



# Want freedom, will travel: Emigrant self-selection according to institutional quality<sup>☆</sup>



Maryam Naghsh Nejad<sup>a</sup>, Andrew T. Young<sup>b</sup>

<sup>a</sup> Institute for the Study of Labor (IZA), Schaumburg-Lippe-Strasse 5-9, 53113 Bonn, Germany

<sup>b</sup> College of Business and Economics, West Virginia University, Morgantown, WV 26506-6025, USA

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## ABSTRACT

We investigate emigrant self-selection according to institutional quality using up to 3566 observations on bilateral migration flows from 77 countries over the 1990–2000 period. We relate these flows to differences in political and economic institutions. We improve and expand upon previous studies by (i) examining decade-long migration flows that (ii) include flows not only to OECD countries but also to non-OECD countries, also (iii) utilizing an estimation method that takes into account the information in zero value migration flows and (iv) examining not only total migration flows but also college-educated and non-college-educated subsamples separately. We find that economic freedoms are a significant pull factor for potential migrants. Once economic freedoms are controlled for, measures of political institutions do not always enter significantly into our estimations. Results are similar for college- and non-college-educated subsamples. Improvements in legal systems and property rights appear to be the strongest pull factor for potential migrants.

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*Give me your tired, your poor, Your huddled masses yearning to breathe free, [...]*

Emma Lazarus, “The New Colossus,” 1883

## 1. Introduction

Engraved within the pedestal of the Statue of Liberty in New York Harbor, Emma Lazarus' sonnet expresses both the idea that conventional economic “pull” factors (e.g., income per capita) determine migration flows into a country as also the more romantic notion that potential emigrants are “yearning to breathe free”; that they will leave their homelands in search of liberty. Economists are not known to be particularly romantic. They are more likely to express Lazarus' notion in terms of emigrant self-selection according to institutional preferences.

Only a handful of studies explore the role of self-selection according to institutional quality in determining international migration (e.g., Karemara et al., 2000; Vogler and Rotte, 2000; Melkumian, 2006; Bertocchi and Strozzi, 2008; Ariu et al., 2014; Poprawe, 2015). However, there are good reasons to think that improvements in institutional quality are an important pull factor.

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E-mail addresses: [Naghshnejad@iza.org](mailto:Naghshnejad@iza.org) (M.N. Nejad), [Andrew.Young@mail.wvu.edu](mailto:Andrew.Young@mail.wvu.edu) (A.T. Young).

Freedoms may be intrinsically valued as an input to subjective well-being, and studies have documented that they are positively associated with individuals' self-reported happiness even after controlling for income (Ovaska and Takashima, 2006; Gehring, 2013; Nikolaev, 2014; Nikolova and Graham, 2015).

In this paper, we ask whether economic and political freedoms of potential destinations relative to origins are significant determinants of migration decisions. We employ cross-country data on up to 3566 bilateral migration flows from 77 countries during the 1990–2000 period. We relate these flows to measures of institutional quality in potential destinations relative to origin countries. We use the Polity IV (Marshall and Jaggers, 2010) and checks and balances (Keefer and Stasavage, 2003) measures of political institutions, and the Fraser Institute's Economic Freedom of the World (EFW) index as a measure of economic institutions (Gwartney et al., 2014).<sup>1</sup>

Ashby (2010) examines a cross-section of bilateral migration stocks for 58 countries and also migration flows to OECD countries between 2001 and 2006. He reports that economic freedom differentials are positively associated with bilateral migrations. Political freedom, alternatively, does not enter Ashby's regressions positively when economic freedom is controlled for.

Our results regarding economic freedom are consistent with those of Ashby (2010). Furthermore, they are based on a substantially larger sample that includes migration flows from non-OECD countries to other non-OECD countries. The larger sample allows us to report separate effects for destination-origin differentials in each of the EFW index's constituent areas. We report that migrants are attracted to destinations with sounder currencies, less burdensome regulations, and stronger property rights and legal systems. The estimated effect on the latter EFW area (property rights and legal systems) is particularly large. Unlike Ashby, however, we report that whether or not political freedoms are significant determinants of migration decisions depends critically on the specification of the destination-origin institutional gaps.

