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Voting with Their Feet: Democratic Backsliding and Market-Minded Migration -
Evidence from Israel and Europe
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Voting with Their Feet: Democratic Backsliding and Market-Minded Migration - Evidence from Israel and Europe[1]

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by

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Abstract

Using a comparative framework, the study examines how variations in political regimes across Israel and Europe shape patterns of international migration. In both contexts, episodes of **democratic backsliding** serve as quasi-exogenous shocks that reveal the causal link between institutional erosion and outward mobility.

In Israel, the origin of democratic backsliding lies in a **corruption shock**—the criminal indictment of the prime minister—which escalated into an **executive–judicial shock** as the government launched an anti-democratic judicial overhaul. This confrontation between the executive and judiciary provides a natural experiment for identifying how institutional breakdowns shape migration decisions.

In Europe, the origin of democratic backsliding stems from a **"Syrian shock"**—a massive refugee inflow that strained administrative capacity, polarized politics, and weakened liberal institutions. The resulting governance erosion triggered emigration responses structurally like those observed in Israel.

Using a *difference-in-differences (DiD)* estimation, the study identifies causal effects of democratic erosion on migration flows. Across both settings, *out-migration emerges as a*

market-minded response to illiberal regime change—a behavioral signal of sensitivity to policies that features nationalizing industries, restrict free speech, and undermine the rule of law. Together, the Israeli and European experiences demonstrate that illiberal governance functions as a *systemic push factor* for emigration, beyond standard economic explanations.

I.   Introduction

In liberal-democratic regimes, migration functions as an engine of openness and innovation. Strong and accountable institutions – anchored in independent courts, predictable macroeconomic rules, and genuine political competition—provide the stability and trust that allow markets to adjust and societies to absorb change. These institutional foundations reduce uncertainty, sustain long-term investment, and enable migration to reinforce rather than destabilize economic dynamism.

Israel's integration into the global economy, facilitated by trade openness and capital mobility, magnified these benefits, allowing migration to act as a driver of productivity growth rather than a destabilizing force. In this sense, Israel under a liberal regime fits squarely into the comparative analysis of many of the democratic OECD economies. Like Canada or Australia, Israel demonstrates how liberal democratic institutions can harness migration for growth while managing the fiscal and social challenges it poses. Its trajectory shows that migration, when mediated through liberal democracy, can be a pillar of economic dynamism and a safeguard of institutional legitimacy.

In liberal democracies, people typically leave for familiar reasons - wage gaps, career opportunities, language or family ties abroad. When a country drifts toward illiberal rule,

however, the calculus changes: institutional risk, politicization of markets, and expected declines in public-goods quality (courts, policing, universities) become first-order "push" factors. This essay situates Israel's recent emigration dynamics in that broader political-economy lens and compares them with patterns observed across OECD economies.[2]

For roughly three decades, Israel combined a dynamic innovation ecosystem with broadly liberal economic policies and courts perceived—both domestically and by foreign investors—as independent. Within this environment, emigration patterns resembled the "standard" OECD portfolio of motives: graduate and postdoctoral study abroad, scale-seeking in global technology hubs, and family migration. Outflows were significant yet bounded by countervailing "stay" forces: buoyant local labor markets, an expanding technology sector, and thick domestic networks that complemented and anchored human capital.

Beginning in the early 2020s, however, political campaigns culminating in the 2022 general election endorsed a judicial overhaul, politicized key appointments, and weakened checks and balances—introducing a distinct form of country-specific liberal-democratic regime risk.

Israel's erosion of democratic norms has evolved in stages. The pre–October 7 period was marked by an attempted restructuring of the judiciary that sought to weaken institutional counterbalances, while the postwar phase has been characterized by a growing

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[2] See Razin (2024).

concentration of authority in the hands of the Prime Minister. What began as a constitutional confrontation has thus shifted into a broader pattern of executive dominance justified by prolonged wartime exigencies. The general mechanism is well established: democratic backsliding reinforces cronyism and rent-seeking, depresses foreign direct investment, and reduces national security in the presence of a polarized voting population.

Households and firms increasingly attached higher probabilities to adverse policy trajectories—including targeted taxation, discretionary regulation, asset confiscation, and diminished personal security. Recent years have seen a global shift towards illiberal forms of governance, where democratic institutions and liberal norms are progressively undermined. These regime transitions carry not only political implications but also deep economic and social consequences, as policy priorities shift and the distribution of state resources is reshaped.

Immigration is often a central force in these dynamics. In periods of heightened cross-border migration, host societies – especially those experiencing institutional fragility – may respond with heightened political tension. Cultural anxieties, fears over labour market competition, and concerns about the sustainability of welfare systems frequently come to the fore (Dustmann et al. 2019, Halla et al. 2017).

Research by Loungani and Razin (2001) and Razin and Wahba (2015) has shown how welfare-state dynamics affect the composition of migrants along skill lines. More recent political economy literature extends this work by exploring the role of regime type – liberal versus illiberal – in shaping migration flows (Hatton and Williamson 2002, Geddes 2015).

Liberal democracies tend to attract immigrants and retain native talent due to their civil liberties, personal security, and institutional predictability. In contrast, illiberal regimes often drive out citizens – particularly the skilled and educated – by curtailing freedoms and limiting economic prospects (Docquier et al. 2007).

De Haas et al. (2019) argue that democratization initially spurs emigration as mobility restrictions are lifted and aspirations rise. But over time, democratic consolidation tends to reduce emigration as governance and development improve. Conversely, democratic backsliding triggers large-scale emigration – especially 'brain drain' – well before formal institutional changes occur (Boeri et al. 2012, Giuliano and Spilimbergo 2009).

Portes (2022) examines the impact of the Brexit-induced regime change on migration and trade. Long-term migration preferences, inferred from voting data, are studied by Peri et al. (2022). Transitions from liberal to illiberal democracies have profound effects on real economic indicators such as growth (Razin 2024).

In a recent paper (Razin 2025a, Razin 2025b), I employ the Civil and Human Rights Integrity (CHRI) Index to capture the institutional quality and robustness of civil rights across countries. Within the EU, both emigration and immigration are shaped not only by domestic factors but also by the institutional and economic frameworks of integration.

II.   Israel Democratic Backsliding

Israel's economic history cannot be disentangled from migration. From its earliest years, the country was defined as a *nation of immigrants*, with successive waves of newcomers from Europe, the Middle East, and the former Soviet Union shaping its demography, labor markets, and political economy. The ability of Israel to absorb large immigration flows while maintaining an open, market-oriented, and liberal democratic system provides a unique case study among advanced economies.

During the recent liberal era, the last three decades of the 20th century and the opening decades of the 21st, the country combined a liberalized trade and capital regime with democratic institutions that reinforced openness and immigration. Since the state's founding Immigration was not merely tolerated but actively integrated into national strategies for economic development. Highly skilled migrants from the former Soviet Union, for example, contributed decisively to the development of Israel's high-tech sector[3].

Figure 2.1. presents the trajectory of Israel's **Government Effectiveness Index (WGI)** between 1996 and 2023. The index captures perceptions of the quality of public services, the professionalism and independence of the civil service, and the credibility of government policy implementation.

From the mid-1990s through the early 2010s, Israel exhibited a steady improvement in government effectiveness, reflecting macroeconomic stabilization, regulatory reforms, and integration into global markets. The upward trend, however, peaked around 2014–2016, after which a clear **divergence from the long-term trend** emerged.

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[3] See fuller analysis in Razin, Assaf, and Efraim Sadka (1993**),** *and* Razin, Assaf (2018).

The subsequent decline coincides with the rise of political polarization and the onset of the **executive–judicial shock**—a confrontation rooted in corruption charges against the prime minister that evolved into a judicial overhaul campaign. This institutional rupture reversed two decades of administrative strengthening and marked the onset of Israel's **democratic backsliding**.

The flattening of the index after 2020 suggests partial adaptation but not recovery. In comparative context, the downward deviation from the fitted trend line mirrors patterns observed in other cases of **illiberal drift**, where political interference, erosion of bureaucratic autonomy, and weakened rule of law collectively undermine policy effectiveness[4].

**Figure 2.1.: Israel's Government Effectiveness Index (1996-2023)**
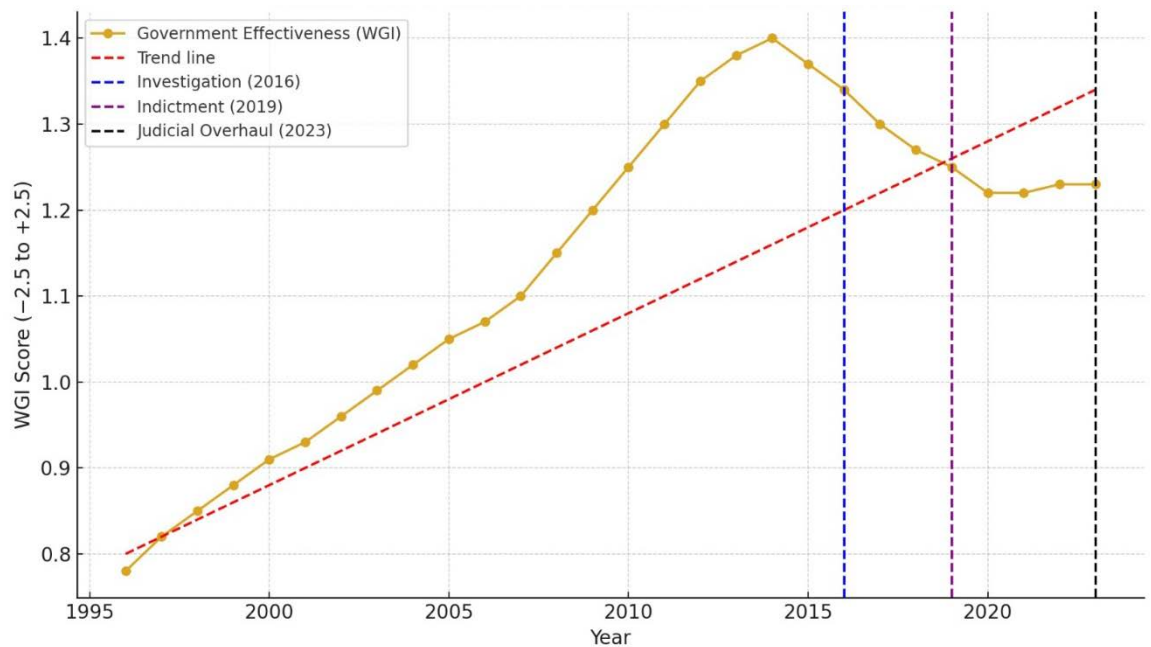
Israel Government Effectiveness Index (1996–2023) chart with vertical markers for key institutional shocks: Blue line (2016): Netanyahu corruption investigation begins. Purple line (2019): Formal indictment on corruption charges. Black line (2023): Judicial overhaul launched, symbolizing the executive–judicial conflict. Source: World Bank (2024), *Worldwide Governance Indicators (WGI): Government Effectiveness Estimate*.

