

Forced Migration and Local Public Policies

Evidence from Post-War West Germany

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Forced Migration Is a Growing Global Challenge

- ▶ **90 million** displaced individuals worldwide in 2021 (UNHCR)
- ▶ Internal displacement accounts for **60%** of forced migration
- ▶ Climate change and conflicts will increase future migration flows
- ▶ Host communities often fear societal changes and policy backlash

Key question: Does forced migration actually lead to changes in public policies, or just changes in attitudes?

Can Forced Migrants Reshape Local Public Policies?

Research questions:

1. Do large inflows of forced migrants change local taxation and spending?
2. What role do migrants' voting rights play in policy changes?

Key contribution:

- ▶ First paper showing forced migration leads to **actual policy changes**
- ▶ Not just preference changes—real shifts in taxes and spending
- ▶ Tests median voter models: do poor voters → more redistribution?

Historical Background: The Potsdam Conference (August 1945)

- ▶ Allied leaders redrew German borders after WWII
- ▶ ~**25%** of Germany's pre-war territory ceded to Poland and Soviet Union
- ▶ All ethnic Germans outside new borders to be expelled
- ▶ **12+ million** Germans expelled—one of largest forced migrations in history
- ▶ **8 million** arrived in West Germany within 5 years



Figure 1: The Potsdam Conference: Truman, Stalin, and Attlee decided the fate of millions

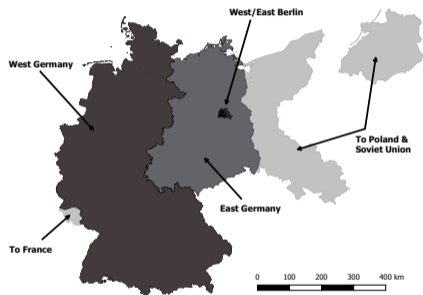
Territorial Changes: Germany Before and After World War II

Ceded territories:

- ▶ Silesia, Pomerania, East Prussia → Poland/USSR
- ▶ Sudetenland Germans expelled from Czechoslovakia (~3 million)

Consequences:

- ▶ West Germany's population increased by **17%**
- ▶ Expellees lost homes, jobs, and virtually all possessions



Expellee Shares Varied Dramatically Across West Germany

Key facts:

- ▶ County-level shares ranged from **2%** to **44%**
- ▶ Higher shares in the East (closer to origin)
- ▶ Lower shares in French zone (no initial assignment)
- ▶ Mobility restrictions until late 1949

Persistence: County-level correlation
1950–1961: $\rho = 0.82$

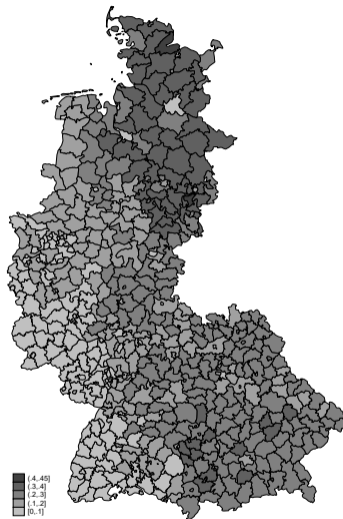


Figure 2: Population share of expellees by county, 1950

German Cities Had Significant Fiscal Autonomy

Spending responsibilities:

- ▶ Welfare provision (social benefits, housing assistance)
- ▶ Education and administration
- ▶ Public infrastructure

Revenue instruments:

- ▶ Three local tax rates: agricultural land, property, business profits
- ▶ Local taxes = ~90% of cities' tax revenue in 1950s
- ▶ Could also incur debt and received federal/state transfers

Crucial: Expellees had **full voting rights** and **welfare eligibility** upon arrival (jus sanguinis citizenship)

How to Identify Causal Effects of Migration on Policy?

The problem:

- ▶ Expellee settlement was **not random**
- ▶ Expellees went to: smaller cities, less war destruction, closer to East
- ▶ OLS likely biased by omitted local characteristics

The solution: Instrumental Variables

- ▶ Use **push factors** from sending regions (not pull factors in West)
- ▶ Predict outflows based on 1930s German population in Eastern counties
- ▶ Assign to receiving counties using distance weights

Key insight: Compare counties at *same distance* to Iron Curtain but *different distance* to urban centers in the East

Identifying Variation: Relative Distance to Urban Centers

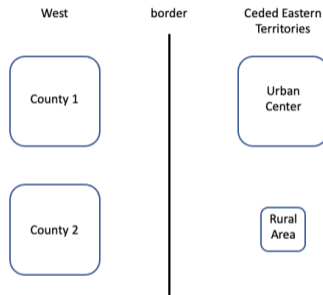
Both counties:

- ▶ Same distance to Iron Curtain
- ▶ Same state (state fixed effects)

But County 1:

- ▶ Closer to urban center in ceded territories
- ▶ Predicted to receive **more** expellees

