

The Exclusionary Foundations of Embedded Liberalism*

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Abstract

Analyses of embedded liberalism since Ruggie (1982) have focused overwhelmingly on trade in goods and capital, to the exclusion of migration. We argue that much as capital controls were essential components of the embedded liberal compromise, so too were restrictions on the democratic and social rights of labor migrants. Generous welfare programs in labor receiving countries thrived alongside inclusionary immigration policies, but this balanced arrangement was only tenable if migrants were politically excluded in their destination countries—embedded liberalism abroad rested on exclusionary political foundations at home. In bringing together the IPE literature on the “Globalization trilemma” (Rodrik) with the comparative politics of citizenship, we provide a novel account of how embedded liberalism worked politically, with implications for current debates about the fate of the liberal order in a time of populist resurgence.

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The Exclusionary Foundations of Embedded Liberalism

Migrant workers are profitable and beneficial to the host society only so long as they are unorganized, insecure, bereft of political rights, in a word, “exploited.”

- Gary Freeman, *Immigrant Labor and Racial Conflict in Industrial Societies* (1979), p. 4

Introduction

A central tenet of international relations is that the postwar liberal order was “embedded,” wherein governments intervened in free markets to compensate for the losses from global trade and international market volatility (Ruggie 1982). Ruggie proposed that international economic orders reflected underlying social and political orders, and drew attention to the “legitimate social purpose” that economic orders would serve.¹ But although analyses of embedded liberalism have emphasized shared social values of stability, order, and mutual gain, decades of scholarship has failed to consider the domestic prerequisites of national governments acting on such shared values. Without exception, the literature on embedded liberalism has taken national identity and Ruggie’s “social purpose” to be established social facts rather than objects of political contestation.

Confronting the contemporary populist backlash against immigrants, minorities, and the liberal international order more generally, advocates of a return to embedded liberalism or something like it have repeated this mistake (Ikenberry 2018, Lake, Martin, and Risse 2019, Rodrik 2018). In this essay, we argue that the domestic politics of migration and citizenship

¹ In his words, “to say anything sensible about the content of international economic orders and about the regimes that serve them, it is necessary to look at how power and legitimate social purpose become fused to project political authority into the international system” (Ruggie 1982, 382).

policy reveal a fundamental tension in the postwar liberal order. Analyses of embedded liberalism—and its demise—have focused overwhelmingly on flows of goods and capital, implicitly assuming that labor represented just another factor of production. Just as capital controls were essential components of the embedded liberal order, as Lake et al. (2019, 5) observe, and compensation for labor in the form of expanded welfare programs, so too were restrictions on the democratic and social rights of migrants. This combination of economic openness and political closure became ubiquitous by the 1980s, and soon came to be known as a “liberal paradox” (Hollifield 1992b).²

Embedded liberalism came under strain in the 1970s, buffeted by the rise of finance and the decline of Anglo-American leadership. Here we draw attention to a concomitant bottom-up process by which advanced democracies renegotiated the boundaries of the national political community through access to rights, to reflect the changing demographics that followed from international migration. As advanced industrial democracies made citizenship policies more inclusive, they put strain on the common “social purpose” that had been implicit in the domestic political foundations of embedded liberalism. This eroded the domestic constituency for embedded liberalism from below: even as “capitalism hijacked globalization” (Colgan and Keohane 2017) so too did reactionary populists begin to assault the liberal policies and multilateral institutions designed to provide common political and economic stability across the advanced economies.

To make sense of how labor-receiving states managed the tensions created by migration under embedded liberalism, we introduce the concept of *exclusionary openness*: policy regimes that combine immigration openness with membership policy closure, either through closed

² That liberalism is never as inclusive as its proponents have hoped is an argument with a long pedigree. See Mills’ *The Racial Contract* (2014) and Mehta’s *Liberalism and Empire* (2018). On race in particular, see (Búzás 2019).

citizenship practices or limited access to rights and entitlements. Exclusion here refers not to *territoriality*, the physical demarcation of one group from others, but to *citizenship* (legal status, implying full legal and political rights) and *membership* (belonging and social inclusion, delineating ingroup members who fully enjoy the benefits of compensation, protection, and rights).³ Boundedness is central to democratic theory, defining the *demos* who may participate in democratic life (Rustow 1970, Dahl 1990) and determining whom the state registers, regulates, taxes. This generates a tension: the territorial boundaries established by the Westphalian state system are only coterminous with the population within that territory in a world without migration. States must either restrict the citizenship and membership rights of migrants, or expand their definition of the people. The latter choice, we argue, undermined embedded liberalism from below, as “social purpose” was only obtained through selective, purposeful social closure.

Taking a historical institutionalist approach, we trace how institutional arrangements and policies enacted to support migration in the postwar international order have had unanticipated consequences for politics today. Focusing on the paradigmatic cases of Germany and the United Kingdom, and drawing additional comparative insights from Japan, the United States, and other labor-receiving countries, we examine the tensions of migration and embedded liberalism and the ways that advanced industrial economies have attempted to manage them.

In bringing together two literatures that have developed largely in isolation from one another—citizenship and international political economy—we show that the widely heralded “globalization trilemma” (Rodrik 2011) provides an incomplete picture of the stakes of “democracy” or “autonomy” because it disregards how flows of labor affect the composition of

³ Membership, for example, may include permanent residence, for example, and full status independent of citizenship. See (Goodman 2014, 16-21).

national political communities. Our argument likewise joins the international politics of embedded liberalism with the comparative politics of the populist resurgence (Mudde and Kaltwasser 2017) and the established literature on social exclusion and the welfare state (Castles and Kosack 1973, Freeman 1986, Sainsbury 2012, Lynch 2006, Morgan 2006). We see these processes as fundamentally intertwined, as do many others, but we identify how these domestic processes have affected the liberal international order over the past 75 years.

We are aware that this argument has disquieting implications. Many believe that the embedded liberal era provided a better foundation for democratic capitalism than its neoliberal successor, and one might conclude that the key to restoring embedded liberalism is to reconstruct its exclusionary foundations. Although we do not endorse this conclusion, we do hold that only by understanding how embedded liberalism actually functioned can we understand how it might be rescued—and the value in doing so. We address these implications of our argument in the conclusion.