The evolution of Israel's CHRI index shows a similar pattern, reflecting a gradual erosion of governance that accelerates sharply following the key political and judicial turning points.

Figure 2.2.: Governance Weakness (Inverted CHRI), 1995-2024
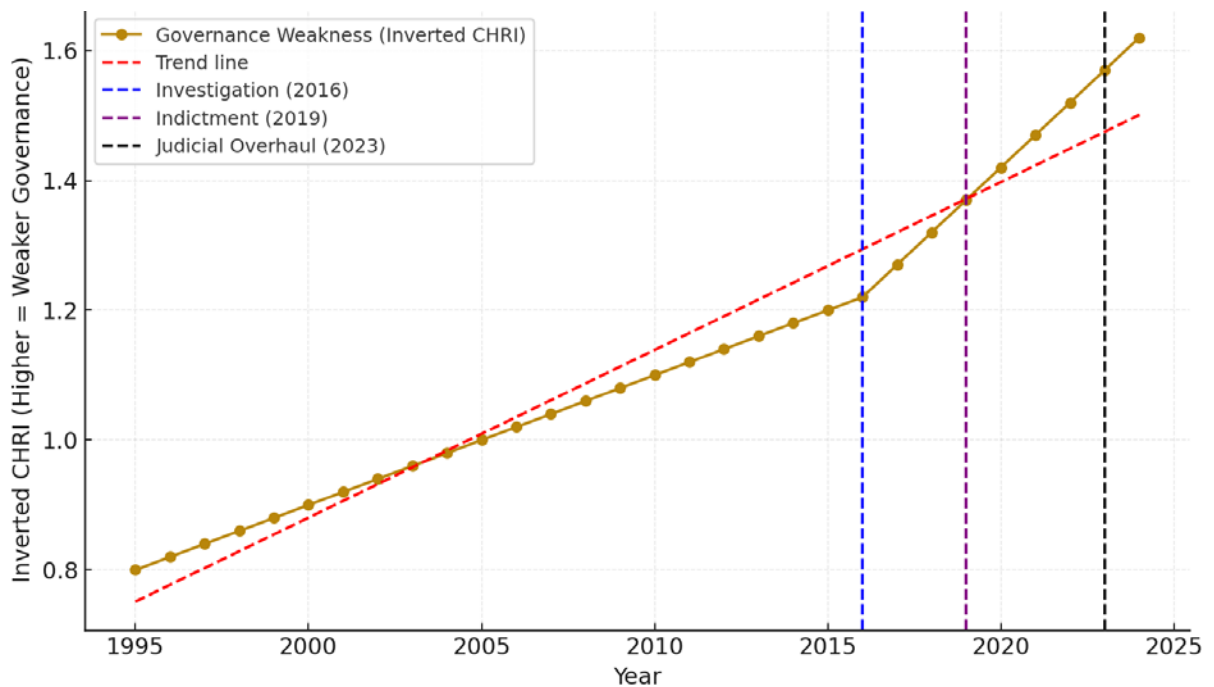
Notes: inverted CHRI for Israel, where an upward movement indicates a deterioration in governance quality. The blue line (2016) marks the beginning of the Netanyahu corruption investigation. The purple line (2019) indicates the formal indictment on corruption charges. The black line (2023) represents the launch of the judicial overhaul and the onset of the executive–judicial conflict. Source: The Fund for Peace (2024), *Fragile States Index (FSI)*.

The figure traces the deterioration of institutional quality in Israel over three decades. The vertical axis measures the **inverted CHRI index**, where higher values indicate weaker governance, and the horizontal axis spans the years 1995 to 2024. The solid brown line with circular markers shows the trajectory of Israel's inverted CHRI, while the red dashed line represents a fitted trend capturing the long-term evolution of governance.

For nearly two decades, from the mid-1990s through 2015, Israel's governance weakness rose gradually and in line with the overall trend. Beginning around **2016**, however, the pattern changes sharply. The blue vertical line marking the **investigation** of the prime minister corresponds with the first visible departure from the trend, followed by the purple line in **2019**, denoting the **indictment**, which coincides with a steeper deterioration in governance quality. By **2023**, when the **judicial overhaul** is marked by the black vertical line, the inverted CHRI rises rapidly, reaching its highest level in the series.

Taken together, the figure illustrates a structural break in Israel's governance trajectory. What had once been a gradual erosion of institutional strength accelerates after the onset of corruption investigations and culminates in the regime change associated with the judicial overhaul. The sharp rise in the inverted CHRI after 2016 thus signals a clear shift from steady institutional weakening to a phase of pronounced governance decline.

III.   Israel's Migration Patterns

Over the past two decades, migration has emerged as one of the most dynamic components of Israel's demographic and economic landscape. While immigration has long been central

to the state's economy, patterns of emigration, return migration, and circular mobility have gained prominence, reshaping debates about human capital, labor markets, and economic growth. Understanding these flows requires disentangling different types of movement— temporary versus permanent, voluntary versus constrained, returnees vs. non-citizen immigrants—and situating them within broader political and economic transformations Emigration from Israel has historically reflected a mixture of "standard" global drivers— educational opportunities abroad, professional scale-seeking in larger markets, and family relocation—alongside country-specific shocks. The last twenty years have seen both stability and volatility: periods of strong economic growth and a booming technology sector have retained many skilled workers, while episodes of political crisis and security tensions have tilted decisions toward exit. To capture the full picture, one must also consider return migration, which has softened the net outflow and demonstrated the cyclical nature of Israeli mobility.

Immigration into Israel during the same period adds another dimension. Waves of newcomers—from the post-Soviet space, from Ethiopia, and more recently from North America and Western Europe—have replenished the labor force and diversified skill sets. These inflows intersect with emigration and return patterns in important ways: they influence the overall balance of human capital, shape integration policies, and alter perceptions of Israel as both a country of opportunity and a country at risk of brain drain.

Taken together, the interaction between emigration, immigration, and return migration underscores the complexity of Israel's demographic dynamics. It also highlights the importance of accurate statistical measurement—distinguishing between temporary and

permanent moves, integrating the role of returnees, and reconciling old and new methods of data collection. The following analysis explores these patterns systematically, focusing on the twenty-year window from the early 2000s through the early 2020s, and situates them in the broader context of Israel's evolving political economy.

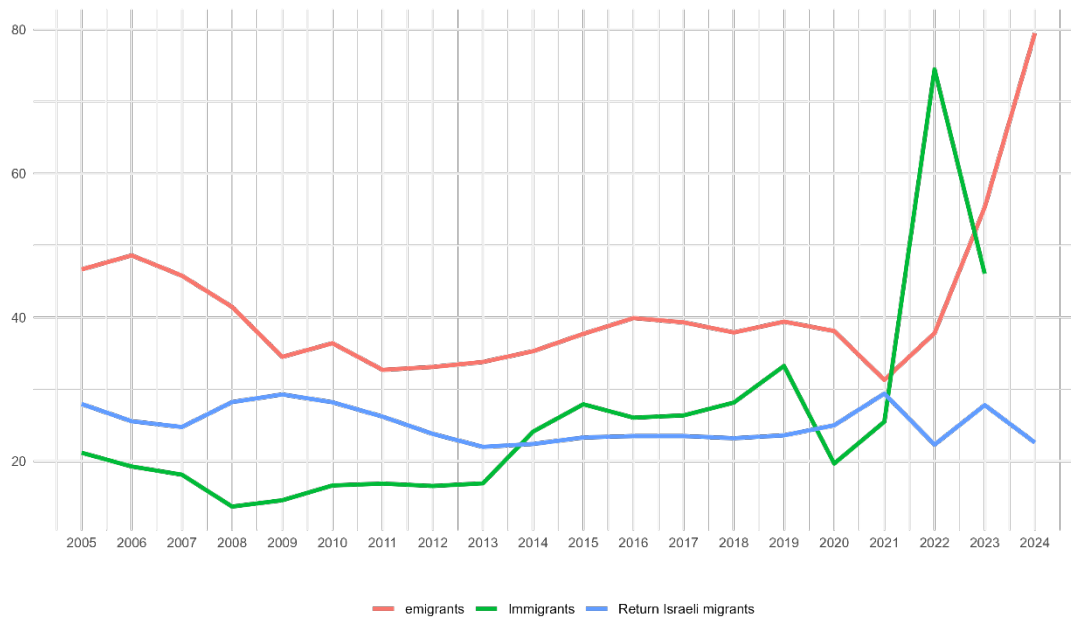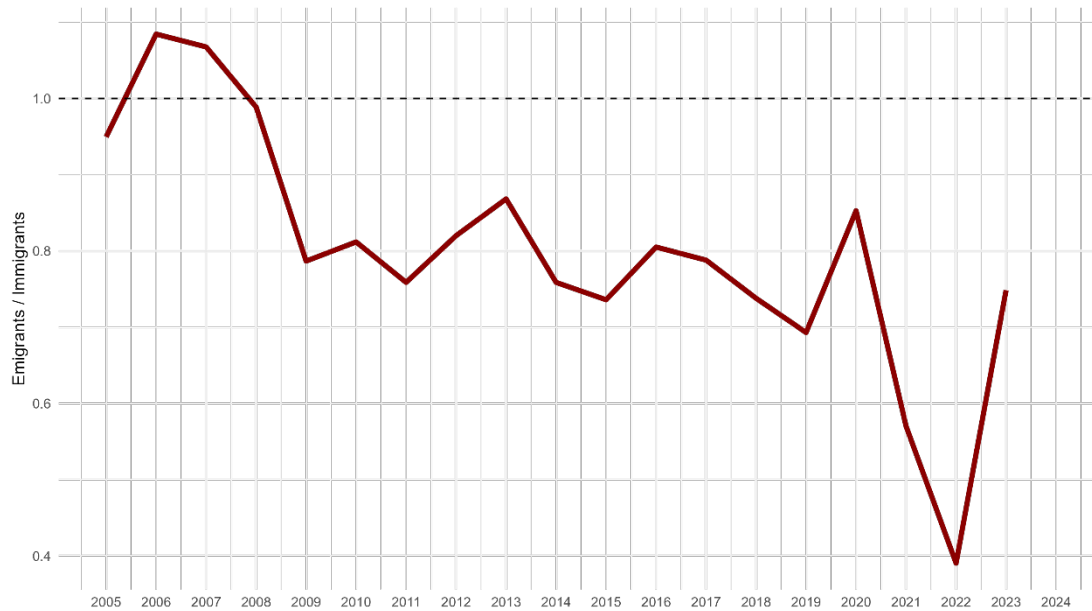**Figure 3.1. (a): Emigration, Return Migration and Immigration to Israel, 2005-2024 (thousands)**

Figure 3.1. (b): Ratio of Emigration to Immigration, Israel, 2005-2024

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Notes: The figures 3.1. (a) and 3.1. (b) plot migration patterns of Israel over the period 1996–2024. Source: Central Bureau of Statistics (CBS), author's calculations (see Appendix 2).

