lapse created immense chaos in the US EB-5 programme. Many applications that had been submitted but not decided—even though investors had made their investments—could not be approved. Investors faced massive uncertainty and no obvious recourse or ability to recover their money. The lapse was also damaging for regional centres, which could no longer go through with existing plans to raise new funding and faced a legally uncertain environment in which investors might start demanding the return of their funds.

After months of fraught negotiation, the stalemate was finally broken and Congress passed the EB-5 Reform and Integrity Act (RIA) in March 2022 as part of a large package of spending measures. The final legislation contained many of the provisions that had floated around in previous negotiations, as well as a couple of new ones. Among the key provisions were the following:

- The legislation narrowed the differential between the investment thresholds inside and outside of TEAs, leaving them at \$800,000 and \$1,050,000, respectively. It maintained the narrower definition of TEAs from the 2019 legislation. This smaller differential represented a compromise between those who wanted to return to the pre-2010 status quo and those who wanted rural or disadvantaged areas to maintain at least some advantage. A new “infrastructure” category for projects contracted by government entities could also qualify at the lower threshold.
- Some visas were set aside for rural, high-unemployment and infrastructure applications (20%, 10% and 2%, respectively). Analysts expected these visas to be available only to new applicants rather

than those already waiting in the backlog (Divine, 2022), effectively allowing them to jump the queue.

- The reauthorisation of the regional centre programme was only for five years (until 2027). However, the legislation sought to prevent the types of chaos that faced investors with pending petitions during the 2021 programme lapse by specifying that people who applied before a future expiration (in the event there was one) would still be able to proceed.
- Requirements for regional centres increased. They included annual reporting requirements, sanctions for non-compliance, and substantial new fees of \$20,000 per year for regional centres with more than 20 investors. Overseas migration agents would also have to register with USCIS and disclose fees to investors.
- Fees for applicants were also to set increase to whatever level was required to adjudicate applications within specified periods, which varied depending on the type of application.
- Further changes included changes to job creation requirements, including that at least 10% of the jobs needed to be direct employment rather than indirect employment evidenced through statistical models. The time investments must be sustained was cut to two years, rather than the full period during which the applicant is waiting for their application to be approved and to receive a green card (a period that can currently last many years due to long processing times and backlogs).

The key moments in the history of the US EB-5 programme are summarized in Figure 5.8.



### *Outline of the programme at the time of the primary data collection*

The present research studies the US model as it existed before 2022. Most US fieldwork took place between March and August 2021, i.e. before and immediately after the regional centre programme expiry in June 2021. For most of this time, the investment threshold was \$900,000 in TEAs and \$1,800,000 outside of TEAs, as set out in the 2019 regulation. The definition of a TEA had been narrowed to prevent gerrymandering. Investments were still taking place, although application numbers were relatively low. Some fieldwork took place after the regional centre programme had expired, although it was still widely expected to be reinstated. Even after the 2022 legislation passed, its likely impacts remained unclear for several months. The immigration agency was still busy producing implementing regulations and guidance, and the industry was regrouping around the new rules.

### **5.3. Case study similarities, differences and questions to be explored**

The discussion in this chapter shows that the US EB-5 programme has had a more complex history than the UK's Tier 1 Investor visa. While the UK investor programme was largely ignored for much of its existence with only a few tweaks to the criteria, the US one has undergone numerous policy changes. Administrative reorganisations, legislation, regulations and policy guidance have repeatedly sought to reshape how money flowed through the programme. One result has been that the programme became more complex over time. While the UK imposed few restrictions on where applicants could invest, the US rules are highly prescriptive. This raises the question as to what the impacts of these different approaches have been. The core difference between the UK and US qualifying investment designs will help to draw out lessons about the challenges policymakers face when considering how to target money flows in investor programmes. For example, have the more intensive attempts to steer investments in the United States created greater satisfaction with the outcomes? What consequences has greater complexity had for applicants, businesses or policymakers? How does it affect the dimensions of success outlined in Chapter 3, namely the ability to achieve economic objectives, avoid unintended negative consequences, and secure

political acceptance and a legitimate policy process? These questions are examined in detail in Chapters 6 and 7.

On paper, the approaches the United States and the United Kingdom have taken to investors themselves have been similar. Neither country has meaningful selection criteria other than making an investment and demonstrating that the source of funds is clean. The lack of selection criteria is common to many other investor programmes worldwide. However, applicants' experiences are likely to vary in the two countries. Perhaps most notably, the large backlog that has developed in the United States means that applicants face longer waiting times and uncertainty than they would in the UK; they must also make a riskier investment, which could affect their attitudes towards the programme. Chapter 8 examines how factors such as these have affected who uses the programmes and how.

There have also been similarities in recent policy and political debates about the US and UK investor programmes. Policymakers in both countries faced substantial criticism for the programmes' unintended consequences, although these problems manifested in different ways. In the United Kingdom, concerns about applicants' backgrounds led to some technical policy changes in 2015 and ultimately to the closure of the programme in 2022. In the United States, questions about compliance with investment rules dominated debates—most notably, the gerrymandering of Targeted Employment Areas and difficulties securing compliance among regional centres.

**Table 5.2. Comparison of key US and UK case study features**

Characteristic	United States (before 2022)	United Kingdom
Type of investment	Investment 'at risk' in private sector project.	Wide choice of investments, including low-risk listed companies.
Investment amount	Before 2019: \$500,000 (TEA) or \$1,000,000 (non-TEA). From November 2019-June 2021: \$900,000 (TEA) or \$1,800,000 (non-TEA).	Before 2014: £1,000,000. From November 2014: £2,000,000.
Conditions on success of investment	Must be expected to create at least ten jobs.	No job creation requirement but investment must still exist after.
Duration of investment	Variable depending on green-card waiting times.	Five years (or two-three years for higher investment amounts).
Waiting times	Median application processing time 32.5 months in year ending September 2021 (Figure 5.6). Additional waits for green card availability, varying by country of nationality.	Less than one month.
Residence expected	To maintain green card, US must be main place of residence; absences of more than 2 years not permitted. Green-card status of children does not depend on parents' residence.	During temporary visa phase: children <i>and both</i> parents must spend at least 185 days per year. After receiving permanent status: no absences of more than two years.
Conditions and rights attached to status	No requirements to be doing any specific activities (e.g. work, study).	No requirements to be doing any specific activities (e.g. work, study).

In 2022, US and UK policymakers responded quite differently to the problems their investor programmes had thrown up. Following a period of political turmoil, US policymakers passed a substantial piece of legislation that left the basic design of the programme intact but aimed to regulate it more effectively. By contrast, UK policymakers threw in the towel and shut the programme down entirely (albeit with the promise of a narrow replacement scheduled to arrive later in the year). This difference took place after the present study had begun and thus was not a criterion for the case selection, although it provides an interesting variation to examine policymakers' decision-making about investor programmes. That is, why did policymakers in the UK see termination as the best option while US policymakers stuck with the programme and pursued reforms? Chapter 9 examines the multiple factors that could in principle influence these contrasting decisions, including differences in the design of the programme and differences in which policy actors were responsible for authorising changes.

## **Chapter 6: What do policymakers want from investor visas, and do they think they are getting it?**

This chapter examines the purpose of the UK and US investor programmes, whether policymakers believed they were successful, and why. As Chapter 3 outlines, success and failure are subjective concepts with multiple dimensions. Policies may succeed in some dimensions and not others. Policymakers may prioritise different dimensions of success or hold policies to different standards. To understand the drivers of success and failure in investor programmes, it is thus useful to examine which elements of the programmes are considered successful and by whom.

When evaluating the US and UK investor programmes' outcomes, this chapter follows McConnell (2010, 2015) in examining programmatic, political and process success separately. It follows Newman and Head (2015) in dividing programmatic success into achieving objectives and avoiding negative consequences. The discussion examines which dimensions of success were most salient to policymakers presiding over investor programmes and what factors shaped their views. Later chapters broaden the perspective, bringing in more evidence from stakeholders outside of government.

Section 6.1 examines the objectives of investor programmes in the United States and the United Kingdom, drawing on interviews with policymakers. It shows that investor programmes can have important political and symbolic objectives that have not featured prominently in previous research. Confirming the suspicions of Gamlen et al. (2019), it also shows that goals were often ill-defined with no explicit theory of change, especially in the United Kingdom.

Sections 6.2 and 6.3 then examine how policymakers perceived the successes and failures of the investor programmes in the United States and the United Kingdom, respectively. The US analysis covers the period before the implementation of the 2022 legislative reform package: at the time of writing, it was still too early to assess what its impacts would be.



I find that in both countries, disappointment with the outcomes of the programmes was pervasive. Policymakers often felt that the programmes were not delivering as much economic benefit as they had hoped and that the programmes' substantive benefits and reputations were being undermined by unanticipated negative consequences (namely, fraud in the United States and "bad actors" using the programme in the United Kingdom). However, I show that policymakers attached different weight to these factors when coming to an overall assessment varied depending on their professional roles. For example, the geographically concentrated benefits played a strong role in shaping politicians' views of the programme in the United States, while the views of UK civil servants depended heavily on the mission of the government department they represented.

The chapter illustrates how political and programmatic objectives can conflict, consistent with McConnell's (2010) argument that these dimensions of success are at least partially independent. In the United Kingdom, for example, some policymakers felt that the Tier 1 Investor visa still had political and symbolic benefits despite a failure to deliver on its economic objectives. Also consistent with McConnell (2010), I find that criticisms of the policy and implementation *process* were conceptually distinct from programmatic or political concerns. In both countries, however, I find that non-government practitioners were more interested in process concerns than policymakers were, illustrating another way perceptions of success can vary.

Section 6.4 concludes with some observations on the nature of objectives and success in the US and UK investor programmes. I argue that investor programmes' political and symbolic purposes have not received enough attention in previous research and have important implications for evaluating success. I also argue that the symbolic role that investor programmes can hold—and that they held in the UK Tier 1 Investor case—may make their objectives and benefits less stable over time. I also show that the multiple dimensions of success create a high bar for programmes to be considered genuinely successful.

## **6.1. What are the objectives of investor programmes?**

This section examines what policymakers said they wanted from their investor programmes and how they envisaged success and failure. Three main objectives emerged from the interviews: investment objectives (i.e. what outcomes policymakers hoped the capital investment coming from the programme would bring about), desired migrants (i.e. who they wanted the programmes to admit), and the symbolic or political benefits from having an investor programme.

### **6.1.1. How clear are the objectives?**

Previous research has shown that objectives and theories of change are often unclear or added after the fact (Weiss, 1997). US policymakers generally did have a clear vision of why the investor visa was originally created, in several cases referring back to what the legislative drafters intended when they established the programme in 1990. By contrast, UK policymakers' vision of the purpose of the investor programme was less clear and varied more among respondents. None discussed how the original creators of the programme in the early 1990s had envisaged its purpose, and it is not clear that policymakers knew when and why it was initially conceived. Indeed, one civil servant thought that the policy dated back to the mid-2000s under Tony Blair's Labour government, and another senior policymaker from the 2000s was shocked to discover that the policy existed at all.

Particularly in the United Kingdom, some policymakers explicitly said that the investor programme's objectives were unclear and had never been adequately thought through. For example, one said that the programme's benefits were "taken as a given and that preconceived notion I don't think was ever tested very much" (UK25). Another argued that policymakers assumed that it was "obvious" the UK needed investor migrants, but that as soon as one spends a bit of time thinking about the category, "you wonder why you have them, and you wonder what they're achieving, and you wonder whether there are any benefits at all" (UK21). As one UK policymaker put it:

*“There needs to be clearer vision of who these people are, why we should bother, and how you would design the scheme to attract those people. And I think that’s where it’s all been pretty vague” (UK20).*

The contrast between the UK and US cases raises the question of why US policymakers had a clearer vision of the US EB-5 programme’s objectives and history. One potential explanation is the greater specialisation and lower turnover in political and civil service roles in the US compared to the UK, which may have given US policymakers more knowledge of the programme and more institutional memory. The original objectives and history of the programmes are also arguably more relevant to contemporary policymakers in the United States than in the United Kingdom. Because the US EB-5 programme was created in legislation and further legislative reform proved impossible for many years, administrative regulations or litigation offered the main prospect for policy change in some periods—and both required a formal interpretation of the original legislation and its objectives. In the United Kingdom, authority over immigration policy is concentrated in the executive and does not require legislation, so policymakers were freer to backwards-engineer their objectives. As Weiss (1997) notes, action may come before goals, which are rationalised and redeveloped once a programme exists. In the United Kingdom, where the reasons for the programme’s inception had faded from memory, policymakers’ objectives appeared to have adapted to suit the contemporary policy environment, as discussed further below.

Nonetheless, the UK case confirms Gamlen and colleagues’ (2019) suspicion that some governments do not have a well-established plan for what investor programmes should achieve. This lack of clarity may help to explain why some investor programmes around the world do not have particularly convincing economic justifications (such as programmes that allow people to qualify without making a productive investment but simply allow bank transfers or investments in listed companies).

### **6.1.2. Benefits from the investment**

Where policymakers did have a vision for their investor programmes, it was usually quite different in the US and the UK. American policymakers

emphasised the value of applicants' money, while UK policymakers were more interested in the people themselves. Political objectives also featured more heavily in UK policymakers' discussions of the programmes, for reasons discussed in the following few sections.

US policymakers described the investor programme primarily as a way to attract capital rather than people. In particular, they said the programme's purpose was to create jobs for US workers by attracting new investment into commercial enterprises, as laid out in the initial 1990 legislation. The job creation theme emerged in almost every interview. As one policymaker put it:

*"I feel that the perceived benefits are about the jobs created rather than the entrepreneurs. The money, but particularly the way the money will be invested to create jobs, that's the narrative." (US5)*

Some US policymakers specified the types of economic development they felt a successful EB-5 programme would bring. For example, several emphasized that funding should flow to areas that would otherwise have struggled to attract capital, such as "inner cities that have been distressed for decades" or the "rural countryside where hardly anybody ever invests in anything" (US7). In the eyes of several interviewees, a successful programme was thus one that channelled funding towards "underserved areas" (US8).

The types of businesses policymakers cited as ideal beneficiaries of the US EB-5 programme were typically unglamorous, small businesses or public services in deprived or rural areas that would either deliver social value or provide services that previously didn't exist in that neighbourhood. They included movie theatres, rural fertiliser plants, bus depots, schools or rural broadband. Some policymakers wanted funds to support infrastructure projects.

US policymakers often emphasised that investment should go to projects that would not have happened without US EB-5 funding. A second theme was that they wanted the investment to have enduring rather than transient impacts. For example, some said that they wanted to see new businesses that

would persist in the long run—“instead of just, okay let’s finish up this particular ski resort building and then all those jobs go away” (US10). Others emphasized that the jobs the investment created should be permanent: as one put it, the programme should create “permanent jobs, not gigs” (US7).

Some US policymakers also identified outcomes they did *not* want from the EB-5 programme, including money flowing to wealthy areas or luxury Manhattan real estate developers who would have been able to secure money for their projects even if investor visa finance had not been available. As one put it:

*“Some of us really liked the idea of using this programme to help the infrastructure of the United States because some of us believed that this should go to benefit the American people and not line the pockets of real estate developers” (US8).*

In other words, while the programme did not restrict the type of businesses that could receive EB-5 funding, US policymakers saw some businesses as more deserving programme participants than others. In particular, policy interviewees often felt the value of the investments hinged on whether the money went to businesses that would have struggled to raise finance from other sources. Chapter 7 looks in more detail at the conditions under which we can consider investments to stimulate economic activity that would not otherwise have taken place, and argues that economic theory permits a slightly broader interpretation of what is economically beneficial than many US policymakers did.

UK policymakers typically had a less specific theory of change when discussing the qualifying investment. Some suggested they were seeking positive economic outcomes from the investment, often in broad terms such as increased foreign direct investment (FDI). A small number identified specific ways investments might bring benefits, such as providing funding for a company that might otherwise not have survived or creating new businesses. The vision was often quite vague, however—for example, that investing large sums of money was considered to be “a good thing” (UK21). As one policymaker put it, “we were thinking that this can only help” (UK1). One potential explanation for this relatively vague vision of the purpose of

the investment is that UK policymakers often saw the programme as an immigration programme more than an investment one. Their stated objectives and evaluations thus focused much more on the people who would move to the UK.

### **6.1.3. Benefits from the investor applicants themselves**

UK policymakers emphasized the value of the wealthy or entrepreneurial migrants the programme might admit as the main economic benefit of the programme rather than the value of their investments. They painted a consistent picture of desirable investor migrants, and this vision had two main components. First, they wanted to attract successful business people or entrepreneurs who would be actively involved in business ventures in the UK. As one UK policymaker put it:

“So that was the ideal: that these people were dynamic, go-getting, had made money or had money, had business skills, entrepreneurial skills, networks and would encourage further investments, both directly and indirectly, into UK businesses and the UK economy.” (UK26)

While policymakers tended not to be particularly specific about what types of businesses they were interested in, they envisaged investor migrants whose primary activity was to develop UK business ideas. In the words of one policymaker: “you would hope that they are getting involved in driving forward their own UK business projects perhaps, or are hiring people in the UK to run their offices, to bring bits of their business over here in any case” (UK30).

Second, policymakers wanted investor migrants who were committed to the UK and who would contribute to “UK society and fabric” (UK26). Several were sceptical about the benefits of people who would “nip over” to the UK when they wanted (UK27). Their objective was to admit migrants who wanted to make the UK their main base and integrate socially and economically.

UK policymakers did not necessarily want to attract the very wealthiest people to the investor programme. Some preferred more middle-class applicants rather than “Russian tycoons” (UK33). For example, some felt it might be more beneficial to attract more “mid-level wealthy people who really want to do something in the UK” (UK30). They considered these applicants more likely to work hard and contribute economically—“as opposed to your Russian oligarch, who comes, sits, enjoys life, goes to parties, goes to horse racing, and enjoys the assets we have but doesn’t actually contribute very much in terms of the future” (UK14). Some policymakers were particularly sceptical about investor migrants who travelled extensively and thus were at risk of not meeting the residence requirements. As one put it, “the kind of person who has their business in an offshore tax haven and whizzes around the world avoiding taxes in all the different countries and claiming they are a world businessman of great importance. Do we want those people?” (UK33).

Policymakers also had a clear vision of who they did *not* want the programme to attract: people who had earned their wealth through illicit means or had been involved in corruption in their country of origin. As one policymaker put it, “dodgy people, dodgy money” (UK1).

In the United States, policymakers usually said that they expected the direct benefits of the programme to come from the money rather than the people. Policymakers usually said there was no clear vision of who would be considered a desirable applicant—other than that people should meet the basic eligibility criteria. As one policymaker put it, as long as someone meets the basic admissibility requirements, such as not having a criminal background, “the characteristic of the investor is not terribly important to us” (US12). This might seem surprising given that the policy is an immigration programme, although some US policymakers also felt that investor visas were not a natural fit for an immigration department:

*“Which is it? Is it an immigration programme that has an investment characteristic to it, or is it an investor programme that has an immigration characteristic to it? I think it’s more the latter” (US12).*

A few US policymakers emphasised the individuals themselves, suggesting that the programme would ideally admit entrepreneurial migrants who would set up businesses. One, for example, described the programme as a “twofer deal” that should attract money to create jobs and admit entrepreneurial immigrants.

#### **6.1.4. Symbolic, reputational and political objectives**

In the United Kingdom, the objective mentioned most often was not the economic impact of the investments or the investors but rather the programme’s ability to send a message that the UK was “open for business”.

Two potential audiences for this message existed: domestic and international. On the one hand, some policymakers thought that the investor visa should signal to wealthy people overseas that the UK was a global hub for ideas and talent. Similarly, some were concerned that since the UK already had an investor visa policy, restricting or closing it would hurt the UK’s image. As one non-Home Office policymaker put it, “actively closing down the visa that is labelled investor—even though it didn’t necessarily support much of the investment that we might have wanted—kind of sent the wrong signal” (UK2).

Attitudes towards the investor programme’s symbolic function differed sharply between policymakers within vs beyond the Home Office. These two groups to some extent resemble the advocacy coalitions identified in the work of Jenkins-Smith & Sabatier (1994) and others, with the exception that they were firmly rooted within government departments (civil servants and politicians with ministerial roles) and there was no evidence that external



participants such as researchers or industry representatives played a significant role.<sup>30</sup>

Policymakers in the “economic departments”, such as the Treasury or Business department, valued the symbolic benefits of the Tier 1 Investor visa and its ability to position the UK as a country that was open for business. During the 2010-2015 parliament, for example, when the government implemented controversial restrictions across the immigration system, non-Home Office policymakers fought hard for some more liberal aspects of the immigration system to remain, even if the programmes in question were small.

Only some Home Office policymakers agreed that sending a positive message internationally was useful. However, several pointed to a different symbolic function of the investor programme to keep the Treasury and other domestic critics happy. During the 2010-2015 Parliament, having a relatively open policy towards investors provided a convenient counterweight to restrictions elsewhere in the immigration system. And because the numbers of investors were small, the investor route could be promoted and even increased in size without threatening progress towards the government’s high-profile commitment to reduce net migration to the “tens of thousands”. As one policymaker put it:

*“Essentially, the economic benefit was important and something that we thought about, but it’s fair to say that an important driver was that we needed a response to [other departments’] allegations or attacks that our policies would damage the economy. Investor visas provided a good line to say ‘look at this good thing that we’re doing’”.*  
(UK1)

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<sup>30</sup> The role of external interests in the UK debate on investor visas has been relatively limited, as discussed further in Chapter 9.

Public pronouncements at the time illustrate the strategic use of the investor visa in this way. Speaking in late 2010, Theresa May set out ambitions to *increase* the number of investors against the backdrop of a net migration target designed to reduce migration:

*“Let me deal with a myth that has arisen in recent months. We can reduce net migration without damaging our economy. We can increase the number of high value migrants: the entrepreneurs, the investors, the research scientists - at the same time as we reduce the total number of people coming to Britain through the economic routes. We can attract more of the brightest and the best at the same time as we reduce the overall number.” (Home Office, 2010)*

In other words, the Tier 1 Investor visa in the early 2010s was used to make a small concession in a liberal direction to distract from the overall restrictive thrust of policy and thus attempt to satisfy the conflicting demands of different constituencies. This strategy is similar to what Slaven and Boswell (2018, p1477) describe as “compensation” symbolic policies. In their schema, policymakers combine restrictive policy rhetoric and “cosmetic adjustments” to distract publics from liberal immigration policies—as they attempt to achieve the conflicting objectives of satisfying public demand for restrictions and protecting individual rights or boosting economic growth. In the Tier 1 Investor visa case, a similar dynamic was visible in the early 2010s, but in the opposite direction: cosmetic liberal policies were used to distract from genuinely restrictive practices.

In the United States, policymakers indicated that some elements of policy design—notably the job creation requirements—had symbolic or political value. However, US policymakers did not mention symbolic benefits as an overall objective of the US EB-5 programme.<sup>31</sup> When talking about the hallmarks of success or failure, US policymakers also did not tend to discuss political objectives, such as whether the programme brought the government reputational benefits or damage. This may be related to the fact that

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<sup>31</sup> When asked directly about this potential objective, some said that symbolic policy was an objective in other areas of immigration policy, but not in this one.

immigration policies are much harder to change in the United States, as they are mostly rooted in legislation, and multiple veto players make change difficult (as discussed in Chapter 9). In the United Kingdom, by contrast, the governing party can change work and residence permit policy without legislation. As a result, administrations in the UK are arguably more closely associated with long-standing, inherited policies, since they have more control over what those policies are.

Finally, the strategic use of the UK Tier 1 Investor programme to address political challenges of the day illustrates how policy objectives are not stable over time (Thelen, 2003; Weiss, 1997). All UK and US policymakers interviewed for this research had inherited investor programmes from previous administrations. US policymakers still had a clear vision of the original objectives but often also added their own interpretations of what was desirable—for example, that certain industries should or should not benefit, or in a handful of cases that the programme should attract a specific profile of entrepreneur. In the UK case, economic, social and political objectives instead appeared to be “retrofitted” to the existing policy, whose origins had faded from institutional memory. Thelen (2003) and Hacker (2004) argue that given the difficulty establishing new policies, policymakers often find it easier to adapt existing programmes to achieve new goals. This dynamic is visible in the investor programme case, particularly in the United Kingdom.

#### **6.1.5. Normative objections**

While most interviewees were happy to discuss the programmatic objectives of the EB-5 and Tier 1 investor visas in relatively pragmatic terms, some objected to the idea of investor programmes in principle. For example, some UK policymakers criticised the Tier 1 Investor programme for facilitating a two-tier system in which wealthy people could buy better treatment—the idea that there are “some people who are above the whole system” (UK33). These policymakers were reluctant to see a financial investment as a meaningful contribution that should be rewarded in the immigration system, even if there may be some economic benefits.

A US policymaker similarly criticised the fact that EB-5 applicants did not have to meet personal eligibility criteria: “if there’s no selectivity in the immigrant that is investing the money, then you’re basically treating immigrants like an ATM. And I think it’s dehumanising” (US7). Indeed, the idea that the programme should not simply be a payment for status emerged in several US interviews.

These normative objections were broadly similar to those of Shachar (2017), who criticises the commodification of immigration status and argues that selection based on human capital is more ethically defensible. Such objections could be characterised as “core beliefs” (Jenkins-Smith & Sabatier, 1994) that are not likely to be influenced by empirical evidence about the impacts of the programmes.

In summary, the empirical analysis of programme objectives in the United States and the United Kingdom shows that investor programmes can have multiple goals that vary among policymakers depending on their beliefs and priorities, and that can change over time. While the US and UK investor programmes have some conceptual similarities—both are residence-by-investment programmes requiring investments in the private sector—policymakers’ vision for what they should achieve was very different. This analysis shows that the objectives can also be more complex than some of the recent literature recognises: in particular, investor programmes can have a symbolic and political role. This role complicates efforts to evaluate the programmes purely on their ability to attract investment or valued migrants, as the next sections of this chapter will show.

## **6.2. How did US policymakers evaluate the EB-5 programme?**

When this study took place, substantial changes to the EB-5 programme resulting from the early 2022 reform legislation were still being implemented. Most interviews were conducted in the year before the reform legislation and even after the legislation was enacted, it was too early to assess the impacts of the programme in the shape it would take from 2022 onwards. This section thus focuses on policymakers’ evaluations of the programme before the changes, primarily in the 2010 to 2021 period.

US policymakers' assessments of the EB-5 programme during this period touched on all the dimensions outlined in Chapter 3, i.e. whether the programme was achieving its intended objectives and avoiding negative consequences, political perceptions of the programme, and the implementation process. This section examines each of these dimensions before examining how policymakers balanced them when coming to an overall assessment.

### **6.2.1. Programmatic success: achieving the intended (economic) impacts**

US policymakers typically emphasized the productive use of capital, and the businesses that use EB-5 funding were at the heart of their assessments of the programme.

A few US policymakers evaluated the economic outcomes of the EB-5 programme relatively favourably because it had channelled money towards projects that succeeded in creating jobs. Some pointed to studies such as a report by the Department of Commerce (2017) quantifying job creation. One felt that official estimates understated job creation because some projects created more than ten jobs. Another thought the programme's ability to provide cheap financing for construction and development projects had been economically beneficial, especially after the 2008 economic crisis when other sources of finance became harder to obtain.

However, criticism of the programme's ability to achieve its economic objectives was common. First, while policymakers usually felt that *some* EB-5 projects generated value, they were often concerned that most of the funding was not going to the projects they had envisaged, such as small businesses or infrastructure projects in less advantaged areas. Both sceptics and supporters of the programme criticised the gerrymandering of targeted employment areas (TEAs)—the practice of stringing together Census tracts for a project's proposed geographic area to inflate the average unemployment rate and thus allow investors to meet the minimum investment threshold without needing to invest in a disadvantaged area. Some felt that TEA gerrymandering had "bastardised" EB-5 and "served to give the programme a bad name" (US19).

Some policymakers felt that the programme had been taken over by real estate developers—using up limited visa slots that might otherwise have been available for smaller businesses or projects in deprived areas that were perceived to be more deserving. These policymakers argued that urban property developers did not really need the money and were simply using the programme to increase their profit margins.

Second, some US policymakers were sceptical that the job creation businesses had to demonstrate was as beneficial as the programme’s creators had assumed it would be. In particular, they were concerned that the high share of real estate developers using the programme meant that the construction jobs they relied on were inherently temporary: “once the building’s built, that’s it” (US16). They thought the programme created “gigs” rather than permanent jobs (US7). A related concern was that regional centres met the job creation requirement with statistically modelled “hypothetical jobs” (US8) that may not exist in practice; and that many jobs were created by the portion of the project’s financing that did not come from EB-5 investors.

Third, policymakers noted that it was hard to ensure compliance with the letter and spirit of the investment rules. For example, they noted that the immigration agency had struggled to ensure that investment projects were not guaranteeing repayments to applicants and that investors faced a possibility of both losses and gains, as the immigration rules required. This challenge is discussed in Chapter 7.

Policymakers who were sceptical of the economic benefits of the US EB-5 programme often evaluated direct EB-5 investments more favourably than regional centre ones. In direct investments, applicants put money into a business they typically manage themselves. These applicants make up a small minority of the total, as outlined in Chapter 5. Some policymakers noted that direct EB-5 investments would generally produce smaller businesses and businesses that were expected to continue operating long-term.

Some policymakers also favoured direct investments because individual immigrant entrepreneurs operated them. For example, one felt that regional centre applicants brought limited benefits because they were “basically just a

bunch of people with a lot of money who write a cheque and then come in, and they don't do anything" (US7). This sort of critique would be much more common in the UK, however.

### *Differences in attitudes towards the economic impacts*

Several different legislative proposals circulated in Congress from 2015 to 2022, receiving the support of different voices in the policy community. Unlike in many other policy areas, the most important political divide in the EB-5 debate was along geographical rather than partisan lines. A crucial feature shaping the politics of the US EB-5 programme was that its benefits were geographically concentrated in the areas receiving investment. Before the 2019 regulation, investment flowed primarily to real estate projects in wealthy urban areas, following investors' preferences (discussed further in Chapter 7). Because the 10,000 cap on green cards limited the overall amount of investment the EB-5 programme could attract, different areas effectively competed for the funds. Rural and disadvantaged urban areas thus struggled to attract investment.

The EB-5 debate thus pitted coalitions associated with different elected representatives in Congress against each other. On the one hand, politicians representing rural areas—including two of the principal architects of reform proposals, Patrick Leahy (D) from Vermont and Chuck Grassley (R) from Iowa—felt that the programme was not delivering on the original intention to help less prosperous areas. In particular, they saw that the gerrymandering of targeted employment areas disadvantaged rural areas. This group also put more emphasis on fraud (discussed in the next section).

On the other side of the divide, those representing wealthier urban areas argued that investments in their districts helped disadvantaged people. They argued that people from poorer urban areas routinely commuted into city centres to benefit from the jobs created there. As New York Senator Chuck Schumer said in a 2016 Senate hearing: "I don't see why a poor person in the South Bronx should be any less entitled to the benefits of this program than a poor person in Vermont, or in Iowa, or anywhere else" (Federal News

Service, 2016, Sen. Schumer’s opening remarks). This group of policymakers broadly favoured the pre-2019 status quo.

### **6.2.2. Avoiding negative consequences**

Alongside the economic impacts, the other topic that dominated policymakers’ assessments of the US EB-5 programme was fraud. Several policymakers were concerned that even if some projects were bringing economic benefits, they came at the cost of making investor applicants vulnerable to unscrupulous agents or US regional centres who misrepresented the programme or—in more serious cases—embezzled the funds.

It is not possible to quantify the extent of fraud in the US investor programme. High-profile cases likely created the perception that fraud had been more widespread than it was. Policymakers and intermediaries generally agreed that the EB-5 industry had meaningfully cleaned up its act over the past decade, as discussed further in Chapter 7. Policymakers felt that government oversight had also improved over time due to increased specialised staff and a closer partnership with the Securities and Exchange Commission, which had more power to crack down on securities fraud. Nonetheless, policymakers often did not feel that this improvement had been sufficient.

A failure of policy design exacerbated these implementation challenges: the original legislation did not give US Citizenship and Immigration Services (USCIS), the immigration agency, the ability to regulate the programme properly. For example, until the 2022 reform legislation, USCIS could not terminate regional centres that misappropriated investors’ money unless they could also show that it was failing to promote economic growth.



