Does Immigration Impact Institutions?

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ABSTRACT: The economics literature generally finds a positive, but small, gain in income to native-born populations from immigrants and potentially large gains in world incomes. But immigrants can also impact a recipient nation's institutions. A growing empirical literature supports the importance of strong private property rights, a rule of law, and an environment of economic freedom for promoting long-run prosperity. But little is known about how immigration impacts these institutions. This paper empirically examines how immigration impacts a nation's policies and institutions. We find no evidence of negative and some evidence of positive impacts in institutional quality as a result of immigration.

JEL Codes: J1, J6, P1

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1. Introduction.

The idea that international trade in goods and services increases efficiency and the long-run wealth of a nation is one of the most established principles of economics. However, the basic analytical framework driving the theory, comparative advantage, applies equally to international trade in labor as it does in goods and services (Freeman 2006). But international trade in labor, immigration or emigration, differs in one important way from tradable goods and services trade: Goods and services that move across borders cannot vote, protest, riot, or otherwise impact the public policies of the countries they move to, but immigrants can.

Institutions are an important fundamental cause of economic development (Rodrik et al. 2004). As Adam Smith (Canaan 1904) reportedly wrote, "Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism, but peace, easy taxes, and a tolerable administration of justice: all the rest being brought about by the natural course of things."

Borjas challenges the literature that claims there are trillions of dollars of gains available to the world economy (Clemens 2011) from open borders because of the negative impact immigration could have on institutions. He asks the question, "What would happen to the institutions and social norms that govern economic exchanges in specific countries after the entry/exit of perhaps hundreds of millions of people" (Borjas 2015, p. 3)? In a recent book, Borjas (2014, p. 169) succinctly states the problem and the state of our knowledge about it:

> As the important work of Acemoglu and Robinson (2012) suggests, "nations fail" mainly because of differences in political and economic institutions. For

> immigration to generate substantial global gains, it must be the case that billions of immigrants can move to the industrialized economies without importing the "bad" institutions that led to poor economic conditions in the source countries in the first place. It seems inconceivable that the North's infrastructure would remain unchanged after the admission of billions of new workers. Unfortunately, remarkably little is known about the political and cultural impact of immigration on the receiving countries, and about how institutions in these receiving countries would adjust to the influx.

Borjas provides a number of simulations showing how varying degrees of importation of bad institutions impact the projected global gain from unrestricted immigration. He shows that these "general equilibrium effects can easily turn a receiving country's expected (static) windfall from unrestricted migration into an economic debacle" (Borjas 2015, p. 21). As valuable as Borjas's simulations might be in highlighting the potential problem of immigrants importing inefficient institutions to richer countries, he offers no empirical evidence that this negative externality does in fact exist.

Collier (2013) shares Borjas's fears. He worries that immigrants might import both institutions and cultural characteristics that are responsible for their former poverty at home. "Migrants are essentially escaping from countries with dysfunctional social models… The cultures -- or norms and narratives -- of poor societies, along with their institutions and organizations, stand suspected of being the primary cause of their poverty" (Collier 2013, p. 34). Collier offers anecdotes of these impacts in Great Britain, but offers no systematic examination of whether the hypothesized negative effects actually materialize. This paper is the first attempt to examine empirically whether immigrants import poor institutions from their countries of origin to recipient countries.

Borjas and Collier are both somewhat vague about exactly which institutions immigration could undermine. But their concern is clearly that once undermined, the production function in

destination countries will be damaged. A large literature has shown that institutions of economic freedom are important for economic growth. For example, Barro (1996) finds that the rule of law, free markets contribute to economic growth, but finds democratic institutions have a "weakly negative" impact on growth. Barseghyan (2008) finds entry barriers have large negative effects on total factor productivity. Many papers find measures of economic freedom correlate positively with cross-country measures of economic growth (e.g., de Haan and Sturm 2000; Gwartney et al. 2006). Dawson (2003) and Justesen (2008) essentially find that economic freedom Granger causes economic growth. For surveys of this growing empirical literature, see de Haan, Lundstrom and Sturm (2006) and Hall and Lawson (2013).[1]