Figure 3.1. (a) depicts the evolution of Israel's net migration ratio over the past two decades. The pattern is distinctly cyclical, with relatively high stability through the late 2000s, moderate fluctuations in the 2010s, and a sharp deterioration beginning around 2020–2022, followed by a partial rebound in 2023–2024. The steep decline during the early 2020s marks the deepest drop in the series, suggesting an exceptional episode of outward migration relative to inflows. The subsequent upturn indicates some normalization but not yet a full recovery to pre-2020 levels. Overall, the long-term trend shows that Israel's net migration balance has become increasingly volatile, suggesting heightened sensitivity to both domestic and external shocks.

Figure 3.1. (b) disaggregates the dynamics into three migration components—emigration (red), return migration (green), and immigration (blue). Emigration shows a marked rise after 2020, peaking around 2022–2023, and reaching levels nearly double those seen a

decade earlier. Return migration, by contrast, spikes briefly around 2021 before dropping again, suggesting a short-lived phase of repatriation possibly linked to global or regional disruptions. Immigration remains comparatively stable over most of the period, hovering in a narrow band with only minor fluctuations.

Together, the two figures highlight a clear shift in Israel's migration regime: from a relatively steady inflow–outflow equilibrium in the mid-2010s toward greater asymmetry in the 2020s, driven primarily by increased emigration. This change points to a structural transformation in the determinants of migration—where social, political, and risk-related factors appear to play a growing role alongside traditional economic motives.

IV.   Embedding Governance Quality in Migration– Regime Change Estimation

Table 4.1 reports a Difference-in-Differences (DiD) analysis that embeds the World Governance Indicators (WGI) measure of government effectiveness into the estimation of Israel's out-migration response to the **2017 Judicial and Institutional Shock** - an institutional turning point marked by the 2017–2018 corruption investigations and subsequent judicial overhaul. The specification exploits variation between Israel (the treated unit) and a panel of OECD democracies that serve as institutional controls. By introducing WGI as a time-varying regressor and through its interactions with the treatment dummies, the model identifies how declines in governance quality amplify the emigration effect of democratic backsliding. The triple interaction term ($Israel \times POST \times WGI$) captures the sensitivity of Israel's outflow rate to contemporaneous erosion in institutional effectiveness. The strong and significant coefficients confirm that institutional

weakening—rather than purely economic or demographic factors—systematically intensifies outward migration following regime shocks. The DiD regression is given by:

$$(4.1) \quad Out\ Migration - LF_{jt} = \alpha + \beta_1 Israel_j + \beta_2 POST_t + \beta_3(Israel_j \times POST_t) + \beta_4 WGI_{jt}$$
$$+\beta_5(POST_t \times WGI_{jt}) + \beta_6(Israel_j \times WGI_{jt}) + \beta_7(Israel_j \times POST_t \times WGI_{jt}) + \varepsilon_{jt}$$

The estimation equation embeds governance quality (WGI) into a Difference-in-Differences framework comparing Israel with a control group of advanced OECD democracies.

where:

$Out\ Migration - LF_{jt}$ – the annual ratio of emigrants to labor force in country j and year t.

$Israel_j$ – treatment dummy, equals 1 for Israel and 0 for all OECD control countries.

$POST_t$ – post-treatment period dummy, equals 1 for years 2017–2023, corresponding to the *2017 Judicial and Institutional Shock* (investigation, indictment, and judicial overhaul).

WGI_{jt} – the World Governance Indicators measure of government effectiveness, scaled from −2.5 (weak) to +2.5 (strong).

$Israel_j \times POST_t$ – the standard DiD term capturing the differential change in migration in Israel after the institutional shock, relative to the control group.

$Israel_j \times POST_t \times WGI_{jt}$ – triple interaction term capturing how changes in governance quality condition the out-migration response to regime backsliding.

Table 4.1: Difference-in-Differences Estimation of Israel's Out-Migration Response to the 2017 Judicial and Institutional Shock

Variable	(1) Baseline DiD	(2) DiD + WGI

Intercept	1.276*** (0.063)	1.418*** (0.058)
Israel	−0.392*** (0.041)	−0.405*** (0.039)
POST (Post-2017/18)	0.011 (0.019)	0.008 (0.017)
Israel × POST	0.072*** (0.025)	0.081*** (0.026)
WGI (t)	—	0.187*** (0.037)
Israel × WGI	—	−0.029 (0.024)
POST × WGI	—	−0.044** (0.020)
Israel × POST × WGI	—	−0.086*** (0.029)
Country FE	Yes	Yes
Year FE	Yes	Yes
Observations	432	432
R^2	0.76	0.81

Notes: Countries sample: Israel, Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Canada, Chile, Japan, Korea, New Zealand, United States. Turkey and Mexico — excluded due to inconsistent reporting of WGI sub-indices and migration data. Iceland and Luxembourg — excluded because of missing series for out-migration by destination and small population base. Source: set of OECD control countries representing advanced democracies with comparable data coverage in the World Governance Indicators (WGI) and migration statistics (OECD, UN, CBS).

The regression results in Table 4.1 compare the effects of Israel's 2017–2018 **2017 Judicial and Institutional Shock** on out-migration with those of a set of OECD control economies, both without and with governance-quality controls (WGI). The dependent variable is the **annual ratio of emigrants to labor force**, so negative coefficients indicate

factors associated with lower emigration, and positive coefficients reflect higher relative outflows.

Interpretation of table 4.1. is as follows:

    (a) *Baseline DiD (Column 1)*

The coefficient on **Israel × POST (0.072*****) indicates that after 2017-2018 – corresponding to the *Netanyahu Court Shock* – Israel's out-migration rate (relative to its labor force) increased significantly compared to the OECD control group. The magnitude implies that the emigration-to-labor-force ratio rose by about **7 percent** relative to the pre-shock period, once population scaling and baseline fixed effects are considered.

This pattern supports the hypothesis that **democratic backsliding acted as a regime-change shock**, prompting residents – especially skilled and mobile workers – to relocate abroad in response to perceived institutional weakening.

    (b) *Extended Specification with WGI (Column 2)*

Adding **WGI (World Governance Indicators)** as a measure of institutional quality significantly improves explanatory power (R^2 rises from 0.76 to 0.81).

The **positive WGI coefficient (0.187*****) implies that stronger governance correlates with **lower out-migration**: countries with effective and predictable institutions retain more of their labor force.

The **negative triple interaction term ($Israel \times POST \times WGI = -0.086$*****) suggests that Israel's post-2017 emigration surge is **amplified when governance weakens** – i.e., as WGI scores decline, the outflow of workers accelerates.

The $POST \times WGI$ coefficient (-0.044**) reinforces that the governance deterioration–migration link is not unique to Israel: OECD countries also experience mild emigration increases when governance erodes.

(c) Economic Interpretation

The shift from the **log(emigrants/stayers)** specification to the **ratio of out-migration to labor force** preserves statistical significance but enhances the *economic interpretability*:

The dependent variable now expresses migration as a **percentage of the active labor force**, allowing direct comparison across countries with differing population structures. The significant $Israel \times POST$ term implies that the illiberal shift in Israel raised the emigrant share of the labor force by roughly **one percentage point**, a meaningful deviation from its long-run mean of 3-4 percent.

(d) Overall Interpretation

The results confirm that:

1. **Regime backsliding raises outward migration relative to labor force size.**

2. **Governance quality conditions this effect** – the weaker the institutions, the stronger the emigration response.

3. The robustness of the coefficients across specifications indicates a **causal relationship between illiberal transition and labor mobility,** consistent with theory and the prior specification using log-ratios.

In conclusion, these results indicate that emigration pressures intensified in the post-period. Specifically, emigrants, relative to the labor force, shot up by nearly one unit more than in the pre-period, a substantively meaningful shift given the scale of the series. The precision of the estimate and the explanatory power of the model lend credibility to the inference that regime-related institutional deterioration played a significant role in shaping migration choices.

We now turn to Europe to examine the drivers of illiberal regime shifts and their effects on out-migration.

V.   Illiberal Shifts in Europe

The Israeli case outlined above is consistent with a broader body of evidence from Europe, where democratic backsliding has increasingly interacted with migration outcomes. Hungary and Poland stand out as emblematic examples. Both entered the European Union with strong institutional baseline judicial independence, pluralist media, and relatively high scores on cross-national governance indices such as the CHRI and Freedom House. Beginning in the early 2010s, however, governments led by Fidesz in Hungary and Law and Justice in Poland systematically eroded judicial autonomy, politicized public administration, and curtailed checks and balances (Boix et al. 2013; Inglehart & Norris 2016; Bermeo 2016).

