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**EMIGRATION AND ORIGIN COUNTRY'S
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COUNTRY MATTER?**

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Abstract

This paper examines the influence of international migration on the evolution of the quality of institutions in the home country. It focuses on the potential difference in the impact depending on the status of the destination country (i.e. former colonizer, economic power and political power). It also examines whether the impact depends on the quality of institutions in the host country. The results show that the status and the quality of institutions of the country of destination matter and that while emigration to former colonizers has no effect on the quality of institutions in the origin country, emigration to economically or politically powerful countries has a positive feedback on the quality of institutions in the home country.

JEL Classification: F22, O43

Keywords: International Migration; Quality of Institutions; Emigration

ملخص

تبحث هذه الورقة تأثير الهجرة الدولية على تطور نوعية المؤسسات في البلد الأصلي. وتركز هذه الورقة على الفرق المحتمل في التأثير تبعاً للحالة في بلد المقصد (أي المستعمر السابق، القوة الاقتصادية والقوة السياسية). كما تبحث في ما إذا كان هذا التأثير يعتمد على نوعية المؤسسات في البلد المضيف. فقد بينت النتائج أن الوضع القائم ونوعية المؤسسات في بلد المقصد هام جداً وفي حين أن مسألة الهجرة على مستعمرين سابقين ليس له أي تأثير على نوعية المؤسسات في البلد الأصلي فالهجرة إلى البلدان القوية اقتصادياً أو سياسياً لديها ردود فعل إيجابية على نوعية المؤسسات في البلد الأصلي.

1. Introduction

The causes and consequences on international labor migration is a one of the liveliest debate among contemporary international economists. On the one hand, many leading economists such as Rodrik or Pritchett have argued that liberalizing labor mobility generates much larger gains than liberalizing capital movements or trade. In Pritchett (2008), the efficiency gain from completely liberalizing international labor mobility is evaluated at 65,000 billion \$, whereas the complete liberalizations of trade with developing countries and capital movements only generate benefits of 109 and 65 billion dollars, respectively. On the other hand, the phenomenon concerns a large number of person and countries. By 2000 there were 60 millions migrants (i.e. aged 25 or more) living in the OECD area; of which 64.5 percent come from developing countries (LDCs). Hence an important strand of the literature is concerned with the development impacts of such migration for the sending LDCs. The early literature, dating back to the 1960s and 1970s, supported that emigration, especially skilled one, is unambiguously detrimental for the origin country (See Docquier and Sekkat, 2006; for a detailed discussion). The more recent literature, starting in the 1980s, mitigated such a statement by revealing some positive impacts on the origin country.

The positive impacts include economic and no-economic aspects; the latter receiving increasing attention. The recent literature concerned with the economic impacts examined the role of remittances (Hanson and Woodruff, 2003 and Edwards and Ureta, 2003), return migration (Dos Santos and Postel-Vinay, 2003 and Borjas and Bradsberg, 1996, McCormick and Wahba, 2001), investment in education (Mountford, 1997; Stark et al., 1998; Vidal, 1998 and Beine et al., 2001) and the creation of business and trade networks (Rauch and Trindade, 2002). It concludes to possible important positive feedbacks on the origin country. The literature concerned with the non-economic aspects also concluded to possible positive impacts on the origin country in terms of ethnic discrimination (Docquier and Rapoport, 2003), fertility (Beine et al., 2008), corruption (Mariani, 2007), democracy (Spilimbergo, 2009 and Docquier et al., 2009) and quality of institutions (Beine and Sekkat, 2011).

Among the above cited papers, the closest one to the present is Beine and Sekkat (2011). It examines whether the skill level of emigrants matters for the impacts on the institutions of the origin country. The authors found support for an impact of the brain drain on institutions and a strong support for a transfer of norms from the Diaspora. The present paper also focuses on the quality of institutions but its purpose is different. It examines whether the status (being former colonizer, economic power or political power) and the quality of institutions of the host country matters for the impacts of migration on the institutions of the origin country. In other words, it investigates whether the impacts hold only, or are stronger, if the receiving country is a former colonizer of the host country, the receiving country is an economic power (here we take initial members of the OECD) or the receiving country is a political power (permanent membership in the Security Council, SC, of the United Nations, UN). It also examines whether the impact depends on the quality of institutions in the host country. The measure of the quality of institutions is based on the International Country Risk Guide (ICRG) which is among the most widely used measure in the literature.

The relevance of such focus is based on the following findings of the literature. First, there is the primary role of the quality of institutions in shaping economic growth. Second, there is a growing evidence that institutions, or at least a part of them, are not frozen but could change. Third, the recent literature supports the existence of feedbacks from emigration to the host countries. These findings have been discussed in details in Beine and Sekkat (2011). There are drawn from, among others, North (1990), Rodrik et al. (2004) and Hall and Jones (1999) regarding the importance of institutions; Acemoglu and Robinson (2006), Glaeser et al. (2004) and Castelló-Climent (2008) concerning the changes in institutions and from Shain and Barth (2003), Hirschman's (1970), Pérez-Armendáriz and Crow (2010) and Spilimbergo

(2009) when it comes to the impact of emigration on the origin country. For the present paper two additional sets of findings are of high relevance. One concerns the ability of emigrants to affect the host country's international relations while the other pertains to the host country's influence on foreign countries' policy.

As far as the host country's international relations are concerned, Shain and Barth (2003) showed that migrants or Diasporas can organize as interest groups in order to influence the foreign policy of their host vis-à-vis their home countries. They can also be active actors, influencing the foreign policies of the host country by achieving economic and political power. Actually, in many democratic countries, members of Diasporas become nationals and, sometimes, highly ranked civil servants or political leaders. Finally, Diasporas can reinforce its influence on host country leaders through, for instance, investments in national projects or political contributions.

Diverse empirical evidence supports the role of Diasporas in influencing the host country foreign policy. Lahiri and Raimondos-Miller (2000) reports striking relationship between the distribution of aid and the ethnic composition of some countries which suggests that Diasporas could influence the distribution of international aid. For example, a large proportion of aid from Germany goes to Turkey. Similar observation can be made for U.K. aid to India and U.S.A aid to Israel. Moreover, Alesina and Dollar (1998) found that the "colony shares" in bilateral aid are high in countries like U.K.: 78%, France: 57%, Portugal: 99.6%, and Belgium: 53.7%. Since, there is a high correlation between ethnic composition of a country and its colonial past (Docquier et al., 2007), one cannot exclude that a potential reason for such high proportions of aid could be the ethnic composition of the donor country. Gawande et al. (2006), focusing on the effect of foreign lobbies on the USA trade policy, also lend support to the role of Diasporas in influencing the host country foreign policy. Their econometric analysis shows that foreign lobbying activity has significant impact on the USA trade policy. The levels of both tariffs and non-tariff barriers (NTBs) are found to be negatively related to foreign lobbying activity.

The host country's influence on foreign countries' policy may stem from its historical, economic or political status. As for history, we take the status of host country as former colonizer of the home country. This may operate through, for instance, the influence on the home country elites who have studied or lived in the host country. Regarding economy, we focus on the original member of the OECD. This influence can operate through public aid policy, trade policy and other preferential economic treatments. Finally, polity is captured by permanent membership to the SC of the UN. A number of coercive, help and conciliation decisions toward all countries are taken there and the five permanent members have a heavy weight (at least through the veto right).

