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# Refugees: On the Economics of Political Migration

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## ABSTRACT

Unless literally forced to leave, prospective refugees have a choice between staying and flight, subject to constraints, particularly the willingness of a country to grant asylum. Although all options may be unpleasant, they nonetheless represent alternatives amenable to economic analysis. The incentive to flee is a function of threat severity and credibility, and the attractiveness of available safe havens. The theoretical analysis suggests that restrictive asylum policies have little impact on demand for asylum, except in the interplay with other factors, such as costs of flight and retribution against unsuccessful refugees. While the case of bogus refugees has received much attention in the popular literature, this article shows that threatened individuals may choose emigration instead of flight if there are repercussions associated with refugee status. The article also analyzes the case of bogus refugees.

## 1. INTRODUCTION

The 20th century could be called the century of the refugee. Two world wars and a large number of regional and civil wars, and wars of independence, caused millions of refugees and displaced persons.<sup>2</sup> On the occasion of its fiftieth anniversary, the United Nations High Commissioner for Refugees (UNHCR) chronicled the most significant refugee movements between 1950 and 2000 (UNHCR, 2000; see also Black, 2001). The UNHCR report shows that the volume of refugee movements did not diminish after the end of World War II, as expected, but that the geographic center of violence and refugee movements shifted from Europe to other continents. For a short time, the breakup of the former Socialist Yugoslav Republic brought large scale refugee

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movements back to Europe, but most large refugee movements of the last quarter century originated in Africa, Asia, and Central America. Unfortunately, so far there are no indications that in the 21st century, armed conflicts will be less frequent than they were in the last century. UNHCR reported the presence in 2005 of almost 21 million refugees, internally displaced people, stateless individuals, and other persons of concern (UNHCR, 2006a), and over the five years from 2002 through 2006, some 2.17 million asylum applications were submitted to industrialized countries alone (UNHCR, 2007). The number of refugees has recently declined and in 2005 was just under 8.4 million (United Nations High Commissioner for Refugees, 2006a), down from some 12 million five years earlier (UNHCR, 2002), but a new major conflict can quickly increase numbers again.

Individuals facing risks of war or persecution have to choose between staying and flight. Though all available options may be unattractive, they nevertheless represent choices amenable to economic analysis. This paper presents an economic analysis of such choices, based on utility theory. The analysis will contribute to a better understanding of the circumstances when individuals may try to become refugees. This issue has important policy implications because of the large number of refugees that exist at any one time and the reluctance of many countries to accept them. There is also a widely expressed fear that many applicants for asylum are individuals seeking a better future in a more prosperous economy and claim to be refugees only to gain admission to countries that would otherwise reject them. Such individuals are referred to as bogus refugees (Neumayer, 2005a) or economic refugees. Since the latter term is used to mean something different in this paper, we will only use the former to refer to this class of individuals. For a discussion of who should be considered a refugee in the first place, see Shacknove (1985). The official definition can be found in the Convention and Protocol Relating to the Status of Refugees (UNHCR, 2006b).

Refugees constitute an important international policy problem, and some of the obstacles that seem to prevent a satisfactory solution are expressed in the following statement: “The international community’s clumsy, ad hoc responses to refugee emergencies are, of course, primarily due to the reluctance of sovereign states to grant political deference and financial support to the relevant international agencies, their hesitancy in assuming the burdens of material relief, asylum, and resettlement, and their concern that assisting refugees could adversely implicate other foreign policy objectives” (Shacknove, 1985: 276). In the

aftermath of September 11th, and terror attacks in Bali, London, Madrid, and elsewhere, this concern has only increased. For recent analyses of the relationships between national security and economic and political migration, see Adamson (2006), Huysmans (2006), and Neumayer (2006). A comprehensive review of migration and asylum policies from the perspective of protecting the rights of migrants was published by the Global Commission on International Migration (GCIM, 2005). Crawley's (2006) focus on forced migration and asylum, and Grant's (2006) interest in ethics make for two particularly relevant commentaries on the GCIM report in the context of the topic of this article.