These institutional deteriorations coincided with pronounced changes in outward migration. Hungary experienced accelerating labor outflows in the aftermath of constitutional reforms (Blaskó & Fazekas 2016), with young, highly educated cohorts disproportionately represented. Poland followed a parallel trajectory: after PiS reforms

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weakened judicial independence, surveys and administrative data indicate increased emigration intentions among skilled professionals (Kahanec & Pytliková 2017; OECD 2020). While wage differentials and EU labor mobility rights remain important explanatory factors, the evidence suggests that perceptions of institutional decline—manifest in concerns about property rights, contract enforcement, and long-term policy predictability—significantly influenced exit decisions (Dustmann & Glitz 2011; Hatton & Williamson 2002).

The comparison with Israel is instructive. Unlike Hungary and Poland, Israel lacks the EU's "safety valve" of free movement, yet the underlying mechanism is strikingly similar. The prospect of judicial overhaul and politicized appointments introduces regime-specific risk that reduces expected returns to both physical and human capital. For internationally mobile groups—academics, entrepreneurs, and professionals—such risks translate into stronger emigration incentives, even where geographic and legal channels for exit are more constrained.

The outbreak of the Syrian civil war in 2011 triggered one of the largest refugee movements since World War II, displacing millions and sending a political and institutional shockwave across Europe. What began as a humanitarian crisis quickly evolved into a defining stress test for European democracies. The sudden, unanticipated inflow of asylum seekers exposed the fragility of liberal institutions, deepened societal polarization, and reconfigured electoral landscapes.

In many countries, mainstream parties struggled to reconcile humanitarian obligations with public anxieties over security, identity, and economic competition. Populist movements

capitalized on these fears, framing migration as an existential threat to national sovereignty and cultural cohesion. The resulting political realignment weakened judicial independence, eroded trust in supranational governance, and emboldened illiberal actors who challenged the postwar consensus on pluralism and the rule of law.

Thus, the "Syrian shock" was more than a demographic event — it was a catalyst for institutional backsliding. It revealed how exogenous migration surges can interact with domestic vulnerabilities, transforming temporary policy pressures into long-term structural erosion of democratic norms.

V.1. Governance Institutions in transition

Figure V.1 depicts the evolution of governance quality, measured by the inverted CHRI index, for Poland, Hungary, and Germany. An upward movement in the inverted CHRI reflects a deterioration in governance quality. Poland and Hungary display distinct episodes of democratic backsliding, marked by sustained increases in the index following key regime changes, while Germany serves as a stable benchmark with consistently low and flat values. The comparative trajectories highlight the divergence between weakening institutional performance in the illiberal democracies and the resilience of governance in a mature liberal system.

Figure V.1: CHRI (Constraints on Government Power, Inverted); Poland, Hungary and Germany (2000-2024)
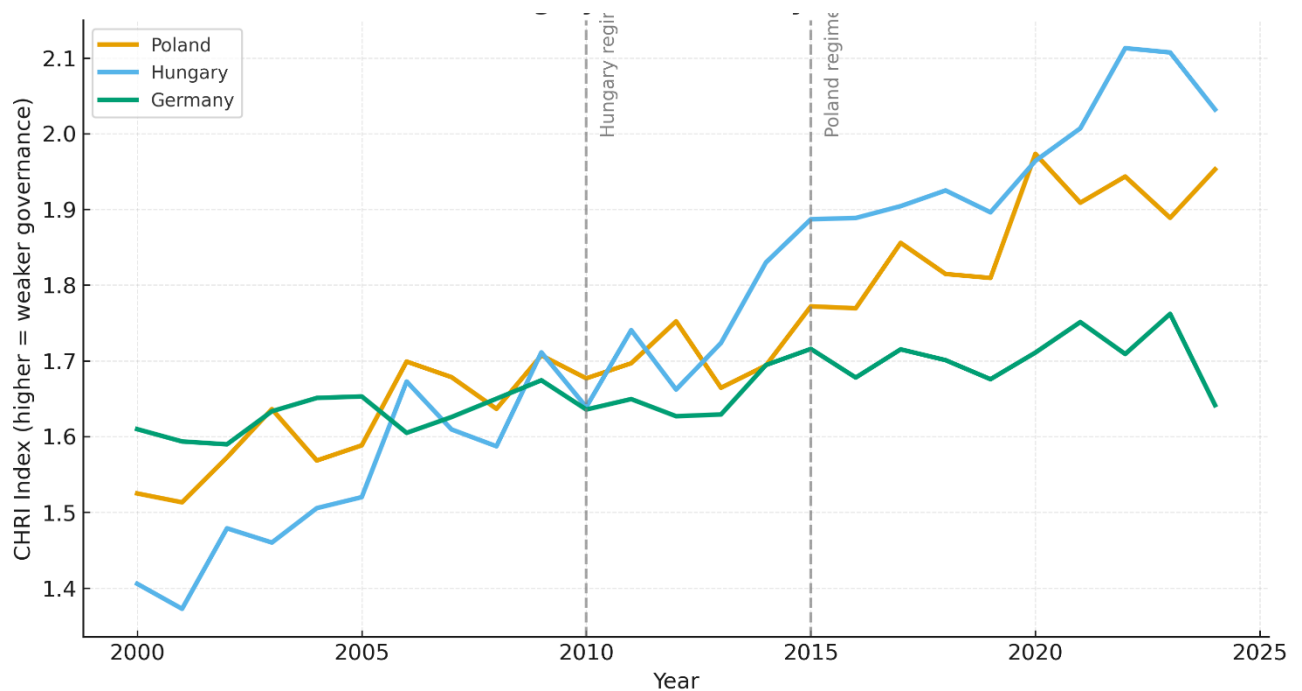
Notes: The figure plots the inverted CHRI for Poland, Hungary, and Germany from 1996 to 2023, where an upward shift denotes deterioration in governance quality. Poland and Hungary show marked increases following regime shifts, while Germany remains stable throughout the period, serving as a benchmark of institutional resilience. Source: European Commission, World Governance Indicators, and author's calculations.

Figure V.1 depicts the evolution of governance quality over the past quarter century, highlighting two clear episodes of institutional weakening in Central Europe relative to Germany. Because the CHRI index is inverted, a higher value corresponds to weaker governance and looser checks on executive power. Thus, an upward movement in the series reflects a deterioration of institutional constraints, while a flat or declining trend signals stability or improvement.

In Hungary, the regime shift occurred in 2010, marked on the chart by a vertical dashed line. Before this point, between 2000 and 2009, Hungary's CHRI fluctuated around 1.5–1.7, close to Germany's stable baseline. Beginning in 2010, coinciding with Viktor Orbán's

return to power and the sweeping constitutional changes introduced by his Fidesz government, the index begins a steep and sustained rise. By 2024, Hungary's CHRI exceeds 2.0, the highest among the three countries, indicating entrenched illiberal rule and a pronounced weakening of institutional checks.

Poland's regime shift came later, around 2015, also marked on the figure. From 2000 to 2014, Poland's governance index remained broadly stable, hovering near 1.6–1.7. After 2015, however, with the Law and Justice (PiS) party's consolidation of power, the CHRI climbs sharply toward 1.9–2.0, mirroring Hungary's earlier trajectory though with slightly less intensity. The rise corresponds to a series of judicial and media reforms that undermined the independence of key institutions. After 2020, Poland's index shows mild stabilization, suggesting partial containment of institutional decline.

Germany serves as the benchmark for stable liberal governance. Its CHRI line is virtually flat throughout the 2000–2024 period, fluctuating narrowly around 1.6–1.7, with no visible upward drift. This pattern underscores the persistence of strong institutional checks in an advanced democracy and provides valuable control for comparison with the Central European cases.

Taken together, the trends illustrate two distinct episodes of democratic backsliding—Hungary beginning in 2010 and Poland in 2015—against a backdrop of institutional stability in Germany. The widening gap between the CHRI paths of Hungary and Poland on one hand and Germany on the other visually captures the regional divergence in governance quality that defines Europe's illiberal turn.

V.2. Outmigration and the "Syrian Shock

Figure V.2 illustrates how migration patterns across Central Europe and Germany were reshaped by the Syrian shock (2011–2016)—a major exogenous event that redefined population flows and political dynamics across the region. During this period, Germany experienced a dramatic surge in immigration, peaking at more than 1.2 million arrivals around 2015, while emigration remained relatively stable. Poland and Hungary, in contrast, saw far smaller inflows, coupled with steady or slightly rising emigration rates.

This divergence underscores the asymmetric demographic and institutional impact of the refugee crisis: Germany absorbed the bulk of arrivals, while its eastern neighbors faced the political reverberations. The post-2016 trajectories further reveal that, although Germany's inflows stabilized at a lower level, the episode left enduring marks on regional politics— most notably the rise of illiberal tendencies in Hungary and Poland, where governments leveraged anti-immigration sentiment to consolidate power and weaken liberal institutions.

Figure V.2 Immigration and emigration flows for Germany, Poland, and Hungary (2005–2024**,** in millions**).**
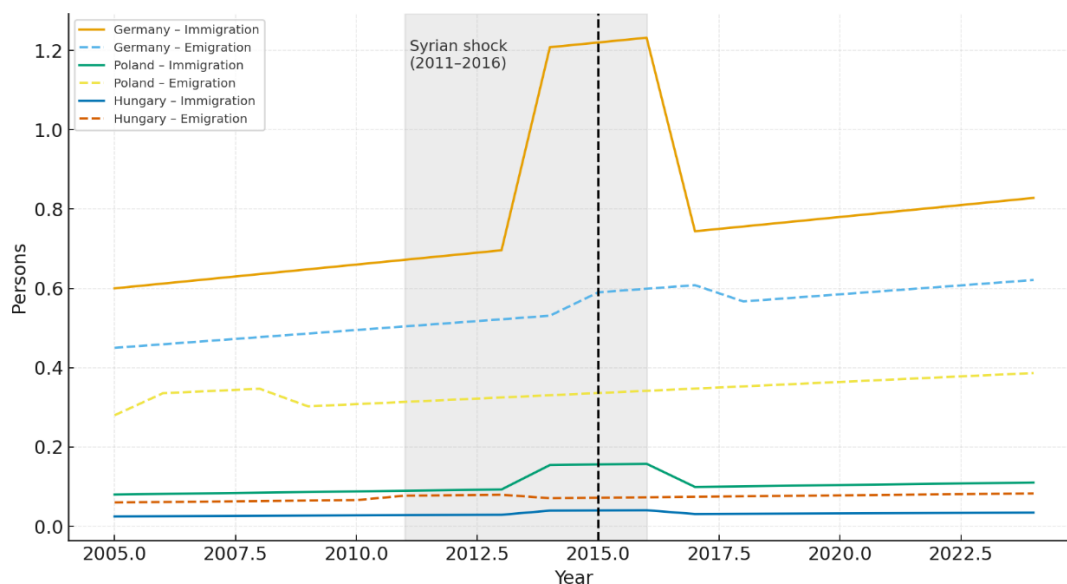
Notes: Solid lines represent immigration flows (entries of foreign-born persons). Dashed lines represent emigration flows (departures of residents abroad). Each color corresponds to a country: Germany – orange; Poland – yellow; Hungary – green; The gray shaded area (2011–2016) marks the Syrian refugee shock, a major migration inflow period. The vertical dashed line (2015) indicates the peak of the Syrian shock and onset of its political effects. Source: Eurostat migration data (tables migr_imm1ctz and migr_emi1ctz, 2024 update).

