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MASTER THESIS

**Migration and Economic Voting Outcomes:
Theory and Empirics from Moldova**

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Declaration of Authorship

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Prague, July 30, 2015

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Abstract

The focus of the present research is to explore several dimensions and their interconnections: migration, election results and implemented policies. It will analyse how emigration is affecting the elections results and voting patterns, of both, migrants and non-migrants, thus influencing the undertaken policies and institution development in the home country. This thesis is based on evidence from Republic of Moldova, an Eastern European country with a Soviet Union heritage. The study covers the years 1998-2010 using data for 6 election results in Moldova and data about emigration during the corresponding years. The key assumption, confirmed in this thesis is that with increase of number of emigrants to the West countries, especially countries of European Union, the percentage of votes offered to Communist Party decreases, while there is a positive connection between the number of emigrants to eastern countries, namely Russia, and the number of votes given to Communist Party. Therefore, the migrants have different voting patterns from non-migrants, which with time are passed to their families and connections in the home country, using the spillover effect and hence being able to change the political and economic institutions in the home country. Data is modelled using OLS and GMM.

JEL Classification

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Keywords

Migration, elections, voting outcome,
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Acronyms

ADEPT	Association for Participative Democracy (Moldova)
CBS-AXA	Centre for Sociological Investigations and Marketing “CBS-AXA”
CIS	Commonwealth of Independent States
CPI	Corruption Perception Index
EU	European Union
FE	Fixed Effects
GDP	Gross Domestic Product
GMM	Generalized Method of Moments
HDI	Human Development Index
IOM	International Organization for Migration
NBM	National Bank of Moldova
NBS	National Bureau of Statistics of Moldova
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PPP	Purchasing Power Parity
RE	Random Effects
WGI	Worldwide Governance Indicators

Master Thesis Proposal

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Proposed Topic:

Migration and Economic Voting Outcomes: Theory and Empirics from Moldova

Topic Characteristics:

Recent papers and research, such as Acemoglu, Johnson and Robinson, 2005, had stressed the interconnection between institutions and economic growth and had identified the factors determining development of institutions. And yet, one of this factors was less analysed, namely – migration. It is well known that migration is affecting social, economic and political aspects of life of sending, as well as hosting countries. Thus, my work will focus on several dimensions and will show interconnection between migration, implemented policies and ultimately economic development. I will try to confirm that emigration is affecting election results and voter patterns in the home country, thus influencing institutions and economic growth. All these aspects will be incorporated into a model based on voter outcomes of the migrants and will be empirically tested. The research will be based on evidence from Republic of Moldova – a country severely affected by migration: nearly one million out of four is abroad and the level of annual inflow of remittances is 29% of GDP (Ganta, 2012). Another reason for choosing Moldova for research is the prolonged political crisis, change of communist government and numerous elections held in 2009 and 2010. The main data sources will be National Bureau of Statistics of Moldova, OECD database, International Organization for Migration, Central Electoral Commission of Moldova, information from Moldavian Diasporas and Embassies, survey agencies, records from independent observers of elections, think-tanks and the website alegeri.md.

Hypotheses:

1. Migrants voting actions are influenced by the institutional setting of the host country, namely as concerns democratic values and economic development.
2. Voting behaviour of the migrants change electoral outcome and define policy in home country.
3. Voting patterns of the migrants will have spillover effect to non-migrant households, thus transmitting the values gained in the host country.
4. Migrants vote less likely than non-migrants, having a worse cost-benefit ratio for voting participation.

Methodology:

The main purpose is to test whether there is a causal relationship between emigration and electoral outcomes and if emigration can boost political and economic change in a developing country. In order to control for electoral outcomes before massive migration wave took off in Moldova, the model will use electoral data starting with 1998 until the last parliamentary elections from 2010. Thus a dynamic-panel regression will be used to determine the inter-effects. In a panel dimension unlike a cross-sectional study, it is possible to control for unobservable heterogeneity, hence for all time-invariant variable, allowing for dynamics and using internal instruments to account for endogeneity. Data on migration and voter results will be disaggregated at the national and community level, among 35 districts of Moldova and at international level by destination countries. One of the challenges will be to find accurate data, as information on number and destination of migrants can be inaccurate, especially on district level, due to illegal emigration. Another issue can be related to self-selection of destination of migrants – people decide themselves where to leave, and this can be closely connected to their political and economic views. Another factor which would be interesting to include in the model is the number

of returners to Moldova, which supposedly is correlated to their level of satisfaction with political and economic change. As well, in order to offer more precise results, among other variables, age and education of migrants will be included in the model.

Outline:

1. Theoretical background
 - a. Theories behind institution performance and economic development
 - b. Realities of Moldova on migration issue
 - c. Elections in Moldova
2. Methodology
 - a. Data Description
 - b. Model Description
3. Does migration affects voter outcome?
 - a. Empiric results interpretation
 - b. Influence of host country on migrants: transfer of values
 - c. Community spillovers
 - d. Effects on local and national economy through voter outcome performed by emigrants
4. Concluding remarks

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1 Introduction

The research will be based on evidence from Republic of Moldova, an Eastern European country with a Soviet Union heritage. The main arguments to choose Moldova for the study, are based on several important aspects: firstly, Moldova is a country severely affected by migration, having abroad 17% of its population and remittances constituting in 2013 25% of country's GDP (according to National Bank of Moldova); secondly, during its relatively short history as independent state, Moldova had 7 elections in the period between the years 1994-2010, with a high share of Communist Party, which held the government for 8 years (2001-2009), and finally Moldova is considered a developing country, with increased level of corruption and a pronounced need for reforms. These aspects are amplified by the following past and future events which influence the political, social and economic life of the country and shape its development: in May 2014 took place a new Population Census which will help determine new and more accurate estimations regarding the number of migrants; in November 2014 took place Parliamentary elections, which results are decisive for further country's development after 4 years of a Coalition government; and finally and probably the most important aspect is signing on 27 June 2014 of Association Agreement with European Union, meaning engagement taken by Moldova towards reforms including on fighting corruption, increasing the rule of law, free market principles and economic reforms.

The objective of the present research is to investigate several elements and the way they interconnect, and more precisely: migration, election results and implemented policies. It will analyse how emigration is affecting the elections results and voter patterns, thus influencing the undertaking policies and institution development in the home country. Perez-Armendariz (2010) on example of migrants to United States had concluded that international migrants contribute to changes in their sending communities, through various communication channels with their families and acquaintances at home country, such as: money sent to their families, Internet, phone etc. Although, emigrants who continue to stay in the destination country are more likely to spillover to their home country attitudes and beliefs they had experienced,

either than individuals returning to original country. White et al. (2008) bring similar proves on political resocialization on the example of Canada, indicating that re-migration beliefs and attitudes are subject of change, showing exposure to culture and environment of the destination country. Degree and speed of adaptation depends on past experiences of migrants and political environment of migrants' home country, as well as on the level of contact that emigrants have with economic and politic institutions from the host country. There is also evidence from psychological point of view, that there is a pattern of continuous change on how people adjust to new cultural environment, gradually taking over the beliefs and habits of their new society, described as process of acculturation (Berry, 1997).

The thesis has the following structure. Chapter 2 gives some details about Republic Moldova and its historic background. Chapter 3 covers theories about economic and political institutions and measuring their performance. Also, Chapter 3 presents migration as a factor for institution efficiency. Next, Chapter 4 presents arguments for elections and migration as triggers for development. The same Chapter gives and overview about election and migration processes in Moldova. Chapter 5 represents the analytical part, introducing the model, the used data and variables, as well as the key results of applied regressions. Chapter 6 offers inputs about interpretation of results, connecting them to the thesis hypothesis and assumptions. And finally, Chapter 7 comes with conclusions, summarizing the research and main findings.

2 Historic background of Moldova

The modern history of Moldova or how it's officially called – Republic of Moldova – starts in the year 1991, when the former Moldavian Soviet Socialist Republic declared its independence from the Soviet Union. But the story of Moldova goes beyond this year and there are some historical facts that should be mentioned in order to better understand the specifics of the country, its ties with the East (namely Russia and other CIS countries) and West (namely European Union). Moldova is a small country, counting 3,555,200 million people (according to National Bureau of Statistics), while in 1992, after gaining the independence the population was over 4,3 million (according NBS). Facing economic difficulties in post-independence years, a high percentage of the population left abroad, legally and illegally, especially starting with the year 1998. Lacking accurate official statistics regarding the number of emigrants, the alternative surveys illustrate that over 17% of the population is abroad. Emigration is divided in two directions: to the East (to Russia) and to the West (to European countries, USA). Characteristics of the migration are described in the Chapters that will follow. Although categorized by The World Bank as a lower middle income country, for the last years Moldova is stereotyped as the poorest country in Europe, according to its GDP (*Figure 2.1*). If in 1993 GDP per capita was 640 USD, for the year 2013, this indicator increased to 2,203 USD per capita (*Figure 2.1*). The weakness of the economy is that GDP is mostly based on remittances that are sent from abroad – around 25%, according to National Bank of Moldova – and not based on trade or other economic activities.

Moldova and its people's perceptions are very much separated between the West and East. The population aged over 50 are still nostalgic to the Soviet time period, refusing to adjust and accept new realities. At the same time, Moldova was part of Romania before 1812 and during the interwar period, thus having strong links with this neighbouring country and having the connection with the European Union especially through Romania. And although officially, according to the 2004 population census, in Moldova there are only 6% of Russians and 8 % of Ukrainians, population faces large self-identity issues, not having a clear identification as a nation

or ethnicity. And this is supported by the existence of the separatist and politically unrecognized region of Transnistria, with presence of Russian troops on the border and the autonomous region of Gagauzia in the South with gagauz ethnicity, both regions being supporters of Russia.

The relationship between Moldova and Russia is getting complicated. Moldova lacks natural energy resources; therefore it imports most of it from Russia, creating thus resource dependence. As well, Russia was a large market for Moldova's wines and fruits, and country's economy was put in a difficult situation, when Russia imposed embargo on wines from Moldova (in 2006 and 2013) and on fruits (in 2005 and 2014), using these for political manipulation. Even though Moldova exported mostly to Commonwealth of Independent States, starting with 2006, this share began to diminish in favor of European Union countries, and according to NBS, in 2012, 46% of exports were done in EU and 38% to CIS countries.

The decision of Moldova between East and West is more pronounced over the last years and is expressed during the elections. Between 2001 and 2009, Moldova had a Communist president, Parliament and Government. And in 2009 four opposition parties established an alliance and formed the majority, establishing European Integration as one of the priorities. In 2014 the visa free regime with EU was established, opening thus the borders for Moldova's citizens, offering them the opportunity for increased mobility, for taking over new perceptions and beliefs from Western countries, but also for new migration. During the same year, Association Agreement with EU was signed and ratified, as well as the Deep Comprehensive Free Trade Agreement, opening thus for Moldova new markets and economic possibilities. In November 2014, there were new legislative elections and three pro-European parties succeeded to the Parliament, having the advantage of just 9 seats to Socialist and Communist Party.

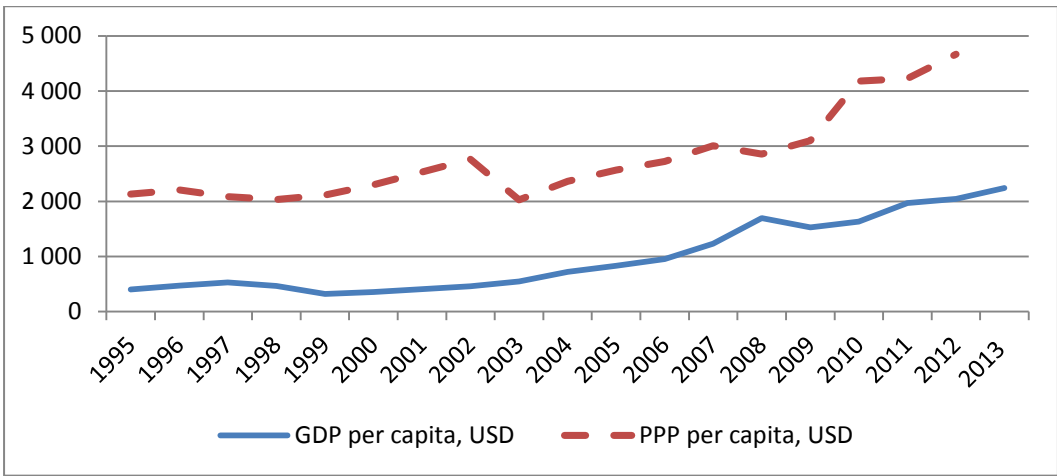


Figure 2.1 GDP and PPP per capita, USD, for Moldova (1995-2013)

Source: based on data from The World Bank

The next Chapters will include more specific details about Moldova’s political and economic development and perspectives. Being in the era of media and information, people are influenced by the outside factors, which shape their mentality, emotions and actions. Ultimately this is expressed through voting behaviour which shows people’s preferences and attitudes. Being a country with increased level of migration, the role and the spillover effect of the diaspora and migrants into the behaviour, self-identification and ideas of those remaining in the home country cannot be diminished.

3 Theoretical background

The third Chapter of the thesis will introduce theories about the institution performance and will bring arguments about the important role played by the institutions for a country's development, making difference between economic and political institutions. The last part of the chapter will reveal theoretical connection between the migration and institutions, highlighting migration as a significant factor for development and performance of institutions and ultimately of a country as a whole, migration having the capacity to change the system of a state and to modify the citizens' preferences.

The country of Moldova is continuously influenced and reminded of its communist history, not being able to totally over past it, separating population in different groups. Alesina et al. (2005) analyse Germany development after reunification of East and West Germany. They found that East Germans, who lived under Communist regime almost fifty years, prefer more the state intervention and are in favor of redistribution compared to West Germans. Although they found evidence that preferences of East Germans converge to those from West, it will take one or two generations, meaning it has to pass on average 20-40 years, in order to share same points of view. Thus, it shows that people's preferences are shaped and influenced by their past experiences of regime they lived in. Although, Katchanovski (2000) finds no significant dependency between the number of years spent under communism and economic growth. These researches suggest that even though Moldova will engage to democratic values and will tend to introduce new reforms to adjust its policies to European standards, it may take more generations for the citizens' beliefs and preferences to fully converge to the European ones.

3.1 Theories behind institution performance and economic development

One of the firsts and more complete definitions given to "institutions" was offered by North (1991), who sees the institutions as "the rules of the game of as society or more

formally, are the humanly devised constraints that structure human interaction”. He devises these rules/constraints in two types: formal, such as law and regulations and informal, which can be observed in attitudes, behaviour, codes. Acemoglu has a series of researches about the role and significance of institutions in development and sustainability of a nation, concluding that economic and political institutions lie on the basis of a state prosperity (Acemoglu & Robinson, 2013).

The key aspect to be analysed in institutions is whether economic and political institutions are extractive or inclusive, says Acemoglu & Robinson (2013). Inclusive economic institutions are the ones supporting investment, economic opportunities, ensuring property rights and productivity growth, free entry for business, access to education, better allocation of resources. And inclusive political institutions are described by Acemoglu & Robinson (2013) as institutions granting citizen participation and involvement in decision-making, establishing at the same time rule of law and pressure on politicians, leaving some degree of centralization to be able to apply order. By contrary extractive economic and political institutions “extract incomes and wealth from society”, by having insecure property rights, regulation stopping free markets, lack of order and participation. A typical example is Soviet Union. Economic growth under extractive institutions is possible, but it will for short-term, with no sustainability.

All this leads to the central idea expressed by Acemoglu & Robinson (2013), that becoming a developed nation lies in the role of politics, namely distribution of political freedom, power and rights within the society, on this depending how the ruling elite will organize country’s political and economic institutions. The correct political environment will create incentives for inclusive economic institutions and consequently a sustainable economic growth and wealth.

North (1990) argues that institutions were created to establish order and diminish the uncertainty, creating incentives for economy development. But institutions expand connecting past with present and future, outlining the direction of economic progress: decline, stagnation or growth.

3.2 Economic institutions

As mentioned previously and depicted by Acemoglu & Robinson (2013), economic institutions include property rights, regulations for an open market, possibilities for investment and business operation. In another of his works, Acemoglu et al. (2005) highlights that economic institutions are crucial because they shape economic incentives for a state development. Through economic institutions resources are distributed to users that will maximize its benefits. By enforcing property rights, individuals increase their incentives to invest into human or physical capital and to participate in economic activity of the state, bringing innovation and having secured at the same time equality before the law.

Property right is the authority to establish how a resource is being used, either by the government or individuals, depending on who owns the resource (Alchian, 2008). The aim thus will be to extract the most valuable use of the resource, people competing for control of resources, being influenced by the preferences of the rest of the society. Alchian (2008) brings the example of socialism as a system with weak or almost inexistent property rights, when the resources are “commonly owned”. Under this kind of system, agents exercising control over the resources have no rights to maximize its value and utility, thus they don’t have any motivation to change the market values.

Acemoglu et al. (2005) creates a chart of inter-connection between economic institutions and other factors, emphasizing distribution of political power, which is the influence of a group or individual on political and economic field, when policy decisions are taken. Firstly, economic institutions, together with cultural and geographic characteristics are important for economic performance of a state. However, economic institutions are the ones making the difference between level of development of different nations, shaping incentives for investment and distribution of resources, leading to economic development. Secondly, institutions are endogenous, meaning they are determined and influenced by the society and its preference, expressing a collective choice. As consequence, differences in choices can lead to conflict between groups and the only way to determine which preference will succeed is political power of the groups. That is one more reason to speak about

people’s behaviour and attitude, which are partially expressed during elections. Elections determine the political power of one group or another, delegating it the authority to set economic institutions. And the third fact in the system described by Acemoglu et al. (2005) is distribution of political power in the society: de jure or de facto. De jure political power expresses type of political institutions, which have the authority to determine the constraints of the system. In a democracy, the majority, voted during elections, will have allocated more de jure political power. While de facto political power exceeds political institutions, referring to groups that have economic resources and have the capacities to use them, even if they don’t have de jure power. All these aspects are depicted in *Figure 3.2.1*,

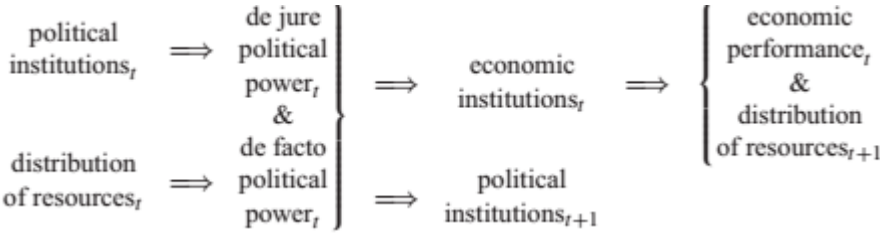


Figure 3.2.1 Economic and political institutions

Source: Acemoglu et al. (2005), “Institutions as a Fundamental Cause of Long-Run Growth”

3.3 Political institutions

The issue of interconnection between democracy and economic performance is a highly debated issue, and main question is what comes first? Lipset (1959) is the main supporter of the theory that “economic growth leads to democracy”, and high economic and social achievements are preconditions for a democracy establishment, Acemoglu (2005) adds that economic development alone doesn’t bring democracy, it needs as well cultural factors. Inglehart & Welzel (2005) create the chain of events: economic development allows people to pay attention to self-expression values and self-expression will serve to empower people and search for democratic values. While Rustow (1970), Joseph et.al. (2004) or Kapstein (2008) argue that the link is in opposite direction: social and economic welfare are in fact consequences of democratization and democracy should come before expanding economic growth, especially in developing countries (such as Moldova).