In addition to security concerns and bogus refugees, the public goods nature of refugee protection and asylum also contributes to the current dissatisfaction with refugee policies. Imperfect coordination across national borders has led to inefficient policies and provisions concerning asylum (Betts, 2003, 2006; Chimni, 2000). Writing about European policy, Alink et al. (2001) even refer to an "institutional crisis" and "asylum policy under pressure." The European Union formulated a common response to the large inflow of refugees who, in the 1980s and 1990s, had become one of the major new immigrant groups (Hatton, 2005; Lavenex, 2001; Thielmann, 2005).

The work presented here is novel because economists have generally not analyzed individual refugee behaviors. The exceptions are two recent articles by Stark (2004) and Engels and Ibáñez (2007), respectively. Stark's theoretical note focuses on the impact of a refugee movement in one period on the likelihood on the recurrence of a similar event on the next period. Considering the negative effect of political migration on human capital, he finds that large refugee flows tend to trigger additional such flows. Engel and Ibáñez (2007) develop an empirical model of the probability of displacement. An interesting insight from their analysis is that wealthy households may be more likely targets of violence because the gains to the perpetrators of the violence are greater.

This analysis has a different focus. It looks at determinants of and alternatives to flight. An individual is thought of as comparing different states and choosing from among them. The decision making perspective is short-term, but the impacts on the individual from the decision are thought to be long-term. This should be considered an exploratory analysis; together with Stark (2004) and Engel and Ibáñez (2007), a contribution toward an economic theory of political migration.

The remainder of the article is organized into seven sections. Section 2 states the assumptions that characterize potential refugees and section 3 starts the analysis by introducing determinants of flight. Section 4 discusses the choice of the asylum country, and section 5 introduces policy reactions on the part of potential asylum countries (PACs). Up to this point costs of flight have been ignored, and section 6 introduces monetary and political costs to the individual into the analysis. Section 7 discusses the possibility of flight disguised as emigration, and section 8 deals with bogus refugees. A summary and conclusions section completes the article.

## 2. ASSUMPTIONS ABOUT POTENTIAL REFUGEES

We assume that individuals face three possible states, each characterized by a bundle of attributes: economic, social, political, etc., with each yielding a different utility. We use *S* to designate a safe state in the country or region of origin, *T* a state when a threat is present, and *R* a safe state as a refugee in another region or country. We will use the terms destination, safe haven or host country interchangeably to designate a place of refuge.

If individuals face a threat, *T*, then they may become refugees if they prefer state *R* over state *T*, that is, if,  $u(R) > u(T)$ , where  $u(\dots)$  denotes the discounted utility of a particular state. For the time being we eliminate the possibility of bogus refugees by assuming that  $u(T) < u(R) < u(S)$ .

## 3. DETERMINANTS OF THE DECISION TO FLEE

Given the assumption stated in section 2, the decision to flee is influenced by two factors: the perceived threat severity and the threat credibility. The threat severity (*TS*) is defined as the difference  $u(S) - u(T)$ , which represents the total discounted loss if the individual chooses to stay and the threat is carried out. The more severe the threat, the bigger the difference will be. The threat credibility,  $P_T$ , is the probability that the threat *T* will be carried out. Obviously, a very severe threat is not of great concern if there is no reason to believe that it will ever be carried out. For flight to occur there must be a combination of a sufficient threat severity and threat credibility. Thus, an individual will choose flight if

$$(1 - P_T)u(S) + P_T u(T) < u(R) \quad (1)$$

We solve inequality (1) for  $P_T$ .

$$P_T > \frac{u(S) - u(R)}{u(S) - u(T)}. \quad (2)$$

The difference  $u(S) - u(R)$  is the cost of flight if the threat is not carried out. We refer to it as the potential refugee loss (PRL). Inequality (2) shows that the probability that induces flight is a function of the ratio of the differences PRL ( $u(S) - u(R)$ ) and TS ( $u(S) - u(T)$ ).