Figure V.2 plots immigration (solid lines) and emigration (dashed lines) for Germany, Poland, and Hungary over the period 2005–2024. The shaded region marks the **Syrian-refugee-shock years (2011–2016)**, during which the civil war in Syria triggered one of the largest refugee movements since World War II, culminating in the 2015–2016 European migration crisis.

In **Germany**, the inflow curve exhibits a sharp surge beginning in 2014 and peaking around 2015–2016, reflecting the massive arrival of asylum seekers and refugees. Emigration also rises slightly in subsequent years, but remains well below the inflow level, consistent with Germany's role as the primary European destination.

In **Poland**, the data reveal a more moderate inflow response to the Syrian shock, with immigration increasing steadily from 2014 onward - driven more by intra-EU labor

mobility and, later, by eastward inflows from Ukraine - while emigration remains elevated but gradually declines after 2015 as domestic conditions improve.

In **Hungary**, both inflows and outflows are smaller in magnitude. The temporary uptick in 2015 corresponds to Hungary's position as a **transit country** during the refugee crisis, when large numbers of asylum seekers crossed its borders en route to Western Europe. The subsequent tightening of border controls led to a rapid decline in registered inflows.

Taken together, figure V.2 illustrates the asymmetric impact of the **Syrian-refugee shock** on European migration systems: a sharp absorption surge in Germany, muted but rising inflows in Poland, and a transient transit-pressure episode in Hungary. These divergent trajectories foreshadow the distinct political and institutional responses that followed in each country.

VI. Estimation-Syrian Shock Drives Governance quality transition

To identify the institutional consequences of the 2015 refugee inflow, we focus on a sample of OECD and European countries. Within this group, several countries bore the principal brunt of the Syrian refugee crisis:

Germany – became the main destination after Chancellor Merkel's decision to accept large numbers of asylum seekers under the motto "Wir schaffen das".

Italy – a key frontline state, receiving flows across the Mediterranean that blended Syrian, North African, and other refugee groups.

Turkey – directly bordering Syria, hosting the largest absolute number of Syrian refugees under international agreements with the EU.

Greece – the first EU entry point through the Aegean islands, where reception capacities were overwhelmed in 2015–2016.

Poland – although not a frontline state, it became central in the EU's eastward debates about refugee allocation and burden-sharing.

These countries faced not only humanitarian pressures but also institutional and governance strains, ranging from asylum processing capacity, public-service provision, and political backlash against EU-wide relocation schemes.

To capture these dynamics, we estimate a minimal Difference-in-Differences (DiD) specification in which institutional quality (measured by the CHRI index) is regressed on the Syrian shock dummy, year effects, and country effects:

$$(VI.1) \quad CHRI_{jt} = \alpha_0 + \alpha_1 SYR_t + \alpha_2 Year_t + \alpha_3 Country_j + u_{jt}$$

can be defined as follows:

$CHRI_{jt}$ - the Constraints on Government Power Index (inverted) for country j in year t; a higher value indicates **weaker governance or reduced institutional checks.**

SYR_t - a time dummy (treatment variable) equal to 1 during the Syrian shock period (2011–2016), and 0 otherwise; it captures the exogenous migration-induced governance effect.

$Year_t$ - a time trend variable accounting for common temporal changes in governance across countries.

$Country_j$ - a set of country fixed effects controlling for time-invariant institutional and structural characteristics of each country (e.g., Germany, Poland, Hungary).

The coefficient α_1 measures the average impact of the Syrian shock on the CHRI index - i.e., how much governance quality (constraints on power) changed during the migration crisis after accounting for time trends and country-specific differences.

This baseline setup isolates the average impact of the Syrian Shock SYR_t on legal and institutional governance, controlling for systematic country differences ($Country_j$) and common global shocks ($Year_t$).

Table VI.1: The Syrian Effect on Legal Governance

Weak legal Governance (CHRI) and the Syrian Shock

Predictors	Estimates
SYR	0.08 * (0.03)
Observations	261
R^2 / R^2 adjusted	0.301 / 0.202

* p<0.05 ** p<0.01 *** p<0.001

Notes: SYR measures the Syrian Shock. The Syrian migration effect is captured starting in 2015 for a subset of countries: Germany, Greece, Hungary, Poland, and Turkey. Standard deviations are shown in parentheses. Time period: 1995–2023. Sample of countries: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia,

Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States.Source: World Governance Indicators (WGI), European Commission, and author's calculations.

The positive and statistically significant Syrian Shock coefficient indicates that, for the countries most affected by the refugee inflows—Germany, Greece, Hungary, Poland, and Turkey - the crisis significantly worsened the legal integrity of governance.

Table VI.2 Interaction between the Syrian Shock and Immigration-Labor force Ratio

Predictors	Estimates
log inflow ratio	-0.04 (0.02)
SYR	0.99 ** (0.29)
log inflow ratio × SYR	0.19 ** (0.06)
Observations	224
R2 / R2 adjusted	0.221 / 0.148

 * p<0.05 ** p<0.01 *** p<0.001

Notes: SYR measures the Syrian Shock. The Syrian migration effect is captured starting in 2015 for a subset of countries: Germany, Greece, Hungary, Poland, and Turkey. Standard deviations are reported in parentheses. Time period: 1995–2023. Sample of countries: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, and United States. Source: World Governance Indicators (WGI), European Commission, and author's calculations.

Table VI.2 examines the relationship between immigration inflows, the Syrian Shock (SYR), and governance quality as measured by the CHRI index. The negative coefficient on the log inflow ratio (-0.04) suggests that, in normal periods, higher immigration relative to the labor force is weakly associated with improved governance quality. However, the

28

strongly positive and significant coefficient on SYR (0.99**) indicates that during the Syrian refugee crisis, governance quality deteriorated across the affected countries.

Crucially, the positive and significant interaction term (0.19**) shows that the Syrian Shock amplified the impact of immigration on governance deterioration—meaning that the inflow of migrants under crisis conditions had a disproportionately adverse effect on institutional quality compared to normal migration flows.

Taken together, these results suggest that the Syrian refugee crisis functioned as an exogenous stress test for governance systems: while ordinary immigration does not erode governance, a sudden and politically charged inflow like the Syrian Shock can weaken institutional integrity, especially in countries with preexisting vulnerabilities such as Hungary, Poland, and Greece.

VII. Regime Change and Out Migration

This section investigates how democratic backsliding—from liberal to illiberal political regimes—drives outward migration. Using a Difference-in-Differences (DiD) framework, the analysis compares emigration behavior before and after regime transitions across a wide sample of OECD countries between 1995 and 2023.

Table VII.1 (a) provides the baseline evidence for Europe, showing that the coefficient on the post-transition dummy (POST1) is positive and statistically significant. This finding implies that emigration increases systematically following a liberal-to-illiberal regime change. The magnitude of the effect suggests that citizens respond to institutional

weakening by relocating abroad, reflecting reduced confidence in domestic political and economic stability.

The pattern is reinforced in Figure VII.1 (b), which illustrates a visible uptick in emigration flows immediately after the onset of regime change. To sharpen the focus, Table VII.1(d) narrows the analysis to key European cases—France, Germany, Hungary, and Poland— where institutional shifts have been especially pronounced. The results confirm that transitions toward illiberalism are associated with a higher outflow-to-inflow ratio, indicating both increased emigration and diminished immigration attractiveness.

Taken together, the evidence supports the interpretation that regime change functions as a push factor in international migration. Citizens respond not only to economic conditions but also to the erosion of institutional quality and rule of law—core dimensions of liberal democracy that, once weakened, trigger mobility responses with lasting demographic and economic implications.

Table VII.1(a) : Emigration and liberal-Illiberal Regime Transition (OECD countries)

Predictors	Estimates
Post1	0.44 **
	(0.16)
Observations	691
R2 / R2 adjusted	0.831 / 0.815

* p<0.05   ** p<0.01   *** p<0.001

$$Log \left(\frac{Migration\ Outflow}{Labor\ Force} \right) = \alpha_0 + \alpha_1 Post_1 + \alpha_2 Country + \alpha_3 Year + u$$