Brysk et al. (2002) analyzing post-colonial relationships, confirm the persistence of strong ties between colony and colonizer. They compared the post-colonial relationships of Spain, France and Britain and found important differences but fundamental similarities of structure and ideology. The three former powers show interesting convergences in terms of creating a post-colonial diplomatic structures and harmonizing choices and preferences with the former colony. The authors also argued that such convergence is not to be attributed only to domestic politics (e.g. domestic firms with specific interests in the former colonies) but also to the foreign policy interests. While Britain's loss of post-colonial influences was compensated by a central role in many international organizations, Spain and France sought to balance challenging relationships with the US (and with Germany inside the European Union) through intensified ties to their old colonies.

Alesina and Dollar (2002) focusing on the allocation of bilateral aid across recipient countries showed that factors such as colonial past and voting patterns in the UN explain more of the

distribution of aid than the political institutions or economic policy of recipients. However, they showed that after controlling for the above specific interests the allocation of aid is also targeted toward poverty reduction, democracy, and openness. Moreover, they found a very clear trend for democratizers to get a substantial increase in assistance (50%). A country can expect rewards for its reforms of political institutions.

Kuziemko and Werker (2006), Dreher and Jensen (2007) and Dreher et al. (2009) investigated whether some super powers can affect the vote of the non-permanent members of the SC. Recall that since its inception in 1945, the United Nations has entrusted questions of global peacemaking to the SC. This gives the Council's power to authorize multilateral sanctions and military actions. Ten of the 15 seats on the SC are held by rotating members serving two-year terms. Kuziemko and Werker (2006) showed that a country's U.S. aid increases by 59% and its UN aid by 8% when it rotates onto the council. This effect increases during years in which key diplomatic events take place (when members' votes is especially valuable), and the timing of the effect closely tracks a country's election to, and exit from, the council. Instead of the US aid, Dreher et al. (2009) focused on the World Bank decisions. They investigated whether temporary members of the SC receive favorable treatment from the World Bank. Using panel data for 157 countries over the period 1970-2004, they found a robust positive relationship between temporary SC membership and the number of World Bank projects a country receives, even after accounting for economic and political factors, as well as regional and country effects. Dreher and Jensen (2007) conducted a similar investigation regarding the IMF. They examined whether IMF conditionality is exclusively designed in line with observable economic indicators or, alternatively, whether it is partly driven by its major stakeholders. Using a panel data analysis of 206 letters of intent from 38 countries between 4/1997-2/2003, they showed that the number of conditions on an IMF loan depends on a borrowing country's voting pattern in the UN general assembly. Closer US allies receive IMF loans with fewer conditions especially prior to elections. Countries not allied with the US have to accept more conditions at election time.

In sum, the empirical evidence supports the existence of a relationship between emigration and the host country's international relations on one hand and between a host country's international status and the origin country's policy on the other hand. Combining these evidence with the arguments presented above, suggests that emigration could have an impact on the home country institutions. However, it doesn't indicate whether the impact is positive or negative. For instance, emigration may have a negative impact if individuals that can effectively voice in favor of an improvement in the quality of institutions tend to leave the country. The impact might be positive if the same individuals rely on the liberal climate in a host country to advocates for an improvement in the origin country. In a similar vein, for the feedback through the transfer of norms to be positive it might be necessary that the quality of institutions in the host country is better than the one in the host country.

The rest of the paper is organized as follows. Section 2 presents the data and some descriptive analysis related to the MENA countries and the rest of the world. Section 3 presents and discusses the empirical analysis. Section 4 concludes.

2. The Data and Descriptive Analysis

2.1 Data

The main question of this paper being whether the impact on the home country institutions depends on the receiving country international status and quality of institutions, we need migration and institutional data as well as definitions of the receiving country international status and quality of institutions. Beside, data on the level of human capital in the origin country are also necessary for our analysis. This is because an important branch of the

literature emphasizes the impact of human capital on the quality of institutions (e.g. Lipset, 1959; Glaeser et al., 2007; Barro, 1996 and Castelló-Climent, 2008).

Over the past decades the international status of countries and its impact have evolved markedly. The most obvious illustration is the fall of the Berlin Wall and the gradual adoption of Western institutions. Another example is the recent emergence of China as a world economic power. A more rigorous illustration is provided by Head et al. (2010) which shows a weakening of economic relationships between former colonies and their colonizers over the 30-year period. For this reason, a meaningful analysis should have a time dimension.

Available data regarding migration and the quality of institutions rarely have a time dimension that allows capturing the above mentioned changes. Exceptions are Ozden et al. (2011)'s data which pertains to migration and ICRG database pertaining to institutions. The former is available at a ten years frequency for 5 periods ranging from 1960 to 2000. The latter releases aggregated and disaggregated measures of the quality of institutions on an annual basis since 1984. Using these datasets, we are able to conduct the analysis over a period of three decades.

Migration

The necessity to have a time series dimension in our analysis restricts the type of usable migration data. In particular, bilateral stocks of migration with education levels issued by Docquier and Marfouk (2006) are not available before 1990. Therefore, in contrast with Beine and Sekkat (2011), in this paper we disregard the role of education in the impact of emigration on the evolution of institutions. Migration data used in this paper come from the database issued by Ozden et al. (2011) and are available for 5 periods ranging from 1960 to 2000. The database gives bilateral stocks of migrants from all origin countries of the world to all destination countries of the world. For 2000, the original database gives a square matrix of 207 rows and 207 columns covering almost all countries of the world. The number of dyadic data slightly decreases in 1990 and 1980 due to the non coverage of small origin and destination countries. We use the release 1.3 of the data associated and described in Ozden et al. (2011).

The Ozden et al. (2011) database provides the bilateral stocks of migrants from origin country i living in destination country j at time t i.e. $M_{t,j,t}$. Global emigration rates denoted $m_{t,t}$ are computed as

$$\frac{M_{i,t}}{P_{i,t}} \quad (1)$$

where

$P_{i,t}$ is the native population of country i at time t

$M_{i,t} = \sum_{j=1}^J M_{ij,t}$ is the total stock of migrants from country i at time t .

The population data comes from the World Development Indicators issued by the World Bank.

Institutions

We use the political risk index (noted Pol_risk) from the ICRG database. The index is composed of 12 indicators: government stability, socioeconomic conditions, investment profile, internal and external conflicts, corruption, military in politics, religion in politics, law and order, ethnic tensions, democratic accountability, and bureaucratic quality. The data ranges from 1984 to 2005 and captures annual averages. The ICRG database covers about 140 different countries, with nevertheless a significant number of missing data.

Unfortunately, these missing data are randomly distributed, so that we cannot rely on a balanced panel.

The *Pol_risk* gives a synthetic measure of overall political risk. Due its synthetic nature, it should be used and interpreted with caution in the sense its components can move in very opposite way. Hence, in order to deepen the analysis, we also consider four of its component relevant to our study. The first one captures the quality of bureaucracy in each country (denoted *Bur_qual*). The second one captures political stability (denoted *PRS*). The third one captures democratic accountability (denoted *Dem_ac*). The fourth one captures ethnic tensions (denoted *Eth_ten*).