We define the threat credibility threshold as the probability  $\bar{P}_T$  that leaves a person indifferent between fleeing and staying. It is given by

$$\bar{P}_T \equiv \frac{u(S) - u(\bar{R})}{u(S) - u(\bar{T})}. \quad (3)$$

The threshold suggests that prospective asylum countries (PACs) that make themselves unattractive, thus lowering  $u(R)$ , contribute to a greater reluctance to flee. For example, would the fate of European Jews have been different if, before 1939, countries not allied with Nazi Germany would have made it clear that Jews were welcome, instead of the unwelcoming attitude that many who managed to escape encountered?

The ratio that defines the threat credibility threshold is the ratio of two “evils,” with the numerator the lesser of the two. The ratio also shows the uncertainty inherent in the individual’s decision making. The choice to flee causes a significant welfare loss of  $u(S) - u(R)$ , which will be regretted if the threat should not materialize. On the other hand, failure to flee if the threat materializes causes an even greater welfare loss  $u(S) - u(T)$ , which is why it so important how the threat credibility is being perceived.

#### 4. DETERMINANTS OF CHOICE OF THE SAFE HAVEN COUNTRY

Proximity, economic opportunity, language, historical ties, the presence of fellow citizens, and/or support provided to individuals recognized as

refugees by the PAC are likely to make some countries more attractive safe havens than others (Neumayer 2005b, Neumayer 2005c).<sup>3</sup> Inequality (2) and the definition of the threat credibility threshold lead to the following propositions relative to the choice of a safe haven. The proofs are obvious.

**Proposition 1:** Let  $u(T) < u(R_1) < u(R_2) < u(S)$ . The subscripts denote alternative refugee destination countries 1 and 2. Everything else being equal, the threat credibility threshold is lower for destination 2 than 1.

**Proposition 2:** Assume that  $u(T_a) > u(T_b)$ , where the subscripts denote two different threat states. Everything else being held equal, an individual facing threat  $T_a$  has a higher threat credibility threshold than an identical individual facing threat  $T_b$ .

Although the propositions are obvious, they are not trivial from a policy perspective. Clearly, we should expect that the decision to flee is influenced not only by push but also by pull factors. The morally difficult question is how to deal with this problem, so as to avoid giving strong incentives to flee to people who might otherwise stay, but without discouraging those whose health or lives are in genuine danger.

The second proposition may possibly help with the dilemma. If persecution systematically distinguishes between different people so that members of one group are much more likely to face threat  $T_a$  say, and another group threat  $T_b$ , then we should see this reflected in the makeup of the applicant pool. If the applicant pool does not reflect this difference, then we can calculate a Bayesian prior that some applicants are likely to be bogus refugees and it gives the authorities a theory-based and data-based reason to question them more intensely about their background and motivation for fleeing.

## 5. ASYLUM POLICY

Up to now we ignored that the decision to end up a refugee is made jointly by the individual and the government of the receiving country. We therefore modify the analysis to include a country's asylum policy. Let  $P_R$  be the probability that the PAC grants refugee status. To account for an individual's additional uncertainty compared to the previous case, we modify inequality (1) as follows:

$$(1 - P_T)u(S) + P_Tu(T) < P_Ru(R) + (1 - P_R)\{(1 - P_T)u(S) + P_Tu(T)\}. \quad (4)$$

Simplifying (4) yields  $P_R\{(1 - P_T)u(S) + P_Tu(T)\} < P_Ru(R)$ , or, after dividing both sides by  $P_R$ : (4)  $\rightarrow$  (1)  $(1 - P_T)u(S) + P_Tu(T) < u(R)$ .

In other words, a restrictive policy, expressed by a low value of  $P_R$ , is no more effective at discouraging refugees from applying than a lenient policy.<sup>4</sup>

This result may at first seem counterintuitive. However, by assumption,  $u(R)$  is greater than the LHS of (1). Since the RHS of (4) is a weighted-average of the LHS of (1) and  $u(R)$ , the inequality is met for any positive  $P_R$ . We summarize the discussion as a proposition.

