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DIW Roundup

Politik im Fokus

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The Political Economy of Emigration and Immigration

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The Political Economy of Emigration and Immigration

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International migration emerges as an important driver of globalization since migrants play a salient role in diffusing international norms and practices across borders. Through a variety of channels migrants are capable of encouraging democratic behavior back in their countries of origin. On the other hand, immigration is commonly at the forefront of political debates in hosting economies of migrants, demonstrated for instance by the impact of migration on the voting behavior of natives. This round-up reviews literature on the political economy of emigration and immigration in home as well as host countries of migrants before broaching the repercussions on these countries' trade relations.

Introduction

Migration presents a significant and visible sub-process of globalization, but might also be caused by the progressing globalization at the same time. Amongst others, the cross-border movement of people protrudes as a possibility for socio-economic as well as political amendments, but also as a channel to strengthen trade relations. Migration creates immigrant links between countries of origin and countries of settlement and internationally diffuses social and political norms through a variety of transmission channels. With regards to the political impacts of this transnational process of migration, it has to be distinguished between the implications of migration on countries of origin and on the host nations of migrants. This round-up gives a selective overview of the political implications of emigration and immigration in home as well as host countries of migrants while diving deeper into the diversity of transmission channels. In addition, it reviews the impact migration has on the relation between sending and receiving economies of migrants with regards to trade.

Emigration and the Impact on Migrants' Home Countries

Transmission Channels of Emigration

[Kapur \(2014\)](#) proposes a framework consisting of four transmission channels through which migration is likely to contribute to political change in the country of origin. The first channel describes the *absence* of individuals that might alter demand and supply of institution builders. The *prospective* channel puts an emphasis on how the prospect of emigration is capable to form political behavior. Furthermore, emigrant *diasporas* reflect an important channel for the modernization of institutions as this channel summarizes how absent nationals can influence domestic institutions. Lastly, also migrant *returnees* could diffuse political norms from abroad back to their home country while challenging the status quo. As this round-up focuses on the last two transmission channels of *diaspora* and *returnees*, *Figure 1* summarizes the framework in a more profound way.

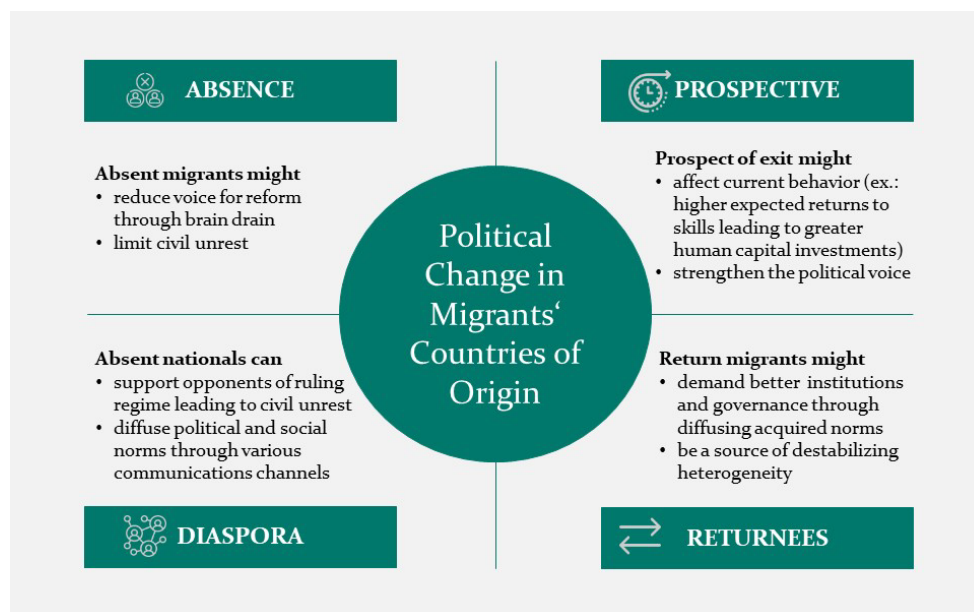


Figure 1: Transmission channels of emigration on political change in migrant's countries of origin, Illustration: Own, following Kapur (2014)

Diaspora Networks of Migrants

The effect of diaspora networks on political change in migrants' home countries can be labelled as political remittances. The literature proves the conjuncture that migration assists in the transfer of political norms and new ideas acquired during migration periods back to countries of origin.

