

Drometer, Marcus; Méango, Romuald

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Electoral cycles, partisan effects and U.S. immigration policies*

Marcus Drometer^{†,1} and Romuald Méango^{‡,2}

¹*ifo Institute for Economic Research, Munich*

²*Munich Center for the Economics of Aging (MEA)*

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Abstract

Using a panel of naturalizations in U.S. states from 1965 to 2012, we empirically analyze the impact of elections on immigration policy. Our results indicate that immigration policy is (partly) driven by national elections: there are more naturalizations in presidential election years and during the terms of Democratic incumbents. Further, the partisan effects are more pronounced in politically contested states and in states with higher levels of immigration. Finally, we provide evidence that the effects are mainly driven by immigrants originating from Latin America.

Keywords: Electoral cycles, migration policies.

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[†]Drometer@ifo.de

[‡]meango@mea.mpisoc.mpg.de

1 Introduction

On June 18, 1798, the United States Congress, impelled by the Federalist political party, passed the Naturalization Act, which increased the period necessary for immigrants to become naturalized and obtain citizenship in the United States from 5 to 14 years. Both contemporary witnesses and present historians agree that the law was intended to decrease the number of voters, mostly Irish and French immigrants, who supported Thomas Jefferson and the Democratic-Republicans, the major political rival of the Federalists at that time.¹ Nevertheless, Jefferson won the upcoming election and during his term the Naturalization Act of 1798 was repealed by the Naturalization Law of 1802 restoring the five year waiting period for naturalization. Almost two hundred years later, the Clinton administration has been accused of various types of manipulations prior to the 1996 presidential elections, all of them aimed to streamline the naturalization process to collect thousands of new voters in key states. Critics estimate that more than 200,000 applications were anomalously treated by the federal immigration agency (see, e.g., Schippers and Henry [2000]). These two events offer almost caricatural examples of the interactions existing between immigration policies and elections which are at the heart of this paper.

In this paper, we analyze the impact of presidential elections and the incumbent president's party on the level and pattern of naturalizations² across U.S. states for the period 1986 to 2012. Our results indicate that immigration policy is (partly) driven by national elections: there are more naturalizations in presidential election years and during the terms of Democratic incumbents. Further, the partisan effects are more pronounced in politically contested states and in states with higher levels of immigration. Finally, we provide evidence that the effects are mainly driven by immigrants originating from Latin America.

In the United States, as in most developed countries, immigration policy is a highly contentious issue. At the same time, there is a huge number of immigrants who have obtained or are entitled to citizenship, but exhibit little political participation. For example, the Hispanic population in the United States is likely to double by 2030, but two-thirds of legal Mexican immigrants are not U.S. citizens.³ Thus, naturalization policies are a salient factor at least in election politics.⁴

In the context of the ideological divide between the two major U.S. parties on

¹The alliance between the Democratic-Republican party and the Irish immigrant developed over time due to a number of policy issues. For example, the Irish immigrants disapproved the Federalist openness to trade with England which they regarded as their native country's oppressor. For further details see, e.g., Carter [1970] and Watkins [2004]

²Naturalization is the acquisition of host-country citizenship by legal immigrants which confers them the right to vote and to hold elective office.

³See Xu [2005] and Gonzalez-Barrera et al. [2013].

⁴According to a Gallup survey twenty percent of U.S. registered voters say they will only vote for a candidate who shares their views on immigration, with another 60% responding that it will be one of many important considerations they take into account. See Jones [2015]

immigration policies, the effect of electoral cycles on immigration policy clearly depend on the identity of the incumbent president's party.⁵ Naturalization policies shape the electorate by creating new voters.⁶ If the newly created voters have a clear tendency to support (oppose) the incumbent party, the electoral cycle can be expected to depend on the identity of the party in power. Moreover, naturalization policies reveal an incumbent politician's stance on immigration for existing voters. If supporters of the party in power prefer strict (lenient) immigration policies, the incumbent might try to reduce (increase) naturalizations above average levels. Given the common wisdom that in the United States the Democratic party tends to favor increases in the level of legal immigration and the granting of full citizenship to immigrants,⁷ we expect a more clearly pronounced election-cycle effect on naturalization when there are Democratic incumbents. Republican incumbents are a less clear-cut case: on the one hand, traditionally, Republican Party supporters are skeptical of migration-friendly policies; only recently the party has begun to target the growing Hispanic population. As immigrants in the United States (for the period considered here) show a clear tendency to support the Democratic Party, the Democrats would seem to have an incentive to strategically increase the number of naturalizations. Hence, it is expected that the level of naturalization will be higher under Democratic presidents.

Our results provide strong evidence of a relationship between the presidential elections and the number immigrants obtaining citizenship. We interpret these effects as an electoral cycle stemming from the incumbent's efforts to improve his (or his party's) chances of reelection by increasing government efficiency. There is also clear evidence of a partisan effect: the number of naturalizations is significantly higher under Democratic incumbents. The evidence on the partisan electoral cycle is less clear than suggested by the anecdotal evidence. In general, the intensity of the relationship does not seem to depend on the incumbent president's party. However, the election-cycle effect is more pronounced under Democratic incumbents for states which are politically contested and more relevant under the U.S. Electoral College. At the same time, we find that the number of permanent residences (Green cards) granted by the federal immigration agency displays a reverse election-cycle, which indicates that the administration is shifting resource to outcome which are perceived as more relevant for elections. Finally, there is only a quantitatively smaller and not fully robust effect for elections at state level - as expected in a context where naturalization is governed by federal law and administered by federal agencies.

A number of contributions have analyzed the political economy of immigration policies. Among others, Dolmas and Huffman [2004] and Ortega [2005] consider voting over

⁵Such partisan drivers have been studied in the earlier political business cycles literature since Hibbs [1977]. For empirical evidence on partisan political business cycles both for the United States and OECD countries see Alesina et al. [1997]

⁶See, e.g., DeSipio [2013] and Mariani [2013].

⁷For a detailed analysis see, e.g., Gonzalez-Barrera et al. [2013].

immigration policies where the current voters weigh the economic benefits of migrants against their (future) political influence. Mariani [2013] also uses a median voter framework in order to explain design of citizenship laws in particular. Further studies examine how immigration policies are shaped by the importance of business interest group and labor unions in sectors (Facchini et al. [2011]) or the intention of US representatives to protect their home district's labor force (Facchini and Steinhardt [2011]). In contrast, the main hypothesis of this paper is inspired by the political budget cycle literature following Nordhaus [1975] which argues that incumbent politicians have strong incentives to distort public policies in order to increase approval rates whenever elections are pending. There is ample evidence suggesting that electoral cycles occur in many if not all advanced democracies, but differ substantially across countries depending on the country's fiscal transparency and its experience with democracy.⁸ Analogously, we argue that the incumbent government influences federal agencies to speed up (slow down) the naturalization process. Consequently, we expect the effect is likely to be more pronounced in election years when incumbents try to signal their policy stance with the intent of securing the continued allegiance of their core supporters. At the same time, the relative importance of states is likely to matter on our context of US presidential elections. In doing so, we build on Drazen and Eslava [2010] who use a game-theoretical framework to explain the role of political budget cycles in government spending. In their model, the incumbent uses targeted expenditures in election periods to gain the approval of swing voters, resulting in an electoral cycle of certain expenditure categories gaining at the expense of others.

Our paper is structured as follows. Section 2 describes the institutional background. Section 3 presents the methods employed to empirically test the above hypotheses and the data used. Section 4 presents the results of the empirical analysis. Section 5 concludes.

2 Background and determinants of naturalization

2.1 Naturalization process

U.S. citizenship regulations are based on federal law and entitle an immigrant who has been a permanent resident in the United States for at least five years to apply for citizenship. Applicants are required to pass a simple test of their English and civics knowledge, and the vast majority of applicants do. Moreover, they need to prove their good moral character (no (serious) criminal record). It roughly takes five to eight months from the submission of an application until the final decision. The naturalization process is implemented by U.S. Citizenship and Immigration Service (USCIS), a federal agency under

⁸See, e.g., Brender and Drazen [2005]; Alt and Lassen [2006]; Shi and Svensson [2006])

the jurisdiction of the Department of Homeland Security (DHS). The key functions of the USCIS are the processing of naturalization applications, the immigration of family members, the granting of working allowances (temporarily or permanently with a green card) and the processing of asylum and refugee applications. Before March 1, 2003 the functions now performed by the USCIS were carried out by the former Immigration and Naturalization Service (INS) which was restructured in the course of the major re-organization of most federal services related to homeland security in the aftermath of September 11th, 2001.