We examine how migration impacts countries' economic institutions using the *Economic Freedom of the World Annual Report* (Gwartney et al. 2013). That index does not include any direct measure of the restrictiveness of immigration policies themselves. Although migration restrictions are not explicitly measured in the index, it is worth noting that immigration restrictions are, in and of themselves, restrictions on economic freedom. Migration restrictions reduce the freedom to trade internationally because they impede international trade in services (Index Area 4). Although Index Area 4 is the most likely place for immigration restrictions to appear, they could be reflected in other areas as well. Migration restrictions are a form of labor market regulation because they prohibit employers from contracting with prospective foreign-born employees who they may prefer to hire (Index Area 5). Finally, as Meissner et al. (2013) have shown, the United States federal government spends more on border enforcement than on all other federal law enforcement combined, so migration restrictions may directly impact the amount of money the federal government spends (Index Area 1).

There is an enormous literature investigating the impact of immigration on the welfare of the native-born population. Leeson and Gochenour's (2015) and Kerr and Kerr's (2011) recent surveys, like prior surveys (Friedberg and Hunt 1995), acknowledges conflicting empirical results in the literature, but finds the general consensus to be that current levels of immigration bring small but positive increases in the overall income of native-born citizens in recipient countries.[2] Some evidence exists of a negative impact on the least-skilled native-born workers who are direct substitutes for low-skilled immigrants, but even in these cases the empirical magnitude is small (Kerr and Kerr 2011). Regardless, the economic gains to the world economy, and the immigrants themselves, can be quite large (Clemens 2011). Despite the enormity of the immigration literature, very little research has focused on how immigration can impact the institutional environment of recipient countries.

What research has been conducted on the impact of immigration, or racial/ethnic heterogeneity more generally, has usually focused on their impact on the welfare state or provision of public goods. In each case, competing theoretical hypotheses and/or interpretations of the empirical studies are possible concerning how immigration would impact economic freedom on these margins.

Welfare and other public assistance programs typically are more generous in recipient nations than immigrants' homelands. Borjas (1999) and others have argued that these welfare benefits can be magnets that attract immigrants. The obvious question is how immigrants might impact levels of taxation and the welfare and social spending programs of the recipient nations.[3] Immigrants tend to have incomes below the median resident of developed countries. One hypothesis is that redistributionist policies in recipient nations will expand because immigrants will constitute a voting bloc (or social pressure group if not allowed to vote) that agitates for

higher taxes and greater redistribution. An alternative hypothesis is that welfare states will shrink because the native-born population will be less willing to have a large welfare state once many of the benefits are going to immigrants rather than to the native-born population.

Alesina and Glaeser (2004) argue that fractionalization and ethnic heterogeneity are the main reasons that the United States has a smaller welfare state than most Western European countries. The clear implication for this research is that if immigration leads to greater heterogeneity it should shrink welfare states. Razin et al. (2002) propose a median voter model that relies on relative income positions, rather than ethnic fractionalization, to predict that native-born taxpayers will shift their preferences away from high-tax, high-benefits welfare policy more than immigrants, who join the pro-tax, pro-benefits coalition at the bottom of the income distribution. They study 11 European countries from 1974 to 1992, and find that a larger share of low-education immigrants in the population leads to smaller social transfers and lower rates of taxation on labor.

However, other scholarship disputes whether immigration reduces the size of the welfare state. Banting and Kymlicka (2006) point out that most of the evidence on fractionalization comes from sub-Saharan Africa and the United States. In the United States, much of the fractionalization comes from African Americans whose ancestors were brought to the country as slaves rather than voluntary immigrants. They argue that it is a mistake to extrapolate too much from studies about immigration and welfare states.