Some policy interviewees criticised the pre-2022 immigration rules that gave investors little recourse when things went wrong.<sup>32</sup> Several policymakers expressed sympathy with migrant victims of fraud. As one put it:

*“I think the biggest problem with our EB-5 programme in the United States is that the only people who suffer consequences when it doesn’t go right are the investors. The people who have set up the regional centres almost never get prosecuted, or held accountable for basically defrauding those folks. And the consequence to the investors is you don’t get your green card. You spent your money, you’ve invested your money and you do not get to be a permanent resident in the United States” (US25).*

Effectively, the legislation that created the US EB-5 programme had not foreseen the messy realities that policymakers would encounter in the implementation, including the risks of fraud.

This characterisation of investment migrants sharply contrasts with UK policymakers’ attitudes towards investor visa holders, who were frequently portrayed as *perpetrators* of illicit activity, not as victims—as described below. While security concerns have played some role in the US EB-5 debate, few policymakers spontaneously raised the criticism that the programme might admit people with criminal backgrounds. According to one US policymaker, people who were not very familiar with the programme would often start by asking about the risks of admitting undesirable migrants. However, those who understood the programme well did not feel this was the major problem. Politicians in Congress might ask, for example: “Well, who’s coming into the country? Who are these people?’ But really my concern was more on the United States side and the fraud that was taking place” (US19).

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<sup>32</sup> The 2022 Act addresses *some* of these problems. It specifies that people who invest with regional centres that are subsequently debarred can affiliate with a new regional centre without losing their place in the visa queue. However, it remains the case that investors who lose their money due to fraud and as a result do not create the required jobs would need to make additional investments in order to secure their status.

One potential reason for this difference is that in the US case, fraud against investors has occupied the limelight, displacing discussion that might otherwise have taken place about investors' backgrounds. By contrast, the UK immigration rules protected migrant investors and minimised the risk of fraud against them by encouraging them to invest via regulated institutions in listed securities.

### **6.2.3. Political implications of the US EB-5 programme**

By the 2010s, the US EB-5 programme brought political benefits but also political costs. The costs derived from the poor reputation of the programme, particularly as the decade progressed. In a 2011 EB-5 hearing at the Senate Judiciary Committee, the word "fraud" had appeared only twice in the entire hearing, and politicians' discussions focused on the economics of the programme and its attractiveness to investors (Federal News Service, 2011). However, the narrative shifted over time and in a 2018 Senate Judiciary hearing, the word "fraud" or its derivatives appeared more than 40 times and was the major focus of debate (CQ Transcriptions, 2018).

However, there were still some political benefits, particularly at the local level in districts where businesses used the EB-5 programme. Politicians thus faced a tension between different political objectives. On the one hand, their overall assessment of the programme's merits was often relatively negative and many would prefer not to talk about immigration at all. On the other hand, the local benefits of EB-5 money flowing to their districts could be significant. As one policymaker put it:

*"This is a programme where collectively, Congress hates it. Individually, everybody in Congress loves it. They will speak out against it until there's somewhere in their backyard and then they will enquire and, you know, do what they can to [...] support that investment" (US12).*

The mind-boggling complexity of the EB-5 programme also shaped its politics. The combination of complexity and relatively low visibility facilitated what Gormley (1986) calls "boardroom politics". He describes this kind of political debate as follows:

*“When issues are highly complex and not very salient, conditions are ripe for policymaking by a power elite. The public is virtually excluded from the policymaking process, because the issues are too obscure and too abstruse. Journalists have few incentives to provide in-depth coverage. As a result, media coverage is meager and poor in quality. A few politicians—members of key legislative subcommittees—may take an active interest in these issues. However, it will be difficult for them to persuade their colleagues to engage in significant collective action” (Gormley, 1986, p606).*

While the volume of EB-5 media coverage was lower than for other topics, such as irregular migration,<sup>33</sup> it occasionally occurred in high-profile outlets such as the New York Times (e.g. Nixon, 2016; Hernandez, 2017; New York Times Editorial Board, 2017). Some interviewees said that the media had played an important role in highlighting integrity problems in the EB-5 programme and increasing policymakers’ motivation to oversee it more carefully or introduce integrity legislation. The rest of Gormley’s description fits the EB-5 case quite well, however. In particular, few policymakers engaged closely in debates about the EB-5 programme, and it was hard to get new people involved. As one policymaker put it: “if it’s going to take you 45 minutes to actually explain what the problem is, you can’t do the elevator speech on that point” (US7). The key negotiations took place behind closed doors between members of Congressional leadership, as well as the EB-5 industry, as described further in Chapter 9.

In summary, US policymakers did not portray the EB-5 programme as a particular vote winner. However, businesses had a strong interest in the programme and interviewees portrayed their role as quite influential. As a result, politicians faced a trade-off between competing political objectives, namely supporting local businesses and avoiding the blame that could come with supporting a controversial programme.

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<sup>33</sup> By way of anecdotal illustration, a Nexis search identifies 2,564 New York Times news stories from 2010-2019 inclusive including the term “illegal immigration” and only 108 using the term “EB-5”. These figures include all news items including duplicated stories and letters.

#### 6.2.4. Process success

Policymakers evaluating the US EB-5 programme primarily focused on whether the programme was achieving its intended objectives. However, some also criticised what McConnell (2010) describes as the “process” dimension of policy. Interviewees did not express opinions about the process through which the policy was conceived more than 30 years previously. Several critiqued the way it had subsequently developed and its day-to-day implementation, however. This criticism took three forms.

First, some felt that business interests had overly influenced policy debates about the development of the US EB-5 programme, including lobbyists’ role in blocking policy changes from 2015 to 2021. For example, one argued that “because EB-5 comes with a lot of money behind it, senators and congressmen, they do listen to them and they do their bidding” (US24). These reform efforts are discussed in more detail in Chapter 9.

Second, some policymakers criticised business attempts to influence the programme’s day-to-day implementation, putting pressure on the immigration agency to approve cases or speed up decision-making even if this might mean lower-quality decisions. In particular, some argued that the amounts of money involved in the US EB-5 programme—especially in large projects which had pooled together money from many investors—by its nature invited attempts to influence implementation because the people involved were wealthy and connected. One illustration of this pressure emerged due to an investigation by the Department of Homeland Security’s Office of the Inspector General (OIG, 2015). The investigation found that the Director of USCIS, the immigration agency, had created “an appearance of favoritism and special access” (ibid, p2) by intervening in individual cases of influential applicants, including those with political connections.

One policymaker from the executive branch wearily summarized their view as follows:

*“I think deep down on the Hill they know this programme doesn’t work the way it’s supposed to work, but they’re not going to speak out against it because the people who use the programme tend to be very politically connected. They tend to be donors for political races, and so I think they’re kind of caught in between their supporters and the fact that they know this programme has issues.” (US25)*

That said, a few policymakers explicitly praised the policy process that generated reforms in 2019. They cited the 2019 regulation as an example of bipartisan rule-making that had generated a reasonable degree of consensus, even if some voices in the political community strongly opposed it.

Finally, the process-related concern that surfaced most often in the fieldwork for this research came primarily from private-sector practitioners rather than policymakers. Practitioners painted a picture of an unresponsive immigration agency that lacked the will to address operational problems such as long processing times that imposed costs on applicants and industry. They said that applicants and their lawyers found it difficult to obtain information about the status of their applications, that the immigration agency did not communicate well with stakeholders about planned changes and new guidance, and that rules were non-transparent or poorly elaborated. Several suggested that this was particularly the case under the Trump administration.

By contrast, few US policymakers spontaneously raised EB-5 waiting times as an important problem. Policymakers were of course aware of the long waiting times when asked about them, and one described USCIS processing times as “outrageous” (US24), but this type of process criticism remained much more salient outside of government than within. This dynamic also appeared in the United Kingdom, and I discuss its implications in more detail in section 6.3.4.

### 6.2.5. Overall costs and benefits: should the programme continue?

Overall, US policymakers had differing views about whether the programme should continue to exist. Note that many interviewees held roles in the executive in which they would have had effectively no influence over whether the programme continued, which is a question for Congress. Their views thus tell us about how knowledgeable policymakers familiar with the policy perceived its net benefits; they do not indicate real momentum towards closing or retaining the programme. By contrast, UK civil servants' views on closing the programme have more force, as discussed below, since officials would routinely make policy recommendations to senior politicians with the power to act on them.

Some US policymakers thought the EB-5 programme was relatively successful despite its failings. For example, one summarized their position:

*"I mean it's not without its issues, but yes. I think that if the goal was to create jobs and to, to generate economic activity, I think it has done that" (US12)*

The local economic benefits of the US EB-5 programme were the main factor that supportive Congresspeople cited in congressional debates about its future. While policymakers who assessed the programme relatively positively also identified problems, they tended to argue that those problems were fixable.

By contrast, some policymakers felt that while the idea of the investor programme had been attractive, the implementation turned out to be too difficult and that problems with the policy could not be fixed:

*"[The idea of using the immigration system to drive job creation] was the selling point, that was the basic idea and you know in the abstract it's hard to argue with that. The difficulty is in setting up something that really accomplishes that. [...] Some of the investments I'm sure have had some sustaining impact, but overall there's such a range of complaints and questionable dealings that it seems to me that we*

*should leave investments to be decided on their economic merits and decide on the people who are coming in on other grounds” (US10)*

Others felt that the government should *either* address the problems or close the programme—in other words, it was “better to be shut down than continue with the status quo” (US8). Generally, fraud risks emerged as the main reason to close the programme down.<sup>34</sup> As one policymaker suggested:

*“I’d shut it down. If they can’t make it work in a way that has some enforcement attached to it, to make it work the way it’s supposed to work, then yeah, I would shut it down” (US25).*

Within the executive branch, policymakers who had been closest to the coalface of programme implementation were sometimes more positive about the policy. Policymakers who dealt with the US EB-5 programme as part of a larger portfolio of work were often quite negative. Because of the relatively small sample size, it is not possible to conclude confidently that distance from implementation is an important factor affecting policymakers’ views on the EB-5 programme. However, one policymaker suggested that people who were more distant from the programme may have more negative views because they came into contact with only it when there was a problem to be fixed—for example, during litigation or when complaints escalated within the agency. For these policymakers, problems may thus have been more visible than benefits.

In summary, policymakers evaluated the different dimensions of success and failure in distinct ways. Most thought that at least some projects achieved the desired economic objectives, even if a substantial share was not particularly beneficial. These benefits came at the cost of some negative consequences: all policy interviewees expressed at least some degree of concern about the difficulties regulating the programme and preventing fraud. The political

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<sup>34</sup> One policy interviewee cited another implicit cost of the EB-5 programme, which is that it ‘used up’ visa numbers that were thus not available to other categories facing green card backlogs: “Our politics tolerates a certain volume of green cards and we’re wasting them on a programme that’s not doing what it’s intended to do” (US5). However this was not the main criticism of the programme.

benefits of the EB-5 programme were also mixed, with a trade-off between the benefits of supporting local economic development projects and supporting a programme that brought risks of negative publicity. The process dimension of success was not the most salient to policymakers, although some criticised the role of industry voices in policy development and implementation. However, non-government practitioners were greatly concerned about the transparency of the process, with a widespread perception that the immigration agency simply did not care whether the programme functioned efficiently or not.

Consistent with McConnell (2010), the analysis shows that assessments of success varies substantially depending on which dimension we examine and that the salience of different dimensions of success varies within and beyond the policy community.

### **6.3. How did UK policymakers evaluate the Tier 1 Investor visa?**

In the United Kingdom, policymakers' assessments of the Tier 1 investor programme similarly focused on multiple dimensions and often varied depending on the type of success at stake.

#### **6.3.1. Achieving the intended economic objectives**

While some UK policymakers supported the Tier 1 Investor visa and felt it was useful or necessary for it to exist, including for symbolic reasons, only a small number argued that it was economically beneficial.

Policymakers' views on the economics of the programme changed over time, however. Before the Migration Advisory Committee (MAC) report in 2014, the economics of the investor programme did not receive much scrutiny, and policymakers appear to have assumed that it was performing well economically.<sup>35</sup> In 2014, the MAC argued in its well-publicised report that

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<sup>35</sup> Note that the author is a member of the Migration Advisory Committee, but only since 2016 and thus was not involved in the report on the Tier 1 Investor Visa.



neither the investments nor the investors appear to be bringing large economic benefits.

Some UK policymakers described the MAC (2014) evaluation as a turning point when it became clear that the investment was less beneficial than policymakers had assumed. Few thought that the policy change in 2019, preventing applicants from buying government bonds and pushing them towards shares in listed companies, meant the route was generating more economic value. Some were sceptical that any policy design would have an appreciable economic impact, given the relatively small scale of an investor programme. As one policymaker put it, the investments “aren’t a) big enough and b) don’t go to the right places to make it count” (UK9).

Regarding the impacts of the migrants themselves, several policymakers said they suspected the programme was failing to attract the applicants they had hoped. For example, one UK policymaker said that while “in an ideal world” (UK30) the programme would admit active business people who planned to bring parts of their company’s operations to the UK, that was not how they saw it being used in practice.

Some were sceptical that the programme would ever attract the types of applicants they wanted. One, for example, suggested that the typical vision of the entrepreneurial “go-getter” was a mirage:

*“It’s kind of a received wisdom in the Home Office that people in other government departments, BEIS, Treasury, FCDO, give the impression that there’s this huge pool of rich, interesting, economically stimulating people out there that the UK needs to attract, and that we’re in this “global war for talent”. But when you actually try and find these people, they just vanish up in smoke.”* (UK20)

The negative assessment of the benefits of the investment itself is thus well aligned with the available theory and evidence. The change in the economic narrative about the programme over time thus represents a case of policy learning (Weible et al., 2010), particularly at the meso or organisational level within the Home Office (Moyson et al., 2017).

Policymakers' concerns about the limited economic benefits varied, however. Particularly outside of the Home Office, some were relaxed about the idea that the benefits were small, so long as they were not negative. They were often happy to see a programme with small but positive benefits from wealthy individuals' day-to-day spending.

### 6.3.2. Avoiding negative consequences

The most common critique of the Tier 1 Investor visa was not about the economic benefit but an unintended consequence. Policymakers frequently voiced concern that the programme attracted people who were “not exactly wholesome” (UK9). Policymakers' main concern was about the primary breadwinners in investor migrant families, even if they were the dependent in the visa application rather than the main applicant.

Home Office policymakers in particular argued that the route was a magnet for people bringing illegitimate wealth to the UK. As one put it:

*“The people who actually come, in our experience, are the kinds of people that many government ministers wouldn't want to be associated with particularly, unless you're Peter Mandelson or somebody.” (UK20).<sup>36</sup>*

Concerns about applicants' backgrounds have also been shared by think tanks and NGOs (e.g. Hawley et al., 2021; Heathershaw et al., 2021), although there is very little information in the public domain to assess the scale of the problem. Policy interviewees for this project did not go into great detail about the basis for their concerns, which is naturally quite sensitive, but indicated that it came from operational information, including individual case reports and law enforcement activity. Again, there was a process of learning over time. In the early 2010s, the programme was small and attracted few

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<sup>36</sup> Peter Mandelson is a wealthy UK politician who has been associated with various scandals involving connections with wealthy business people. For example, in 2001, he resigned from a ministerial role following an incident sometimes referred to as the ‘cash for passports’ scandal, in which one of the Hinduja brothers—wealthy businessmen from India—was alleged to have had his passport application expedited around the same time that he made a large donation to a government-sponsored project.

applicants. As numbers increased, policymakers said they had learned more about who was using the programme and became more concerned.

Perhaps surprisingly, some private-sector intermediaries interviewed for this research shared these concerns about the backgrounds of applicants, some of whom were their clients. One wealth manager who had been involved in conducting due diligence checks, for example, said that “You could go back over a bunch of these people who’ve got ILR [*indefinite leave to remain*] and I would probably say that at least 20% are full-on crooks by anyone’s standards” (UK13).

Some policymakers were more confident than others in the government’s power to address these concerns. Some felt that the small numbers using the route made it possible to oversee the programme closely and that the “risk was manageable” (UK25). At least since the rule change in 2015 that required an open bank account to make an application, some felt that the situation had greatly improved and that banks and wealth managers who conduct due diligence checks were strongly motivated by the legal framework to do a thorough job.<sup>37</sup> On the other hand, some felt that due diligence procedures still needed to be improved—for example, by requiring independent audits of applicants’ wealth.

Some policymakers felt that the risks of admitting bad actors were effectively inherent to any route that attracts wealthy individuals from countries not known for the rule of law, such as Russia and China. In other words, they portrayed the problem of bad actors coming through the route not as an implementation issue but as an inherent drawback of a category that admits wealthy people.

Finally, UK policymakers did not agree about whether it was a *problem* to admit people who were not “bad actors” but did not fit the vision of the go-

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<sup>37</sup> Respondents broadly confirmed the narrative from the Transparency International (2015) report, which argued that before 2015 banks had been allowing investor visa holders to open accounts without conducting enhanced checks, because they assumed that the fact they had been issued a visa meant “that the Home Office thinks that you are an upstanding member of the community” (UK1).

getting entrepreneur they had envisaged—such as non-working women seeing their children through private schools. From an economic perspective, the costs of having these people in the country were likely to be limited since they were unlikely to draw on public resources. Some policymakers were comfortable admitting these wealthy individuals, while others suggested they might have negative social consequences, such as increasing visible inequalities. Overall, however, UK policy interviewees did not paint a consistent picture of how important it was to *prevent* people who did not fit the original vision of the go-getting entrepreneur from participating in the programme.

### 6.3.3. Political implications

For some UK policymakers, one of the main benefits of keeping the Tier 1 Investor category in place was political benefits, as outlined earlier in this chapter. Some felt that symbolism was really the *only* benefit of the programme.

However, the ability to reap political benefits by using the investor programme to show that the UK was selecting “high-value” migrants and was open for business relied on a particular framing of the investor programme. It relied on a narrative that the investors were the types of people that policymakers envisaged when discussing who they wanted the programme to attract, namely “go-getting” entrepreneurs and successful business people.

In the early 2010s, a narrative about the economic benefits of investor visa holders was shared across the political spectrum. For example, the Home Affairs Committee, chaired by an opposition Labour MP with a strong interest in criticising government policy, noted: “We are pleased that the Government is planning not only to protect the migrant route for investors and entrepreneurs, but also to encourage high net worth individuals to come to the UK to drive economic growth” (HAC, 2010, para. 13). In other words, it is fair to say that the investor programme was politically successful at the beginning of the 2010s.

But as in other policy areas (Baumgartner & Jones, 1993; Benford & Snow, 2000), other lenses shone a less positive light on the programme. A competing narrative started to emerge during the first half of the decade, portraying investor migrants as shady kleptocrats. As one policymaker put it, the programme could signal that the UK is open for business; but it was also “partly signalling letting lots of rich people in who may have got their money through slightly nefarious means” (UK2).

The security-focused, negative narrative arguably resonated more than the economic one (Benford & Snow, 2000). On the one hand, the positive economic frame was technocratic—i.e. it relied in part on the idea that attracting foreign direct investment would have trickle-down benefits—and lacked immediacy to the public. The economic benefits felt intangible, not least because politicians could not point to specific businesses or amenities that had resulted from the investor programme. On the other hand, the negative, security-focused lens was more immediate and human. Examples of money launderers or embezzlers who were believed to hold investor visas cast doubt on the programme’s clientele. As one policymaker put it, framing the investor visa in a positive light was a challenge because: there was “this constant thing nagging at the back of everyone’s brain: it’s going to be the cronies, it’s going to be the Russian mafioso” (UK7).

During the 2010s, the perception that the investor programme was a reputational liability grew, at least among Home Office policymakers. External developments played a role in this change. In 2013, Malta announced plans to sell its citizenship. Debates about “golden visas” in other EU countries attracted media interest in the UK. According to one civil servant, this trend contributed to a more sceptical view about the investor route within the Home Office, which did not want to be associated with controversial policies in other countries. Around the same time, David Cameron led a prominent anti-corruption summit in early 2016, which some policymakers said contributed to greater scepticism about the value of an investor route.

As Kolbe (2020) finds in the German context, highly skilled immigration is expected to be uncontroversial when viewed through an economic lens but can be less politically acceptable if it becomes associated with a more controversial policy area. A similar shift occurred with the Tier 1 Investor visa in the mid-2010s, as it became associated with financial crime. In the words of one policymaker, “the mood changed and it all became much more sceptical about this kind of route” (UK20). As Weiss (1997) and Baumgartner and Jones (1993) show, policymakers do not control the dominant narratives about the policies they pursue, and framing is not necessarily stable over time. The investor programme in the UK illustrates this clearly.

The political benefits of the investor programme were also limited by the fact that many politicians preferred not to talk too much about immigration at all. For example, one policymaker argued that a politically successful immigration programme was one that kept a low profile and didn’t cause too much trouble. “If you got immigration off the grid”—the “grid” being the government’s media schedule—“it was regarded as a triumph” (UK27).

Finally, a shift in *other* immigration policies shaped the political value of the Tier 1 Investor category. In the early 2010s, immigration policy was becoming more restrictive across the board, and the investor programme was a small concession in a more liberal direction. Later in the decade, after Boris Johnson became Prime Minister, the target to reduce net migration had been dropped, and economic migration policies had become more liberal. The more liberal policy environment created room for *different* ways of signalling that UK immigration policy was bringing in the “brightest and best”, such as the Global Talent visa designed to admit people with high-level skills in science and the arts. Indeed, one interviewee noted that the Home Office had turned its attention away from the investor visa to Global Talent and described it as “more of a flagship” (UK20).

This points to a potential feature of symbolic policies that warrants further investigation in other settings: if the value of a policy is what it signals rather than what it does, it may be easier to substitute it with something else that signals the same thing. That is, the actual mechanics of the policy become less important, and policies can change without requiring policymakers to change

their underlying beliefs. Symbolic policies should—at least in principle—be fungible. This does not mean that symbolic policies are *easy* to eliminate, as the long-standing wrangles over the Tier 1 Investor programme illustrate (see Chapter 9). If symbolic policies develop constituents—for example, if people genuinely benefit from them—the same barriers to policy termination may emerge that apply to any other policy. That said, the relatively lower importance of symbolic policies’ substantive function should at least in theory make them easier to abandon.

#### 6.3.4. Process success

Similar to the US case, the fact that the Tier 1 Investor programme had existed for two decades by the time debates in the 2010s took place meant that the initial process of policy development and introduction was no longer particularly salient in policymakers’ assessments of success.

Some policy interviewees noted that senior politicians would be (often reluctantly) drawn into decisions on individual applicants because of pressure to make the right call about very high-profile people. However, this was generally an incidental concern rather than one that fundamentally affected their perception of programme success.

As in the United States, the main process-related criticisms came not from policymakers but from industry professionals. Practitioners often expressed frustration that the Home Office rarely consulted industry, whether to explain rule changes or to seek stakeholders’ views about future reforms.

This difference in the salience of process to policymakers and practitioners again illustrates how perceptions of success depend on respondents’ professional roles. It also raises the question of whether the process dimension of success is *commonly* of more interest outside of government than within. McConnell (2010) notes that policymakers have an interest in a successful policy development process because if a policy fails to gain a sustainable coalition of supporters, it may be reversed or never be properly implemented. However, some of the consequences of potential process failures may fall most heavily on programme beneficiaries and participants—

for example, if insufficient consultation leads to flaws in the policy design or if the day-to-day implementation process is inefficient. This aspect of process success warrants further research in other settings.

### 6.3.5. Overall costs and benefits

Policymakers' overall evaluations of the Tier 1 investor programme became more negative over time, particularly in the Home Office. When the present study took place in 2021-2022, some policymakers still believed that policy tweaks could make the economic benefits more positive. However, potential positives had to be balanced against increasing concerns about risks. As one policymaker put it:

*"[The investor programme] is seen as being beneficial to the economy, it is seen as being a helpful thing to do to get people to come and invest their lovely money in the UK. [...]. But it is tempered with concerns about the continual drip feed of media stories around golden visas, look who we've let in now, people from dodgy bits of the old Soviet Union pouring money in or Saudi Arabian families with a history of human rights concerns or whatever it is. Trying to find the right balance in that route is quite a difficult one."* (UK12)

The perceived risks were both programmatic and political. Policymakers were concerned about the substantive negative consequences of admitting people with criminal backgrounds and the reputational damage this could cause. A shift in the dominant narratives about the programme—from an economic to a security lens—undermined the political benefits that had been one of the programme's main benefits to policymakers in the early 2010s. The shift in attitudes thus resulted both from policy learning and external developments that had shifted narratives about investor programmes in Europe more widely and increased the salience of the anti-money laundering agenda.



*Differences in policymakers' assessments of the Tier 1 Investor programme*

Policymakers across government consistently recognised that the Treasury and other non-Home Office departments were the main proponents of the investor route, while the Home Office took a more sceptical stance. In particular, Home Office policymakers were more likely to feel that the integrity risks were not worth the relatively small economic benefits.

Interviewees attributed these differences in opinion to differences in beliefs and attitudes that resulted from operational experience, culture and mission of people in these different venues. This is consistent with the public policy literature showing that policymakers in different roles have different priorities and interests (Wilson, 1989; Baumgartner & Jones, 1993). The UK's economic departments were naturally focused on—and held accountable for—increasing growth and economic activity and felt that attracting “high-value” people was a way to achieve this. As the operational department responsible for implementing the policy, the Home Office focused more on security objectives and was more sensitive to the non-economic negatives. In the words of one Home Office policymaker, the department did not “have the luxury of being only concerned about the economic benefits” (UK21).

Home Office policymakers were also sensitive to the fact that they would be the department that faced the blame if something went wrong. For example, one Home Office policymaker felt that immigration routes were often “grotesquely abused” and that they would spend their time “picking up the pieces of that abuse and being blamed for abuse that happened [...] while listening to people saying ‘oh we need investor visas, we need people to invest a million quid’” (UK27). Consistent with Weaver's (1986) argument that politicians are often more concerned about avoiding blame than claiming credit, conversations with policymakers suggested that the risks of investor visas were more salient than the potential (and often intangible) benefits.

Second, some policymakers pointed to cultural differences and operational experience that shaped the policy instincts of people in different departments. For example, one non-Home Office policymaker suggested that the Home Office's experience dealing with security and crime issues

encouraged policymakers to focus more on the negative aspects of human nature. A Home Office policymaker essentially agreed with this characterisation, suggesting that it was borne of experience repeatedly dealing with applicants who were attempting to abuse the system: “People don’t tell you the truth. And it made me incredibly cynical” (UK27).

Interviewees inside and outside the Home Office characterised the economic departments as more favourable towards population growth. So long as there was no negative impact from an immigration programme, Treasury policymakers were generally comfortable with substantial population growth. After all, the Treasury was accountable for economic growth, and high levels of net migration made this easier to achieve.

Meanwhile, Home Office policymakers complained about the rest of government’s constant demands for exemptions from immigration restrictions. One Home Office policymaker argued that even where cabinet members said that in the abstract they supported following through on commitments to reducing migration, “most of Whitehall is actually set up to demand and want more” (UK16). As soon as other departments had plans that relied partly on migration—such as the Department of Health with its heavy reliance on foreign doctors and nurses—they would push for loopholes. The Home Office was “very wary of creating exemptions or loopholes or special categories of visa just to serve specific interest groups, however, because it creates a precedent for other groups to ask for similar exemptions or similar levels of support” (UK25). As a result, policy interviewees characterised the Home Office as a department whose default position was to be more restrictive. As one Home Office policymaker put it:

*“The reality is that from a Home Office perspective, you were always looking for reasons to say no. And other government departments were always looking for reasons to say yes.” (UK27)*

Policymakers’ accounts suggest that the different departments’ stance was largely a result of their different missions, priorities and operational experience. Consistent with Wilson’s (1989) account of agency organisational culture, a strong mission and culture can help get things done but comes at

the cost of selective attention and reluctance to invest resources in tasks that are not central to the mission—as investor visas for the Home Office were not. The difference between departments also seemed to stem from their different objectives. Outside of the Home Office, policymakers attached more value to the symbolic benefits of the Investor Visa and its ability to demonstrate the UK was open for business. These benefits did not necessarily depend on the programme bringing substantial economic impacts—it may be enough for the policy to exist.

As a result, one Home Office policymaker suggested that they were effectively “implementing something that someone else wanted, and trying to do it in a way that wouldn’t be abused” (UK16). As the 2010s progressed, Home Office policymakers became keen to close the programme entirely. Indeed, they attempted to do so in 2018 and finally succeeded in early 2022. It took longer for policymakers in other government departments to come around to the idea of closing the programme. Chapter 9 discusses in more detail the factors that changed to make this agreement possible. One of the key factors was the promise that some kind of route for investors would remain as part of an expansion of the existing “Innovator” visa, which caters to entrepreneurs, among others. The replacement was not an investor visa in the traditional sense. Nonetheless, it enabled what one policymaker described as an “orchestrated shift” (UK2) that mitigated the negative signalling effect of closing down an investor visa. This illustrates the possibility that symbolic policies are substitutable, as I argued in section 6.3.3.

## **6.4. Conclusion**

This chapter has provided an in-depth look at the objectives of two investor visa programmes in high-income immigration destinations. Much of the detail is specific to the two case-study countries. For example, assessments of the policy's role depended on the wider policy contexts in which policymakers formed their objectives (such as the UK's net migration target, which shaped the political value of the Tier 1 Investor programme during its period of expansion in the early 2010s). Policy impacts also depended on specifics of policy implementation in each country (e.g. the sprawling landscape of US EB-5 regional centres, which have shaped both the positive and negative outcomes of that programme). However, some of the conclusions from the analysis are likely to apply more generally to residence by investment in other countries.

### **6.4.1. Objectives and the perceived value of investor programmes**

Discussions of investor programmes often imply that they are the ultimate economic policy tool (Shachar, 2017; Scherrer & Thirion, 2018; Surak & Tsuzuki, 2021; Tanasoca, 2016), implemented strategically to achieve economic objectives. The US case broadly fits this model: policymakers had clear economic objectives and a theory of change based on the impacts of attracting applicants' capital. The UK case does not, however.

First, UK policymakers' goals were less clear and less consistent across policymakers than in the United States. Objectives often appeared to emerge retrospectively to explain a policy that already existed. The idea that policymakers in some countries might not have a clear sense of what investor programmes are for tends not to feature in research on the topic (but see Gamlen et al., 2019). However, it is consistent with the broader public policy literature suggesting that policymakers operate under many constraints that prevent them from making strategic decisions based on a complete analysis of the options (Richardson & Jordan, 1985; Simon, 1976). Without presuming to make claims about countries this research has not examined empirically, the notion that policymakers have not always thought through what investor

programmes are for is a plausible explanation for some elements of policy design in some other countries. This includes, for example, countries offering qualifying investments with no obvious economic benefits, such as investments in government bonds or bank deposits.<sup>38</sup>

Second, the UK case illustrates that political and symbolic objectives can be equally or more important than the economic impacts of investor programmes. This dimension of investor programmes has been underexplored. An exception is David Ley's (2003, p428) analysis of the Canadian Business Immigration programme, which shows that Canadian policymakers turned a blind eye to the programme's failure to deliver concrete benefits because they wanted to believe the "convenient fiction" that Canada was harnessing globalisation to its advantage. The UK case is consistent with Ley's narrative, although the use of the investor category for symbolic and political benefits was arguably more strategic and deliberate. Even once it had become clear that the economic benefits of the Tier 1 Investor route were likely to be relatively small, policymakers in some parts of government still valued the programme for its signalling function.

#### **6.4.2. The nature of symbolic immigration policies**

The UK case also enables some broader observations about the nature of symbolic immigration policies. As noted in section 6.3.3, UK policymakers made slightly different use of the investor programme as a symbolic policy compared to the cases discussed in previous research. Instead of using tough-looking policies to compensate for the government's inability to bring about meaningful reductions in immigration (Slaven & Boswell, 2018), UK policymakers used liberal-looking policies to soften the hard edges of an otherwise quite restrictive immigration policy mix during the 2010-2015 Parliament.

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<sup>38</sup> As the next chapters discuss, a competing explanation for non-productive investment options may simply be that policymakers expect the benefits to come from the people rather than the investment. This still raises the question why the investment exists at all, unless it is for symbolic purposes.