2.2 Immigration and Naturalization in the Political Debate

The shift in the identity of the median American resident, away from the former white majority to the non-white groups, has put the subject of migration and naturalization policies at the forefront of the political debate for two reasons. Legal migrants from Asia and Latin America are currently the fastest-growing ethnic groups in the United States.⁹ The foreign born citizens represent a significant pool of potential voters as their political participation rates are traditionally lower than for average natives. Moreover, many legal permanent immigrants are not U.S. citizens even though most of them meet the qualifications: a third of eligible immigrants from Mexico have not (yet) filed such a petition. Finally, the median age of immigrants is much below those of natives. In 2012, 17.6 million Hispanics were under the age of 18 and will automatically become eligible to vote once they turn 18 as most of them are U.S.-born. In total, Gonzalez-Barrera et al. [2013] estimate that the Hispanic electorate doubles by 2030 if their participation and naturalization rates were to adjust to average levels.

Both parties generally exhibited positive attitudes toward immigration in general.¹⁰ However, Republicans are perceived as campaigning for stricter rules to prioritize legal migration and discourage and stop illegal migration. An important point of divide is about the conditions to obtain citizenship, as exemplified by the debate on the immigration reform under the Obama administration. *Republicanviews.org* reports that¹¹ :

(...) [D]espite believing that there is a possibility it will reward and encourage illegal behavior, 70% of Republicans actually believe that the country could benefit from having illegal immigrants join the workforce as legal workers. The difference is in whether or not they should be given an opportunity to become full citizens, with Democrats saying yes and Republicans saying no.

⁹See, e.g., DeSipio [2013] and Gonzalez-Barrera et al. [2013] for a detailed analysis.

¹⁰This statement refers to the period analyzed in our paper. In contrast, the 2016 elections were characterized by a fundamental divide between the two major parties on immigration issues. See, for example, <http://www.bloomberg.com/politics/articles/2016-03-14/two-parties-two-radically-different-visions-on-immigration>, accessed November 5, 2016.

¹¹<http://www.republicanviews.org/republican-views-on-immigration/> accessed 20 October 2016

Besides, the core electorate of the Republican party consists mainly of non-Hispanic white citizens, who are traditionally skeptical about migration.¹² By contrast, Hispanic and other groups with migration backgrounds lean toward the Democratic party.¹³ For those, immigration policies clearly is a threshold issue, i.e., these voters are particularly sensitive to any candidate stance on immigration policies, and mostly regard this as the fundamental issue.¹⁴ Thus, an incumbent can both signal his political stance on migration policies and influence the composition of the electorate by tightening or softening the naturalization process. This in turn generates political incentives to manipulate immigration policies in many ways, but more subtle than the 1798 Naturalization Act.

2.3 Naturalization and the Political Cycle

We investigate the existence of an electoral cycle and a partisan effect in the evolution of naturalization across U.S. states. Thereby we distinguish two main channels through which the political cycle can affect naturalization. The first one is through the “demand” for naturalization, i.e., the choice of lawfully eligible immigrants to apply for citizenship. The second one is through the “supply” of naturalization, i.e., the actions of the federal agency or the incumbent party to increase or decrease the number of naturalizations in a given period.

The number of immigrants that obtain citizenship depends on factors such as the size of the immigrant population which is eligible, but also strongly on their intentions, i.e. whether they decide to file a petition to be naturalized. Since the right to vote is restricted to American citizens, elections make the benefits to obtain naturalization more salient. Eligible immigrants might be motivated by electoral campaigns or media reports to register for citizenship ahead of elections. Thus, an approaching election is likely to increase the demand for naturalizations. However, the size of this demand effect is likely to be small. On the one hand, the entire naturalization process takes several months and needs to be completed before the voter registration deadlines for an upcoming election. On the other hand, surveys indicate that only a small fraction of those who naturalize were mainly interested in the right to vote.¹⁵ In our analysis, we disentangle the demand

¹²Currently, 86% of Republican and Republican-leaning registered voters are non-Hispanic whites, compared with 57% of all Democratic and Democratic-leaning registered voters. Over time the gap between the share of white voters in the Republican and Democratic parties has even grown, from 17% in 1992 to 29% in 2016. See <http://www.people-press.org/2016/09/13/the-parties-on-the-eve-of-the-2016-election-two-coalitions-moving-further-apart/>, accessed November 5, 2016.

¹³Pew Research Center reports that currently 15% of Democratic-leaning registered voters are Asian or Hispanic, whereas only 7% of Republican-leaning registered voters stem from these groups. See <http://www.people-press.org/2016/09/13/the-parties-on-the-eve-of-the-2016-election-two-coalitions-moving-further-apart/>, accessed November 5, 2016.

¹⁴See, e.g., *The Economist* (March 14, 2015).

¹⁵In a survey of naturalized Latino immigrants 18 % cited “civil and legal rights” and another 16 % “access to the benefits and opportunities derived from U.S. citizenship” as their main reason for obtaining U.S. citizenship. See: <http://www.pewhispanic.org/2013/02/04/the-path-not-taken/>, accessed September 29, 2016.

side effects from the current actions of the government by controlling for the stock of immigrants eligible for naturalization and the number of applications for citizenship as outlined in the next section in more detail.

On the supply side, the federal government can influence immigration policies either to create new voters, or to signal to existing voters a tougher or softer stance on migration.¹⁶ This can be done in several ways.

First, it can adjust the legal regulations for naturalization and immigration. Whereas there have been only minor changes to the naturalization law in the period considered in our analysis, immigration requirements have been adjusted frequently and substantially.¹⁷ Any changes to immigration laws affect the size and composition of potential citizens a few years ahead. For example, the 1976 amendment of the "Immigration and Nationality Act" defined per year visa caps that limited migration from Mexico. Equally, amnesties for unauthorized immigrant workers like the "Immigration Reform and Control Act" 1986 had a substantial effect on the pool of immigrants with a permanent residence permit.

Second, the government can promote citizenship among the eligible immigrants with a permanent residence permit. For example, the Obama administration engaged in active campaigns and policy reforms to encourage naturalization and facilitate the naturalization process at the eve of the 2016 elections. The Memorandum from the Secretary of Homeland Security entitled "Policies to Promote and Increase Access to U.S. Citizenship" (November 20, 2014) allowed credit cards for the payment of the naturalization fees, introduced a partial fee waiver program and launched a comprehensive media campaign targeting major media markets in 10 major states.¹⁸ As part of the White House's "Stand Stronger" initiative that aims to remove barriers for permanent residents to apply for full citizenship, including the right to vote, 70 outreach events were planned in the first week of the campaign, as well as 200 naturalization ceremonies that would induct 36,000 new citizens over the same period.¹⁹ Republican policymakers have criticized these measures expressing the fear that they allow (mainly) new Democratic voters to register.²⁰

Third, the USCIS (previously the INS) has a certain amount of discretion in regard to the speed (or lack thereof) of the decision process, in regard to where it focuses its efforts,

¹⁶Stricter immigration policies can also be thought of as a political instrument during negotiations with the opposition party. For example, the DREAM act and the number of deportations under the Obama Administration. There is no direct example in the case of naturalization.

¹⁷The PEW Research Center lists 11 major changes between 1965 and 2012. See [pewresearch.org on http://www.pewresearch.org/fact-tank/2015/09/30/how-u-s-immigration-laws-and-rules-have-changed-through-history/](http://www.pewresearch.org/fact-tank/2015/09/30/how-u-s-immigration-laws-and-rules-have-changed-through-history/), accessed September 29, 2016.

¹⁸A nationwide survey of Hispanic immigrants by the Pew Hispanic Center in 2012 finds that 18% of those who have not yet naturalized identified administrative barriers, such as the financial cost of naturalization. See: <http://www.pewhispanic.org/2013/02/04/the-path-not-taken/>, accessed September 29, 2016.