For instance, [Docquier et al. \(2016\)](#) observe that openness to migration, measured by emigration rates, accounts for an improvement in institutional quality in migrants' countries of origin. However, this impact is proven to be destination-specific as the extension of institutional quality is fully driven by emigration towards rich as well as highly-democratic nations. In this case, the authors address endogeneity issues of migration via an IV strategy using a gravity model that predicts a country's emigration rate, weather-based instruments and internal instruments. [Barsbai et al. \(2017\)](#) prove that the sudden international migration from Moldova to Western economies after the Russian financial crisis in 1998 had a large and robust effect on electoral preferences and outcomes in the former Soviet country. As Moldova has been mostly closed off from Western influence with ruling parties being opposed to Western values and institutions, emigration rates to the West have been low before the financial crisis. Hence, the year of 1998, when migration to Western economies started, is chosen as quasi-experimental setting to compare changes in Communist votes by changes in the prevalence of migration to the West or East. The adopted differences-in-differences approach additionally presents that the effect of migration on democratization depends on diverse characteristics: the democratic standard of the receiving economy, the degree of social integration or the circumstances that led to migration in the first place. Another aspect regarding the improvement of institutional quality is depicted by [Ivlevs & King \(2017\)](#) who conclude that emigration reduces corruption and bribery experiences in migrants' sending economies. They follow an instrumental-variable approach to counteract the endogeneity of migration with the use of an interaction term between historical municipality-level migration networks and the economic conditions at the main migrant destination countries.

With regards to the skill levels of migrants, [Beine & Sekkat \(2013\)](#) provide evidence that the diffusion of political norms and the accompanying change in institutions is found to be stronger considering skilled emigrants. In this case, the political change is represented and tested by six indicators of governance for a large set of countries.

Not only international migration is proven to promote democratic processes in migrants' countries of origin, also out-migration within a country can generate a similar effect on political outcomes. In the case of Brazil, migration increases electoral participation and competition in migrant-sending localities with the impact being more profound concerning rural-urban migration as well as localities with less democratic structures ([Gori Maia & Lu, 2021](#)). As a strategy in order to identify the existence of political remittances, the authors make use of a spatial network model to assess the connections between electoral outcomes in sending and receiving localities of migrants.

Return Migration

Apart from political remittances, return migration depicts another channel through which migrants are able to diffuse political norms back to their country of origin. [Chauvet & Mercier \(2014\)](#) provide evidence for the democratization process while diving deeper into the political impact of return migrants in the case of Mali. They observe a diffusion of political norms from returnees to non-migrants concerning participation rates and electoral competitiveness while running an OLS and IV regression for the municipal elections in 1998 and 2009. Through controlling for emigration intensity and the use of historical and distance variables as instruments, Chauvet & Mercier find that political change in Mali had been driven by return migrants from Non-African countries. Additionally, the effect is found to be stronger in areas where non-migrants are poorly educated. Also, [Batista & Vicente \(2011\)](#) shed light on the positive impact of migrants on the governance in home economies by proving that return migrants ask for more political change in terms of accountability compared to current migrants still living abroad. In order to find this effect, a behavioral measure of the population's desire for better governance has been constructed. The implications are robust to instrumental variables like past migration or macro shocks in destination countries.

Another channel for democratization of return migrants has been proposed by [Mercier \(2016\)](#), namely the channel of political elites. She examines the impact of political leaders who studied abroad on the level of democracy during their tenure. She detects a positive impact on democratization in autocratic countries if leaders attended university in high-income Western countries for a relatively long duration, seen through an increase in the policy score.

Immigration and the Impact on Migrants' Host Countries

Whereas migration seems to have a positive impact in terms of democratization on migrants' home countries, however, the political repercussions in migrants' host countries show a different picture. The literature agrees that immigration rather triggers a political backlash in most host economies, indicating for instance a strong reaction to immigration with regards to voting behavior, social trust or preferences for redistribution.

Voting Behavior

With electoral outcomes being one of the most direct measures to reflect political implications of immigration, there exists a tremendous literature dealing with the relationship between immigration and voting behavior of natives. As scholars face the probability of immigration being endogenous and depending on observable and unobservable characteristics, a shift-share instrument of previous settlement patterns is commonly used ([Alesina & Tabellini, 2020](#)).

For instance, [Halla et al. \(2017\)](#) find proof that immigrant inflows have a significant impact on the increase in the community's voting share for the Freedom Party of Austria, a right-wing populist political party. As frequently used in immigration studies, the authors make use of an identification strategy based on historical settlement patterns of immigrants as they tend to settle in areas with larger ethnic enclave. Amongst others, the political implications are likely to be more profound in localities with higher unemployment and higher labor market competition. For the American context, [Mayda et al. \(2022\)](#) observe that US counties with higher public spending and lower skilled population experience a stronger increase in Republican vote-share in response to low-skilled immigration. In addition, the electoral implications vary depending on rurality, indicating that more rural counties show an intensified effect. This is also proven by [Dustmann et al. \(2019\)](#) while examining the effect of refugee migration on voting outcomes in Denmark. In all municipalities except urban ones, the allocation of augmented refugee shares encouraged an increase in right-wing voting. However, urban municipalities showed an opposite effect, namely a decrease in the vote share for anti-immigration parties. Overall, a division between rural and urban populations, but also a disjuncture of attitudes based on other features like public spending or unemployment have been detected as salient for the effect of migration on political outcomes in migrants' host nations by previous literature.