**Proposition 3:** Assume that  $u(T) < u(R) < u(S)$  and let  $0 < P_{Ra} < P_{Rb}$  describe two different refugee policy regimes by a given destination country. Also assume that there is no alternative refugee destination available. Then it follows from inequality (4) and the discussion that follows that the impact of these two policies on the incentive to flee is identical and that a more restrictive policy makes a difference only if it sets  $P_R = 0$ , in which case no refugees will arrive in this country, assuming perfect enforcement, of course.

Proposition 3 does not claim that  $P_R$  does not matter, only that the overall size of the refugee movement will be the same for any positive  $P_R$ . Clearly  $P_R$  affects how many individuals will eventually be granted refugee status. Because individuals can often choose among several destination countries,  $P_R$  will also have an effect on the distribution of refugees between destination countries. By lowering  $P_R$ , a potential asylum country can avoid receiving a large number of refugees at the expense of countries with a less restrictive admissions policy. Such a policy exerts downward pressure on the  $P_R$  of other PACs, lest they end up assuming a disproportionate share of the responsibility for asylum applicants.

To show that a country can shirk its responsibility for refugees, assume that an individual can only apply to one country and, if turned down, must return to the origin country.<sup>5</sup> In addition, we assume that the only difference between two potential countries of refuge is in their respective probabilities of granting refugee status,  $P_{R1}$  and  $P_{R2}$ , with  $P_{R1} < P_{R2}$ . That is, country 1 has a more restrictive refugee admissions policy than country 2.

$$\begin{aligned}
 & P_{R1}u(R) + (1 - P_{R1})\{(1 - P_T)u(S) + P_Tu(T)\} \\
 & < P_{R2}u(R) + (1 - P_{R2})\{(1 - P_T)u(S) + P_Tu(T)\}
 \end{aligned}
 \tag{5}$$

Inequality (5) shows that refuge in country 2 is preferred over refuge in country 1. Together with inequality (3), this yields additional implications.

First, since PACs collectively cannot affect the demand for asylum unless they all set  $P_R = 0$  (Proposition 3), they have a legitimate interest in events in other countries that generate refugees. Thus, inequality (4) provides a theoretical justification for diplomatic intervention with the government of the origin country to represent the interests of PACs. Second, inequality (4) and (5) together suggest the need for coordination among potential destination countries to avoid driving each other to more and more restrictive refugee admission policies. This provides a theoretical case for international collective action to deal with refugee movements.

Assume that  $u(R)$  is an increasing function of the number of nationals from the origin country already living there, regardless of whether they are refugees or traditional immigrants. The assumption that  $u(S)$  depends on the presence of compatriots is justified because compatriots may provide emotional and material support not available otherwise. Their presence also improves the availability of familiar consumption goods and allows newcomers to converse at least some of the time in their own language and cultural environment. Last but not least, fellow nationals are a source of information that may influence the choice of the refugee destination.

If  $u(R)$  depends on the presence of fellow nationals, then the first country to receive refugees from a given country, a country that already has a sizeable stock of traditional immigrants from the origin country, or a country with the same or similar language and culture, is more attractive to potential refugees than other PACs. This effect may be counteracted if the government lowers  $P_R$ , for example, in response to citizens opposed to a sudden inflow of a large new group of foreign residents. The result of such a tightening of the country's refugee admissions policy depends, however, on the reaction of other potential destination countries. If they follow suit, the effect may be nullified. Thus, again, our analysis suggests the need for international cooperation for dealing with large refugee movements to achieve burden-sharing and adequate protection of individuals facing real threats.

## 6. COSTS OF FLIGHT

In the above analysis we made a number of restrictive assumptions. In this section we relax some of these assumptions and explore how the model's implications may change. Specifically, so far we have not included any costs. In reality there are a variety of costs, the most obvious being mobility costs. These costs consist not only of transportation costs but may also include, for example, the loss of unrecorded property that cannot be sold at full value or at all and has to be left behind. Some of these costs can be accommodated in the previous model and can thought of as being included in the utilities of the different states. However, such an approach is very limiting as it either forces us to assume that individuals always succeed in obtaining refuge or that failure has no consequence. But the nature of the threat may not be the same for an individual who left but was turned back. The seriousness and/or the credibility of the threat may have changed. Thus, a more comprehensive analysis of the cost of deciding to become a refugee requires an explicit treatment.