A greater demand for public education is another way in which immigration might increase the size of government. Greer (1972), Everheart (1977), Butts (1978), Meyer et al. (1979), Ralph and Ruberson (1980), and Bowles and Gintis (2011) all argue that immigration to the United States increased the demand for public education, particularly from native-born

Protestants, who wanted public schools to assimilate immigrant groups that came from Catholic backgrounds.

A literature in sociology finds that immigration heightens people's perceptions of greater risk of unemployment (despite the consensus of the economics literature that there is no such effect) and that people favor a more generous social safety net as a result (Svallfors 1997; Kunovich 2004; Finseraas 2008; Burgoon et al. 2012; Ervasti and Hjerm 2012).[4] Brady and Finnigan (2013) is the most comprehensive and recent of these studies. They look at the effect of both the stock and the flow of immigrants on six measures of the population's views of the welfare state from 1996 to 2006. Their evidence fails to support the view that immigrants make the native born more hostile to the welfare state and provides some evidence in support of the view that immigration makes the native born desire the government to provide a more generous social safety net.

Ethnic fragmentation may impact governance institutions other than welfare state spending. Easterly and Levine (1997) find a negative relationship across countries between ethnic diversity and the shares of government-provided goods such as schooling, electricity, roads, and telephones. Similarly, Alesina et al. (1999) find a negative correlation in U.S. cities, metropolitan areas, and counties between ethnic fragmentation and shares of spending government provided goods such as trash pick-up, roads, sewers, and education. These findings could be interpreted as support for the view that government will be smaller (and economic freedom higher) when there is greater fractionalization, but they could also be interpreted to say that the public goods of the rule of law and security of property rights will be weaker (and thus economic freedom lower) when fragmentation is greater.[5]

Potentially the largest impact that immigrants could have on the well-being of the native-born populations of recipient countries runs through their impact on countries' institutional environments. This paper is the first to examine empirically the impact of immigration on institutions using a broad measure of economic freedom that has been shown to be associated with improved economic outcomes. The next section describes our data and methodology. Section 3 contains our results. The final section concludes.

2. Data and methodology.

Our institutional measure is the *Economic Freedom of the World* (EFW) annual report by Gwartney et al. (2013). The EFW index measures the consistency of a nation's policies and institutions with economic freedom. The report incorporates 43 variables across five broad areas: 1. Size of Government; 2. Legal Structure and Property Rights; 3. Access to Sound Money; 4. Freedom to Trade Internationally; and 5. Regulation of Credit, Labor, and Business. At its most basic level, the EFW index measures the extent to which individuals and private groups are free to buy, sell, trade, invest, and take risks without interference by the state. To score high on the EFW index, a nation must keep taxes and public spending low, protect private property rights, maintain stable money, keep the borders open to trade and investment, and exercise regulatory restraint in the marketplace. Area 1 of the economic freedom index, Size of Government, is of particular interest since it relates directly to the literature debating the impact of immigrants on the welfare state.

Our data on immigrant stocks come from the United Nation's *International Migrant Stock by Destination and Origin* data series (World Bank 2013). The stock of immigrants, expressed as a share of the population, is the main variable of interest. The fraction of immigrants in the population varied from a low of 0.03% in China to a high of 76.96% in

Kuwait. The stock of immigrants from OECD and non-OECD countries was also entered to see if immigrants from poorer countries impact economic freedom differently than immigrants from richer countries. Finally, we used the net inflow of immigrants during the period as an additional way of measuring the scale of immigration.

Our objective is to determine how immigration, measured either as the share of the immigrant population at the beginning of the period or as net inflows over the period, impacts the level of economic freedom at the end of the period. The data cover the 1990-2011 time frame. In the baseline regressions, we include country's initial level of economic freedom in 1990 to control for various long-run historical, cultural, economic, and other factors that influence the level of freedom. Additional controls for political liberalism (measured using Polity IV) and per capita income, both at the beginning and the end of the period, are included as well. In our baseline regressions, entering both the beginning stock of immigrants and the flow of immigrants over time should alleviate concerns about endogeneity. Although increases in freedom may attract more immigrants this would only impact their flow. It is less plausible that the beginning stock of immigrants, which was accumulated over decades of migration, came in expectation of future increases in economic freedom that would occur decades later. In addition, we run a set of difference-in-difference regressions that are even less subject to endogeneity concerns. The difference-in-difference regressions help to alleviate simultaneity concerns about underlying unmeasured factors that may cause interventions into both migration freedom as well as other economic freedoms. Table 1 contains descriptive statistics.