Since migration is measured at a ten year frequency, we use the values of the quality of institutions observed in 1984, 1994 and 2004 and relate them to values of migration in 1980, 1990 and 2000. This ensures to a certain extent the exogeneity of explanatory variables with respect to the institution measures.

Human capital

To capture human capital levels of origin countries, we use data relative to educational attainments compiled by Defoort (2008). More precisely, the education variable captures the proportion of workers with tertiary education level. The data comes from Barro and Lee (2001) database. For missing data in the Barro and Lee (2001) database, Defoort (2008) fills up empty cells with the corresponding values coming from Cohen and Soto (2007) and De La Fuentes and Domenech (2002).¹

Host country status

The purpose of this paper is to gauge the importance of the features of the destination countries of migrants. Those features play a role in two different directions. First, the characteristics of migrants from a given destination country are not identical across all possible destinations. Factors such as colonial links, distance or linguistic proximity significantly influence the nature of the migration process. For instance, as documented by Beine et al. (2011) and Grogger and Hanson (2011), physical distance tends to increase the skill composition of migrants. Colonial relationships or the size of Diasporas tend to exert the opposite effect. In other words, the nature of the bilateral relationships between the two countries or the status of the destination country shapes the nature of migration. To this aim, we define three dimensions that can influence the nature of migration. These dimensions are historical, economic and political.

The historical status of country *j* with respect to country *i* is captured by the existence of recent colonial links. The existence of recent colonial links is based on a dummy variable capturing whether country *i* was a colony after World War II (WWII) of country *j*. The economic status is captured by the economic importance of the destination countries of the migrants. To that aim, we select countries belonging to the first wave of OECD members. These countries are the following: Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Turkey, the UK and the United States. The political dimension is captured by the political importance of the destination countries of the migrants. To that aim, we select countries that are permanent members of the UN council. These countries are France, the UK, the US, Russia and China.

The advantage of the above choice is that they use an exogenous criterion to classify countries. For instance, using GDP data to classify important countries in economic terms would introduce some dependence with migration. Indeed, it is well known that migration is

¹ See Defoort (2008) for further details.

driven by wage or income differentials between source and destination countries. In contrast, the first wave of OECD members was made in the 60's and resulted from political negotiations between countries. De facto however, it is obvious that this group includes mostly high income countries.

To compute the emigration rate to each destination, we proceed as follows. For colonizers, we use the dummy variable C_{tj} taking 1 if country i was a colony of country j after WWII, 0 otherwise. Combining the colonial links along with the bilateral stocks, one can then define the colonial emigration rate of country i as:

$$cm_{i,t} = \frac{\sum_{j=1}^J C_{tj} M_{ij,t}}{P_{i,t}} \quad (2)$$

Note that in case country i has not been a colony after 1945, its colonial emigration rate is thus by construction equal to 0.

For the economic dimension, the emigration rate of country i is:

$$em_{i,t} = \frac{\sum_{j \in E} M_{ij,t}}{P_{i,t}} \quad (3)$$

where E denotes the group of economically important countries.

Similarly, the “political emigration rate” of country i is:

$$pm_{i,t} = \frac{\sum_{j \in O} M_{ij,t}}{P_{i,t}} \quad (4)$$

where O denotes the group of politically important countries.

Host country institution

The empirical literature on the impact of the host country institutions on the home country's refers to a “transfer of norms” (Spilimbergo, 2009, Beine et al., 2008). We adopt the same wording. As in Beine and Sekkat (2011), we decompose the transfer of norms into two stages: absorption and transmission. The absorption of norm of type s (i.e. *Pol_risk*, *Bur_qual*, *PRS*, *Dem_ac* and *Eth_ten*) by migrants from country i at time t is the weighted average of the levels of institutional quality across the J destination countries. The weights are the shares of the migrant stock from country i in the corresponding destination country. Since this average norm is transmitted to country i through migrants, we assume that the transmission technology depends linearly on the intensity of emigration. Due to the high proportion of missing institutional data in the ICRG database, we are not able to compute the absorbed norm for all destination countries. Nevertheless, we are able to compute the norms corresponding to the three dimensions relative to the transmission channels, i.e. historical, economic and political links.

As pointed out in the introduction, while emigration could affect the quality of the home country institutions, the effect might be positive or negative depending on whether the quality of institutions in the host country is better or worse than in the home country. To allow for possible negative or positive transfer of norms, we use the difference in the quality of institutions in the origin and host countries.

In line with the computation of emigration rates, we can compute the transfer of norms as follows. For colonizing countries, we have:

$$N_{i,t}^{s,c} = cm_{i,t} N A_{i,t}^{s,c} \quad (5)$$

where

$$NA_{i,t}^{s,c} = \sum_{j=1}^J C_{ij} M_{ij,t} (I_{jt}^s - I_{it}^s)$$

For economically important destination countries, we have

$$N_{i,t}^{s,e} = em_{i,t} NA_{i,t}^{s,e} \quad (6)$$

where

$$NA_{i,t}^{s,e} = \sum_{j \in E} M_{ij,t} (I_{jt}^s - I_{it}^s)$$

For politically important countries, we have

$$N_{i,t}^{s,o} = pm_{i,t} NA_{i,t}^{s,o} \quad (7)$$

where

$$NA_{i,t}^{s,o} = \sum_{j \in E} M_{ij,t} (I_{jt}^s - I_{it}^s)$$

2.2 Descriptive Analysis

Migration in the MENA

Figures 1 and 2 provide details on the three destinations of migrants. Figure 1 aggregates all MENA countries on the one hand and the rest of World (RoW) on the other hand. Note that the figures concern the split of total migration by destination. However, in some countries (e.g. Gulf countries except Yemen) emigrants represent a low share of their population. Therefore, the results for these countries could be disregarded. Figure 1 suggests that MENA members send proportionally less migrants to OECD members and to SC members than the rest of the World. While the MENA countries used to have a higher share of migrants going to former colonizers in the 80's, this share has dropped as a whole and is nowadays below the one for the Rest of the World.

Figure 2 gives more details about individual MENA countries. The shares of migrants in terms of destination give a very heterogeneous picture of the situation of the MENA countries. On the one hand, Maghreb countries send a high share of migrants to the three categories of destination due to the important share of migrants going to France. Note that even within this group, there are significant differences: while Algeria sent most migrants to France, Morocco has a more diversified structure of migration in terms of destinations. Other countries like Turkey and to a lesser extent Iran, Lebanon and Libya tend to send many migrants to economic powerful countries, but not politically important countries. Finally, a large set of countries like Egypt do not send a lot of migrants to those destinations.

Norms of recipients

Figure 3 presents the evolution of the average quality of institution for each group of destinations. Figure 4 gives for each sending MENA county the average quality of its host countries' institutions given the intensity of emigration and the distribution of its emigrants by destination. Figure 3 shows that the average quality of institution is high and relatively stable across time for "UN" and "OECD" destinations while it is low but also relatively stable for "colonizers". For the reasons explained above (low intensity of emigration), Figure 4 focuses on selected MENA countries. It shows that the norm that could potentially be transferred (See Section 2.1) by emigrants is higher in Maghreb countries and Turkey as compared to Middle-Eastern countries. This is not surprising since Figure 2 showed that while Maghreb countries send a high share of migrants to the three categories of destination, they send relatively more to "OECD" destinations than to "colonizers". Since in Figure 3, the former exhibit a higher average quality of institutions, the average norm potentially transferred is higher. The same justification holds for Turkey.