Balancing tests: Instrument uncorrelated with pre-war outcomes



Main Results: Cities Shifted Spending Toward Welfare and Education

Outcome	OLS	IV
Spending share: Welfare	0.11 (0.06)	0.42** (0.21)
Spending share: Education/Admin	0.20** (0.10)	0.50 (0.31)
Spending share: Infrastructure	-0.00 (0.08)	-0.65** (0.30)
Spending share: Health/Housing	-0.10 (0.08)	-0.27 (0.29)

Interpretation: 1 SD higher expellee share (8.4 pp)

→ +3.5 pp welfare share, -5.5 pp infrastructure share

Main Results: Cities Raised Local Taxes to Finance Greater Redistribution

Outcome	OLS	IV (preferred)
Tax index (standardized)	-0.03*** (0.01)	0.09* (0.05)
Log total transfers	-0.03 (0.03)	0.14** (0.07)
Log total debt	-0.00 (0.03)	0.11** (0.05)

Key findings:

- ▶ Property and business taxes most affected (incidence on natives)
- ▶ Cities received more transfers but **still** raised taxes and debt
- ▶ Effects stable throughout the 1950s—not just initial spike

Spending Shifts Persisted Throughout the 1950s

Spending Category	1950–52	1953–55	1956–59
Welfare	0.85** (0.35)	0.35 (0.22)	0.25 (0.20)
Education/Admin	0.75 (0.48)	0.55 (0.38)	0.35 (0.32)
Infrastructure	-0.45 (0.40)	-1.25** (0.55)	-1.75** (0.70)
Health/Housing	0.10 (0.30)	-0.40 (0.35)	-0.60 (0.45)

Pattern: Welfare effects strongest initially, infrastructure cuts grow over time

Takeaway: Effects are persistent—not just mechanical response to initial welfare needs

Political Mechanism: Expellees Voted for Pro-Redistribution Parties

GB/BHE party demands:

- ▶ “Property for Many!” (*Besitz für Viele!*)
- ▶ Redistribution from West Germans to expellees
- ▶ Fair sharing of war burden losses
- ▶ Affordable housing and price controls

Survey evidence (1953):

- ▶ Expellees +5.8 pp more politically interested
- ▶ Expellees +16.2 pp more likely to vote GB/BHE or DP



Figure 3: GB/BHE election poster: “Property for Many! The goal of the All-German Block”

Higher Expellee Shares → More Votes for Pro-Redistribution Parties

1953 Election	IV Effect
GB/BHE + DP vote share	0.37** (0.15)
FDP/DVP (liberal) vote share	-0.57** (0.25)
CDU/CSU vote share	-0.23 (0.20)
SPD vote share	0.11 (0.18)

Local representation:

- ▶ GB/BHE or DP present in **57%** of local councils
- ▶ 1 SD higher expellee share → +41 pp probability of expellee party in council



Figure 4: GB/BHE poster: “Lower prices, give joy” — demanding price controls

Results Are Robust to Multiple Specification Checks

Identification concerns addressed:

- ▶ City-level expellee share (1952) yields similar results
- ▶ Controlling for loss of market access due to Iron Curtain
- ▶ Effects present in early 1950s (before major East-West migration)

Statistical robustness:

- ▶ Spatial autocorrelation corrections (Conley standard errors)
- ▶ Permutation-based inference
- ▶ Jackknife procedure: estimates insensitive to outliers

Alternative explanations considered:

- ▶ Not purely mechanical (effects persist as welfare needs converged)
- ▶ Stronger effects where political competition was fiercer

Lessons for Migration Policy Today

1. **Forced migration can lead to persistent local policy changes**
 - ▶ Not just short-term adjustments—lasting shifts in priorities
2. **Voting rights matter**
 - ▶ Migrants who can vote directly influence policy outcomes
 - ▶ Consistent with median voter theory
3. **Local governments bear fiscal burden**
 - ▶ Federal transfers may be insufficient
 - ▶ Local taxes and debt increase
4. **Relevance for internal displacement**
 - ▶ 60% of forced migration is internal
 - ▶ Displaced persons often have full citizenship rights

Summary

- ▶ **Setting:** 8 million expelled Germans arrived in West Germany (1945–1950)
- ▶ **Variation:** County-level expellee shares ranged from 2% to 44%
- ▶ **Identification:** IV based on push factors from sending regions

Key findings:

1. Cities shifted spending from infrastructure → welfare and education
2. Local tax rates increased; debt and transfers rose
3. Expellees used voting rights to support pro-redistribution parties

Broader implications:

- ▶ Forced migration shapes not just attitudes but actual policies
- ▶ Democratic institutions translate migrant preferences into policy
- ▶ Relevant for understanding migration, redistribution, and democracy

Discussion Questions

1. **Identification:** What are the key assumptions for the IV strategy? How convincing are the balancing tests?
2. **Mechanisms:** How would results differ if expellees did *not* have voting rights?
3. **External validity:** To what extent do these findings generalize to:
 - ▶ Current refugee crises in Europe?
 - ▶ Internal displacement in developing countries?
4. **Political economy:** How do these results relate to theories about immigration and preferences for redistribution (Alesina et al.)?
5. **Long-run effects:** The paper studies effects through the early 1960s. What might we expect in the longer run?