[INSERT TABLE 1]

3. Results.

Table 2A reports our core results for a cross-section of 110 countries. As expected, the level of economic freedom in 1990 is associated with greater economic freedom in 2011. Our main finding is that a larger percentage of immigrants in the population in 1990 is associated with a higher level of economic freedom in 2011. Specifically in Regression 1, we find that a one standard-deviation higher immigrant stock in 1990 is associated with a small but positive 0.14 unit higher score for economic freedom in 2011, or about 0.15 standard deviations. The impact of OECD and non-OECD immigrant shares was positive, although the coefficient is significant only for non-OECD immigrants (Regression 2). Finally, the net inflow of immigrants during the period, as opposed to the stock at the beginning of the period, was included but is insignificant in the baseline regressions in Table 2A.

[INSERT TABLE 2A]

Tables 2B and 2C add additional controls for GDP per capita and Polity IV. In Table 2B, controlling for GDP per capita only, we find somewhat stronger results. In Regression 6, the coefficient indicates that a one standard deviation higher immigration share correlates with a 0.18 higher EFW score in 2011, or about 0.20 standard deviations. In Table 2C, controlling for both GDP per capita and Polity, the results are even stronger, with a one standard deviation larger flow of immigration yielding a 0.34 higher EFW index rating (0.37 standard deviations). Also, in contrast to Table 2A and 2B, the flow of immigrants is statistically related to the EFW index in Table 2C. In Regression 13, for example, the results indicate that a one standard deviation higher flow of immigrants between 1990 and 2010, corresponds to a 0.27 higher EFW index in 2011.

[INSERT TABLE 2B]

[INSERT TABLE 2C]

The final regression in each version of Table 2 includes the immigrant share, immigrant flow, and an interaction term between them. The reasoning behind this specification is straightforward. Perhaps the impact of additional immigrants is especially pronounced when a nation already has attracted a large number of immigrants. That is, the impact of the flow variable is contingent on the level of the share variable (and vice versa). The only instance in which this interaction term was significant is in Table 2C (Regression 15). The negative sign on the interaction term indicates that for any given level of immigration share (flow) a larger flow (stock) would generate less economic freedom. However, the net effect of immigration share (flow) nevertheless is positive for any reasonable value of immigration flow (stock). In short, the interaction term, though statistically significant, is not large enough to reverse the impact of the main coefficients on immigration stock and flow.

Table 3 reports the estimations found in Regression 4 of Table 2 but at the EFW Area level. Whether measured as a stock or a flow, in no case do we find higher immigration to be a statistically significant threat to any area of economic freedom. For Areas 2 (Legal Structure and Property Rights) and 5 (Regulation of Credit, Labor, and Business), the stock of immigrants at the beginning of the period is associated with higher area ratings. That is, countries with more immigrants in 1990, experience stronger private property rights and less regulation over the ensuing two decades. We are not aware of any prior literature predicting either an increase or a decrease in property rights or regulation in response to immigration. However, the evidence does dissuade us of two potential fears of immigration. Immigrants do not appear to bring a desire with them for the corrupt, highly regulated environment from which they often emigrate. Nor do the native born respond to greater immigration by implementing a more stringent regulatory environment in order to preclude immigrants from participating in the economy.

[INSERT TABLE 3]

The inflow of immigrants was found to be statistically related to higher ratings in Area 1 (Size of Government), meaning that more in-migration correlates with less government spending. This finding suggests that even if generous welfare benefits are "magnets" (Borjas 1999), the impact of attracting immigrants to the magnet may end up weakening the magnetic force. This finding is consistent with the view that the native-born population desires a smaller welfare state when larger number of immigrants participate in the economy (Razin et al. 2002; Alesina and Glaeser 2004) and also with the fragmentation literature that finds governments spend a smaller amount on public goods when ethnic fragmentation is greater (Easterly and Levine 1997; Alesina et al. 1999).