¹⁹See Politico.com on <http://www.politico.com/story/2015/09/obama-citizenship-immigrants-naturalization-democrats-213810#ixzz3oS6y4e6N>, accessed on October 13, 2015

²⁰See Fox News on <http://www.foxnews.com/politics/2014/12/20/new-citizens-push>, accessed on April 29, 2015.

and in regard to the level of campaigning (i.e., information dissemination about the naturalization process) among immigrants.²¹ An incumbent president might be inclined to influence the workflow of federal agencies in order to improve his party's chance of re-election. This hypothesis is substantiated by a number of well-documented cases where the federal government was criticized for having pressured the USCIS (formerly the INS). Accusations held against the Clinton administration offer the best example: Besides generally promoting naturalization by launching the "Citizenship USA" (CUSA) initiative from August 1995 through September 1996, the Clinton administration is accused to have put pressure on the INS offices to expedite their work and to rapidly clear the backlog in application processing the INS held (See Coutin [2006], p.513f). In particular, the Vice-president office is thought to have been engaged in various types of manipulation prior to the 1996 presidential elections, all of them aimed to streamline the naturalization process to collect thousands of new voters in key states: New agencies leaders (known as "reinventors") were appointed in many offices of the INS to replace leaders who were not as efficient as the Clinton administration required.²² Special attention was given to California, Florida, Illinois, New York, New Jersey, and Texas that held a combined 181 electoral votes. Finally, the INS also seems to have been pressured to lower its standards. In particular, it allowed for an insufficient screening of fingerprints which are necessary to check the criminal record of applicants. According to the Los Angeles Times (February 10, 1998) in 90.8% of the cases handled during the CUSA, processing errors can be found that resulted in 75.000 applicants with arrest records becoming new US citizens in addition to 166.000 whose fingerprints were unclassifiable or not even submitted at all.

Whereas changes of the federal naturalization and immigration laws by nature affect all states in the same way, both campaigning and the workflow of a federal agency can be targeted. Our prior is that the incumbent party can exploit this discretionary power by focusing on the important states, which would be reflected by higher naturalization numbers in states which are contested and offer many electoral votes.

In the following empirical analysis, we look at the dynamic effect of the political cycle on naturalization. Specifically, we investigate the existence of two effects. First, we will say that there exists a *partisan effect* if naturalization levels (or rates) are consistently higher under a specific incumbent party. In line with our previous discussion, we expect to find more naturalization under the Democratic Party. Second, we will say that there exists an *electoral cycle* if naturalization levels (or rates) are higher in election years. In doing so, we disentangle the demand side effects from the current actions of the government by controlling for the stock of immigrants eligible for naturalization and the

²¹Frequent complaints about serious backlogging and related policy interventions by the government support the view that the USCIS (previously the INS) have experienced considerable variation in the speed of processing applications. See Migration Policy Institute [2007]

²²Schippers and Henry [2000] contains a detailed account of the accusations against the Clinton administration following CUSA initiative.

number of applications for citizenship as outlined in the next section in more detail.

The stock of citizens eligible for citizenship is mainly driven by the historical number of immigrants that obtained a permanent residence permit which is out of the control of a current incumbent president.

3 Estimation approach and data

3.1 Specification

To investigate the existence of an electoral cycle and a partisan effect in the evolution of naturalization across U.S. states, we estimate variants of the following equation:

$$\begin{aligned}
 Y_{s,t} = & \alpha_0 + \alpha Y_{s,t-1} + \beta_2^{rep} Rep_second_t + \dots + \beta_4^{rep} Rep_fourth_t \\
 & + \beta_1^{dem} Dem_first_t + \dots + \beta_4^{dem} Dem_fourth_t \\
 & + \gamma Second_term_t + \Gamma X_{s,t} + \theta_s + e_{s,t},
 \end{aligned} \tag{1}$$

where, for example, the variable Rep_second_t is a dummy variable that equals 1 if the incumbent president is from the Republican party and is in the second year of his term. The specification of the set of dummies

$$(Rep_first_t, \dots, Rep_fourth_t, Dem_first_t, \dots, Dem_fourth_t)$$

allows capturing dynamic effects over one presidential term, the reference period being the first year of a Republican incumbent. Moreover, we include an indicator $Second_term_{it}$, which takes the value 1 when the president is in his second term.²³

$Y_{s,t}$, the dependent variable, stands for the main outcome of interest in state s and year t . First, we investigate the existence of an electoral cycle and a partisan effect in the (log) number of naturalizations. To avoid the potentially disproportionate influence of state-year observations with a very small number of naturalizations, we restrict our attention to those with more than 250 naturalizations (39 out of 2304 observations). Following the existing literature on electoral cycles, we specify equation (1) as a dynamic panel to capture the persistent nature of policy choices.

$X_{s,t}$ regroups a set of state-year characteristics that are likely to influence the number of naturalizations, for instance, average income, population size, urbanization rate and average education. Furthermore, the size of the stock of migrants in a state, in particular the stock of immigrants who can lawfully apply for U.S. citizenship might be relevant in our context.²⁴ Therefore, we approximate the number of these 'eligible' immigrants,

²³We experimented with dummies up to the eighth year. However, the coefficient estimates were sensitive to outliers.

²⁴Our regression results show that this factor is relevant for explaining the number of naturalizations,

$E_{s,t}$, by calculating the stock of immigrants who received a permanent residency in state s between the years $t-15$ and $t-5$ minus the number of naturalized immigrants between the years $t-10$ and t .²⁵ In some specifications (not shown), we also include a time trend to account for the possibility that our results are driven by a general upward trend in naturalizations. Furthermore, we account for unobserved heterogeneity using state fixed effects, θ_s , capturing all time-invariant state characteristics. Finally, $e_{s,t}$ represents an error term with standard errors clustered by state.

As noted earlier, the observed patterns of naturalization might be influenced by both the demand and the supply sides. In an attempt to isolate the supply side effect, i.e., legal changes by the federal government and behavior of the USCIS, we investigate the effect of the electoral cycle on the proportion of naturalization petitions that are successful by state and year (the *acceptance rate*). One challenge to this analysis is that the number of petitions filed are only available at the aggregate (federal) level.²⁶ To approximate the number of petitions filed in each state in a given year, we distribute the aggregate number of petitions filed in this year between states according to the relative size of eligible immigrant population. That is, if E_t is the aggregate number of eligible immigrants, $E_{s,t}$ the number of eligible immigrants in state s and PF_t the number of petitions filed in year t , we approximate the number of petitions filed in state s and year t , $PF_{s,t}$, by :

$$PF_{s,t} := \frac{E_{s,t}}{E_t} PF_t$$

Then, in equation (1), $Y_{s,t}$ is defined as the ratio between the number of naturalization in state s and year t and $PF_{s,t}$. In this specification, instead of the stock of eligible migrants, we control for the aggregate number of petitions filed as well as for the estimated number of petitions filed at the state-year level. In contrast to our first specification, the acceptance rate allows to control for demand side effects. However, due to data constraints its reliability hinges on further assumptions underlying our approximations of the acceptance rate which are not necessary when assessing the number of naturalizations. In particular, migration of immigrants across states needs to be sufficiently low as well as the probability of applying for citizenship after having been entitled for 10 years.

3.2 Estimation procedure

We report the results of the pooled OLS estimator. The fixed effects estimator (FE) improves on it by controlling for the unobserved state-specific effects. However, the presence of serial correlation in the residuals and the large decrease in the estimated coefficient pertaining to the lagged-dependent variable, $Y_{s,t-1}$, indicate that the FE might

but it is not crucial for our main results.

²⁵Additionally, we added 600 to each value obtained to normalize all negative numbers to zero.

²⁶The dis-aggregated series are only available for very recent years. Despite several attempts, we could not obtain the long series of petitions filed at the state level.

also suffer from a bias. We account for this issue by using the system GMM estimator developed for dynamic panel data by Blundell and Bond [1998].²⁷ In this framework, we define the following variables as endogenous: $Y_{s,t}$, $Y_{s,t-1}$ and the number of eligible migrants in state s at time t . When estimating the effect of the electoral cycle on the proportion of petitions that are successful, we consider the number of petitions filed at the aggregate and the state level as endogenous [TO CHECK]. The lagged values of these variables are used as instruments to create moment conditions. For example, for the main dependent variable $Y_{s,t}$, the Blundell and Bond [1998] estimator combines the moment conditions for the “differenced model”:

$$E((e_{s,t} - e_{s,t-1})Y_{s,t-i}) = 0 \text{ for some integer } i \geq 1.$$

with those for the “level model”:

$$E((\theta_s + e_{s,t})(Y_{s,t-i} - Y_{s,t-i-1})) = 0 \text{ for some integer } i \geq 1.$$

As the serial correlation test suggests an $AR(1)$ (or sometimes $AR(2)$) model for the errors, we use the lags up to the period $t - 2$ (or sometimes $t - 3$). We report results based on a collapsed set of instruments as proposed by Roodman [2009], but also tried different lags specification as instruments. These yielded very similar results. In all GMM specifications we assume that the election indicators is strictly exogenous.