As Huntington (1991) states: “economic development makes democracy possible; but political leadership makes it real”. In addition, Diamond (1999) names three types of political institutions which must be consolidated in order to proceed to democracy strengthening: (1) state administrative structure; (2) representation and governance institutions (as political parties, electoral system, legislatures); (3) structures ensuring horizontal accountability and the rule of law (oversight agencies, judicial system). New democracies are instable in at least one of these characteristics, Moldova not being an exception.

Some questions appear at this stage, and more precisely what kind of Parliament will express best people’s expectations and needs? Should it be composed of multiple parties, who represent different groups, perspectives and ethnicities? According to Kapstein (2008), Parliament with dominant parties is more ready to take difficult decision, which can stabilize the economic condition and strengthen political framework. This way, the political institutions can put pressure on executive ones and demand performance, guarding at the same time against abuses. At 2009 and 2010 elections in Moldova, Communist Party was outnumbered just by a few percentages by other parties, which could then form a majority only by creating a Coalition, first time in the experience of Moldova. However, Communist Party maintains its dominance among people’s preferences, and newly, after the 2014 elections, the Socialist Party came out on political arena and started to receive people’s choice. That is confirmed by Opinion Polls, executed yearly by Institute for Public Policies (IPP). According to the last poll, from April 2014, 68% of people consider that economically Moldova is heading in a wrong direction, being unsatisfied with main economic issues: salaries (91%), employment (89%) and corruption (86%). As concerns political institutions, Government has 28% of trust, Parliament 22% and President 25%, all having a tendency of increasing, while political parties obtain just 19%. Communist Party continues to keep the highest degree of trust among the parties (34%) and 39% of respondents declared they would vote for Communist Party. Whilst 25% of people would never vote for Communist Party. As Rustow (1970) explains the majority of citizens in a democracy must have no uncertainties of which political community they belong to. But as Acemoglu & Robinson (2013) mention, politicians are afraid of changes in institutions, because that will make them

lose their income, thus political losers are a big obstacle for establishment of inclusive institutions and economic development.

It confirms the position of Kapstein (2008) that a dominant power has more chances to win trust and win the preferences of the citizens. Governance in Coalition, either way brings conflict and internal disputes, which are reflected in a decrease in electoral preferences. Although conflict is one of characteristics for democracy establishment, Diamond (1999) as well points that a fragmented and ideologically polarized party system can create barriers in economic reform and makes the governance a more difficult process.

3.4 Culture as one of the features for institution development

In line with geographic characteristics, Acemoglu et al. (2005) name culture as an important factor influencing the development of the institutions and ultimately the economic growth and performance. Culture is described as social capital, set of attitudes, approaches, beliefs, respect, trust and values shared among the members of a community, establishing informal rules of a society. As observed by many scholars, culture, together with shared codes and values has an influence on financial development, as well as on economic exchange (Guiso et al., 2004), on rule of law and labour market (Aghion et al., 2008) and finally on economic development in general (Guiso et.al., 2006; Algan and Cahuc, 2007).

One of the central questions related to institutions is how to make them persistent in time. Again Acemoglu & Robinson (2005) find the secret in attitudes and beliefs of the citizens and political elite, which can assure consolidation of a created system. Shikida et al. (2011) emphasize that informal institutions, namely culture, determines better governance and improves governance quality. Inglehart & Baker (2000) prove that economic development is closely linked with shifts in basic values, namely is correlated with changes towards norms that are based on rationality, tolerance, trust and participation.

Katchanovski (2000) finds evidence that in post-communist countries, cultural differences influence growth directly and indirectly, through policy, war involvement and corruption. He adds that ethnic and linguistic homogeneity makes the economic modernization and governance easier, reducing thus inter-ethnic disputes and offering legitimacy to the elected institutions. Moldova can easily serve as an example in all described characteristics. (Katchanovski, 2000) highlights that corruption negatively influence the growth, while the culture has the strongest influence on policy variables and corruption. According to Corruption Perception Index (CPI) launched annually by Transparency International, in 2014 Moldova ranked 103 out of 174 countries, next to Bolivia, Mexico and Niger, with 1 position drop compared to 2013 and 9 positions drop compared with 2012, showing an increase in corruption perception. Although according to 2004 Population Census 79,11% of people consider themselves Moldavians (or Romanians), there are other ethnicities such as Ukrainians (8,47%), Russians (6,03%), Gagauz (4,42%), Bulgarians (1,97%), etc. Gagauz ethnics have their own autonomous territory on the South of Moldova (Gagauz Yeri), guaranteed by the Moldova Constitution, having their own Governor, who is part of Moldova's Cabinet of Ministers. And on the East, Moldova has an unsolved conflict – Transnistria – territory with approximate population of 505,153 people (according to National Bureau of Statistics). After gaining independence in 1991, for Moldova followed the war with Transnistria in 1992, which ended with a self-declared Transnistrian Republic, a state with limited recognition, officially part of Moldova as Transnistria autonomous territorial unit with special legal status, having own currency and governing bodies. Another source of dispute and disagreement is language: Moldavian/Romanian and Russian. For 76,5% of the population their native language is declared to be Moldavian/Romanian language, while for 11,26% is Russian and for 4,07% Gagauz. Big differences are observed on rural/urban level. A substantial part of rural population is considering Moldavian/Romanian language as primary (84,91%), while in urban areas this percentage is 63,12%. At the same time, people with native Russian language live mostly in urban communities (24,63% of urban population and 2,85% of rural population).

Religion also plays a key role in economic development, as proves Lal (1998), showing that there are differences between Orthodox ethics and Western Christianity. Importance of people's beliefs in economic performance is demonstrated as well by

Inglehart-Welzel Cultural Map, which uses data from World Values Survey and charts major cross cultural variation in the world. The main depicted dimensions are: traditional values (importance of religion, traditional family values) versus secular-rational values; and survival values (accent on economic and physical needs, low level of trust) versus self-expression values (increased participation, tolerance, trust). Moldova is predominantly Orthodox country (93,3% of people are Orthodox according to 2004 Population Census). Therefore, Moldova on Inglehart-Welzel Map is placed in between traditional and secular-rational values, but with strong survival values. Being focused on survival values, Moldova's people are less concerned about participation and involvement in decision making processes, consequently having less power on changing political and economic institutions and pushing for reforms.

3.5 Migration as factor generating institution performance and economic development

Recent papers and literature show that migration can trigger positive impact for the country of origin. In their research, Li and McHale (2009) found that larger emigrant human capital stocks (as share of domestic population) are associated with higher quality of political institutions, but at the same time with lower quality of economic institutions. Another result of the paper is that skilled emigration is associated with higher quality of political institutions, namely political stability. At the same time, skilled emigration is damaging the quality of economic institutions.

The same paper, structures the following effects that emigration can have on institutional development:

- the absence of talented individuals could alter both the demand for productivity-supporting institutions and the supply of institution builders (thus diminishing the “voice” of people).
- view on emigration could affect the degree and nature of investments in human capital, or from other perspective to put pressure on governments to deliver the institutions and related performance appreciated by potentially mobile persons (thus increasing the “voice”).

- emigrant diasporas could act from two standpoints: to be a resource to assist with building modern institutions, or to be a source of upset exiles who have the intention to overturn the existing political structures.
- emigrants returning to their home country could come back with valuable abilities, skills, savings and social connections, or opposite, could be displeased and troublemaking elements to the existing political and economic situation and institutions.

Emigrants can voice abroad and contribute to the diffusion of democratic values and norms: either directly, through contacts with return migrants and relatives abroad, or indirectly, through the wider possibilities of migration and diaspora networks, as Docquier et al. (2010) showed in their research. They found that both openness to migration and human capital have a positive impact on institutions (as measured by standard democracy and economic freedom indices). The paper concludes that emigration and the remittances that people from abroad send back home act as a safety net that can put social, political and economic pressures to reform and restructure in their country of origin. An important observation is self-selection of the emigrants – people decide for themselves where to leave, to which country/city, and this can be closely connected to political and economic views that they share and express. Therefore, self-selection issue shouldn't be ignored and should be considered when analysing the impact that migration can have on different aspects. Also Docquier et al. (2010) determined that more educated individuals and the middle class tend to have higher degree of political participation, hence to be more likely to participate in elections and to demand more accountability and change in political and economic institutions. As concerning the data for the institutional quality, the authors used the World Bank Governance figures and for the level of democracy, they relied on Freedom House data set and the Economic Freedom indicators provided by the World Bank. The estimations undertaken by the researchers suggest that both openness to migration (as measured by the total emigration rate) and human capital (as measured by the share of tertiary educated in the resident labour force) have a positive impact on domestic institutional quality.

Also Spilimbergo (2007) had explored the correlation between democracy development and education received abroad and the final conclusions of his paper

show that foreign-trained individuals promote democracy in their home countries, but only if foreign education was received in countries with democratic regime.

To determine if international migration, namely returned migrants, can promote better institutions in their country of origin by raising the demand for political accountability, Batista and Vicente (2009) conducted a behavioural experiment. They discovered that if returned emigrants benefited from an inspiring experience while being abroad, these effects can also translate into improvements in the quality of the domestic political institutions. Transmission can be done through two main channels:

- via supply, by direct participation in the political system,
- or via demand, by passing more awareness and demand for political accountability in home country.

As result of the experiment, authors could state that international emigration has a positive impact on the demand for improved political accountability. A very important remark stands that this effect is especially significant for the case of migrants to countries with better governance, therefore confirming the hypothesis of Spilimbergo (2007) and Docquier et al. (2010) that destination country plays an important role on effect of migration – countries with democratic regimes and with better governance have a larger contribution to the improvement of political and economic institutions in the country of origin of migrants.

Chauvet et al. (2011) as well analysed the influence of returned migrants on development of institutions and processes in their home country and determined how migration promotes democratization in Mali, by estimating the impact of the stock of returnees on electoral outcomes disaggregated at the communal level. As in other studies, an important challenge was to separate the causal relationships between migration and voting behaviours (the disposition of people to leave or return to home community may depend on their satisfaction with political leadership in their community) and the already mentioned self-selection of migrants. Similarly to Batista and Vicente (2009), they detect a connection between effect of migrants on their home country and the governance and political developments in host country. Thus, one of the conclusions of the research is that returnees who have experienced political

changes in their destination countries impact participation differently depending on the kind of political change they have witnessed.

Analysing participation behaviour of voters, in a pioneer study, Powell (1982) demonstrates that country size and economic development are crucial determinants of participation behaviour. Also, the author suggests that people from richer countries have the tendency to vote more. Again, it leads us to the idea of importance of destination country and performance of its political and economic institutions, consequently its effect on the migrants.

As mentioned by Docquier et al. (2010), financial resources that migrants send from host countries back home, can play the role of a channel for social, political and economic pressures in their country of origin and are likely to demand for reform. In line with this conclusion, Pfutze (2012) finds that remittances sent by migrants to their country of origin are correlated with poorer government effectiveness, lower respect of the rule of law, and higher level of corruption. In this way, the remittances significantly increase the probability of a party in opposition to have the advantage and take more votes than the former ruling party, expressing thus the pressure and call of electorates for changing the institutions.

Peng (2009) debates that migration can trigger institutional development, by contributing to the increase of democracy level in home country. After analysing history milestones and events, Peng (2009) concludes that institutional development in the form of democratization in most cases was anticipated by increased levels of emigration to more economically developed countries. He highlights that diaspora doesn't disappear from institutional change after leaving the country of origin and remain to influence the events in the home country. Peng (2009) shows that a more free political environment in the host country enables diaspora to contribute more actively to institutional change in their sending country.

Fidrmuc and Doyle (2004) analyse the voting behaviour of Czech and Polish migrants during national elections in 2001 and 2002, who voted in a vast majority for right-wing parties, while elections resulted in success of left-wing parties. Analysing three reasons for a different voting conduct: adaptive learning, self-selection and political

selection, authors conclude that the voting behaviour is influenced by the institutional environment experienced by migrants at their destination country, mainly democracy values and economic freedom. Exposure to different institutions and political systems influence migrants' behaviour as shown by White et al. (2008) and Perez-Armendariz (2010), but although change in systems and institutions takes more time, the speed of political resocialization and acculturation of migrants (Berry, 1997) is faster, and their behaviour as voter is often radical, converging to preferences of the voters from host country regarding economic institutions and how government operates (Fidrmuc and Doyle, 2004).

Evidence from Moldova is explored in a research by Omar Mahmoud et al. (2014), which had found that emigration to democratic countries can affect election results in the home country. Analysed data showed that higher share of votes offered to the Communist Party is positively connected at the community level with migration to Russia and negatively associated with migration to EU countries.

The key methodological challenges faced by Omar Mahmoud et al. (2014) were self-selection of migrants, a problem mentioned as well in other researches and plus the problem of time-varying heterogeneity across communities. To address these issues, authors adopted an identification strategy that takes into consideration the following:

- pre-migration political preferences in a community, as captured by 1998 election results,
- ethnic, demographic and migrant characteristics of each community,
- the size of community-level economic shocks during the 1990s as measured by satellite data on night-time light intensity,
- randomized local fixed effects.

The study of Omar Mahmoud et al. (2014) confirmed the conclusions expressed by Chauvet et al. (2011) and Batista and Vicente (2009) on the importance of destination country and of Pfutze (2012) on the effect of remittances on political preferences. The research found that migrants to the Western countries remit on average about 50% more financial resources than migrants working in Russia. Consequently, the remittances can be considered a transmission channel of the destination effect.

Correlation between migration and welfare is shown by Razin & Sand (2009). The combination of decreasing birth rates, and rising life expectancy, represents a major fiscal challenge to the social security system. From an economic point of view, a growth in the dependency ratio (the proportion of retirees per worker) increases the number of people beneficiaries of the system, and at the same time it declines the number of people who contribute to the system. Consequently, the pay-as-you-go social security scheme, burdened by decreasing labour force, can benefit from migrants, who have birth rates higher than the native-born. Thus, as Razin & Sand (2009) conclude, the social security system successfully provides an incentive to liberalize migration policy through a political-economy mechanism.

3.6 Measuring institution performance

Moldova was named by World Bank as the poorest nation among European countries, but also World Bank identifies Moldova as one of the world's top performers of poverty reduction. According to NBS, indicator for national poverty decreased from 30,2% in 2006 to 16,6% in 2012 (*Figure 3.6.1*). Even if the indicators are decreasing, there are still big differences between rural and urban communities, rural ones being more affected by poverty. World Bank as well as Ministry of Economy of Moldova emphasizes an increase in economic performance and country's GDP in years 2010-2011, mentioning that real GDP grew by 7,1% in 2010 and 6,4% in 2011, observing an increase in trade, investment, industrial and agricultural production. Nevertheless, even if the growth performance is strong, as World Bank mentions, it's highly volatile, being strongly correlated with remittances.

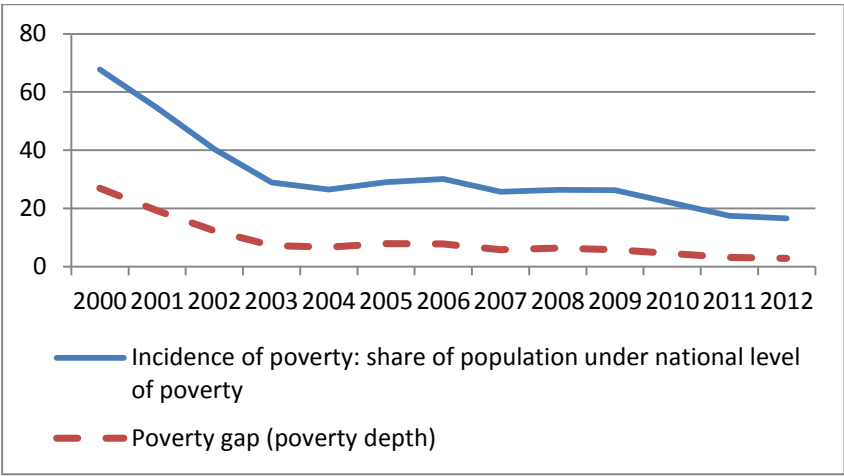


Figure 3.6.1 Poverty Indicators for Moldova, years 2000-2012

Source: Moldova’s National Bureau of Statistics

A largely used indicator to illustrate a country’s regime is Polity IV. It scores political regime characteristics and transition for 167 countries, covering the period 1946-2013. The indicator ranks from -10 to 10, showing different regimes: autocracy (-10 to -6), anocracy (-5 to 5), democracy (6 to 9) and full democracy (10). Moldova is ranked as democracy since 1994 when it held its first elections (score 7), increasing to the score 8 in 2001 and to score 9 since 2005. This fact is interesting to note, as generally is considered that Moldova changed its political institutions in 2009, when the Opposition won the majority seats in the Parliament.

Another popular indicator is Worldwide Governance Indicators (WGI), launched by World Bank, which covers 215 economies between the years 1996-2012, aggregating 6 types of indicators of governance, ranging from -2,5 (weak) to 2,5 (strong): (1) voice and accountability, reflecting the degree to which citizens can participate in elections, have freedom of expression, free media and free civil society; (2) political stability and absence of violence, depicting the probability that the government will be threatened; (3) government effectiveness – quality of public services, its independence from politics, effectiveness of policies implementation and level of government commitment and accountability; (4) regulatory quality, depicts ability of the government to implement qualitative policies; (5) rule of law shows quality of property rights, justice, police and trust of citizens in these institutions; (6) control of corruption.

As shown in *Figure 3.6.1* and *Figure 3.6.2*, these 6 indicators for Moldova are negative most of the time, showing weak governance. In the years 1996-2009, all dimensions look very volatile, oscillating in different years. After the year 2009, all indicators start to improve, although slowly. Besides, the regulatory quality, is also increasing during Communist government. The most visible improvements are for voice and accountability and political stability. A moderate increase on the dimension of corruption control is consistent with CPI, developed by Transparency International, ranking in 2014 Moldova on 103 place out of 174, a drop in rank from the 94 place, registered in 2012. It must be mentioned that WGI shows perceptions of the named indicators, which might differ from other measurements of the same aspects.

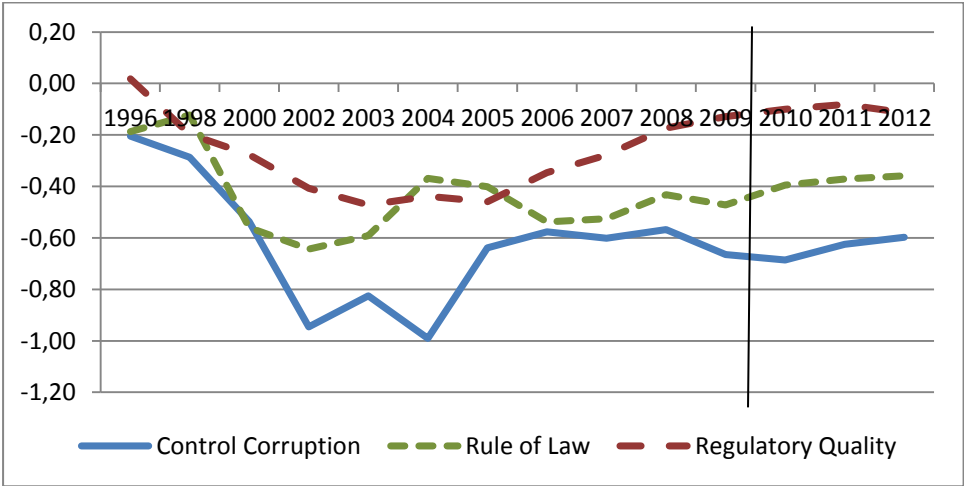


Figure 3.6.2 WGI Indicators for Moldova. Control of Corruption Rule of Law and Regulatory Quality

Source: Worldwide Governance Indicators, www.govindicators.org

United Nations are using Human Development Index (HDI), covering in their analysis 187 countries. HDI helps to evaluate long-term progress of a country in following aspects: a long and healthy life, access to education and a decent living standard. For the year 2013, Moldova’s aggregated HDI score is 0,660 which is medium human development category, ranking thus Moldova on the 113 place out of 187. It’s important to highlight that regional average is 0,771, hence placing Moldova below regional level.