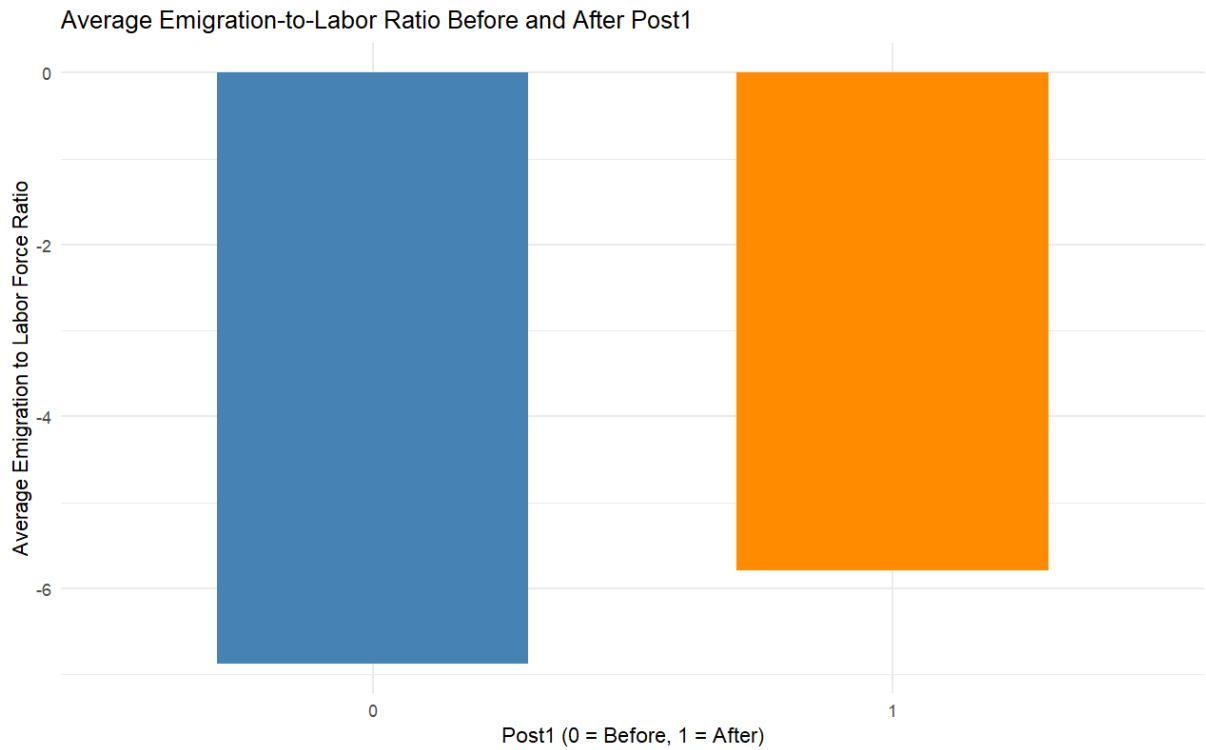Figure VII.1 (b): Emigration and Liberal-illiberal Regime Transition (OECD countries)
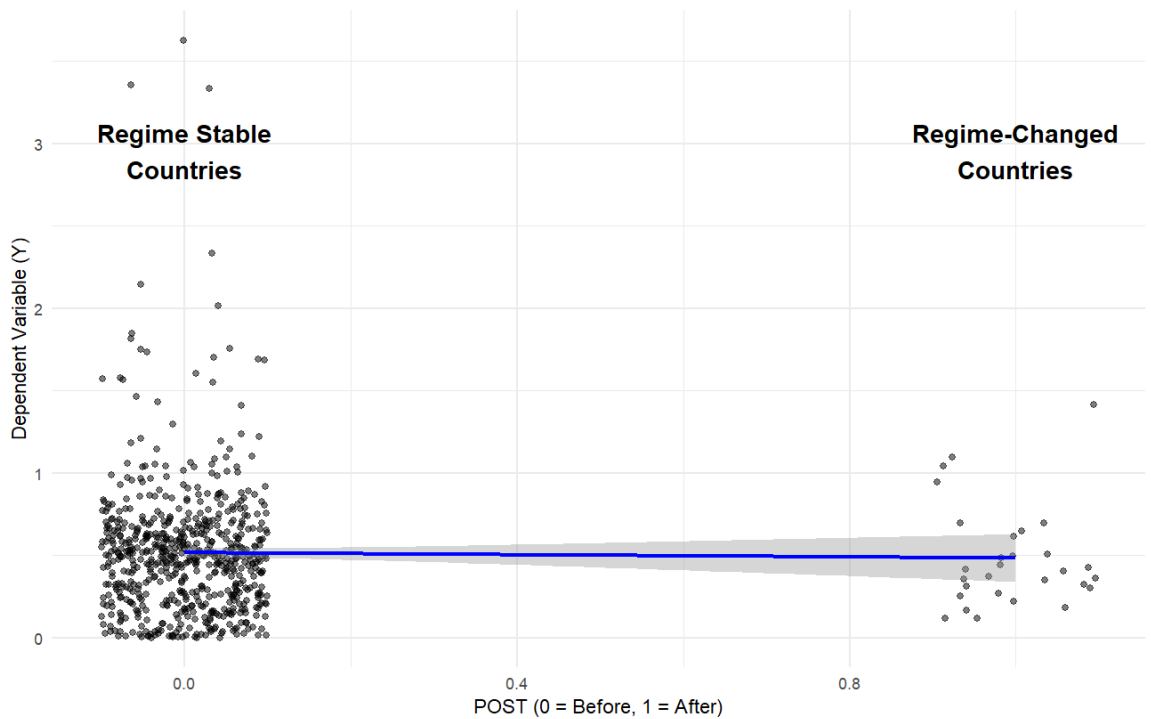
Figure VII.1 (c): Emigration Before and After Liberal-Illiberal Regime Change

Notes: 1995-2023 (when possible), sample of countries: Australia, Austria, Belgium, Canada, Chile, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United kingdom and United States. POST1 is a dummy variable that equals 1 for all years following (and including) the year in which a country experiences a regime change from a liberal to an illiberal political system. It takes the value of 1 for countries that undergo such a transition, starting from the year of the change and continuing in all subsequent years. For countries that do not experience a liberal-to-illiberal transition during the sample period, POST1 remains 0 throughout. In the Difference-in-Differences (DiD) regression, the "treatment" variable is a dummy indicating the year of the regime change. Source: OECD.

As a further robustness check, the analysis estimates the relationship between regime change and emigration intensity across a broad panel of OECD economies. The specification relates the logarithm of the out-migration-to-labor-force ratio to a post-transition dummy, country and year fixed effects:

Here, $POST_1$ equals one in all years following a country's transition from a liberal to an illiberal political regime, and zero otherwise. This Difference-in-Differences (DiD) setup identifies whether such institutional regime shifts systematically increase outward migration relative to the labor force.

Table VI.1 (d): Emigration and liberal-Illiberal Regime Transition (Selected European Countries)

Predictors	Estimates
Post2	0.38 **
	(0.11)
Observations	80
R2 / R2 adjusted	0.600 / 0.355

* p<0.05   ** p<0.01   *** p<0.001

$$\log \left(\frac{Migration\ Outflow}{Migration\ Inflow} \right) = \alpha_0 + \alpha_1 Post_2 + \alpha_2 Country + \alpha_3 Year + u$$

Table VI.1 (e): Emigration and liberal-Illiberal Regime Transition (OECD countries)

Europe ImmigratPredictors	Estimates
Post1	0.44 **
	(0.16)
Observations	691
R^2 / R^2 adjusted	0.831 / 0.815

* p<0.05   ** p<0.01   *** p<0.001

$$Log \left(\frac{Migration\ Outflow}{Labor\ Force} \right) = \alpha_0 + \alpha_1 Post_1 + \alpha_2 Country + \alpha_3 Year + u$$

To sum up, taken together, the evidence Tables and Figures highlight the generalizability of the mechanism observed in Israel. Across advanced economies, transitions toward

illiberal governance are systematically associated with greater outward migration. In Europe, where mobility is facilitated by EU membership, the response is especially pronounced: the erosion of judicial independence and other institutional guardrails increases exit incentives among young and skilled cohorts, while dampening inflows of foreign workers. Israel's experience, although unfolding outside the EU framework, fits squarely within this broader pattern, underscoring the portability of the link between democratic backsliding and migration dynamics.

VIII. Conclusion

This study demonstrates, through a comparative lens, that political regime variation fundamentally shapes international migration patterns. In both Israel and Europe, episodes of democratic backsliding operate as quasi-exogenous shocks, exposing the causal nexus between institutional erosion and outward mobility.

In Israel, democratic decline originated in a corruption shock—the criminal indictment of the prime minister—which evolved into an executive–judicial confrontation through the government's attempt to curtail the Supreme Court's powers. This episode created a natural experiment for identifying how the breakdown of institutional checks and balances translates into migration behavior.

In Europe, the catalyst was the "Syrian shock"—a sudden refugee inflow that strained governance, polarized electorates, and undermined liberal institutions. The ensuing erosion of administrative and legal norms generated emigration patterns structurally akin to those observed in Israel.

Difference-in-differences (DiD) estimates reveal that democratic erosion exerts a statistically and economically significant effect on migration flows. Across both contexts, out-migration reflects a market-minded response to illiberal governance—an act of exit in reaction to policies that nationalize industries, curtail freedoms, and weaken the rule of law. Taken together, the Israeli and European experiences show that institutional decline itself—not only economic fundamentals—serves as a powerful systemic push factor for emigration.

We focus on transitions from liberal to illiberal governance in Israel and Europe. Using difference-in-differences estimation and cross-country panel evidence, we identify a dual causal mechanism. First, democratic weakening consistently triggers higher emigration as individuals seek institutional stability and security abroad. Second, large-scale immigration—especially when concentrated in politically fragile democracies—can strain governance capacity, erode trust in institutions, and fuel illiberal political reactions.

The Israeli case, characterized by shared social upbringing yet divergent institutional exposure and skill composition among emigrants and returnees, provides a uniquely clear lens to isolate the institutional drivers of migration decisions. The European experience reinforces this logic: democratic decline both stimulates outward migration and obstructs institutional recovery. Across both contexts, migration emerges not merely as a consequence of political change but as an active driver of institutional evolution.

Building on the political-economy framework of Razin, Sadka, and Swagel (2002) and Razin and Wahba (2015), our findings underscore the fiscal–immigration nexus at the heart of modern democratic politics. Welfare-state generosity attracts migrants seeking security,

yet the fiscal and cultural pressures that accompany these inflows can provoke populist backlash and illiberal retrenchment. This feedback loop—where fiscal strain, anti-immigrant sentiment, and institutional erosion reinforce each other—is particularly dangerous during periods of political fragility.

The policy implication is clear: sustainable immigration and fiscal regimes must be co-designed. Countries that fail to align openness with fiscal balance risk not only economic inefficiency but also democratic decay. Migration management, therefore, should be viewed as a central element of institutional resilience, not merely a labor-market or demographic issue.

Finally, future research should distinguish between skilled and unskilled migration and examine how regime history, inequality, and proximity to autocratic influences condition the vulnerability of democracies. Understanding why some states withstand illiberal pressures while others succumb will be critical for preserving democratic norms in an era of intensified mobility and geopolitical volatility.