Embedded Liberalism and the Politics of Social Purpose

Embedded liberalism refers to the postwar economic order in the advanced industrial democracies that combined economic globalization with robust welfare states and active macroeconomic management. The classical liberal order prior to the First World War saw steady increases in international trade and investment as well as domestic economic transformation towards a market-based economic system, but without any concomitant effort to manage the dislocations that accompanied rapid economic change. This “disembedded” economic order, in the analysis of Karl Polanyi (1944) and the generation of policymakers who followed him, was ultimately self-undermining because the social and political dislocations of economic transformation were too much for societies to bear. The new liberal order emerged following

the Second World War responded to this challenge by “embedding” liberal market relations within domestic and international political structures that would ensure—for a time—that states would be able to ease the costs on their citizens. Those citizens, in turn, would come to support that liberal order, institutionalizing economic openness within a self-sustaining system of national democratic politics.

Conventional Wisdom on Embedded Liberalism

Following Abdelal and Ruggie (2009, 153), “the core principle of embedded liberalism is the need to legitimize international markets by reconciling them to social values and shared institutional practices.” This perspective sees the legitimacy of economic liberalism as achieved through compensatory policies that respond both to the volatility and economic transformation that accompany international economic integration. These policies may include active labor market policies, Keynesian demand management, and many others (Hays, Ehrlich, and Peinhardt 2005, Hart and Prakash 1997). The price of embedding liberalism is that not all international economic exchange is possible. Embedded liberalism flourished under the gold standard and with widespread controls on cross-border capital flows, which allowed domestic governments to achieve international price stability while preserving their ability to respond to domestic economic shocks.

Accounts of the origins of embedded liberalism focus on the legacies of the 1930s (Helleiner 2003), rising U.S. hegemony (Mastanduno 2009), the influence of particular policy experts (Ikenberry 1992), or some combination of the three. This emphasis on the international dimensions of embedded liberalism clarifies that embedded liberalism is not simply synonymous with the welfare state: Bismarck’s reforms in the 1880s in Prussia were the foundations of the continental European welfare state but were neither implemented in a liberal democratic state nor

understood to stabilize liberal international economic exchange (Briggs 1961). The postwar liberal order, by contrast, entrenched cooperative international economic exchange. National models of welfare capitalism would differ, but governments retained the domestic policy autonomy to transition from postwar recovery to economic growth and trade openness. The most divergent case from among the advanced industrial economies is Japan, which combined strict control over capital (both cross-border flows and within the domestic economy) with a more aggressive version of export promotion and industrial policy that Pempel (1999) terms “embedded mercantilism.” Postwar Japan nevertheless fits within the embedded liberal order as an example of trade openness combined with domestic policy autonomy needed to manage its potentially destabilizing effects.

Most diagnoses of the decline of embedded liberalism follow directly from accounts of why embedded liberalism emerged. The collapse of Bretton Woods and the surge of global capital flows removed the tools that domestic policymakers used to manage the risks of global economic integration (Armijo 2002). Some accounts tie this collapse to the changing nature of the international financial system (Goodman and Pauly 1993, Webb 1991), others to the decaying memory of the interwar years (Kirshner 1999), or to changing economic ideas and norms governing global finance (Helleiner 1994, Abdelal 2007) or monetary stability (McNamara 1998, Best 2004, Blyth 2002, Ruggie 2008), or to the end of the United States’ willingness to sustain a global fixed exchange rate regime (Garber 1993). These explanations share an emphasis on the regulation of finance, whose regulation was instrumental for preserving domestic policy autonomy in the context of increasing international trade.

Immigration, Citizenship, and Embeddedness

The literature on embedded liberalism is silent on migration. Yet the period during which embedded liberalism thrived was also a time of increasing migration in many of the advanced industrial economies (Castles and Miller 2003). As we will outline below, migration lay at the heart of the embedded liberal order (Goodman and Schimmelfennig 2020), with labor functioning as another factor of production that flowed across national borders. Analyses of embedded liberalism that ignore migration and its consequences miss the *politics* of how embedded liberalism worked.

Immigration has direct implications for the notion of “legitimate social purpose” that lies at the heart of the embedded liberalism thesis. Ruggie never defined “social purpose” in his seminal 1982 contribution;⁴ the community is taken as a given, and the “social” along with it. Abdelal’s (2001) analysis of “national purpose” admits that if nationalism or national identity were contested, then their effects on national purpose in international economic relations could be highly politicized. We agree. Immigration directly challenges the idea that the political community is a fixed or uncontested social fact, and in doing so, raises the question of *whose* purpose is reflected in “social purpose” (and what makes it legitimate). This is because unlike other factors of production, migrants are not just workers, they are also people; they do not just work, they vote, use public services, and start families. This is the gap in which we locate our analysis and argument: the “legitimate social purpose” invoked by the embedded liberal model assumed that migrants were not part of the community.

International migration exposes tensions in *any* liberal order comprised of democratic states. And exclusionary anti-immigrant policies had long thrived prior to embedded liberalism,

⁴ According to Baker (2018, 294): “the treatment of social purpose has been implicit, incidental and fleeting in subsequent scholarship, not least because it...was never formally defined.”

so embedded liberalism was not the “cause” of exclusionary policies. Yet embedded liberalism has a particularly uneasy relationship with migration, for it explicitly rejects an apolitical understanding of a market system as distinct from the social formations that support it (Polanyi 1944). Markets are social constructions, and embedded liberalism sought to align them with social purpose, yet this model founders in its commodification of migrants as labor without considering how that would affect the social purpose to which the system strived.

We are not the first to have noticed that migration might challenge the embedded liberal order. Nearly three decades ago, Hollifield (1992a) noted that an increase in international migration could jeopardize the liberal economic order by challenging what he termed the “the national prerequisites of sovereignty and citizenship.” More recently, Burgoon (2012) distinguishes between migration, on the one hand, and trade and investment, on the other, in left parties’ embrace of the embedded liberal compromise. We build on these arguments but push them much further. In our account, embedded liberalism required an illiberal compromise on migration, and attempts to maintain inclusive citizenship policies alongside open borders have proven politically unstable. To make this case, we turn to a closer examination of immigration in the embedded liberal era, beginning with a discussion of how liberal states maintain boundaries on their political communities.

Embedding Exclusion

Every subfield of political science recognizes the importance of boundaries. Some boundaries are territorial, and some are social. Citizenship is the primary tool for constructing national community in liberal democracies, delineating an ingroup by practicing citizenship assignment as the “instrument and object of social closure” (Brubaker 1992, 23). By mere fact of drawing a distinction between groups, citizenship is both “internally inclusive” and

“externally exclusive” (Ibid.). Establishing bounds on the political community is an essential prerequisite of democracy—conclusion shared by Americanists (Lieberman et al. 2018, 5), comparativists (Rustow 1970), and theorists (Dahl 1989, Cohen 2009) alike, and increasingly a focus of international relations scholarship as well (Simmons and Goemans 2019).