Another important finding about the effect of migration on far-right voting has been ascertained by [Steinmayr \(2021\)](#), who observes that microlevel exposure to migration cannot explain the gain in votes for far-right parties. While examining the development in vote shares in Austrian state elections between 2009 and 2015, he finds that a presence of asylum seekers with contact dampens the trend of far-right voting, while the mere exposure to transiting refugees boosts the vote-share for right-leaning parties.

Social Trust

Apart from electoral outcomes, other scholars put an emphasis on the implications of immigration on social trust or social capital. [Kesler & Bloemraad \(2010\)](#) show that immigration might have negative effects on social trust, organizational membership and political engagement in migrant's host economies. However, the authors additionally highlight the importance of multiculturalism and ethnic diversity through providing evidence that negative effects of immigration on trust and engagement might be mitigated or even reversed in more multicultural societies with low income inequality. The use of a multi-level logistic regression model with country fixed effects is capable to explain within-country variations over time with regards to the above-mentioned variables of trust, membership and engagement.

With regards to social trust, a majority of papers focuses on explaining the negative relationship between ethnic diversity and social trust. Hereby, it has to be distinguished between the type of interactions that occur in ethnically diverse environments. [Dinesen & Sønderskov \(2015\)](#) provide evidence that residential exposure, indicating ethnic diversity in a micro-context within a radius of 80 meters, has a

statistically significant negative impact on social trust measured on a three-item scale. For depicting ethnic diversity in the OLS regression, the authors adopt three different measures, namely ethnic fragmentation, the share of immigrants as well as the share of non-Western immigrants.

Preferences for Redistribution

Another, but way more compact literature focuses on the impact of immigration on preferences for redistribution in migrant receiving economies. [Dahlberg et al. \(2012\)](#) conclude a strong negative effect of immigration shares on the support for redistribution in terms of social benefit levels in Swedish municipalities using an IV strategy. The authors make use of the nationwide program of refugee placement from 1985 to 1994 in order to exploit the exogenous variation in immigrant numbers. Additionally, [Alesina et al. \(2023\)](#) examine the relationship between immigration and support for redistribution through large-scale surveys in six developed countries. The scholars find that all respondents have strong misperceptions and biased views on immigrants with regards to numbers and characteristics. The strongest predictor of reduced support for redistribution is whether respondents believe in the so-called “free-riding” narrative about immigrants. Through the implementation of a randomized priming treatment, the authors find that making respondents think about immigration first, leads to them being significantly more averse towards redistribution.

On the other hand, [Chevalier et al. \(2018\)](#) determine the sudden arrival of forced migrants in West Germany after World War II as a natural experiment and find that immigration had lasting implications on people’s preferences for redistribution while adopting a differences-in-differences approach: Inhabitants that live today in cities that received more migrants after World War II show a stronger support for a larger welfare state.

Migration and the Interconnection between Sending and Receiving Economies

After the analysis of political implications of migration on migrants’ home as well as host countries, this last part will focus on the repercussions of international migration on the relationship between these two countries. [Gould \(1994\)](#) highlights mechanisms through which immigrants enhance bilateral trade flows with home countries. According to him, immigrants are likely to reduce information costs through knowledge spillovers. The effects are found to be most profound in trading of consumer as well as manufactured products. Exports in general are stronger influenced by immigrant links compared to imports. Thus, [Parsons & Vézina \(2016\)](#) provide evidence on the same issue while examining the exodus of Vietnamese Boat People to the United States starting from 1975 as a natural experiment. They find a strong pro-trade effect of Vietnamese immigration on exports from US to Vietnam. In order to link migrant networks in 1995 to trade creation between the years of 1995 and 2010, the scholars make use of an IV identification with the allocation of refugees of the first wave being the instrumental variable.

[Bahar & Rapoport \(2018\)](#) further investigate the relationship between international migration and the development of trade between migrants’ host and home countries. They authenticate that migrants serve as drivers of productive knowledge, and hence, are capable to shape the comparative advantage of economies. According to them, a higher share of migrants from exporters of a given product is able to increase the likelihood that the migrants’ receiving economy starts to export this specific good from scratch in the next decade.

Conclusion and Outlook

Overall, migration stands out as an important element affecting the political trajectory of nations. While causing political change in both sending and receiving economies of migrants, migration plays a salient role next to trade or financial flows in the progress of globalization. Whereas emigration to more developed and Western democracies promotes democratization in the migrants' countries of origin, Western populations tend to answer with an increased support for right-wing and populist parties to migration. Additionally, the literature provides evidence of social trust and preferences for redistribution being mostly negatively affected by immigrant shares. With regards to the interconnection between sending and receiving countries of migrants, scholars validate that migration intensifies trade relations through higher exports and the shaping of comparative advantages.

However, the impacts of migration as a sub-process of globalization are not limited to the above described political changes. There exist several other variables and measures that might alter the democratization process in migrants' countries of origin like gender equality, fertility rates or brain-drain ([Beine et al., 2013](#); [Docquier & Rapoport, 2011](#); [Lodigiani & Salomone, 2020](#)). Furthermore, in order to draw a better picture of the implications of migration, the political economy of migration has to be extended for instance by economic or demographic spheres.

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