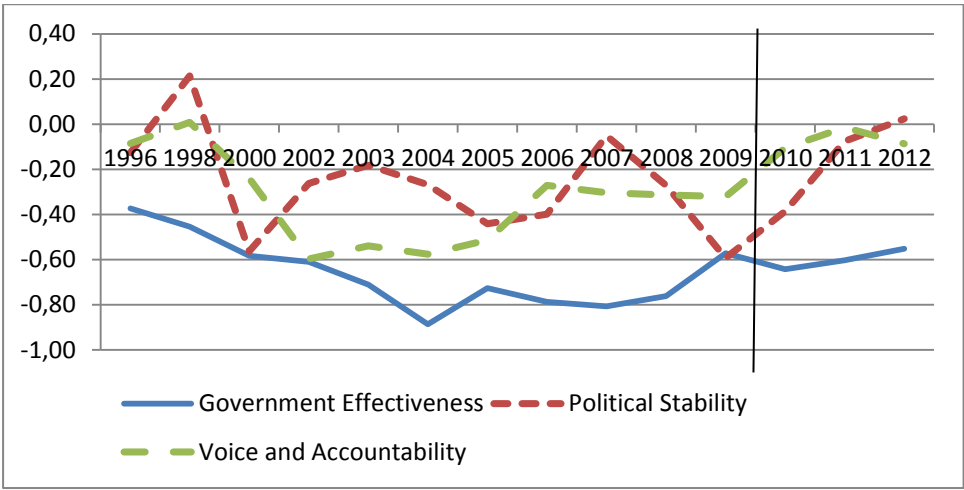


Figure 3.6.3 WGI Indicators for Moldova. Government Effectiveness, Political Stability and Voice and Accountability

Source: Worldwide Governance Indicators, www.govindicators.org

And finally, Freedom House Index, which illustrates levels of freedoms for civil liberties and political rights (rate 1 being the best and 7 being the worst). For the year 2013, Moldova was named partly free electoral democracy with the following ratings: freedom rating – 3; civil liberties – 3; political rights – 3. These indexes show an improvement, as in 2009, all of them were “4”.

There are different critics towards these indicators, mainly saying that they don’t measure sustainable characteristics of the institutions and are highly volatile depending on growth rate indexes and lacking comparability over time (Letete et.al, 2013). Although these indicators, indexes, scores and ranks meet critics, they help to place a country on international arena, to compare political and economic performance of a state with other countries and to generally depict a country’s evolution and development over the years.

4 Elections and Migration as development triggers

4.1 Elections as democracy trigger

Direct democracy, as it appeared in Ancient Greece, when people govern directly, it's not suitable for the modern states and societies. Linz & Stepan (1996) enumerate three conditions for a democracy: (1) active and independent civil society; (2) autonomous political society, able to work under consensus and aware about the governing processes; (3) rule of law. In his publications and numerous speeches, Larry Diamond, a prominent scholar in the field of democracy, highlights two main types of democracies that are the most common nowadays: (1) electoral democracy – a representative democracy built on election process, where authority is held by representatives voted by people in a process of free and fair elections; (2) liberal democracy – as well a representative democracy, to which is added protection for individual freedom through the rule of law; a liberal democracy can limit the power of elected government and has the instruments to make it accountable to its promises and actions. Although, electoral democracy is not yet a fully established democracy, accomplishing just one of the conditions of the regime – free and fair elections – it's a common form of government, being specific especially for “new democracy”, which yet is under construction, Moldova falling under this definition as well. Nevertheless, elections are a key element for democratic processes, according to Arrow (1963) being a formal decision-making procedure, by which a population chooses one or more individuals to hold public office, being a system for representative democracy since 17th century and being a key mechanism of consensus in democratic society (Lipset, 1960).

There is the risk that under an electoral democracy, the name of “democracy” will be used only as a facet, hiding lack of government accountability, lack of transparency and rule of law. Mungiu-Pippidi (2013) highlights that countries with electoral democracies are failing to control corruption. An instrument that can be used is strengthening collection action and increasing political participation of citizens who

can demand changes, and acting as “principals” who are above corruption. Brender & Drazen (2007) in their paper prove new democracies are fragile and can collapse affecting fiscal policy and the solution can be change of citizens’ point of view towards democracy.

Citizens use their political power to obtain policies they aspire to and consequently the beliefs influence actions (Rustow, 1970), expressed in voting outcomes. At the same time, these beliefs should be shared not just by the electorate, but by the political parties themselves, committing to democratic values and rule of law. Therefore, transforming beliefs into actions and step by step into habits and a way of life. Most of the new democracies are fragile in the first 5 years (Kapstein, 2008), when political and economic institutions and leaders must achieve credibility, legitimacy and performance. This statement can be as well applied in the case of Moldova, when first breakdown happen in 2001 (10 years after the independence and 7 years after first free and fair elections), when Communist Party won the majority of seats in the Parliament. Their political influence and stability compared to other Parties, illustrates well that electorate had lost their trust in political system. Thus, the possibility to be re-elected lies in the concrete steps that a political party is prepared to do while having the power; and people must continuously show citizenry and pressure on political and economic institutions.

At the end, democracy is a system of rule by temporary majorities, as Rustow (1970) observes it. But it’s as well, expression of people’s voice about their desirable change and the “fight” against a destructive structure. Nonetheless self-expression values emerge when people have economic resources and feel physically and economically secure (Welzel & Inglehart, 2008), allowing them to move forward from survival needs to self-expression, looking for civil and political rights, as mentioned in the Chapter 3.

Elections help citizens to secure the policies they would like to have today and in the future. Thus, citizens hold the de facto political power (Acemoglu & Robinson, 2005). They can exercise this power by choosing the policies they prefer and by changing the political system or ruling elites. By a constant participation, citizens increase and strengthen their power for the future.

4.2 Elections in Republic of Moldova

The first phrase of the Electoral Code of Moldova, approved in 1997, says that “People’s desire constitutes the base of the state power. This will is expressed through free elections [...]. The state guarantees expression of the free will of the citizens by protecting democratic principles and norms of electoral right.” The highest representative institution of Moldova and the only legislative authority is the Parliament, comprising 101 members, elected for 4 years, via universal, equal, direct, secret and freely expressed vote and based on a system of proportion.

Gaining independence from the Soviet Union in August 1991, first free and fair elections took place in 1994. In its short history as independent state, Moldova had 8 elections (1994, 1998, 2001, 2005, April 2009, July 2009, 2010, 2014), four of which were anticipated elections, due to the incapacity of the Parliament to name a President (in 2001, July 2009, 2010), except in 1994, when the Parliament formed in 1990 decided to quit in order to establish a new and more professional legislative body based on a new law.

Table 4.2.1 Summary of elections in Moldova

		2014	2010	July 2009	April 2009	2005	2001	1998	1994
1	Number of candidates	26 (-2)	40 (-1)	10 (-2)	21 (-4)	23	27	82 (-7)	33
	Political parties	21 (-2)	20	10 (-2)	15 (-3)	9	12	9	9
	Electoral blocks	1	0	Not allowed by legislation	Not allowed by legislation	2	5	6	4
	Independent candidates	4	20 (-1)	0	6 (-1)	12	10	67 (-7)	20
2	Electoral threshold for								

	Political parties	6%	4%	5%	6%	6%	6%	4%	4%
	Electoral blocks of 2 parties	9%	7%	Not allowed by legislation	Not allowed by legislation	9%	6%	4%	4%
	Electoral blocks of 3 parties	11%	9%	Not allowed by legislation	Not allowed by legislation	12%	6%	4%	4%
	Independent candidates	2%	2%	3%	3%	3%	3%	4%	4%
3	Voter turnout to validate election	1/3	1/3	1/3	1/2	1/2	1/2	1/2	1/2

Source: ADEPT, <http://www.e-democracy.md/>

In 2001, the Party of Communists won a majority of seats in the Parliament and elected as country’s President the Communist leader of the Party. The following elections in the year 2005 also were won by the Communist Party, allowing them to lead the country for 8 years in a row. When new elections came in April 2009, again Communist Party had a leading position. But the validity of the elections was put under question by many opponents, followed by street manifestations demanding re-voting, which generated violence and destruction of the Parliament and Presidency buildings. Parliament held several meetings to elect a President, but all the attempts failed, due to incapacity to raise the necessary number of votes (61) and because the opposition boycotted these meetings and didn’t participate in President elections. All these events, made Constitutional Court to dissolve the Parliament and establish anticipated elections. To ensure more accessibility for political party, the electoral threshold for parties was decreased from 6% to 5% and voter turnout demanded for validation of elections from 1/2 to 1/3 (*Table 4.2.1*). As result, beside Communist Party, other four parties have passed the threshold: Liberal Democratic Party, Liberal Party, Democratic Party and Alliance “Our Moldova”, forming Governing Coalition “Alliance for European Integration” (AIE), having the majority of seats in the

Parliament (53 out of 101, *Figure 4.2.1*).

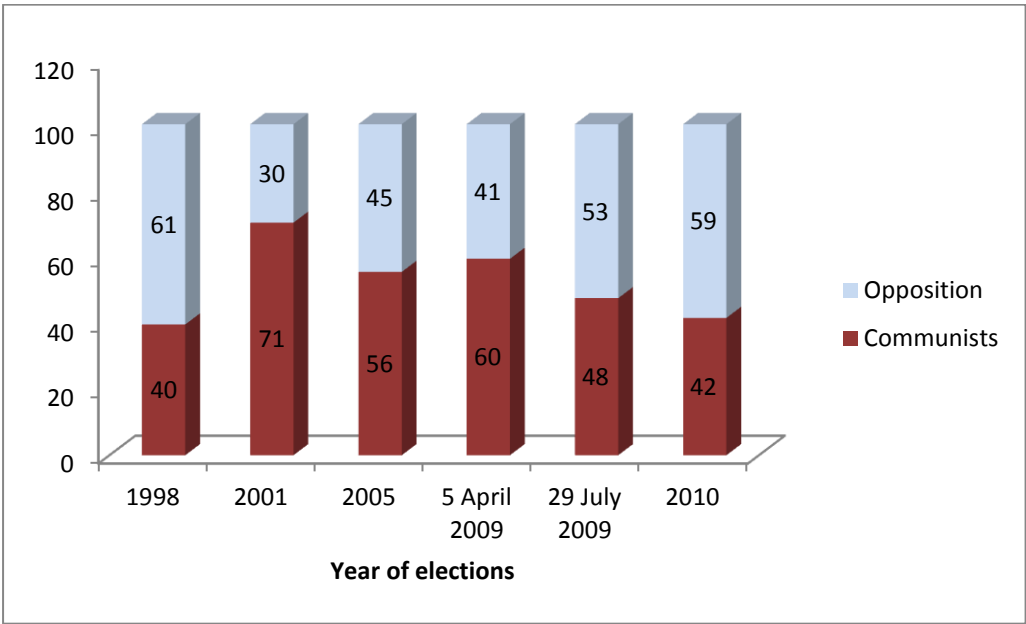


Figure 4.2.1 Number of seats in Parliament won by Communist Party and Opposition

Source: based on data from Central Electoral Commission of Moldova

And again, lack of consensus among the political parties in the Parliament unable to appoint a President and brought to major political instability and new elections in 2010, getting the country to 3rd parliamentary elections in just 2 years. In order to increase voter turnout and to decrease the possibility of Communist Party having again the majority of seats in the Parliament, new amendments were made to the law, such as: decrease of the threshold for political parties down to 4%, for independent candidates down to 2% (*Table 4.2.1*); permission to vote granted to prisoners; transparency and publication of financial information about the candidates; establishing penal charge for actions aimed to fraud the vote; as well as opening additional voting sections abroad and possibility to vote abroad just with the passport.

At the last legislative elections, in November 2014, the three pro-European parties (Liberal Democratic Party, Liberal Party, and Democratic Party) had passed the threshold and won the majority of seats in the Parliament (55 out of 101). At the same time, if before the Communist Party was winning the second majority, now the Party

had shared the remaining seats (46) with the Socialist Party (25 seats). A minority government was established and on-going negotiations between the parties, characterized by a lack of a consensus, contribute to absence of a stable government. Political and economic instability, together with increased level of corruption, weak judicial system, make people lose their trust into existing systems. Because the Opposition parties from the last elections are calling themselves “pro-European” parties, supporting thus European path of Moldova, people associate and perceive “Europe” and “democracy” with those parties. Therefore, losing trust in their performance and capacities, people also lose trust into democratic systems and are reticent towards new beliefs.

Voter turnout is a measure used to see citizen participation in elections, stated as percentage of voters who expressed their vote, including blank or invalid votes, as it also shows participation (Pintor et.al, 2002). The highest level of participation to the elections was registered during first elections in 1994 (*Figure 4.2.2*), gradually decreasing since. A small increase counted during the second elections in 2009 and a larger one in 2010, mainly due to escalation of voting abroad (see next Chapter 4.3). It's interesting to note that the participation rate is higher in the regions where the highest migration rate is. Pintor et.al (2002) in their global Voter turnout Report, rank Moldova 93rd (with 61,6% based on 3 elections) out of 170 countries according to turnout as percentage of voting age population. Overall, the participation is still sufficient to ensure free and fair elections, and as Lipset (1960) mentioned the belief that high level of participation is always good for democracy is not valid, confirmed by Pintor et.al (2002), which showed that political system of a country as “partly free” or “not free” has a small influence on turnout, with a small difference for states ranked as “free”.

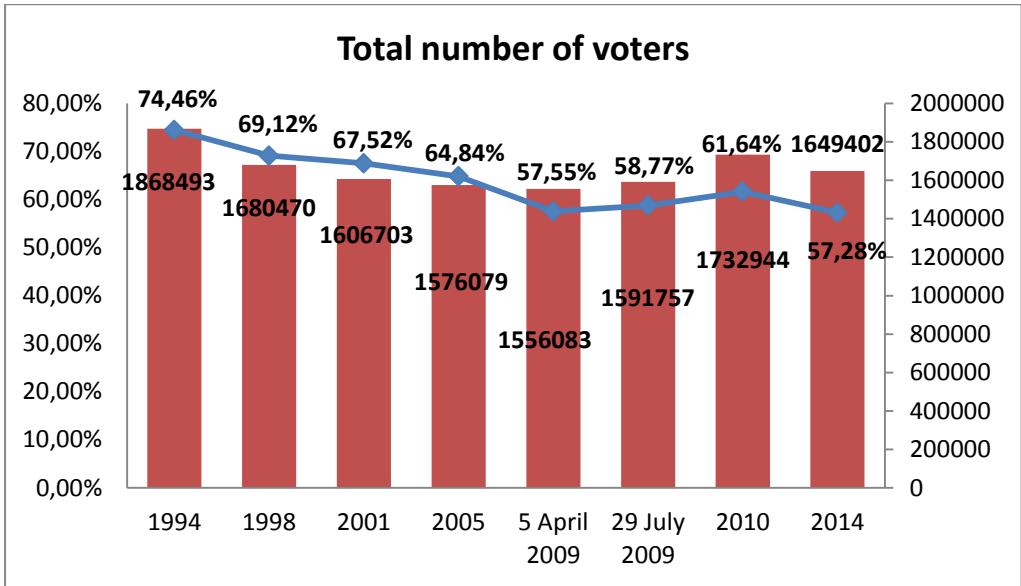


Figure 4.2.2.Total number of voters and voting turnout during in Moldova (1994-2014)

Source: based on data from Central Electoral Commission of Moldova

Finally if analysing the decomposition of Communist’s and Opposition’s votes, and more exactly to what districts and regions do they “own” their total number of votes (Figure 2.2.3.), there can be observed small difference between the regions. South and Municipalities (the 3 largest cities) vote equally with Communists and Oppositions, while North region is predominantly voting for Communists and Central region for Opposition. The high share of votes for the Communist Party in the North, partially can be explained by the high level of Ukrainians in the region (15,28%) and respectively highest level of migration to Russia (75,99% of emigrants from the North). The most evident variance is counted for Embassies, Opposition gaining 2,45% from voters abroad. Though, these percentages don’t fully reveal the aspect of “preferences”, as it’s not weighted with population size for each region.

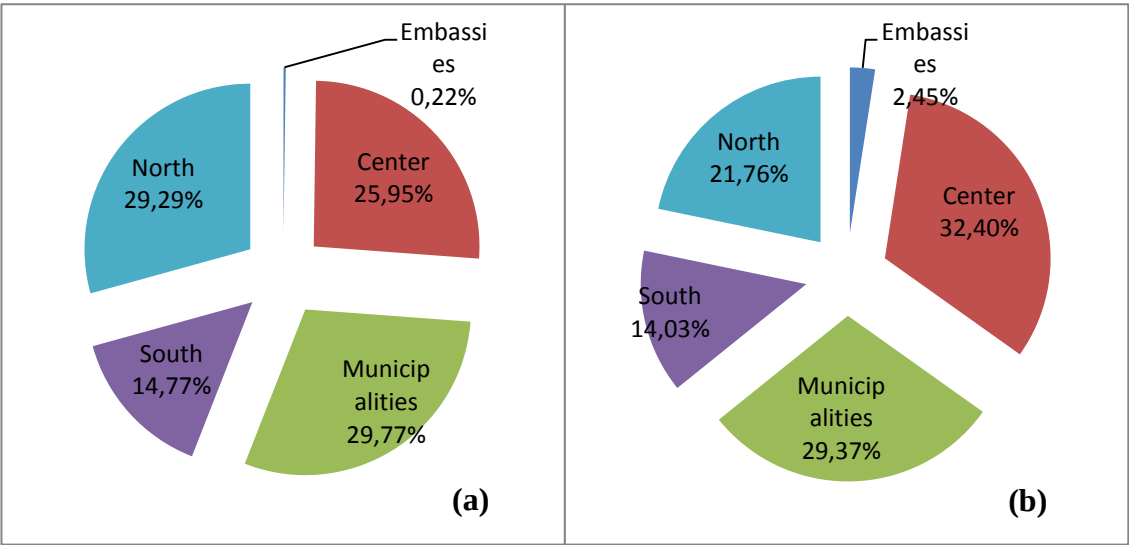


Figure 4.2.3 Distribution of voters per regions for 1998-2010 elections

Source: author’s computations based on data from Central Electoral Commission of Moldova

4.3 Migrants voting behaviour

Discussion about elections abroad and the right or obligation for migrants to vote, has to start with the discussion of the notion of “citizen”, as people living abroad are still considered citizens of their home country, thus all these definition apply to them. Hayek (1967) was writing that „citizenship is the practice of a moral code - a code focused on the interests of others - founded rather on personal development and willing cooperation than on repressive power and state intervention.” At the same time, Barbalet (1989) mentions that „Citizenship means that individuals who have been granted citizenship rights take part in public life.”, consequently granted the right to vote. And Kymlicka & Norman (1995) define citizenship beyond rights, saying that „Citizenship is not merely a status, defined by a set of rights and responsibilities. It is also an identity, the sense of belonging to a political community”, highlighting this way involvement in decision-making on the level of legitimacy of the elected public institutions.