3.3 Data

We use data for the 48 contiguous U.S. states from 1965 to 2012. In the course of U.S. history the parties’ stance on immigration issues have undergone a number of substantial changes. In particular, the parties changed their positions on racial issues with the Democratic party becoming most popular among black voters in U.S. South in the early 1960s. Among others, Carmines and Stimson [1989] argue that the 1964 presidential elections marked the most important recent issue-based realignment of parties and voters. Moreover, in 1965 the landmark Immigration and Nationality Act that replaced the system of country quotas by one that favored family reunification and skilled immigrants. Since its enactment, the dominant immigration pattern changed from people born in Europe to those from Asia and Latin America. Therefore, we restrict attention to the post-1964 period in our analysis.

Data on naturalization and permanent residences are available from the *Statistical Yearbook of the Immigration and Naturalization Service* issued by the U.S. Department of Homeland Security. The naturalization figures refer to the US government fiscal year starting the 1st of October. As the registration period for presidential elections also

²⁷We also tried the first-difference estimator based on Arellano and Bond [1991]. However, this suffered very much from the weak instrument problem.

ends around that date (one month before the election takes place), the data are suitable for capturing an electoral cycle.²⁸ The data only include persons who were lawful permanent residents (“green card” holders) who were 18 years old or over, filed an N-400 Application for naturalization and were subsequently granted U.S. citizenship.²⁹ Table 1 reveals that, on average, more than 11,000 immigrants obtain citizenship per state and year. There is large variation across states, with high numbers of naturalizations in states with large immigrant populations such as California, Florida, and New York. The data on permanent residences stem from the same source.

The data on election dates and outcomes were gathered from the Federal Election Commission and Beyle et al. [2002]. Based on these data, we constructed indicators for presidential and state elections as well as for the party of the incumbent president. Table 1 shows that there were slightly more Republican presidents during the time period considered, whereas the two major parties are almost equal in terms of incumbent years at the state level.

Finally, we use data on population, educational attainment (percentage of total population 25 years and over with a high school diploma or a higher degree), and the stock of migrants from the U.S. Bureau of the Census (Statistical Abstracts). Data on per capita income (measured in 2000 dollars) was collected from the U.S. Bureau of Economic Analysis.

[Table 1 about here.]

4 Results

In the first set of regressions we investigate the existence of an electoral cycle and a partisan effect in the *number of naturalizations* by state and year. For each of these outcomes, Table 2 displays the estimation of equation (1) using a pooled OLS (Column (1)), the fixed-effects estimation (FE, Column (2)) and the GMM estimation (GMM, Column (3)). It is well known that the bias of the FE estimator in a dynamic panel model decreases with the length of the time series (see Nickell [1981] and Kiviet [1995]). Hence, in our case with 53 year observations per state, the bias does not seem relevant. The Hansen-test and the test of under-identification also suggest that the GMM model - which we mainly use for interpretation - is well-specified in our case.³⁰

[Table 2 about here.]

²⁸The number of permanent residences by state of intended residence was not available for 1980, 1981 and 1987, but was interpolated after ensuring that there were no major changes at the aggregated national level.

²⁹By law, only lawful permanent residents who are age 18 or over can apply for citizenship. However, those under the age 18 can obtain “derivative citizenship” when his/her parent naturalizes.

³⁰In case where the 2nd difference Arellano-Bond test failed, we limited the lags used as instruments accordingly.

[Figure 1 about here.]

As expected, there is a strong and highly significant relationship between size of the population and naturalizations. Furthermore, in areas with larger size of eligible migrant pools, the number of naturalizations is higher. Equally, our estimates suggest that more immigrants obtain citizenship in states with higher income growth. In contrast, differences in educational attainment do seem to matter in our context.

The estimates of the main coefficients of interest, those pertaining to the set of dummies identifying the incumbent party and the corresponding year of the term, are relatively stable across the different specifications, albeit different level of precisions as illustrated in Figure 1 (a) and (b). Compared to the first year of a Republican incumbent, the absolute number of naturalizations under a Democratic incumbent is about 8 to 10% higher with the FE model. With GMM, this finding is less pronounced, with only the coefficient of the 3rd year Democratic incumbent being significant (7% higher). While the effect of Democratic incumbents is rather stable across over the presidential term, there are strong variations of the number of naturalizations and the naturalization rate under a Republican president. These are highest in the second year and the fourth year of the term (zero otherwise), which usually correspond to the mid-term elections and presidential elections respectively. Those peaks represent a 7% to 10 % increase in the number of naturalizations (both FE and GMM), comparable in magnitude to the relative effect of a Democrat incumbent under FE. Thus, we find evidence of an electoral cycle (an increase in naturalizations during election years), more pronounced under a Republican incumbent, and for partisan effects (higher levels of naturalizations under Democratic presidents). Additionally, we find that the number of naturalizations is generally lower in the first term. These results are robust across the estimation procedure, the specification of the endogenous variables, instruments and moment conditions.³¹

As discussed in section 3.1, there are two ways to interpret these results, depending on whether one focuses on the demand or the supply side. A “demand side” driven interpretation explains the observed electoral cycle by a higher petition rate during election years: the electoral campaign might induce eligible migrants to naturalize in election years. In the same line, the partisan effect could be explained by a higher propensity for eligible migrants to obtain the American citizenship under a Democrat president.³²

A “supply side” driven interpretation emphasizes the role of the incumbent president (party). The finding of an electoral cycle suggests that the incumbent president makes use of his power to influence the naturalization process to improve his chances

³¹Among others, we included a linear time trend, a dummy for the restructuring of US immigration administration after September 11th as well as the stock of immigrants per states and year. All these variant have no qualitative and very little quantitative impact on our results.

³²Economic incentives are less of a concern as the impact of naturalization on labor market outcomes are very limited for new citizens who have already been permanent residents for a number of years. For a discussion see e.g. Mariani [2013].

of reelection. Equally, the evidence of partisan effects confirms the hypothesis of a pronounced difference between the underlying incentives of the two major parties to grant citizenship: a Democratic incumbent both gains new (on average) favorable voters without threatening the support from his core voters. A Republican incumbent, however, face various trade-offs as the new voters tend to predominantly lean towards the opponent party and as his core voters are skeptical towards immigration.

Both interpretations might be valid concomitantly. In an attempt to isolate the supply side effect, we investigate the existence of an electoral cycle and a partisan effect on the proportion of naturalization petitions that are successful by state and year (*acceptance rate*), as explained in Section 3.1. In contrast to the number of applications which might mechanically drive the consequent number of naturalizations, the acceptance rate is based on (implicit or explicit) decision by the government agency.³³ Table 2 columns 4 to 6 reports the corresponding results which are illustrated graphically in Figure 1 (c) and (d).

Compared to the first year of a Republican incumbent, the acceptance rate is between 4 and 16 % higher under a Democrat incumbent, the strongest increase being the later years that closer to the next presidential election. In contrast, there is no variation (significantly different at the 5% level) under a Republican incumbent. These findings suggest a strong partisan effect in the acceptance rate coming from the supply-side. By contrast, the attenuation in the observed electoral cycle suggest that the electoral cycle might be mainly driven by the demand-side.

If the incumbent president (or party) is able to influence naturalization procedures, it is likely that - given the Electoral College system - such efforts are focused on politically salient states.³⁴ To test whether this mechanism partly explains the pattern of naturalization across states (and presidential election years), we split the states in presidential election years into a contested group and a safe group. For that purpose we rank the states according to their political salience in each presidential election approximated by the number of electoral votes divided by the corresponding (absolute) winning margin and carry the corresponding value forward for the entire term.³⁵ The *contested* (*safe*) group consists of states in the upper (lower) tercile of the corresponding distribution. Then, we repeat the estimation procedure for each group.

[Table 3 about here.]

[Figure 2 about here.]

Table 3 reports the estimation results which are illustrated in Figure 2. There is strong evidence that the partisan effect and the electoral cycle in naturalization rates are mainly

³³Discuss selection issues in more detail.

³⁴Strömberg [2008] shows that the number presidential campaign visits can be explained by the states' number of electoral votes and the election outcome forecasts.

³⁵We obtain very similar results when we alternatively use the value of the next presidential election to define whether a state is contested or safe.

driven by contested states as expected (columns (1) and (2)). Compared to the first year of a Republican incumbent, the naturalization rate is between 15 and 18 % larger and statistically highly significant under a Democrat incumbent in the contested group. In the safe states, however, the effect is less pronounced in particular towards the end of the term. Similarly, any positive deviation from the first year Republican seem to be driven by the contested states. Looking at the effect of parties on acceptance rate, the partisan effect is divided between contested and safe states. We find evidence for a presidential election effect under a Democrat incumbent in contested states which is not present in in the safe states. Furthermore, there is evidence of a weak electoral cycle in the contested states under a Republican incumbent and again effect no in the group of the safe states.