Citizenship is the traditional policy instrument for establishing social boundaries around a political community, as it conveys status, rights, and identity. But states establish boundaries around many categories of membership, including permanent residents or, in the case of the EU, second-country nationals, where access to social and economic rights extends beyond national citizenship. States also have other policy tools at their disposal to include some and exclude others. One way to conceptualize these different instruments is by delineating between “external” and “internal” closure (Hammar 1990): the former restricts the movement of people, the latter restricts the rights and privileges available to those who have migrated. For example, states may allow immigration only for those with compatible cultural characteristics or promote immigration but limit access to citizenship.

In distinguishing between immigration and membership policies, we identify four general constellations of migrant management policy.⁵ Under autarky, social and physical borders are closed, thereby establishing firm boundaries around the political community that correspond to the country’s residents. When migration is allowed and membership policies are inclusive, boundaries on the political community are comparatively low (represented in the type “inclusionary openness”). But as the upper-left and bottom-right quadrants of The upper-left quadrant of **Error! Not a valid bookmark self-reference.**, which we term “inclusionary closure,” describes a regime that restricts movement of people into a country but adopts few or

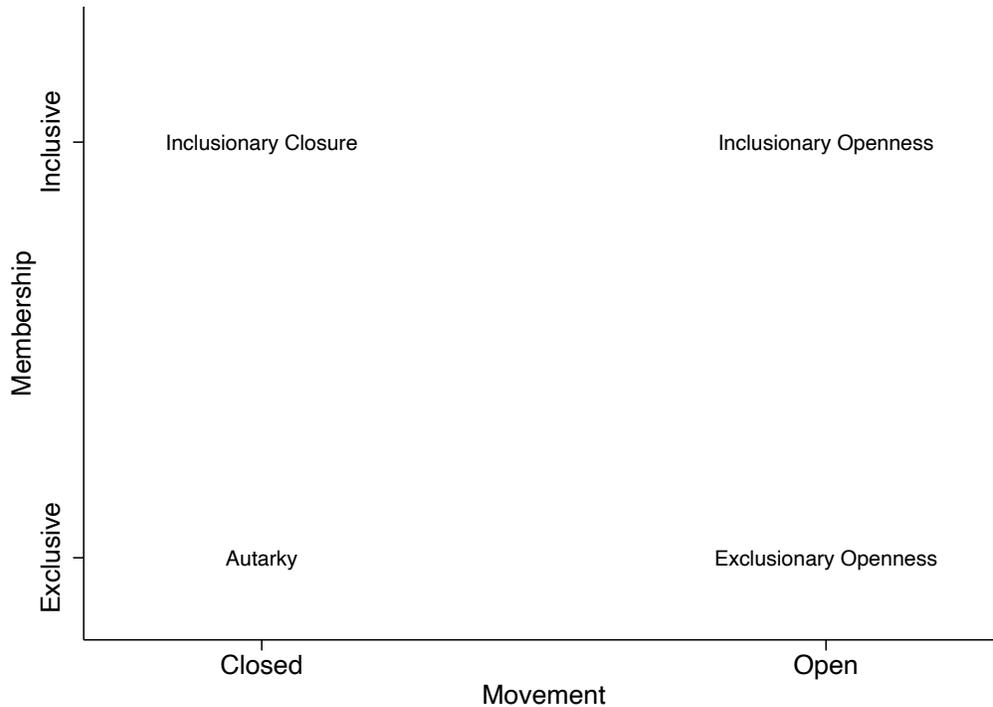
⁵ The immigration and citizenship literature is replete with policy typologies (for a critical review, see Goodman 2015).

no restrictions on their membership once admitted. These constellations are ideal types; in reality, there are intermediary positions between openness and closure, between restriction and inclusion, and movement in between.

Figure 1 illustrate, migration and membership policies may diverse. “Exclusionary openness” (bottom right) allows for cross-border population movement, but restricts access to the rights associated with citizenship and membership. The upper-left quadrant of **Error! Not a valid bookmark self-reference.**, which we term “inclusionary closure,” describes a regime that restricts movement of people into a country but adopts few or no restrictions on their membership once admitted.⁶ These constellations are ideal types; in reality, there are intermediary positions between openness and closure, between restriction and inclusion, and movement in between.

Figure 1: Migration and Membership Policy

⁶ This cell describes cases such as Israel prior to the 1990s and the Soviet Union.



Our particular interest is in exclusionary openness, when states accept immigrants but restrict membership, limiting access to political status (citizenship) and social-civil rights. As we will argue below, in response to myriad liberalization pressures of the 1970s and 1980s—ranging from international institutions and pervasive human rights norms to domestic policy diffusion (Soysal 1994, Guiraudon 2000)—countries began to move towards inclusionary openness. This unsettled the embedded liberal bargain by challenging the assumptions of the political community embedded in the order’s social purpose.

Our contribution, therefore, is not simply to identify the existence of exclusionary openness, but rather to show how it reveals an essential tension between liberalism and the Westphalian state system. The embedded liberal order was politically sustainable just so long as democratic governments produced benefits and protections for their citizens. As Pepinsky (2017) argues, the embedded liberal order rested on democratic political accountability, in which the losers from international economic integration were compensated for their losses and supported

the government accordingly. Material prosperity from economic integration—of goods, capital, and labor—provided the economic basis for shared prosperity.

Migration to labor-receiving countries like Germany and the UK was instrumental in supporting their postwar recovery. In the cross-national context, there is abundant evidence that migrant networks facilitate both trade and investment (Leblang and Peters 2018). Within countries, of course, the *distributional* effects of immigration are a subject of considerable debate (Zimmermann 1995, OECD 2014). Migrants whose labor substitutes for native labor, or who enter inflexible labor markets, will undermine wage rates and increase native unemployment. If, on the other hand, migrant labor is a complement for native labor and labor markets are relatively flexible, then migration may improve labor market efficiency without undermining native labor’s wages or employment. Migrants may also contribute to the welfare state by paying taxes or otherwise contributing to the state’s fiscal position,⁷ and as consumers they may also stimulate aggregate demand.