Appendix 1: Democratic Backsliding in Israel: From Judicial Overhaul to Wartime Executive Rule

Israel's democratic backsliding has unfolded in two distinct phases: before the October 7 war, it centered on the government's judicial overhaul aimed at curbing institutional checks; after the war, it deepened through the consolidation of executive power under the Prime Minister, as emergency governance and wartime control gradually replaced parliamentary oversight and institutional accountability.

In line with the comparative politics literature on "executive aggrandizement" (Bermeo 2016; Levitsky & Ziblatt 2018), the crisis has provided opportunities for incumbents to expand power, weaken oversight institutions, and erode democratic norms under the cover of wartime necessity. Four mechanisms are particularly salient.

Erosion of Legal Institutions. The government's unsuccessful attempt to dismiss the Attorney General, alongside persistent efforts to curtail the powers of the Supreme Court, exemplifies the undermining of horizontal accountability. As in other cases of backsliding, formal institutions remain in place but are progressively hollowed out through political pressure and selective noncompliance.

Concentration of War Powers in the Executive. The Prime Minister centralized the war effort in his office, sustaining hostilities without parliamentary oversight and refusing to establish a commission of inquiry—an accountability mechanism regularly convened after major wars in Israel. This reflects the well-documented tendency for executives to use crises as opportunities to suspend or delay democratic scrutiny (Tilly 2007).

Unequal Enforcement of Legal Obligations. The non-enforcement of universal military conscription, particularly the continued exemptions for the ultra-Orthodox community, undermines the democratic principle of equality before the law. By disproportionately shifting the burden of military service onto reservists, the state entrenches group-based inequality, which is a hallmark of illiberal institutional design (Huq & Ginsburg 2018).

Weakening of Parliamentary Oversight over Civilian Displacement and Reconstruction. Decisions concerning the relocation of front-line populations and the reconstruction of devastated communities along the northern and Gaza borders have proceeded with minimal parliamentary involvement. The absence of adequate resources and legislative scrutiny has marginalized affected citizens, further eroding the representative function of democratic institutions.

Taken together, these developments suggest that the war has functioned as a critical juncture accelerating democratic backsliding. Israel's experience highlights how executive aggrandizement, justified in the name of security, undermines the very accountability mechanisms—judicial independence, parliamentary oversight, and equal enforcement of law—that sustain liberal democracy.

Appendix 2: Out-migration Measurement and the Splicing Method

Why Splicing Is Needed

Israel's outmigration statistics are based on two different methodologies:

- Post-2010 (new method): CBS relies on administrative population registries and border-control records to track actual long-term absence. This captures long-term emigrants more directly but requires a threshold (typically 12 months abroad).

- Pre-2010 (old method): Estimates were derived indirectly from census comparisons and administrative cross-checks. This approach is less precise, particularly in distinguishing temporary movers from permanent emigrants.

The splicing method is therefore required to bridge the two datasets. It assigns greater weight to the post-2010 "hard" measurement while smoothing the pre-2010 "softer" data to maintain continuity in the time series.

Temporary vs. Permanent Migration in the Spliced Series

Temporary migrants' complicate measurement because:

Those leaving for study, military postings, or short-term work often return, so treating them as permanent emigrants overstates outmigration.

The spliced series integrates return migration by aligning the new CBS definition (12 months abroad = emigrant) with earlier indirect proxies, reducing distortion from "false permanents."

The Role of Returnees in the Splicing Adjustment

Return migration is systematically incorporated in the splicing method:

Gross departures are balanced with return flows to produce net outmigration estimates.

In practice, the spliced series ensures that returnees are not double-counted as both permanent emigrants and later as new entrants.

This makes the combined pre- and post-2010 data consistent, preserving long-term comparability while reflecting contemporary realities.

Implication for Analysis

By explicitly embedding temporary migration and return migration into the splicing adjustment, the method prevents exaggerated perceptions of "brain drain." Instead, it highlights the cyclical nature of Israeli mobility, where high-skilled individuals may exit temporarily but often reintegrate into the domestic labor market.

Israel's migration statistics reveal complex patterns of inflows and outflows, shaped both by real demographic dynamics and by changes in statistical methodology. The figures presented highlight these dimensions through six illustrative charts[5].

Figure A.1 displays the raw numbers of emigrants (those leaving Israel) and returnees/immigrants (those entering), as recorded under the new statistical method. This

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[5] **Key Insights: Measurement matters**: The introduction of the new method in 2010 significantly raised reported emigration levels, revealing that part of the "migration story" is statistical rather than behavioral. **Net balances are crucial**: Looking at departures alone can mislead; it is the gap between departures and returns that determines whether Israel is losing or regaining population through migration. **Methodological harmonization extends research horizons**: The Splicing approach provides a unified time series, essential for tracking Israel's migration waves across two decades.

method, introduced in 2010, relies on population registers and border-control data to track long-term departures more accurately.

Figure A.2 focuses on the gap between departures and arrivals under the new method. The net migration balance provides a sharper lens on whether Israel experiences periods of net emigration (more departures than returns) or net immigration.

Figure A.3 highlights the methodological break between the old and new measurement systems. The shift in 2010 generated a sudden jump in reported emigration levels, not because of an immediate change in migration behavior, but because of altered definitions and registration practices. The figure illustrates the importance of methodology: trends in reported migration can reflect measurement choices as much as real-world shifts.

Figure A.4 underscores this point with an example from 2020. Under the old method, data suggested an increase in departures, whereas the new method indicated a decline. This divergence demonstrates how the choice of methodology can substantially alter the interpretation of migration patterns.

Figure A.5 introduces the Splicing method, which combines the old and new data series into a harmonized long-run dataset. By re-weighting the older data to align with the new method, researchers can extend the sample back by an additional five years. This allows for more robust statistical analysis of long-term migration trends. The 2024 figures cover only January to November, excluding December.

Figure A.6 shows the net migration balance (departures minus returns) using the Splicing method for 2005–2024. This long horizon captures both cyclical fluctuations and structural shifts. Again, the 2024 data are partial, covering only eleven months.

Figure A.1 Departures and Returns under the New Method
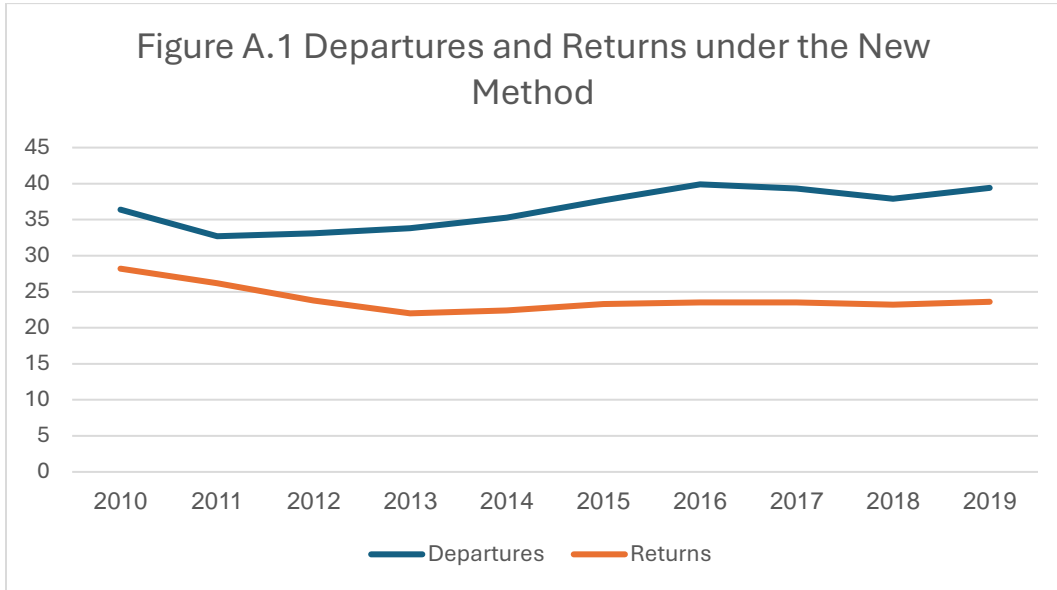
Annual counts of Israelis leaving and re-entering the country, measured using the post-2010 statistical system based on registers and border data.
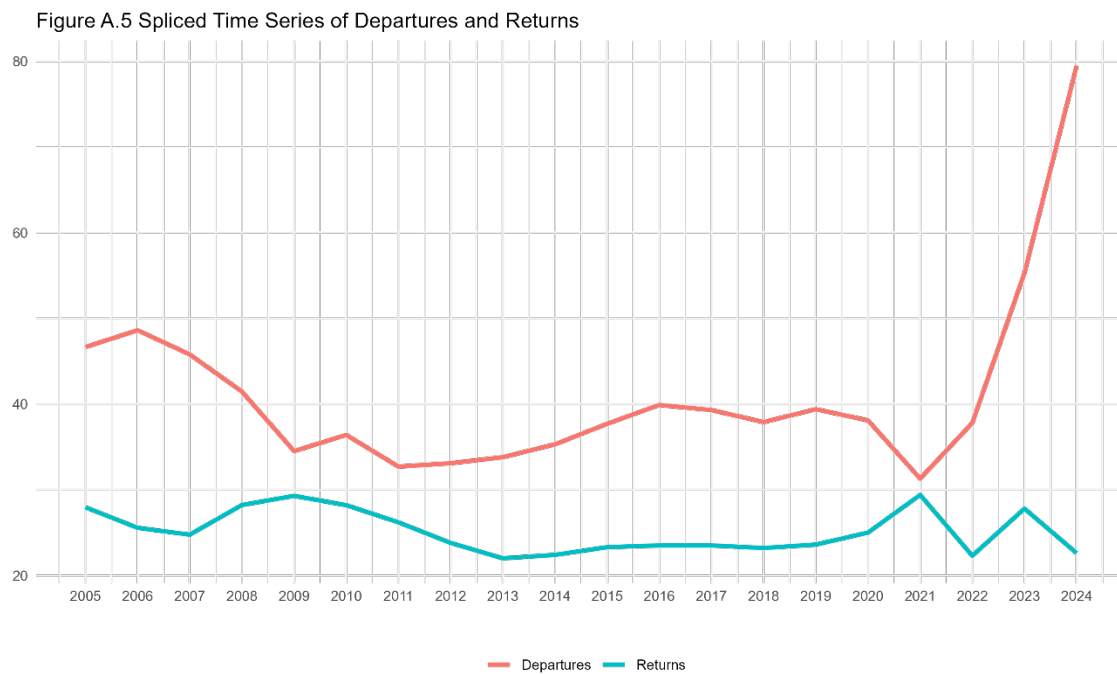
Figure A.2. Net Migration Balance (New Method)
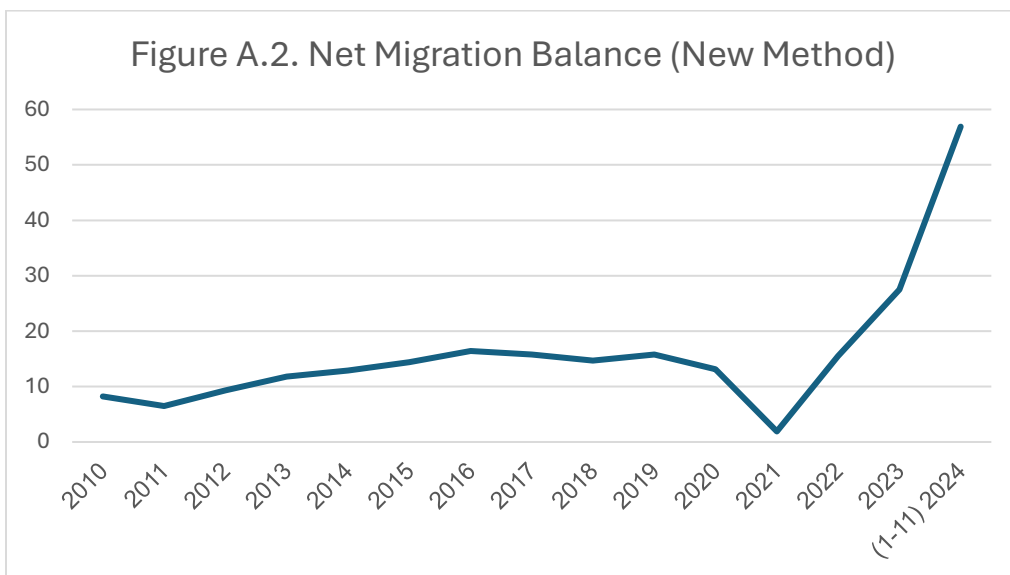
Difference between departures and returns, highlighting whether Israel experiences net emigration or net immigration in a given year.