Past studies examining symbolic migration policies have examined relatively high-salience topics such as numerical limits (Boswell, 2018), irregular migration (Slaven & Boswell, 2018) or asylum (Merli, 2020). In these cases, the pressure for symbolic policies is partly driven by that salience, combined with policymakers' inability to deliver what the public wants. Policymakers thus square the circle by announcing policies that are easy to communicate and look like they might solve a problem, even if they will not. The UK investor programme case is slightly different because it was not a high-visibility policy. It thus illustrates the scope for low-salience policies to be used for symbolic purposes if they can be linked to higher-salience policy areas (in the UK case, the crackdown on overall migration) (see also Kolbe, 2020).

The analysis also suggests that because the value of symbolic policies is what they signal rather than what socio-economic outcomes they produce, symbolic policies with comparable messages may be relatively easily substitutable. First, if policies with a primarily symbolic objective become politically inconvenient for one reason or another, their main rationale may evaporate more quickly. UK policymakers used the Tier 1 Investor programme in the early 2010s to counter criticisms from colleagues that the government was too restrictive on immigration. But when dominant narratives about the programme shifted to a more negative, security-focused lens, there was less incentive to persist with the policy, defend or improve it. Instead, Home Office policymakers shifted their attention to other vehicles for the positive message about the UK's ability to admit the "best and brightest" (such as the Global Talent category); and policymakers outside of the Home Office were willing to see the programme close as long as an investment-related alternative could be announced at the same time.

Second, when symbolic policies are used in what Slaven and Boswell (2018) call a "compensation" strategy—i.e. to compensate for what is going on elsewhere in immigration—their value to policymakers will vary depending on that external environment. In the UK case, a signal of being open for business was more useful in the early 2010s, when the UK immigration system was arguably not particularly open for business. When the thrust of

policy towards skilled migration became more liberal around the end of the decade, the liberal message the investor visa had once sent was less useful.

### **6.4.3. The nature of success in investor programmes**

The analysis in this chapter illustrates that success in public policies is multidimensional, and success in one dimension does not guarantee success in another (McConnell, 2010). The existence of different dimensions of success will mean people come to different conclusions, depending on what they prioritise. In the United States, for example, policymakers had mixed views about whether the programme had achieved its objective of stimulating additional investment, which depended in part on how strongly they prioritised the goal of channelling investment to disadvantaged areas.

The multiple dimensions of success also raise the bar for success because there are several ways in which policies can fail. This chapter has outlined some of the key vulnerabilities that threaten the success of investor programmes. It is not comprehensive, as other models exist that are not covered here—such as investor programmes that accept non-refundable payments instead of donations. However, some general observations about the gap between policymakers' vision and the reality of the programmes are likely to apply more broadly.

Policymakers had an apparently simple vision that the programmes would stimulate additional investment or admit dynamic and entrepreneurial people. Trying to achieve those objectives was messier and more complex than policymakers expected, producing unexpected negative consequences. The reasons for this are discussed in more detail in Chapters 7 and 8 and include the difficulty regulating individual and business behaviour when their incentives were not well aligned with policymakers' goals. From this chapter's analysis, it is already clear that policymakers in both countries were on a long-term learning curve, especially after the expansion of the programmes in the early 2010s. During this period, the complex reality of how the programmes would be used became more obvious. In particular, US policymakers designing the programme had not anticipated the difficulties in regulating a sprawling complex of regional centres and did not equip the

immigration agency with the tools it needed. UK policymakers had not anticipated the difficulties of weeding out applicants with questionable sources of funds and only introduced meaningful procedures to do so several years into the programme's expansion.

Other threats to the programme's perceived success came from the implementation process, which McConnell (2010) usefully identifies as a separate dimension from political and programmatic impacts. McConnell's definition of process success focuses on programmes' inception. It includes factors such as building a sustainable coalition of supporters to ensure the policy remains in place. This chapter adopts a broader definition, which includes day-to-day implementation. This broader definition captures concerns about the transparency of the adjudication process and the risks that wealthy and politically connected individuals put pressure on decision-makers to approve their applications, as well as whether policy changes and rules are communicated effectively to professionals involved with the programme. The broader definition is arguably more useful when studying inherited policies, where the original policy development process has receded into distant memory but where day-to-day implementation decisions have an impact. This study finds that process concern emerged as a distinct concern among policymakers but was most salient outside of government, among practitioners involved in the programmes. The US and UK investor visa cases thus confirm the utility of including process as a separate dimension.

Finally, the research shows that the perceived value of investor programmes largely comes down to how one balances the different dimensions of success analysed. Some policymakers put more weight on negative consequences such as fraud or security risks, and they tended to be willing to see the programme shut down. The roles different policymakers held within government were a crucial factor shaping these views. In the United States, divisions emerged among elected politicians, depending on the geographic areas they represented. This geographic division did not exist in the UK because elected politicians had limited involvement in decision-making and the benefits of the programme were not geographically concentrated.



In the UK, disagreements emerged between government departments with different missions and cultures.

Given that this research only covers two countries, it is difficult to generalise further about how policymaking venues and roles affect beliefs and policy preferences. Further research examining more countries could help unpick such trends in more detail. For example, it would be useful to understand how policymakers' perceptions of programmatic and political success depend on the authority of different types of decision-makers (e.g. politicians vs civil servants) and where responsibility in government lies (e.g. interior ministries vs economic departments).

## Chapter 7: Challenges Designing Qualifying Investments

This chapter and the one that follows examine whether some policy design choices are more likely to lead to successful outcomes in investor visa programmes than others. For example, are some models better able to achieve economic objectives? Are some more susceptible to unintended or negative consequences? Are some policy options more politically beneficial or easier to manage transparently?

The qualifying investment is one of the main differences between the US and UK case studies. Both countries required investment into private-sector companies and were decentralised, i.e. they allowed applicants to choose any investment that complied with general criteria set by the immigration rules. However, the design details were very different.

Until the UK Tier 1 investor programme closed in early 2022, applicants could invest in any UK-registered private company, subject to minor restrictions such as a requirement that the company have employees based in the UK and not be principally engaged in property investment. Applicants could buy shares of listed companies on the secondary market. The UK model made effectively no effort to ensure that qualifying investments stimulated new economic activity or to push them towards high-risk investments that might not otherwise have had access to funds. It was thus a relatively light-touch policy design with relatively few regulations on the investment—the most important restriction being that applicants could not invest in residential property as they can in some other popular investor programmes, such as the Portuguese one. By contrast, the US EB-5 programme developed extremely detailed rules over the years to encourage investments that would generate new economic activity. Applicants must invest in projects where their money will be “at risk” and where they can demonstrate that the investment will generate at least ten jobs.<sup>39</sup> Dozens of pages of regulations and guidance

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<sup>39</sup> Most investments do not have to demonstrate that they actually did generate jobs, just that based on economic models, the expenditures made would be expected to have generated them.

specify how the investment should be made and which financial arrangements do and do not qualify. The US and UK cases thus offer a helpful comparison to examine two ends of the spectrum, from relatively light touch to hands-on.

The first section of this chapter examines the impact of qualifying investment choices on the ability to secure the desired economic outcomes, i.e. stimulating new economic activity as a result of the investment. The second section examines how qualifying investment designs have shaped the programmes' unintended, negative consequences, focusing in particular on fraud and other forms of non-compliance. The third and fourth sections examine how qualifying investment designs shape political and process success.

The chapter argues that while the US programme created more promising conditions for economic benefit than the UK programme by reducing the cost of capital to businesses using the programme, it did so at a price: greater operational complexity and risks of abuse. Indeed, efforts to target more economically beneficial uses of capital in the US EB-5 programme have generated enormous complexity and made the programme difficult to regulate.

In theory, policymakers adopting a purely economic perspective might rationally decide to ditch the complex effort to incentivise hard-to-regulate private-sector transactions entirely and simply collect the money to distribute to worthy causes themselves. In other words, they could take a leaf from the citizenship-by-investment book, adopting the model that has been used in Malta or the Caribbean. Currently, no residence-by-investment programmes do this despite the theoretical appeal to economists. In this chapter, I discuss why this option was not ideologically acceptable to many US and UK policymakers. I argue that the desire to create an investment option that is politically palatable—and maintains the fiction of applicants as genuine *investors* rather than people simply purchasing their status—pushes policymakers towards less efficient investment models.

## **7.1. Achieving the objective of stimulating new economic activity**

As outlined in Chapter 3, the economic impact of investments hinges on whether the investment was genuinely additional and would not have taken place even in the absence of the policy intervention. From this perspective, two key questions are 1) whether the investor applicants would have invested anyway if the programme did not exist; and 2) whether their funding displaces other investment. A related question is whether money flows to businesses that might otherwise have struggled to access funding, such as high-risk enterprises that tend to face higher capital costs. In these cases, funding is less likely to displace other forms of investment.

The analysis in this chapter draws on interviews with industry professionals and policymakers to examine how money flowed through the two investor programmes and with what consequences. The analysis also draws on interviews with policymakers, who provided information about policy design and implementation challenges associated with different features of the qualifying investments.

### **7.1.1. Would applicants have invested anyway in the absence of the investor programme?**

The straightforward answer to whether investor applicants would have invested even if the programme did not exist is no, especially in the United States.

Investor programme professionals were consistent in describing the motivations of applicants: prospective investor migrants were not interested in the investment for its own sake but rather as a means to obtain immigration status. As one US advisor put it, “your return on investment is your green card and the return of your capital” (US11). Most intermediaries in both the US and the UK said that applicants would be perfectly happy to pay a fee or make a non-refundable donation in return for a visa if it reduced the hassle and uncertainty and if it gave them security about the outcome of the immigration process. Some said that clients had explicitly asked whether there was not an option simply to make a payment rather than an investment.

In the UK case, while applicants invested to qualify for the visa, it is possible that some would have ended up with similar investments without the programme. This is because the UK programme allowed people to invest in attractive investments that many mainstream investors select of their own accord.

In the United States, industry professionals were consistent in their view that mainstream investors would under no circumstances consider EB-5 investments if they did not want a green card. Applicants to the US EB-5 programme tolerated very low rates of return—typically around 0.5% to 1%. This is much lower than the market rates of return for investments with similar risk levels. As one regional centre professional put it, “all EB-5 investments suck” (US4). Another said that in cases where applicants brought their financial advisor to scrutinise the investment, their reaction would be: “Forget it, this isn’t a financial instrument. I would never advise you to invest in this! This is terrible from an investment perspective” (US11).

### **7.1.2. Is investor programme funding displacing other investment?**

In the United Kingdom, the fact that applicants could invest in listed companies meant that investments simply displaced other investments. This is because the investments were shares changing hands on the secondary market. In most cases, listed companies would be sufficiently large that the investments coming in through the immigration programme are insufficient to move the share price by any meaningful amount. For example, if an average of 500 investors invested £1bn in FTSE 100 listed companies in a given year, this would make up around 0.1% of these companies’ combined market capitalisation (£1.9 trillion in August 2021) (London Stock Exchange, 2021). Even if investments affected share prices at the margins, the impact on the company’s market capitalisation should not last very long. In an efficient market where shares were correctly priced before immigrant investors bought in, increases in the share price should be counterbalanced by other investors selling to benefit from the (marginally) elevated stock values.

In the United States, the picture is more complicated. To illustrate how, it is worth briefly explaining how regional-centre-sponsored projects use EB-5 capital. According to industry professionals, investor financing was “almost never” (US1) the only source of capital for reputable US EB-5 projects. For example, a typical real estate development project might use a bank loan of around 50-65% of the total cost, alongside some of the developer’s own equity. This leaves a gap that must be financed in some other way, such as via mezzanine financing.<sup>40</sup> Mezzanine debt can be very expensive, with rates usually exceeding 10% per year. EB-5 is thus a cheaper way to fill the gap. After factoring in a percentage that goes to the regional centre and other intermediaries, the cost of capital to the business that ultimately uses the money would generally be less than 5%, according to industry interviewees. The main benefit of using the EB-5 programme was thus the low cost of capital.

In many cases, investor funding was used by businesses who not only could have found other sources of finance but who actually *already* had secured it. The more expensive mezzanine financing a real estate developer had secured would act as a backup and be replaced to the extent possible by lower-cost EB-5 funds. This model was attractive to investor programme applicants too. Some specifically sought out projects that already had all their finance in place and provided a clear exit strategy so they could get their money back after receiving the desired immigration status. If there were no other sources of financing, professional advisors warned that investors should be wary of the project. In the words of a financial advisor who helped applicants select projects:

*“I would say to an investor, “Why would you want to invest in a project that doesn’t have all their capital in place?” Because if there aren’t enough EB-5 investors to come in to support the element of capital that’s needed, then maybe the project gets delayed, maybe things start to break down. So almost all projects that were getting funded were getting funded for projects that didn’t need the money.”*  
(US27)

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<sup>40</sup> Mezzanine finance is debt that is subordinate to ordinary bank loans, i.e. is a lower priority for repayment, but senior to equity.

From the businesses' perspective, the unpredictability of EB-5 financing also made it useful to have backup funding. For example, in the eyes of industry professionals, having a viable plan for funding in the event that EB-5 money did not come through was the most responsible way to run the project. As one regional centre professional put it:

*"Timing is everything. You have to be able to have a backup. To secure alternative financing in case you cannot raise all of the money. Also it's a government programme, there can be changes, it can be cancelled. So you have to have something else in place." (US18)*

In other words, US EB-5 financing did displace money that businesses could have received from other sources. But those other finance options were not on the same terms: they were much more expensive. Economic theory predicts that if something is less expensive, people will demand more of it: a lower cost of capital will incentivise additional investment and encourage more projects to go ahead (Chatelain & Teurlai, 2004; Easley & O'Hara, 2004; Ijaz et al., 2011). This can be true even if most of the individual projects could have found the money elsewhere. It is thus still plausible that the US EB-5 programme stimulated additional economic activity at the margins by lowering the cost of capital to property developers.<sup>41</sup>

#### *Investor applicants' appetite for risk*

In theory, there should be greater economic benefits in making finance available to higher-risk businesses, including those struggling to raise other funding sources. Indeed, US policymakers often envisaged that the programme should particularly support small businesses in areas that attracted little investment, as explained in Chapter 6.

An important constraint on the ability to realise policymakers' vision of investor programmes financing businesses that would not otherwise have been able to raise funds is that applicants seek to minimize risk. Industry

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<sup>41</sup> The caveat to this argument is that it is also possible that US property developers receiving an EB-5 subsidy outcompeted and ultimately displaced investment from other US businesses who did not use EB-5 funding.

professionals in both countries said that applicants typically gravitated to the lowest-risk options that the immigration system permitted—particularly if they were on the less wealthy end of the spectrum and were “putting their life savings on the line” (US4).

In the UK, applicants had many low-risk options available to them. Until 2019, they had been able to invest in government bonds, which was a popular option. When this option was removed, industry intermediaries said applicants chose other relatively low-risk shares or corporate bonds, including household names such as Tesco, Barclays, and Marks & Spencer. They were allowed to invest in higher-risk options, such as venture capital funds or unlisted companies, but chose not to.

In 2019, the UK government dipped a toe in the water of encouraging riskier investments by allowing investors to make a “pooled investment” sponsored by a government agency. None of the industry professionals interviewed for this research was aware of any cases in which applicants had pursued a pooled investment. This was partly because professional advisors seemed uncertain about what these investments were and thus were unlikely to steer applicants towards them. It was also because intermediaries who knew what pooled investments were considered them too risky and unsuitable for inexperienced investors. More broadly, intermediaries were especially wary of small, unlisted companies where the risk of losing money (e.g. due to fraud) was higher; they felt that only experienced and knowledgeable investors could safely choose these options. As one financial advisor said, “Small companies are not transparent, there is a lot of abuse that happens, and that’s where things go wrong” (UK5).

Professional norms in the wealth management industry facilitated the trend of low-risk investment in the UK. Because investor applicants effectively conducted normal financial investments through regulated financial institutions, the wealth managers who worked with them considered themselves professionally obliged to recommend low-risk investments to less experienced investors.



The overall risk profile of investments in the US EB-5 programme was much higher than in the United Kingdom. Nonetheless, applicants were still looking for the lowest risk within the available options. For example, US intermediaries said that investors preferred to invest in prosperous urban areas such as New York and Los Angeles, where they were more confident that the projects would be successful. Most were reluctant to invest in genuinely disadvantaged areas or Targeted Employment Areas (TEAs) if other options were available at the same price—as they were before the 2019 rule change. From late 2019 until the temporary lapse of the programme in mid-2021, new rules forced EB-5 funding into rural and high-unemployment areas if they wanted to pay the lower investment amount. While some were willing to do this, advisors said that the investments became more (but not impossible) difficult to sell. Intermediaries reported that investors had shifted to investing in TEAs only as a result of the rule change.

Businesses using EB-5 finance were also happy to facilitate lower-risk investments to the extent the rules allowed. A complex set of rules is designed to ensure that US EB-5 money is “at risk”, which means there can be no contractual right to repayments—the investor must face at least the possibility of substantial losses. The investments are not supposed to be mere loans with guaranteed repayments of an agreed size. However, businesses did not necessarily want additional equity partners and were often happy to receive a low-cost loan. The EB-5 industry thus developed a popular model that allowed businesses to receive loans while remaining compliant with immigration requirements. In this model, applicants invested as equity partners in a commercial enterprise; that enterprise then made a loan to the business that would actually deploy the funds and create the required jobs. This model has also been popular with investors. If businesses can attract more investors by offering safer investments with as close as possible to a repayment guarantee as the programme will allow, they have the incentive to do that.

As a result, the EB-5 market has effectively converted what was originally envisaged as an investment into a payment or subsidy in disguise. To see why, let us take the case of a \$500,000 investment made as a loan, as outlined above. The business would save around \$87,000 by reducing the cost of

capital on a \$500,000 loan from 10% to 5% for three years. Similarly, the investor foregoes the return they would have received on a normal investment with the same level of risk. By way of example, an investor who receives a 1% return for three years instead of a 4% return that might have been available elsewhere would lose around \$47,000. (In practice, it is usually more than three years.) Stepping back from the complex structure of the investments, the basic model of the US EB-5 programme is a direct subsidy or transfer from the investor applicant to the business. This subsidy does not take the legal form of a donation, and it is much smaller than the headline \$500,000 (at the time) investment, but from a financial perspective, the ultimate impact is broadly similar to that of a small cash donation.

Gamlen et al. (2019) argue that the only reliable way to secure economic benefits is to ask investor programme applicants for a non-refundable donation. An interesting feature of the US EB-5 programme that is hidden from the casual observer is that the programme effectively *is* a non-refundable donation. While applicants get their principal back, they forego the market rate of interest that a non-EB-5 investor would have received, effectively creating a direct subsidy. This is one reason the programme probably *has* generated new economic activity while the UK programme did not—even if the US programme has not typically generated precisely the type of activity that policymakers had envisaged.

### **7.1.3. Difficulties supporting the target beneficiaries**

The discussion so far points to two main challenges governments face if they want to facilitate investment in private-sector companies that would otherwise not have received investment. First, identifying and defining in regulations who the programme's business beneficiaries should be. And second, pushing a decentralised industry of applicants, businesses and intermediaries to do things they would not otherwise want to do. These are among the core challenges that previous research has identified in other areas of public policy (Sabatier & Mazmanian, 1980; Linder & Peters, 1989; Salamon, 2001), as outlined in Chapter 3.

The EB-5 investment rules have shaped the market by pushing investment towards projects with a higher chance of generating new economic activity— in contrast to the UK case. Nonetheless, identifying rules that would target specific kinds of businesses was difficult. US EB-5 applicants had the incentive to invest in Targeted Employment Areas (TEAs), where the required threshold was lower. However, even the apparently simple task of identifying more economically needy geographic areas turned out to be more complicated than expected, as discussed in Chapters 5 and 6. More nuanced rules at a business-by-business level would be even more problematic. In particular, it is difficult to develop reliable proxies for the ease with which businesses could have raised money from other sources. As one industry professional put it:

*“How do you write a rule that says that this money can only go to projects that are so crappy that nobody else would fund it?” (US30)*

The decentralised market for EB-5 investments amplifies the regulatory challenge. Public policy “almost always attempts to get people to do things that they might not otherwise do” (Schneider & Ingram, 1990, p513). But policies requiring greater behavioural change are difficult to implement and monitor (Sabatier & Mazmanian, 1980).

### *Precision vs complexity*

The comparison between the US and UK programmes illustrates this conundrum. On the one hand, the investment component of the programme has limited benefits if it barely elicits any change in behaviour in the investment market. The UK Tier 1 Investor visa did not demand much from its applicants. Because it permitted applicants to choose low-risk investments in large, listed companies, applicants did not have the incentive to violate either the letter or spirit of the investment requirements. The US EB-5 programme, by contrast, required applicants to deploy their money in ways that nobody would want to do if they had the choice. This constraint on applicants’ choice creates a plausible economic benefit but has also generated a cascade of implementation problems.

For example, one of the features of the US EB-5 programme that has been most difficult to implement is the requirement for money to be placed “at risk”, with the possibility of substantial losses. Pages of guidance and precedent decisions thus define what it means for an investment to be at risk and what counts as an “impermissible debt arrangement”. Even then, policymaker interviewees noted that defining and enforcing the rules was a challenge. One suggested that businesses’ motivation to compete for investors by offering safer investments created the risk of a “race to the bottom” in which regional centres would “try and skirt the rules a little bit. Not break them, of course, but you know, get right up to that line” (US13). Because of the complexity of the financial arrangements, the immigration agency also had trouble establishing exactly where that line was—i.e. identifying what counts as a loan (which is not permitted) and what does not. Another policymaker noted that the agency was constantly trying to catch up with the “new tricks” (US8) that real estate developers use when structuring deals.

In the final Congressional debates on the 1990 Immigration Act, which introduced the US EB-5 programme, Senator Simon, one of the programme’s advocates, laid out his vision of a simple policy unencumbered by bureaucratic restrictions: “...as long as their investment is legitimate, we do not want or need excessive or arbitrary industrial policy tests about what constitutes a worthwhile investment. [...] We should encourage and not cripple the creativity of these enterprising immigrants” (136 Cong. Rec 35615, 1990).

The reality has been rather different. Over the years, the regulatory drive to target business beneficiaries with greater precision generated tremendous complexity in the programme. This complexity has put enormous demands on the immigration agency. The agency requires specialised economists with the skills to understand EB-5 petitions, but these people often have more attractive job options in the private sector. Despite increases in specialised staff over the past 15 years, policymakers often said that recruiting sufficiently skilled people to administer and oversee the programme was a persistent challenge. As one US policymaker put it:

*“It’s gotten to the point now where the types of deals and investments that are being proffered for [the agency’s] approval are just so complicated that it’s impossible for a regular adjudicator to understand. The nature of the submissions that are given to us, all the evidence and supporting documentation is unbelievably voluminous, and it’s terabytes of data that come in, and it’s unbelievable.” (US7)*

Another consequence of complexity has been extraordinarily long processing times. US Citizenship and Immigration Services (USCIS), the immigration agency, is not known for its efficient processing record, and waiting times for many types of applications have increased over the past decade. For example, the median processing time for the much simpler Immediate Relative green card application was more than ten months by July 2021, up from 6.5 months in 2017 (USCIS, 2022). Nonetheless, the longest waiting times in the US immigration system are for EB-5-related applications, with a median processing time of just under 32 months for I-526 petitions by July 2021 (ibid).

Different policymakers proffered different reasons for the government’s inability to raise fees to reduce processing times. Some suggested that reducing waiting times was simply not a priority.<sup>42</sup> Nonetheless, policymakers generally agreed that the staffing problems could be solved with more resources. At least in theory, USCIS should be able to raise fees to bring in sufficient funding to address the backlog: “it’s absolutely a mathematical equation that can get you there just through more resources” (US19), in the words of one policymaker.<sup>43</sup> But no fee increases

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<sup>42</sup> Note that some policymakers did also say that they were under considerable pressure to adjudicate applications faster.

<sup>43</sup> Note that while it is true on average over the years that fee revenue can be increased to speed up applications, the collapse in applications since the 2019 rule change does complicate this. Most of the applicants in the backlog have already paid their fees, which could mean that new applicants would have to pay higher fees to allow USCIS to get through the backlog. If applications remain low, the fee required to do this could be incredibly high, unless a mechanism is available to enable people with pending applications to pay addition fees (e.g. a premium processing fee or similar).

materialised.<sup>44</sup> No doubt a more efficient bureaucracy could adjudicate a similarly complex programme faster. But the sheer complexity of the applications does seem to have been an important factor slowing down the process.

Some UK policymakers even complained about the complexity of the UK's simpler investor visa programme. For example, some said that caseworkers struggled to understand the financial information submitted with the application. Others suggested that the lack of economic or financial expertise hindered effective policy design. The UK programme was nonetheless much easier to implement than the US one, and caseworkers typically turned around applications from overseas in around three weeks.

The non-productive qualifying investment in the United Kingdom may not have had many economic virtues. It did bring operational convenience, however. Indeed, UK policymakers cited the desire to avoid complexity as a factor behind their reluctance to introduce a more economically beneficial qualifying investment. Allowing applicants to qualify using these relatively simple investments made the system easier to monitor—“just easier and much more controllable” (UK12), in the words of one UK policymaker.<sup>45</sup>

#### *Internal contradictions in the quest for economic benefit*

In addition to the trade-off between targeting precision and complexity, policymakers faced tensions between different economic objectives that were hard to pursue simultaneously.

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<sup>44</sup> USCIS did attempt to raise fees across the full range of immigration applications (not just EB-5) using a fee regulation in 2020 that was blocked by the courts. However, the proposed fee increase for EB-5 was only 9%. In its justification of the fee levels, USCIS stated that the fee increase would not help to address the backlog, but only recover the cost of future applications (DHS, 2020).

<sup>45</sup> Another argument that one policymaker advanced in favour of the current investment model is that if the purpose of the programme is simply to attract wealthy people, government bonds or stocks and shares may be a perfectly good option. This option would essentially use the investment to ensure that the person actually possessed the requisite wealth, while remaining attractive to potential applicants.

US policymakers wanted applicants to put their investment capital at risk in a project that would generate new economic activity. They also wanted to be confident that projects would create jobs—i.e., no jobs, no green card. This conditionality generated “immigration risk”. Applicants did not want to put their money into a project that might fail to meet the job creation rules. The job creation requirements thus encouraged investment in large, predictable, labour-intensive projects. By contrast, riskier and potentially more economically beneficial tech start-ups would typically have less predictable timelines and struggle to commit to hiring a specific number of employees in a given timeframe. As one EB-5 financial specialist pointed out, the EB-5 programme “privileges two things as far as what investments are going to work: one is job creation and the other is predictability. And real estate offers both of those” (US23).

The job creation requirement also favoured investments that had already secured a lot of funding from other sources, as this created a better “jobs cushion” in the event that something went wrong. As noted in Chapter 5, US EB-5 applicants can claim job creation for the project as a whole, not just the share of it that was funded through their investment.

Similarly, the design of the immigration system discouraged direct EB-5 investments, i.e. small investments in which an individual typically manages their own business. Since a small start-up is more likely to fail, direct EB-5 investments bring more immigration risk. Entrepreneurs who planned to run businesses in the US often also found that the EB-5 rules did not fit with their business plans. Many thus preferred to make a passive EB-5 investment through a regional centre and avoid the intrusions of the immigration system into their own business, according to immigration lawyers. Indeed, US immigration lawyers were wary of the direct EB-5 route because of the immigration risk. One explained that the first thing they did if a client expressed interest in the direct route was to “spend 15 minutes trying to convince them not to do it” (US17).

While policymakers were often dissatisfied with the high share of real estate development projects in the US EB-5 market and the fact that money flowed disproportionately to large businesses, this distribution of funds across the

economy was partly just a natural consequence of job-creation targets in the immigration rules.

In the United Kingdom, concern about immigration risk also pushed applicants towards safer investments, according to industry professionals. The UK had no job creation requirements, and as long as the investment still existed at the point the person applied for permanent status, they could qualify. This created a bias against investments that could fail. As one immigration lawyer put it, “they don’t want to try and do anything clever with [their investment] because that might risk their immigration status” (UK17). Even among the minority of UK clients who were comfortable with high-risk, high-return investments, lower-risk investments were preferred for the purposes of their investor visa application.

#### *Success in achieving economic objectives*

In summary, the US and UK programmes did attract new investments that would not have happened anyway. However, there is convincing evidence that in almost all cases in the United Kingdom and many cases in the United States, programme investors’ funds displaced other funding businesses would have received. This does not mean the US EB-5 investments brought no benefits. In the United States, a complex market developed a funding model that enabled applicants and businesses to convert something that looked like an investment into a payment, reducing capital costs among participating businesses. Economic theory suggests that this should stimulate additional economic activity in the sector. In other words, it is precisely because the EB-5 ‘investments’ are not investments in the normal financial sense of the word that they are likely to be economically beneficial.

The analysis in this chapter suggests that fine-tuning the beneficiaries in investor programmes with private-sector investment models is extremely difficult. The UK Tier 1 Investor programme included no provisions designed to channel funds towards projects bringing greater economic benefits. The US EB-5 programme did, but these provisions came with drawbacks. For example, efforts to make investors put their money at risk generated enormous complexity that strained the expertise of the immigration agency.



## **7.2. Avoiding negative impacts: challenges regulating private transactions**

US and UK policymakers were preoccupied with integrity risks in their programmes, although these concerns took different forms in the two countries. In the United States, policymakers' main concern was fraud against investors and compliance with the investment rules. In the United Kingdom, the main concern was the applicants' backgrounds. This section focuses on the challenges regulating qualifying investments and ensuring compliance. Chapter 8 focuses on the applicants themselves.

In the United Kingdom, fraud in the conduct of the investments themselves did not surface much in conversations with policymakers. Indeed, we can assume that it was probably quite unusual because people were buying shares in listed companies. UK Tier 1 Investor applicants were protected by consumer financial regulations that discouraged risk-taking of the sort the US EB-5 programme actively required.

There were some exceptions. For example, litigation in the UK brought to light a now well-known scheme run by Maxwell Asset Management Limited, which effectively converted the £1m investment into a £200,000 fee, which was not allowed under the programme rules as applicants had to invest their own money. The scheme loaned applicants the money to invest and required them to invest it in a company owned by the wife of the person who owned Maxwell.<sup>46</sup> A broadly similar scheme by a company called Dolfin Financial (UK) Ltd was uncovered in 2019 by the Financial Conduct Authority, the UK's financial regulator. It may be no coincidence that both these schemes effectively transformed a larger investment into a smaller fee. Otherwise, applicants should have had no incentive to violate the programme rules because they could buy mainstream investments through well-regulated financial institutions.

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<sup>46</sup> In 2020, the Upper Tribunal found that this scheme did not comply with the immigration rules, although this decision was overturned by the Court of Appeal in 2021. The Court of Appeal judgment argued that the immigration rules had not been sufficiently clearly drafted to prevent this sort of scheme (Yu, 2021).

In the United States, fraud against investors has been a more significant part of the narrative about investor visas. It is difficult to quantify the prevalence of fraud in the EB-5 industry, either today or in the past. Presumably, the vast majority of projects are professionally run and comply with the rules. In the early days of EB-5 growth, however, many interviewees felt that the industry had been poorly regulated and had a substantial number of rogue operators. As the EB-5 market expanded in the late 2000s and early 2010s, new operators with varying levels of competence and knowledge of financial regulations entered the programme. For example, some industry professionals had questioned whether securities law—which regulates organisations offering investments to investors—even applied to the US EB-5 programme. (It did.)

One industry professional described the period from 2008 to 2012 as a “wild, wild west” where people with histories of fraud or bankruptcy could raise money from China with almost no oversight (US27). A regional centre professional argued that the volume of money flowing through the EB-5 programme in the early days of EB-5 growth meant that some projects went ahead that would not otherwise have done so—projects that were not viable business ideas at all:

*“I think the biggest issue was money was being raised for projects that you really didn’t need. It was just there was so much money out there to do this.” (US9)*

Policymakers and industry professionals generally agreed that the integrity of EB-5 transactions had greatly improved over time. The industry had consolidated, leaving a smaller number of larger, more professional regional centres. As the EB-5 industry matured, investors could also rely on a longer track record to judge which regional centres. By 2021, immigration lawyers interviewed for this research generally felt there was a good choice of reliable regional centres.<sup>47</sup>

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<sup>47</sup> Note that immigration lawyers usually do not advise on the choice of EB-5 investment, as they are not licensed to do this, although some mentioned that there had been examples of immigration lawyers who would also become involved in regional centres or accept kick-backs for sending clients towards particular projects, creating a conflict of interest.