3. The Empirical analysis

3.1 Econometric specification

In order to estimate the impact of migration on institution quality, we need to consider first the econometric specification that best describes the relationship between migration and institutional quality. We build on Beine and Sekkat (2011) to that aim. Obviously, institution quality might be explained by a large set of observable but also unobservable factors. Failure to account for these factors is likely to induce large biases in the way migration affects institutional quality. Thanks to the cross-section/time-series structure of our data, we can reduce such a risk by using fixed effects estimates that control for unobserved country specific time-invariant factors. Therefore, for a given norm and a given destination we estimate the following dynamic panel data model:

$$\Delta I_{it} = \alpha + \rho I_{it-1} + \theta m_{it-k} + \gamma N_{it-k} + \delta H_{it-k} + \varepsilon_{it} \quad (8)$$

where i refers to origin country and t refers to time. Equation (8) relates the level of institutional quality at time t ($I_{i,t}$) to its past values, to the emigration rate of origin country i ($m_{i,t}$), to the institutional norm transmitted by migrants in the host country (denote $N_{i,t}$) and the level of human capital in country i ($H_{i,t}$). The variable $N_{i,t}$ captures of the norm related to institutional quality that could be transmitted by migrants abroad (the so called Diaspora externality in terms of norm). The particular norm absorbed and transmitted by migrants will vary across the various channels we want to investigate, namely historical, economic and political ones.

This specification allows for a catching-up process in institutional quality across countries. This catching up process is related to several phenomena. First, there is a long-run global improvement of institutional quality in developing countries (see Rodrik, 2000). One of the reasons is related to the fall of the Berlin Wall and the gradual adoption by former socialist regimes of Western institutions (Sachs and Warner, 1995). Second, the values of institutional quality being bounded at the bottom and at the top of the world distribution, there is a natural trend for countries to converge towards the mean of the distribution. This is especially the case for countries with very low initial values in terms of institutional quality.

We will consider two variants of Equation (1). In the first one, we do not include the norms transmitted by migrants and consider only the direct effect of migration by destination (Section 3.2). This allows looking at the influence of the destination by including four different channels, including the case of all destinations. In the second, we add the transmitted norm (Section 3.3). For reasons explained in the data section, we can not include the norm transmitted by migrants across all destinations.

3.2 Emigration and the host country status

We first start the investigation of the impact of migration by focusing on the ICRG synthetic measure of institution; *Pol_risk*. This index of political risk being a synthetic measure, it might overshadow the variation between the different dimensions of institutional quality. In a second step, we will, therefore, look at the impact of individual components.

The synthetic index

In line with the above methodological discussions, we proceed to 24 estimation rounds. The rounds distinguish 4 destinations (Total, UN, OECD and colonizers), two lag structures ($k=0$ and $k=1$) and 3 samples (A pooled sample over the changes between 1980 and 1990 and between 1990 and 2000 with country's fixed effects and 2 cross-section samples over the changes between 1980 and 1990 and between 1990 and 2000 separately).

The results are presented in Tables 1 and 2 where the upper panel concerns the pooled estimation while the second and the third are period specific (respectively over the eighties

and the nineties). The estimation results show a high discrepancy between the panel data results and the cross section ones. This suggests that the pooling assumption is rejected. One of the evidence of the violation of the poolability assumption is the high absolute value of the coefficients ρ . The estimates are significantly above 1 in absolute term, which suggests an explosive process instead of convergence between countries. This contrast with the estimates obtained with cross section estimates, which suggest that there is a catching up process in the evolution of institutions between countries. In what follows, we will focus on the cross section estimates.

The results are similar across Tables 1 and 2. The overall quality of the fit is high (above 60%) for the 1980-1990 cross sections and low (slightly above 10%) for the 1990-2000 cross sections. The coefficient of the lagged quality of institutions is always negative and significant confirming the existence of a catch up process in the quality of institutions. The coefficient of the human capital is also always positive and significant confirming the importance of education in improving the quality of institutions. Looking at our variable of interest (migration), the coefficient pertaining to colonizers is never significant. The coefficients pertaining to other destinations are always significant and positive. Emigration has a positive impact on the source country's quality of institutions. There is, however, a contrast between the two periods. For the 1980-1990 period, the coefficient is slightly higher when total migration (i.e. to all destinations) is considered than when only migration to the "UN" or "OECD" are considered. For the 1990-2000 period, the coefficient is higher when migration to the "UN" is considered than when other destinations are considered. This effect is more pronounced when lagged migration rather than contemporary migration is considered.

In sum, the direct impact of emigration captured by the emigration rates seems to matter. The impact is mostly positive, irrespective of the lagging procedure. The positive direct effect of migration is higher for total emigration and for emigration to politically powerful countries, less positive for emigration to OECD countries. Emigration to colonizers generates no positive externalities in terms of institutions. This result is in line with findings by Head et al. (2010) of weakening relationships between former colonies and their colonizers. It might also be related to the fact that colonial links favor unskilled emigration, which in turn is likely to generate less positive effects.

Two final remarks are in order. First, in line with the results of Beine and Sekkat (2011) and Docquier et al. (2011), we find strong support for a positive impact of human capital level on the change in institutions. This holds for both periods and for both lagging procedures. Second, the coefficients of migration remain, in general, positive and significant.

The individual components

We now turn to the investigation of the impact on four components of the ICRG synthetic index: bureaucratic quality, political stability, democratic degree and ethnic tensions. We focus on the dynamic cross-section estimation for the 1980-1990 and the 1990-2000 periods. To save space, we just report estimations with lagged effects. Table 3 present the results.

The results are different across indicators. The overall quality of the fit lies between medium (above 30%) and low (around 10%) depending on the type of institutional measure and the period under consideration. Likewise, the significance of the coefficient of the human capital depends on the type of institutional measure and the period under consideration. When significant, this coefficient is positive confirming the importance of education in improving the quality of institutions. The coefficient of the lagged quality of institutions is negative and significant irrespective of the component and the period; confirming the existence of a catch up process in the quality of institutions.

Turning to the coefficients of migration, their significance depends on the type of institutional measure and the period under consideration. When significant, they are positive. The coefficient pertaining to colonizers is never significant except for the component “democracy”. For the 1980-1990 sample, the coefficients are always significant and are the highest with “OECD” destination except for the component “democracy” (the highest coefficient pertains to “Colonizers” destination). For the 1990-2000 sample, the coefficients are only significant for the components “Bureaucracy” and “Democracy”. In both case, they are the highest with “UN”.

Overall, the results support the idea of heterogeneous response of the different dimensions of institutions to emigration. The effect depends on the type of institutional measure and the period under consideration. We find support for the direct positive effect of emigration. When it emerges for both periods, such an effect is stronger over the 1990-2000 period. The historical channel (i.e. colonizers) seems in general weaker than the economic and the political channels. The economic and the political channels have significant positive coefficients in many instances especially for bureaucracy and democracy.