There is not just a theoretical but also an empirical reason for paying attention to the opportunity cost of flight, as such costs are likely to differ systematically by profession and employment, age, property ownership, and family status. For example, a person who leaves a farm or a business behind may end up losing that possession, while academic professionals, athletes, and artists can take their most valuable possessions, their human capital, with them. Those who leave family members may incur a particular high opportunity cost if members are made to suffer for their decision to flee. This can be accounted for in the expression  $u(R)$ , which will be lower if family members suffer than if there are no such consequences. In the following analysis we only consider the case when threat and/or the credibility of the threat change.

### 6.1 Retaliation

Assume that  $u(T') = \alpha u(T)$  and  $P_{T'} = \beta P_T$ ,  $0 < \alpha \leq 1$  and  $1/P_T \geq \beta \geq 1$ .  $T'$  denotes the threat to an individual who has attempted to flee, but was unsuccessful and ends up back in the origin country. If  $\alpha < 1$  and/or  $\beta > 1$ , then an unsuccessful attempt to become a refugee leaves the individual worse off. We refer to this case as retaliation because the threat credibility or the threat severity, or both, have increased.

To determine the effect of retaliation on the incentive to become a refugee, we rewrite inequality (4). The LHS stays the same, but the RHS now reflects the possible change in the threat severity and threat credibility if asylum is denied and an individual is forced to return to the origin country.

$$(1 - P_T)u(S) + P_T u(T) < P_R u(R) + (1 - P_R)\{(1 - \beta P_T)u(S) + \alpha \beta P_T u(T)\} \quad (6)$$

Since we assume that at least one of the inequalities  $\alpha \leq 1$  and  $\beta \geq 1$  holds as a strict inequality, then the RHS of (6) is smaller than the RHS of (4) and, therefore, the incentive to flee is reduced. The threat of retaliation deters individuals from trying to flee.

**Proposition 4:** Assume that there is retaliation, that is, at least one of the inequalities  $u(T') \leq u(T)$  and  $P_{T'} \geq P_T$  ( $\alpha \leq 1$  and  $\beta \geq 1$ ) is strictly met. Compared to the absence of retaliation, everything else being held equal, the incentive to become a refugee is reduced.

Proposition 4 follows directly from comparing the RHS of inequality (4) and inequality (6).

The threat credibility threshold has also changed because  $P_R$  now effects it, which it did not before. The threat credibility threshold is still defined as that value of  $P_T$  that results in the equality of the RHS and LHS of expression (6). Then, the new threshold is

$$P_T^* = \frac{P_R[u(S) - u(R)]}{u(S) - u(T) - \beta(1 - P_R)u(S) + \alpha\beta(1 - P_R)u(T)}. \quad (7)$$

If  $\alpha = \beta = 1$ , then the LHS of equation (7) simplifies and we obtain the threshold in the absence of retaliation. The derivative of the threat credibility threshold is given by  $\frac{dP_T^*}{dP_R} = \frac{[u(S) - u(R)][(1 - \beta)u(S) - (1 - \alpha\beta)u(T)]}{D^2} < 0$  if either  $\alpha < 1$  or  $\beta > 1$ , or both.  $D$  is the denominator of the RHS of equation (7).

If there is retaliation, a restrictive refugee admissions policy has the effect of lowering the threat credibility threshold. Threats of retaliation to potential refugees slow their flight and thus reduce the number of asylum applications by making the destination countries' previously ineffective restrictive measures effective. This is ironic since refugee policies are supposed to become less restrictive when threats are increased, and one could argue that retaliation constitutes an additional threat.