The clearest evidence that migration contributed to prosperity during the high point of embedded liberalism is the fact migrants did indeed flow into Western European economies and into the sectors in which they were most productively used. Kindleberger (1967) showed that the influx of foreign labor into Germany was responsible for the country’s rapid economic expansion (See also Hollifield 1992b). He attributes the UK’s relatively anemic growth rates to constraints on labor supply, noting both that immigration from the UK’s former colonies was an essential source of labor for British manufacturing and the political backlash that emerged as a result (See also Layton-Henry 1985). Again, the case of Japan diverges: Japan’s rapid economic recovery

⁷ A recent OECD study concluded that “migrants contribute more in taxes and social contributions than they receive in individual benefits” (2014: 2), but only in contexts driven by labor migration and without long-settled dependent populations.

proceeded without large inflows of foreign labor, a fact that Kondo (2002), Peach (2003), and others attribute to large amounts of internal (rural to urban) migration, rapid mechanization of unskilled labor, and far longer working hours relative to Europe. In the United States, immigration quotas in place until the 1960s likewise restricted the supply of migrant labor to the United States, but undocumented immigration proceeded apace, and temporary worker programs for agricultural labor circumvented these restrictions (see Abramitzky and Boustan 2017).

But labor migrants raised the question of what social and political rights migrants would hold. Our distinction between the membership status of migrants and native shares important features with Rueda's (2005) distinction between labor market "insiders and outsiders." In his analysis, labor policy benefits insiders at the expense of outsiders, even though both comprise the general category of "labor." In our analysis, the constituency for and beneficiaries of embedded liberalism comprises citizens, even though both citizens and migrants contribute to the economic prosperity that sustained embedded liberalism.

Three features characterize exclusionary openness in practice:

- (1) Openness to migration; that is, to the cross-border movement of people.
- (2) Commodification of migrants as labor.
- (3) Restrictions on citizenship and membership rights to migrants and their descendants.

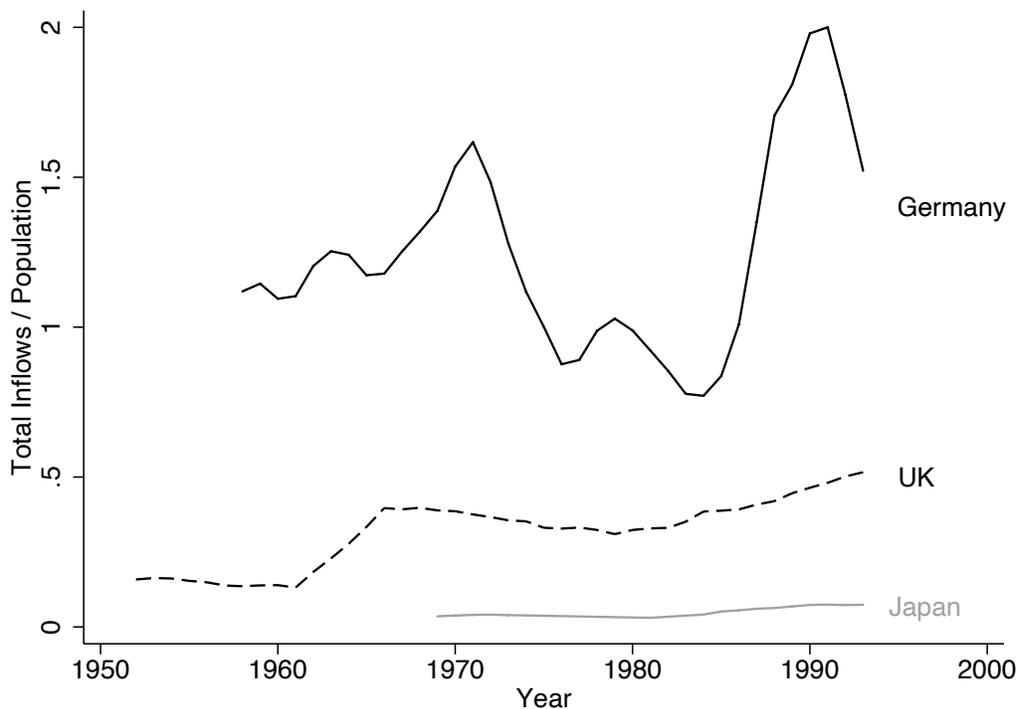
Although the specific details of exclusionary openness vary across national contexts, they have the same consequence for embedded liberalism as a system: they allow openness to migration while restricting migrants from enjoying the fruits of that social protection.

Embedded Liberalism and Exclusionary Openness

We examine how embedded liberalism coevolved with exclusionary openness through a historical analysis of migration and citizenship policy in the advanced industrial economies from

1945 through today. We organize this narrative around the cases of Germany, the United Kingdom, and Japan, three countries with three very different national political economies that are paradigmatic cases in the Varieties of Capitalism literature (Hall and Soskice 2001). Trends in immigration inflows as a percentage of national population in the three countries appear in Figure 2.

Figure 2: Migrant Inflows, 1950-1995



Note: Trendlines are five year rolling averages (authors' calculations based on DEMIG 2015). Pre-1990 data for Germany correspond to West Germany only. The UK data prior to 1963 exclude non-Commonwealth migrants, and this is responsible for the mid-1960s jump in inflows.

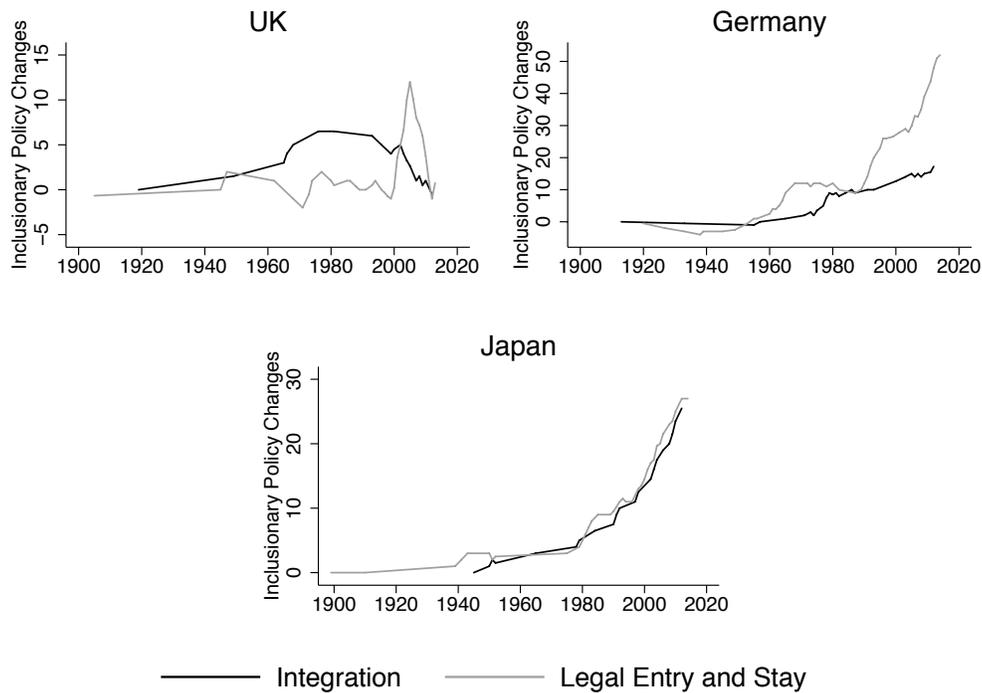
Each of these three countries confronted a severe domestic labor shortage immediately following the Second World War, and their responses illustrate the different ways that the advanced economies have resolved the tensions between migration and citizenship. Germany and the United Kingdom achieved robust economic growth under embedded liberalism through exclusionary openness: guest worker political exclusion in Germany, and post-colonial citizen