We also report results for college-educated and non-college-educated subsamples. In doing so, we ask whether differentials in institutional quality contribute importantly to “brain drain” vis-à-vis more conventional pull factors such as income differentials. Outflows of human capital can directly lead to lower productivity in an origin country; also indirectly if the economy's ability to innovate and adopt new technologies is decreased (Marchiori et al., 2013).<sup>2</sup> However, we report that greater economic freedom appears to be equally attractive to non-college-educated and college-educated migrants. Furthermore, controlling for economic freedom, the destination-origin income differential has a considerably larger estimated effect on college-educated migration.

This paper is organized as follows. In Section 2, we discuss our contribution in relation to existing literature. We discuss our empirical model and the data that we employ to estimate it in Section 3. In Section 4, we report our results and then concluding comments are the stuff of Section 5.

## 2. Our contribution and the existing literature

Only a handful of previous papers empirically examine emigrant self-selection according to institutional preferences. Karemara et al. (2000) and Melkumian (2006) report that measures of civil and economic freedom, respectively, in an origin country negatively predict emigration to the US. Vogler and Rotte (2000) report a similar result based on a measure of political freedom and migration from 86 Asian and African countries to Germany.<sup>3</sup> Ariu et al. (2014) and Poprawe (2015) examine differences in the quality of governance and corruption in relation to migration flows. Finally, papers by Bang and Mitra (2011), Baudassé and Bazillier (2014), Naghsh Nejad (2013), Ferrant and Tuccio (2013), and Naghsh Nejad and Young (2015) assess the role of women's rights provisions in determining, specifically, female migration flows.

The paper closest to the present study is Ashby (2010) who examines a cross-section of bilateral migration stocks for 58 countries, and also annual migration flows to OECD countries between 2001 and 2006. He employs the Fraser Institute's Economic Freedom of the World (EFW) scores and Freedom House's political freedom scores as institutional measures. He reports that economic freedom differentials between destination and origin countries positively predict bilateral migrations. Alternatively, political freedom is not a significant correlate once either income or economic freedom differentials are controlled for.<sup>4</sup>

We extend and improve upon Ashby's study in a number of ways. First, we examine a cross-section of bilateral migration flows for up to 77 countries over a 10-year period (1990–2000). This is a larger sample of countries and, more importantly, examining migration flows is preferable. We would like to know how relative institutional qualities relate to migrant choices during a corresponding time period. Ashby acknowledges this and examines flows in his panel analysis. However, Ashby's panel has a less-than-ideal annual frequency. In addition to cyclical variation in migration flows, annual variation in institutional measures is likely to have a large noise component. (At least in any meaningful sense, the “rules of the game” – North, 1990, p. 3 – evolve a bit more slowly.)

Second, our data include not only migration flows to OECD countries but also OECD to non-OECD flows as well as intra-non-OECD flows. OECD countries tend to have relatively high scores on measures of both economic and political institutions. Focusing

<sup>1</sup> To check robustness and make the results comparable to some previous studies, we also employ the Freedom House political freedoms and civil liberties scores.

<sup>2</sup> See Docquier and Rapoport (2012) for a review of the literature on brain drain.

<sup>3</sup> Bang and Mitra (2011) report that, for emigrants to the US, the extent of corruption in the origin (measured by the International Country Risk Group (ICRG) index) negatively predicts migration. Bertocchi and Strozzi (2008) assemble a panel of migration flows to 14 countries (today in the OECD) during 1870–1910 and present evidence that high-quality political institutions served to attract migrants.

<sup>4</sup> Ashby (2007) provides a similar study based on migration flows across the contiguous US states and employing the Economic Freedom of North America (EFNA) index (Karabegovic et al., 2005).

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