Tables 4A, 4B, and 4C report the results of a set of difference-in-difference panel regressions using two ten-year time periods: 1990-2000 and 2001-2011. The four regressions reported there experiment with including and excluding time and country fixed effects. The dependent variable is the change in the EFW index. The main explanatory variable of interest is the change in the immigrant stock from 1990 to 2011, that is, the net inflow over the period. Table 4A shows the baseline model only; Table 4B adds differenced GDP per capita as a control; and Table 4C adds both differenced GDP per capita and differenced Polity IV. Regardless of which controls are entered, only in the final regression in each table, which includes both year and country fixed effects, do we find a relationship between the immigration flow and the economic freedom variable, and once again the relationship is positive. In Regression 32, for instance, the results suggest that a one standard deviation larger immigration flow is related to a 0.26 higher level of EFW in 2011 than in 1990, about 0.24 standard deviations.

[INSERT TABLE 4A]

[INSERT TABLE 4B]

[INSERT TABLE 4C]

Regardless of the immigration measure used or the precise regression specification, we have not found a single instance in which immigration is associated with less economic freedom. It does not appear that immigrants are bringing the poor economic freedom records of their home countries abroad with them.

3. Conclusion.

It is reasonably well established that immigrants bring small but modest economic benefits to the countries they migrate to, but the literature has established little about the impact of migrants on recipient countries' institutions. In the case of open migration, as Borjas (2015, p. 12, emphasis in original) put it, "Unfortunately we know little (read: *nothing*) about how host societies would adapt to the entry of perhaps billions of new persons."

This paper is a step in learning *something* about the impact of immigrants on recipient countries' institutions. Our results indicate that immigration may improve a country's institutions marginally in a manner consistent with more economic freedom. Using our estimate that a one standard-deviation larger immigration stock increases economic freedom by 0.34 points and an estimate for the impact of economic freedom on growth (Gwartney et al. 2006), our results suggest that an increase in the immigrant share of this magnitude will generate a 0.45 percentage point higher long-run annual growth rate. This strikes us as a meaningful impact on economic growth.

Borjas (2015) simulates negative institutional impacts of immigrants to claim that the standard economic estimates of trillions of dollars of gains to the world economy (Clemens 2011) from open immigration are grossly overstated and may, in fact, be negative. Our results

indicate the opposite may be true. The static gains in traditional estimates underestimate the global gains by ignoring the positive general equilibrium impact on institutions. Of course, reasons exist why our results might not be applicable to a world of open borders. Perhaps the social capital of current immigrants is not representative of the social capital of the population that would migrate under alternative policy regimes. But at a minimum, when starting from a baseline of knowing "nothing," our study, which shows that current levels of immigration either improve or fail to impact institutions, should make one skeptical of Borjas's unsubstantiated assumption that immigrants can only negatively impact recipient country institutions.

The usual caveats apply to this study. Although the use of economic freedom at the beginning of the period effectively controls for numerous omitted fixed effects, it is conceivable that relevant variables that vary over the time period have been omitted. Also, it is not obvious what the appropriate time horizon is to investigate the impact of immigration on the receiving countries' institutions. Most of the time, immigrants are not immediately eligible to vote, though they may still influence the political process by other means. Finally, we cannot tell with the data at hand whether any changes in institutional quality are a function of the preferences of immigrants themselves or the reactions of the natives to the immigrants. Furthermore, other factors that immigration may impact have been shown to be important for growth, such as culture and informal institutions (Williamson 2009); they should be examined in future research.

Overall, we find some evidence that larger immigrant population shares (or inflows) yield positive impacts on institutional quality. At a minimum, our results indicate that no negative impact on economic freedom is associated with more immigration.