From a policy design perspective, some features of the EB-5 model have nonetheless made it more susceptible to fraud models that are less prescriptive about the nature of the investment, like the UK's Tier 1 Investor visa. Three main factors made it difficult to secure compliance: policymakers' desire to push people into financial transactions they would otherwise have preferred not to conduct; the decentralised market involving many different participants; and the regulatory expertise that the complex EB-5 model required, which made oversight difficult and resource intensive.

First, the EB-5 policy incentivises people to get involved in complex financial deals even if they do not understand them fully. This incentive is likely to exist in many investor programmes worldwide, but EB-5 transactions are more complex and harder to understand. Intermediaries said that while investors sometimes did have backgrounds in real estate or financial services that helped them scrutinise projects, many were not well equipped for this task. They may have had impressive CVs, but their professional background was in an entirely different field. As one immigration lawyer argued, the average Chinese businessperson has been busy building a company "maybe manufacturing cardboard or pencils or computers, but has no idea about hotels or where to invest [in the United States]" (US2). Several EB-5 professionals said investors would focus on superficial factors such as brand names or regional centres' political connections rather than important financial questions such as how they would be prioritised for repayment.

Some applicants would employ independent financial advisors to help with due diligence on the regional centres and their track record. However, intermediaries said that Chinese investors—who made up the bulk of applicants in the early 2010s—would typically rely heavily on recommendations from Chinese-speaking agents whom they trusted. Many lacked the English language skills to conduct their own due diligence. However, the agents they relied on were often receiving commissions from project operators without necessarily disclosing this conflict of interest. (A requirement to disclose commissions was introduced in the 2022 reform package.)

The decentralised nature of the programme, in which almost anyone could set up a regional centre, interacted with the lack of financial expertise to create more vulnerability to poor practice. Unscrupulous or incompetent operators could market themselves directly to investors, who did not always have the knowledge or skills to scrutinize them.

The complexity of the financial transactions and the decentralised market put heavy demands on the immigration agency, USCIS. It took an iterative process over many years for USCIS to develop rules and expertise to monitor the programme. For example, one policymaker noted that in the early days of the US EB-5 programme's post-financial crisis expansion, the programme was "being run on paper" (US19). While sometimes "everything on paper would be beautiful" (US19), there had been little investigative work, such as conducting site visits to check whether projects existed on the ground. Another suggested that after the long process of approving the project, "they kind of put it on the shelf and don't go back to look at [it]" (US8), primarily because of time pressures. Despite increased staffing and expertise over time, policymakers still portrayed oversight as a substantial challenge.

For all its economic drawbacks, the UK qualifying investment created fewer monitoring and compliance challenges. Both policymakers and industry professionals who worked with applicants were deeply sceptical about risky investments. As one UK immigration lawyer put it, "we are very wary of these structures and try to keep our clients away from them" (UK4).

Risks of abuse were also a key reason UK policymakers were not attracted to an EB-5 style model. Home Office policymakers felt unlisted company investments would be "more difficult to police" (UK30). Policymakers also felt that while higher-risk investments could be more economically beneficial, it would not be straightforward to decide which companies would be eligible to receive the funds and who should be excluded.

Policymakers' concern about the risk of abuse arising from more adventurous (and probably more economically beneficial) qualifying investments also applied to other policy models, including charitable donations. Charitable donations could require additional regulation because of the concern that it

might be “a charity we don’t like” (UK1)—such as a registered charity that had been established in order to serve the interests of the applicant.<sup>48</sup> In the words of one policymaker:

*“If you’re not careful, you start getting involved in value judgments, approved lists of charities, amounts of money and where that money’s come from. I suspect we would have thought it’s just more trouble than it’s worth, really.” (UK20)*

In other words, the reluctance to move away from investments in listed companies was partly driven by concerns that whatever replaced it would be substantially more complex and difficult to monitor. The US experience shows that these fears were well founded.

In summary, it may seem desirable for investor programmes to push capital towards small or higher-risk projects without other financing options, including in small businesses. But doing so brings drawbacks. The contrast between the UK and US experiences illustrates trade-offs that the public policy literature has identified in other programmes. For example, programmes that attempt to push more firmly against what participants would do if left to their own devices can have more ambitious objectives but are harder to implement and enforce, especially when a large and diverse group of participants is involved (Sabatier & Mazmanian, 1980).

As a result, policymakers using decentralised private-sector investor programme models may face a trade-off between the economic benefits of the programmes and the risk of negative consequences. UK policymakers presided over a more transparent system with lower risks of financial fraud than the US EB-5 programme—but this came at the cost of eliminating any plausible economic benefit from the qualifying investment.

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<sup>48</sup> Effectively, the concern was that creating a registered charity was not a sufficiently high bar to ensure that the organisation was genuinely serving charitable purposes.

### 7.3. Political implications of qualifying investment policies

The analysis in the previous two sections strengthens the theoretical argument for taking money directly from investor programme applicants rather than trying to incentivise an economically beneficial investment in the private sector (MAC, 2014). Some countries, such as Malta, have done this, as outlined earlier in Chapter 2. Interviews with intermediaries in both the UK and the US suggested that many investors would actually prefer this option. The barrier to cash-based investor programmes was not that the applicants were unwilling to part with their money but that policymakers did not want to take it.

In theory, the government could avoid many of the problems outlined in this chapter by simply collecting payments directly from applicants and deciding what to spend it on. These causes might be in the private sector (e.g. small business grant or loan programmes) or in public services or infrastructure. Policymakers in a system along these lines would still face the challenge of deciding how to target the funds. Presumably, this process would be more legitimate and transparent in some states than others. But assuming the funds were managed competently, a system based on non-refundable payments would cut out much of the complexity and risks of abuse that result from the attempts to regulate private transactions between investors and private-sector businesses. Applicants would not have to worry about whether they could trust the private-sector operator they selected and could diversify risk across a portfolio of projects.

Some policymakers suggested that they would have preferred this sort of model. For example, one US policymaker said that it would be easier to administer and economically beneficial if the government administered a fund that distributed grants.

However, taking a non-refundable donation from investors was considered a political non-starter in both countries. US policymakers said there had been no serious discussion of implementing a model along these lines. As one put it, "I think that would create more of a perception of people buying visas, so I would be surprised if that got a lot of traction" (US13).

The idea of auctioning investor visas had been widely discussed in the United Kingdom because the Migration Advisory Committee formally recommended doing so in 2014. At the time, MAC recommendations were usually always accepted. On this occasion, however, there was never any serious suggestion that the recommendation might be adopted.

UK policymakers rejected the auction idea for two reasons. On the one hand, Home Office policymakers thought an auction would be logistically complicated to implement and would be unpredictable because the price would fluctuate from one period to the next. These concerns could, in principle, be resolved with a flat fee instead of an auction.

Crucially, however, the auction proposal was politically “unsellable” (UK29). Some policymakers characterised the choice as a direct trade-off between economic and political considerations. For example, one said that auctioning visas was “from an economist’s point of view, absolutely the right solution” (UK26), but it would never be accepted across government. Others presented the auction proposal as incompatible with their own or with politicians’ core beliefs. For example, one said that the Home Secretary at the time had an “instinctive dislike of the ethics of selling an entitlement like that to the highest bidder” (UK16). Another said that even though they were interested in it, they would not even have bothered to put the idea of auctioning visas to senior politicians because it would never be accepted.

#### *Framing investor programme transactions: payment or investment?*

Framing the financial transaction as an investment created a much more favourable view of the investor programme than framing it as a payment. In reality, the line between payments and investments in investor programmes is fuzzy. Industry professionals typically said that applicants saw the investment as a cost they had to pay to secure status. In the US EB-5 programme, applicants already effectively paid a direct subsidy to the businesses that used their funds, as described above.

However, paying for status exacerbated the perception that the immigration system discriminated in favour of the wealthy. Indeed, the Migration

Advisory Committee's auction idea was arguably the worst way of taking money from investors from a political perspective because of the optics of *literally* selling to the highest bidder.

Policymakers in both countries were keen to use qualifying investments that could be portrayed as an investment. The job creation requirement in the US EB-5 programme was particularly helpful in this regard. Whatever its substantive merits, policymakers said the job creation requirement had an important political function, enabling proponents of the route to point to tangible, quantifiable benefits from the programme. As one US policymaker put it, "Whatever you were doing [...] you still had to create a certain number of jobs. You can't get around that. Because that's the one fig leaf they have that makes it not be citizenship for sale" (US7).

In other words, the politics of qualifying investments impose constraints on what policymakers can do and whether their policies are perceived as ethically defensible.

#### **7.4. Process success and the qualifying investment**

The final dimension of success—the policy development and implementation *process*—surfaced less frequently in the analysis of the qualifying investments themselves. However, several US interviewees noted that politically connected individuals and interest groups would sometimes put pressure on the immigration agency to approve applications, as described in Chapter 6. Interest groups also played a strong role in debates about policy development, as discussed further in Chapter 9. Criticisms of the role of external interests in the US EB-5 programme are at least in part a consequence of the US qualifying investment design, which meant that US-based business interests had a direct stake in the outcomes of the programme. By contrast, UK businesses were broadly uninterested in the Tier 1 Investor programme because it brought no particular benefits for business.

The contrast between the UK and US experience points to a more general challenge facing policymakers designing investor programmes: programmes whose qualifying investments bring real and tangible economic benefits



require some mechanism to determine how those benefits are allocated. The fairness and transparency of this allocation will affect overall perceptions of the programme's process success.

## 7.5. Conclusions

Why has it been challenging to design qualifying investments? In an ideal world, a successful qualifying investment design would: 1) stimulate new economic activity or social benefits, including for the specific beneficiaries policymakers are targeting, if applicable; 2) not be too susceptible to abuses that could generate negative consequences; 3) be ideologically acceptable, avoiding criticisms that wealth people are simply purchasing status; 4) be designed and implemented transparently. However, drawing on an analysis of the US and UK experiences, this chapter has shown that policymakers face some intractable challenges that primarily arise from tensions between their multiple objectives.

First, policymakers face political constraints that make it impossible for most governments to propose simply selling residence rights: politics demands that applicants' purchase of their immigration status must be packaged as an investment. Private sector investment models are the most common programme option around the world (Gamlen et al., 2019). While taking non-refundable payments would be more efficient economically, it would clash with many policymakers' core beliefs about fairness and the nature of social membership. Policy designs that create the impression of naked transactions between the investor and the state will thus struggle to achieve political success. This creates an incentive to design programmes in a way where the nature of the payment is less visible (Salamon, 2001; Schneider & Ingram, 2019).

Second, the need to present the investor programme transaction as an investment exacerbates policy design and implementation challenges. The US experience shows that businesses can genuinely benefit from investor programmes, but that displacement of investment activity is hard to avoid—i.e. it is difficult to target the funds towards businesses without other options. Policymakers can require or incentivize certain types of investment activity,

but developing rules that capture their vision of the worthy business beneficiary is not easy either. The US experience with Targeted Employment Areas illustrates that even relatively simple geography-based methods of targeting investments can be gamed if not tightly specified. The fuzzier concept of investments “at risk” was even harder to capture in regulations and enforce. As a result, programmes that target the investment more precisely towards more economically beneficial uses are also likely to be more complex and harder to implement (Linder & Peters, 1989; Diver, 1983).

These targeting difficulties are part of a broader challenge: the need to decide who can benefit from the programme funding. In theory, a decentralised model in which any business can receive investment has some appeal in that it reduces the government’s need to “pick winners”. However, monitoring this model is more resource-intensive, as the US EB-5 experience illustrates. More centralised models might mitigate problems of fraud and poor compliance. For example, policymakers could license a smaller number of private-sector operators to employ investor applicants’ funds and oversee them more closely. Or they could use an existing institution—if an appropriate one existed—to manage all the money and dole it out to end users. In the UK context, for example, one interviewee suggested that investor funds could go to an institution like the British Business Bank, a government-owned bank that makes loans to small businesses.

Third, private-sector investment programmes can generate negative consequences due to fraud or poor compliance (and this can also become a political problem if it undermines the programme’s reputation). Again, policymakers face a trade-off between objectives: the economic goal of encouraging genuinely additional investments and the desire to ensure compliance. Larger, more professional businesses are less susceptible to fraud and other forms of non-compliance, but they are also more likely to be able to raise funds from other sources. Indeed, rules designed to improve compliance, such as complex record-keeping requirements and fees to cover auditing costs, increase the cost of participating and make it even harder for smaller businesses to enter the market.

Fourth, this chapter has also shown that overseeing and regulating financial transactions is not naturally a good fit for immigration agencies, which tend not to have much expertise in financial matters.

These trade-offs between objectives may partly explain the prevalence of international investor visa programmes with qualifying investments that do not provide much plausible economic benefit. As Chapter 2 outlines, such programmes are widespread. Perhaps surprisingly, many countries that use them are attractive destinations like the UK and New Zealand, which could probably charge a high price of admission but instead have offered residence in return for ordinary commercial investments bringing little economic value.

Possible explanations include that policymakers are not fully aware of the limited benefits of this qualifying investment model, like some UK policymakers before 2014—or are unable to agree on suitable alternatives (as discussed further in Chapter 9). Alternatively, they may be prioritizing politics and operational simplicity over the economic benefit of the qualifying investment. Or they may be uninterested in the economics of the qualifying investment because they expect the programme's economic value to come from the investment migrants themselves. The next chapter turns to this question.

## Chapter 8: Challenges admitting investment migrants

This chapter examines the factors that have shaped policymakers' ability to admit the profile of people they wanted. Governments have various immigration policy tools at their disposal to shape who is admitted and under what conditions. These tools include the initial eligibility criteria (e.g. requirements to demonstrate the source of their funds and make an investment), as well as the ongoing terms and conditions for maintaining one's immigration status (e.g. residence requirements). I refer to these two sets of criteria jointly as the "programme criteria". However, it will also be necessary to consider other factors beyond immigration policymakers' immediate control that shape programme outcomes, such as their country's attractiveness to wealthy individuals and policy areas controlled by other parts of government, such as tax policy.

### *Dimensions of success in admitting individual investors*

The dimensions of success examined in previous chapters are equally relevant when considering the immigration side of investor programmes. The first dimension of policy success—the ability to achieve the programme objectives—includes whether programmes admit the people policymakers want to admit. The UK and US case studies show that the importance policymakers attribute to the investors themselves can vary. In the UK, policymakers had a clear view of whom they wanted to attract: entrepreneurial "go-getters" committed to life in the United Kingdom (as a shorthand, I will refer to this idealised group as "committed entrepreneurs"). By contrast, US policymakers tended to put less emphasis on the people the EB-5 programme admitted, although some did think the programme should focus more on selecting entrepreneurs.

UK policymakers' vision is echoed in public statements in other countries. For example, a 2015 press release introducing reforms to the Australian residence-by-investment programme stated that the government was "keen to attract international investors with business and entrepreneurial skills" (Kaye, 2015, para 6). An official Canadian evaluation stated that the purpose

of the investor category was to “attract experienced business persons and capital to Canada” (CIC, 2014, p2). Understanding the extent to which investor policies admit active businesspeople and under what conditions is thus important for studying immigrant investor programmes in general. It can also help shed light on the broader challenges of selection in other migration policies.

At the same time, policymakers want to avoid negative social or economic consequences due to the individuals the programme admits. For example, if the investor programme facilitated financial crime by failing to screen out applicants with illicitly earned wealth, this could be considered an unintended negative consequence. Criteria that minimize these risks could thus be said to contribute to programmatic success.

As noted in Chapter 6, while UK policymakers agreed that people with illicit wealth should gain entry, they did not always agree on whether to exclude other types of applicants who did not meet the vision of the committed entrepreneur. These other applicants, including lifestyle migrants or professionals escaping the inconveniences of the rest of the immigration system, are not problematic from an economic perspective. Policymakers in some countries might consider them positively desirable due to their day-to-day spending in the country. The reason this chapter focuses on the “committed entrepreneurs” is that these were the people UK policymakers said a successful programme should admit.

Political success in the immigration component of investor programmes would mean an admissions policy that was politically popular. For example, a programme perceived as admitting “deserving” people might have political benefits irrespective of whether the programme succeeded in this quest.

The final dimension of success in McConnell’s (2010) categorisation—process success—was an important component of policymakers’ vision of programmes’ *overall* success, but the empirical material did not provide any insights into its relationship with the *design of the immigration component* of investor programmes. As a result, process success is not considered further in this chapter.

## **8.1. Achieving the programme objective of admitting committed entrepreneurs**

The profile of investor migrants depends on both supply and demand. That is, it depends on who wants to migrate and whom governments want to admit.

Chapter 3 outlined various factors identified in previous research on who moves under a given immigration policy. First, the destination must be sufficiently attractive. Most factors shaping a destination's underlying attractiveness are out of immigration policymakers' hands, including overall economic conditions, amenities and perceptions of the social environment (de Haas et al., 2019). These factors will explain much of the variation in the number and characteristics of people who move to a country. We thus need to understand to what extent the people that policymakers hope to target actually through IIPs want status in the destination country.

Second, immigration policies may affect a destination's attractiveness. In particular, immigration policies might undermine attractiveness if applicants find it too onerous to jump through the hoops the immigration system presents. Immigration policies are a means to an end (i.e. achieving the desired immigration status), so we should not expect migrants to move exclusively because of an attractive immigration policy. An attractive immigration policy should not interest them if they do not want the immigration status in question.

As an aside: there are cases in which people move to take advantage of attractive immigration policies that are about to end. For example, Chapter 5 identifies moments in both the UK and US investor visa histories in which a spike of applicants preceded a pre-announced move to increase the investment amounts. Other examples of "beat the ban" migration ahead of immigration policy tightening have been documented elsewhere (Vezzoli, 2021). However, people moving in advance of tighter migration policies must have wanted immigration status in the US or UK in the first place—the change in immigration policy simply encouraged them to move earlier than they would otherwise have done.

We thus need to understand how prospective applicants to the UK and US investor programmes—and particularly the people policymakers are most interested in attracting—perceived the immigration rules.

Finally, who moves under an immigration category will depend on the selection criteria. Governments face numerous challenges in selecting migrants, including that the qualities they seek are not always readily observable (Bertoli et al., 2016).

Bringing these factors together, I use a three-part framework to assess the policy design and implementation challenges policymakers face in their quest to attract specific groups of migrants through IIPs. In summary, the three elements of this framework are:

- Country attractiveness: prospective migrants whom policymakers are targeting must find the destination country sufficiently attractive to want to spend time there;
- Immigration policy attractiveness: prospective migrants need to be willing to meet the immigration requirements (e.g. fees and paperwork) and not be deterred by them;
- Selection effectiveness: the government’s programme criteria need to be capable of identifying the target group of migrants.

These three conditions have been identified separately in previous research but have not, to my knowledge, been brought together to examine how they interact.

This chapter starts by examining who moved under the UK and US IIPs in the 2010s and early 2020s, drawing on interviews with industry professionals who advise applicants. It then analyses how the three dimensions above— attractiveness, the attractiveness of immigration policy, and selection— shaped the profile of people using the programmes. It argues that all three factors contributed to difficulties in admitting the sought-after “committed entrepreneurs”, particularly in the United Kingdom. The final section examines general principles from the analysis that could apply to other areas of immigration policy.

### 8.1.1. Who wants US and UK investor visas and why?

Before examining the role of the three factors in shaping the profile of people the US and UK investor programmes admitted, a more general overview of applicants' motivations is warranted. Official statistics provide little information about the profile of applicants to the UK and US investor programmes and no insight into their backgrounds or what they do after receiving their new immigration status. Interviews with investor visa professionals who work with applicants thus provide helpful insight into the characteristics and motivations of this group.

#### *Source and level of wealth*

Professionals working with investor programme applicants said that while their clients were usually wealthy, the source of wealth varied. Many had run successful businesses in their countries of origin. Some were professionals in jobs such as finance or medicine who had accumulated enough money over the years to afford the investor visa. Others had unearned income. They included young adults who had inherited or been gifted money from their parents and middle-class families whose wealth came from increases in the value of their properties.

Investors' level of wealth also varied, from people who could just afford the price of admission by mortgaging their homes to ultra-high net worth individuals for whom the \$500,000 or £2m investment was barely noticeable. While it is not possible to draw conclusions about the size of the different groups from a non-representative sample, advisors in the US were more likely to describe their clients as being on the less wealthy end of this spectrum. For example, one US advisor said that many of their clients with property wealth were "literally mortgaging their future in order to go through this programme" (US17). It is possible that the US is less attractive than the UK to the wealthiest individuals worldwide because of its tax regime. Several US advisors said that US worldwide taxation deterred wealthier businesspeople, while UK advisors mentioned the UK's favourable



“non-dom” tax regime as an attraction for the wealthy.<sup>49</sup> As one US immigration lawyer put it:

*“I think one of the myths in EB-5 is that it’s super high net worth individuals, and it’s not. It’s not, because super high net worth individuals don’t want a US green card because none of them want US worldwide taxation. So you’re looking at like a weird cross-section where people are people are wealthy, obviously, by a regular metric, but they’re not super rich” (US6).*

### *Reasons for migration*

Intermediaries identified three main groups of typical investor programme users: lifestyle migrants looking for a better quality of life and education for their children, but not necessarily for economic opportunities; professionals or students who were eligible for other visas but wanted an immigration status with more rights and fewer restrictions; and people with entrepreneurial plans. Only a few interviewees mentioned the extra-territorial benefits of a UK or US passport, typically as a secondary consideration.

### *Lifestyle migrants*

Professional advisors in both countries said the most common reason people applied to the investor programme was not to work or conduct business but to secure an education and a better lifestyle for their children. One UK wealth manager, for example, described education as “the common denominator in 95% plus circumstances” (UK13). In the UK, advisors often mentioned London’s cosmopolitan lifestyle and social scene as an important attractor.

Industry professionals portrayed the motivations for investor migrants in terms consistent with what Benson and O’Reilly (2009) call “lifestyle migration”, i.e. relatively affluent people moving for a better quality of life rather than to enhance their economic prospects. Some applicants wanted a

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<sup>49</sup> The non-dom (or “non-domiciled”) tax rules allow UK residents whose permanent home is outside the UK to avoid paying tax on foreign income for up to 15 years.

better work-life balance or an escape from problems in their country of origin, such as crime or pollution. Advisors sometimes said that applicants mistrusted the government in their country of origin and wanted to establish their family in a safe place governed by the rule of law.

In the United Kingdom, immigration lawyers portrayed such lifestyle migrants as the large majority of applicants. In the United States, interviewees portrayed them as a majority of Chinese and other East Asian applicants but not necessarily of applicants from other countries.

A common model that advisors described in the UK—and among Chinese applicants in the US—was that a non-working wife would migrate with her children. The husband would come and go, visiting the family but not settling permanently. In other cases, parents would plan to set the children up in the country without moving themselves or—if they did move—without remaining permanently. The husband might be included in the application as a dependent or—for some applicants to the US programme—not apply for a green card at all. One reason for this is that businessmen wanted to avoid US taxation on the family's wealth, so a green card was actively undesirable. In some cases, advisors said that applicants just “don't really want to live in the US” (US1). This was often because their business remained overseas, and they were still involved in its day-to-day management.

Where applicants did plan to relocate, advisors said that many did not intend to work. This was particularly common in the UK. As one professional advisor put it,

*“The absolute majority of them just do nothing. They're here, they pursue the hobbies they have, and they live off their capital. They passively manage their investments.” (UK19)*

Although many applicants did have business backgrounds, many were sufficiently wealthy that they no longer needed to work or had pulled back from the day-to-day operation of their businesses.

### *Professionals and students seeking a better deal from the immigration system*

The picture of wealthy Chinese migrants using investor visas to move for lifestyle and their children's education—and usually not setting up successful businesses—is consistent with previous research on investor applicants in traditional destination countries, including Canada and Australia (Ley, 2011; Liu-Farrer, 2016; Colic-Peisker & Deng, 2019). In contrast to past research, interviewees also identified another group of applicants: people escaping from the inconveniences of other immigration categories.

For lifestyle migrants, investor visas were often the only option. However, professional advisors frequently said that their clients included professionals or students who qualified for other visas but preferred the investor visa because it gave them more flexibility and rights.

This group included people working as employees—“professionals with six-figure salaries” (US3)—as well as students who wanted to stay on to work after graduating. An investor visa allowed them to work without requiring employer sponsorship, giving graduating students “competitive parity” (US20) with other jobseekers. Professionals sometimes preferred the investor visa to employer-sponsored work visas because it allowed them to spend periods not working or periods operating businesses on the side without any question about whether they were complying with the terms of their visa. The investor visa also allowed them to avoid the constraints of employer sponsorship—particularly in the United States, where some Indian workers wait decades for a green card. As one advisor put it: “their goal is to get a green card and as soon as they get it, leave their jobs, show the finger to their employer and just move on” (US4).

### *The much sought-after entrepreneurs*

Some advisors did say that their clients planned to set up businesses. In the UK, intermediaries portrayed this group as being a small minority. Even

those who said applicants *often* planned to set up a business still emphasised lifestyle factors as a key motivation for relocating.<sup>50</sup>

US advisors more often said that their clients would have business interests at destination compared to their counterparts in the UK. For example, several had clients who had been entrepreneurs on temporary “E-2” visas, which allow them to set up businesses but give them no path to permanent status. These entrepreneurs were thus conceptually similar to the professionals looking for a more desirable immigration status, in that a lack of options elsewhere shaped their demand for investor visas. In the United Kingdom, by contrast, people on temporary entrepreneur visas would not need an investor visa as they would already have a path to permanent status.

The qualitative sample for this study does not allow confident generalisations about the differences between the US and the UK applicant profiles. Overall, US investor programme professionals tended to portray their clients as more entrepreneurial and economically active. It is possible that this results from the sampling of interviewees or different biases in how interviewees recalled or presented information. That said, US interviewees were consistent in noting that US EB-5 applicants from China and other East Asian countries were more likely to be lifestyle migrants compared to applicants from Latin America and Europe. Some also noted that the decline in Chinese applications to the US programme since the mid-2010s had meant a higher share of their clients were Indian professionals escaping work-visa backlogs or entrepreneurs.

With some exceptions, this analysis confirms the picture from existing studies and evaluations that entrepreneurial activity among investor migrants in high-income English-speaking countries was not widespread (Ley, 2011; MAC, 2014; CIC, 2014, Liu-Farrer, 2016; Colic-Peisker & Deng, 2019). It also confirms UK policymakers’ suspicions, discussed in Chapter 6, that the UK in particular was not getting large numbers of the committed entrepreneurs

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<sup>50</sup> Some said that their clients would often own companies, but then clarified that these were companies that managed their UK property and domestic staff, rather than companies producing goods and services for a wider market.

policymakers had hoped to attract. This is not to say that the people the UK was admitting did not bring economic benefits in other ways, such as by spending their money in the United Kingdom. Nonetheless, the typical applicant profile was not a close fit with the ideal vision policymakers had laid out.

This raises the question why, when policymakers thought the programme should be attracting entrepreneurs, it appeared to be doing so only on a limited scale. The following sections examine the three factors outlined above that I argue shape the ability of economic migration policies to admit the profile of people policymakers had in mind: country attractiveness, immigration policy attractiveness (or deterrence), and selection effectiveness.

### **8.1.2. Country attractiveness**

Investor programme professionals typically described the United States and the United Kingdom as attractive destinations. The US EB-5 programme was persistently oversubscribed during the mid-2010s. However, these two destinations were not necessarily as attractive to active businesspeople who planned to continue their business activity after relocating. Two main factors made relocating to conduct business in the United States or the United Kingdom less desirable.

First, people who had successfully established businesses overseas were often still busy with those overseas enterprises. The larger their role in that business, the more time they needed to spend abroad actively managing it or travelling internationally for business purposes. In the United Kingdom, professionally active businesspeople struggled to meet the Tier 1 Investor visa residence requirement of at least half the year (discussed further below). More generally, they did not have any reason to move their business to the UK: their overseas venture was successful, and that was where they could continue to generate wealth.

Second, successful overseas business people could not necessarily replicate business success in a new country. As Kloosterman et al. (1999) argue, migrants' ability to conduct successful entrepreneurial ventures depends not just on their innate qualities or transnational connections, but also on the local

environment (see also Young, 2017). Migrants can face many barriers to entrepreneurship due to factors such as a lack of formal qualifications and reliance on ethnic networks and customer bases. This is one reason that their businesses are often concentrated in industries with low barriers to entry and low profit margins, such as retail, wholesale and hospitality (ibid; see also Jones et al., 2010). According to industry professionals, even among the wealthy people using investor programmes, unfamiliarity with the business environment was a problem. For example, one interviewee said applicants usually did not have the local knowledge or language skills to run businesses in the United Kingdom. Another, discussing why most applicants do not take the direct EB-5 route in the United States and run a business themselves, pointed to the extensive day-to-day knowledge entrepreneurship requires:

*“...what do you know about running a business in a foreign country? If I had to go to any other country in the world and set up shop, it’d be extremely difficult. Where do I rent an office? Where do I get a lease? What local licenses or permits do I have? What’s minimum wage? All of those things are very difficult.” (US17).*

UK industry professionals also said that some applicants were reluctant to bring their businesses into the tax net of a high-income country and would go to some lengths to *avoid* conducting business in the UK.

These findings are consistent with Cristobal Young’s analysis of the barriers to millionaire “tax flight” (Young, 2017). Examining a different context, namely intra-US migration of the super wealthy, Young finds that surprisingly few move to lower-tax states. He argues that several factors make them unlikely to move. People are often in their forties or fifties by the time they reach the peak of their business success, but migration is a “young person’s game” (p3). Successful business people also rely on local knowledge and social capital, which they lose when they move. The market for US and UK investor visas also illustrates these points. The UK and US business environments are very different to those of China or Russia, where many investor programme applicants originate. As a result, professional advisors often said that active overseas business people simply did not want to move to the US or the UK. Instead, it was often the spouse and child who moved

while the main breadwinner spent as much time overseas as the immigration rules would allow.

In summary, even traditionally attractive destinations like the US and the UK will not necessarily attract a large market of people *within UK policymakers' target group*, i.e., active entrepreneurs who are willing to commit themselves full-time to a new country. The contrast between this picture of investor applicants' motivations and policymakers' vision of whom the investor programme should admit—at least in the United Kingdom—suggests that the latter was premised on a slightly simplistic view of migrant entrepreneurship. Previous scholarship on migrant entrepreneurship has argued that policy narratives often celebrate migrant entrepreneurs as people who “enjoy special advantages” because they are positively selected or have access to transnational networks (Jones et al., 2010, p566). However, these inherent advantages are often overstated, and difficulties navigating the destination-country environment can make it harder for migrants to realise the human capital or business skills they bring (Jones et al., 2010; Naudé al, 2017; Jones et al., 2018).

### **8.1.3. Policy attractiveness**

By the time investor applicants reached the intermediaries interviewed for this study, they would usually have chosen their destination and simply be seeking advice on how to get there. The interviews thus do not provide much insight into whether immigration policies influenced investor applicants' choice of one country over another. However, interviewees did discuss reasons that people who made initial inquiries about investor visas sometimes decided not to go through with the process, which shines some light on immigration policy factors that made the investor route less attractive. Professional advisors also identified conditions that applicants found unattractive even if they eventually decided to apply.

Factors affecting the attractiveness of the investor programmes in the two countries ranged from the rights and flexibility associated with investor visas and certainty about the outcome to costs and paperwork, as well as the availability of other immigration options in the same country.

## *Rights and flexibility*

Advisors in both countries said that the main attraction of the investor route was the flexibility to do any activity. These rights were an important attraction and were one of the main reasons that some people who were eligible for other residence statuses preferred the investor route.

In the UK, the main challenge to the attractiveness of the investor programme was a feature that reduced applicants' flexibility to spend their time as they wished: the residence rules. Applicants had to spend at least half of the year in the UK until they received permanent status (usually after five years).<sup>51</sup>

This residence requirement did not deter everyone equally. Lifestyle and education migrants (typically, mothers moving with their children) were often perfectly happy to meet the residence requirements and would have done so even if the rules hadn't been in place. However, the active overseas business people found them very constraining—in some cases, prohibitively so.

Advisors pointed to a 2018 rule change in the UK that required *all* members of the family and not just the main applicant to meet physical presence requirements. Before 2018, an investor visa family could establish the wife and children in the United Kingdom while the husband would continue to travel extensively or manage a business back home. The husband might never qualify for permanent status or citizenship, but the wife and children would. However, the 2018 rule change effectively ended this model by preventing the children from getting permanent status unless both parents met the residence requirements.