stratification the UK. Germany implemented restrictive membership policies from the outset, whereas the UK quickly retreated after a brief experiment with inclusionary openness. Japan grew rapidly without labor migration—autarky rather than exclusionary openness—then subsequently liberalized immigration policy in response to labor market pressures in the 1980s.

In Figure 3, we illustrate changes in migration policy in these three countries using policy data from DEMIG (2015). Interpreting these data requires some care: DEMIG catalogues *changes* in migration policy across various policy areas (i.e., more or less inclusionary), but not the *absolute level* of migration policy (i.e., open or closed). The DEMIG data also do not provide a common baseline for comparison, so the baseline from which policies change will vary by country. Fully characterizing migration (“legal entry and stay”) and membership (“integration”) policies requires us to pair these quantitative indicators with case study analysis. With these caveats about interpretation in mind, these data nevertheless give us a powerful tool for visualizing the evolution of migration policy in the advanced economies.

We calculate the accumulated total of policy changes per country, relative the first year (post-1900) for which data are available, to measure policy change over time in each country. Upward trajectories indicate trends towards openness, but do not convey size, specific policy content or absolute levels of openness. Further, these levels are not comparable across countries (a “10” for Germany is not the same as a “10” for Japan).

Figure 3: Migration Policy Change



Source: Authors' calculations (data from DEMIG 2015)

Nevertheless, the data illustrate how immigration and membership policy has changed over time. Looking at the time period of embedded liberalism (1960s-1980s), Germany is a typical example of exclusionary openness. Immigration politics were liberalized to include temporary guest workers, but citizenship policy remained unchanged. The UK is a more nuanced and interesting example. Citizenship was already inclusive, allowing—in principle—millions of Commonwealth migrants *qua* British subjects to come to Great Britain. But exclusion was pursued via successive immigration laws that restricted New Commonwealth (read: non-white) migration by tying entry to employment guarantees and voucher schemes, not citizenship. As such, the UK achieved exclusionary and “controlled” migration aims by circumscribing citizenship rights directly. Liberalization in the UK’s “integration” trendline in Figure 3 reflects repeated attempts to address endemic discrimination through race relations acts. Japan represents the autarkic model,

with modest, parallel change only in the 1980s as it begins to adjust to the labor market realities of an aging population.

Migration in the Postwar Context

Immigration in the immediate postwar era—following massive flows of refugees and returnees after the war itself—was almost singularly economic. To fuel the industrial production that spurred the postwar economic recovery, where native workers were increasingly moving to middle-class work (Boyle et al. 1998), Western European countries in particular began to seek labor from abroad. This first phase of immigration was entirely labor recruitment, and designed to be temporary. These jobs came with few rights and little welfare. Indeed, among the many critiques of T.H. Marshall’s teleological account of the expansion of rights in postwar Britain (cultivating in “social citizenship”) is the total omission of immigrants. But the UK, along with other northern European countries, began intensive labor recruitment drives to rebuild postwar economies. Through intentional bilateral labor agreements but also the incidental consequences of decolonization thousands of workers came to Europe but were granted limited political and social rights. Japan stands as an exception: among the advanced industrial economies, only Japan would set strict limits on immigration (see Figure 2).

Despite former Chancellor Helmut Kohl’s insistence that Germany was “not a country of immigration,” passing its first comprehensive immigration bill only in 2004, German postwar recovery over the past seventy years has been a story of migration. Germany in this period exemplifies exclusionary openness. After initial assistance from the Marshall Plan, West Germany deliberately sought to maintain the “Economic Miracle” through a deliberate strategy for labor migration recruit. This guest worker (*Gastarbeiter*) program,⁸ established bilateral

⁸ Guest worker schemes were also used in Belgium, France, and Switzerland.

guest worker agreements first with Italy (1955), Spain and Greece (1960), and expanding to Turkey (1961), Morocco (1963) and Yugoslavia (1968). Immigrants were recruited to industrial sector jobs, on contracts designed to be temporary and rotational, and by the time the oil crisis ended recruitment, “some 3 million non-nationals remained in the country...and were soon joined by spouses and dependents” (Green 2004, 5).

Guest worker schemes were strongly supported by “a robust political consensus” and, as James Hampshire (2013, 19) observes, “it is remarkable how guestworker recruitment was viewed as an essentially technocratic administrative issue.” Immigration made possible both economic growth and a generous welfare state. By filling industrial and agricultural jobs, guest workers were specifically credited for moving West Germans into the middle class, moving up to managerial and clerical positions (Göktürk, Gramling, and Kaes 2007, 10). But while native Germans were experiencing social mobility and rising welfare, immigrants held a far more precarious existence. They lacked a right to citizenship, and therefore to participation and representation. Foreigners did not even have a right to residence, and were only permitted to stay so long as they met “the needs of the Federal Republic,” according to the 1965 *Ausländergesetz*. Immigrants also experienced significant exclusion in the labor market itself, from wages and mobility (Constant and Massey 2005) to sector-based representation. This exclusion was deliberate, as Green (2004, 33) observes: “to minimise costs for society (which would arise in the form of schools, housing and health care provision for permanent immigrants and their dependents), the Federal Labour Office usually favoured young, single men.” Integration experiences, like joining trade unions, were encouraged, but yielded mixed results (Castles and Kosack 1973, 130-132). Likewise, recruiting employers were responsible for providing

accommodation, but this obligation ended if a worker changed jobs, thus constraining worker mobility.