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TABLE 1. Descriptive statistics of primary data set.

Variable	Obs	Mean	Std. Dev.	Min	Max
Economic Freedom 1990	110	5.698	1.354	2.690	8.730
Economic Freedom 2011	110	6.866	0.923	3.930	8.970
Immigrant Percent	110	0.074	0.123	0.000	0.770
OECD Immigrant Percent	110	0.014	0.031	0.000	0.220
Non-OECD Immigrant Percent	110	0.060	0.117	0.000	0.754
Immigrant Net Inflow, 1990-2010	110	0.078	0.336	-0.100	3.327
Polity, 1990	103	2.631	7.280	-10.000	10.000
Polity, 2011	102	5.500	5.310	-8.000	10.000
Log GDP (PPP) per capita, 1990	106	3.859	0.529	2.733	5.063
Log GDP (PPP) per capita, 2011	108	4.019	0.551	2.817	4.949
Area 1: Size of Govt, 2011	109	6.514	1.280	3.640	9.023
Area 1: Size of Govt, 1990	108	5.551	1.520	1.999	9.312
Area 2: Legal System, 2011	109	5.596	1.706	2.154	8.907
Area 2: Legal System, 1990	105	5.311	1.923	1.953	8.347
Area 3: Sound Money, 2011	109	8.122	1.3940	3.222	9.775
Area 3: Sound Money, 1990	109	6.430	2.411	0.000	9.794
Area 4: Int'l Trade, 2011	109	7.061	1.1809	1.782	9.356
Area 4: Int'l Trade, 1990	107	5.436	2.358	0.000	9.970
Area 5: Regulation, 2011	109	7.008	1.032	4.345	9.278
Area 5: Regulation, 1990	109	5.691	1.473	1.578	9.430

TABLE 2A. Economic Freedom and Immigration

Regression	1	2	3	4	5
LHS	EFW, 2011	EFW, 2011	EFW, 2011	EFW, 2011	EFW, 2011
Economic Freedom, 1990	0.371*** (0.055)	0.357*** (0.062)	0.389*** (0.054)	0.371*** (0.056)	0.354*** (0.059)
Immigrant Stock, 1990	1.130* (0.607)			1.073 (0.775)	0.980 (0.783)
OECD Immigrant Stock, 1990		2.484 (2.684)			
Non-OECD Immigrant Stock, 1990		1.067* (0.621)			
Immigrant Net Inflow, 1990-2010			0.270 (0.218)	0.033 (0.277)	0.993 (1.104)
Flow-Stock Interaction					-1.367 (1.522)
Constant	4.667*** (0.311)	4.732*** (0.337)	4.628*** (0.314)	4.670*** (0.314)	4.744*** (0.325)
Adjusted R^2	0.362	0.357	0.350	0.356	0.354
n	110	110	110	110	110
Years	1990-2011	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

TABLE 2B. Economic Freedom and Immigration

Regression	6	7	8	9	10
LHS	EFW, 2011	EFW, 2011	EFW, 2011	EFW, 2011	EFW, 2011
Economic Freedom, 1990	0.163** (0.064)	0.164** (0.066)	0.184*** (0.064)	0.168** (0.065)	0.167** (0.066)
Immigrant Stock, 1990	1.471** (0.686)			1.184 (0.970)	1.179 (1.003)
OECD Immigrant Stock, 1990		1.449 (2.380)			
Non-OECD Immigrant Stock, 1990		1.472** (0.698)			
Immigrant Net Inflow, 1990-2010			0.362* (0.201)	0.119 (0.283)	0.142 (1.022)
Flow-Stock Interaction					-0.033 (1.352)
Log GDP (PPP) per capita, 1990	-1.401*** (0.465)	-1.401*** (0.468)	-1.391*** (0.476)	-1.441*** (0.477)	-1.441*** (0.480)
Log GDP (PPP) per capita, 2011	2.034*** (0.427)	2.034*** (0.429)	2.042*** (0.436)	2.068*** (0.436)	2.067*** (-0.439)
Constant	3.095*** (0.491)	3.093*** (0.528)	2.977*** (0.484)	3.104*** (0.493)	3.107*** (0.514)
Adjusted R^2	0.506	0.501	0.500	0.502	0.497
n	106	106	106	106	106
Years	1990-2011	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