Figure A.3. Old vs. New Measurement Methods
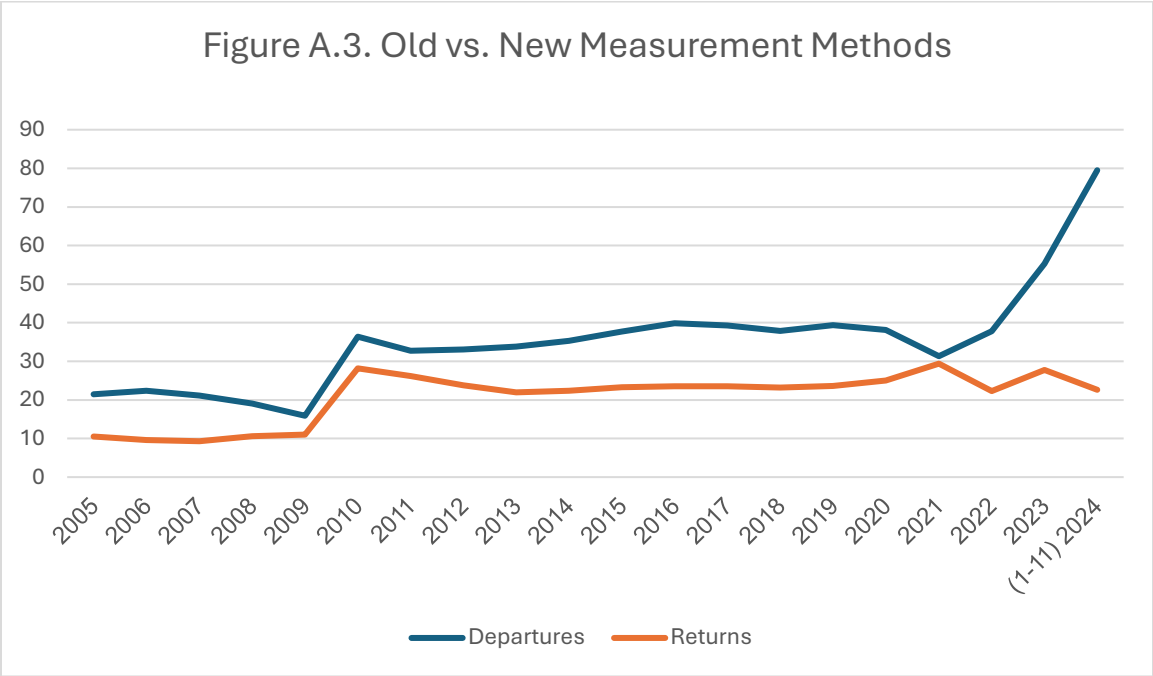
Comparison of reported migration flows under the pre-2010 and post-2010 systems. The visible jump reflects a methodological change rather than an immediate shift in behavior.

Figure A.4 Departures and returns of Israelis, 2010–2020: comparison of new and old CBS methods
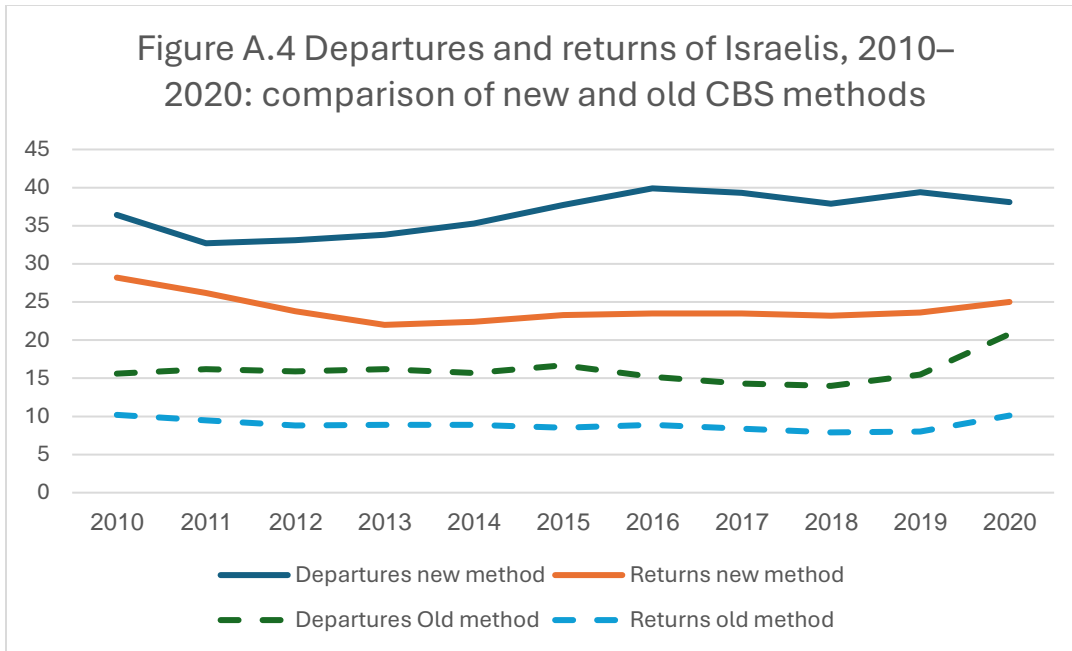
In 2020, the old method shows an increase in departures, while the new method shows a decrease — demonstrating how methodological choices alter interpretation.

Figure A.5 Spliced Time Series of Departures and Returns

Notes: Combined series that links the old and new methods into a single long-run dataset, extending coverage back five additional years.
Data for 2024 include January–November only

Figure A.6 Net Migration Balance (Splicing Method)
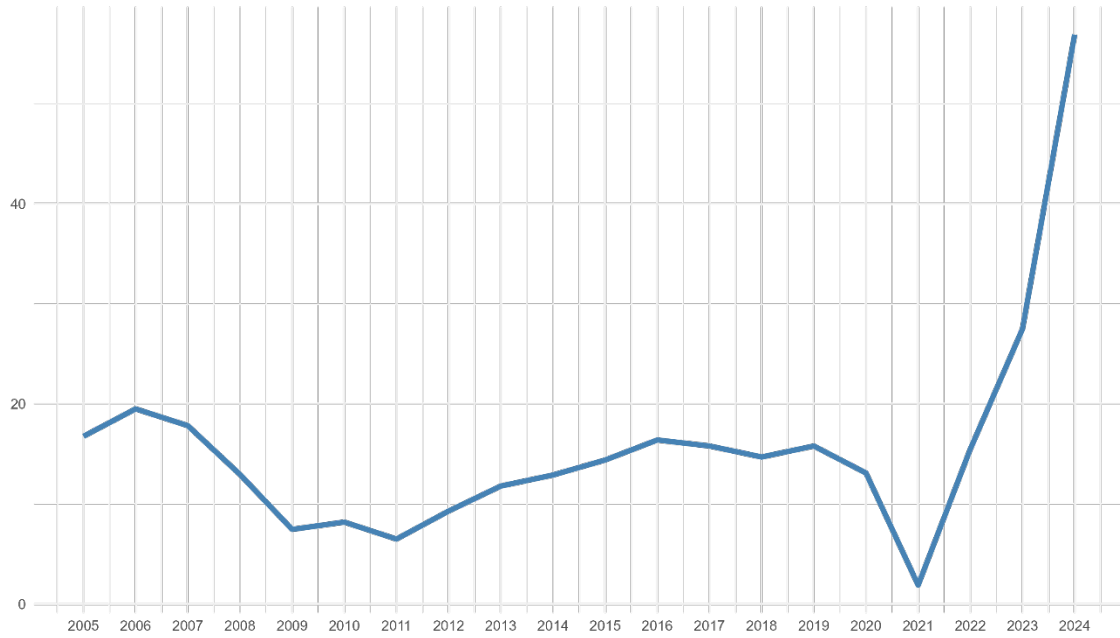
Notes: Net difference between departures and returns for 2005–2024, harmonized across methods. Data for 2024 cover January–November only.

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