Therefore, being a citizen is more than just rights and obligations, and being an „active citizen” is more than just a „member” of the society, it must comprise actions. Following this idea, we can question if migrants can and have to be active citizens. A

person living abroad is caught in a sort of “trap”: has to follow the laws of the host country, while still being part of the Moldova’s community and according to Moldova’s Constitution (Art. 18) to benefit from state protection.

It’s true that international migration produces a breakdown between the notion of citizenship and territorial limits of authorities’ legitimacy. As Bauböck (2008) had emphasized, a situation is created when “citizens are living outside the country whose government is supposed to be accountable to them and inside a country whose government is not accountable to them.” At the same time, the right to vote becomes the link that connects a migrant with its home country and allows increasing the mutual responsibility.

As concerns the possibility of migrants to vote abroad the country, the Electoral Code of Moldova states that „Citizens of Moldova living abroad the country have full electoral rights comprised in the Code. Diplomatic missions and consulates have the obligation to assure necessary conditions for citizens to freely exercise their electoral rights.” It may look as something ordinary, but it’s not; as there are states that one way or another restrict the option of their citizens to vote abroad. For example, Israel allows expressing the right to vote just to citizens under diplomatic or military mission abroad. Iceland permits its emigrants to vote only if they are in Great Britain and only if temporary. There are 14 countries that limit the right to vote by the period of stay abroad: Germans have to stay less than 25 years in a country in order to be able to vote; British – 15 years; Canadians – 5 years and Turks just 6 months (Botan et al., 2010).

Voting abroad, besides having the aim to ensure political rights of the citizens and increase political participation, at the bottom line reflects political interests of parties competing for power (Botan et al., 2010). That was illustrated by the example of Romania, when during presidential elections in 2009, votes received from abroad secured the final victory to Traian Basescu, giving him additional 2.2% of votes and to his opponent just 0,6% (Botan et al., 2010).

Voter turnout abroad usually is not high, due to related costs and distance to the voting polls, especially when votes received from abroad are not considered as a

separate constituency, but are sum up with votes received nationally. *Figure 4.3.1* shows the voter turnout abroad in the case of Moldova, illustrating a decreased level of participation. If expressed in percentages, the participation rate abroad is high (89,13% in 2010), but this is due to incomplete lists of voters, who usually are included on additional lists on the day of election. The issue of voting abroad was brought into attention during 2005 election, being reflected by a significant rise of turnout (*Figure 2.3.*) and discussed again during 2009 and 2010 elections, resulting in a 4 times intensification of participation in 2010.

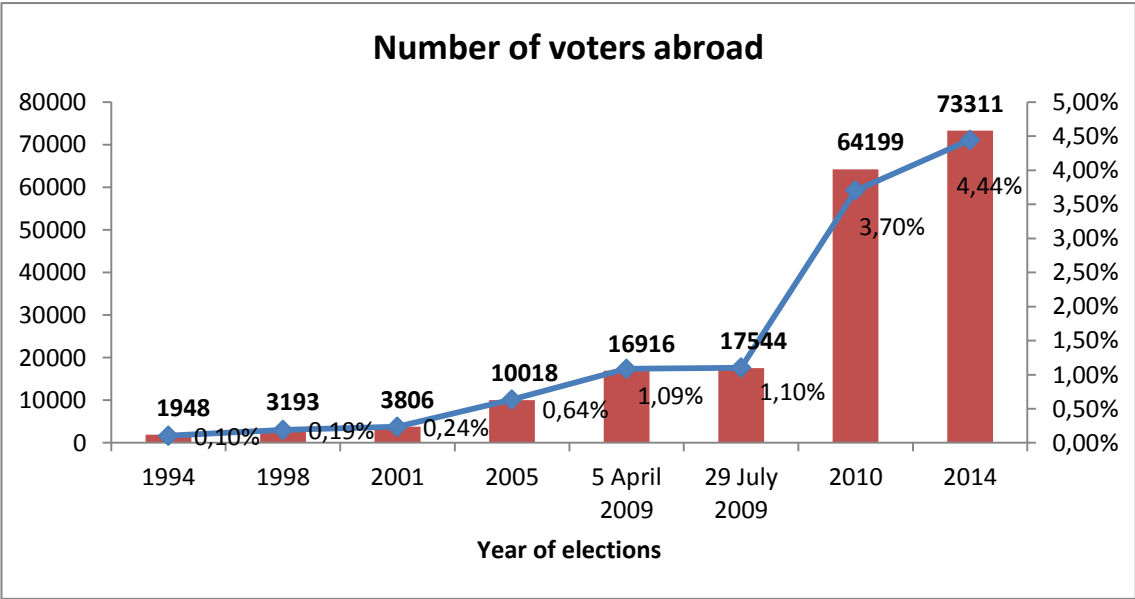


Figure 4.3.1 Voter turnout abroad Moldova and its share from total number of voters during 1994-2014 elections

Source: author’s computations based on data from Central Electoral Commission of Moldova

Together with the voter turnout as well had increased the share of voters abroad compared to the total number of voters. Hence, if in 1994 contribution of migrants to election results was almost insignificant (0,10%), this percentage had augmented to 3,7% in 2010. Due to increased voter turnout abroad in 2010, main opposition parties (which formed later the Governing Coalition) gained additional 3,18% of votes from abroad, while Communist Party just 0,25%.

Examining elections abroad by destination countries, general opinion is that migrants from Russia vote for Communist Party, but if to anayse election results,

emigrants in Russia have a decreased participation rate – just 6,51% of voters were from Russia in 2010 elections. Instead, the highest share of voters were from Italy – 43,93%, explained as well by 16 polls opened in Italy compared with only 4 in Russia. When analysing the preferences, the general opinion is consistent with results: 41,44% of voters in Russia have chosen Communist Party in 2010; 44,41% from Ukraine, 51,92% from Bulgaria and 23,47% from Belarus. But because participation rate and consequently the number of voters are higher in Western countries, share of Eastern votes for Communist Party is small.

Elections in 2009 and 2010 had proved a record and a paradox at the same time. First record is the number of voters registered in 2010. One of the explications can be the already mentioned modifications to the Electoral Code on June 18, 2010, which permitted to open additional voting polls abroad. For the elections in 1994, only 6 voting polls were opened (in Romania, Russia, Belarus, Belgium, Ukraine and Unites State of America), in 2009 their number increased to 33 and in 2010 it doubled to 75 (*Table 4.3.1*).

Table 4.3.1 Number of voting polls opened for elections in Moldova and abroad, 1994-2014

Year	1994	1998	2001	2005	2009	2009	2010	2014
In Moldova	1910	1940	1942	1947	1944	1954	1962	2073
Abroad	6	20	20	23	33	33	75	95

Source: based on data from Central Electoral Commission of Moldova and e-democracy.md

Another modification that cannot be ignored is the fact that citizens could vote only with their passport, even if the passport had its validity expired, members of the electoral office didn't have the authority to check the legal status of the citizen on the territory of the host country. This leads to a new record – participation rate. If in 2009, 48,16% of people included on electoral lists had expressed their vote, in 2010, this indicator had doubled, reaching 89,13%.

Another interesting feature of 2010 elections, are the lists and number of ballots. Data for electoral lists are collected by diplomatic missions, and in 2010, on the lists were registered just 9.618 people, while 62.412 were on additional lists, which officially refers to people temporary abroad or voters registered on the day of elections. Nevertheless, a maximum number of ballots was printed – 130.530 – double compared to final number of people registered and 13 times larger than the number from the initial list. And here lies a new paradox – in election sections from France and Italy came more voters than expected and the number ballots was not sufficient, 920 of votes being considered invalid because people voted on A4 papers.

Studying the statistics, we came to the conclusion that the voting potential abroad is not yet fully used. According to the population census in the year 2004, there were 273.056 emigrants. 87% of them (237.564 people) were aged over 18 years old, thus having the right to vote. If to compare this number with data on elections from 2005, 10.018 people voted abroad, which means 4,25% of migrants with the right to vote. As concerns elections from 2010, there are no final data on migration, but some estimations can be made. If to suppose that on average there are 520 thousands of emigrants, as estimated by most of the studies, and to consider that 2/3 of them have the right to vote and are abroad at the moment of elections (taking into account seasonal migration), there will be around 346 thousands of possible voters. Whilst during 2010 elections only 18,6% of this number had expressed their preferences – more people than during 2005 elections, but still leaving a large number of voters who didn't express their options. A decreased numbers of migrants voting abroad can be explained by higher voting costs (transportation costs to the voting polls that are usually in the capital cities), opening polls only in countries/cities with higher presence of migrants from Moldova, lack of information regarding the voting process. At the same time, 2010 elections showed that if created proper conditions for migrants to express their vote, the percentage of their participation will significantly increase.

4.4 Migration phenomenon in the world

Migration or in other words, movement of people, is not a new concept appeared recently. It started to exist thousands of years ago, when the population living that

time decided to explore new territories and to search for more fertile places, more abundant in animals and secure. Even the Bible places migrants in a position equal to native-born population, saying that: “When a stranger sojourns with you in your land, you shall not do him wrong. You shall treat the stranger who sojourns with you as the native among you, and you shall love him as yourself” [Leviticus 19:33-34]. At the same time, Bible distinguishes migrants or so called sojourners, as privileged category of people, who must be protected and defended: “Cursed be anyone who perverts the justice due to the sojourner, the fatherless, and the widow” [Deuteronomy 27:19].

Today, migration is analysed as impact on social, economic and political life of sending country, as well as host country. This aspect is illustrated in the definition of “migration” offered by Oxford Dictionary: “a person who moves from one place to another in order to find work or better living conditions”. Eurostat, the European Bureau of Statistics, is more specific in defining the notions of “immigration” and “emigration”. Therefore, immigration is an action by which a person establishes his or her usual residence in the territory of a Member State for a period that is, or is expected to be, of at least 12 months, having previously been usually resident in another Member State or a third country. And consequently, Eurostat describes “emigration” as a process when a resident in the territory of a Member State ceases to have his or her usual residence in that Member State for a period that is, or is expected to be, of at least 12 months. Though these definitions are more specific, they are at the same time limiting the categories of migrants, as for example seasonal workers. That is one of the reasons why another term is being used as well – people living abroad – in order to include people who reside in a host country for a short-term. NBS of Moldova in analysing labour migration operates with notion of “current migration” meaning people who are currently abroad working or in a search for a job; and “returned migrants” who have been abroad in the last 24 months.

OECD show in statistics for 2013 year that 232 million people (3,2% of world’s population) live abroad worldwide, a number which increased with around 66% since 1990, when 154 million people were living outside their home country. Adams & Page (2005) bring results of a World Bank study, claiming that 10% increase in international migration (share of population of a state, which is abroad) is linked with

1,9% decrease in poverty. According to OECD latest Report in 2013, Europe and Asia host 2/3 of all international migrants, 74% of migrants being aged between 20 and 64 years old, 48% of migrants being women, most of them in Europe. An interesting fact highlighted by OECD is that half of international migrants live in ten countries, on the first place being USA (20% of global migrants), followed by Russia, Germany, Saudi Arabia, United Arab Emirates, United Kingdom, France, Canada, Australia and Spain.

4.5 Emigration patterns in Moldova

Over the last 15 years, Moldova became a major migrant sending country. After the independence in 1991, a wave of ethnic migration (to Israel, Germany, Russia, Ukraine, etc.) followed. Next wave was characterized by commercial migration: people were going abroad to buy goods that they were selling afterwards in Moldova. Gradually, it was substituted by a new type of migration – labour migration. The phenomenon increased to a worrying rate, at the end of 1990s, being described by illegal cross-bordering, human trafficking and false documents and visas. As Prohniitchi & Lupusor (2013) mention, emigration plays a key role in shaping social, economic and political progresses in Moldova and no other phenomenon didn't impact Moldova and its citizens as migration did. But if the initial reasons to migrate were triggered by poverty, gradually, migrants started to legalize their stay and migration costs started to decrease, emigration factors became more varied, including family reunification, business development, studies etc. Despite an obvious increase of migration dynamics over the years (from less than 100,000 people in 1999 to over 400,000 in 2005 according to IOM, 2008) and the fact that over 10 ministries, plus different international institutions and non-governmental organization deal with migration issues, there are no precise and reliable data on the number of emigrants. Depending on different sources, the number ranges between 195,000 and 720,000 people, varying as well according to seasonal work (temporary leave) or long-term leave: 196,176¹ (Eurostat, 2010), 273,056 (Population Census in 2004); 345,000 (Lucke et al., 2007, based on CBS-AXA survey for IOM); 426,900² (Labour Force

¹ documented migration

² current migrants, as well as returned migrants

Migration Survey performed by National Bureau of Statistics, 2013); 705,333³ (World Bank, 2007); 720,000⁴ (Border Police, 2012); etc. Ganta (2012) estimates that 26% of Moldova's population faces directly the costs and the benefits of migration and on average (depending on data source) 16-17% of population is abroad or 25% of economically active population (every fourth household has at least one member left abroad; Luecke et al., 2009).

Peculiarities and patterns of migration are best described in surveys and studies, primary performed by National Bureau of Statistics, International Organization for Migration (IOM), World Bank or sociological companies, such as CBS-AXA. Some features differ depending on the source, but general characteristics are the same. Most of the studies analyse the social aspects (children left behind, ageing population); while among the economic impact brought into attention are primarily the remittances as source of possible economic growth. Barry & Overland (2010) point out positive impact of remittances on countries receiving remittances, arguing that households getting money from abroad have incentives to make investments in business, education or health. Nevertheless, in the case of Moldova, remittances primarily boost consumption, money from abroad being used for current expenditure, to buy goods or for savings which are not enough for big investments (Luecke et al., 2009).

Effect of migration on people's perceptions and attitudes was depicted by IOM survey (2009). It concluded that migrants are dissatisfied mainly with employment opportunities, investment possibilities and quality of life per general, being followed by households with migrants and less dissatisfied being members of households with no migrants. Although, the most negative appreciations come from people who experienced migration, this category of population is the most optimistic regarding the overall development of the country, having a higher degree of optimism than members of households with no migrants. It can be also explained by the additional financial resources that they receive, either from salaries paid abroad or remittances, travel and thus exposure to new ideas and perceptions, and importantly the political and economic setting of their host country. The same study reveals that 54,5% of

³ based on Migrants Stock Database

⁴ including for vacation purposes

people consider that migration can positively contribute to the development of Moldova.

The decision to return to the home country, i.e. in Moldova, are mainly determined by economic situation in sending country and receiving country, and by the legal status in the destination country, as shown by Pinger (2007). Additional factors that play an important role are family ties, and existing social networks. On overall the author concludes that temporary migration has more positive influences for a developing country.

Remittances

Around 40% of Moldova's population live in households that receive remittances, which at the same time form the majority of their income, and use these financial resources to cover the current expenditures of their households (IOM, 2008), while one in five households is totally dependent on remittances (80% of income come from remittances; Luecke et al., 2009).

Annual inflow of remittances is constantly increasing, with a drop in the year of crisis 2008, reaching 1,608 millions USD by the year 2013 (National Bank of Moldova, *Figure 4.5.1.*). On average, in 2008, one migrant was sending around 1.848 USD (Luecke et al., 2009). In 2013, according to NBM, remittances form 25% of Moldova's GDP (decreasing from 36,2% in 2006 when it was the highest in the world according to World Bank, *Figure 4.5.2.*), financing thus over 50% of the country's trade account deficit (IOM, 2008; Lucke et al., 2007) and representing 30% of country's exports. Majority of migrants prefer to send remittances via banks and transfer system (50,6%), but as well to bring personally the money when returning home (31,2%). A smaller percentage, 15,4%, opt to send money through an intermediate or friend/relative (NBS, 2013).

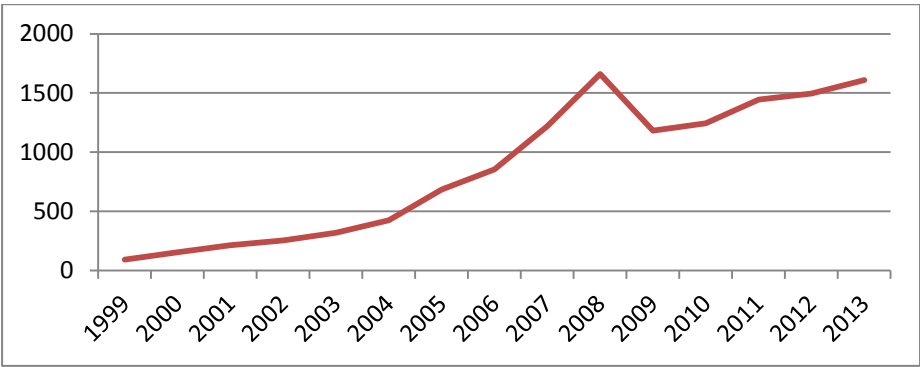


Figure 4.5.1 Remittances sent to Moldova 1999-2013

Source: National Bank of Moldova

People being in short-term migration remit with 30% more than their counterparts in permanent migration (Pinger, 2007), while migrants having social networks in host countries, are with 7,5% more likely to send remittances than those who don't have any friends or relatives at the migration place (Piracha & Saraogi, 2011). That conclusion is also supported by data from NBM on currency of remittances. If during the year 2009, just 5,3% of the remittances were sent in Russian Rubles, by the year 2013, this share increased to 33,6%, reaching an almost even share with remittances in Euro (35,1%) and Dollars (31,3%). Additionally most of the remittances in Dollars are also sent from Eastern destinations, proving thus that seasonal migrants remit more than permanent ones.

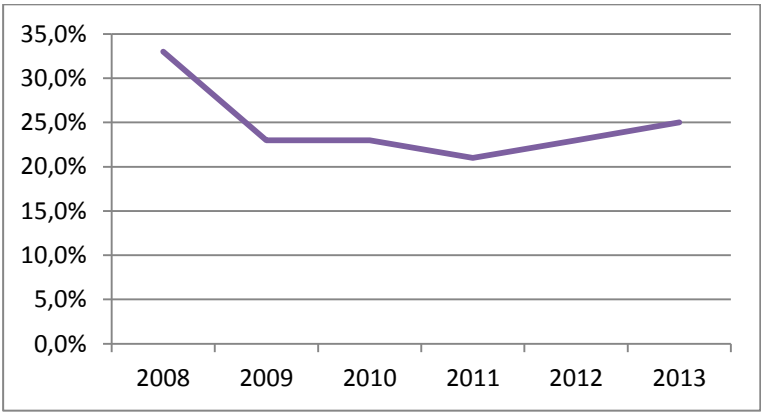


Figure 4.5.2 Remittances' share in GDP of Moldova

Source: National Bank of Moldova

Channels of migration and employment abroad

About 33% of migrants to EU, have no legal status (Ganta, 2012), travelling or staying abroad illegally (overstaying visa, not having proper documentation etc.) and 40% of migrants engage in irregular employment (IOM, 2008). While the main sectors of employment, according to Lucke et al. (2007) are: construction (51,6%), services (21,4%), trade (11,6%), transport (10,8%), housekeeping and care (7,8%), and agriculture (3,9%).