To obtain a more profound understanding of our results, we rank states along the yearly distribution of the *stock of immigrants* and repeat the estimation once for states in the upper tercile and once those in the lower tercile of this distribution. Our prior is that immigration policies should play a more important - and thus also shaped more by electoral incentives - in high immigration states such as California, Florida and New York.

[Table 4 about here.]

[Figure 3 about here.]

Table 4 reports the results separately for high and low immigration states which are graphically illustrated in Figure 3. The results indicate that the partisan effect and the electoral cycle in the number of naturalization are mainly observed in states with a high level of immigration (Column (1) and (2)). In these states, naturalizations are as much as 10 to 20 % higher. Equally, the cycle observed for Republican incumbents is clearly driven by the high immigration states. When one focuses on the acceptance rate (Column (3) and (4)), there is evidence less clear-cut, but also suggests that the effects stem from the the high immigration states.

There is ample evidence that the voting behavior of naturalized immigrants differs depending on their origin country. In general, voters originating from Latin America (apart from the Cuban immigrants) strongly favor the Democrats,³⁶ whereas the Republican party has historically been favored by those who fled communism during the Cold War, in particular former immigrants from Vietnam.³⁷ However, there is no systematic evidence over time and the data on naturalizations by origin country are highly limited. We only obtained the number of naturalizations for the main source countries from

³⁶The democratic advantage of the Democratic candidate in the presidential elections between 1980 and 2013 ranges from 18% to 51%. See Lopez and Taylor [2012].

³⁷The Republican party's vocal anti-communism has especially been attractive to older and first-generation Vietnamese Americans. As a consequence, support for the Republican among the Vietnamese origin group has been declining over time. Nevertheless, 51 percent of voters with Vietnamese origin voted for the Republican candidate in the 2008 election according to Junn et al. [2008]. For a detailed discussion see also Kuo et al. [forthcoming].

1982 onwards. Consequently, we focus on three origin regions (Latin America, Asia and OECD) as well as a number of selected countries in the following.

[Table 5 about here.]

[Figure 4 about here.]

[Figure 5 about here.]

The results for the three different regions of origin are presented in Table 5, columns (1) to (3) and graphically illustrated in Figure 4. As expected, we find a particular strong partisan effect for voters with Latin American origin (up to 34% more naturalizations under Democratic incumbents) which is much less pronounced and clear-cut for Asian and OECD origin voters. At the same time there is evidence of a substantial presidential election effect under Republican incumbents in all three groups. Columns (4) to (9) of Table 5 and Figure 5 show the results for a selected number of individual origin countries. The results for Columbian origin (Subfigure (a)) voters represents the model case of our analysis with a very strong partisan effect that is present throughout the entire term and an equally strong electoral cycle effect under Republican incumbents. The outcome is similar for Mexico (the most important origin country for the period considered here) and the Dominican Republic. The same holds true for the case of China as the most important Asian origin country. Interestingly, we observe a very different pattern for some other Asian countries such as Vietnam and Laos where we not not find any evidence of a partisan effect.³⁸ If anything, there are less naturalizations under Democratic incumbents which is consistent with the voting behavior of Vietnamese immigrants as discussed before.

5 Conclusion

Naturalization is an important element of U.S. immigration policy, and an issue over which the two major parties are clearly in disagreement. Using a panel of naturalizations in U.S. states from 1986 to 2012, we empirically analyze the impact of presidential elections on the number of migrants acquiring the American citizenship. We find a strong presidential election year effect as well as substantial partisan effects. The number of naturalizations is considerably larger in presidential election years and under Democratic presidents. Moreover, the evidence indicates that the partisan effect is mainly driven by politically salient contested states.

Our results strongly suggests that the incumbent president makes use of his power to influence the working of federal (immigration) agencies to improve his chances of reelection. We interpret these effects as the outcome of the incumbent government's efforts to

³⁸Laos was also affected by the Vietnam war and under a communist government in the years thereafter.

improve its chances of reelection by increasing the number of (likely) supporters. However, since the number of new voters is often too small to change the outcome of an election and since the number of permanent residences (Green cards) granted by the federal immigration agency also displays an election-cycle, activating voters with a recent immigration background to actually go to the polls must also be an important motive. While there is ample evidence of electoral cycle and partisan effects in government spending, this is one of the few papers to provide evidence that governments directly intervene in the working of (federal) agencies for their own purposes. Our findings thus suggest that focusing on de jure institutional provisions, such as existing laws, is not sufficient when analyzing changes in government activities such as immigration policies.

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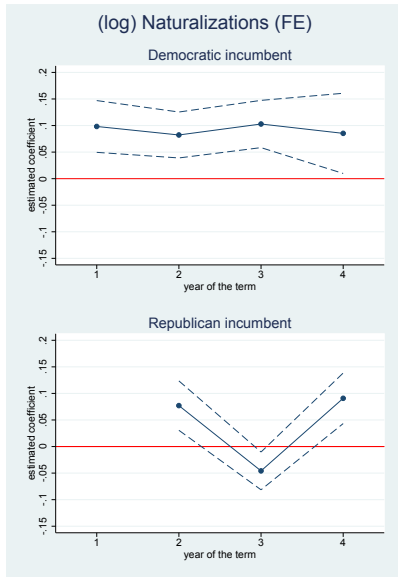
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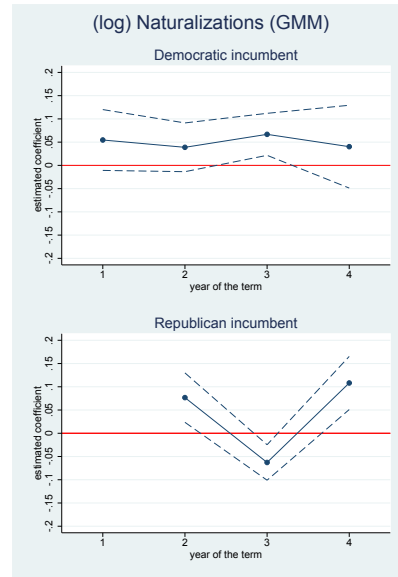
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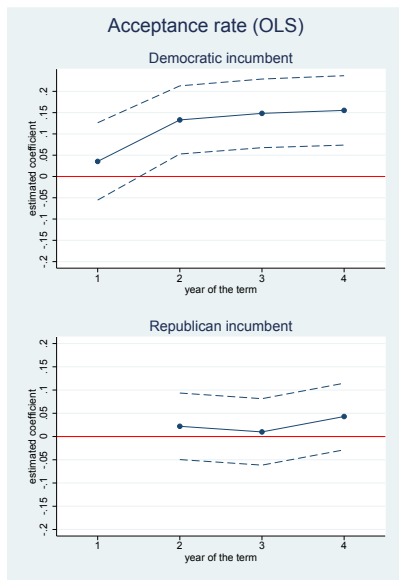
Figure 1: Naturalizations and elections: Basic dynamics



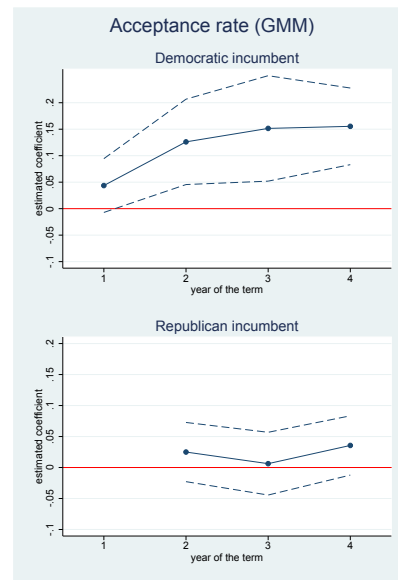
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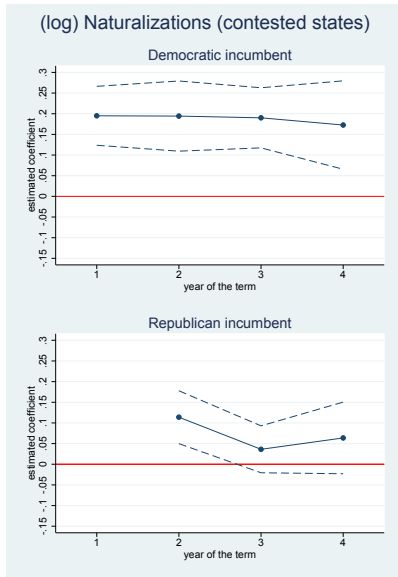