In reality, origin and destination countries jointly determine the probability  $P_R$ . In a case such as the flight from the former German Democratic Republic (East Germany) to the German Federal Republic (West Germany) before the fall of the Iron Curtain, the value of  $P_{RD}$ , the probability of being admitted, was 1.0. By contrast, East Germany tried to set  $P_{RO}$ , the probability that the origin country lets someone become a refugee, as close to zero as possible. Our previous analysis shows that this alone would not have had the desired effect of reducing flight to a trickle. Retaliation was an integral part for the policy to work. Another part, and likely an even more important one in this case, was the cost of even trying to flee, as exemplified by the order to shoot given to East German border guards.

## 6.2 When flight is expensive

Refugees face many costs, including danger to their lives during their flight. In this section we analyze the impact of costs on the threat credibility threshold. Recall that the states  $S$ ,  $R$ , and  $T$  are thought of as a vector (bundle) of characteristics of each state. These include assets, income, proximity to family and friends, personal safety, etc. We assume that the costs diminish some of the positive characteristics of a state. To distinguish the cost of flight from the case of retaliation, we denote the new states by  $S''$  and  $T''$ , respectively. This accounts for the fact that if individuals try to flee but are not successful they will have spent resources, may have forgone property, and will not be able to achieve the same states  $S$  and  $T$  that they could have achieved had they not tried to leave.

$$(1 - P_T)u(S) + P_T u(T) < P_R u(R) + (1 - P_R)\{(1 - P_T)u(S'') + P_T u(T'')\} \quad (8)$$

A comparison of inequality (6) and (8) shows the difference between the case of costs of flight and retaliation. In this case, the probability of the threat being carried out stays the same, but the RHS has changed. Specifically,  $u(S'') < u(S)$ , and  $u(T'') < u(T)$ . As seems intuitively reasonable, the greater the cost of flight, the less likely flight becomes.  $u(T) < u(R)$  is a necessary condition for flight to occur, otherwise the cost is so high as to prevent flight, even when there is no binding budget constraint. If we know that if the threat will be carried out, that is, if  $P_T = 1.0$ , then (8) shows the less stringent condition  $u(T) - u(T'') < P_R\{u(R) - u(T'')\}$  is sufficient. The LHS is the loss if flight is unsuccessful and the RHS is the expected gain from flight.

The threat credibility threshold has a similar interpretation as before. It is still a ratio of the difference between the utility in the safe state and the utility as a refugee and when the threat is realized, respectively.

$$P_T^* = \frac{[u(S) - (1 - P_R)u(S'')] - P_R u(R)}{[u(S) - (1 - P_R)u(S'')] - [u(T) - (1 - P_R)u(T'')]} \quad (9)$$

It is easy to see that the expression is identical to that of the threat credibility threshold when  $S''=S$  and  $T''=T$ . Also, if  $P_R=1$ , then  $P_T^* = \frac{u(S)-u(R)}{u(S)-u(T)}$ .

As in the case of retaliation, the cost of flight renders restrictions on refugee admission policy effective because a decrease in  $P_T$  increases  $P_T^*$ . This follows from the derivative of the threat credibility threshold with respect to  $P_R$ :

$$\frac{dP_T^*}{dP_R} = \frac{u(S'')[u(T'') - u(T)]}{D^2} < 0;$$

$D$  is the denominator of the RHS of equation (9). The sign of the derivative follows from the assumption  $u(T'') < u(T)$ . We see once again that  $P_R$  has no effect on the threat credibility threshold if the cost is zero. In fact, the result is stronger than that, since it is sufficient that  $u(T'') = u(T)$  for  $P_R$  to have no effect on the threat credibility threshold. The effect of cost on the utility of the other two states does not matter if  $u(T'') = u(T)$ .

**Proposition 5:** If  $u(T'') = u(T)$ , then a restrictive asylum policy has no effect on the total demand for refuge.

The proof follows from the discussion preceding the proposition.

We realize that in reality  $P_R$  is unlikely to be independent of  $P_T$  and  $T$  because most destination countries are more likely to grant asylum the more severe and/or the more credible the threat. The purpose of the analysis here, however, is not to study that relationship but to analyze the impact of restricting asylum when the nature and credibility of the threat are given. The results of the analysis are summarized as Proposition 6 and Proposition 7.