Advisors suggested that this had made the investor programme substantially less attractive. For example, one immigration lawyer said:

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<sup>51</sup> Applicants investing more than the required £2m can receive permanent status after 2 or 3 years depending on the amount invested, although this only removes one year from the pathway to citizenship because citizenship rules require at least 5 years residence (including one as a permanent resident).



*“I’ve certainly had a lot of conversations with individuals who were families who were considering the investor category and when I’ve mentioned [the residence requirements], they’ve gone, “Well that’s not going to work for us.” Because ultimately what they’re focused on is they want the children to get permanent residence. Actually mother and father don’t care, this is about setting up the children in the UK and if they can’t set them up in the UK then why go through it?” (UK17).*

### *Uncertainty and unpredictable outcomes*

A second major factor affecting the attractiveness of the investor route was certainty—or the lack of it. In the United Kingdom, the investor route offered relative security. There was no job creation requirement and applicants simply had to maintain their investment for up to five years to receive permanent status. As a result, the investor route provided a predictable and secure status.

In the United States, the situation was quite different. In the eyes of professional advisors, the most important challenge to the attractiveness of the investor route was the extremely long waiting times and the uncertainty it imposed on applicants.

Long and uncertain waiting times had several negative impacts on investors and some of the projects that use EB-5 finance, although it was arguably investors who faced the worst consequences. First, processing delays meant that applicants had to part with their money for longer. This had a direct financial cost to applicants because they had to accept below-market returns for a much longer period than would have been required a decade previously. Second, investors could lose control over where and how their money was invested. After several years, the original project in which the applicant invested may no longer need the money. For example, a construction project originally designed to use and return the money within four or five years may want to return the funds. However, under the rules that existed before 2022, projects could not return the funds to the investor if their immigration process was still ongoing, so it had to be “redeployed” elsewhere—i.e. sent to a new project, often at the regional centre manager’s

discretion. Third, delays meant there was more time for things to go wrong, such as project failure or fraud. The 2022 legislation was expected to reduce the period during which funds have to be invested to two years and eliminate the need for redeployment (Divine, 2022), although the waiting time for green cards themselves was not resolved.

In addition to the financial costs and uncertainty, the backlog made it unclear when applicants would eventually receive their green cards. As a result, they struggled to plan their lives. Applicants living outside of the United States did not know when they would be able to move. People who were already in the country on temporary visas did not know what their visa status and rights would be in the future. Dependent children could “age out”, i.e. become too old to be included in the parents’ immigration application. People following the direct EB-5 investment route—and managing their own business in the United States—could not be physically present to do this, so they had to find someone they trusted to manage the business for them.

Another factor that reduced the attractiveness of the EB-5 investor programme was uncertainty about the future of the programme itself. When the fieldwork for this study took place in 2021, the expiry of the regional centre programme was looming, creating the risk that people who made investments might never receive a green card. Again, the 2022 legislation addressed this concern for future applicants, stipulating that people who already had pending applications would still be eligible in the event of a future regional centre programme expiry.

Finally, some intermediaries pointed to the overall impression of poor governance and decision-making as a factor that made the US EB-5 programme less attractive. For example, it had become common practice to sue the government to require them to decide applications (a process known as Mandamus litigation), and this did not inspire confidence. One US immigration lawyer described the reaction from prospective clients:

*“It’s like, okay, wait, so you actually can’t tell me anything with certainty? And you’re saying that your clients, after investing all these funds and following the process, ultimately have to sue the*

*government in Federal Court? And, I'm like, yeah, it actually kind of is. Sorry." (US11)*

All in all, immigration lawyers described the process for EB-5 applicants as “tremendously stressful” (US15). Some prospective applicants who came to initial consultations decided not to proceed when they realised how long it would take, while others who had already applied wanted to withdraw once it became clear how long they would have to wait. As one immigration lawyer put it, “[once you add up all the different waiting times], it's over a decade and you know there aren't that many investors who are willing to go through this arduous immigration process for that long” (US2).

The unattractive waiting times affected the profile of applicants, according to intermediaries, by making life particularly difficult for people who were outside of the United States. As a result, in the late 2010s, the programme attracted a higher share of people escaping other problems in the immigration system, such as the green-card backlog for employees from India, for whom it still represented an improvement on the next best option.

In summary, the US EB-5 case provides a relatively extreme example of how the design or implementation of immigration policy can deter applicants. While in theory, immigration policy should not be the major factor shaping decisions (Papademetriou et al., 2008), the sheer chaos and uncertainty created by poor management of the EB-5 programme in the late 2010s and beginning of the 2020s appear to have been an important deterrent for prospective applicants.

#### *Costs and hassle*

Some interviewees mentioned the costs and hassle of applying as a factor deterring applicants. This was particularly the case in the United States, where advisors said that the documentation they needed to demonstrate their source of funds was sometimes a deterrent. For example, if the applicant had received the money to make the investment from a family member, they may feel able to ask that family member intrusive questions about their financial affairs. US advisors also noted that higher investment thresholds after 2019

created logistical difficulties, as applicants from countries with currency controls (e.g. China) had to find ways to extract more money from the country. This would often mean roping in several family members and friends to transfer money out of the country in increments of around \$50,000, to circumvent the controls. A higher threshold meant they had to involve more people in this process.

However, these factors related to the cost and hassle of the application were usually cited as secondary obstacles to participating in the programme rather than the main consideration.

#### *Alternative immigration options*

A final factor shaping the attractiveness of investor programmes was whether other immigration routes were available. Applying to the investor route in both countries required applicants to tie up a reasonably large sum of money for several years. Applicants also had to go through the intrusive process of demonstrating the source of their wealth. For applicants with no plans to work or study, the investor programme was usually the only immigration option. But in some cases, applicants could also apply to other visa categories that did not require these inconveniences.

As a result, one feature of demand for investor visas is that it is driven by what is *not on offer* elsewhere in the immigration system. The overlap between the investor visa and other immigration routes illustrates the tension between bureaucratic categorisations of migrant groups—which put people into neatly defined categories (Bonjour & Chauvin, 2018)—and the real-world complexity of individuals' actual circumstances and motivations.

The fact that some applicants could choose between the investor visa and other immigration routes affected the profile of people who used them. For example, one might be tempted to conclude that the US investor programme has been more successful than the UK at attracting economically active people who are expected to bring greater economic benefits, based on the way US advisors characterised their clients. However, much of this demand was driven by the sorry state of the US employment-based immigration

system, with its long backlogs and waiting times. In the United Kingdom, the Indian IT professionals that some US intermediaries described as typical clients would have much less need for the investor category. They would have a predictable path to permanent status in five years without getting involved in complicated investments.

Meanwhile, UK policymakers wanted to target entrepreneurial movers and shakers using the investor programme, but these people were often already eligible for other visas. For example, the UK already had “start-up” and “innovator” visas, an unsponsored “global talent” visa that could arguably attract some of the “go-getters” that policymakers had in mind for the programme, and a route for representatives of overseas businesses looking to establish themselves in the UK. If a limited number of active businesspeople came to the United Kingdom on the investor route, it could simply reflect the immigration system’s success in admitting any such people on other immigration routes.

In summary, various factors contributed to the investor programme’s ability to attract or deter prospective applicants. All else equal, applicants were deterred by restrictions on their rights and activities, uncertainty about when and whether they would receive permanent status, and the cost and hassle of the application and investment process. On the other hand, a key factor that made investor programmes more attractive was the absence of good options elsewhere in the immigration system. Some restrictions or processes that reduced the attractiveness of the investor programmes had specific policy functions, making policymakers reluctant to ease them. These functions are discussed in the next section.

#### **8.1.4. Selection effectiveness**

As in other areas of immigration, policymakers rely on a limited set of programme criteria to select and admit applicants to investor programmes. The main criteria in the US and UK investor programmes were the requirement to make an investment and the requirement to demonstrate that the source of funds is clean. In the UK, the residence requirements also had a selection function of sorts. Neither country imposed human capital

requirements—similar to investor programmes in many other high-income countries (Henley & Partners, 2021).

*The investment as a selection mechanism*

The qualifying investment is at the heart of investor programmes across the world. However, the requirement to invest is not a precise way to identify “go-getters” if that is what governments are after.

First, investing does not require expertise because the entire transaction can be outsourced to professionals. In the UK case, for example, applicants would generally leave it to the wealth managers to create the portfolio and ensure that it complied with immigration rules.<sup>52</sup> As one wealth manager put it:

*“Unfortunately most people who migrate to the UK have very little experience in the UK markets. That is a fact. I’ve only got a handful of people who understand and have invested in the UK stock markets prior to migrating to the UK” (UK5).*

Nor does being wealthy demonstrate entrepreneurial inclinations. Some rich people have unearned wealth inherited or gifted by their parents. Perhaps more importantly, applicants may have been skilful businesspeople in their country of origin, but the investment criterion tells governments very little about whether they plan to get involved in business activities at destination after they move.

Gamlén et al. (2019) argue that IIPs would be more successful if they did a better job of involving applicants in the investment process itself in order to benefit from their expertise and networks. They ask whether the programmes might extend “beyond a purely transactional relationship with the destination society” (ibid, p536). The analysis in this and the previous chapter suggest that creating a meaningful link between the investment and the

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<sup>52</sup> Only one intermediary said that applicants *usually* had significant investment expertise, but also noted that their investment knowledge was generally in non-UK markets.

applicant's day-to-day activities may not be possible. It indicates that applicants' attitude towards the investment is *inherently* transactional.

Indeed, it is even possible that increases in the size of the investment—as took place in 2014 in the United Kingdom and 2019-2022 in the United States—are counterproductive in any quest to admit entrepreneurial people. Higher investment amounts may identify wealthier people, but these people may simply have less need to work. A high investment requirement might thus screen out more middle-class applicants who were more likely to be economically active.

*Residence requirements: identifying “commitment”*

In the United Kingdom, one of the most consequential programme criteria was the residence requirement. UK applicants had to spend at least half of the year in the UK until they received permanent status (usually after five years).<sup>53</sup>

The UK residence requirement was more onerous than its US EB-5 equivalent. Both countries expected investor visa holders to be in the country for at least six months a year, although there were more exceptions in the United States. Crucially, unlike the UK case, it was possible in the United States for only one parent to accompany their child on the EB-5 green card journey, which facilitated the split-family model discussed earlier in this chapter.

The residence requirement may have been effective in selecting people who were willing to spend time in the UK, but it was otherwise a crude instrument. In particular, it did not necessarily encourage them to do anything specific while in the country, such as become involved in business activity. In fact, professional advisors suggested that people who were still actively involved in business overseas would go to some lengths to avoid doing business in the UK and bringing their companies into the UK tax net

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<sup>53</sup> Applicants to the Tier 1 Investor programme could receive permanent status faster if they invested larger amounts.

by appointing independent managers to oversee day-to-day operations or by leaving the country to make business decisions.

While the UK residence requirement made the programme less attractive to wealthy businesspeople, UK policymakers saw it as an important part of the policy design. The residence requirement was the same across all immigration categories. It was not specifically designed for the investor category, although policymakers had explicitly chosen not to exempt investor applicants. Some policymakers argued that it was important for applicants to spend time in the UK to ensure the economic benefits of their presence in the country actually materialised. Some were concerned that a residence requirement of less than half the year would enable applicants to escape UK taxation, although this concern is not entirely evidence-based.<sup>54</sup> Some policymakers also argued that physical presence indicated a commitment to the country. As one policymaker put it:

*“I think we thought that you needed to show some commitment. The traditional thinking regarding settlement is that you need to show some commitment to the UK and you do that by being here” (UK20)*

As a matter of principle, some policymakers rejected the idea that investor migrants should be able to use the UK as a “safe haven, just because they’re wealthy” (UK26). All other migrants had to demonstrate a commitment to the UK, they argued.

UK policymakers were usually aware that the programme would be more attractive if the residence requirements were less strict. Still, they felt that liberalising the rule would undermine other policy objectives. In other words, they faced a trade-off between selection effectiveness and attractiveness and chose the former.

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<sup>54</sup> Note that in practice, a 6-month residence requirement is not always necessary to ensure that people are tax resident for the purposes of income tax. People become tax resident with less time spent in the UK if they have other ties, such as property or family members living there and this would affect investor visa holders with children in the UK. In theory it would also be possible to change tax rules for investor visa holders to make them tax resident with fewer days of physical presence.



### *Human capital requirements*

Some countries impose human capital requirements on investment migrants. For example, Australia's investor visa for most of the 2010s assessed applicants' business background and managerial experience. Neither the US nor the UK programmes had a requirement of this kind, so an empirical examination of its impacts is not possible. However, the results in this chapter cast doubt on whether such criteria applied at entry should fundamentally change the dynamics of demand for the investor visa. Many applicants to the UK and US programmes already had business backgrounds (or at least, one member of the couple had a business background, and the other could come as a dependent). The core problem facing policymakers was that they did not necessarily plan to apply their business skills at destination. Further research in countries that impose human capital requirements could usefully examine the hypothesis that business background requirements should make little difference to the profile of applicants.

A different way to select economically active investor programme participants—if this is a priority for policymakers—would be to impose some rules on what applicants had to do after receiving their visas to qualify for permanent status. For example, if policymakers wanted investor visa holders to be working, they could require that they do so in order to renew their visas.

However, requiring specific economic activity after receiving the visa fundamentally changes the character of the investor visa. If the picture investor programme professionals painted of their client base is correct, requiring applicants to be actively involved in investing after arriving would dramatically narrow the market for the programme, depending on how activity requirements were defined. It would introduce new operational complexity, as the government would need to specify what kind of activity qualified and monitor whether people were doing it. The proposed replacement to the UK investor programme, if it is implemented as promised in the Tier 1 Investor closure announcement, will thus be a useful case study to examine governments' ability to admit people whose day-to-day activity actually involves actively managing investments.

In summary, this chapter has argued that the ability to admit the target groups that policymakers envisage depends on three main factors. These include the attractiveness of the country in question to members of the target groups, the extent to which immigration policy affects or undermines attractiveness to them, and the ability of the selection mechanism to identify them.

In the investor programme case, all three factors contributed to making it less likely that the programmes would admit the people policymakers most wanted to admit. First, even though the United States and the United Kingdom were attractive destinations for migrants overall, relatively few active overseas entrepreneurs wanted to relocate there. Structural barriers to mobility included the fact that people who were still active in business were busy being successful abroad and would not necessarily be able to replicate that success in a different business environment. This is consistent with the broader literature on migrant entrepreneurship, which shows that policymakers ignore the barriers to successful business creation among migrants at their peril (Naudé et al., 2017).

Second, while the US and UK investor programmes provided attractive conditions for many applicants, both imposed conditions that deterred some applicants—notably the residence requirements in the United Kingdom and the long waiting times and uncertainty in the US. In their quest to admit “committed entrepreneurs,” policymakers faced a trade-off between the commitment and the entrepreneurialism: the people who were most committed to spending time in the UK were often not the ones who were actively involved in business activities.

And third, the qualities policymakers were looking for in investor migrants were difficult to identify through quantifiable programme criteria of the kind that immigration bureaucracies need to impose if they want the eligibility criteria to be transparent and predictable. Entrepreneurialism is not an inherent characteristic the individual possesses, but instead depends on the environment they inhabit (Kloosterman et al., 1999) and their plans and preferences. Unlike some other economic migration categories where applicants would have a sponsor such as an employer, there is no third party

vouching for investor applicants' likely economic activity or impacts. Because investor programmes do not impose any requirements for particular economic activities after arrival, policymakers also cannot examine a track record of activity at the point the person applies for permanent status, as countries using "two-step migration" policies can do (Hawthorne, 2010). The combination of these factors enables a substantial disconnect between some policymakers' visions in principle and the way the programmes are used.

More broadly, the investor case points to the difficulty in classifying migrants into neat categories for immigration selection policies. Bureaucratic selection criteria are necessarily crude because they must translate policymakers' vision of the desired applicant into a set of simple, binary programme criteria that applicants can either pass or fail. But people will often fall into multiple categories that are not mutually exclusive (Benson & O'Reilly, 2016). The political vision may be oversimplified and static (Bonjour & Chauvin, 2018). Investor programmes illustrate these problems. Although the immigration system classified applicants as "investors", almost none of them were migrating to invest. The people who moved straddled a range of different categories, some of which were already catered for in the immigration system and some of which were not. Just as the "lifestyle migrants" that investor programmes often end up admitting defy easy data collection because of the lack of obvious proxies to identify them (Benson & O'Reilly, 2016), active businesspeople are not a group that can be pinned down in administrative selection criteria.

Finally, policymakers designing investor programmes face trade-offs between different objectives that affect their ability to admit the people they are targeting. Linder and Peters (1989) argue that policymakers face an inevitable trade-off between the accuracy of the selection mechanism (i.e. its ability to identify members of the intended target group) and its complexity and intrusiveness. This dynamic emerges clearly in the investor programme case, where rules that might improve the selection mechanism can also impose costs and restrictions on applicants, making the programme less attractive.

## 8.2. Avoiding negative consequences: weeding out “bad apples”

Reducing the risk of admitting investor migrants with criminal backgrounds or illicit wealth is both a substantive objective for immigration policymakers (i.e. to avoid social harms) as well as a precondition for the programmes’ political acceptance. A detailed examination of due diligence is beyond the scope of this study (for an overview of the topic, see Oxford Analytica, 2020). However, this section makes some broad observations.

First, identifying illicit wealth is not straightforward. Some people’s wealth is inherently more difficult to investigate than others, particularly if they made their money in business environments with poor record-keeping. One compliance specialist interviewed for this project described 1990s Russia as a “proper wild west” (UK22), where it was effectively impossible to trace the source of funds. A China specialist said that verifying claims about previous wealth creation in China was stymied by the lack of reliable public records and the availability of false documents. Several interviewees said the situation in Russia and China had improved over the past decade, but that challenges inevitably remained with all due diligence.

Second, immigration agencies do not necessarily have the expertise to conduct due diligence—a process involving combing through complex financial records. While US policymakers felt that the Immigrant Investor Programme Office (IPO) had built up substantial expertise in recent years, UK policymakers consistently agreed that Home Office caseworkers did not have the skills to conduct due diligence checks. These checks were instead outsourced to the private sector by requiring applicants to open a bank account before applying.

One UK policymaker suggested it would be possible to improve operational expertise by employing a specialist team of caseworkers, including financial analysts—much as the Immigrant Investor Program Office has done in the United States. Others felt this was unrealistic and would be too expensive. Another suggested that the government could improve due diligence by requiring independent professional audits of applicants’ sources of wealth. These additional measures would come at a cost that would naturally be

passed on to investor applicants. In theory, additional costs might deter applicants whose source of funds was clean, although investor applicants' wealth means they may be able to absorb the cost.

Third, due diligence processes are not transparent for external observers. For example, a survey of due diligence arrangements in EU investor programmes notes that governments tend not to publish much detail about what applicants have to demonstrate and how checks are conducted (Veraldi & Gstrein, in press). UK interviewees for the present study also noted that where private-sector experts conduct due diligence, they did not consistently apply the regulated standards. As one policymaker put it, some providers "are more rigorous than others in carrying out background checks, I think is the polite way of saying it" (UK26). Indeed, some professional advisors involved in the investor programme shared this view. For example, one immigration lawyer said that clients who struggled to get one bank to give them an account would sometimes try again with another provider and succeed.

The inevitable difficulty in identifying the sources of funds precisely and reliably means that there is always likely to be at least some risk, even if the due diligence processes are extensive.

### **8.3. Investment migration and political success**

The previous two chapters have discussed factors affecting the political acceptance of investor programmes, including the extent to which applicants are considered "deserving" of membership in society. Chapter 7 outlined the importance of the narrative that applicants are genuinely making an investment and are not simply purchasing their status. Two other factors specifically related to the immigration criteria emerged from the fieldwork.

First, the concern that applicants might have criminal backgrounds lurked in the background of policy debates, particularly in the United Kingdom. In theory, it might be possible to mitigate this concern by making due diligence procedures more thorough. Indeed, the initial absence of strict programme criteria contributed to narratives that linked the Tier 1 Investor programme

with financial crime. Even after due diligence criteria were tightened in 2015 with the requirement to open a UK-regulated bank account before applying, the status of people admitted before 2015 remained an active part of media debates. There is no guarantee that more stringent due diligence checks would have eliminated concerns about applicants' backgrounds, however—especially where narratives are based on intuition rather than detailed knowledge of the policies or casework.

It is interesting in this context that concerns about investors' financial backgrounds have not been as prominent in the United States as in the United Kingdom. It is difficult to say exactly why, although there are some plausible programmatic and political explanations. On the one hand, the US investor programme might actually have admitted fewer people with illicit wealth. This could be because its due diligence procedures were more thorough (though assessing this is beyond the scope of this study) or because fewer people with illicit wealth were interested in going to the United States than the United Kingdom. Indeed, the US tax regime is probably less attractive to people with illicit wealth than the UK one because the US system effectively brings all overseas wealth and income under the spotlight of the Internal Revenue Service. An alternative explanation is political, namely that concerns about fraud by US regional centres squeezed out alternative framings of investment migrants there, portraying them as victims rather than villains (see Stone, 1998; Banulescu-Bogdan, 2022).

Second, narratives about investor migrants as prospective *citizens* were important in the investor programme debates in both the United Kingdom and the United States. Both investor programmes provided access to residence followed by permanent status. The programmes did not waive any requirements for citizenship, but—like any programme that offers permanent status—they indirectly facilitated access to citizenship in the long term. Given this indirect relationship, it is perhaps surprising that concerns about citizenship nonetheless featured prominently in debates about the suitability of investor applicants for membership.

For example, a UK political insider referred to the Tier 1 Investor programme as a means “to effectively buy British settlement visas, to buy British

citizenship, which is what it leads to in the end” (UK6). UK policymakers were emphatic that they did not want to follow the lead of their neighbours in some EU countries, such as Malta, by using the investor program to award citizenship directly. One described the idea as “extremely dangerous” (UK30) for the UK’s reputation. Similar language appeared in public statements. For example, the cross-party parliamentary Home Affairs Committee (HAC) criticised the investor visa after the 2014 MAC report, referring to applicants as “potential new citizens” (HAC, 2014, para. 46). US Senator Charles Grassley described the EB-5 programme as “a special pathway to citizenship” in a 2017 press release, arguing that “the EB-5 program is inherently flawed. It says that U.S. citizenship is for sale” (Grassley, 2017, para. 5).

While the political impossibility of giving away citizenship through the investor programme in theory imposed some constraints on policymakers, it was much less consequential than the prohibition on directly selling immigration status discussed in Chapter 7. A programme that gave away citizenship might have drawn in more applicants, but policymakers did not necessarily want higher numbers of applicants. Second, giving away citizenship would not necessarily have attracted more of the specific people that UK policymakers wanted, i.e. entrepreneurial people planning to relocate permanently. If anything, it might have done the opposite: a rapid path to citizenship is incompatible with substantial residence requirements and citizenship might thus have attracted people who primarily wanted visa-free travel rights.

In summary, the politics of the immigration side of investor programmes did not present policymakers with particularly strong trade-offs in the United States or United Kingdom cases. Politically attractive design features, such as not giving away citizenship and imposing residence rights, were consistent with policymakers’ vision of programmatic success. The situation would likely be quite different in other countries, however. For example, less popular immigration destinations may feel they *need* to offer citizenship to attract sufficient numbers of applicants.

#### 8.4. Conclusion

The primary challenge to policy success when it comes to admitting investment migrants in the case study countries has been programmatic, namely the difficulty attracting and identifying the desired profile of applicants.

The desire to admit active businesspeople through investor visa programmes is not specific to the United Kingdom and has appeared in public statements about other countries' programmes. However, the pool of successful businesspeople who are able and willing to re-establish themselves in a completely different business environment is relatively small, and many already have other immigration options. Consistent with past research identifying simplistic narratives about migrants' superior entrepreneurial abilities (Jones et al., 2010; Naudé et al., 2017), the present study suggests that the vagueness of the policy vision of the "desirable" investment migrant has created challenges in policy design.

Second, policymakers designing and implementing residence-by-investment programmes face a trade-off between programmatic objectives. On the one hand, they want to maintain a sufficiently attractive and manageable programme. Investor visas' flexibility has been their main selling point for applicants. On the other hand, the same flexibility has left the field open for applicants to use the programmes as they wish, and this has not always fitted with policymakers' expectations.

This tension between selection and attractiveness is likely to manifest in other areas of economic migration policy too. For example, the UK ended the free movement of EU citizens after the 2016 Brexit referendum to ensure that EU citizens coming to the country were working in skilled jobs. However, imposing a visa requirement with selection criteria for skilled EU citizens—whom policymakers still wanted to admit—reduced their rights and flexibility. The act of selection will also have made the UK less attractive to perceived "desirable" migrants.



One implication of this tension is that policymakers designing investor programmes or other economic migration programmes must decide how precise they need their selection mechanisms to be. As Colin Diver (1983) notes, policymakers should go to greater lengths to precisely target specific beneficiaries if the costs of *not* being very precise are high. In the investor visa case, policymakers have two options.

First, policymakers can double down on the idea that the programme should only admit active, entrepreneurial people by trying to select the people they want more precisely. This would add to the programme's complexity and make it less attractive to prospective applicants by reducing their flexibility and rights. Alternatively, policymakers can accept that most applicants will not be entrepreneurial go-getters and that this may not matter. Wealthy non-working people may bring some (more modest) benefits, such as tax payments on their day-to-day spending, as outlined in Chapter 2. Indeed, some countries explicitly welcome self-sufficient people who want to spend leisure time there. Austria, for example, allows financially independent non-EU citizens to apply for residency permits that do not *allow* them to work.

There are also unlikely to be considerable economic downsides to admitting investor applicants whose main motivation is to escape the inconveniences of the rest of the immigration system, such as the constraints of employer sponsorship. Again, some countries explicitly facilitate such flexibility by giving some migrants the option of an unsponsored visa through points tests or other routes (for example, Singapore's Personalised Employment Pass, which allows high-earning employees to decouple their work permit from their employer).

Where the qualities policymakers are interested in are intangible and hard to identify using transparent criteria, policymakers are looking for a needle in a haystack. If they want the needle, they may have to decide whether they will welcome the rest of the haystack too.

## **Chapter 9: Why have investor visas been so hard to reform?**

During the 2010s, the UK and US residence-by-investment programmes existed for years without significant policy changes, even after some policymakers had identified problems they would have liked to fix. This chapter examines why it took such a long time to address policy problems, and why policymakers' eventual approaches to reform in the two countries were so different.

Before launching into the theory and concepts, a brief review of the changes this chapter will analyse is warranted (Chapter 5 provides a full timeline). In the United Kingdom, policymakers made only minor tweaks to the Tier 1 Investor programme over the 2010s. This stability ended abruptly when the programme was closed in February 2022. Before the programme's closure, the most important changes had been reforms to due diligence processes in 2015 and a largely symbolic move in 2019 to increase the qualifying investment (from £1m to £2m) and remove the option to invest in government bonds. The basic policy model had remained in place, however. There was also no attempt to address some of the key criticisms of the programme outlined in Chapter 6, namely that the qualifying investments brought no economic benefits and that most investors did not conduct the entrepreneurial economic activities policymakers had envisaged.

The US EB-5 programme also saw periods of both stability and change. Following the expansion in demand for the US investor programme after 2008, policy was broadly stable with minor tweaks to policy guidance and implementation. As in the UK, this stability was punctuated abruptly at the end of the decade, although the story of change in the US is more complicated. First, in 2019, a new regulation almost doubled the investment thresholds and narrowed the definition of targeted employment areas that

allowed investors to benefit from the lower threshold.<sup>55</sup> Second, at the end of June 2021, Congress allowed the regional centre programme to lapse for nine months after failing to agree on a reauthorisation package that was required to allow the programme to continue operating. Only after the regional centre programme shut down did Congress agree on legislation in March 2022 that addressed some long-standing criticisms of the US EB-5 programme, such as the immigration agency's lack of authority to regulate the programme.

The 2022 US EB-5 legislation was the most sweeping reform that had taken place since 1992, although it was still incremental in the sense that it left the basic structure of the programme intact. There was also no serious effort to deal with the backlog, which a reasonable observer might consider the biggest problem facing the US EB-5 programme. Instead, an inelegant fix set aside a share of future green cards for new TEA investors, effectively allowing some new applicants to jump the queue while leaving investors who had already parted with their money languishing in the backlog.

The United Kingdom and the United States thus provide contrasting case studies for examining policy stability and change. Public policy theories have identified several factors that encourage existing policies to remain in place (Kingdon, 1984; Baumgartner and Jones, 1993; Jenkins-Smith & Sabatier, 1994), as outlined in Chapter 3. Because many issues compete for policymakers' attention, most do not make it onto the political agenda. Many lack salience, whether because they receive no media attention, do not feel particularly immediate to the public, or are not framed in a way that captures political and public attention (Cairney, 2020). Policymakers may lean towards the status quo because it feels normal and legitimate (Lindblom, 1959) and because securing consensus on new policy options requires time and political capital. There may not be a straightforward narrative about the solution to a perceived problem (Kingdon, 1984). Even if policymakers recognise in

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<sup>55</sup> This change was overturned by the courts in 2021, not based on the merits of the policy but on a technicality, i.e. that the person who signed off the final rule had not been through the proper appointment process. From an analytical perspective, it is thus useful to consider it an instance of "successful" policy change in the sense that policymakers were able to agree and (at least initially) implement a reform that addressed some of the main concerns about the policy.

principle that change is needed, they may not be able to secure consensus on how to change it (Weible et al., 2010; Tsebelis, 2011). Closing existing policies is particularly difficult (Lindblom, 1959; deLeon, 1979; Jordan et al., 2013).

This chapter draws on Kingdon's (1984) multiple streams analysis to examine the drivers of stability and change in the UK and US investor programmes. It identifies factors that prevented or facilitated change in Kingdon's three streams: problems, policies and politics. Kingdon argues that policy change takes place when the streams come together—i.e. policymakers believe there is a problem, there is a feasible policy solution available, and policymakers are sufficiently motivated to take action. He argues that windows of opportunity for change appear only when all three conditions are met simultaneously.

I show that the way the three streams eventually converged to produce policy change varied across the two countries. On the one hand, there were some similarities. In particular, there is evidence of policy learning at the meso level (i.e. within the immigration agency) during the 2010s in both countries, as practitioners and policymakers became aware of problems they would like to fix. In the United Kingdom, the two main problems were the poor performance of the qualifying investment and concerns about investors' backgrounds. In the United States, the problems were more numerous, but the main ones included concerns about fraud in regional centres and the policies' limited success in channelling investments outside of wealthy areas. By the mid-2010s, these problems were well-recognised among EB-5 specialists but competed with many other more salient topics in the immigration debate. The awareness of the problems did not on their own produce an impetus for change, as Kingdon (1984) argues.

In both countries, competing coalitions with different visions for the future of the programmes shaped the politics of investor programme reform. Conflict between policymakers with veto power meant that the status quo continued for several years. But windows of opportunity did arrive that encouraged them to reconcile their differences. In the United States, a nine-month lapse of the regional centre programme created a "hurting stalemate" (Weible & Sabatier 2007, p128), forcing policymakers and their industry allies

to agree on a compromise. In the United Kingdom, a more technical window of opportunity emerged. An existing procurement process for a different visa route enabled supporters of the investor programme to agree to its closure by promising a much narrower replacement—albeit one that cannot really be classified as an investor programme in the traditional sense of the term. Supporters of the programme in the United Kingdom also appeared to shift their views on its programmatic and political benefits.

Arguably, the key factor that influenced the different shapes reform took in each country was the policy stream. In the United Kingdom, few politically palatable policy alternatives had circulated in the policy community. Programme closure thus became a realistic response to perceived problems. By contrast, ideas about how to fix the US EB-5 programme had circulated and recirculated over several years. These options almost all involved retaining and reforming the status quo, in which influential US-based stakeholders had invested heavily.

The chapter concludes by examining the implications for analysing investor programmes and immigration policies more broadly.

## **9.1. Drivers of stability and change in the UK Tier 1 Investor Programme**

Three main questions arise regarding the history of the Tier 1 Investor programme since it started to expand in the late 2000s. Why did policymakers leave a policy design in place for many years with a qualifying investment that brought no economic benefits? What changed at the beginning of the 2020s to enable policy change? And when change finally did arrive, why was the decision to close the programme rather than address its perceived drawbacks?