Migration is directed towards two main channels (World Bank, 2010): Commonwealth of Independent States, mainly Russia (69,2%) and European Union (22,2%, with a majority of population migrating to Italy). That fact is also emphasized by the remittances, which are primarily sent from Russia by the short-term, seasonal migrants (*Figure 4.5.3.*).

Migration to CIS countries is characterized as short-term migration or seasonal migration, motivated by low migration costs (visa-free regime, lower transport costs, and relatively close travel distance). To CIS mostly migrate men (79,2% of migrants to Russia and Ukraine), who engage in construction, transport or industrial jobs.

Migration to EU is mostly long-term migration with the intention to permanently leave for abroad. That fact is also related to higher migration costs (documents, transportation costs, longer travel distance) and undetermined legal status, which push migrants to stay longer in the destination country or even to settle abroad (23%, IOM, 2008). Most migrants to EU are women, who undertake jobs in service and care (housekeeping, carrying of children or elderly people) or trade. Migration is characterized by an increased level of community concentration in several migration places.

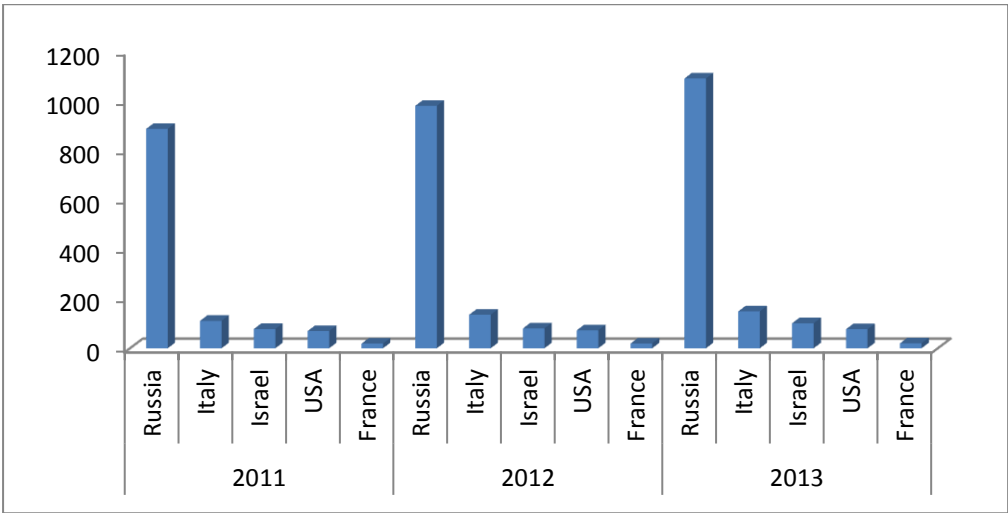


Figure 4.5.3 Remittances sent to Moldova 2011-2013 by countries

Source: National Bank of Moldova

Migrants’ profile

Overall a migrant from Moldova can be described as: young, married and generally well educated: (1) most of migrants (70%) are aged between 18-44 years old, average age being 35 years old (Lucke et al, 2007); (2) 56% of migrants are married and 39% are single (never married) (Ganta, 2012); (3) 28% of migrants graduated university and 63% graduated high school or vocational school.

Rate of highly educated migrants is constantly increasing for Moldova since 2000 (OECD, 2013), rate of migrants with university studies being higher for women (11,7% of women versus 6% of men; NBS, 2013). Phenomenon of “brain drain” is observed in Moldova’s emigration, as 18% of migrants before going abroad worked as teachers, economists, lawyers, doctors or engineers (World Bank, 2010). Commonly, the jobs undertaken abroad are low-skills jobs.

As concerns gender distribution of the emigrants, we can say that men and women equally migrate, but the largest difference is the destination countries where they chose to migrate: 58% male migrants and 42% female (Lucke et al., 2006). According to NBS (2013) prior to migration 46,8% of men had low-skill jobs in Moldova and 21% in the field of industry or construction, while women

predominantly had higher skilled jobs in trade or services (30,3%), followed by low-skilled jobs (28,8%).

An important specific is that migrants come mostly from rural areas – 75% (NBS, 2013). This can be also reasoned by lower economic performance in rural areas and predominantly rural population of the country (58,7%).

There is an increased level of “potential migrants” – people who wish to emigrate in the future. A study by European Training Foundation found that in the year 2007, 44,2% of the population aged 18-40 years would like to emigrate, mainly to EU, while the last Survey undertaken by National Bureau of Statistics show a much lower percentage – 7,9% (NBS, 2013).

5 Analytical framework

5.1 Model specification

The following section will describe the econometric model. The selected approach is based on three main papers. The key research on which is built our model is the paper of Omar Mahmoud et al. (2014) who analyse as well the country of Moldova and found that migration to West countries is affecting voting behaviour at home country and is able to induce political change. The other complementary researches are of Fidrmuc and Doyle (2004) who analyse the impact of institutional, political and economic characteristics on preferences of migrants during elections; and Docquier et al. (2011) who investigate channels through which emigration affects the performance of the institutions at country of origin, namely democracy development. We have a panel-data model, comprising 36 districts and data for 6 years. In our analysis we are interested in the coefficient β_1 from the model below, which shows the effect of migration on the political outcome.

The baseline model is the following:

$$\text{Political outcome} = \alpha + \beta_1 Mig_{West} + \beta_2 Pol_{i,t-1} + \gamma x' + \partial x'' + w + \varepsilon \quad (1)$$

Where, *Political outcome* is share of votes per districts for each group of parties. We are interested mainly on share of votes for Communist Party and for Opposition parties. *Mig_{West}* is share of migrants from the community who left to Western countries. We also use *Mig_{East}* as proportion of migrants who left to Eastern countries, to check the consistency of the conclusions and depict their voting behaviour as well. *Pol_{i,t-1}* is lagged dependent variable, to determine if previous year is effecting the results from the next year and to account for persistence of the preferences (Fidrmuc and Doyle, 2004). x' is community level control variable capturing main district characteristics: size of the community (expressed in logged population); share of female and male population; share of rural and urban population; ethnicity; salary and unemployment rates as economic characteristics

(salary used in log and unemployment rate differentiated because of stationarity) and distance to the capital, as well used in log. While x'' expresses control variables characterizing migration on community level, including: share of migration per each district; share of female and male migrants; age groups of migrants, education level of migrants and average of remittances sent (used in log). And finally w depicts community fixed effect and ε is the error term. We follow Omar Mahmoud et al. (2014) in controlling the determinants of migrants' destination country, namely district size and ethnic characteristics (share of Russians, Gagauz and Ukrainians), in order to tackle the issue of self-selection.

As observes Fidrmuc and Doyle (2004), the majority of voting researches are using ordinary least squares (OLS) for their estimations. We as well, start our estimations by using OLS and finding a negative correlation between share of migrants to West and share of votes for Communist Party. But, as observes both Fidrmuc and Doyle (2004) and Docquier et al. (2011), OLS is not the best choice for the estimation, not being suitable for elections in a multiparty system and having a lot of shortcomings. The next step was to use Random Effects Method, by assuming that the differences across the districts have an influence on the dependent variable. Another argument to try RE is the possibility to include a time invariant variable, "distance to capital" in our case. By performing Breusch-Pagan Lagrange multiplier test, we have checked if OLS or RE is more appropriate to be used. The test concluded that OLS is more proper, meaning we don't have significant differences across districts in our model. Next, we've tried to use Fixed Effects and to control for time and district fixed effect, analysing the impact of variables that change over time. As we have panel estimation, it allows us to control for unobservable variables that are district-specific and FE removes the effect of time-invariant characteristics, so we can evaluate the net effect of predictor. At the same time, in FE the intercepts absorbs the time invariant variables (e.g. distance to capital). By performing Hausman test we check if FE is more suitable for our analysis than RE and if the error term and the constant are not correlated. Both, Hausman test and F-test had indicated that FE is more suitable to apply for our model. However, we consider OLS to be more accurate, taking into account large standard errors in FE and credible range of the estimates, both explained in the Chapter 5.5.

We observe that our model has possible problems of endogeneity and reverse causality: migration can be caused by bad political system and underperforming institutions. Therefore, we must manage the issue of endogeneity and as suggest Fidrmuc and Doyle (2004) to instrument migration, meaning to find a variable correlated with emigration, but no correlated with political outcome. Additionally we use Wooldridge test for serial-correlation in fixed-effects (Drukker, 2003) and find that we have autocorrelation in data, which makes the standard errors biased and the results less efficient. Therefore, as suggest Fidrmuc and Doyle (2004), we chose to use a dynamic-panel regression, namely applying the system-GMM estimator, being able thus to control for unobservable heterogeneity and interpret endogeneity, using instruments.

We are using the generalized-method-of-moments estimator mostly by following the pedagogical article of Roodman (2009) with its introduction and useful directions on applying *xtabond2* command in Stata. Roodman (2009) confirms our motivation to use GMM, by underlying that the estimator is proposed when among others the independent variables are not strictly exogenous, being correlated with past and possibly the current realizations of the error and having autocorrelation in data, both being our case.

5.2 Data selection

The aim of the paper is to determine connection between emigration patterns and voting behaviour, observing the spillover effect of migrants' votes on non-migrants. In our research we analyse the patterns on community level in the case of East European country – Moldova. Therefore, data is detailed on 36 regions: 35 administrative districts of Moldova (excluding the Transnistrian region) and one district depicting behaviour of migrants. As result, we have four types of data: political data, migration data, community characteristics and economic features.

Voting behaviour is analysed based on parliamentary elections. Since migration boosted mainly at the end of 90s, election results for the first elections in 1994 are dropped, leaving us with 6 parliamentary elections: in 1998, 2001, 2005, April 2009, July 2009 and 2010. Information about the elections is taken from Central Election Commission and Association for Participative Democracy. Because administrative

division changed over the years, data on elections was segregated manually again based on currently existing districts. Data about elections abroad can be found together with results of Chisinau municipality and can be easily subtracted. Unfortunately, migrants who voted abroad are not linked with their original community.

The source for the other used data is National Bureau of Statistics. As mentioned before, there are no ultimate and detailed data on migration. The main sources that we use to determine migration and community characteristics are: Population Census performed in 2004, Labour Force Survey and Annual Statistical Book. The main motivation to combine these sources is the existing gaps in data. Population Census is the only source that includes composition of resident populations, such as ethnicity, levels of education and migration by general demographic characteristics (region of origin, age, education, marital status), as well as destination country, length and reason for migration. Additionally, Population Census is the starting point for NBS to produce data on population, labour force and other data (Poulain et al., 2011). Annual Statistics on International Migration is calculated by BNS based on aggregated data from the State Register of Population and includes demographic characteristics, but are not detailed by regions. Because we need data on migration for 6 years, detailed by districts, we had to combine these data sources in order to have more complete data for each dimension, leaving us with a panel data with 216 observations (36 districts and 6 years). For the district depicting migrants' behaviour, community characteristics were weighted based on the other 35 districts, although it brings cross-sectional dependence, it was important to include it in the observations.

5.3 Motivation behind the choice of the variables

Data describing election results and *political preferences* of the citizens are determined by participation rate for each of the districts, as well as share of votes gained by each major political wing. As Diamond (1999) emphasize, "Political parties remain the most important mediating institutions between the citizenry and the state, indispensable not only for forming governments, but also for constituting effective opposition". For each election, number of candidates varies, some parties participate at each Parliamentary election, while others disappear or form Blocks. At

1998 election, a record number of candidates participated at the elections: 75, while in July 2009 just 8. Therefore, all candidates were grouped depending on their political positions. Out of this list, 2 are the most important for our analysis: Communist Party, which participated at all elections and have a large influence on political arena, thus is not grouped with any other party; and Opposition, which groups the main Communist opponents for the time of each election (*Figure A.1.* summarizes the share of votes for Communist Party and for Opposition per districts). The balance between these two groups will represent the main base of our model. The other determined groups are: Social democrats, Socialists, Christian democrats and independent candidates, which represent a second interest for the analysis, therefore not included in the further analysis.

Community characteristics comprise: age, gender, rural or urban population, size of the community, ethnicity and geographical position of the districts.

(1) An important aspect is to control for *age*. As Lipset (1960) mentions, an analysis of political preferences must take into account the differences of age. Therefore, different ages bring distinct political preferences, depending of their previous personal experiences and experiences of their generation. That is one of the reasons to believe that people aged 50+ who lived in years of Soviet Union, are more likely to vote for Communist Party, partly because of nostalgia they experience. While Pintor et.al. (2002) analysing over 100 countries, come to the conclusion that young people are less determined to participate in elections, hence even if their preferences are for pro-democratic parties, their voice will be lost if they don't participate and it will lead to an increase of Communist votes.

(2) *Rural* communities have large development differences with *urban* ones, being characterized by lower income, less infrastructure and accessibility to information. In Moldova, 75% of the population lives in rural areas, which together with previous features motivates migration predominantly from rural communities. Each district has just several towns (1-3), exception being one district which has no urban communities (Dubasari).

(3) *Gender* of the population from a community can play an important role for destination selection. Per general, according to data analysed by Lucke et al. (2006),

share of male and female migrants is almost equal: 58% male migrants and 42% female. But if to analyse these shares by destination countries, males migrate more to CIS countries (Russia mainly), while females to EU countries, to Turkey and Israel. Therefore, gender composition of a community can determine as well destination selection for majority of community's population. An interesting observation is mentioned by Lipset (1960), arguing that men are more inclined to vote for Communists, which combined with a larger share of men migrating to CIS countries can make this statement consistent.

(4) *Size of the community* is expressed as number of the population. Larger communities are characterized with less deficiency in infrastructure, health and schooling (Siegel & Waidler, 2012), thus their voting preferences and emigration rate can be different. The general belief, expressed by Lipset (1960) is that larger communities vote more for left-wing parties. The main limitation of these data is the fact that it shows the size of the district and not of a smaller community, such as town or village, which are more heterogeneous in their size and population, being able to illustrate better information transmission within the community.

(5) *Geographical position* of the community. Most of the researches on voting behaviour and institution development, mention latitude i.e. geographic position of a country as a factor determining performance and change of preferences. An example is the paper of La Porta et al. (1998), which conclude that geographical position is linked to government performance and are the best predictors for corruption. In the case of Moldova, and one country analysis, we chose to include in the model distance to capital, as an indicator of development, following Siegel & Waidler (2012) who found that in Moldova communities situated closer to the capital are related with better health and schooling. Therefore, a preliminary conclusion is that districts more distant from the capital have a higher tendency for migration, based on economic factors mentioned before (unemployment and salary).

(6) *Ethnic groups* in Moldova are several: Moldavians and Romanians (depending on self-identification), Ukrainians (8,35% of population), Russians (5,95%), Gagauz (4,36%) and Bulgarians (1,94%). Control for ethnicity is important, as ethnicity can be one of the reasons for destination selection, as well as for political selection.

Unfortunately, data on ethnic composition can be found only from Population Census 2004, not being able to observe the fixed and time effect of this variable. On preliminary stage, a pattern still can be observed (based on Census data): most of the Ukrainian and Russian ethnics are situated in the North regions, thus exclusive top destination for the North is Russia – 75,99% of migrants from North left to Russia. Second destination is Italy with 9.43%, followed by France, Ukraine and Romania. Central regions, which are more homogeneous to ethnicity, also show a high share of migration to Russia - 48,75% of emigrants, while also a relatively high rate to Italy – 28,26%. In the South region, there is a high percentage of Bulgarians, therefore 44,11% of emigrants went to Russia and 28,26% to Italy. Autonomous region Gagauzia is characterized by 82,13% of the Gagauz ethnicity. Even if Russia is preferred by 56,79% of migrants from this region, Turkey is on second place, being chosen by 34,20%. In Chisinau (the capital), even though 13,92% are Russians, we cannot affirm that Russia is mostly preferred, Russia being equally chosen as Italy: 29,85% went to Russia and 26,86% to Italy. We have introduced ethnic groups as variable for robustness check for OLS model.

(7) *Salary* is one of the economic variables included in the analysis, based on two criteria: firstly, salary can characterize the economic development of districts, depicting the average income and differences in performance; and secondly low salary was named as a primary motivation for migration. In their research on Moldova, Siegel & Waidler (2012) highlight that communities with higher average income are significantly associated with better health and well-being. Therefore they will have less incentive to migrate. As for election preferences, literature on political options, determines that groups with lower income vote for left-wing parties in order to increase their financial situation, whereas groups with higher income don't vote left-wing parties in order to maintain their position.

(8) *Unemployment* is another economic variable used in the research to characterize the economic frame of the districts and being one of the key motivations for emigration. Because there are no unemployment rates detailed per regions, this variable was calculated as fraction between number of unemployed and economically active population for each district, based on data provided by NBS. The general belief

according to previous researches is that regions with high unemployment rates are disposed to vote for Communists.

(9) *Remittances* are the third economic variable considered for the research. We mentioned the role played by the remittances in the overall economic development of the country and the high share of remittances in GDP (25 % in 2013 according to NBM). Siegel & Waidler (2012) explore the link between the poverty and migration at the community level in Moldova. They conclude that the variables significantly correlated with welfare are: community size, average income and proximity to the capital, while the authors found no significant link with remittances. In our further analysis we also find that remittances have no significance for voting behaviour, and we finally have to drop remittances from the model because of high collinearity with salary.

Migration as factor of change of political preferences and ultimately institution performance is the central interest of the present research. Data includes the total share of migration per districts, based on Population Census and NBS data. Most affected by migration are the South districts, followed by autonomous region of Gagauzia, North districts and Central districts. As well, migrants are split according to their destination country in: West migrants and East migrants. Difference between West and East is made according to Omar Mahmoud et al. (2014) who uses Polity IV index to group countries as democracies i.e. West countries (index >6), such as: Italy, Romania, Spain, Portugal, Greece, Germany, Czech Republic, Austria, Canada, United States of America etc.; and non-democracies (index <6), as: Russia, Ukraine, Belarus, Turkey etc. *Figure A.2.* shows share of West and East migrants per regions; while *Figure A.3.* and *Figure A.4.* depicts correlation between West/East migrants and share of votes for Communist Party.

When analysing migration, a major challenge is economic and political *self-selection*, mentioned Fidrmuc and Doyle (2004) and Omar Mahmoud et al. (2014). As highlights Fidrmuc and Doyle (2004) the key question is either migrants adjust to values and behaviour of the host country or they chose the destination country according to their values, beliefs and political preferences, which determines self-selection. And another specific of self-selection for Moldova, is the fact that most of

communities send the majority of migrants to one single country, sometimes even to one single city. This phenomenon can be explained by the fact that the first waves of emigrants from a village/region have a strong influence on the destination choice of emigrants who come next. Thus, we can assume that the destination preferences of emigrants had slightly changed since population census in 2004.

5.4 Preliminary data analysis and OLS regression model

Before proceeding to run the regressions, analysing the first results and accepting the estimates, we verify and investigate more detailed the existing data, determining the relationships between the variables, thus making sure our final results will not be misleading.

With purpose of reaching data stationarity, some of the variables were transformed as follows: population size, salary and remittances were changed to log form, and for the unemployment rate is being used the differenced form. Additionally, we suspect that the last year elections have an influence on the behaviour of the voters, therefore as a new independent variable we include the first order lag for share of votes for the political outcome (share of Communist Party and share of Opposition parties).