3.3 Emigration and the host country institutions

Like in Section 3.2, we start the investigation of the impact of migration by focusing on the ICRG synthetic measure of institution; *Pol_risk*. Then, we look at the impact of individual components. Taking account of the discussion in the pervious section, we focus on the dynamic cross-section estimation for the 1980-1990 and the 1990-2000 periods and report only estimations with lagged effects.

The synthetic index

Table 4 presents the results of 6 estimation rounds: 3 destinations (UN, OECD and colonizers) and 2 samples (cross-section samples over the changes between 1980 and 1990 and between 1990 and 2000 separately). In each table the upper panel concerns the 1980-1990 sample while the second concerns the 1990-2000 sample.

The results are similar to those in Table 2. The overall quality of the fit is high (above 60%) for the 1980-1990 period and low (slightly above 10%) for the 1990-2000 period. The coefficient of the lagged quality of institutions is always negative and significant and the coefficient of the human capital is also always positive and significant. The coefficient pertaining to migration is significant and positive when the “UN” or “OECD” destinations are considered and non-significant when the “Colonizers” destination is considered. The estimation of the impact of the transmitted norm is not significant irrespective of the channel that is considered (Historical, economic and political). This may reflect either that the norms transmitted by the migrants do not indeed affect the evolution of institutions or that the synthetic nature of the index of institutions overshadows the impact on the individual components. We investigate the last possibility below.

The individual components

Table 6 presents the results relative to four different dimensions of institutional quality: bureaucratic quality, political stability, democratic degree and ethnic tensions.

The results are similar to those in Table 3. They depend on the type of institutional measure and on the period under consideration. The overall quality of the fit lies between medium (above 50%) and low (below 10%). Likewise, the significance of the coefficient of the human capital depends on the type of institutional measure and on the period under consideration. When significant, this coefficient is positive. Similarly, when the coefficient of the lagged quality of institutions is significant, it is negative. The coefficient of migration is never significant except for the component “democracy”. In this case, it is positive and is the highest for the “colonizers” destination with the 1980-1990 sample. For the other

components, it is significantly positive and has the highest value for the destination “OECD” with the 1980-1990 sample. In contrast, with the 1990-2000 sample, this coefficient is significantly positive only for the components “Bureaucracy” and “Democracy”. In both case, it is the highest with “UN”.

For the transmission of norms, we found positive impacts on three components out of four: “Bureaucracy”, “Political Stability” and “Democracy”. The effect depends on the period but it is always the highest with the “OECD” destination. Note that such a positive effect is significant despite possible co-linearity with the migration indicators. Given this, the positive transmission of norms from the host to the origin country cannot be rejected.

4. Conclusion

In this paper, we examine the influence of international migration on the evolution of the quality of institutions in the home country. Having shown in a previous paper the existence of such an influence, we focus in this paper on the potential difference in the impact depending on the destination. Specifically, we investigate whether the impact holds only, or is stronger, if the receiving country is a former colonizer of the host country, the receiving country is an economic power (here we take initial members of the OECD) or the receiving country is a political power (permanent membership in the Security Council, SC, of the United Nations, UN). We also examine whether the impact depends on the quality of institutions in the host country.

As far as the status of the host country is concerned, the results show that when the destination is “colonizers” there is no effect on the sending country’s quality of institutions. In contrast, emigration has a positive impact on the source country’s quality of institutions when other destinations are considered. There is, however, a contrast over time. During the 1980s the impact is similar for the “UN” and the “OECD” destinations. During the 1990s, the impact is higher when migration to the “UN” is considered than when the “OECD” destination is considered. Since members of the two destinations overlap to a certain extent, it is not easy to separate the relative importance of being an economic or a political power. The two main consistent results are that the status of the country of destination matters and that while emigration to former colonizers has no effect on the quality of institutions in the origin country, emigration to economically or politically powerful countries has a positive feedback on the quality of institutions in the home country. Note, however, that the intensity of the feedback is heterogeneous across the different facets of the quality of institutions.

Turning to the impact of the quality of institutions in the host country (i.e. Transfer of norms), the results confirm the importance of distinguishing the different facets of the quality of institutions in the origin country. Actually, when a synthetic index of the quality of institutions is considered, no transfer of norms is found irrespective of the status of host country (Historical, economic and political). This suggests that the synthetic nature of the index of institutions overshadows the impact on the individual components. When the different facets of institutions are considered, we found positive

impacts for three components out of four: “Bureaucracy”, “Political Stability” and “Democracy”. Here again, no effect emerges with “colonizers” as a destination. The positive effect is always the highest with the “OECD” destination although not the same across periods. As above, the overlap of members of the “UN” and the “OECD” destinations doesn’t allow separating the relative importance of economic and political power. It is worth noting, however, that this positive transfer of norms shows up despite possible co-linearity due to the introduction of migration variables in the equation. Hence, the positive transmission of norms from the host to the origin country cannot be rejected.

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Figure 1: Shares (%) of Emigration by Destination: from MENA and from the Rest of the World (Row)