**Proposition 6:** The threat credibility threshold is positively related to the cost of flight.

**Proposition 7:** Given a positive cost of flight, the threat credibility threshold is negatively related to  $P_R$ .

The propositions follow from the preceding discussions.

### 6.3 Accommodation and compromise: alternatives to flight

Not only do individuals have a choice between staying and flight, they can also change their behavior to reduce the severity and credibility of the threat. While this option is not available to individuals who face a threat only because of belonging to a particular ethnic group, or to individuals seeking to escape the indiscriminate violence of war, accommodation and compromise (A&C) is an option when an individual is threatened because of behaviors that can be changed, such as, for example, political opposition to government. In this section we are investigating under what condition an individual might choose this option.

To be a viable alternative, A&C must change the threat severity and/or credibility. We denote the changed threat by  $T_A$  and the changed probability by  $P_{TA}$  and assume that  $u(T) \leq u(T_A)$  and  $P_T \geq P_{TA}$ , with at least one of the two inequalities being a strict inequality. The utility in the safe state is also changed and is denoted  $u(S_A)$ . If  $u(S) \leq u(S_A)$ , then A&C would be always used if the individual decides to stay. The choice between staying and fleeing is then explained by the analysis up to this point, except that we compare the expected utility  $(1 - P_{TA})u(S_A) + P_{TA}u(T_A)$  in place of the situation without A&C, to the expected utility when flight is chosen.

The more interesting problem exists if  $u(S) > u(S_A)$ , also the more likely outcome, since A&C means giving up something in return for more safety and security (or less threat and insecurity). We retain all the other assumptions introduced in the preceding paragraph. A&C will be chosen instead of flight if the following condition is met.

$$\begin{aligned} (1 - P_T)u(S) + P_Tu(T) &< P_Ru(R) + (1 - P_R) \\ \{(1 - P_T)u(S) + P_Tu(T)\} &< (1 - P_{TA})u(S_A) + P_{TA}u(T_A) \end{aligned} \quad (10)$$

The first inequality in (10), which results from the model's assumptions, says that flight is preferred over staying. As before, in the following discussion we assume that this condition is always met. The second inequality is the condition for an individual to choose A&C over flight.

Clearly, the greater the improvement from  $u(T)$  to  $u(T_A)$ , the smaller the loss from  $u(S)$  to  $u(S_A)$ , and the greater the reduction in  $P_T$  to  $P_{T_A}$ , the more likely the choice of A&C over flight.

Consider the case when  $P_T$  remains unchanged. Then the second inequality in (10) can be simplified and we obtain the condition:

$$P_R\{u(R) - (1 - P_T)u(S) - P_T u(T)\} < (1 - P_T)\{u(S_A) - u(S)\} + P_T\{u(T_A) - u(T)\}.$$

The LHS of the inequality is positive by assumption. The first part of the RHS is negative since  $u(S_A) < u(S)$  by assumption. Thus, the gain from the reduction of the threat must be sufficient to make up for the loss. This is more likely when  $P_T$  is large.

When S and T remain unchanged and only  $P_T$  changes, then the second inequality in (10) can be rewritten as:

$$P_R\{u(R) - (1 - P_T)u(S) - P_T u(T)\} < (P_T - P_{T_A})\{u(S) - u(T)\}.$$

The LHS is the same as in the previous case and the RHS shows the expected utility gain from reducing the threat credibility. The term in brackets on the RHS is the threat severity (TS). It is somewhat ironic that the larger the TS, the more likely it is that a drop in  $P_T$  will result in an individual choosing A&C over flight.

**Proposition 8:** High threat credibility and large threat severity have a tendency of encouraging A&C.

The proposition follows from the preceding discussion.