Based on the available information, hypothesis and model, we perform OLS regression to the dependent variable, the political outcome, namely the share of votes for the Communist Party (**share_comm**) on the predictor variables: share of migration (as control variable, **share_mig**), share of migrants to the West (**share_west**), share of female migrants (**share_fem_mig**), population size (**l_pop**), share of female population (**pop_fem**), share of rural population (**pop_rural**), distance to the capital (**l_dist_capital**), salary (**l_salary**), unemployment rate (**diff_unempl_rate**), remittances (**l_remittances**) and first order lag for share of votes for the Communist Party (**sharecom_1**). The results of the OLS regression are depicted in the *Table 5.4.1*.

Table 5.4.1. Output from OLS regression of share of votes for the Communist Party

Source	SS	df	MS	Number of obs = 180		
Model	2.03444498	11	.184949543	F(11, 168) = 34.80		
Residual	.892833926	168	.005314488	Prob > F = 0.0000		
Total	2.9272789	179	.016353513	R-squared = 0.6950		
				Adj R-squared = 0.6750		
				Root MSE = .0729		

share_comm	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
share_mig	.0383914	.3083502	0.12	0.901	-.5703491	.6471318
share_west	-.1807372	.0455159	-3.97	0.000	-.270594	-.0908803
share_fem~g	.1654182	.139766	1.18	0.238	-.1105058	.4413421
l_pop	-.0705384	.0240823	-2.93	0.004	-.1180814	-.0229954
pop_fem	1.627736	.9193651	1.77	0.078	-.1872615	3.442733
pop_rural	-.0977874	.0453995	-2.15	0.033	-.1874143	-.0081605
l_dist_cap~2	-.0320376	.0082786	-3.87	0.000	-.0483812	-.015694
l_salary	-.0615577	.0228434	-2.69	0.008	-.1066549	-.0164605
l_remittan~s	-.0162614	.0173574	-0.94	0.350	-.0505281	.0180054
diff_unemp~e	1.947255	.5571236	3.50	0.001	.8473896	3.04712
sharecom_1	.5480735	.0589035	9.30	0.000	.4317872	.6643598
_cons	.9461134	.4546556	2.08	0.039	.048539	1.843688

Source: author’s computations

Next we look at the Analysis of Variance table (ANOVA table) to see how the regression accounts for variability in the dependent variable. Total degrees of freedom, shown in the df column is 179, corresponding to $n-1$, number of observations less one. The regression’s degrees of freedom represent the number of independent variables that are in the analysed model, in our case – 11. And the residual df is the difference between the Total df (179) and the Regression df (11), which for our regression is 168. Sum of squares are specified in the SS column and mean squares that are sum of squares divided by the corresponding degrees of freedom are indicated in the MS column.

The distribution is F (11,168), F statistic equals 34.80, and is statistically significant at 99% level, and therefore the probability to detect a value which would be larger or equal to 34.80 is less than 0.001. The F statistics also confirms that the regression independent variables are jointly significant. We observe that the R-squared (squared multiple correlation coefficient), providing information on the correlation between the predicted and observed values, is high, namely 0.6950. This shows that around 69% of the variance in the dependent variable is explained by the model and adjusted R-squared is 0.6750, indicating that 67% of the share of votes for the Communist

Party variability is explained by the explanatory variables, even after considering their number.

Our next step is to observe the independent variables and their significance for the chosen model. We look at the p value, which is the observed significance levels for the t-statistics and it shows us if the variable has a statistically significant predictability. In our regression output there are several predictors that seem not to have significance on the share of votes for the Communist Party, where p value is > 0.05 , namely: share of migration, share of female migrants, female population and remittances. Thus, most of the variables are significant at the 99% level, having p value < 0.01 , specifically: share of migrants to the west, population size, distance to the capital, salary, unemployment, first order lag of the dependent variable, and one variable significant at the 95% level, having p value < 0.05 , namely rural population. At the same time, we can notice that the standard errors of the regression coefficients are small, displaying less variation. In order to compare the relative strength of one coefficient to another within the model, we perform the standardized coefficients, or Beta (*Table 5.4.2*), which are measured in standard deviations. As shown in *Table 5.4.2*, the largest beta coefficient, in absolute value, is the first order lag of the dependent variable, and the smallest is the share of migration, which according to p value is not a significant variable for the model. Other coefficients having a relative high strength are: salary, share of migrants to the west, population size and distance to the capital. These observations are consistent with our initial hypothesis, confirming the expectations.

We already determined the significance of the variables, as well as the fact that they are jointly significant (F statistic). Additionally, we tested set of variables, to see if their contribution is significant for the model. Considering that our variables fall in three main categories: variables expressing migration, variables showing community characteristics and economic variables, we had tested three sets grouping the corresponding variables. All of them showed to be significant, which means there is a significant difference between a model with these groups of variables, compared to a “reduced” model, without them. These test confirmed that so far our decision about the selected variables was correct.

Table 5.4.2 Output from OLS regression for standardized coefficients

Source	SS	df	MS	Number of obs = 180		
Model	2.03444498	11	.184949543	F(11, 168) = 34.80		
Residual	.892833926	168	.005314488	Prob > F = 0.0000		
Total	2.9272789	179	.016353513	R-squared = 0.6950		
				Adj R-squared = 0.6750		
				Root MSE = .0729		

share_comm	Coef.	Std. Err.	t	P> t	Beta
share_mig	.0383914	.3083502	0.12	0.901	.0100796
share_west	-.1807372	.0455159	-3.97	0.000	-.2702065
share_fem~g	.1654182	.139766	1.18	0.238	.0719733
l_pop	-.0705384	.0240823	-2.93	0.004	-.3178734
pop_fem	1.627736	.9193651	1.77	0.078	.1247442
pop_rural	-.0977874	.0453995	-2.15	0.033	-.1430055
l_dist_cap~2	-.0320376	.0082786	-3.87	0.000	-.2582377
l_salary	-.0615577	.0228434	-2.69	0.008	-.3456875
l_remittan~s	-.0162614	.0173574	-0.94	0.350	-.1541643
diff_unemp~e	1.947255	.5571236	3.50	0.001	.1648812
sharecom_1	.5480735	.0589035	9.30	0.000	.6256128
_cons	.9461134	.4546556	2.08	0.039	.

Source: author’s computations

The following analysis is to understand how the variables are correlated among each other within the selected model. We use **correlate** command to receive the correlation table. Strongest correlation with the dependent variable, i.e. share of votes for the Communist Party, has population size (negative correlation), share of migrants to the west (negative correlation) and first order lag of the dependent variable (positive correlation), all variables being of high interest for us, especially the share of migrants to the west. Therefore, we have new evidence that these variables are significant predictors in our model, evidence coming to support our hypothesis. At the same time, we observe that among the independent variables, remittances are highly correlated with the salary (0.8643), confirmed by pairwise correlation (0.9336). Having this in mind, we performed the test for multicollinearity (Table 5.4.3). Although, we cannot strongly confirm the multicollinearity problem, as none of the VIF is exceeding 20, or the tolerance 1/VIF equals or is less than 0.05, we still observe an increased level of association between two of the variables: remittances and salaries. This fact is not a surprise, as both predictors are economic variables, expressing the income level of the population. Our decision in this case was to exclude remittances from the regressors, which additionally has a reduced level of significance in the model.

Table 5.4.3 Test for multicollinearity of the regression model

Variable	VIF	1/VIF
l_remittan~s	14.92	0.067046
l_salary	9.06	0.110324
l_pop	6.49	0.154150
share_mig	3.61	0.277005
pop_fem	2.73	0.365720
share_west	2.55	0.392080
sharecom_1	2.49	0.401589
l_dist_cap~2	2.45	0.407718
pop_rural	2.43	0.411866
share_fem~g	2.04	0.490929
diff_unemp~e	1.23	0.815826
Mean VIF	4.54	

Source: author’s computations

We also might consider to drop the variable for share of migration, especially considering its reduced level of significance for the mdel, but we decide to keep it as a control variable for migration, mainly in the light of self-selection and self-identification issues of the migration flows. Plus, the regression output doesn’t change considerably after dropping this variable, the R-square is slightly diminishing and according to Akaike criteria the extended “full” model is better than the “reduced” one without share of migration. The differences are depicted in the *Table 5.4.4* which is summarizing the OLS regression results.

To test either the error term has a constant variance across all values of the explanatory variables, we apply Breusch-Pagan / Cook-Weisberg test for heteroskedasticity ($E u^2_{it} = \sigma^2_{it}$). The performed test rejects the null hypothesis of homoskedasticity, highlighting thus that there is heteroskedasticity problem in our data, confirmed as well by the plot of the residuals against the fitted values of the dependent variable. One of the issues related to heteroskedasticity is that standard errors are biased. Standard errors are the key elements to determine the confidence intervals and perform the significance test, therefore this fact is very important as it can bring to weak and wrong conclusions concerning the significance of the variables.

One of the OLS assumptions is the fact that error terms are uncorrelated. Thus, another step in our analysis is to determine if there are autocorrelation of the error terms, which can lead to underestimation of the standard error and overestimation of the t-statistics. As we have panel data, we use Wooldridge test and the results show that we have to reject the null hypothesis of no autocorrelation and consequently we have autocorrelation in our data ($u_{it} = \rho u_{i,t-1} + e_{it}$).

To correct for heteroskedasticity and autocorrelation, we consider using the following two options applicable for panel data: heteroskedasticity and autocorrelation consistent (HAC) standard errors, also known as Newey-West standard errors; or to use cluster-robust standard errors ($v_{it} = u_{it} + \varepsilon_{it}$). We follow Bertrand et al. (2004) and consider the option of cluster-robust standard errors to be more suitable to the situation. We have a district-year panel, our variables vary by districts and over time, consequently we have several options to cluster the errors: by districts, by year or by district-year. The final choice is to cluster the errors on districts, as according to Bertrand et al. (2004) and confirmed by Cameron and Miller (2015), the clustering doesn't have to be on district-year because the error for district Chisinau in 2005 is likely to be correlated with the error for Chisinau in 2009, hence the clustering should be on district, supposing error terms are independent across districts. The final regressions using cluster-robust standard errors (using command *vce (cluster district)*) are illustrated in the below *Table 5.4.4*

The final assumption for the regression analysis, that the residuals are normally distributed is fulfilled, confirmed by displaying histogram and normal probability plots for the distribution of the residuals. For robustness check we add additional variables into the model and observe that the significance and strengthen of the coefficients from the model don't change (*Table 5.4.4*).

$$\begin{aligned} \text{Share of votes for Communist Party} = & 0.889 - 0.160 * \text{share of migration} - \\ & 0.171 * \text{share of migrants to west} + 0.164 * \text{share of female migrants} - \\ & 0.0882 * \text{population size} + 1.832 * \text{female population} - 0.109 * \text{rural} \\ & \text{population} - 0.0329 * \text{distance to capital} - 0.0802 * \text{salary} + 1.966 * \\ & \text{unemployment rate} + 0.542 * \text{lagged share of communist party} \end{aligned} \quad (2)$$

The OLS model with cluster-robust standard errors by districts, as depicted in equation (2), illustrates the signs and influence of the explanatory coefficients, which correspond with our initial hypothesis. Share of migration to the West has a negative effect on the share of votes for Communist party, as well as the population size of the districts, rural population, distance to the capital and the salary level. The other variables, such as female population, unemployment rate and lagged share of communist party have a positive influence on the dependent variable.

Table 5.4.4 Summary of regression results of the Share of votes for Communist Party

		OLS	OLS	OLS	Newey-West standard errors	Cluster- robust standard errors	Robustness check
VARIABLES		(1)	(2)	(3)	(5)	(6)	(7)
Share of	migration	0.0384		-0.160	-0.160	-0.160	-0.0852
		(0.308)		(0.224)	(0.222)	(0.218)	(0.249)
Share of	migrants to west	-0.181***	-0.172***	-0.171***	-0.171***	-0.171***	-0.185***
		(0.0455)	(0.0441)	(0.0442)	(0.0465)	(0.047)	(0.0544)
Share of	female migrants	0.165	0.150	0.164	0.164	0.164	0.195
		(0.140)	(0.138)	(0.140)	(0.153)	(0.153)	(0.177)
Population size		-0.0705***	-0.0886***	-0.0882***	-0.0882***	-0.0882***	-0.0977***
		(0.0241)	(0.0150)	(0.0150)	(0.0174)	(0.0146)	(0.0202)
Female population		1.628*	2.012**	1.832**	1.832**	1.832*	1.559
		(0.919)	(0.855)	(0.893)	(0.763)	(0.917)	(1.027)
Rural population		-0.0978**	-0.111**	-0.109**	-0.109**	-0.109***	-0.0901**
		(0.0454)	(0.0437)	(0.0439)	(0.0432)	(0.0370)	(0.0394)
Distance to capital		-0.0320***	-0.0341***	-0.0329***	-0.0329***	-0.0329***	-0.0396***
		(0.00828)	(0.00803)	(0.00822)	(0.00768)	(0.00934)	(0.0101)
Salary		-0.0616***	-0.0811***	-0.0802***	-0.0802***	-0.0802***	-0.0855***
		(0.0228)	(0.0111)	(0.0112)	(0.0139)	(0.0147)	(0.0203)
Unemployment rate		1.947***	2.017***	1.966***	1.966***	1.966***	1.813***
		(0.557)	(0.551)	(0.557)	(0.422)	(0.318)	(0.351)
Lagged share of communist		0.548***	0.524***	0.542***	0.542***	0.542***	0.466***
		(0.0589)	(0.0526)	(0.0586)	(0.0957)	(0.0745)	(0.116)

Share of gagauz population						0.110***
						(0.0282)
Migrants aged 35-54						0.410*
						(0.233)
Migrants with secondary education						-0.575
						(0.774)
Remittances	-0.0163 (0.0174)					
Constant	0.946** (0.455)	0.811* (0.436)	0.889* (0.450)	0.889** (0.407)	0.889* (0.475)	1.268** (0.612)
Observations	180	180	180	180	180	180
R-squared	0.695	0.692	0.693		0.693	0.710

Source: author’s computations

To further support our assumptions concerning the influence of the predictor variables, we consider a different dependent variable as the political outcome instead of the Communist Party, and namely the share of votes for the Opposition. It is important to remind that the Opposition doesn’t automatically include the remaining candidates at the elections, but it comprises the main opponents of the Communist Party from each election-year, that express the alternative choice of the voters compared to the Communist Party. The regression outputs and the difference in coefficients, using OLS with cluster-robust standard errors by districts, are detailed in *Table 5.4.5*, regression (1). Furthermore, in the regression (2) we have substituted the following three variables: share of migrants to west with share of migrants to east; share of female migrants with share of male migrants; and female population with male population. And again, our expectations are met, especially those concerning share of migrants to the West and to the East.

As observed in the *Table 5.4.5*, share of migrants to the west has a negative influence on the share of votes for Communist Party, while share of migrants to the East has a positive impact. Other estimates also change their sign and influence on the share of votes for Opposition, with exception of share of female migrants and share of male migrants, which don’t change their influence, but in return become significant for the share of votes for Opposition.

Table 5.4.5 Share of votes for Communist Party versus share of votes for Opposition, OLS

VARIABLES	Share of votes for Communist Party		Share of votes for Oppositions	
	Cluster-robust standard errors OLS (1)	Cluster-robust standard errors OLS (2)	Cluster-robust standard errors OLS (1)	Cluster-robust standard errors OLS (2)
Share of migration	-0.160 (0.218)	-0.213 (0.207)	-0.848*** (0.150)	-0.720*** (0.130)
Share of migrants to west	-0.171*** (0.0478)		0.0619** (0.0264)	
Share of female migrants	0.164 (0.153)		0.311*** (0.101)	
Population size	-0.0882*** (0.0146)	-0.0775*** (0.0126)	0.0543*** (0.0113)	0.0394*** (0.0119)
Female population	1.832** (0.917)		-2.775*** (0.686)	
Rural population	-0.109*** (0.0370)	-0.0852** (0.0383)	0.161*** (0.0320)	0.175*** (0.0379)
Distance to capital	-0.0329*** (0.00934)	-0.0260*** (0.00732)	0.0267*** (0.00649)	0.0167*** (0.00632)
Salary	-0.0802*** (0.0147)	-0.0737*** (0.0152)	0.0930*** (0.0116)	0.0930*** (0.0112)
Unemployment rate	1.966*** (0.318)	1.885*** (0.310)	-2.025*** (0.355)	-1.997*** (0.359)
Lagged share of communist	0.542*** (0.0745)	0.510*** (0.0740)		
Share of migrants to east		0.154*** (0.0454)		-0.0582* (0.0303)
Share of male migrants		-0.181 (0.154)		-0.286*** (0.105)
Male population		-2.298*** (0.891)		1.733*** (0.632)
Lagged share opposition			0.682*** (0.0625)	0.681*** (0.0627)
Constant	0.889* (0.475)	2.786*** (0.432)	0.256 (0.328)	-1.473*** (0.333)
Observations	180	180	180	180
Number of district	36	36	36	36

Source: author's computations

Chapter 6 will bring additional details on interpretation and description of the regression results illustrated in the *Table 5.4.5*.

5.5 Fixed and Random Effects, Generalized Method of Moments

Although our estimations using OLS confirm the initial assumptions about voting behaviour and the correlation between the share of migrants to the West/East and the political outcome, and we managed to correct heteroskedasticity and autocorrelation by clustering standard errors, we continue to search for the best option. As Fidrmuc and Doyle (2004) and Docquier et al. (2011) had underlined, OLS is not offering the best estimations for voting research, especially when elections take place in a multiparty system. Therefore, we proceed by applying Random Effects model, under the assumption that the differences across the districts have an influence on the dependent variable and the variation across entities is random (equation 3). The advantage of using RE is the fact that we can include a time invariant variable, which in our model is “distance to capital”, which doesn’t change over time and remains the same. The *Table 5.5.1* depicts the results of the regression.

$$Y_{it} = \beta X_{it} + \alpha + u_{it} + \varepsilon_{it} \quad (3)$$

To decide whether is better to perform OLS or RE, we apply the Breusch-Pagan Lagrange multiplier test. As result, we accept the null hypothesis that variances across entities are zero, meaning there are no significant differences across districts and OLS is a better option.

Afterward, considering that the majority of the variables change over time and we have a panel data, we can analyse the impact of time-variant characteristics, by using Fixed Effects model and control for unobservable variables that are district-specific (equation 4). In the case of FE, the intercept absorbs the time invariant variable, i.e. “distant to capital” in our model, so we cannot examine its influence on the dependent variable, i.e. “political outcome”. Because omitting this variable, the estimated coefficients cannot be biased, (Torres-Reyna, 2007).

$$Y_{it} = \beta X_{it} + \alpha + u_{it}$$

(4)

After running the model, we obtain 36 groups (the number of districts) and the F-test <0.05, implying that all the coefficients in the model are different than zero and therefore FE is more suitable to apply than OLS. We also perform Hausman test to compare the results from RE and FE. The test indicated that we have to reject null hypothesis that errors are not correlated with the regressors and consequently the preferred model according to Hausman test is the Fixed Effects. The results of the regressions are shown in *Table 5.5.1*. We also perform additional test on FE. One of these tests is Pasaran cross-sectional dependence, to determine if the residuals are correlated across entities. As result we reject the null hypothesis that residuals are not correlated across entities and therefore we have cross-sectional dependence in our estimations. As response to this, Hoechle (2007) comes with the recommendation of using Driscoll and Kraay standard errors. Another step is to establish if in our fixed effect model there is heteroskedasticity, by applying the modified Wald test. And again we reject the null hypothesis and conclude about the heteroskedasticity. One of the solutions to correct this is to use robust standard errors, a correction that we have already applied to our model.