### **9.1.1. Problems**

For a long time, the UK Tier 1 Investor programme's performance was not considered a problem. One reason for this was that nobody was paying much attention. Regardless of when they held office, policymakers described big

issues that dominated policy debates and competed for attention with investor visas. These included asylum backlogs in the mid-2000s, the net migration target in the early 2010s, and the development of the post-Brexit immigration system after the 2016 EU referendum. The number of people coming through the investor programme was small compared to the numbers affected by these other policies, in a Home Office that has historically focused on numbers. As a result, policymakers felt there were “far bigger fish to fry” (UK27).

By contrast, the investor programme “would barely have shown up as a speck on the radar” and could “quite happily chug along in the background with nobody paying much notice” (UK9). As outlined in Chapter 3, Zahariadis (2016) identifies four main factors that help issues become salient: power, which shapes different actors’ ability to get their voices heard; perception, i.e. how issues are framed or perceived; potency, i.e. how intense and widespread their impacts are; and proximity, i.e. how relevant and immediate they feel to people’s lives. The UK investor programme lacked most of the ingredients for salience, particularly in the early part of the 2010s. The investor programme was perceived as a technical, economic issue, at least in the early 2010s. It had little potency or proximity: it was a complex financial policy with no immediate impacts on ordinary people’s lives. Media attention, one of the key indicators of issue salience (Baumgartner & Jones, 1993; Dearing & Rogers, 1996), was low, creating limited pressure for policymakers to look into the investor programme any further. Indeed, no policymakers I spoke to for this research discussed public opinion or media coverage of the UK programme as an important factor behind their attitude to the programme.

As a result, policymakers assumed that the programme was broadly functioning as intended, at least during the 2000s and early 2010s. However, as outlined in more detail in Chapter 6, Home Office policymakers began to develop concerns about the route as the decade progressed, for two reasons. First, the Migration Advisory Committee produced a report arguing that the benefits of the investor programme were limited. Second, policymakers started to become aware, via operational information, that certain people with illicit wealth had been using investor visas. Third, debates about

“golden visas” and citizenship for sale in other EU countries from around 2013 onwards sparked media interest. Investor visa applicants had once been framed purely as economically beneficial “high-value” migrants, with few further questions asked. A competing narrative had now entered the field, framing them as corrupt magnates purchasing their immigration status.

While the Home Office did make some changes to address security concerns (adding the requirement in 2015 to open a bank account before applying), the economic performance of the route was not considered an urgent problem. Policymakers who worked on investor visas during and after this time generally recognised that the qualifying investments were underperforming. However, UK policymakers identified two main pressures that prevented this problem from gaining sufficient attention.

First, many UK policy interviewees felt they were under constant time pressure and did not have the resources to spend more time developing new policy options to improve the economics of the investor programme. A commonly used phrase across interviews was “bandwidth”. One policymaker attributed the lack of attention to the economic impacts of the investor route to the fact that the Home Office “is hideously under-resourced, under-staffed” (UK27). While some policymakers agreed that a more creative way of using investors’ capital was desirable, the numbers of people and sums of money involved were small, and they did not have the time to design a new system to replace it.

A second factor was the expertise and roles of decision-makers affected awareness of the economic problem and whether it was considered a priority. For example, one policymaker argued that in some government departments, including the Home Office, people in analytical roles might have prioritised developing an economically beneficial model but were low in the Whitehall pecking order and had limited clout during decision-making. Others said that job turnover among both politicians and civil servants reduced the likelihood of sensible policy changes, since by the time someone had learned enough to

have a good sense of what to do, they were “reshuffled” or moved to the next job.<sup>56</sup>

This analysis confirms the picture from much of the public policy literature that competition for attention means many policy problems languish unattended even where there is a problem that policymakers might ideally like to fix (Cairney, 2020). Policymakers stuck to options that were “good enough” (Simon, 1976, pxxv), even if they were not particularly good. This satisficing has important implications for the study of migration policies such as investor programmes. Looking at the design of the UK Tier 1 Investor programme, an outside onlooker might assume that the UK had a non-performing qualifying investment because policymakers thought it would affect the price of government borrowing or because they had explicitly decided the investment was purely symbolic. In fact, UK policymakers *did* seem to care that the qualifying investment was ineffective. They just did not have the bandwidth to deal with it and felt other problems were more important.

### 9.1.2. Policies

A second factor promoting policy stability in the UK was that none of the alternatives looked desirable. As discussed in Chapter 7, policymakers considered various other policy designs, such as charitable donations and non-refundable payments to a government fund. However, they ultimately dismissed these alternatives as either too complicated or too unpopular politically.

Kingdon (1984) argues that policy proposals take time to secure legitimacy. Members of the policy community—including lobbyists, think tanks and others promoting policy ideas—test out and circulate their ideas in formal and informal settings. This process solidifies proposals in the minds of

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<sup>56</sup> Indeed, two interviewees pointed to Theresa May’s long tenure as Home Secretary as an important factor shaping policies. One suggested that while the early policy changes to the system at the beginning of her tenure in 2010-2011 had been “relative naïve”, later changes were based both on a more detailed understanding of how people were using the systems and also tended to be “firmer” (UK25).



policymakers as viable options. In the UK throughout the 2010s, however, there were no feasible policy proposals for investor programme reforms in circulation. The main participants in debates about investor visas, i.e. law firms and professional intermediaries, mostly supported the status quo, which provided low-risk investment options to their clients. The most important intervention that could have put a feasible policy idea on the table was the Migration Advisory Committee's government-commissioned review of the investor programme in 2014. However, the option that the committee proposed—auctioning off visas—was so far from being politically feasible that it did not gain any traction, as outlined in Chapter 7. From a political perspective, the MAC report was a wasted opportunity to put a feasible alternative on the policy agenda.

In theory, other proposals might have gained legitimacy if they had circulated for long enough in the policy community or received prominent backers. Some options were briefly discussed between industry specialists and policymakers, such as directing money towards the British Business Bank or specified charitable organisations. These options exist in other countries and have been considered feasible there. For example, charitable donations qualify in the Irish investor programme, and Singapore has operated a dedicated fund for investing applicants' funds. But no influential actors had much incentive to promote viable alternatives, since the programme did not have concentrated costs or benefits for any UK-based constituencies other than professional intermediaries providing services to the applicants.

Limited "bandwidth" was one factor preventing the development of alternative proposals in government. If officials encountered obstacles, they did not have a strong incentive to keep pushing. For example, one policymaker explained why they had not fully developed options for making a charitable-donation-based model work:

*“You’re trying to do so much so quickly. You’re in a room in Sheffield and you come up with that [i.e. a different policy proposal], and if everyone in the room on the operations side comes out against it you say ‘oh sod it, I’ll move on’. [...] You’re just trying to find the path of least resistance.” (UK1).*

Without any “softening up” of new policy ideas, policymakers saw changes as sources of risk. It is difficult to predict the impacts of a policy change, particularly when there is little good data. In the words of one Home Office policymaker, policymakers were thus “naturally wary of trying to make any changes that might inadvertently introduce any new risk” (UK16). This included risks of abuse or that the new policy would not work. As another policymaker put it:

*“You don’t really know, do you? So you might as well leave it. It’s a sort of decent small-C conservatism in another way.” (UK29)*

The main proposal that gained some traction over time was closing the programme entirely. Home Office policymakers felt that the policy brought risks without much reward and did not see any compelling options for fixing the category. As discussed in Chapter 7, many thought security concerns were difficult to address and saw flaws in the competing options for qualifying investments. The combination of low salience and the lack of feasible alternatives meant that the Home Office increasingly preferred the option of programme closure. As one Home Office policymaker put it:

*“I think the Home Office institutionally lost interest in this route somewhere around 2012, 2014. And we didn’t want to invest in it as something we wanted to make a success of, particularly, or put time and effort into it.” (UK20)*

In summary, by the late 2010s, policymakers had two main options: to develop a new proposal to improve the programme or to close it down.

### 9.1.3. Politics

The investor programme did not attract the attention of many policymakers. Those who had views on the programme fell broadly into two camps that could be described as advocacy coalitions in the terminology of the ACF. On the one hand, Home Office politicians and civil servants tended to lean towards more restrictive policies—whether this meant tightening the requirements or closing the programme entirely. Politicians and civil servants in other government departments such as the Treasury usually opposed new restrictions or closure.

These disagreements were driven by differences in beliefs, mission and priorities, as outlined in Chapter 6. The Treasury and other economic departments tended to have more liberal views on immigration across the board. The departmental divide was not a partisan split, although partisan differences between Conservatives and Liberal Democrats during the 2010-2015 coalition did not help. Instead, interviewees from different administrations described the Treasury and economic departments as institutionally “much more pro-immigration than the Home Office” (UK21). Some described the Home Office as a lonely outlier—the only department taking a sceptical stance on migration while the rest of government pushed for more liberal policies. For example, one senior civil servant described how a Home Secretary they had worked with had been both surprised and “quite furious” (UK21) about the lack of support they received from colleagues in other departments in their attempts to restrict migration.

As a result, the programme's fate depended on the influence of two competing groups of policymakers with differing beliefs about immigration policy and the investor programme in particular.

As outlined in Chapter 3, policymakers' ability to secure their preferred outcomes depends on factors such as their formal decision-making power and access to resources such as information, money or support from wider interests or public opinion (Nohrstedt, 2011; Weible & Sabatier, 2007; Weible et al., 2009). The competing coalitions in the Tier 1 Investor case had different types of authority and resources.

As the department that “owns” immigration policy, the Home Office had more staff dedicated to policy development and had access to operational information about the profile of applicants (which influenced debates about security risks in the programme). Other departments had limited staff working on immigration issues. However, they did have veto power over most policy changes. Since they were often happier with the status quo—imperfect though it was—than the more restrictive alternatives the Home Office was proposing (e.g. closing the programme entirely), they could block proposed changes they did not support. The veto would be exercised when the Home Secretary sought collective agreement from the rest of the Cabinet through the “write around” process.<sup>57</sup> The effects of this veto power became publicly visible in 2018 when the Home Office’s attempt to suspend the programme was blocked by the Treasury even after the press release announcing the closure of the programme had gone out.

In principle, a constructive dialogue across government departments might have led to a compromise position that both sides would prefer to the status quo. The conditions for this type of dialogue were better in some periods than others, however. All policy interviewees—working on investor visas at different points over the period studied (2005-2020)—recognised tensions between the Home Office and other departments. In the first half of the 2010s, when debates about reforming the investor programme started to develop, some policymakers suggested that the relationship between people in the Home Office and other departments was too bitter to allow a constructive conversation about policy options. For example, one economic department policymaker said they were “absolutely not on speaking terms” with their Home Office counterparts (UK29). However, this relationship appears to have improved after the mid-2000s. Some policymakers who had been in post during this later period said there was scope for constructive dialogue despite the inevitable tensions and often explicitly referred to productive discussions with counterparts in other departments.

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<sup>57</sup> Write arounds are an important final stage in the development of secondary legislation, in which the minister responsible for a particular policy writes to other cabinet ministers to secure collective agreement for the policy before proceeding.

At the same time, some broader shifts in the policy environment reshaped the political benefits of the investor programme. First, as Chapter 6 has already outlined, the dominant narrative about the Tier 1 Investor programme changed in the mid-2010s. Participants in the debate started to apply not just an economic lens but also a security one. Second, the broader immigration policy landscape in the late 2010s had changed in a way that arguably made the “open for business” message that policymakers outside the Home Office had wanted the investor programme to send less necessary. Unlike in the early to mid-2010s, when the Home Office and the Treasury were at loggerheads, and the economic departments’ main goal on immigration policy was to fight restrictions, immigration policy in 2022 was reasonably liberal. The post-Brexit immigration system had ended free movement from the European Union, but it had ushered in liberalisations for non-EU migrants, and non-EU immigration was rising sharply. One likely impact of this was that the distance between the policy positions of the Home Office and the Treasury had narrowed, creating more room for dialogue and agreement.

#### **9.1.4. Windows of opportunity**

Most of the changes to the investor programme during the 2010s were minor ones that policymakers could agree on despite their differences. For example, measures to screen out people with illegally obtained wealth were introduced in 2014-15 and were broadly uncontroversial. Increasing the investment threshold from £1m to £2m in 2014 was also considered reasonably straightforward. This move followed the Migration Advisory Committee’s formal recommendation and effectively just adjusted the threshold for inflation since the programme’s inception.

In 2022, however, a more radical change arrived: the closure of the Tier 1 Investor programme. What changed to allow policymakers to agree on this move? As outlined above, the conditions for change had become more favourable over time. Policymakers were more aware of economic and non-economic problems in the route. Media attention had increased and had become more negative due to a security-oriented lens dominating public debate. And dialogue between the Home Office and other departments had

become more constructive. One policymaker also suggested that personalities were important and that a change in personnel within the civil service had reduced opposition to closing the programme outside the Home Office.

However, one technical development created a window of opportunity for change by enabling policymakers who disliked the optics of closing the investor programme to consent to this move. In particular, policymakers interested in the programme's symbolic message wanted to replace the route with something else rather than simply close it. However, there were few feasible alternatives, as described in the previous section.

In late 2021 and early 2022, the Home Office had been working on reforms to a separate immigration route known as the Innovator visa, which admits entrepreneurs who secure an endorsement from an approved body. It had launched a commercial tender to establish new "endorsing bodies" to assess applicants and monitor their activities in the UK. The existing tender process made it possible to add investors as a subcategory of the Innovator route. Policymakers believed that outsourcing oversight to an endorsing body would enable them to impose requirements on what programme applicants did day to day. Without this stream of work on the Innovator visa, adding a route for investors relying on a third-party endorsement would have required the Home Office to set up an entirely new structure, which would have been expensive and cumbersome.

This new investor route would be very different from the original Tier 1 Investor programme. Through discussions across government departments, policymakers agreed on a much narrower vision for the people they wanted to admit. The new route would not allow passive investments and would require people to be actively "executing an investment strategy" (Home Office, 2022b, para. 13). This vision is arguably more consistent with the vision of the active, entrepreneurial investor applicants discussed in Chapter 6. The analysis in Chapter 8 suggests that the market for such a programme is likely to be relatively small.

Despite the big differences between the old programme and the proposed new one, the future promise of an alternative nonetheless mitigated concerns about the negative signalling of terminating the Tier 1 Investor policy.

## **9.2. Drivers of stability and change in the United States**

As Chapters 5, 6 and 7 show, US policymakers had several complaints about the EB-5 programme, but it took several years for policymakers to take action, and some of the problems remained in place at the time of writing in 2022. This section examines the barriers to policy change in the 2010s and the factors that enabled change in 2019-2022—first through regulation and then through legislation. The factors affecting the policy process were different depending on the perceived problem. This section therefore examines action and inaction on three issues: 1) integrity measures designed to combat fraud, 2) targeting investments towards more disadvantaged geographic areas, and 3) waiting times driven by caps and processing delays. While there was a reasonable consensus on integrity measures, the other two problems were more contentious and the third was never addressed.

### **9.2.1. Problems**

The US EB-5 visa already had experienced its share of controversies well before the period most of the policymakers interviewed for this study worked on the programme. As outlined in Chapter 5, debates about fraud and compliance took place in the late 1990s and 2000s. The programme expanded considerably after 2008, attracting more attention and giving more stakeholders an interest in its outcomes. Policymakers suggested that perceptions had changed over time due to feedback from the programme itself. First, repeated fraud scandals attracted substantial media coverage. Several interviewees in policy and the EB-5 industry mentioned the Jay Peak scandal in Vermont as an influential symbol of fraud in the programme. These incidents created the impression of an industry out of control, even if most operators were perfectly responsible. Second, there was greater awareness of the gerrymandering of Targeted Employment Areas, aired in official reports (e.g. GAO, 2016) and Congressional hearings. This contributed to more negative perceptions of the programme's outcomes.

Nonetheless, US EB-5 reform competed with much more salient debates about legalisation, border control, and work visas. Members of Congress, most business groups, and civil society were more invested in these other debates than in the EB-5 programme. Policymakers typically described the programme as both controversial and relatively low visibility compared to the other immigration issues they faced.

### 9.2.2. Policies

The debate about alternatives to the status quo in the US investor programme was richer than in the United Kingdom. Industry associations, immigration lawyers, politicians and some academics participated in debates about the structure of the EB-5 programme. They debated competing proposals to increase government oversight, sharply increase fees to speed up processing times, narrow the definition of Targeted Employment Areas, and adjust investment thresholds to balance the interests of different geographic areas.

More radical options—such as turning the programme into an infrastructure fund managed by the government or closing the programme entirely—had been discussed only in passing and were not seen as serious possibilities. Policymakers' assessments of what a successful investor programme should look like were usually very much rooted in the status quo, sticking to familiar parameters such as at-risk investment, targeted employment areas and job creation requirements. In particular, industry groups who benefited from the programme argued strongly against radical changes and drove a debate that focused on tweaks to the status quo. As one US policymaker put it, changing the basic model of the EB-5 qualifying investment “would produce so much anxiety amongst the investor real estate people that they would freak out. So we decided we just can't touch that” (US7).

Eric Schickler (2001, p15) argues that the multiple interests that drive US Congressional negotiations encourage “layering”. That is, policymakers struggle to eliminate old policies and replace them without alienating supporters, which creates a bias towards tinkering with existing structures. This layering process can lead to complex and unwieldy programmes with multiple carve-outs and provisions to compensate different interests. Thelen



(2003, p228) points out that layering is sometimes the only way for policymakers to reconcile old policies with new “normative, social and political environments”.

The US EB-5 debate illustrates this process in action. Proposed measures responded to the new social and political environment in which compliance had become more salient. For example, rather than questioning whether decentralised regional centres were the best way to distribute funding, policy proposals focused on measures to fix perceived problems with regional centres through additional regulation and auditing. To satisfy competing urban and rural constituencies simultaneously, stakeholders proposed measures to set aside a subset of newly available visas in the future for rural or high-unemployment areas, further increasing the programme’s complexity.

Although many policymakers were ambivalent about the programme’s existence (as discussed in Chapter 6), none felt that an affirmative policy choice to close the programme was likely. For example, when asked whether there had been any serious discussion of closing the programme, one US policymaker said:

*“Not seriously, no. I think the closest you’d get to shutting it down entirely are conversations about revamping the programme. For example there was some discussion about just turning it into an infrastructure programme. It wasn’t serious, there was no language to it,<sup>58</sup> but I think that people could have a blank slate to start from they would love that opportunity. But shutting down the programme, not really” (US8)*

Even those who were quite negative about the overall performance of the US EB-5 programme suggested that reforming it might be better than closing it. For example, one policymaker who was very critical of the way that the programme operated suggested, “I don’t know if necessarily always the

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<sup>58</sup> Language in this context refers to legislative or regulatory language, i.e. draft bills.

answer is to shut it down. Sometimes it's just a retooling, actually get to the result that we're looking for" (US16).

Research in other fields of public policy has identified a clear bias towards reforming rather than abolishing programmes, whether because interests that benefit from the status quo fight change or because of an instinctive reluctance to accept or publicly admit that policies are not working (DeLeon, 1978; Ingram, 1980; Hogwood & Peters, 1982). The US EB-5 case illustrates the tendency for policy to become "its own cause" (Wildavsky, 1979/2017, p51), with policymakers focusing primarily on fixing the problems the previous policy has generated. Indeed, policymaker interviewees discussing potential reform proposals focused on problems in the programme itself, considerably more than the real-world problems the programme was supposed to address (such as the difficulty that some geographic areas have attracting investment).

### **9.2.3. Politics**

The political dynamics of the EB-5 programme differed depending on the type of participant in the political debate. Weible et al. (2010, p524) distinguish between "principal" and "auxiliary" members of advocacy coalitions, where principal members have the resources and motivation to take on leadership roles, while auxiliary members dedicate less energy to the topic because it is less important to them or because they lack the resources. In the EB-5 case, principal participants in the debate included a small number of Congresspeople, political appointees within the executive, and members of the EB-5 industry who participated in industry associations and sometimes hired dedicated lobbyists. Auxiliary members included other Congresspeople who periodically participated in discussions (for example due to a project in their district) but had more limited expertise and interest in the programme.

### *Core participants in the US EB-5 debate*

As described in Chapter 6, geographic divides contributed to differences in opinion about the direction of EB-5 reform. The concentrated benefits of investments, together with limits on EB-5 green cards, made competition between local areas zero-sum.

Representatives of wealthier urban areas were broadly happy with the status quo before 2019, which allowed applicants to invest in wealthy areas at the lower Targeted Employment Area (TEA) rate. This camp was willing to accept integrity measures to improve programme regulation and wanted to see the regional centre programme reauthorized, but opposed measures that would make investments in urban areas less attractive. Two prominent participants in this camp were Senator Schumer and Congressman Jerrold Nadler—both from New York—who also held leadership positions that gave them veto power over new legislation on immigration.

Other politicians, meanwhile, were unhappy with the status quo and pushed for more significant reforms. The most prominent members of this camp were Patrick Leahy (D) from Vermont and Chuck Grassley (R) from Iowa. They and their colleagues felt that less advantaged districts were “not getting any piece of this pie” (US13) and pushed for measures to make those areas relatively more attractive to investors. This included narrowing the TEA definition and increasing the differential between TEA and non-TEA investment amounts. They also supported integrity measures designed to reduce fraud. Some interviewees cited the high-profile *Jay Peak* fraud scandal in Leahy’s state, Vermont, as a key event encouraging him to seek reform.

These divisions were replicated to some extent within the EB-5 industry. Industry associations comprising large real estate developers in major cities such as New York aligned with—and were one of the driving forces behind—elected leaders who supported the pre-2019 status quo that favoured their position. Other industry representatives were happy to support a reform package that tipped the balance more towards rural areas. Some also supported tougher regulation to prevent fraud because they wanted to

ensure a level playing field and reduce the risk of being outcompeted by less scrupulous operators.

Policy interviewees also widely attributed the failure to secure agreement to industry interests, particularly the New York City real estate industry that fought to protect the mid-2010s status quo or something reasonably close to it. Some policymakers bluntly attributed certain politicians' opposition to reform to the money pouring in from campaign contributions from groups that benefited from the status quo. Even without campaign contributions, politicians representing affluent areas may still have had reasons to block reforms that would send a higher share of EB-5 finance to other areas. As one policymaker argued:

*"A cynic would say certain members of Congress were heavily influenced by those campaign contributions. A less cynical person would say those developers are their constituents, they were building projects in their districts, employing people in their districts, and so it was to the interest of their state or their district to keep the programme the way it was. Because they were getting projects and investment capital they otherwise wouldn't have gotten and it was basically free." (US28)*

Interviewees on both sides of the EB-5 debate characterised the negotiating environment as bitter and divisive, with poor personal relationships between people in different camps and deep mistrust among negotiating partners. As one political insider put it, "the politics of all this has been pretty ugly" (US30). Weible et al. (2010) argue that complex policy problems are difficult to resolve in adversarial, politicised environments where experimentation and learning across coalitions are harder. Indeed, the adversarial environment appears to have contributed to the mid-2010s stalemate in the EB-5 reform debate.

The result was that negotiations in the mid-2010s failed to produce an agreement. Even though the mid-2010s status quo was not perfect for anyone, it suited influential urban policymakers and industry interests enough that they repeatedly exercised their veto over policy proposals that could have reduced the value of the programme in those areas.

*Peripheral participants in the US EB-5 debate*

Many US politicians had limited incentives to associate themselves with the EB-5 programme, regardless of their policy preferences. Two reasons for this emerged from the policymaker interviews. First, as noted in Chapter 6, politicians were torn between the desire to support local users of the programmes in their districts and the fact that the programme was often seen as quite flawed. As one policymaker had put it, “collectively Congress hates it; individually everybody in Congress loves it” (US12). Getting involved in any immigration reform efforts had risks, given the deeply polarised nature of the overall immigration debate and the complex relationship between EB-5 and other immigration issues. Consistent with Weaver (1986), the desire to avoid blame for involvement with a politically risky programme reduced the number of participants in the EB-5 debate.

Reforming the EB-5 programme through legislation—requiring every member to put their views on the record—was thus always set to be an uphill struggle. According to one policymaker, a solution to this problem had been devised. An EB-5 deal was never intended to go through the normal legislative process as a standalone bill. Instead, key members of Congress and the House and Senate leadership planned to agree a deal that would then be attached to a “must-pass” piece of legislation such as an appropriations bill. This strategy would enable Congress to pass the bill without members having to come out in favour of it explicitly.

At the same time, interviewees said that the complexity of the US EB-5 programme made it difficult to bring in more peripheral members because there was no simple narrative about the value of reform. While some Congresspeople were willing to specialise in the issue (as Eshbaugh-Soha [2006] note is feasible in the US congressional environment), the debate was too complex and insufficiently salient in the national debate to attract wide participation. As Gormley (1986, p606) predicts, it thus attracted “policymaking by a power elite”.

### *The politics of numerical limits*

The discussion so far has focused on the geographic targeting of investments and integrity measures. While an external observer looking at the US EB-5 programme might reasonably argue that its biggest flaw was the oversubscribed numerical limit on green cards, a serious fix to this issue was not on the table. In theory, oversubscription can be addressed either by increasing supply (e.g. the number of green cards available) or by reducing demand (e.g. increasing the investment threshold so that fewer people apply).

One might expect regional centres to be happy with a higher investment threshold. However, many were also concerned that it would make it too hard to attract investors, particularly people from China who had to contend with currency controls to get enough money out of the country. While there was a limit on green cards, there was no limit on the number of investments the industry could sell to applicants. As long as the industry could still persuade applicants to stomach the waiting times, it was not necessarily in their interests to see a much higher investment threshold.

The other option was to increase the numerical limit on EB-5 green cards. However, this was a non-starter politically because it linked the EB-5 debate to the larger and even more controversial question of whether overall US immigration should be increased. As Kolbe (2020) shows, questions that are usually uncontroversial can become much more so if they are linked to adjacent, more contentious policy debates. Linking the EB-5 debate to the scale of overall immigration would have been a poison pill, in the view of policy interviewees.

The motivations for not linking EB-5 reform to overall green card numbers were different across partisan divides. While Democrats may be amenable to the idea of higher numbers of visas overall, they had more important immigration priorities they wanted to address first. They would be reluctant to “increase the number of visas for rich people when you have all of these other immigration issues that are waiting in the wings and are not being

addressed" (US26), in the words of one influential participant in the EB-5 policy debate.

Republicans, on the other hand, would not tolerate raising the EB-5 green-card cap because they typically opposed increasing immigration levels overall. For them, an increase in EB-5 numbers would need to be offset by a decrease somewhere else. However, all the other immigration categories also had constituents fighting for them, so there was no obvious place to take additional visa numbers from, without disturbing the "hornet's nest" of numerical limits (US10). Such a move would need to be part of a large-scale, comprehensive immigration reform dealing with multiple immigration issues. Congress had been unable to pass almost any immigration-related legislation, however, leaving EB-5 reform "subject to a much larger debate that has been paralyzed" (US5).

The resulting oversubscription problems in the US EB-5 programme in the late 2010s provide a good example of what Hacker (2004, p248) terms "policy drift", in which the effects of policy develop unexpectedly over time because there were no reforms to account for changes in the circumstances. In particular, oversubscription substantially affected how the EB-5 programme operated (as described in Chapter 8), and it is not clear that these impacts were anticipated or intended when the programme was created.

In summary, two main factors meant that the EB-5 debate in the 2010s was not conducive to reform. For core participants in the debate, a stalemate had developed between proponents of different visions of the programme and, at least until 2019 (when the new regulation discussed in the next section was finalised), politicians who favoured the status quo were able to veto change. At the same time, there was little incentive for members of the broader policy community, such as politicians with limited knowledge of the EB-5 programme, to get involved in a controversial programme. And some problems, such as programme oversubscription, were linked to other immigration debates that were too controversial for policymakers to address at all.

### 9.2.4. Windows of opportunity for change

This section has discussed the multiple obstacles to reforming the EB-5 programme during the 2010s. However, policy change did eventually arrive—first in 2019 with a new regulation, and then in 2022 via legislation.

The 2019 regulation substantially increased investment thresholds to \$900,000 and \$1.8m for TEA and non-TEA investments, respectively. It dramatically narrowed the definition of targeted employment areas TEAs, so businesses using EB-5 finance could no longer string together large numbers of Census tracts (i.e. small geographic units) to make their area eligible for the lower investment threshold. Together, these changes made investing in wealthy urban areas much less attractive and thus represented a major setback for policymakers who opposed the EB-5 reform plans proposed by Sens Grassley and Leahy from 2015 onwards. The 2019 rule change was actually a bigger change from the status quo than the versions of reform previously debated in Congress, which mostly involved a smaller gap between the TEA and non-TEA investment amounts.

As noted earlier, the 2019 regulation was struck down in mid-2021 by a court decision based on a technicality. The next major example of agreement on policy change was the March 2022 EB-5 Reform and Investment Act (RIA). As described in Chapter 5, this legislation introduced new integrity measures, narrowed the scope of TEAs to prevent gerrymandering, and set investment thresholds at a compromise level where the differential between TEA and non-TEA investment amounts was \$250,000. This differential was much smaller than it had been in the 2019 regulation (\$900,000).

#### *Securing agreement in the executive in 2019*

What changed? Why were these reforms possible when earlier attempts had failed? Similar policies can often be made in several different venues, such as the legislature, executive, and courts, creating an incentive for “venue shopping” if actors promoting a policy idea are unsuccessful in one venue (Baumgartner & Jones, 1993). This is what happened after the failure of legislative action in 2015-16.



During the 2010s, some conditions for reform had become more favourable. In the “problem stream”, the investor programme had become more salient due to high-profile fraud scandals. In the “policy stream”, proposals had been circulating widely due to the failed Congressional negotiations, which had hashed through several variants of a reform package. The politics remained a sticking point, but a change in venue from the legislature to the executive shifted the balance.

Politicians who had championed the legislative efforts in Congress urged the administration to act on the parts of the EB-5 agenda that permitted executive action. The Obama administration worked on a new EB-5 regulation in 2016 and published it in January 2017, just before the arrival of Donald Trump’s administration. Although there was some initial delay under the Trump administration, the rule was finalised with relatively small changes in 2019. In other words, the policy change had bipartisan support across administrations. The Biden administration also confirmed its support for the rule after it was struck down in June 2021 and said it would seek to reinstate it.

In other words, some of the key points of contention in Congress were amenable to consensus in a different venue, i.e. the executive. One reason was that the ideological distance between decision-makers was smaller in the executive than in Congress. The Congressional debate had foregrounded the subnational geographic divides in an electoral system that produces politicians representing specific geographic areas. It made individual politicians reluctant to enact reforms that might hurt local business interests. By contrast, the national-level administration had a mandate to consider the US-wide impacts of the programme. Most policy interviewees described a reasonable consensus within the executive about the new regulations.

Another factor favouring administrative action was that several people who had worked in Congress in the offices of politicians supporting EB-5 reform entered senior positions in the executive under the Trump administration.

They were among those pushing for the regulation to be finalised.<sup>59</sup> In other words, the shift in venue changed the balance of power towards policymakers who were less favourable to the status quo and wanted to pursue reform.

This was not the end of the story, however. Even if the 2019 regulation had remained in place, some changes still required Congressional authorisation. These included the immigration agency's limited authority to regulate the programme, one of the highest priorities for policymakers in the Grassley-Leahy reform camp.

#### *Programme lapse and Congressional agreement on EB-5 reform in 2022*

The 2019 rule change set in motion a series of events that eventually did lead to legislative reform. Politicians supporting wealthy urban EB-5 constituents had blocked attempts at legislation until 2019, instead favouring the status quo. However, the 2019 regulation changed the status quo to their disadvantage, giving them a much greater incentive to come to the negotiating table.

Following years of stalled talks, the key political players in the EB-5 debate agreed in December 2020 to a step designed to force different EB-5 interests to come to an agreement. The regional centre programme was periodically reauthorised. Reauthorisations had always been coupled with budget legislation that guaranteed safe passage through Congress, but in 2020 the leadership decided to decouple reauthorisation from budget measures that would be extended by default. This would force an agreement on what shape reform should take—otherwise, stakeholders would lose the programme entirely (Grassley, 2021). The expiry was not a deliberate decision to shut down the programme but a tactic to make policymakers and the industry come to the negotiating table. As one industry political insider put it, the goal had been to say, “Hey, we need to get all the parties kind of scared enough to

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<sup>59</sup> Some also suggested that the fact that Jared Kushner, the president's son in law, was known to be involved in developments that solicited EB-5 funding, may have made it more difficult for the White House to become involved, because of the optics of being seen to block a regulation that might disadvantage them.

just come together and get the deal done, and this is the way we can do it” (US29).