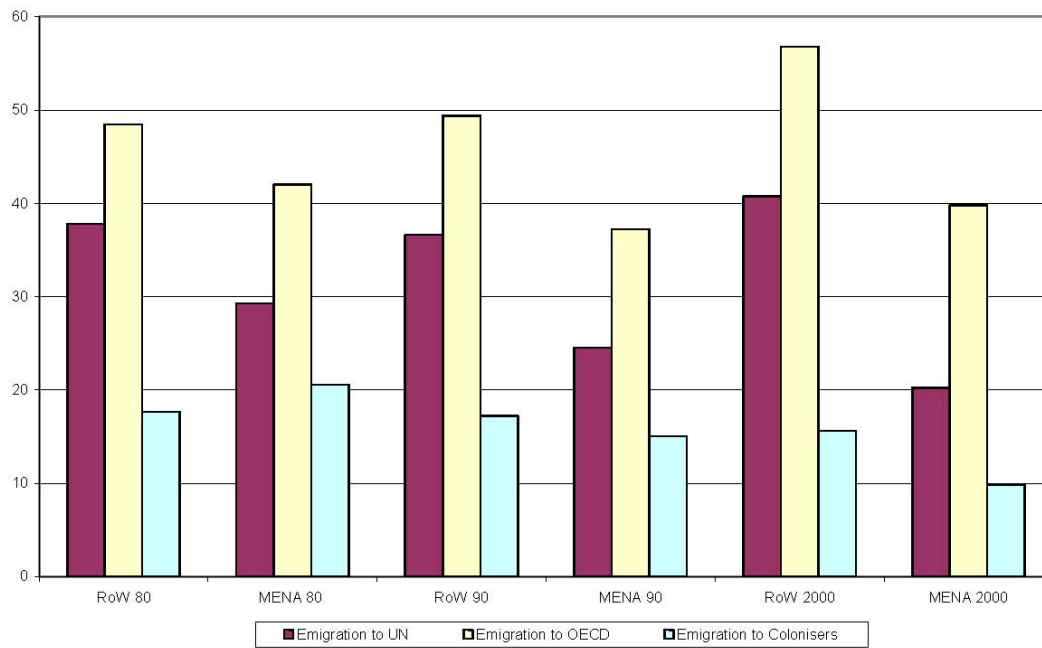


Figure 2: Shares (%) of Emigration by Destination: from MENA Countries

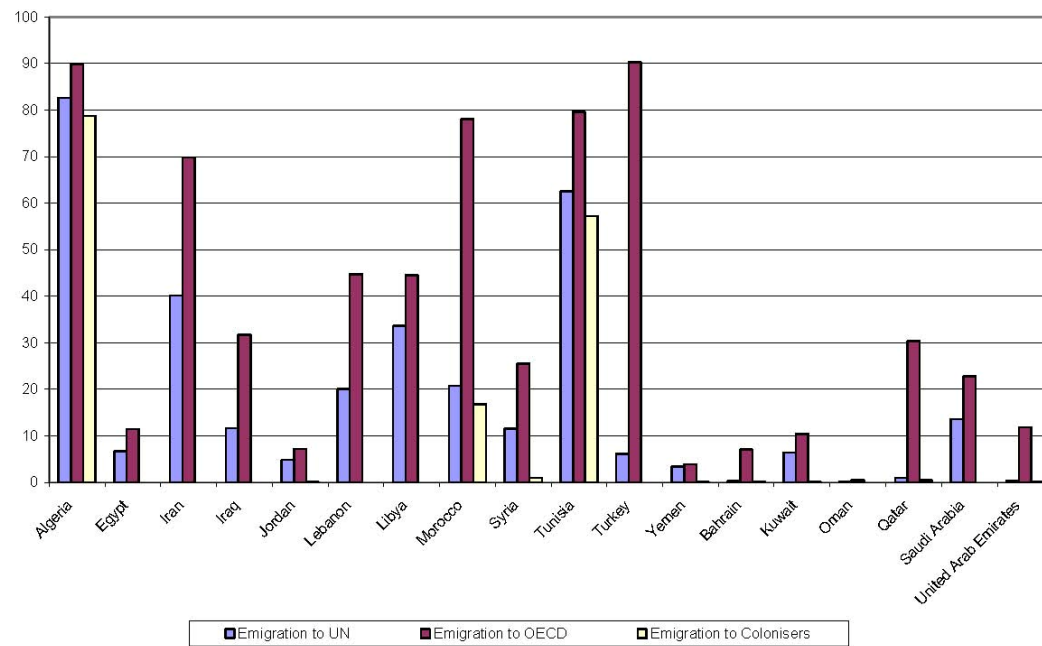


Figure 3: Average Norm of Destinations of Emigrants from MENA and from the Rest of the World (Row)

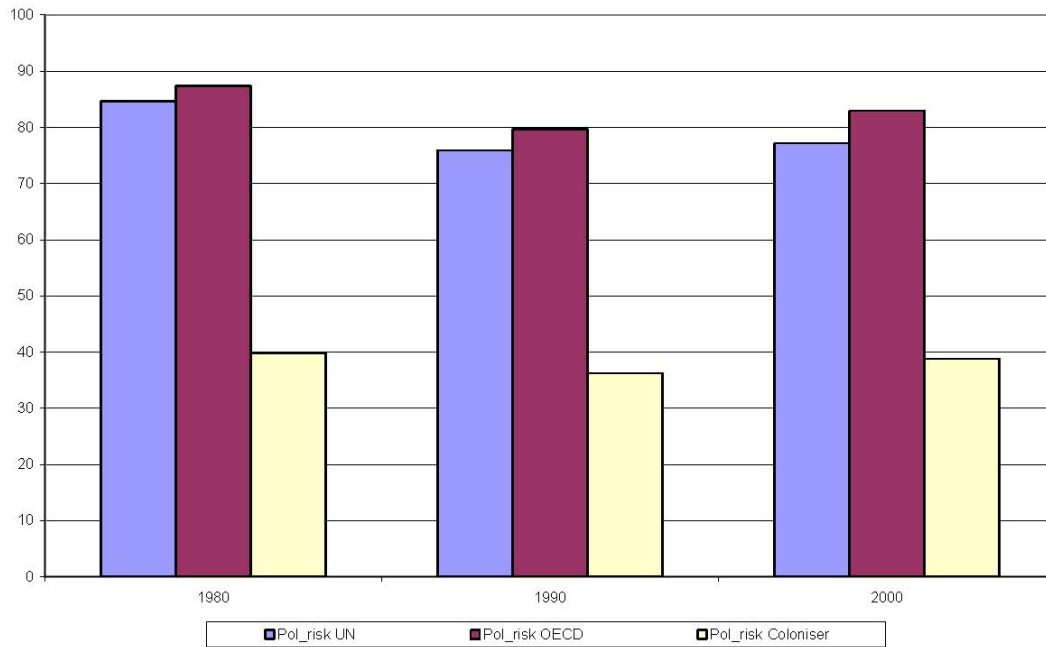


Figure 4: Potential Transferred Norm by Emigrants to Individual MENA Countries in 2000

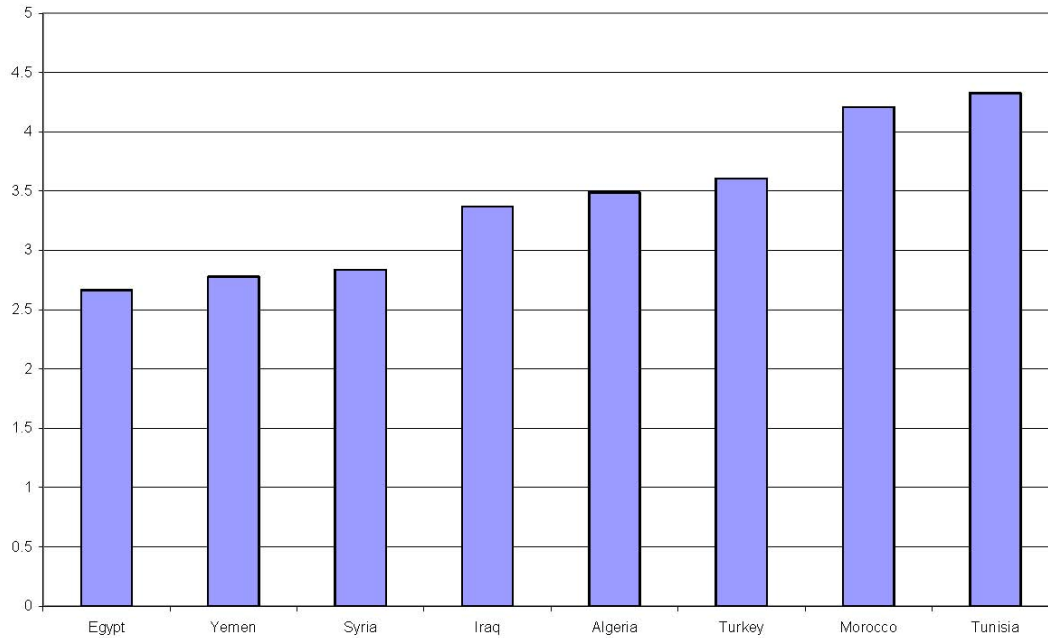


Table 1: The Impact of Emigration on the Change in Institutions at Origin by Region of Destination (Contemporary Effects)