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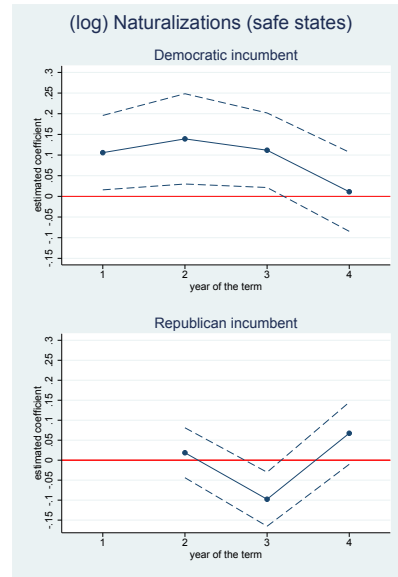


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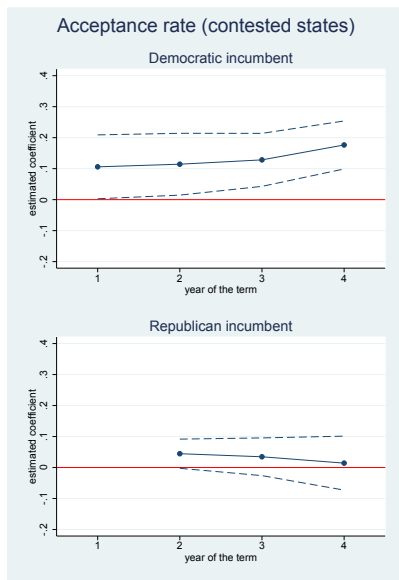
Figure 2: Naturalizations and elections: Contested states



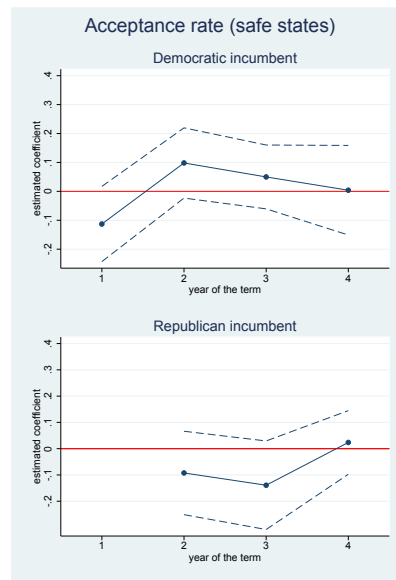
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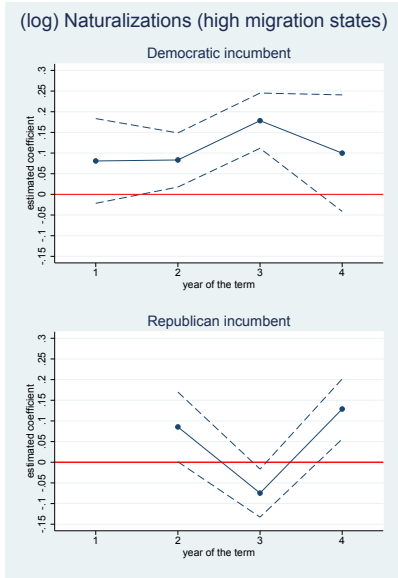


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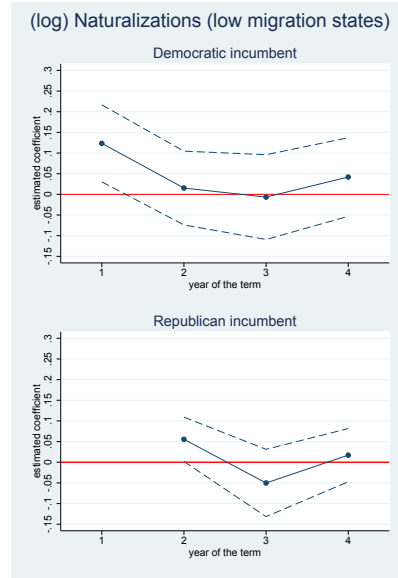


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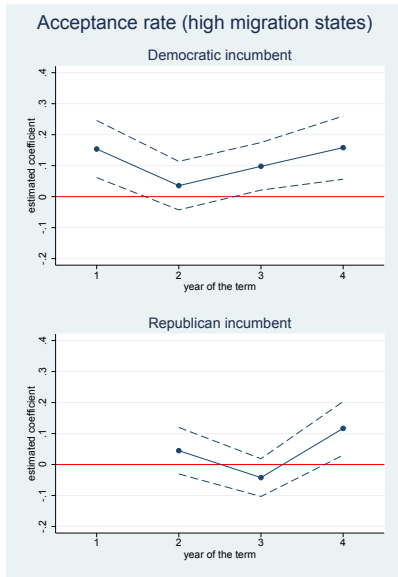
Figure 3: Naturalizations and elections: Immigration states



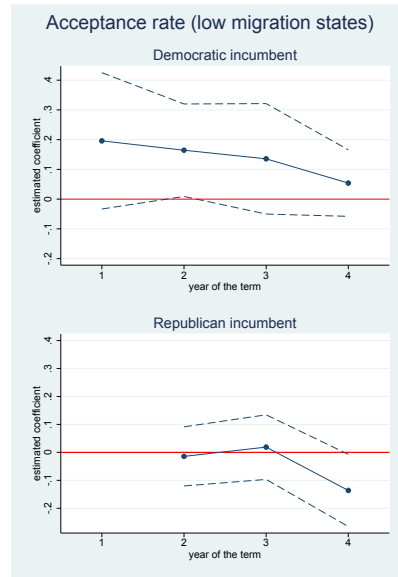
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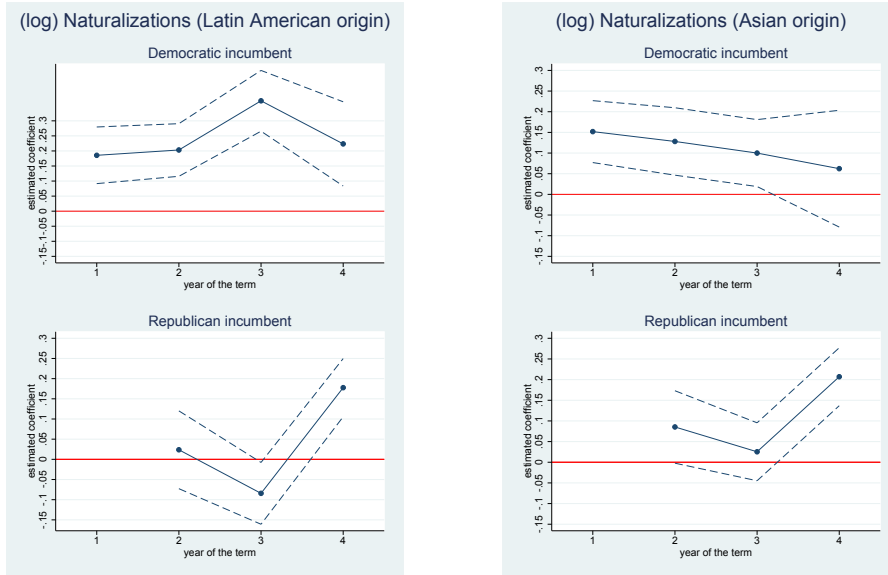


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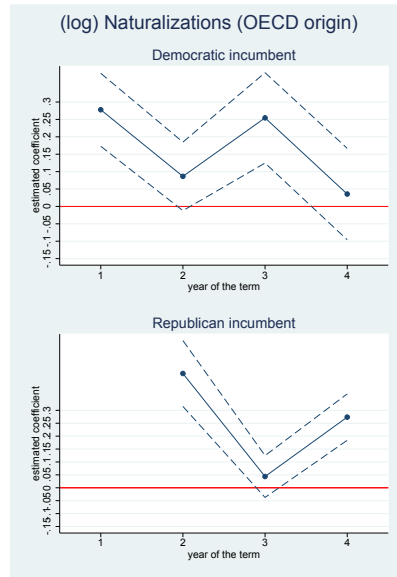
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Figure 4: Naturalizations and elections: Region of origin