The UK illustrates a different trajectory. Starting from a position of maximal openness towards immigration by default, Gary Freeman (1979, 38) notes, one can “interpret much of post-war immigration policy in Britain as an attempt to remove rights of citizenship too generously extended during the colonial period.” Exclusion was not achieved by making citizenship restrictive, but by redefining eligibility for entry based on technicalities of Commonwealth status, typically through administrative procedures limiting access to a British passport in a migrant’s country of origin. In short, it was not status *per se* that changed, but its currency.

For a country driving towards “zero immigration,” the “original sin”, then, was the British Nationality Act (BNA) of 1948, which conferred citizenship and, thus, access to the British labor market, to all Commonwealth subjects. Despite acute labor shortages in the aftermath of WWII, the British government “at best passively tolerated” (Joppke 1999, 102) migration to rebuild Great Britain rather than actively recruiting migrants (Hansen 2000, 16). This Windrush Generation (named after the ship that brought 500 Jamaican migrants to the UK in 1948) would bring hundreds of thousands of migrants from across the Commonwealth. And, coinciding with US immigration policy closure, this generated mass interest in and migration to the UK, starting a chain of events that would inevitably transform Britain into a multicultural society.

While immigrants filled a variety of vital labor demands, migration almost immediately became associated with race and social concerns. Given political pressures to keep the multi-ethnic Commonwealth together, governments were restricted in how much they could curb

migration. Instead of legislating closure, they instructed administrative practices in the country of origin to limit “Colonial” *qua* “coloured” migration to Britain (on the racial foundations of liberal internationalism, see Búzás 2019). In Pakistan, passports were only issued if applicants could speak English (among other conditions), as immigrants from Asia were deemed “not as readily employable as West Indians” and “cannot be absorbed” (Spencer 2002, 92). In Jamaica, a British citizen had to show a clean criminal record. By contrast, no similar practices were adopted to curb immigration from Ireland.

Further, if British subjects *were* able to settle in the UK, they faced immediate disadvantages. While formally enrolled for provisions like the National Insurance system, migrants faced deep discrimination, from labor market practices—often through collusion in discriminatory practices between unions and management (Layton-Henry 1992, 42) to housing, where blacks “were simply not considered in the massive housing reform program of the post-war Labour Government” (Hayes 2014, 38, also see Castles and Kosack 1973).

By the late 1950s, non-white migration from the New Commonwealth (i.e., West Indies, India, Pakistan) outpaced Old Commonwealth migration (i.e., Canada, Australia). Rising unemployment (particularly in areas like Yorkshire that experienced industry-specific recession and high concentration of migrant settlement) and race riots fed Conservative party beliefs that migration needed to be controlled through legislation, not administration practice. Thus, the 1962 Commonwealth Immigrants Act delinked the right of entry from citizenship, meaning that immigrants from New Commonwealth countries became subject to migration controls. Entry became tied to a limited number of government-issued employment vouchers. This was thinly-veiled prejudice, reserving accessible routes for skilled immigrants and those with an employment offer in hand (two categories disproportionately exercised by white, Old

Commonwealth migrants). The remainder would be subject to entry permits that were strategically allocated based on “labour needs of the United Kingdom economy.” In other words, this “historically liberal” (Howard 2009) citizenship was not stripped, but reinterpreted in a new migration system that de-valued it for admission. This intention was clear: the year before implementation saw record-high immigration, with 136,400 migrants looking to “beat the ban” (Layton-Henry 1992, 13). This period also definitively marked the transition of immigration from an economic issue to one “closely associated with issues of race and racism” (Bleich 2003, 37), with clear social consequences.

Whereas Germany illustrates exclusionary openness as a deliberate policy choice, and the United Kingdom illustrates exclusionary openness emerging from the failure of inclusionary openness in the context of immigration from its former colonies, Japan illustrates a third way to resolve the tension between immigration and citizenship: restricting immigration altogether. Relative to the policy space in The upper-left quadrant of **Error! Not a valid bookmark self-reference.**, which we term “inclusionary closure,” describes a regime that restricts movement of people into a country but adopts few or no restrictions on their membership once admitted. These constellations are ideal types; in reality, there are intermediary positions between openness and closure, between restriction and inclusion, and movement in between.

Figure 1, it spent most of the 1950-1980s in the lower left-hand quadrant of autarky, with very low immigration levels and even lower naturalization rates. Writes Cornelius (1994, 377), “Japan was the only major industrialized country that, since the 1950s, had managed to avoid reliance on foreign-born workers to fill significant numbers of low-levels jobs,” with foreign-born residents less than 1% of the population prior to the 1990s. Many casual analyses attribute the absence of any large-scale immigration to Japan to a deliberate policy of favoring social

harmony and protecting Japanese interests, although Cornelius also proposes that Japanese immigration policy was more incoherent than deliberately closed. Even given the low levels of immigration to Japan, naturalization rates were low throughout this period, reflecting the restrictiveness of Japanese citizenship policy.

Challenging Embedded Exclusion

Postwar migration entered its second phase during the oil crisis of 1973. Economic restructuring reduced the industrial economies' need for labor, so guest worker and open recruitment schemes came to a grinding halt. This transformed the policy debate by revealing the "myth of the guest worker" (Castles 1986). Not only did guest workers not return to their home countries, they brought family members to Europe. Moreover, once economic opportunities for migration were closed, advanced economies began to see upticks in humanitarian-based claims, i.e., asylum.

In Germany, after the oil crisis shut down temporary migration, permanent settlement became a fact of life; three million migrants stayed in Germany, "becoming permanent ethnic minorities" (Castles 1986, 761). As Germany saw dependents come to join these family members and upticks in asylum applications, Joppke (1999, 64) notes there was no serious attempt to remove or deport the guest worker population: "next to legal constraints, moral constraints kept the political elite from doing this." In fact, "political elite developed a sense of special obligation toward the guestworker population," with deep contestation evolving over what these obligations would look like. The "notion of prevailing elite consensus" on matters of immigration and citizenship in Germany became "difficult to sustain," as political parties start to disagree over matters of immigrant integration and citizenship acquisition (Green 2004, 10). This period in postwar German history exemplifies the inherent instability of embedded liberalism's

exclusionary foundations, as liberal pressures for increased mobility collide with domestic liberal pressures for inclusion.

Already on the path to restriction, the British government rolled out its strongest immigration control yet with 1971's Immigration Act. Immigration control was extended to all nationalities by fully replacing categories of "alien" and "British subject" with the concept of patriality to determine right of entry. This act, according to Hansen (2000, 30), "confirmed in critics' eyes the essentially racist character of British migration law." The British government was even successful in reducing asylum and family formation (Joppke 1999, 115-134). Restrictions increased further in 1980, limiting right of abode and adding other citizenship conditions.