TABLE 2C. Economic Freedom and Immigration

Regression	11	12	13	14	15
LHS	EFW, 2011	EFW, 2011	EFW, 2011	EFW, 2011	EFW, 2011
Economic Freedom, 1990	0.123*	0.140**	0.143**	0.129**	0.100
	(0.063)	(0.065)	(0.062)	(0.063)	(0.063)
Immigrant Stock, 1990	2.767***			1.498	1.010
	(0.813)			(1.056)	(1.062)
OECD Immigrant Stock, 1990		0.338			
		(2.298)			
Non-OECD Immigrant Stock, 1990		3.100***			
		(0.863)			
Immigrant Net Inflow, 1990-2010			0.812***	0.541*	2.855**
			(0.224)	(0.293)	(1.131)
Flow-Stock Interaction					-3.026**
					(1.431)
Polity, 1990	-0.008	-0.006	-0.010	-0.006	0.002
	(0.016)	(0.016)	(0.016)	(0.016)	(0.016)
Polity, 2011	0.061***	0.065***	0.065***	0.066***	0.073***
	(0.018)	(0.018)	(0.018)	(0.018)	(0.018)
Log GDP (PPP) per capita, 1990	-1.626***	-1.646***	-1.669***	-1.780***	-1.781***
	(0.468)	(0.467)	(0.465)	(0.469)	(0.460)
Log GDP (PPP) per capita, 2011	2.085***	2.105***	2.156***	2.190***	2.035***
	(0.434)	(0.434)	(0.434)	(0.432)	(0.431)
Constant	3.575***	3.461***	3.432***	3.711***	4.390***
	(0.690)	(0.696)	(0.660)	(0.685)	(0.745)
Adjusted R^2	0.550	0.551	0.556	0.561	0.577
n	99	99	99	99	99
Years	1990-2011	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

TABLE 3. Economic Freedom Area Ratings and Immigration

Regression	16	17	18	19	20
LHS	Area 1, 2011	Area 2, 2011	Area 3, 2011	Area 4, 2011	Area 5, 2011
Economic Freedom, 1990	-0.044 (0.124)	0.363*** (0.107)	-0.056 (0.112)	0.104 (0.074)	0.265*** (0.088)
Immigrant Stock, 1990	0.545 (2.098)	3.671** (1.804)	-0.595 (1.890)	1.407 (1.243)	2.674* (1.483)
Immigrant Net Inflow, 1990-2010	1.524** (0.576)	-0.271 (0.496)	0.700 (0.519)	0.556 (0.341)	0.179 (0.407)
Polity, 1990	0.038 (0.031)	-0.035 (0.027)	-0.034 (0.028)	-0.006 (0.018)	0.006 (0.022)
Polity, 2011	0.030 (0.035)	0.062** (0.030)	0.132*** (0.032)	0.084*** (0.021)	0.022 (0.025)
Log GDP (PPP) per capita, 1990	-2.786*** (0.927)	-2.002** (0.797)	-1.007 (0.835)	-1.922*** (0.549)	-1.259* (0.655)
Log GDP (PPP) per capita, 2011	1.271 (0.853)	3.508*** (0.733)	2.359*** (0.768)	2.599*** (0.505)	1.279** (0.603)
Constant	11.907*** (1.354)	-3.296*** (1.164)	2.265* (1.220)	2.909*** (0.802)	4.862*** (0.957)
Adjusted R^2	0.179	0.646	0.439	0.594	0.321
n	98	98	98	98	98
Years	1990-2011	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