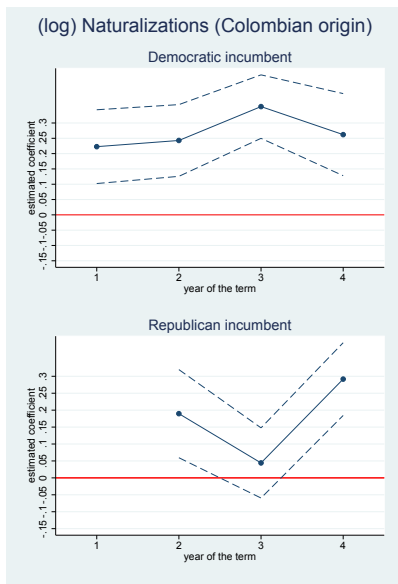
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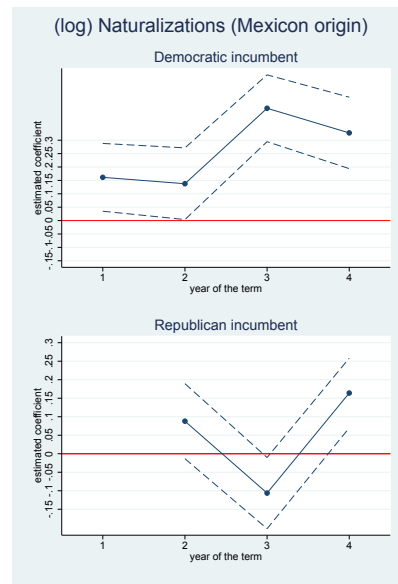


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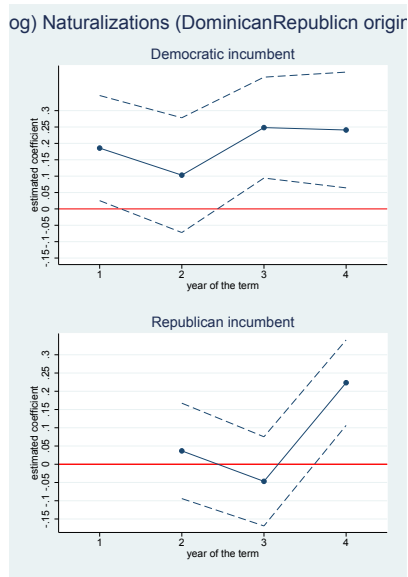
Figure 5: Naturalizations and elections: Country of origin



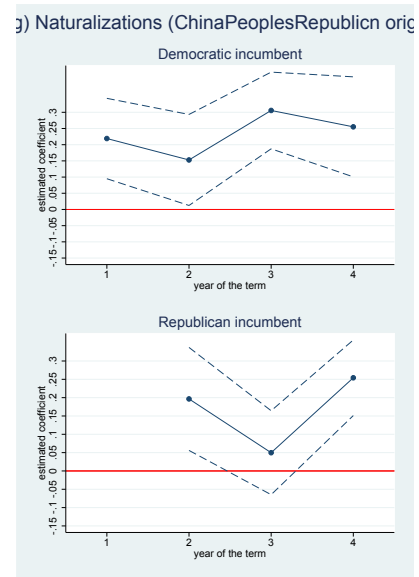
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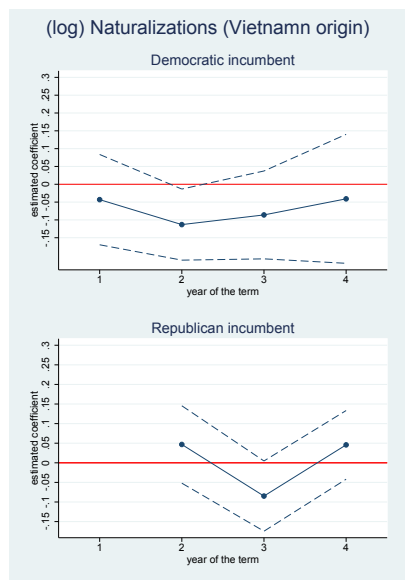
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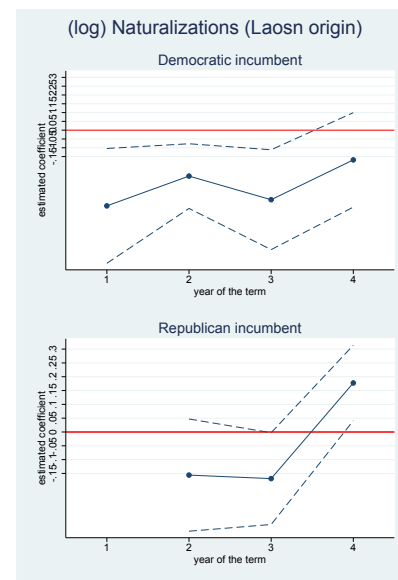
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(e)



(f)

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Table 1: Descriptive statistics of main variables

Variable	Obs	Mean	Std. Dev.	Min	Max
Naturalizations	2265	7484.003	22745.51	50	378014
Acceptance rate	2265	.897	.631	.025	18.037
Pres. elect. year	2265	.242	.429	0	1
Pres. incumb. party	2265	.411	.492	0	1
Democrat in 1st year	2265	.105	.307	0	1
Democrat in 2nd year	2265	.106	.307	0	1
Democrat in 3rd year	2265	.105	.307	0	1
Democrat in 4th year	2265	.095	.294	0	1
Republican in 1st year	2265	.147	.355	0	1
Republican in 2nd year	2265	.147	.354	0	1
Republican in 3rd year	2265	.147	.355	0	1
Republican in 4th year	2265	.147	.354	0	1
First term	2265	.642	.48	0	1
Stock of migrants	2265	456189.1	1113707	7250.8	1.02e+07
Income	2265	23608.56	6181.516	9123.866	46391.57
Population	2265	5212939	5555900	322000	3.80e+07
Urbanization	2265	3974301	4981567	142889	3.54e+07
Education	2265	71.495	13.602	33.05	92.3

Note: US states between 1986 and 2012.

Table 2: Naturalizations and elections: basic dynamics

Dependent variable:	(1)	(2)	(3)	(4)	(5)	(6)
	Naturalizations (log)			Acceptance rate		
Democrat in 1st year	0.0748** (2.28)	0.0983*** (4.06)	0.0546 (1.64)	0.0354 (0.76)	0.0602** (2.26)	0.0436* (1.68)
Democrat in 2nd year	0.0569** (1.97)	0.0822*** (3.83)	0.0389 (1.45)	0.133*** (3.25)	0.128*** (3.12)	0.126*** (3.07)
Democrat in 3rd year	0.0803*** (2.78)	0.103*** (4.66)	0.0668*** (2.90)	0.148*** (3.61)	0.142*** (3.38)	0.152*** (2.98)
Democrat in 4th year	0.0579* (1.94)	0.0853** (2.27)	0.0403 (0.89)	0.155*** (3.73)	0.147*** (3.85)	0.155*** (4.21)
Republican in 2nd year	0.0768*** (2.91)	0.0771*** (3.34)	0.0767*** (2.83)	0.0220 (0.60)	0.0306 (1.15)	0.0250 (1.02)
Republican in 3rd year	-0.0557** (-2.11)	-0.0458** (-2.59)	-0.0628*** (-3.23)	0.00993 (0.27)	0.0115 (0.49)	0.00623 (0.24)
Republican in 4th year	0.103*** (3.89)	0.0908*** (3.84)	0.108*** (3.71)	0.0431 (1.18)	0.0480* (1.75)	0.0356 (1.46)
First term	-0.0393** (-2.50)	-0.0618*** (-4.99)	-0.0347*** (-3.38)	-0.152*** (-6.86)	-0.143*** (-6.30)	-0.134*** (-8.91)
Population (log)	0.170*** (10.24)	0.685*** (8.97)	0.121*** (3.87)	0.196*** (8.94)	0.666*** (5.95)	0.242*** (7.57)
Income (log)	0.704*** (10.08)	0.808*** (7.07)	0.505*** (4.14)	0.662*** (6.96)	0.631** (2.53)	0.841*** (4.62)
Education (log)	-0.126* (-1.72)	0.0602 (0.57)	-0.0765 (-0.84)	0.186* (1.68)	0.130 (1.13)	0.136 (0.80)
Eligible immigrants (log)	0.225*** (15.15)	0.151*** (5.53)	0.162*** (7.30)			
Petitions filed total (log)				-0.163*** (-6.71)	0.0244 (0.20)	-0.190*** (-3.16)
Petitions filed per state (log)				-0.154*** (-9.52)	-0.420*** (-6.78)	-0.186*** (-6.89)
Method	OLS	FE	GMM	OLS	FE	GMM
AB test, 1st	-	-	0.000	-	-	0.019
AB test, 2nd	-	-	0.050	-	-	0.359
AB test, 3rd	-	-	0.387	-	-	0.125
Hansen test	-	-	0.424	-	-	0.580
No. of instruments	-	-	60	-	-	62
Observations	2179	2179	2179	2179	2179	2179

Note: FE: Fixed effects estimation including a constant term and a set of state-year characteristics. GMM: Arellano-Bond dynamic panel-data estimation (one-step systems GMM). Robust standard errors clustered by state. t-statistics reported in parentheses and p-values for the AB and Hansen test. Significance levels: *** 1%; ** 5%; * 10%.