Explanatory variables	Total Emigration	Emigration to UN	Emigration to OECD	Emigration to Colonizers
Constant				
Pooled estimation: 1990 and 2000				
$I_{i,t-1}$	-1.118 (-21.977)***	-1.115 (-21.572)***	-1.121 (-21.651)***	-1.134 (-22.891)***
$M_{i,t}$	27.384 (1.256)	14.240 (0.523)	26.553 (1.303)	-207.006 (-4.810)***
$H_{i,t}$	70.518 (3.419)***	73.514 (3.575)***	71.350 (3.448)***	74.299 (3.618)***
Number of observations	228	228	228	228
Adjusted R2	0.78	0.79	0.80	0.81
Cross-section estimation 1980-1990				
Constant	38.265 (11.338)***	39.841 (12.095)***	39.976 (12.385)***	40.025 (11.989)***
$I_{i,t-1}$	-0.622 (-12.916)***	-0.629 (-12.633)***	-0.639 (-13.128)***	-0.624 (-12.112)***
$M_{i,t}$	36.125 (4.534)***	31.495 (2.718)***	33.040 (3.807)***	48.587 (1.565)
$H_{i,t}$	38.457 (3.767)***	40.327 (3.561)***	40.904 (3.704)***	40.692 (3.567)***
Number of observations	102	102	102	102
Adjusted R2	0.65	0.63	0.64	0.62
Cross-section estimation 1990-2000				
Constant	17.208 (3.710)***	17.572 (3.792)***	17.563 (3.787)***	17.382 (3.749)***
$I_{i,t-1}$	-0.270 (-3.515)***	-0.268 (-3.472)***	-0.269 (-3.485)***	-0.259 (-3.367)***
$M_{i,t}$	12.596 (2.131)**	17.119 (1.711)*	11.536 (1.867)*	7.935 (0.646)
$H_{i,t}$	24.631 (2.991)***	24.549 (2.935)***	24.384 (2.944)***	24.099 (2.876)***
Number of observations	126	126	126	126
Adjusted R2	0.13	0.13	0.13	0.11

Notes: Robust t-statistics in parentheses, Significant at 10% level, ** significant at 5% level; *** significant at 1% level

Table 2: The Impact of Emigration on the Change in Institutions at Origin by Region of Destination (Lagged Effects)

Explanatory variables	Total Emigration	Emigration to UN	Emigration to OECD	Emigration to Colonizers
Constant				
Pooled estimation: 1990 and 2000				
$I_{i,t-1}$	-1.159 (-23.220)***	-1.167 (-22.384)***	-1.157 (-23.141)***	-1.132 (-23.611)***
$M_{i,t}$	57.038 (2.607)***	114.219 (3.010)***	62.269 (2.936)***	-13.534 (-0.122)
$H_{i,t}$	71.19 (4.455)***	72.462 (4.539)***	72.529 (4.520)***	71.582 (4.423)***
Number of observations	226	226	226	226
Adjusted R2	0.81	0.81	0.81	0.8
Cross-section estimation 1980-1990				
Constant	38.708 (11.433)***	40.25 (11.978)***	40.596 (12.283)***	40.057 (11.511)***
$I_{i,t-1}$	-0.612 (-12.867)***	-0.609 (-12.125)***	-0.625 (-12.549)***	-0.598 (-11.518)***
$M_{i,t}$	45.763 (4.417)***	34.354 (2.183)**	41.308 (3.073)***	43.864 -0.802
$H_{i,t}$	36.374 (3.576)***	36.512 (3.118)***	37.381 (3.307)***	36.628 (3.155)***
Number of observations	102	102	102	102
Adjusted R2	0.63	0.61	0.62	0.6
Cross-section estimation 1990-2000				
Constant	17.61 (3.719)***	17.827 (3.772)***	17.779 (3.745)***	17.121 (3.596)***
$I_{i,t-1}$	-0.281 (-3.560)***	-0.276 (-3.527)***	-0.276 (-3.488)***	-0.253 (-3.237)***
$M_{i,t}$	18.953 (2.524)***	36.402 (2.755)***	23.472 (1.849)*	10.062 -0.814
$H_{i,t}$	31.028 (3.142)***	29.635 (3.054)***	29.58 (3.075)***	28.766 (2.915)***
Number of observations	124	124	124	124
Adjusted R2	0.15	0.15	0.15	0.11

Notes: Robust t-statistics in parentheses, Significant at 10% level, ** significant at 5% level; *** significant at 1% level

Table 3: The Impact of Emigration on the Change in Institutions at Origin by Region of Destination and Dimension of Institution (Lagged Effects)

Variable	Colonizer 1990	UN 1990	OECD 1990	Colonizer 2000	UN 2000	OECD 2000
Bureaucracy						
Constant	2.137 (4.101)***	2.046 (3.964)***	1.967 (3.928)***	2.421 (6.020)***	2.195 (6.169)***	2.155 (5.943)***
$I_{i,t-1}$	-0.238 (-3.478)***	-0.248 (-3.645)***	-0.259 (-3.855)***	-0.534 (-8.497)***	-0.549 (-9.568)***	-0.540 (-8.906)***
$M_{i,t-1}$	2.287 (0.235)	7.859 (2.496)***	10.357 (3.361)***	6.097 (0.948)	18.510 (5.169)***	11.001 (2.297)**
$H_{i,t-1}$	3.749 (1.411)	3.840 (1.454)	3.815 (1.482)	14.873 (5.336)***	14.619 (5.562)***	14.484 (5.632)***
Number of observations	89	89	89	114	114	114
Adjusted R2	0.12	0.15	0.19	0.40	0.49	0.48
Political Stability						
Constant	3.347 (7.775)***	3.300 (7.850)***	3.260 (7.908)***	0.977 (2.460)***	0.951 (2.399)***	0.961 (2.422)***
$I_{i,t-1}$	-0.500 (-7.221)***	-0.505 (-7.513)***	-0.523 (-8.056)***	-0.527 (-7.662)***	-0.530 (-7.605)***	-0.532 (-7.609)***
$M_{i,t-1}$	14.784 (1.272)	9.951 (2.111)**	12.581 (2.948)***	-0.228 (-0.113)	2.406 (0.667)	1.420 (0.659)
$H_{i,t-1}$	10.424 (3.257)***	9.841 (3.249)***	9.730 (3.476)***	8.989 (4.198)***	8.976 (4.191)***	9.012 (4.225)***
Number of observations	109	109	109	112	112	112
Adjusted R2	0.35	0.36	0.40	0.36	0.35	0.35
Democracy						
Constant	3.393 (8.172)***	3.447 (8.646)***	3.446 (8.774)***	1.980 (2.552)***	2.040 (2.654)***	2.007 (2.617)***
$I_{i,t-1}$	-0.460 (-7.481)***	-0.480 (-7.826)***	-0.502 (-8.140)***	-0.223 (-2.049)**	-0.265 (-2.470)***	-0.271 (-2.525)***
$M_{i,t-1}$	11.643 (1.758)*	6.883 (2.305)***	9.493 (3.118)***	8.050 (5.643)***	13.822 (2.802)***	10.716 (3.760)***
$H_{i,t-1}$	10.487 (3.508)***	10.634 (3.476)***	10.854 (3.647)***	2.875 (0.937)	3.212 (1.086)	3.237 (1.101)
Number of observations	112	112	112	121	121	121
Adjusted R2	0.32	0.33	0.35	0.04	0.08	0.11
Ethnic Tension						
Constant	4.770 (7.647)***	4.650 (7.485)***	4.646 (7.545)***	1.701 (3.420)***	1.692 (3.404)***	1.692 (3.405)***
$I_{i,t-1}$	-0.460 (-6.641)***	-0.464 (-6.759)***	-0.472 (-6.875)***	-0.283 (-4.853)***	-0.282 (-4.716)***	-0.282 (-4.759)***
$M_{i,t-1}$	-5.633 (-0.553)	6.077 (1.668)*	6.959 (2.182)**	-0.609 (-0.131)	-0.227 (-0.045)	-0.137 (-0.054)
$H_{i,t-1}$	4.216 (1.400)	4.250 (1.393)	4.069 (1.351)	-0.696 (-0.373)	-0.693 (-0.369)	-0.693 (-0.370)
Number of observations	111	111	111	123	123	123
Adjusted R2	0.29	0.29	0.30	0.14	0.14	0.14