Table 5.5.1 Share of votes for Communist Party versus share of votes

		Share of votes for Communist Party			Share of votes for Oppositions		
VARIABLES		Cluster-robust standard errors OLS (1)	Cluster-robust standard errors RE (2)	Cluster-robust standard errors FE (3)	Cluster-robust standard errors OLS (4)	Cluster-robust standard errors RE (5)	Cluster-robust standard errors FE (6)
Share of migration		-0.160 (0.218)	-0.160 (0.218)	1.006*** (0.326)	-0.848*** (0.150)	-0.848*** (0.150)	-1.820*** (0.260)
Share of migrants to west		-0.171*** (0.0478)	-0.171*** (0.0478)	3.945*** (1.099)	0.0619** (0.0264)	0.0619** (0.0264)	-1.896** (0.787)
Share of female migrants		0.164 (0.153)	0.164 (0.153)	0.143 (0.282)	0.311*** (0.101)	0.311*** (0.101)	0.241** (0.0927)
Population size		-0.0882*** (0.0146)	-0.0882*** (0.0146)	0.0668** (0.0278)	0.0543*** (0.0113)	0.0543*** (0.0113)	-0.0522** (0.0192)
Female		1.832* (0.0113)	1.832** (0.0113)	3.042 (0.0192)	-2.775*** (0.0113)	-2.775*** (0.0113)	-3.006* (0.0192)

population	(0.917)	(0.917)	(1.860)	(0.686)	(0.686)	(1.638)
Rural population	-0.109***	-0.109***	-0.556	0.161***	0.161***	0.876
Distance to capital	(0.0370)	(0.0370)	(1.320)	(0.0320)	(0.0320)	(0.741)
	-0.0329***	-0.0329***		0.0267***	0.0267***	
Salary	(0.00934)	(0.00934)		(0.00649)	(0.00649)	
	-0.0802***	-0.0802***	-0.132***	0.0930***	0.0930***	0.163***
Unemployment rate	(0.0147)	(0.0147)	(0.0319)	(0.0116)	(0.0116)	(0.0227)
	1.966***	1.966***	1.604***	-2.025***	-2.025***	-2.763***
Lagged share of communist	(0.318)	(0.318)	(0.322)	(0.355)	(0.355)	(0.358)
	0.542***	0.542***	0.188**			
Lagged share opposition	(0.0745)	(0.0745)	(0.0723)	0.682***	0.682***	0.472***
Constant	0.889*	0.889*	-2.253	(0.0625)	(0.0625)	(0.0413)
	(0.475)	(0.475)	(1.536)	0.256	0.256	1.626
				(0.328)	(0.328)	(0.994)
Observations	180	180	180	180	180	180
R-squared	0.693		0.335	0.857		0.822
Number of district		36	36		36	36

Source: author's computations

As observed in *Table 5.5.1*, in the OLS and RE models, the estimates and standard errors are the same, while FE model changes the significance of some variables (i.e. rural population, female population, share of migration), and more importantly the sign of the coefficient, meaning its impact on the dependent variable (i.e. population size and share of migrants to west). The key variable that we analyse more closely in our research is the share of migrants to west, therefore change in its influence on the dependent variable (i.e. political outcome), can lead to rejection of our assumptions and hypothesis. On a closer look, we notice that for share of migrants to west, rural population and constant, the coefficients under Fixed Effect model had increased for up to 23 times (in the case of share of migrants to west), and their standard errors as well became very high. Even though according to the test, the FE model is consistent and is better than OLS, all the above indicate that more investigation should be done on the estimates.

We observe that our model has possible problems of endogeneity and reverse causality: migration can be caused by bad political system and underperforming

institutions. Therefore, we must manage the issue of endogeneity and as suggest Fidrmuc and Doyle (2004) to instrument migration, meaning to find a variable correlated with emigration, but no correlated with political outcome. Additionally we use Wooldridge test for serial-correlation in fixed-effects (Drukker, 2003) and find that we have autocorrelation in data, which makes the standard errors biased and the results less efficient. Therefore, as suggest Fidrmuc and Doyle (2004), we chose to use a dynamic-panel regression, namely applying the system-GMM estimator, being able thus to control for unobservable heterogeneity and interpret endogeneity, using instruments.

We are using the generalized-method-of-moments estimator mostly by following the pedagogical article of Roodman (2009) with its introduction and useful directions on applying *xtabond2* command in Stata. Roodman (2009) confirms our motivation to use GMM, by underlying that the estimator is proposed when the independent variables are not strictly exogenous, being correlated with past and possibly the current realizations of the error and having autocorrelation in data, both being our case. Therefore, by using GMM we tackle the endogeneity problem, as well as the causality issue, which is intensively discussed in papers on migration.

As suggested by Roodman (2009) we apply difference and system GMM, and we follow the recommendations. The results are reported in *Table 5.5.2* and *Table 5.5.3*.

Table 5.5.2 Share of votes for Communist Party – GMM

	Share of votes for Communist Party				
	Difference GMM	One-step system GMM	One-step system GMM	Two-step system GMM	Two-step system GMM
VARIABLES	(1)	(2)	(3)	(4)	(5)
Lagged share of communist	0.209** (0.0896)	0.525*** (0.0751)	0.526*** (0.0672)	0.532*** (0.100)	0.543*** (0.0873)
Share of migration	1.510 (1.049)	1.028** (0.403)	0.633** (0.306)	0.619* (0.344)	0.657* (0.363)
Share of migrants to west	3.643** (1.642)	-0.136*** (0.0383)	-0.155*** (0.0380)	-0.157*** (0.0559)	-0.211*** (0.0637)
Share of female migrants	0.115	-0.189	-0.0756	0.0269	0.0154

Population size	(0.380) 0.0492	(0.215) -0.0791***	(0.157) -0.0829***	(0.184) -0.0800***	(0.191) -0.102***
Female population	(0.122) 4.472	(0.0163) 3.680**	(0.0124) 3.200***	(0.0164) 2.845**	(0.0244) 4.775*
Rural population	(3.120) -0.0667	(1.445) -0.0926*	(1.095) -0.0923**	(1.392) -0.0903	(2.364) -0.0596
Distance to capital	(1.857) -0.0400***	(0.0528) -0.0384***	(0.0441) -0.0325**	(0.0691) -0.0678*	(0.0632) -0.0678*
Salary	-0.131 (0.132)	(0.0109) -0.0630 (0.0475)	(0.00875) -0.0655* (0.0386)	(0.0132) -0.0457 (0.0444)	(0.0345) -0.111 (0.0774)
Unemployment rate	-0.0722	-0.335	-0.202	-0.0538	0.180
2bn.year	(0.358)	(0.488) 0.0810 (0.0908)	(0.365) 0.0648 (0.0733)	(0.443) 0.106 (0.0809)	(0.480) -0.0208 (0.145)
3.year		-0.0400 (0.0544)	-0.0259 (0.0434)	0.0118 (0.0436)	-0.0390 (0.0660)
4.year	0.0518 (0.241)	0.107*** (0.0174)	0.102*** (0.0153)	0.0985*** (0.0156)	0.0897*** (0.0188)
5.year	-0.0135 (0.243)	0.0262* (0.0137)	0.0236* (0.0129)	0.0112 (0.0151)	0.00542 (0.0146)
3bn.year	-0.0371 (0.168)				
6.year	-0.0245 (0.254)				
Constant		-0.250 (0.618)	0.0498 (0.508)	0.0276 (0.624)	-0.233 (0.733)
Observations	144	180	180	180	180
Number of district	36	36	36	36	36

Source: author's computations

Thus, we apply the estimator to a panel with “small T, large N”, comprising 6 years and 180 observations. Although, “large N” is a questionable term, having over 100 observations offers a level of confidence that we can rely on cluster-robust standard errors and autocorrelation test. Different from previous estimations, like OLS, RE or FE, we include time dummies, in order to take out universal time-related shock from the errors (Roodman, 2009), having thus errors that are correlated only within individuals and not across them. When deciding upon the instruments, we put every regressor in the instrument matrix, either as IV-style instrument (if the regressor is strictly exogenous) or as GMM-style instrument (if the regressor is predetermined or

endogeneous). As shown in *Table 5.5.2*, regression (1), we start by using difference GMM, with cluster robust errors, and small-sample adjustments. Difference GMM transforms the regressor, by applying first-difference. Number of used instruments is 22. Generally, in all regressions, we keep the instrument number below the number of groups, namely 36. We instrument the lagged dependent variable in GMM-style, as endogeneous variable, i.e. share of votes for communists. In the following regression (2) we apply one-step system estimator created by Blundell and Bond, and producing an enlarged and transformed dataset, where the transformed observations are followed by untransformed (Roodman, 2009). Number of instruments increases to 28. System GMM allows us to add time-invariant regressors, in our case “distance to the capital”, a regressor which doesn’t appear in difference GMM. While difference GMM is removing fixed effects by transforming the data, system GMM instruments endogeneous variable with variables that are considered not to be correlated with fixed effects. Next, we follow Roodman directions, and in the previous estimation add equation in levels, reported in regression (3) from *Table 5.5.2*. which improves the estimates. We change one-step system GMM into two-step system GMM, which as underlined by Roodman (2009) on a moderate level is estimating coefficients with lower bias – regression (4). Number of instruments doesn’t change and remains to be 28. The other used options are as well, robust and small-sample corrections to the covariance matrix estimate. Because in two-step estimation the errors are already robust, the used option produces Windmeijer correction (Roodman, 2009). We test the robustness of results by reducing the number of instruments in the last estimation to 27. Most of the estimates increase their coefficients, but without losing the significance. The *xtbond2* command is automatically followed by Sargan/Hansen test on consistency of estimates and identified instruments. At the same time, as Roodman (2009) mentions, we should not blindly trust the Sargan/Hansen statistics which is predisposed to have weaknesses. We follow the guidelines of Roodman, when he says that Hansen test with p-values lower than 0.1 should not be trusted, while values higher than 0.25 are also sign for worrying.

If to compare the results obtained by applying two-step system GMM (*Table 5.5.2*, regression (4), with the coefficients from OLS (*Table 5.5.1*, regression (1), we observe that most of the estimates fall in the credible range, keeping their significance and effect on dependent variable. Therefore, our key variable, which

effect we observe on share of votes for Communist Party – share of migrants to the west – continue to be significant and to have negative influence on the variable, having the coefficient (-0.157) compared to (-0.171) in OLS. Similarly, population size and distance to the capital are significant and have negative coefficients, while the first lag of the dependent variable is positive and significant. The other regressors, in system GMM show different coefficients from OLS and change their significance for the dependent variable. Share of migration that we use as control variable, becomes significant and change the estimate sign to positive. At the same time, rural population and the economic variables, salary and unemployment, become insignificant. Differently from OLS, in GMM we included time dummies. In system GMM the first and the last years are dropped due to collinearity. We can observe in *Table 5.5.2.* that the 4th year is significant, having thus an impact on the share of votes for the Communist Party.

Table 5.5.3 Share of votes for Communist Party versus share of votes

	Share of votes for Communist Party		Share of votes for Oppositions	
VARIABLES	Two-step system GMM (1)	Two-step system GMM (2)	Two-step system GMM (3)	Two-step system GMM (4)
Lagged share of communist	0.532*** (0.100)	0.502*** (0.113)		
Share of migration	0.619* (0.344)	0.456 (0.391)	-0.816*** (0.264)	-0.555** (0.245)
Share of migrants to west	-0.157*** (0.0559)			0.0571 (0.0425)
Share of female migrants	0.0269 (0.184)		0.210 (0.148)	
Population size	-0.0800*** (0.0164)	-0.0629*** (0.0176)	0.0487*** (0.0140)	0.0374*** (0.0134)
Female population	2.845** (1.392)		-2.519*** (0.803)	
Rural population	-0.0903 (0.0691)	-0.0581 (0.0666)	0.119** (0.0560)	0.112* (0.0624)
Distance to capital	-0.0325** (0.0132)	-0.0206* (0.0104)	0.0196** (0.00921)	0.00871 (0.00630)
Salary	-0.0457 (0.0444)	-0.0177 (0.0480)	0.0328 (0.0342)	0.0307 (0.0387)
Unemployment rate	-0.0538	-0.000587	-0.734	-0.701

	(0.443)	(0.387)	(0.521)	(0.531)
2bn.year	0.106	0.139	-0.0965	-0.0879
	(0.0809)	(0.0822)	(0.0694)	(0.0728)
3.year	0.0118	0.0290	-0.0361	-0.0430
	(0.0436)	(0.0434)	(0.0389)	(0.0416)
4.year	0.0985***	0.0959***	-0.0237	-0.0182
	(0.0156)	(0.0142)	(0.0238)	(0.0247)
5.year	0.0112	0.0104	0.0614***	0.0668***
	(0.0151)	(0.0148)	(0.0157)	(0.0159)
Share of migrants to east		0.128**	-0.0609*	
		(0.0619)	(0.0338)	
Share of male migrants		-0.0235		-0.136
		(0.211)		(0.167)
Male population		-2.674**		1.957**
		(1.257)		(0.730)
Lagged share of opposition			0.649***	0.662***
			(0.0865)	(0.0916)
Constant	0.0276	2.298***	0.655	-1.332***
	(0.624)	(0.550)	(0.470)	(0.390)
Observations	180	180	180	180
Number of district	36	36	36	36

Source: author's computations

Table 5.5.3 summarizes and compares the results for system GMM where we applied share of Communist Party as dependent variable, with the results applied for share of votes for Opposition parties. Consequently the share of migrants to the west was substituted with share of migrants to the east, in order to verify the impact of each regressor on the dependent variable. Results confirm the existing conclusions, showing that share of migrants leaving to the east, influence positively the share of votes for Communist Party: if the share of migrants will increase, the share of votes also will increase; while share of migrants who decided to go to west countries, have a negative influence for the Communist Party. Hence, this comparison allows us to check robustness of the results and to endorse the conclusions. When we apply share of Opposition as dependent variable, the 5th year becomes significant. The significance of the 4th and 5th years is as well in line with our assumptions, as during both years an increased number of migrants had expressed their votes and the political system in Moldova was changed.

6 Interpretation of regression results

The following Chapter will present the main results of the analysed model and the conclusions for the tested hypothesis, showing the voting patterns for migrants and non-migrants, emphasizing the determinants for migration and voting behaviour.

6.1 Migration push and pull factors and destination selection

When speaking about the phenomenon of migration among the basic questions are: what is the motivation of leaving the country of origin and motivation to select the country of destination. Some of these reasons and characteristics had already been mentioned, such as self-selection, existence of established communities in host countries, length of stay depending on the scope of migration, etc. Additionally, there are so called “push factors” that play the role of incentives for migrating from the home country, having their roots in national conditions, and “pull factors” that attract the migrants to the destination country, representing a certain “offer”.

In the case of Moldova, according to conducted surveys and studies, for 40 to 55% of emigrants, the push factor is lack of jobs (Lucke et al., 2007; Ganta, 2012), while for 43% of people is low salaries (Ganta, 2012). Therefore, for 72% the motivations are related to economic reasons (World Bank, 2010) and a key push factor for permanent migration is economic frustration (Pinger, 2007). Speaking about destinations, migration to CIS is affected mainly by push factors, namely by low salaries, poor employment opportunities and poverty incidence. While migrants to Europe and other countries are more pulled by social factors, existing social networks at the host country and better working conditions, networks helping as well to decrease costs related to assimilation and intensify links with destination country (Piracha & Saraogi, 2011). And if generalizing, migration to CIS countries is based on need, whilst migration to non-CIS countries is mostly opportunity driven (Lucke et al., 2007).

We have partially confirmed these factors, by running a regression of share of migrants going to West and East, against the key characteristics and factors that might determine their decision: salary, unemployment, community size and its features.

$$Mig_{West} = \alpha + \beta_1 Mig + \beta_2 Mig_{West,t-1} + \gamma x' + \varepsilon \quad (5)$$

Mig_{West} is dependent variable expressing the share of migrants who left to Western countries, we are using as the share of migrants who left to Eastern countries, to verify the results. The variable is the same as in regression (1). Mig represents total share of migrants compared to total population. $Mig_{West,t-1}$ is lagged dependent variable, to determine if previous year is effecting the migration behaviour and to account for persistence of the preferences for destination. And x' is community level variable showing community size, gender of the population, distance to the capital and rural or urban prevalence of the population. We have tried OLS, RE and FE. The Hausman and F tests showed that FE is more suitable for our model, offering the possibility to control for time and district effect. As in the previous case, when we had as dependent variable the political outcome, the FE changes the sign and consequently the impact of several variables. In our new regression these variables are: share of migration, size of population and lagged dependent variable. But differently from the previous case, we have reasons to trust FE results, not having too large standard errors and too large changes of the coefficients, except the sign.

Our results confirm the outcomes of previous studies, showing that migration is mostly directed to East countries (Table 6.1.1). Emigration rate to the West is conditioned by the increased unemployment rate, as well as by high salaries. Thus, if the salary will increase by 1%, migration rate to the West will increase with 0,0203 units, and if the unemployment will increase with one unit, migration to the West will increase with 0,0975 units. For the migration to the East, this connection is negative, unemployment losing its importance, and if the salary will increase with 1%, migration to the East will decrease with 0,0204 units, consequently to the East are leaving people with low salaries. Gender of the population and rural or urban environment are not significant. At the same time the size of the community,

expressed as number of population, is significant, confirming the official data that migration to the East has a greater percentage.

Table 6.1.1 Characteristics affecting Migration to West and to East

VARIABLES	Share of West Migrants			Share of East Migrants		
	(OLS clustered robust standard errors)	(FE clustered robust standard errors)	(RE clustered robust standard errors)	(OLS clustered robust standard errors)	(FE clustered robust standard errors)	(RE clustered robust standard errors)
Share of migration	0.246***	-0.260***	0.121	-0.302***	0.312***	-0.302***
Population size	(0.0675)	(0.0279)	(0.168)	(0.0390)	(0.0350)	(0.0390)
Female population	0.00854**	-0.0198***	0.00645	-0.00746**	0.0242***	-0.00746**
	(0.00364)	(0.00278)	(0.0296)	(0.00308)	(0.00293)	(0.00308)
Rural population	-0.0403	-0.214	-0.720	0.159	0.211	0.159
Distance to capital	(0.253)	(0.302)	(0.473)	(0.162)	(0.281)	(0.162)
	0.0217	0.130	0.0846	-0.0108	-0.0954	-0.0108
Unempl rate	(0.0145)	(0.244)	(0.0766)	(0.00724)	(0.230)	(0.00724)
	-0.00373		-0.0516*	-0.000456		-0.000456
Salary	(0.00469)		(0.0266)	(0.00167)		(0.00167)
L.share_west	0.582***	0.0975***	0.446***	-0.582***	-0.0424	-0.582***
	(0.125)	(0.0291)	(0.167)	(0.128)	(0.0310)	(0.128)
L.share_east	0.0213***	0.0203***	0.0162***	-0.0254***	-0.0204***	-0.0254***
	(0.00439)	(0.00199)	(0.00307)	(0.00173)	(0.00196)	(0.00173)
Constant	0.974***	-0.0349**	0.517**	0.999***	-0.101***	0.999***
	(0.0263)	(0.0168)	(0.206)	(0.00544)	(0.0142)	(0.00544)
Observations	-0.198*	0.481**	0.522	0.170*	0.508***	0.170*
R-squared	(0.115)	(0.188)	(0.537)	(0.0870)	(0.174)	(0.0870)
Number of district	180	180	180	180	180	180
	0.969	0.828		0.992	0.833	
		36	36		36	36

Source: author’s computations

6.2 Does emigration affects voting outcome

The applied models in this research, both OLS and system GMM, had shown that migrants influence the voting outcome depending on the destination region for migration (West or East). Although by using GMM we had tackled the causality

issue, those who are leaving abroad are choosing the destination country, not only by pull and push factors, described in Chapter 6.1, but also by economic and political preferences, a self-selection factor which is closely related to people's attitudes and influencing their further behaviour. Nevertheless, the voting actions are influenced by institutional setting of the host country. So, as shown in Chapter 3, although the core number of migrants is leaving to Russia, their show up rate at the elections is low, thus Communists receive less votes from abroad. A different situation is observed for migrants to the west, who are more active from civic point of view. Different behaviour of the migrant voters influence and change the electoral outcome in the home country, as it was the case of Moldova during the 2009 and 2010 elections, when increasing the number of migrant voters changed the final results.