Table 3: Naturalizations and elections: Contested states

Dependent variable:	(1)	(2)	(3)	(4)
	Naturalizations (log)		Acceptance rate	
	Contested state	Safe state	Contested state	Safe state
Democrat in 1st year	0.195*** (5.36)	0.106** (2.30)	0.108* (1.87)	-0.0153 (-0.28)
Democrat in 2nd year	0.194*** (4.49)	0.139** (2.50)	0.102* (1.86)	0.168* (1.84)
Democrat in 3rd year	0.190*** (5.12)	0.112** (2.43)	0.114*** (2.82)	0.194** (1.97)
Democrat in 4th year	0.173*** (3.16)	0.0112 (0.23)	0.172*** (4.66)	0.0436 (0.78)
Republican in 2nd year	0.114*** (3.49)	0.0186 (0.58)	0.0449* (1.90)	-0.0324 (-0.59)
Republican in 3rd year	0.0362 (1.25)	-0.0977*** (-2.84)	0.0296 (0.82)	-0.0623 (-0.93)
Republican in 4th year	0.0637 (1.44)	0.0673* (1.70)	0.0204 (0.44)	-0.00618 (-0.16)
First term	-0.0506* (-1.91)	-0.0377 (-1.50)	-0.0469 (-1.61)	-0.0395 (-1.00)
Eligible immigrants (log)	0.466*** (8.30)	0.452*** (3.96)		
Petitions filed total (log)			-0.242*** (-4.25)	-0.106 (-0.57)
Petitions filed per state (log)			-0.290*** (-5.58)	-0.279*** (-2.78)
Method	GMM	GMM	GMM	GMM
AB test, 1st	0.000	0.000	0.036	0.011
AB test, 2nd	0.960	0.759	0.030	0.615
AB test, 3rd	0.501	0.471	0.273	0.117
Hansen test	0.961	0.973	0.975	0.967
No. of instruments	60	60	62	62
Observations	729	725	729	725

Note: FE: Fixed effects estimation including a constant term. GMM: Arellano-Bond dynamic panel-data estimation (one-step systems GMM). Further time varying control variables included as in in Table 2. Robust standard errors clustered by state. t-statistics reported in parentheses and p-values for the AB and Hansen test. Significance levels: *** 1%; ** 5%; * 10%.

Table 4: Naturalizations and elections: Immigration states

Dependent variable:	(1)	(2)	(3)	(4)
	Naturalizations (log)		Acceptance rate	
	High immi- gration states	Low immi- gration states	High immi- gration states	Low immi- gration states
Democrat in 1st year	0.0809 (1.55)	0.123*** (2.60)	0.154*** (3.27)	0.196* (1.68)
Democrat in 2nd year	0.0832** (2.49)	0.0154 (0.34)	0.0355 (0.89)	0.165** (2.07)
Democrat in 3rd year	0.178*** (5.23)	-0.00657 (-0.13)	0.0978** (2.50)	0.136 (1.43)
Democrat in 4th year	0.0998 (1.39)	0.0420 (0.87)	0.158*** (3.04)	0.0540 (0.95)
Republican in 2nd year	0.0856** (1.99)	0.0556** (2.03)	0.0447 (1.17)	-0.0143 (-0.26)
Republican in 3rd year	-0.0747** (-2.52)	-0.0502 (-1.21)	-0.0422 (-1.36)	0.0188 (0.32)
Republican in 4th year	0.129*** (3.47)	0.0171 (0.52)	0.117*** (2.64)	-0.136** (-2.07)
First term	-0.0385 (-1.58)	-0.0647** (-2.12)	-0.0792*** (-2.64)	-0.0939*** (-3.37)
Eligible immigrants (log)	0.227*** (6.06)	0.299*** (2.73)		
Petitions filed total (log)			-0.0567 (-0.96)	0.101 (0.49)
Petitions filed per state (log)			-0.540*** (-10.41)	-0.260* (-1.90)
Method	GMM	GMM	GMM	GMM
AB test, 1st	0.00	0.000	0.024	0.083
AB test, 2nd	0.432	0.819	0.001	0.118
AB test, 3rd	0.237	0.232	0.938	0.329
Hansen test	1.000	1.000	1.000	1.000
No. of instruments	60	60	62	62
Observations	729	722	729	722

Note: FE: Fixed effects estimation including a constant term and a set of state-year characteristics. GMM: Arellano-Bond dynamic panel-data estimation (one-step systems GMM). Robust standard errors clustered by state. t-statistics reported in parentheses and p-values for the AB and Hansen test. Significance levels: *** 1%; ** 5%; * 10%.

Table 5: Naturalizations and election: Region and country of origin

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Lat. Am.	Asia	OECD	Colombia	Mexico	Dom.Rep.	China	Vietnam	Laos
Democrat in 1st year	0.144*** (3.09)	0.144*** (3.76)	0.218*** (3.80)	0.128* (1.89)	0.113* (1.75)	0.0318 (0.41)	0.221*** (3.52)	-0.0430 (-0.67)	-0.422*** (-3.14)
Democrat in 2nd year	0.176*** (3.85)	0.127*** (3.05)	0.0569 (1.08)	0.191*** (3.06)	0.108 (1.37)	0.0330 (0.39)	0.150** (2.07)	-0.112** (-2.08)	-0.162 (-1.57)
Democrat in 3rd year	0.343*** (6.76)	0.0997** (2.42)	0.188*** (2.60)	0.308*** (5.48)	0.405*** (6.45)	0.199*** (2.65)	0.302*** (4.92)	-0.0843 (-1.29)	-0.169 (-1.04)
Democrat in 4th year	0.186** (2.36)	0.0620 (0.85)	-0.0176 (-0.26)	0.199*** (2.74)	0.242*** (2.80)	0.179* (1.89)	0.256*** (3.28)	-0.0396 (-0.41)	0.0425 (0.28)
Republican in 2nd year	0.0252 (0.50)	0.0894** (1.98)	0.469*** (6.82)	0.200*** (2.83)	0.117** (2.16)	0.0408 (0.51)	0.192*** (2.64)	0.0473 (0.92)	-0.109 (-1.03)
Republican in 3rd year	-0.0919** (-2.30)	0.0210 (0.61)	-0.00348 (-0.08)	0.00864 (0.17)	-0.0942* (-1.86)	-0.102* (-1.67)	0.0491 (0.83)	-0.0853* (-1.92)	-0.124 (-1.55)
Republican in 4th year	0.183*** (4.84)	0.210*** (5.75)	0.267*** (5.27)	0.280*** (4.77)	0.215*** (4.93)	0.219*** (3.50)	0.251*** (4.66)	0.0466 (0.96)	0.242*** (3.05)
First term	-0.0866*** (-3.20)	-0.0369 (-1.38)	0.261*** (11.08)	0.0462** (2.05)	-0.208*** (-5.36)	0.0814*** (2.68)	-0.0590* (-1.83)	-0.177*** (-5.72)	-0.133*** (-2.76)
Eligible immi- grants (log)	0.437*** (7.89)	0.267*** (4.26)	0.226*** (5.29)	0.211*** (3.97)	0.314*** (3.66)	0.174* (1.75)	0.365*** (5.90)	0.307*** (3.27)	0.0505 (0.57)
Method	GMM	GMM	GMM	GMM	GMM	GMM	GMM	GMM	GMM
AB test, 1st	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
AB test, 2nd	0.476	0.328	0.285	0.123	0.932	0.097	0.957	0.388	0.598
AB test, 3rd	0.228	0.811	0.050	0.056	0.174	0.187	0.455	0.257	0.302
Hansen test	0.448	0.510	0.453	0.764	0.498	0.770	0.460	0.453	0.855
No. of instr.	60	60	60	60	60	60	60	60	60
Observations	1229	1229	1041	1139	1205	958	1218	1162	550

Note: FE: Fixed effects estimation including a constant term. GMM: Arellano-Bond dynamic panel-data estimation (one-step systems GMM). Further time varying control variables included as in in Table 2. Robust standard errors clustered by state. t-statistics reported in parentheses and p-values for the AB and Hansen test. Significance levels: *** 1%; ** 5%; * 10%.