This move changed the default policy option from the continuation of the status quo to the lapse of the programme. It substantially changed the negotiating environment compared to the mid-2010s. In particular, it weakened the position of the wealthy urban participants compared to the situation from 2015 to 2018 because they could no longer fall back on a favourable status quo by blocking reform. Meanwhile, some of the policymakers they were negotiating against, such as Senator Grassley, could take a relatively hard line because they were comfortable letting the programme expire rather than see it continue without reform. Certainly within the EB-5 industry, however, almost nobody had an interest in the new default policy option, i.e. the expiry of the programme.

When the June 2021 deadline rolled around with no agreement in sight, the regional centre programme lapsed chaotically, creating further pressure to reach a deal. The industry had reached a “hurting stalemate” (Weible & Sabatier 2007, p128), in which nobody was happy with the status quo.

Policymakers and political insiders close to the negotiations interviewed for this research said that what changed between the late 2010s and 2021-2 was not new ideas or policy options, but the parties’ negotiating positions. They characterised the decision to allow the programme to lapse in the absence of agreement as the key factor that enabled legislation to pass.

In summary, veto players who disagreed about the direction of US EB-5 reform were a major impediment to policy change in Congress in the mid-2010s. In particular, the geographical concentration of the programme's benefits and the strong interest that many businesses had in blocking policy changes made it difficult for Congress to agree on reform. A substantial reform measure became possible in 2019 only when the venue for decision-making shifted to the executive, giving more power to policymakers who favoured change. The 2019 regulation change created an incentive for the congressional leadership, which had previously been happy to allow the status quo to continue, to force negotiations on legislation by allowing the

regional centre programme to expire in the absence of an agreement. When this threat was made real, participants on all sides finally negotiated a way out of a stalemate that was damaging for all of them. In other words, the key factor that enabled legislation in 2022 was in the politics stream. The problems had already come to politicians' attention and policy solutions had been circulating for years. The motivation to act came later due to a complex series of shifts in the default policy option.

### **9.3. Comparison of the US and UK cases**

In both the United States and the United Kingdom, policy change took many years to secure. There were similarities and differences between the drivers of stability and change in the two countries.

On the one hand, the investor programmes in both countries competed with much more salient areas of immigration policy that preoccupied policymakers. Relatively low salience reduced the resources available for developing and negotiating policy change on the investor programme. Competition with salient immigration topics affected the two countries' debates in slightly different ways. In the United Kingdom, policymakers were busy taking action on the more salient immigration topics, such as asylum or the end of EU free movement. They did not have time to invest resources and political capital in the investor programme and were also wary of introducing new risks by changing the policy. In the United States, debate on the more salient immigration topics was paralysed, and policymakers could not agree on anything. As a result, policymakers promoting EB-5 reform needed to avoid association with those other topics to create a politically feasible proposal. This meant neglecting some issues entirely, such as the problems created by oversubscription. Despite these differences, low salience compared to other policy issues created obstacles to change in both countries.

There were also some similarities in the "problem stream" for UK and US investor programme debates. In both countries, policymakers were on a learning curve as their programmes expanded in the early 2010s, and their understanding of problems in the programme increased over time.

The main contrasts come in the policies and politics streams. First, the availability of competing policy proposals was quite different in the two countries. In the United States, policymakers debated options for incremental change both in open settings such as congressional hearings and behind closed doors. In the United Kingdom, nobody was promoting palatable proposals to compete with the status quo, which is likely one reason that Home Office policymakers dismissed competing options as too complicated or too resource-intensive. As a result, the most serious proposal competing with the status quo was the closure of the Tier 1 Investor programme.

Second, the politics of investor programme reform played out differently in the United States and the United Kingdom. Differences between the political environments concern the roles of elected politicians in debate, the role of industry interests, and the nature of the negotiating environment. These differences are worth unpicking in more detail.

#### *The role of elected politicians*

The requirement for Congress to pass legislation had two important consequences. It meant that the people in charge of reform a) were elected politicians and b) represented specific geographical areas. The US EB-5 programme supports projects in specific places. Geography was important from the programme's inception because investment requirements were lower in targeted employment areas. Congress' role in negotiating reform and the geographical concentration of the benefits of the US EB-5 programme meant that the main disagreements were based on geography. Bringing Congress into the mix also increased the number of veto players, making change more difficult to agree on (Tsebelis, 2011). Indeed, the policy change that set the rest of the reform effort in motion came from within the executive, where the geographic concerns were less salient.

Disagreement about the future of the Tier 1 Investor visa manifested quite differently. The executive has a lot of authority over UK immigration policy since most admission policies do not require parliamentary consent. The Home Office did not need primary legislation to change the Tier 1 Investor visa or even abolish it entirely. In the UK, the divisions between policymakers

were thus thrashed out behind closed doors in the corridors of Whitehall. At no point did any UK policy interviewee mention Parliament as an influence on policymaking on the investor programme.<sup>60</sup> The design of the UK Tier 1 Investor programme also did not lend itself to the involvement of geographically concentrated interests that might have got elected politicians from different local areas more involved.

### *The role of industry interests*

Another difference between the UK and US cases is that industry interests were much more influential in the US policy process. US policy interviewees almost all described industry interests as an important influence on policy development. The fact that the US programme brought tangible benefits to specific businesses gave them a much greater interest in preserving the programme.

In stark contrast to the US case, UK policymakers rarely mentioned industry practitioners or interest groups as a factor driving investor programme policy. Several described interest groups as an important factor affecting debates about *other* areas of immigration policy, such as skilled work visas or student visas. That is, they were not shy to discuss the influence of lobbying in general but suggested it was not a factor in the investor programme case.

The main interests voicing support for investor visa policies in the UK were professional intermediaries who help applicants navigate the programme, including immigration lawyers and wealth managers. Besides these groups,

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<sup>60</sup> Parliamentarians could in theory take up the issue if they wanted to—for example, by proposing legislation that would affect the investor route or raising the issue during parliamentary debates. Few did so in practice, however. There were some exceptions, e.g. amendments introduced (but not passed) in the House of Lords proposing abolition of the investor visa. For example, Baroness Hamwee and Lord Wallace, both Liberal Democrat peers, introduced amendments to the 2016 Immigration bill and the 2022 Nationality and Borders Bill to suspend or abolish the investor visa. The former would simply have closed the Tier 1 Investor programme, while the latter would have required the government either to close it or to publish the outcomes of a review it had conducted into the applicants who received visas before additional due diligence checks were introduced in 2015. Neither amendment was voted through, which is typical of amendments introduced without government support, unless there is a substantial groundswell of opposition to the government's proposed measures.

the UK did not have domestic constituencies that were particularly committed to the investor visa. Professional intermediaries did not appear to have much clout, and some policymakers actively dismissed them. For example, one suggested that immigration lawyers arguing in favour of the programme “talk a load of nonsense about all of the benefits these people bring” (UK26).

Other business interests had no particular stake in the programme. If the UK policy brought economic benefits within the UK, they were likely to result from the migrants themselves and thus were likely to be geographically diffuse (or at least, not geographically obvious, since data on the location of investor visa holders is not published).<sup>61</sup> This is consistent with Wilson (1989), who predicts that industry actors will be most involved in policies where they face concentrated benefits or costs from policy decisions (see also Freeman, 2006).

### *The negotiating environment*

In both countries, disagreements between policymakers played a major role in preventing change. In the United States, an adversarial system with low levels of trust between proponents of different policy positions made it difficult to secure a compromise, which was achieved only once heavy costs had been imposed on both sides. In the United Kingdom, policy interviewees described similar levels of conflict in the early 2010s during the coalition government, with poor personal relationships and low levels of trust preventing constructive dialogue. Over time, the UK negotiating environment appears to have become more constructive, however. An improved relationship facilitated a compromise between departments with different interests. As Weible et al. (2010) suggest, learning across groups with different policy positions was easier in this less politicised environment, enabling them to share information and produce a shift in the policy mix that was acceptable to both sides.

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<sup>61</sup> In practice, investor visa holders were probably concentrated in London. Skilled non-EU citizens are heavily concentrated in London (Sumption and Strain, 2021), and professional intermediaries often mentioned London as an important draw.

### *Differences in the outcome of reform*

It is worth asking why UK policymakers finally agreed on programme closure while US policymakers persisted with the EB-5 model and opted for incremental reform. Any answer to this question is necessarily speculative, not least since the closure of the UK programme was partly an accident of timing rather than an inevitable product of the UK circumstances.<sup>62</sup> However, some specific differences discussed in this chapter combine to make programme closure less surprising in the UK context than in the US one.

First, programme closure is typically a more radical policy change than reform, as outlined in Chapter 3. The UK debate had fewer veto players because legislators were barely involved, which in theory should create scope for bigger departures from the status quo (Tsebelis, 2011). Second, the interests that defended the continuation of the status quo in the United Kingdom were much less influential than their counterparts in the United States. Fewer UK industry interests cared about the investor programme, and those who did were not very influential. Third, and partly due to the involvement of interest groups, alternative policy models that would have retained the fundamental character of the investor visa as a vehicle for passive investments did not gain traction in the UK debate. Nobody was publicly promoting ideologically acceptable policy alternatives, making it easier for policymakers to decide that embarking on a different model was more effort than it was worth.

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<sup>62</sup> Kingdon's multiple streams came together in a window of opportunity in early 2022 as a result of improved dialogue between the Home Office and the Treasury, combined with the coincidence that Innovator programme reform provided an option for a narrower replacement of the Tier 1 Investor category, as described in Section 1. There was nothing inevitable about this confluence of factors. That said, it is possible that even if the programme had not closed in February 2022, the Russian invasion of Ukraine in March 2022 might have created the momentum to close it regardless, given that the programme had become strongly associated with wealthy Russian elites.



## 9.4. Conclusions

The purpose of this study was to understand the factors contributing to investor programmes' success. Chapters 7 and 8 showed that policymakers often faced difficult trade-offs between different programmatic objectives or different dimensions of success. This chapter has shown that the messy process of making and implementing policy compounded some of these challenges by introducing inefficiencies and contradictions into the programmes.

For example, the US EB-5 programme was originally envisaged as a simple and lightly regulated programme, but it gradually transformed into a fiendishly complicated policy that few Congresspeople could understand. The growing complexity resulted partly from efforts to ensure money was going to the "right" beneficiaries and attempts to respond to unanticipated problems. It also emerged because the EB-5 industry and some US policymakers became wedded to the status quo, layering new provisions onto the existing programme rather than assessing what was needed from scratch.

The United Kingdom, meanwhile, continued to operate an investor programme whose qualifying investment had no economic benefits for many years, largely because the policy was too low on the priority list to receive policymakers' time and energy.

While many of the factors that shaped policymakers' decision-making in the present study are specific to the US and UK policy debates, similar pressures on policymakers will inevitably create apparently "irrational" policy designs and choices in other jurisdictions. This has important implications for how we analyse immigration policies.

### *Implications for analysing policy design*

Because policymakers do not act with comprehensive rationality, we should be cautious about attempting to deduce policymakers' objectives for immigration policy programmes from their design. Studies of migration

policies often do this (see, e.g. Dzankic [2018] and Gamlen et al. [2019] on investor programmes, or Shachar [2006] on policies to attract highly skilled migrants), presumably because working out what policymakers want and expect from programmes is labour intensive.

As Pierson (2000, p264) argues, we cannot simply assume that policies were introduced because of the functions they serve; instead, “we have to go back and look” (cited in Thelen, 2003). The findings outlined in the three previous chapters illustrate this point. They show that policymakers’ intentions were sometimes not reflected in policy design at all. For example, UK policymakers hoped that the investor programme would attract go-getting entrepreneurs, but there was nothing in the selection criteria to screen for such people. In the US case, failure to enact policy change in response to oversubscription of the EB-5 programme has resulted in a chaotic programme that nobody would intentionally design from scratch, with unpredictable and often extremely lengthy waiting times. While policy design will *often* reflect policymakers’ intentions, we cannot assume that this will always be the case. This point is well-known in the programme evaluation literature (Pawson & Tilley, 1997; Leeuw, 2003) but is less well reflected in studies of investment migration.

### *The impacts of salience on immigration policy*

Research on immigration policy often focuses on the most salient topics, such as irregular migration, the scale of migration, or larger immigration routes like family unification. However, many policy decisions are small-scale, technical choices that command little public attention. Most of the decisions about investor programmes fall into this category, such as what types of investments should be permitted or how to define targeted employment areas. Similarly technical decisions in other areas of immigration policy include rules on labour market testing for work visas, skills criteria or how migrants on temporary visas qualify for permanent settlement. In these cases, there is little incentive for policymakers or the public to analyse or fully understand the implications of complicated policy instruments.

Past research on immigration has suggested that high issue salience creates greater pressure to align policies with public expectations (often towards

more restrictive policies) and that there is less room for policies to be negotiated with interest groups behind closed doors when an issue is receiving a lot of scrutiny (Kolbe, 2020; Givens & Luedtke, 2005; Lahav & Guiraudon, 2006). Boswell (2018) finds that in higher-salience policy areas, it is likely that government rhetoric will fail to match actions on the ground, as governments seek to reconcile conflicting objectives that cannot be achieved simultaneously. While the US and UK investor programme case studies show that policy often *was* made behind closed doors in these relatively low-salience topics, this did not mean that decision-making was straightforward and technocratic. Policymakers often did not have the time to take action on these low-salience issues at all.

For example, the fact that the US EB-5 programme was a relatively low visibility policy arguably allowed Congressional leadership to make quite disruptive decisions for the programme without facing high political costs. Stalemates in Congress have created more consequential lapses in other policy areas (e.g. the lapse of the whole US budget, leading to multiple government shutdowns), so it is certainly not *only* the low salience of EB-5 that allowed the lapse to occur. But in the case of a relatively low-visibility policy like investor programmes, the political costs of creating havoc were lower. As a result, the Congressional leadership's high-risk decision to allow the EB-5 regional centre programme to lapse periodically, including for as long as nine months in 2021-2, temporarily threw the EB-5 programme into chaos. Even before the programme lapsed, professional intermediaries cited uncertainty about reauthorisation as a factor reducing investors' appetite to apply for the programme. In other words, policymakers' lack of resolve to address their disagreements about the programme in one direction or another had started to have direct impacts on programme outcomes in its own right.

In summary, low salience may help avoid some of the pressure from widespread political scrutiny but can also create new problems resulting from neglect.

## Chapter 10. Conclusion

This study aimed to establish what factors have contributed to success and failure in the US and UK investor programmes. This final chapter concludes with an analysis in four main areas. First, it brings together the findings from Chapters 6 to 9 to make some overarching observations about the challenges of designing successful investor visa programmes. Second, it discusses the implications for policymakers considering investor programmes. Third, it examines the advantages and limitations of the public policy theories used to examine investor programmes in this study. Fourth, it discusses the limits of the present study and outlines avenues for further research.

### **10.1. Why has it been so difficult to produce IIPs that are perceived to be successful?**

This research has shown that policymakers in the United States and the United Kingdom were deeply ambivalent about their investor programmes and struggled to produce fixes to the problems they identified. The most important reasons emerging from this research were trade-offs between competing objectives; limits to the expertise of the immigration agency; difficulties attracting active businesspeople; and institutional inertia, which created a bias against reforms that might have made some improvements to the programmes. This section outlines these factors in more detail.

#### *Trade-offs between objectives*

Policymakers designing investor visa programmes face trade-offs between different objectives, most notably between political and programmatic success. For example, programmatic success may require investments to stimulate new economic activity that would not otherwise occur. Political success—at least in the eyes of many policymakers—may require applicants to be seen as genuine investors rather than people purchasing their status. However, economic theory strongly suggests that the most straightforward way to generate an economic benefit is to make investor applicants part with their money for good, rather than giving them commercial returns. The present study has found that many investor applicants would be happy to

make a payment rather than an investment if it reduced the hassle and immigration risk they faced. But because policymakers often do not find this option ideologically acceptable, they have the incentive to pursue more politically successful private-sector investments where it is harder to ensure that the funding stimulates new economic activity.

This tension between programmatic and political success was implicitly resolved in different ways in the United States and the United Kingdom. In the United Kingdom, policymakers persisted with qualifying investments that brought few economic benefits—just as policymakers in many countries around the world have done (Gamlen et al., 2019). In the United States, policymakers presided over a model in which businesses and applicants collaborated to transform something that superficially looks like an investment into something that is really more like a payment.<sup>63</sup> The US programme thus met the political requirement that the investment should look genuine to an external observer, while nonetheless allowing businesses to benefit from a direct subsidy. Disguising the subsidy in this way was not a strategic choice to obfuscate what was really going on. US policymakers typically *wanted* the programme to involve genuine investments. But the programme's economic benefits nonetheless relied at least partly on the fact that it did not. Conceptually similar strategies have emerged in other countries. For example, some have offered zero or low-interest loans (e.g. Quebec and the now defunct Hungarian programme) that effectively take payments from investors while maintaining the external appearance of an investment.

However, the compromise the US investor programme embodied had a drawback: policymakers had relatively little control over which businesses benefited from EB-5 money. In a programme that openly accepted non-refundable payments, policymakers could direct the funds to their preferred causes. In the US EB-5 programme, the implicit subsidy goes to a specific set

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<sup>63</sup> As explained in Chapter 7, the 'payment' as I describe it is the foregone interest that an investor would have received if the business had paid them the going market rate. It is important to note that in the US programme, the investors do get their principal back (minus fees) and the subsidy they provide to the businesses they invest in is much smaller than the headline investment amount (which was \$500,000 before 2019).

of businesses that can successfully compete for applicants' money, such as large real estate developers and recognisable brand names. These are not necessarily the causes that policymakers would choose to direct funding to if they had the choice.

Indeed, US programme criteria arguably pushed funding further towards the larger, more professionalised businesses that policymakers did *not* typically envisage receiving the funding, because these businesses were better able to meet conditions such as compliance reporting, pay fees and guarantee job creation. The 2022 reform legislation may well exacerbate this trend by increasing the compliance requirements and monetary costs of operating a regional centre.

In summary, a key factor behind the difficulty developing successful IIPs in the United States and the United Kingdom was trade-offs between objectives. This included trade-offs between political and programmatic objectives; and between the two programmatic objectives of stimulating new economic activity and preventing abuse. These basic trade-offs should in theory also emerge in other countries where selling immigration status is politically unpopular and where policymakers are interested in channelling money to businesses that would not otherwise have access to funding.

#### *Limits to immigration agency expertise*

Dealing with complex financial instruments is not necessarily a strong suit for immigration agencies. The US and UK cases both show how a lack of expertise with financial instruments can put pressure on casework operations. In the United States, it took many years for the immigration agency to build up a cadre of expert staff, and it continued to face problems recruiting enough qualified people to run the programme efficiently. Even in the much simpler UK programme, some policymakers said that the complexity of financial transactions made the programme difficult to monitor.

In both countries, policy development over time reveals a learning process as unanticipated problems emerged. For example, the United Kingdom

improved its due diligence procedures after identifying flaws in the pre-2015 policies, although only after admitting substantial numbers of investors with limited scrutiny. The United States built up more financial expertise in the immigration agency and started to collaborate more closely with the financial regulator—although the agency was still stymied by a lack of legal authority to regulate the programme properly until 2022. With the benefit of hindsight, the initial policy design in both cases was somewhat naïve in failing to anticipate the operational and integrity risks that investor programmes might present.

Given that other immigration categories typically do not involve complicated financial transactions (with the possible exception of entrepreneur programmes), these oversight challenges are also likely to face immigration bureaucracies implementing investor programmes in other countries.

#### *Difficulty attracting successful businesspeople*

Rhetoric about residence by investment often portrays the programmes as a way to admit entrepreneurial people (see Chapter 2). The United Kingdom illustrates a case where this was a central objective of the programme. However, previous research has already identified the tendency for investor programmes to attract lifestyle migrants rather than entrepreneurs. This research confirms this finding in the US and UK cases and builds on previous work by identifying three key challenges facing policymakers: country attractiveness, immigration policy attractiveness, and selection effectiveness.

First, successful overseas businesspeople whom policymakers often envisage admitting do not necessarily want to relocate their businesses or start new businesses in a completely different business environment. Even wealthy migrants can face the same barriers identified in the literature on migrant entrepreneurship, such as a lack of social capital and local business knowledge (Kloosterman et al., 1999; Jones et al., 2010; Naudé et al., 2017; Jones et al., 2018). As a result, the target group of the investor applicants UK policymakers considered most desirable is likely to be relatively small.

Second, defining reliable criteria to identify economically active people through investor programmes is difficult. Requiring an investment screens

people based on their wealth, and wealth alone is not a good way of identifying people who plan to be active in business. More broadly, the characteristics policymakers were interested in were either too nebulous to be written into transparent selection criteria (e.g. being “dynamic”) or were forward-looking (e.g. the intention to be actively involved in investment activities), so policymakers could not rely on a measurable track record. This problem will not be unique to investor programmes but will also apply to other immigration policy areas where the past track record is not immediately applicable to a person’s future activity at destination, such as unsponsored points-tested skilled workers.

Third, tensions can arise between the precision of the selection criteria and the attractiveness of the immigration rules for applicants. In the investor programme case, the rights and flexibility the programmes granted to applicants were attractive. But they were attractive partly because there were so few requirements to conduct specific types of activity. This flexibility for applicants meant less control for policymakers, who could not specify what people should do after they arrived. The result was that the pool of people using the programme was much wider than policymakers—at least in those in the United Kingdom—had envisaged.

Policymakers operating investor visa programmes may thus need to decide whether they are happy to accept substantial numbers of applicants who do not fit their vision of the ideal entrepreneurial migrant, to make sure the programme continues to be attractive to those who do. As Diver (1973) argues, the precision policymakers want from administrative rules should depend on the perceived costs of getting it wrong. If false positives—i.e. people who are admitted despite not fitting the vision policymakers had in mind—are perceived to be a problem, policymakers should in theory lean towards more policies that attempt to target the desired individuals more precisely. This means that investor programme design is likely to be a greater challenge in countries where policymakers are keen to keep numbers low and *only* admit those they consider most desirable.



### *The fragile political benefits of investor programmes*

The US and UK case studies show that the political success of investor visa programmes is far from guaranteed. The political arguments in favour of the programmes rely on the economic benefits. Positive narratives about the programme portray investors as job creators bringing in much-needed capital, or as go-getting, successful business people who will contribute to local business communities.

However, the fact that the programmes involve large sums of money creates the risk of more negative framings. Investor applicants have often been portrayed as shady kleptocrats coming to the country to launder their money and their reputations, as we saw in the UK case. Individual fraud cases can cast doubt on the integrity of the businesses using the funds, undermining the programme's reputation. And the involvement of wealthy, high-profile people on either side of the transaction creates political risks, producing a narrative that the policies facilitate corruption, regardless of the reality. Again, the coexistence of these two competing frames for describing high-net-worth migrants is not likely to be specific to the case-study countries.

### *Institutional inertia and its impacts on migration policies*

Finally, a significant challenge that policymakers in both case-study countries found had contributed to the underperformance of IIPs was the difficulty making policy changes to address problems they identified in the programmes. This difficulty is not specific to investor programmes.

Disagreements among policymakers with competing perspectives have received some attention in the migration studies literature as a source of potentially contradictory or apparently incoherent policy choices (see, e.g. Boswell, 2007; Czaika & de Haas, 2013; Parsons et al., 2020). Some research on migration has also identified the importance of "policy legacies," showing that countries' previous histories of immigration can shape what policymakers consider legitimate (Ellerman, 2015) and what public opinion and political institutions will accept in the long term (Wright, 2012). However, institutional inertia arising from other factors, such as lack of

resources to develop and implement changes, which is a well-established phenomenon in the broader public policy literature, has received relatively less attention. The present study has shown that the day-to-day obstacles to processing information and finding time to develop policy can be an important driver of the policy mix.

While studies on migration policies have naturally focused on salient topics such as irregular migration or the scale of migration, many of the decisions facing immigration policymakers are small and technical, with low salience in the public debate. The overall impact of these small decisions may be relatively substantial, however. Examples include the costs and complexity of administrative requirements facing employers or family members in many immigration categories, which may have a cumulative impact on applicants but individually are not interesting enough to attract media or policymaker attention. The present study found that low salience affected the US and UK investor programmes by reducing the motivation to address problems policymakers had identified. Since investor visa programmes are a niche area of immigration policy in many high-income countries, it is plausible that institutional inertia has similarly affected the shape of other IIPs around the world.

#### *Difficulties producing successful investor visa programmes*

As outlined in Chapter 2, previous studies have evaluated individual programmes but have not provided a conceptual analysis of what policy design factors contribute to investor programmes' ability to achieve their objectives. The present study has started to address this gap by providing a detailed analysis of a common subcategory of investor visa programmes, namely private-sector investment programmes in attractive high-income destinations. It has identified five general challenges that are not likely to be specific to the case-study countries. In summary, these include conflicts between objectives; limits to immigration agencies' expertise in investment matters; structural difficulties attracting successful business people who plan to remain active in business at destination; political risks of admitting wealthy and sometimes high-profile people; and the sand in the wheels of the policy process that makes it difficult to address unanticipated problems.

## 10.2. Lessons for policymakers developing investor visa programmes

This study has shown that designing investor programmes that do what policymakers expect them to do can be harder than it looks. What constructive lessons can governments draw from this research, including policymakers beyond the case-study countries? In this section, I briefly reflect on the practical implications for policymakers.

One overarching finding from the research is that there is frequently a gap between what policymakers want and what the programmes are set up to do in practice. This gap is conceptually similar to what Czaika and de Haas (2013) call the “discursive gap”, i.e., between rhetoric and policies on paper. Czaika and de Haas suggest that this gap is not necessarily a policy failure because it results from strategic choices. For example, politicians may use bold language to discuss their plans but know in practice that legal or political constraints mean the actual policies they can implement are quite narrow. The present study suggests that the gap between discourse and policies on paper is not necessarily a cynical or strategic choice, however. Policymakers sometimes wanted and expected outcomes that the policy on paper was unlikely to achieve—such as selecting entrepreneurial “go-getters” based solely on applicants’ wealth. There was evidence that programme theories of change had not been thought through, particularly in the United Kingdom.

Policymakers contemplating immigrant investor programmes in order to achieve programmatic objectives would thus be well served to put careful thought into the question of what they really expect the programme to achieve and whether they need one at all.

*What is the point of the investment?*

Given that one of the primary practical functions of IIPs is to induce investment, it is worth asking whether there is actually an investment problem that needs to be fixed. Remarkably few policymakers interviewed for this study identified investment-related problems that they thought the

investor programme should address. Indeed, it is possible that in some countries, there is not a significant problem with investment. When the Australia Productivity Commission (2016) examined Australia's investor visa, for example, it argued that while immigration policymakers had developed a strand of the investor programme to push funding towards high-risk venture capital, there was no need for government intervention to expand venture capital and the route was not likely to be bringing many benefits.

If policymakers believe there *is* a problem to be fixed, they will need to be realistic about the prospects that an immigrant investor programme can fix it. Applicants are not venture capitalists. The vast majority will invest not because they want to but because the immigration system requires them to. As a result, applicants can gravitate to attractive, low-risk options that already have relatively good access to capital elsewhere. If policymakers are serious about channelling funding towards businesses or causes that do not have good access to capital, using a decentralised web of private-sector intermediaries to do this may be an uphill struggle. Governments may need to take a stronger role in deciding what gets funded—for example, through a centralised fund. Some countries already have small business loan programmes or similar support for entrepreneurs. It may thus be efficient to add investor programme funding to existing programmes rather than creating a new structure with its own demands on administrative resources and oversight.

If we follow this argument to its logical conclusion, we arrive at a system of non-refundable payments to centralised funds that stimulate new economic activity. Policymakers who balk at this idea may prefer a structure that looks less like a payment, such as zero-interest loans to a centralised fund. But the reality is much the same.

Alternatively, policymakers may prefer to abandon the idea that the investment will bring substantial benefits and give it a largely symbolic role. Under this rationale, the purpose of the investment is not to stimulate economic activity but to demonstrate politically that applicants are “contributing”. If this is the goal, the investment should arguably be simple as possible. Policymakers should avoid complex criteria that immigration

caseworkers will have to monitor and that might push migrants with limited financial expertise into potentially fraudulent transactions. For example, allowing investments in listed companies—as the UK did until 2022—may not bring direct economic benefits but could be a good option from a symbolic perspective. After all, investments in listed companies can be conducted via regulated wealth managers in markets where mainstream financial regulations protect the investors.

*Who are investor programmes trying to attract, and why?*

The present study has shown that investor visas function as a residual category for which demand depends at least partly on what is missing from other parts of the immigration system. As a result, the value of using an IIP to admit individuals may vary depending on how significant those gaps are. For example, the EB-5 programme filled large gaps in the US immigration system, such as providing an escape route for skilled workers stuck in decades-long green card backlogs and a route to permanent status for investors who had arrived on temporary E-2 visas and who would otherwise remain in temporary status forever. The gaps to be filled in the UK immigration system were arguably smaller, since the UK already had a range of other routes that could admit the overseas businesspeople that UK policymakers wanted to attract. As a result, it is less obvious what purpose the UK programme served other than admitting leisure migrants.

This raises the question of whether policymakers should simply embrace the role of investor programmes as leisure visas. Several factors make it difficult to use investor visas to attract successful overseas businesspeople, as outlined in Chapter 8 and Section 10.1 of this chapter. One of the main groups of people interested in using investor visas is best described as lifestyle migrants, including people who do not intend to work and are accompanying children for education or want a pied-a-terre in another country. The economic benefits of admitting them are expected to be smaller than the benefits of admitting the elusive go-getting entrepreneurs this study has discussed at length. But benefits may nonetheless result from their discretionary spending, and their wealth reduces the likelihood that they will impose substantial economic costs.

If policymakers are not keen to admit leisure migrants on investor visas, this puts them in a difficult position. Specifying reliable selection criteria to screen them out—and *only* admit successful overseas businesspeople who plan to be economically active at destination—is very difficult, as discussed in Chapter 8. Policymakers in this camp might reasonably conclude that having an IIP is not worth the trouble. On the other hand, if policymakers *want* to admit leisure migrants or at least do not mind doing so, their task is much easier. It does still leave them with the question of whether they need to require an investment, or whether they would be better off with a less complex programme design that simply requires people to have the means to support themselves.

### **10.3. Success and failure in public policy**

This research contributes to the literature on success and failure in public policy by implementing the framework developed by McConnell (2010) to examine the case of investment migration. In particular, the empirical evidence about how policymakers evaluated investor programmes provides an opportunity to reflect on the utility of this framework for analysing policy success.

McConnell argues that there is no reason we should expect different dimensions of success—programmatic, political and process—to accompany one another. Indeed, the present study shows that not only does success along one dimension not guarantee success along another, but that political and programmatic success may conflict. For example, there was a clear tension between positive political perceptions of investor programmes (which relied on narratives framing the financial transaction as an investment, not a payment) and economic benefits, which are difficult to secure when the programmes involve “genuine” investments.

The present study also supports Newman and Head’s (2015) argument that it is useful to divide programmatic success into a) the ability to achieve programme objectives; and b) the ability to avoid negative consequences. The main reason is that negative consequences can occur in domains unrelated to

the programmatic objectives. For example, the negative consequences that most concerned UK policymakers were the risks of admitting people with illicit wealth. These consequences were not directly related to whether the programme brought the expected economic benefits. Analysing positive and negative consequences separately can thus allow us to identify further conflicts between dimensions of success.

One of the main innovations of McConnell's framework is to identify process success as a distinct category that is different from programmatic or political success. The present study's qualitative results broadly confirm that process is a separate category. This was particularly true of the US case study, where some participants discussed the legitimacy of business involvement in policy formulation at length. However, the boundaries of process success in McConnell's (2010) analysis were slightly too narrow to accommodate all of the criticisms that emerged in the interviews. McConnell focuses primarily on the initial process of programme development, citing factors such as whether a programme had a sustainable coalition of support and had proper checks and balances. Process criticisms of the UK and US investor programmes were wide-ranging and often focused on implementation rather than policy development. For example, they included the transparency and predictability of casework processes, whether applicants could obtain the information they needed, and whether stakeholders were consulted about small changes in process and guidance.

My modest contribution towards McConnell's framework for establishing policy success is thus to suggest expanding the process dimension to include implementation and minor incremental changes such as developments in policy guidance. This also has the advantage of making the framework more relevant to long-standing programmes where the initial policy development or legislation has receded into distant memory.

