

More Immigration Does Not Mean Less Economic Freedom

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It is not easy to maintain a society's commitment to freedom and limited government. The social consensus on which these values are based requires constant work. And many conservative intellectuals fear that large-scale immigration, especially from poor and unfree countries, makes this job much harder because immigrants bring with them the attitudes and beliefs of their home country that have an impact on their destination countries.

However, new research shows that the fear that immigration undermines economic freedom may be overblown.

Conservative pundit Victor Davis Hanson, expressing such anxieties, recently wrote that borders naturally arise to reflect common bonds of language, culture, habit, and tradition. And "when borders disappear" because there is no control over who comes in, these ties "become attenuated." Similarly, British scholar Paul Collier observes that "migrants are essentially escaping from countries with dysfunctional social models" that are the "primary cause of their poverty." Letting these migrants bring their culture and norms risks compromising their new countries' institutions.

Even the famed Austrian-school economist Ludwig von Mises, who viewed free migration as an essential component of the (classical) liberal program, feared that in any country where the state already intervenes in the economy, migrants might exploit opportunities to further erode the economic freedom of the native-born.

The main evidence for such fears has been offered by Harvard University's George Borjas. In a paper and a recent book he argues that estimates showing that opening up the borders would result in trillions of dollars in gains in global wealth assume that immigrants don't compromise the institutional environment of their destination that makes them prosperous. "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?," he asks. He then proceeds to model the impact on national productivity given various levels of immigration and concludes that with enough immigration, productivity losses from negative "spill overs" become greater than economic gains. But he simply assumes the levels of negative spill overs that he models. He offers no evidence that such spill overs actually exist in the first place.

A new strain of research, which I have contributed to, has examined the relationship between increased immigration and changes in the destination countries' economic freedom. It finds the exact opposite of what these critics contend.

The first of these studies in 2015, which I co-authored, examined whether immigrants undermine economic institutions as measured by the *Economic Freedom of the World Annual Report*. This economic freedom index, which includes the size of government, the security of property rights, the integrity of the monetary system, the freedom to trade internationally, and the amount of government regulation, is a reasonable proxy for the type of institutions that conservatives worry immigration might destroy. Prior research has found a strong relationship between greater economic freedom and prosperity.

Our study compared 110 countries to examine how immigration impacted their economic freedom from 1990 to 2011. We examined how the economic freedom of countries with a greater initial percentage – "stock" -- of immigrants in 1990 was impacted 20 years later. We also examined how economic freedom was impacted in countries that allowed a greater "flow" of immigrants between 1990 and 2011.

We found that rather than decreasing economic freedom, there was a statistically significant positive correlation between more immigration and more economic freedom. In the 32 reported regressions, some of which parsimoniously controlled for only immigration measures and initial levels of freedom, while others controlled for multiple other factors which might influence changes in economic freedom, we did not find a single instance of a statistically significant negative relationship between immigration and economic freedom.

A similar study by Metropolitan State University of Denver's Alexandre Padilla and Nicolas Cachanosky examined how immigration affected economic freedom at the state level using the *Economic Freedom of North America Annual Report*. This index measures state level government spending, taxation, and labor market regulation. The study looked at how the immigrant share of a state's population and the naturalized-citizen share of the voting population impacted economic freedom in the state over 10-year periods between 1980 and 2010.

The study was unable to find a statistically significant relationship between either the immigrant or naturalized-citizen share of the population and state-level economic freedom, despite the fact that the foreign population in the United States more than doubled while the native-born population increased less than 18 percent during the final 20 years of analysis. In other words, more immigrants did not have any impact on the economic freedom in a state.

Critics could object that these studies were based on immigration samples taken in a world where migration flows have been tightly managed in terms of both the quantity and quality of migrants. Hence their findings can't be used to generalize to a world with little to no border controls. Perhaps these immigrants haven't reached the critical mass necessary to erode freedom. And perhaps there is a selection bias in the admission of immigrants that would not be present in a world of more open borders.

But another new study I coauthored with University of Tennessee's J.R. Clark and Cato Institute's Alex Nowrasteh, addresses these issues by examining a limited form of open borders in Israel. Israel restricts the immigration of non-Jews, but the "Law of Return" allows all Jews to emigrate to Israel regardless of their country of origin and gives them instant full citizenship, with the right to vote, upon arrival.

When the Soviet Union reduced its emigration restrictions and subsequently collapsed, migrants flowed en masse into Israel. The new Russian immigrants, who had a 70-year history of living under socialism with a lack of economic and political freedom, amounted to 20 percent of Israel's population by the end of the 1990s.

Yet the result was a dramatic *increase* in Israel's economic freedom. Israel catapulted from 15 percent below the global average in economic freedom to 12 percent above it, improving its ranking among countries by 47 places. With the exception of the size of government, all the major areas of economic freedom (such as the security of property rights, the freedom to trade internationally, freedom from regulation, and the soundness of their money), improved significantly. The size of government temporarily increased because, as citizens, the new immigrants were immediately eligible for government transfers. But even this measure eventually improved after the immigrants were economically integrated.

The gain in economic freedom occurred even though the new immigrants were politically active both in terms of influencing the two major parties and forming their own immigrant parties, which is unusual for immigrants. So if they were "importing" their attitudes to the new country, it would have showed. Yet far from bringing socialism's lack of economic freedom with them, they seem to have rebelled against economic control. In fact, in recognition of this, the left

leaning labor party even stopped using the color red in their campaign materials out of fear that it would cost them immigrant votes.

An obvious objection to this study is that Israel is a special case because migrants who come there feel a deep affinity with it, which is not necessarily the case for more "opportunistic" immigrants. But surveys indicated that most Russian Jews would have preferred another destination had one been practical. Also, they were different from Israel's local population because nearly all spoke Russian and few spoke a Jewish language. And few of them were religious. (The Law of Return applies to descendants of Jews and their non-Jewish spouses.) The sociologists who have studied these migrants have classified them as 'normal' migrants who came because of "push motives" from their origin country, just like other migrants.

These empirical studies can't definitively say why immigrants don't negatively, and often positively, impact economic freedom. But I suspect that immigrants who leave a dysfunctional social system are not a random sample of a country's population and are unlikely to desire to recreate what they sought to escape in their new countries. Is there a more rabidly anti-socialist voting block in the United States than Cuban immigrants? They might be an extreme example, but there might be an element of them in other migrants from other unfree countries as well.

To be sure, these new studies are preliminary and don't decisively settle the issue. Much research remains to be done. However, they should make us more skeptical of those who fear that increased, or even unrestricted, migration would necessarily erode the economic freedom that makes destination countries prosperous.