In Japan, this period was one of stasis: because immigration rates were so low in the first place, there was no need to rein them in. Still, among those few migrants who did settle in Japan, naturalization rates were lower than any other advanced industrial economy except labor-exporting Italy (although Japan's naturalization rates were higher than Germany's during the 1970s) (Janoski 2010, 34). The majority of those who *did* naturalize were of Korean or Taiwanese ancestry, reflecting Japan's colonial past. Concerning those who do not naturalize, Chung (2010, 40-41) notes that "there is no legislation that explicitly protects the civil rights of foreign residents, which makes foreign residents' rights contingent on the political climate, public debate, and administrative interpretation." Permanent foreign residents do have access to social welfare rights, both cannot vote or work in the public sector. The result of both low levels of foreign labor and restrictive citizenship policies was a policy mix that lies between autarky and exclusionary openness.

Inclusion and Backlash

The embedded liberal compromise allowed citizens to give democratic consent to economic openness. The “social purpose” of embedded liberalism, in our account, delimited the community (the “social” in social purpose) in particularistic terms, as the national citizenry. This could be achieved either through restriction on migration itself (Japan) or, where migration was embraced, through restrictions on citizenship (Germany and the UK).

Nevertheless, beginning in the 1980s, exclusionary models of citizenship came under pressure (Janoski 2010). As Hollifield (1992b, 170) argues, “the confluence of unregulated markets for foreign labor and the rise of rights-based politics ... explains the failure of restrictionist policies.” Driven by advocates for a more inclusive, often explicitly liberal model of citizenship that considered migrants as more than just economic factors of production, expanded citizenship and membership rights granted migrants and their families greater access to social programs, opportunities for long-term residence, and increasingly to citizenship itself (Howard 2009). Today, we observe convergence towards what Boucher and Gest (2018) refer to as a “market model” of immigration and citizenship policies, although we emphasize that substantial differences in inclusion policies persist (Goodman 2014, Koopmans and Michalowski 2017).

But as unemployment rose in the 1970s, so did xenophobia and racism. By the early 1980s, we begin to see some of the earliest successes of far-right populist parties in France and Belgium. We also see the emergence of anti-immigrant welfare chauvinism, as far-right populist forces capitalize the liberals’ efforts to challenge postwar exclusionary openness (Goodman 2019). The result, as Burgoon (2012) and others have argued, is an erosion of domestic consensus about the “legitimate social purpose” of the embedded liberal order. Even if parties on the left

were willing to accept liberalization of trade and investment, they could not do the same for migration. The push towards greater inclusiveness had the unintended effect of undermining the domestic political constituency in favor of embedded liberalism.

As labor migrants began to enjoy both the material and symbolic benefits previously reserved only to “indigenous” citizens, they came into conflict with the group that had previously formed the key domestic constituency that endorsed the embedded liberal bargain. Put another way, “the presence of a bottom stratum of immigrant workers allows social advancement to large sections of indigenous working class” in which the “the lowest position is occupied not by themselves, but by the immigrants” (Castles and Kosack 1973, 7). But how long can liberal democracies repress social mobility and maintain differentiated status for migrants and their descendants? One immediate implication has been the rise of welfare chauvinism (Hjorth 2016, Johns 2014, Crepaz and Damron 2009) as well as greater public opposition to immigration. Recalling our argument that the embedded liberal order rested ultimately on the democratic legitimacy conferred by electorates, the push for immigrant inclusion and the accompanying rise of welfare chauvinism undermined the core domestic support base for international economic integration.

The third phase of postwar migration is therefore the culmination of the evolution of immigration in the postwar era. Immigrant integration had not been considered a serious policy concern until the 1980s, and only so in states with multicultural and post-colonial identities such as the UK and the Netherlands. At the same time, asylum rates increased sharply with the fall of the Soviet Union and wars in Yugoslavia. Meanwhile, the European Single Market was realized, which allowed internal free movement of people.⁹ By the late 2000s, a majority of European

⁹ Importantly, the Treaty of Rome originally envisioned only the free movement of *workers* as one of the “Four Freedoms” (alongside goods, capital, and services).

states had come to practice comprehensive immigrant integration, like mandatory language or civic orientation classes, as immigration has become an election-defining issue. In short, this third phase exhibits moves toward real inclusion, but with serious repercussions.

We are still witnessing the reluctant opening of Germany's exclusionary citizenship regime, as myriad arrangements—like civic-cultural requirements for permanent residence—continue to disincentivize naturalization. Indeed, both the direct and indirect effects of Germany's regime of exclusionary openness continue to shape second- and third-generation immigrant experiences. Children of migrants, for example, were mostly placed on low educational tracks in Germany's selective school system (Baldi 2012), which limit future opportunities. Everyday racism and marginalization continues to be widespread (Göktürk, Gramling, and Kaes 2007). And citizenship restriction for second- and third-generations were only partially eased with the German Citizenship Law of 1999,¹⁰ though low naturalization rates (Schönwälder and Triadafilopoulos 2012) and layers of language and civic orientation requirements (Goodman 2014) suggests the “liberalization” was more symbolic than anything.

Although Germany is more open than ever, the current political context continues to exhibit tradeoffs of migration openness. After Chancellor Angela Merkel opened Germany's border to over one million asylum seekers in 2015, there was a quick sea change from the “We can do it!” (*Wir schaffen das*) spirit of accommodation to a backlash in coalition support—evident in the weak government victory and strong support for the Alternative für Deutschland (AfD) in the 2017 federal elections. Alongside rising instances of xenophobia and anti-immigrant violence (Ziller and Goodman 2017), the continued support for the AfD, particularly

¹⁰ Children born to foreign parents after 2000 were given German citizenship at birth. It also introduced the “Options model,” where persons hold dual citizenship until age 18.

in areas of economic deprivation, suggests rising support for a more managed form of capitalism that could reconstruct the protections that “native” Germans had enjoyed.

In the UK, net migration remained low until the early 1990s, but domestic court rulings, European pressure, and geopolitical events brought immigration to Britain’s border. And in 1997, Britain abolished the primary purpose rule, making it easier to bring foreign spouses. Today, Britain maintains a comparatively accessible citizenship conditioned by cultural requirements and alongside nominally restrictive immigration policies. Of course, the restrictions are primarily rhetorical. For the past decade, Conservative governments have touted a goal to reduce net migration from the “hundreds of thousands” to the “tens of thousands”, but migration has remained strong. The financial crisis did not halt migration; instead, migration became more circular between Eastern Europe. And as both of the UK’s major parties have failed to achieve their goals of migration control past, this was a central motivator for Leavers in voting for Britain to leave the European Union (“Brexit”) (Hobolt 2016). Delivering Brexit has directly resulted in immigration restriction, affecting intra-EU migration to the UK, prospective migration from outside the EU, and likely students and high-skilled workers. Part of “taking back control” has also been stripping status and the deportation of immigrants as far back as the Windrush Generation.