Notes: Robust t-statistics in parentheses, Significant at 10% level, ** significant at 5% level; *** significant at 1% level

Table 4: The Impact of Host Norm on the Change in Institutions at Origin by Region of Destination (Lagged Effects)

Explanatory variables	Emigration to UN	Cross-section estimation 1990	
		Emigration to OECD	Emigration to Colonizers
Constant	33.770 (3.062)***	23.972 (1.531)	40.419 (9.951)***
$I_{i,t-1}$	-0.537 (4.239)***	-0.433 (2.377)***	-0.606 (9.137)***
$M_{i,t-1}$	35.553 (2.267)***	41.211 (2.940)***	47.916 (0.838)
$N_{i,t-1}^s$	0.072 (0.617)	0.189 (1.155)	-0.006 (0.224)
$H_{i,t-1}$	34.981 (3.062)***	36.535 (3.206)***	35.533 (2.853)***
Number of observations	102	102	102
Adjusted R2	0.61	0.62	0.60
		Cross-section estimation 2000	
Constant	24.501 (3.221)***	31.293 (1.724)*	17.721 (3.739)***
$I_{i,t-1}$	-0.359 (3.349)***	-0.446 (1.898)*	-0.264 (3.331)***
$M_{i,t-1}$	35.815 (2.732)***	24.158 (1.904)*	11.721 (0.781)
$N_{i,t-1}^s$	-0.083 (1.094)	-0.170 (0.766)	-0.008 (0.459)
$H_{i,t-1}$	30.680 (3.081)***	29.856 (3.094)***	27.009 (2.674)***
Number of observations	124	124	124
Adjusted R2	0.14	0.14	0.10

Notes: Robust t-statistics in parentheses, Significant at 10% level, ** significant at 5% level; *** significant at 1% level

Table 5: The impact of Host Norm on the Change in Institutions at Origin by Region of Destination and Dimension of Institution (Lagged Effects)

Variable	Colonizer 1990	UN 1990	OECD 1990	Colonizer 2000	UN 2000	OECD 2000
Bureaucracy						
Constant	2.435 (3.887)***	8.986 (0.633)	-1.397 (0.677)	2.619 (5.177)***	6.852 (3.096)***	-3.153 (1.222)
$I_{i,t-1}$	-0.285 (3.280)***	-0.821 (0.694)	0.032 (0.173)	-0.557 (7.685)***	-0.937 (4.896)***	-0.089 (0.385)
$M_{i,t-1}$	6.212 (0.650)	7.576 (2.355)***	9.851 (3.262)***	6.757 (0.904)	18.253 (5.064)***	10.577 (2.265)***
$N_{i,t-1}^S$	-0.042 (1.175)	-0.585 (0.494)	0.297 (1.663)*	-0.023 (0.616)	-0.391 (2.120)**	0.459 (2.069)**
$H_{i,t-1}$	2.521 (0.998)	3.932 (1.459)	3.906 (1.495)	14.058 (4.538)***	14.927 (5.503)***	14.595 (5.635)
Number of observations	89	89	89	114	114	114
Adjusted R2	0.12	0.15	0.21	0.40	0.50	0.49
Political Stability						
Constant	3.433 (6.126)***	2.439 (1.467)	2.050 (1.351)	0.935 (1.990)*	1.291 (0.359)	-3.802 (1.658)*
$I_{i,t-1}$	-0.514 (5.695)***	-0.431 (2.933)***	-0.413 (2.699)***	-0.521 (6.756)***	-0.563 (1.618)	-0.096 (0.429)
$M_{i,t-1}$	15.601 (1.285)	9.913 (2.108)**	12.474 (2.867)***	-0.372 (0.179)	2.353 (0.648)	0.883 (0.361)
$N_{i,t-1}^S$	-0.010 (0.254)	0.078 (0.527)	0.110 (0.832)	0.005 (0.167)	-0.034 (0.096)	0.478 (2.151)**
$H_{i,t-1}$	10.186 (3.111)***	9.899 (3.243)***	9.863 (3.462)***	9.131 (3.853)***	8.956 (4.051)***	10.057 (4.802)***
Number of observations	109	109	109	122	123	122
Adjusted R2	0.34	0.36	0.40	0.34	0.34	0.36
Democracy						
Constant	4.006 (7.497)***	4.081 (0.671)	-3.216 (0.906)	2.563 (2.341)***	3.765 (1.297)	7.333 (1.050)
$I_{i,t-1}$	-0.561 (7.097)***	-0.532 (1.041)	0.072 (0.232)	-0.301 (1.997)*	-0.408 (1.603)	-0.716 (1.220)
$M_{i,t-1}$	17.761 (3.133)***	6.782 (2.271)***	9.525 (2.857)***	9.562 (3.824)***	13.719 (2.780)***	10.907 (3.725)***
$N_{i,t-1}^S$	-0.066 (1.003)	-0.054 (0.106)	0.573 (1.926)*	-0.052 (1.058)	-0.145 (0.611)	-0.456 (0.768)
$H_{i,t-1}$	9.300 (3.129)***	10.708 (3.446)***	10.939 (3.603)***	1.553 (0.540)	3.315 (1.116)	3.059 (1.028)
Number of observations	112	112	112	121	121	121
Adjusted R2	0.34	0.32	0.36	0.05	0.07	0.10
Ethnic Tension						
Constant	5.173 (5.439)***	2.288 (0.508)	4.755 (3.194)***	1.806 (3.044)***	-0.109 (0.039)	-0.913 (0.515)
$I_{i,t-1}$	-0.526 (3.834)***	-0.226 (0.496)	-0.484 (3.129)***	-0.297 (3.945)***	-0.121 (0.480)	-0.034 (0.199)
$M_{i,t-1}$	-2.145 (0.210)	6.164 (1.718)*	7.001 (2.208)**	-0.356 (0.076)	0.027 (0.005)	-0.240 (0.097)
$N_{i,t-1}^S$	-0.042 (0.715)	0.233 (0.535)	-0.012 (0.080)	-0.009 (0.241)	0.167 (0.649)	0.242 (1.522)
$H_{i,t-1}$	3.286 (1.115)	3.821 (1.263)	4.056 (1.338)	-0.918 (0.427)	-1.120 (0.576)	-0.918 (0.496)
Number of observations	111	111	111	123	124	123
Adjusted R2	0.28	0.29	0.29	0.14	0.14	0.15

Notes: Robust t-statistics in parentheses, Significant at 10% level, ** significant at 5% level; *** significant at 1% level