TABLE 4A. Economic Freedom and Immigration, Difference-in-Difference Results

Regression	21	22	23	24
LHS	Differenced EFW	Differenced EFW	Differenced EFW	Differenced EFW
Immigrant Net Inflow, 1990-2010	-0.330 (0.437)	-0.134 (0.408)	0.525 (1.104)	1.656* (0.975)
Constant	0.624*** (0.624)	0.926*** (0.074)	1.308** (0.637)	1.630*** (0.555)
Year Fixed Effects	N	Y	N	Y
Country Fixed Effects	N	N	Y	Y
Adjusted R^2	-0.002	0.139	-0.175	0.117
n	220	220	220	220
Years	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

TABLE 4B. Economic Freedom and Immigration, Difference-in-Difference Results

Regression	25	26	27	28
LHS	Differenced EFW	Differenced EFW	Differenced EFW	Differenced EFW
Immigrant Net Inflow, 1990-2010	-0.174 (0.443)	0.124 (0.417)	0.580 (1.108)	2.045** (1.011)
Differenced Log GDP per capita	0.580 (0.620)	1.183** (0.588)	-1.213 (1.034)	0.475 (0.960)
Constant	0.561*** (0.077)	0.810*** (0.084)	1.505** (0.628)	1.534*** (0.553)
Year Fixed Effects	N	Y	N	Y
Country Fixed Effects	N	N	Y	Y
Adjusted R^2	-0.003	0.128	-0.112	0.137
n	214	214	214	214
Years	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

TABLE 4C. Economic Freedom and Immigration, Difference-in-Difference Results

Regression	29	30	31	32
LHS	Differenced EFW	Differenced EFW	Differenced EFW	Differenced EFW
Immigrant Net Inflow, 1990-2010	-0.058 (0.448)	0.151 (0.419)	0.870 (1.146)	2.098** (1.024)
Differenced Polity	0.019 (0.015)	-0.006 (0.015)	0.026 (0.026)	-0.028 (0.024)
Differenced Log GDP per capita	0.769 (0.663)	1.135* (0.621)	-0.548 (1.229)	0.208 (1.080)
Constant	0.532*** (0.086)	0.837*** (0.098)	1.396** (0.646)	1.622*** (0.564)
Year Fixed Effects	N	Y	N	Y
Country Fixed Effects	N	N	Y	Y
Adjusted R^2	-0.002	0.130	-0.152	0.124
n	193	193	193	193
Years	1990-2011	1990-2011	1990-2011	1990-2011

*** denotes statistically significant at p=0.01. ** denotes statistically significant at p=0.05. * denotes statistically significant at p=0.10.

Notes

[1] Comparatively little work has been done on the causes of economic freedom. There is some evidence that economic freedom is enhanced by fiscal decentralization (Cassette and Paty 2010), more educated politicians (Dreher et al. 2009), and by the competitiveness of the political environment (Leonida, Patti and Navarra 2007). Djankov et al. (2003a, b), and Bjornskov (2010) examined the determinants of legal institutions consistent with economic freedom. Finally, La Porta et al. (1999) looked at the determinants of various other aspects of economic freedom, such as marginal tax rates and government fiscal size and scope.

[2] Despite the small net gain, Powell (2012) shows that with substantial transfers the rent-seeking costs to policy changes could be much larger than the standard Harberger triangles.

[3] A separate and distinct question, on which there is a larger amount of research, is what the fiscal impact is of immigration given current tax and spending policies. On this point there is less consensus than on the impact of immigrants on the employment opportunities and wages of natives. The fiscal impact of immigration varies considerably depending on the country studied, the characteristics of the immigrants, and model estimated. In general, though, if a consensus has been reached, it is that the net fiscal impact is small. See Kerr and Kerr (2011) for a survey.

[4] This is consistent with Rodrik (1998), who finds that the more open a country is to international trade, the larger government expenditures are as a percentage of GDP so as to mitigate the population's risk from fluctuations in the international market.

[5] Dimant, Krieger and Redlin (2013) found that immigrants increase corruption in recipient countries when they come from corruption-ridden countries. Our measure of property rights and law is broader than just corruption, but contains some components related to corruption.