Analysing the results from system GMM, depicted in the *Table 5.5.3*, we observe that for the political outcome are significant the community size, distance to capital, gender of the population, results of elections from previous year, share of migrants and share of migration to West or East. Therefore, the share of votes for the Communist Party has a negative relation with share of emigration to West and a positive connection with share of emigration to East, while for the Opposition both dependences are vice versa. If the share of emigration to West will increase with 1%, holding all the other variables constant, Communist Party will get with 0.157 units less votes, and if the share of emigration to East will increase with 1%, this party will obtain with 0.128 units more votes. The large communities have the tendency to vote for Opposition parties, so if the population in a community is decreasing, so the share of votes for the Opposition. Interesting to note that distance to capital has a negative influence on the outcome for Communist Party, hence more remote district inline to give their vote for the Opposition. Female population prefers to vote for the Communist Party, while male population for the Opposition. As well, share of migration that we used as control variable, is significant in our model. In case the share of migration will increase, so will the share of votes for the Communists and vice versa for the Opposition. This shows one more time the importance of the destination country. By one hand it can illustrate that more people are leaving abroad, the political outcome will be in the favor of Communist Party, meaning migrants and their relatives prefer to vote for them. On the other hand, it much depends on the destination country. As presented before, the majority of migrants are going to East

(Russia), so this number is affecting the political outcome, but because they are passive voters, and because migrants to West are voting for the Opposition, their effect is a reduced one.

Another confirmation of the importance of the host country and its institutional settling is that if a migrant from East will migrate to West, votes for Opposition will increase with an odds ratio of 3.03268. We also find that migrants to West are less likely to vote for Communists and more likely to vote for Opposition. Both results are obtained by using logit regression, by transforming existing variable into dummies. Additionally, urban communities are less likely to vote for the Opposition, and if a person will move from rural community to urban, the votes for Opposition will decrease. This conclusion is confirmed by the fact that Russian-speaking people are mostly living in urban areas and migrants to East originate predominately from urban communities. Also, using logit regression gives as a confirmation that more elderly people, who had leaved during Soviet Union time, are more likely to vote for Communist Party.

All the above mentioned conclusions support the initially stated hypotheses, that migrant voting actions are influenced by the environment of their host country and their voting behaviour is changing the perceptions of non-migrants through spillover effect and put pressure on policies of the home country institutions, changing the existing political and economic institutions.

7 Conclusions

The thesis is analysing several dimensions and their interconnection, namely: migration, elections and implemented policies. It explores how emigration is affecting the elections results and voter patterns, observing the influence of the host country and the spillover effect on the non-migrants. Through their behaviour, migrants can influence the undertaken policies and institution development in the home country. The research is based on the case of Republic of Moldova, an Eastern European country with a pronounced soviet heritage, and an increased level of migration. To confirm the assumptions, an OLS and system-GMM models are being applied, having as dependent variable the political outcome.

The first three Chapters are introducing theoretic concepts about economic and political institutions, measurement of their performance, presenting arguments for elections and migration as development triggers, and offer more details about Moldova, its economy and political structure.

Moldova is continuously reminded of its soviet past, maintaining strong bonds with Russia, and splitting the population in two different groups, depending on their political preferences – West or East. One of the presented theories underlines the role of acculturation (Berry, 1997) and “spillover” of different values, western values in the case of Moldova. To determine how much time is needed to assimilate new culture, Alesina et al. (2005) researches the development of Germany after the reunification of Eastern and Western Germany, and comes to the conclusion that Eastern Germans, who had lived under communist regime for almost 50 years, as political policy prefer state intervention, opposite to the preferences of Western Germans. Alesina et al. (2005) points out that merging of these values will last for at least 1 or 2 generations. That can easily be the case of Moldova, who after more than 20 years of independence from the Soviet Union, still offers a great number of votes to Communist and Socialist parties, and shows a small degree of life satisfaction according to World Values Survey.

According to Lipset (1960) the role of citizens' participation in political life is minimum, saying that it's neither necessary nor sufficient condition to influence government policies. At the same time, also Lipset (1960) is suggesting that even by low participation, citizens can contribute to lower the support for a political power and decrease their support. Elections show the preferences of the voter, but at the same time as Acemoglu & Robinson (2005) underline, identical policy preferences can bring different outcomes, depending on the structure of institutions and their capacity to fulfil society's preferences.

Most of the democracies are fragile during its first 5 years (Kapstein, 2008), when economic and political institutions have to reach their credibility, accountability and performance. This can be easily applied to Moldova, when first point of break was in 2001 (after 10 years of independence and 7 years after first free and fair elections), when the Communist Party won the majority of seats in the Parliament. This result and the influence they are still keeping, show the loss of people's trust into the political system, well understanding De Soto (2010) who underlines that the countries from former Soviet Union "have understood that is possible to look like a democracy while gutting the system of the details that make democracy work". Therefore, the possibility to be elected should be based on concrete steps undertaken while in power, and population permanently to monitor the decision making processes and exercise pressure on economic and politic institutions. In order to be able to demand reforms and get involved into decision making processes, population has to overcome the stage of "survival needs".

When analysing migration, an important detail is self-selection of the emigrants, which means people who migrate decide for themselves their destination country and their choice can be driven by already existing political and economic views. That implies that migrants will be more open to accept the new setting and to share the new values of their host country. At the same time, migrants are exposed to the environment of the receiving country and adapt to new conditions, which are influencing the migrants and through spillover effect also the non-migrants. As observe Spilimbergo (2007) and Docquier et al. (2010), destination countries with democratic regimes and with better governance have a greater contribution to the progress of political and economic institutions in the country of origin of migrants.

This thesis is confirming that emigration affects the voting results and electoral behaviour in Moldova, thus influencing the economic and political institutions of the country. Chapter 5 introduces an econometric model, based on emigration and election data for 1998-2010 years, covering 6 elections and 36 districts. The results are described under Chapters 5 and 6. We have started by performing an OLS model, but due to endogeneity problem and causality issue, as suggested by Fidrmuc and Doyle (2004), we decide to use a dynamic-panel regression, namely the system-GMM estimator, being able thus to control for unobservable heterogeneity and interpret endogeneity, using instruments. We conclude that the share of votes for the Communist Party has a negative relation with share of emigration to West and a positive connection with share of emigration to East, thus West migrants are less likely to vote for Communists and more likely to vote for Opposition. And if a migrant from East will migrate to West, votes for Opposition will increase. Although the core number of migrants is going to Russia, their show up rate at the elections is low, thus Communists receive less votes from abroad. Due to increased voter turnout abroad, during the elections in 2010, main Opposition parties (which formed later the Governing Coalition) gained additional 3,18% of votes, while Communist Party just 0,25%. Another observation is that more remote districts prefer to give their vote to the Opposition parties, while urban communities are less likely to vote for the Opposition.

Generally, migrants vote less than non-migrants. A decreased numbers of migrants voting abroad can be explained by higher voting costs (transportation costs to the voting polls that are usually in the capital cities), opening polls only in countries/cities with higher presence of migrants from Moldova, and lack of information regarding the voting process. At the same time, it means that a large number of potential votes is not fully used. Based on existing statistics, only 18,6% of the migrants had expressed their vote during the elections in 2010. If the remaining migrants would decide to vote, keeping their electoral preferences, the votes of migrants can bring up to 16% of votes to the Opposition parties.

We have also tested the factors determining people to migrate and to choose the destination country. Our results confirm the existing surveys that most of the

migration is directed to East. In case salary will increase, migration rate to East will decrease. That proves that to East (and more concretely to Russia) are leaving people with low salaries and they are going abroad for seasonal work.

The electoral behaviour is closely related to people's attitudes and preferences, and therefore can change depending on the environment, as well as on other factors, such as personal experiences, age, family, etc. This thesis had verified the announced assumptions, and showed that migrants voting actions are influenced by the institutional setting of the host country, voting behaviour of the migrants change electoral outcome and define policy in home country, voting patterns of the migrants have spillover effect to non-migrant households, thus transmitting the values gained in the host country, and migrants vote less likely than non-migrants, having a worse cost-benefit ratio for voting participation. These results can be different if tested on the case of another country, which is a suggestion for further work. As well, future addition to this research can serve a profounder analysis of electoral behaviour and economic outcomes in Moldova, when applied to local elections, and not just parliamentary elections. Local elections will better show the spillover effect and the impact of the voting behaviour on the regional economic development. Moreover, as stated at the Introduction Chapter, during the year 2014 took place several events which can bring new evidence and data to this research, such as new Population census, Parliamentary elections, and impact of visa free regime with countries of the European Union.

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Appendix A

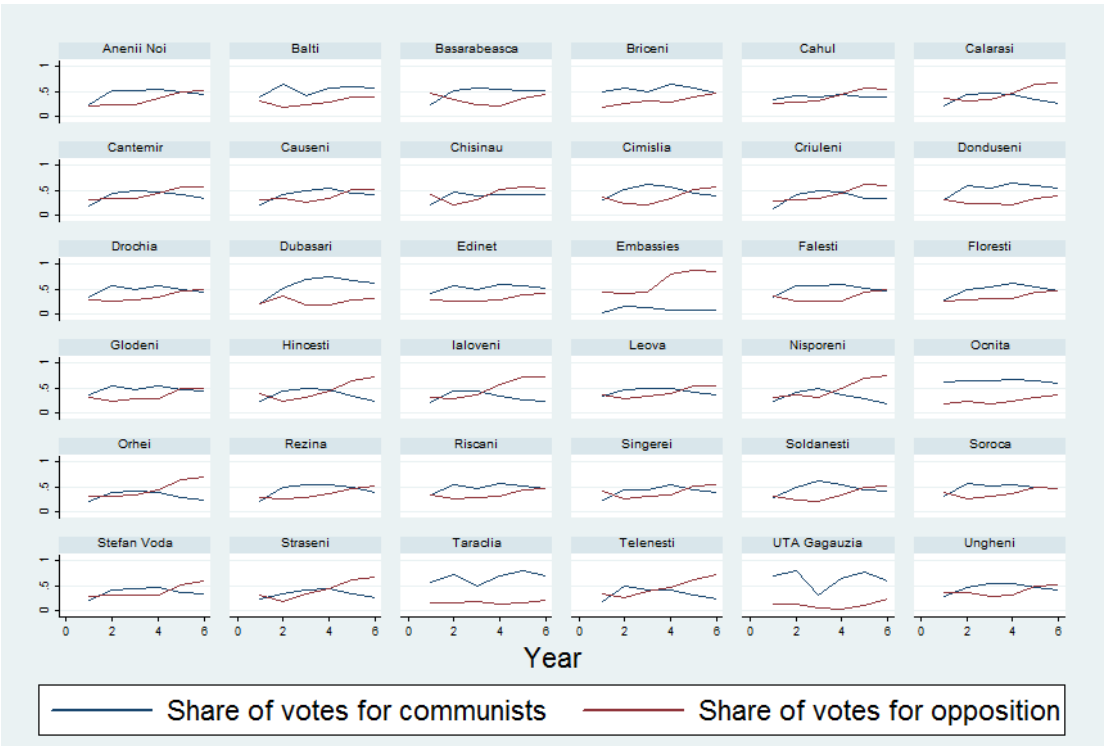


Figure A.0.1. Share of votes for Communist Party and for Opposition per districts

Source: author's computations

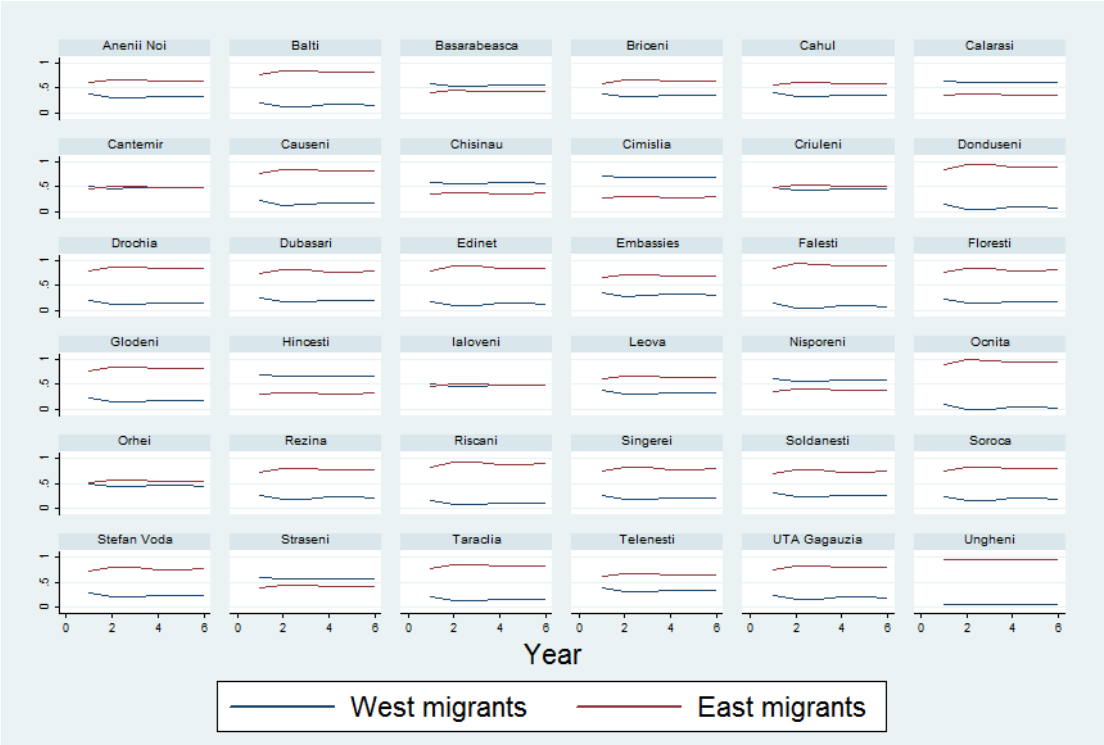


Figure A.0.2. Share of West and East migrants per districts

Source: author’s computations

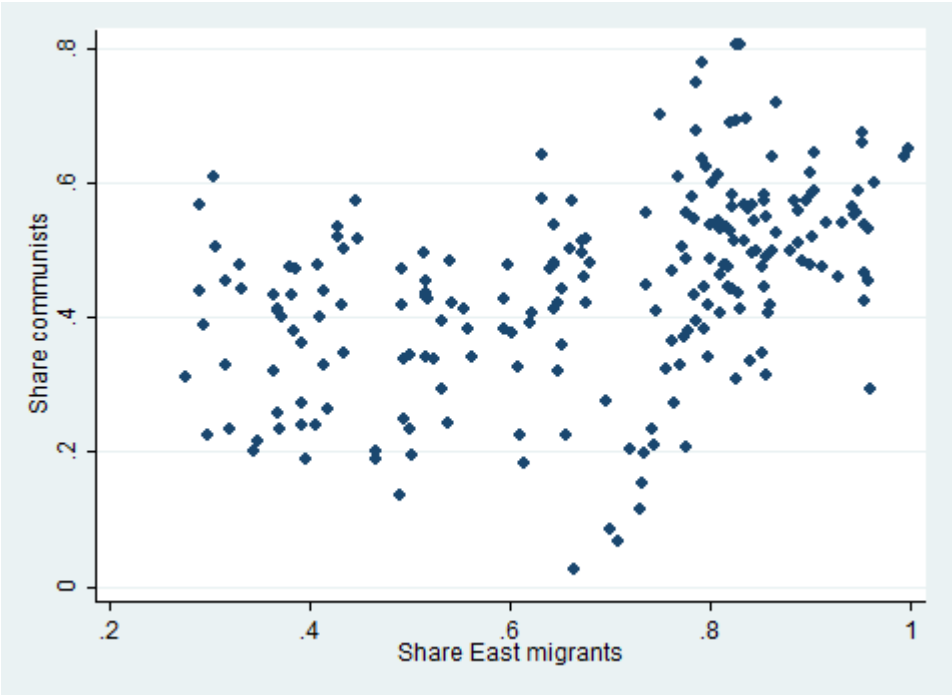


Figure A.0.3. Share of Migrants to East countries and Share of votes for Communist Party

Source: author’s computations

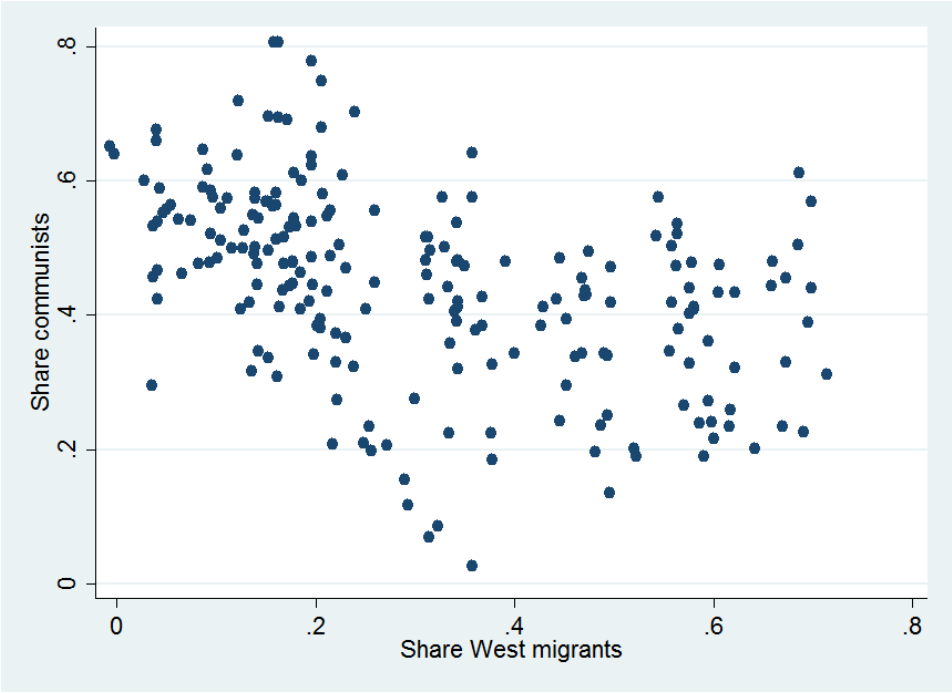


Figure A.0.4. Share of Migrants to West countries and Share of votes for Communist Party

Source: author’s computations