Even Japan has shifted its immigration and citizenship regime, but from the starting point of autarky and towards exclusionary openness. Reforms to Japan’s immigration law in 1990 allowed high-skill foreign workers to enter Japan to work (Shimada and Northridge 1994, 5); they also allowed second and third generation descendants of Japanese overseas to immigrate to Japan with no skills conditions or work restrictions (Yamanaka 2000, 123). These policy changes in combination with growing labor market demand (Weiner 2000, 57-59) produced conditions

favorable to labor migration, and by the 2000s the stock of foreign residents exceeded 1.5% of Japan's total population (OECD 2018)—far below other large OECD economies but higher than Japan's historical average. In large cities especially, foreign workers are now a prominent part of the labor force, but the restrictions on welfare benefits and political participation described previously continue. Rights are even more limited for temporary workers, and naturalization rates remain low (Janoski 2010, 34).

Pressures to further liberalize Japan's citizenship regime, towards inclusionary openness, echo the rights-based movements for inclusionary citizenship elsewhere in the OECD. A main domestic constituency for this push has been the country's long-settled ethnic Korean population (Chung 2010). Discrimination against and social exclusion of Japanese of Korean descent remains common, but their length of settlement and perceived racial similarity mitigate the kinds of integration challenges observed in Europe.¹¹ And as Chung (2010, 41) notes, foreign born residents of Japan still do not possess political rights. But Japan has yet to experience the large-scale immigrant naturalization and inclusion that has characterized the other advanced industrial economies. In this, Japan is an outlier, and Japan does *not* face the bottom-up, anti-immigrant exclusionary populist challenge that we have identified in Germany and the UK. We predict that a transition to a more inclusive citizenship regime would produce such bottom-up challenges.

Conclusion

We have argued that embedded liberalism rested on exclusionary foundations. The “social purpose” of embedded liberalism was to mitigate to the effects of international economic integration *specifically for members of the national community*. Labor migration brought new

¹¹ Even during Japan's colonial period, “subject Chinese and Koreans were promised assimilation, a process designed to replace their cultural heritage with an identity reflecting their status with an Asian race hierarchy” (Weiner 2000, 54).

workers, but societies erected barriers to membership through policy regimes that we have identified as exclusionary openness. The decline of embedded liberalism coincided with greater inclusion domestically. We are still dealing with the repercussions of this decline: the rise of the exclusionary populism (Mudde and Kaltwasser 2013) in the advanced economies is, in our analysis, a consequence of shift toward inclusionary openness. That is, we diagnose the origins of exclusionary populism as lying not simply in rising income inequality and runaway globalization, but also in how they interacted with an ever-expanding conception of the nation that has given populists a wedge through which to attack liberalism itself (Goodman 2019). We agree with Lake et al's (2019, 8) observation that many critics of "hyper globalization ... understand it to be a dangerous betrayal of the intentions of those who constructed the LIO in the mid-twentieth century," but those intentions rested on a politics of exclusion that promoted the interests of an imagined national community rather than some abstract notion of the common good.

Our focus on exclusionary openness highlights the "liberal paradox" of immigration. Exclusionary openness was a stable political arrangement just so long as voters could accept the contradiction between liberal markets and illiberal social policy. But we hasten to add that the shift from exclusionary openness to inclusionary openness does not "escape" or "resolve" the liberal paradox. Instead, it reveals a new paradox—"illiberal liberalism"—in which illiberal voices use liberal space in an effort to seize the reins of power through democratic means. This is a longstanding issue confronting democratic theory (Walzer 1990), but one that reappears with new urgency today.

Our argument helps to make sense of the current populist wave in the US and Europe (and its absence in Japan). Today, exclusionary populists thrive by activating welfare chauvinism

and xenophobia, blaming immigrants for causing economic hardship and fostering political discord, and compete with left parties by promising to protect “native” rights and privileges. In broad strokes, populists argue that elites have sacrificed the interests of the “real” people for the interests of “outsiders.” A tangible example of this phenomenon today is debate about the new “citizenship question” on the US census, a policy plainly designed to disenfranchise and underrepresent immigrants and new citizens.¹²

National political communities have expanded in every immigrant-receiving society in the postwar era. These communities cannot achieve shared social purpose by remaining exclusive national communities defined in postwar terms. This is especially the case in a dense policy regime like that of the European Union—where strong courts and commitments to universal rights make rights won difficult to unwind—but it is also true in migrant societies such as the United States and Australia, and even in Japan.

How to resolve these tensions to preserve a liberal international order? One interpretation of our argument is that migration and inclusive citizenship have “gone too far,” so boundaries must be resurrected and reinforced. This is, to a first approximation, a position held by some of the tamer members of far-right populist parties, and some admirers of Japan’s “monoethnic” society and the social solidarity that it allegedly nurtures. It is also the position implied by liberals such as David Frum, who wrote in a much-debated essay in *The Atlantic*,

Without immigration restrictions, there are no national borders. Without national borders, there are no nation-states. Without nation-states, there are no electorates. Without electorates, there is no democracy. If liberals insist that only fascists will enforce borders, then voters will hire fascists to do the job liberals refuse to do.

¹² See <http://mattbarreto.com/papers/Declaration%20of%20Matthew%20A.%20Barreto%20-%20NY.pdf>; <https://shorensteincenter.org/estimating-effect-asking-citizenship-u-s-census/>

We acknowledge that this might be one response to the crisis of liberalism in an era of globalization and resurgent populism, but it is not one that we endorse. Exclusionary openness allowed embedded liberalism to work, but resurrecting old boundaries to exclude *existing* migrant communities would almost certainly foster greater social dislocation and political conflict, undermining the shared social purpose inherent to a renewed embedded liberal model.

The alternative is to work seriously at multiculturalism and inclusion, which is a project that rightfully targets natives as much as it does immigrants and their descendants (Banting and Kymlicka 2017). The advanced economies must come to understand that they are, in point of fact, plural societies. Modern economies were built in significant part by migrant labor. Building common social purpose in plural societies will strengthen liberalism *within* these countries. But in our analysis, it is also the prerequisite for establishing an embedded liberal order once again.

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