#### 10.4. Limitations and avenues for further research

This study has several limitations that would need to be addressed through further research.

First, the analysis is specific to the case study countries. While some of the findings on the core tensions between objectives are likely to apply in a range of settings, they are most relevant to high-income immigration destinations, particularly those that are relatively attractive to international migrants. For example, US and UK policymakers typically did not raise concerns about competition with other countries for investor applicants. This may simply reflect the fact that they are popular destinations. The situation would likely be different in countries that attract fewer international migrants, including countries in the global south. This study has not been able to examine how perceived competition with other states may affect policymaking. Further research could usefully explore this question in a more diverse set of case-study countries.

Another example of analysis that is only partially transferrable across countries concerns the politics of investor programmes. I take as a starting point that selling status is not ideologically acceptable to politicians, as this emerged strongly from the US and UK fieldwork. Indeed, no policymaker interviewees suggested that accepting substantial non-refundable payments was a realistic political possibility. Currently, other RBI programmes do not use non-refundable payments to state funds either (though some do elicit charitable donations). However, some countries *have* sold immigration status as part of citizenship-by-investment programmes, including Malta and several Caribbean islands. It would be useful to understand why it has been politically possible for some countries to operate IIPs using non-refundable payments, but not others. A useful contribution in the case of microstates comes from Surak (2023), but there is more work to be done in this field.



In addition, the present study cannot shed light on the recent trend towards adopting investor programmes since both case study countries have had investor programmes for decades. Examining decision-making processes in countries where investor programmes emerged more recently could help to understand why this policy model was transferred so quickly across countries over a relatively short period (Gamlen et al., 2019).

Other settings where it would be useful to examine the design and operation of IIPs include countries with different immigration policies that could potentially compete with investor visa programmes, such as leisure visas or unsponsored points-based immigration systems. It would also be helpful to examine how country attractiveness, selection effectiveness and immigration policy attractiveness interact in other immigration policy categories (such as work-permit programmes) to determine whether similar or different trade-offs between objectives emerge.

Second, this study has not been able to examine how and whether investors choose between countries. Some investors might consider several different countries, while others only consider one. Understanding how investor programme applicants choose would require a different methodology, ideally engaging with agents in countries of origin or investor applicants early in their decision-making process. Further research could usefully explore the relative influence of IIP design vs other factors in shaping destination choice.

Third, this research showed that where policymakers sit within government affected their perspective towards investor programmes. This is consistent with the broader public policy literature on venues and venue shopping (e.g. Baumgartner & Jones, 1993). However, interior ministries or their equivalents were responsible for policy development in both the UK and US case studies. Further analysis could examine the extent to which locating policy development in other administrative departments, such as economic or labour ministries, has affected programme design, helping to shed light on the impact of venues in the immigration policy context.

Fourth, this research has contributed to the literature on symbolic migration policies. Because the value of symbolic policies is in what they signal as much as or more than what they actually do, these policies might in theory be more easily replaced with other policies that have similar symbolic functions but entirely different effects. The UK case illustrates this possibility: policymakers turned away from the investor visa once its signalling value became less valuable and embraced other policies to signal openness to the “brightest and best”. However, it is not possible to draw strong conclusions from this case alone. Further research could examine the use and substitutability of symbolic policies in other settings and areas of migration policy.

Finally, a major focus of the present study has been to examine trade-offs and conflicts between different dimensions of success. It showed how the desire to create a positive political narrative about investor migrants conflicted with economic objectives. Similar tensions will arise in other areas of economic migration policy. By way of example, opinion polls suggest that members of the public are more favourable to proposals to admit specific, named groups of migrants (e.g. nurses or fruit pickers) (Katwala et al., 2017). However, occupation-specific immigration schemes bring multiple drawbacks, such as risks of exploitation and difficulty identifying target occupations in an evidence-based way (Sumption et al., 2022). As a result, programmes that target named occupations might be more politically successful but bring more negative consequences than untargeted programmes admitting workers across many occupations. Further research could explore these trends in more detail, examining how immigration policy design or selection criteria shape narratives about the benefits or deservingness of the people admitted and whether using programme criteria in this way undermines other policy objectives.



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## **Appendix A: Interview questionnaire templates**

### **1. Policymaker and political insider questionnaire**

#### **Background of interviewee**

- Could you tell me about your work on the investor programme? What kind of involvement did you have with the investor programme and how important was it in the context of your overall role?

#### **Objectives of investor programmes and expected impacts**

- What do/did you consider to be the purpose of having an investor visa policy?
- What are/were the expected benefits of the policy, and how do/did you expect these benefits to come about?
- Would you say that the programme is/was successful?
- In your view, what would success/failure look like in this area of policy?

#### **Desired applicants**

- Who would you say is/was target applicant for the investor programme? Could you describe their profile?
- Would you say the main perceived benefit of the programme is/was the people or the investment?

#### **Implementation**

- What are/were the main implementation challenges with investor visas?
- Probe on further implementation issues not mentioned, e.g. investor source of funds & adequacy of screening; compliance with investment rules.
- [US only] Why does it take so long to process applications? What would it take to process them in a more timely manner?

#### **Decision-making on policy**

- Can you tell me about [policy changes during interviewee's time in office]? What was the context behind this policy change? To what extent was there a consensus on introducing it?

- Why did [the policy change(s)] take place at that point in time – for example, why not earlier? What were the barriers to making changes you/others would have liked to see?
- What discussions do you recall about what types of investment the programme should require? Was there any discussion of substantially changing the investment model? Probe on specific options that may have been considered, e.g. auction, charity donation, etc.
- [UK only] Do you recall discussions about the amount of required residence? What is/was the rationale for the requirements?

### **Politics of investor programmes**

- Do you think that political perceptions of the programme have changed over time, and if so what has driven this?
- Are there any general patterns in terms of who has tended to support/oppose the programme per se – or support/oppose specific policy changes? [Probe on relevant specific policy changes from interviewee's period in office.] Which policy changes have attracted more vs less consensus?
- To what extent is this a category that politicians feel comfortable being associated with / taking ownership of? Has this changed over time?
- How would you describe the relationship between [relevant policymakers, e.g. Home Office/DHS vs other departments] on the investor visa issue? What is the reason behind differences of opinion between government departments?

### **Concluding**

- Would it matter if the UK/US did not have this programme? What would be the effects of simply shutting it down?
- To what extent would you say that the UK/US is/was in competition with other potential destinations to attract applicants?
- [US only] One issue that has come up in the UK context is that certain immigration policies can be used to send a particular message. Do you think this is a consideration that shapes policy thinking in the US, either regarding the investor visa or other categories?
- Is there anything else we have not discussed that you think is important?

## 2. Intermediary questionnaire

### Introduction

- Could you tell me about the nature of your work with investor visas? Is there a particular segment in the market that you serve? How long have you been working in this area?

### Profile of applicants:

- Could you describe the profile of “typical” investor visa applicants? For example, what do they want from the programme? How did they become wealthy?
- What do investor visa applicants generally plan to do after they get the visa? [Probe for information on economic activities and settlement plans.]
- Do you notice any differences in these profiles depending on factors such as applicants’ nationality?
- What is attractive about this visa compared to other visas that may be available to them (if any are available)?

### Investment activity

- What do most applicants want to invest in?
- How do they decide what to invest in / what types of investments do they find most attractive? [Probe on specific investment types. In UK, unlisted companies, pooled investments, and the impact of removal of government bonds option in 2019.]
- What kind of returns do applicants generally expect on their investments?
- What kind of experience would they normally have in making this sort of investment?
- How big is the investment compared to their overall wealth – is it a small outlay or more of a stretch?
- Some countries take payments instead of requiring an investment. If UK/US did this, would it be an attractive option to investors?
- [US only] Do you have clients who have done direct EB-5 investments? How does their profile differ from regional centre investors?

### **Meeting regulatory requirements**

- Which of the requirements of the visa do applicants find most challenging to meet, if any? Why?
- What have been the impacts on applicants of [relevant policy changes, i.e. 2019 rule changes in US and UK]?
- [US only] Cap/delays: What is the impact of the long waiting times? How does the waiting time affect applicants in practical terms – e.g. does it affect their plans for what they will do in the US, etc.
- What would you say have been the other most significant policy changes or other developments over the past 10 years?
- [UK only] What are the key challenges when doing due diligence checks on clients? The current policy approach is to outsource checks to wealth managers; what do you think are the impacts of this approach?
- In cases where clients are initially interested but decide not to go through with an application, what are the main reasons for this?

### **[US only] Businesses using EB-5 funds**

- What are the benefits and challenges of using EB-5 capital, for the business?
- What happens if they can't raise all the EB-5 money they intend – does the whole project stop or does it go ahead anyway?
- How do waiting times affect the type of business that can use EB-5?
- Why do we see such a concentration of EB-5 projects in real estate?
- How do the job creation requirements affect the businesses using EB-5, if at all?
- There have been many debates over the years about fraud in the EB-5 programme. What do you think are the risk factors for fraud? Have they changed over time?

### **Concluding**

- Are there any other things we have not discussed that you think are important?

## Appendix B: Codebook

### B.1. Private-sector practitioners

Name of code	Description	Examples
<b>Sources of wealth</b>	This node describes the backgrounds of people using investor visas and the sources of their wealth.	
<i>Businesspeople</i>	<i>References to applicants who earned money from business/entrepreneurship.</i>	<i>"The typical profile of an investor is somebody who is self-made, an owner entrepreneur of the business."</i>
<i>Inherited/gifted wealth</i>	<i>References to applicants receiving wealth from their parents.</i>	<i>"Quite a few of our younger clients have been gifted money by their parents."</i>
<i>Property wealth</i>	<i>References to applicants with wealth from property.</i>	<i>"Interestingly, a lot of the wealth they had had really been linked to the property boom in China. It wasn't heavily classic entrepreneurial wealth."</i>
<b>Activity at destination</b>	This node captures references to what applicants do after receiving their US or UK visas.	
<i>Leisure &amp; retirement</i>	<i>References to applicants who do not work or study.</i>	<i>"They might be at leisure or a home maker. It's quite rare for them to be working."</i>
<i>Work &amp; study</i>	<i>References to people planning to work or study</i>	<i>"So, they're not running a small business, but more engaged in a profession that requires advanced academic training."</i>
<i>Managing foreign business</i>	<i>References to people planning to continue managing their overseas business while holding an investor visa.</i>	<i>"More often than not they will still have their significant financial interests outside the UK and they will continue to run their businesses outside the UK."</i>
<i>Business</i>	<i>References to people planning to run businesses in the US or UK.</i>	<i>"So sometimes it's to set up a business or it's to set up a business for their children, you know, their adult children."</i>

<b>Country attractiveness</b>	References to factors affecting applicants' perceptions of the country and its attractiveness.	
<i>Children's education</i>	<i>References to education as a draw for investor applicants.</i>	<i>"A better quality of life from an educational point of view, rule of law, English schools and political stability"</i>
<i>Quality of life &amp; lifestyle</i>	<i>References to quality of life as a draw for investor applicants.</i>	<i>"In China, the issue of the environment and the pollution is often a driving factor to want to come to the US."</i>
<i>Rule of law &amp; stability</i>	<i>References to the rule of law or political stability as a draw for investor applicants.</i>	<i>"I want to make sure it's in a safe jurisdiction where my rights are never going to be eroded, hence the investment in real estate, and whereby my visa status isn't going to be revoked overnight, where the political system is stable"</i>
<i>Tax regime</i>	<i>References to the positive or negative impacts of the tax regime on attractiveness.</i>	<i>"Usually I send them to their tax advisor and their tax advisor says, 'You don't want to be taxed on worldwide [income]. I know you think you want a green card, but it's not the best from a tax perspective.'"</i>
<i>Visa-free travel</i>	<i>References to the attractiveness of visa-free travel.</i>	<i>"In the US you have the ability to travel you know to a lot of places through the world. And so you have you just have so much more freedom and access to the world"</i>
<b>Residence plans</b>	References to applicants' plans for living at destination.	
<i>Male breadwinner abroad</i>	<i>References to arrangements where the wife and/or children relocate and the father does not.</i>	<i>"It's the mother and the children who are spending most of the time here and the father is actually spending still a lot of time overseas because his business is overseas"</i>
<i>Other residence plans</i>	<i>References to how long applicants plan to stay and how much time each year they will spend at destination.</i>	<i>"There are others who are here for a fixed period of time, for a particular purpose, whether it's work or they want to get their kids to be here for a certain stage or their education."</i>
<b>Attractiveness of the visa</b>	This node captures observations on factors that affect applicants' experience using the	

	programme and increase or decrease its attractiveness for the users.	
<i>Drawbacks of other visas</i>	<i>References to the investor programme being a better option than other available visas.</i>	<i>"They've applied for a green card in something else through their employment, and they have literally a 50 plus year wait. And so obviously that's a dead end, so they're looking for some way to get out of that dead end."</i>
<i>Hassle &amp; complexity</i>	<i>References to the impacts of paperwork process on applicants.</i>	<i>"And if you come from a jurisdiction where either there is no tax returns or nobody really pays taxes, that can be difficult, and so it's a very time consuming, very meticulous process to document how people made this money."</i>
<i>Waiting time for status</i>	<i>References to the impacts of waiting times on applicants.</i>	<i>"We had a number of investor clients from China who had approved I-526 petitions, but once they got mired in this multi-year backlog, wanted to withdraw."</i>
<i>Programme governance</i>	<i>References to the impacts of programme governance and implementation.</i>	<i>"Because the USCIS just periodically decides to interpret different things in different ways. It's just arbitrary sometimes."</i>
<i>Residence requirements</i>	<i>Discussion of residence requirements and their impacts.</i>	<i>"Now that the dependent spouse needs to do the same term, it's almost as if these programmes are about incarceration, you've got to do a certain amount of time in the UK or you don't really qualify."</i>
<b>Choice of investment</b>	This node includes factors applicants consider when selecting investments, and the implications of different investment options.	
<i>Return on investment</i>	<i>References to applicants' expectations about investment returns.</i>	<i>"We always have that conversation of, look, don't look at this as a return on investment opportunity. Your return on investment is your green card and the return of your capital"</i>
<i>Financial risk</i>	<i>References to applicants' attitudes to financial risk in the investment.</i>	<i>"I would say that most clients are on that more cautious perspective, so they don't want to take unduly high risk."</i>



<b>Immigration risk</b>	References to the relationship between investment and ability to secure one's immigration status.	<i>"Their biggest concern is the fact that it's invested in a way that meets the requirement and they're going to get permanent residence in the five years' time."</i>
<b>Attractive investments</b>	References to types of investments that tended to be more popular, and why.	<i>"So those projects are those large projects in well-known areas were just popular and were easily understood in [the Chinese] market."</i>
<b>Payment model</b>	Discussions of whether applicants would be willing to make non-refundable payments.	<i>"Depends on the size of the fee. But yeah, at \$1,000,000. If people could say, well, here's my \$1,000,000 to the US government and now I get a green card. You would have a lot of people applying."</i>
<b>Migration agents</b>	References to the role of migration agents.	<i>"The agents have disproportionate power over all investment migration."</i>
<b>Investment expertise</b>	This node captures observations about applicants' expertise for selecting investments.	<i>"[A lot of my clients] personally have the expertise in the finance industry. But then, you know, you have the exact opposite. You have people literally with no background, selling their apartment in Shanghai and wanting to start a new life in the States."</i>
<b>Reasons for 2020 low demand</b>	This node captures explanations for low demand for US investor visas in 2020	<i>"So you put together waiting list, three years for the government to open the envelope, doubling or tripling the investment amount, and it's become, you know, the program started here, peaked and now is back down again."</i>
<b>Direct EB-5</b>	Discussion of experiences using the Direct EB-5 route.	<i>"I've had a few conversations with people who wanted to do their own EB-5 investment project based on their own business, where once we went through all the requirements it just turned out that their business plan just couldn't fit within the parameters."</i>
<b>Benefits for business</b>	This node captures discussions of why US businesses participate in the EB-5 programme.	<i>"Compared to getting got bank loans or senior construction loans or whatever, using EB-5 is very low cost."</i>

<b>Drawbacks for businesses</b>	This node captures discussion of the drawbacks of using EB-5 as a source of capital.	“Obviously, when you’re not dealing with EB-5, you can do whatever is best from a business point of view, but when some of the capital is coming from EB-5 capital, it’s constrained by the dictates of EB-5 law.”
<b>Businesses equipped to handle EB-5</b>	This node captures discussion of the types of businesses and projects that are able to participate in the EB-5 programme.	“Typically you’re talking about backfilling the capital stack and creating jobs by paying off bridge financing. Which is all perfectly permissible, but it’s way more secure in terms of immigration purposes for the green card.”
<b>Factors affecting fraud</b>	This node captures discussion of the factors that affect the vulnerability of the EB-5 programme and its investors to fraud	
<i>Conflicts of interest</i>	<i>References to conflicts of interest as a risk factor for fraud.</i>	<i>“Where there is a circular relationship between the regional centre, the NCE and the JCE, if they’re all owned by the same group of people. There’s less supervision, fewer checks and balances.”</i>
<i>Investor naivety</i>	<i>References to investors’ lack of expertise as a source of fraud.</i>	<i>“It may be easier to commit fraud in a situation where you’re dealing with foreign nationals who don’t know much about the US programs at all, and you are relying on maybe foreign agents who are just telling them where to invest.”</i>
<i>Insufficient oversight</i>	<i>References to poor oversight from government agencies exacerbating fraud risks.</i>	<i>“I’ve, I’ve gotten past the point of whether, or wondering whether what I do will be approved. [...] It’s going to be approved. The question to me is, like, whether I should even allow you to do this or not.”</i>
<i>Incompetent RCs</i>	<i>References to regional centre operators’ insufficient competence as a risk factor for fraud.</i>	<i>“People who got into this industry thought they were getting into the immigration business and they thought that the rules were pretty clearly, go and raise money but, so they weren’t financial people.”</i>
<b>Fraud changes over time</b>	This node captures discussion of changes over time in the risks of fraud in the EB-5 programme	“It’s really taken out a lot of these very small players that maybe shouldn’t have been in the EB-5 programme to begin with. [...] I think that from an investor’s standpoint, that’s actually a very good thing.”

## B.2. Policymakers and political insiders

Name of code		Description	Examples
<b>Purpose of the programme</b>	<b>Discussions of the purpose of the investor programme</b>		
<i>Attract investment</i>	<i>References to objectives to attract money, capital or investment</i>		<i>"I think EB-5 was started as a way to bring money to the United States to create jobs, to help, you know, areas in the country that needed further development"</i>
<i>Attract migrants</i>	<i>References to objectives to attract people</i>		<i>"If people with a lot of money want to come and invest in the UK, and to bring their entrepreneurial know-how and so on, the mindset is that's a good thing."</i>
<i>Symbolic or political</i>	<i>References to political objectives or message-sending</i>		<i>"First is that it sends a clear signal around the UK being open for business"</i>
<i>Not quite sure</i>	<i>References to lack of clarity in the objectives</i>		<i>"The government isn't clear at all about what the objectives of this policy are."</i>
<b>Desired applicants</b>	<b>Discussions of the characteristics of migrants the programme should admit</b>		
<i>Active in business or investment</i>	<i>References to investor migrants participating in local business life</i>		<i>"What you would want is not just people who would invest £2m in bonds and stop there, but who would play an active part in the economy."</i>
<i>Committed</i>	<i>References to investors' commitment to settle in the country</i>		<i>"I would be looking for a commitment to live in this country for a period of time."</i>
<i>No particular vision</i>	<i>References to uncertainty or indifference about investor characteristics</i>		<i>"I don't think we did have an idea of the ideal migrant"</i>
<b>Arguments against programme</b>	<b>Discussion of in-principle arguments against having an investor programme</b>		<i>"[There are issues around] whether allowing people to get British residence in this way is the right thing to do."</i>

<b>Hallmarks of success</b>	Factors respondents identified as important to identifying whether the programme was successful	
<i>Economic benefits</i>	<i>Economic benefits e.g. job creation, new businesses, additional economic activity</i>	<i>"It would be successful if incentivised job creation, especially in parts of the country that are otherwise struggling to employ native workers."</i>
<i>Political &amp; reputational</i>	<i>Programme considered politically useful, uncontroversial, or sending a good message</i>	<i>"The other metric of success would be political, in that it ameliorates wider criticism that the immigration system is hostile to business or restrictive of high value talent."</i>
<i>Programme integrity</i>	<i>High compliance and few bad actors</i>	<i>[If it is successful then] "the process of determining who gets such visas should be transparent, published and an absence of corruption can be shown"</i>
<i>Procedural considerations</i>	<i>Discussion of inputs rather than outcomes, e.g. numbers of people applying</i>	<i>"I suppose take-up is the really obvious one. You introduce it in order that it provides take-up."</i>
<b>Hallmarks of failure</b>	Factors respondents identified as important to identifying whether the programme had failed	
<i>Lack of economic benefits</i>	<i>Not achieving expected economic objectives or actually causing damage</i>	<i>"I think you would have to say that it brings in meaningful benefits to be a success, and that if it doesn't achieve that it has failed."</i>
<i>Integrity</i>	<i>Poor programme integrity constituting a metric of failure</i>	<i>"On the downside is how much is actually abused. [...] If the investor visa was used and as a result people came here who we didn't want, that's the failure."</i>
<i>Reputational damage</i>	<i>The programme or government more broadly being considered less favourably due to the programme</i>	<i>"Negative coverage from organisations concerned with fraud, tax avoidance, corruption, et cetera."</i>
<b>Evaluation – is it successful?</b>	Captures discussion of whether and why the programme can be considered successful	

<i>Impacts of investment</i>	<i>Discussion of the impacts of the investment.</i>	<i>"Somebody invested the minimum amount, kept it alive for a particular period of time and, and then they had their Green Card and they in fact hadn't made any enduring kind of commitment in the way that would create and sustain jobs."</i>
<i>Impacts of people</i>	<i>Discussion of the economic or social impacts of migrants admitted through investor programmes.</i>	<i>"The Regional Centre Programme is basically just a bunch of people with a lot of money who write a cheque and then come in, and they don't do anything."</i>
<i>"Dodgy people"</i>	<i>Discussion of concerns about admitting people with illicit wealth.</i>	<i>"There was and is quite a lot of concern about the backgrounds of some of those people."</i>
<i>Dodgy investments</i>	<i>Discussion of fraud or misrepresentation by those involved in the investment process.</i>	<i>"Money is very fungible, and, you know, numbers on a page, and I think they can misrepresent very easily what they're doing with those dollars."</i>
<i>Insufficient oversight</i>	<i>Discussion of government oversight of the programme and the people admitted.</i>	<i>"All the evidence tends to be accepted at face value. [...] there was almost an expectation that we just dealt with them quite quickly, and offered a really good service and didn't really question very much."</i>
<i>Political impacts</i>	<i>Discussions of the political benefits or drawbacks of the investor programme.</i>	<i>"It's a really lovely policy because it's really easy to articulate. We want the brightest and best, we want to encourage wealth creators to come..."</i>
<i>Poor process &amp; governance</i>	<i>References to a range of process factors including corruption, influence-peddling and poor management.</i>	<i>"Whenever you have money in anything, it just corrupts whatever public policy you're working on. And this is no less true in immigration than in anything else."</i>
<b>Factors preventing change</b>	<i>Discussion of factors making it less likely that policies would be amended.</i>	
<i>Low priority</i>	<i>References to more important competing issues, insufficient bandwidth or resources for this policy issue.</i>	<i>"It's obvious we need them' would be the sort of mindset, and actually we're much more worried about the difficulty of controlling the big numbers."</i>

<i>Disagreement</i>	<i>References to veto players and disagreement within government.</i>	<i>"Once those rules are in place, it's always quite difficult to change them. Because we were just then in a tug of war between the Home Office and the Treasury in this case mainly, and to some extent BEIS and FCDO. And there's a certain kind of inertia."</i>
<i>Lack of good alternatives</i>	<i>References to problems with competing options</i>	<i>"So if you want to move to a more complicated means of investment, whilst it's lovely to say, "Oh, you can invest in this or you can invest in that," the mechanics of how you actually do that, how do you evidence it?"</i>
<i>Turnover &amp; lack of expertise</i>	<i>References to expertise or loss of expertise due to turnover, as a factor making reform difficult</i>	<i>"[The Home Secretary] is not somebody who is regarded as a policy expert and so is unlikely to have a position on these things. So [...] she's not going to bring it up."</i>
<i>Interest groups</i>	<i>Discussion of interest group influence (or lack of influence)</i>	<i>"The lobbying that goes around these bills... they're very strong factions that are pushing their Senators and House representatives to do one thing and there's another very strong faction that's pushing their senators to do something else."</i>
<i>Link to immigration debate</i>	<i>Discussion of links to the rest of the immigration debate as a factor preventing investor programme reform.</i>	<i>"So rather than pick a fight that is way above the industry's weight class with regards to immigration policy on either side of the aisle it's just a wiser political move not to address it..."</i>
<b>Alternative policies considered</b>	<b>Discussion of the alternatives considered and reflections on their pros and cons.</b>	
<i>Payment &amp; auction</i>	<i>Discussion of the idea of accepting non-refundable payments or auctioning visas.</i>	<i>"It goes against the spirit of administrative controls over the thing, selling Britain off to the highest bidder."</i>
<i>Unlisted companies (UK)</i>	<i>References to implications of requiring investments in unlisted companies.</i>	<i>"At leave to remain stage, that would have potentially added another level of complexity, because it's like 'what have they invested in, is it the right sort of company, and what are we then asking that person to do'."</i>
<i>Others</i>	<i>References to proposals to channel funding in other ways, e.g. infrastructure projects or charitable donations.</i>	<i>"There was some discussion about just turning it into an infrastructure programme. It wasn't serious, there was no language to it, but I think that</i>

			<i>people could have a blank slate to start from they would love that opportunity."</i>
<b>Views on residence requirements</b>	Discussion of the impacts of residence requirements on applicants.		<i>"If you want it, you have to show you want it. So, you have to reside here."</i>
<b>Implementation challenges</b>	This node captures discussion of challenges managing and implementing investor programmes.		
<i>Govt expertise &amp; resources</i>	<i>Discussion of programme implications for operational expertise and funding.</i>		<i>"Our caseworkers are generalists, they're not equipped with that sort of skill set or that sort of knowledge"</i>
<i>Complexity</i>	<i>References to the impacts of programme complexity on implementation.</i>		<i>"Trying to make sure that the agreements and all of the legal documents meet the needs requirements is a challenging thing, and people would disagree on how things are phrased, and whether that meets the definition or not."</i>
<i>Cap &amp; green-card backlog</i>	<i>References to implications of the green-card limits and backlog in the United States.</i>		<i>"A lot of times statutes don't anticipate backlogs and so it's left to us to either figure that out through policy or through regulation."</i>
<i>Pressure to approve</i>	<i>References to pressure on operational officials to approve or speed up applications.</i>		<i>"Whoever was working on that programme was always under a lot of pressure, either to move cases quickly or to explain themselves on why something was denied."</i>
<b>Factors shaping perceptions</b>	Captures discussion of factors affecting changes in political perceptions of the programmes over time		
<i>Other policy developments</i>	<i>Changes in other areas of policy, e.g. foreign policy or anti-corruption.</i>		<i>"I think the environment in which these policies are designed has now changed fundamentally, given Russian foreign policy over the last few years."</i>
<i>Other countries' programmes</i>	<i>Effects of developments in investor programmes abroad</i>		<i>"And then we saw countries starting to introduce their own regimes, and the profile increased and the numbers increased."</i>

Numbers	Effects of changes in applicant numbers & size of programme	"Couple of hundred people each quarter coming in from the investment route didn't really attract anything near the same level of interest."
Scandals & media coverage	Negative information about individuals or projects associated with the programmes	"I think [members of Congress] have seen the issues in their own districts, when this fails and doesn't work right."
<b>Factors enabling change</b>		
Individual personalities	References to individual influential people or policy brokers.	"In the end it was Chuck Schumer who got it attached and pushed across the finish line."
Consensus & agreement	References to constructive dialogue or agreement among competing coalitions.	"And actually, because the relationship was more constructive, we could have kind of conversations maybe that we weren't having or able to have in quite the same way."
Tactics & negotiating positions	Discussions factors affecting parties' negotiating positions and choices, e.g. changes in default policy option, hurting stalemate, etc.	"The programme lapsed in June of 2021. [...] So there was more pressure, especially on those regional centres and projects that were in the midst of a raise, trying to get something done. So I think people came together."



## **About the Author**

Madeleine Sumption is the Director of the Migration Observatory at the University of Oxford, a research project that provides impartial analysis of migration in the UK. She has held this role since 2014. Before joining the University of Oxford, Madeleine was employed in various research roles at the Migration Policy Institute in Washington DC (2008-2014). Since 2016, Madeleine has been a member of the UK's Migration Advisory Committee, a panel of independent experts who advise the UK government on migration. From 2017 to 2022, she chaired the Migration Statistics User Forum, which brings together producers and users of migration data in the UK.

Madeleine has authored and co-authored a wide range of reports and articles about international migration. Recent journal articles include analysis of the political and economic effects of points-based systems in the UK, the design and effects of employer-sponsorship policies for labour migrants, the implementation of policies designed to target labour shortages, and an analysis of the UK income threshold for family migrants.

Madeleine holds a Master's in Public Policy from the University of Chicago's Harris School of Public Policy (2006-2008) and a Bachelor of Arts in Modern Languages from the University of Oxford (2001-2005). In 2017, Madeleine received an MBE in the United Kingdom for services to social science.

## Impact

Despite the widespread use of immigrant investor programmes worldwide, scholars and policymakers still know relatively little about the factors that make these programmes ‘successful’. The research in this thesis aims to start building a better knowledge base on what shapes the successes and failures of investor programmes. To do this, it draws on an analysis of two programmes facilitating private-sector investment—the United States EB-5 investor programme and the (now closed) UK Tier 1 Investor visa.

The results are relevant to policymakers around the world who are considering introducing, reforming or closing investor programmes. As some of my research participants pointed out, investor visas may seem sensible and straightforward to the casual observer. The present study has shown that they are much more difficult to develop and implement than policymakers often realise. This finding is consistent with many informal conversations I have had with policymakers in other countries over the past nine years since I first wrote a working paper on investor visas for the Migration Policy Institute, a think tank in Washington, DC.

I hope the present study will help policymakers anticipate and address problems that can emerge in immigrant investor programmes. For example, the UK and US case studies can help policymakers in other jurisdictions understand the consequences of their approach to the qualifying investment. How important is it to policymakers to ensure economic benefits flow from the investment? If investment benefits are important, are they willing to pay the costs that more economically beneficial designs might impose? For example, how much operational complexity are they willing to tolerate, and do they understand the risks of fraud in a market overseen by visa applicants who often lack the expertise to scrutinise complex investments? Have they planned for the expertise required to monitor even relatively simple programme designs? Alternatively, suppose policymakers are primarily interested in investor visas for the people rather than the money. In that case, the research can help them think through whom they are really trying to attract. Are other immigration options already available for their target clientele? Are they happy to admit ‘leisure migrants’ who appear to have

become the main users of investor visas—both according to my research and previous studies?

While my research suggests that no perfect investor visa design resolves all the challenges policymakers can face, I believe that thinking through these issues can help policymakers better align their programmes with their underlying objectives. These objectives will vary by country. As a result, there is no ‘right answer’ that policymakers should reach after reading my findings. In some cases, policymakers might reasonably decide—faced with a realistic assessment of the challenges—not to have an investor programme at all.

To help policymakers use the findings in my research and other studies on investor visas, I plan to write up shorter-form publications that will be more accessible to a policy audience. In my experience, this will likely lead to invitations for formal and informal discussions with policy audiences. For example, I have previously presented analysis of investor visas to policymakers convened by the OECD and numerous industry conferences with government delegates from around the world. I have also had informal discussions about investor programmes with government officials in various countries, and I expect this to continue after publishing this study.

For scholars, I believe that the main impact of the present study will be to help define more clearly the objectives, potential effects, and challenges that private-sector investor residence programmes can face. Because it is such a resource-intensive exercise, relatively few studies have looked in depth at how investor programmes operate and how programme participants (e.g. investor applicants and businesses using their funds) interact with them. Studies have thus often had to make assumptions about what the programmes are for. For example, the symbolic function of investor programmes has arguably not received enough attention in the research to date. To reach scholarly audiences, I plan to produce shorter journal articles based on this study.

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