This brief discussion shows that a regime that prefers that its adversaries use A&C rather than flight could adopt the following strategy. Use threats against adversaries that result in low values of  $u(T)$  and set  $P_T$  high. If adversaries chose A&C, however, reduce the threat and threat credibility by as much as feasible. Note that the threat cannot usually be completely dropped. For the enforcement of A&C, the knowledge that noncompliance will be punished is critical, since A&C is not the choice that would have been made without coercion. The utility loss  $u(S) - u(S_A) > 0$  reflects that A&C “purchases” safety at home at a cost, for example, constraints on activities, expression, travel, and/or association.

## 7. ECONOMIC REFUGEES

Governments of PACs may be concerned that individuals applying for asylum are not really threatened but instead motivated by a desire to improve their economic well-being through emigration, that is, that they are bogus refugees. When  $u(S) < u(R)$  it is difficult to distinguish between those who flee a threat and those who are not threatened but seek to blend in with this group to gain entry into a country that would otherwise not admit them.

There is no disputing that this happens. We should not overlook, however, that it is also possible that an individual may choose to become an economic migrant to escape a threat instead of becoming a refugee. This may occur if leaving for economic reasons does not carry a stigma while flight triggers retaliation, including negative consequences for family and friends who stay behind, who might be considered as potentially unfriendly by the government. The individual may also be able to return for visits, which would not be possible otherwise. This strategy can be considered a variant of A&C that involves emigration. Admittedly, in the currently environment, it is not a strategy that is open to most prospective refugees.

As previously, we assume that that flight is preferred to staying. An individual will choose emigration over flight if the following condition is met.

$$\begin{aligned} P_R u(R) + (1 - P_R)\{(1 - P_T)u(S) + P_T u(T)\} \\ < P_E u(E) + (1 - P_E)\{(1 - P_T)u(S) + P_T u(T)\} \end{aligned} \quad (11)$$

$P_E$  is the probability that emigration is successful and  $u(E)$  is an individual's utility as an emigrant. If condition (11) is met, then emigration is preferred over flight and, by transitivity, it is preferred over staying. Inequality (11) suggests that emigration may be chosen instead of flight if  $u(E) > u(R)$  and if  $P_R$  is either smaller or not much larger than  $P_E$ . In the absence of retaliation there seems to be no reason why  $u(R)$  should be smaller than  $u(E)$ . The Convention and Protocol Relating to the Status of Refugees (United Nations High Commissioner for Refugees, 2006b) asks PACs to grant refugees the right to work and access to welfare. If PACs abide by this, then individuals who are granted refugee status could receive far-reaching economic rights. This, of course, is the reason why PACs with strong economies should want to keep  $P_R$  low

and why, ideally,  $P_E$ , the probability of admission as an economic immigrant, should be larger than  $P_R$ .

The reason why the government of the origin country might make a distinction between emigration and flight is that the latter does not carry the political stigma of flight. It might therefore “play along” even if it knows that the individuals left for political reasons, as long as they do not engage in activities that are considered “unfriendly.” In the past, some Kurds from Turkey who immigrated to Germany might have fallen in this category of economic refugees and, some years earlier, some Spanish guest workers in France, Germany, and Switzerland during General Franco’s regime, might also have been economic refugees.

If there is retaliation, then (11) becomes

$$P_R u(R) + (1 - P_R) \{ (1 - \beta P_T) u(S) + \alpha \beta P_T u(T) \} < P_E u(E) + (1 - P_E) \{ (1 - P_T) u(S) + P_T u(T) \} \quad (11')$$

As before when we discussed retaliation,  $0 < \alpha \leq 1$  and  $1/P_T \geq \beta \geq 1$ , with  $\alpha < 1$  and/or  $\beta > 1$ . The RHS of (11') is unchanged compared to that of (11) and on the LHS only the term in brackets has changed, and it is smaller than it would be without retaliation. This means that for the same probabilities and utilities, the inequality is more likely to hold than in the absence of retaliation. This implies the following proposition.

**Proposition 9:** Retaliation increases the likelihood that emigration for political reasons is chosen over flight.

We refer to individuals who chose this option as economic refugees to distinguish them from bogus refugees.

With retaliation  $u(E) > u(R)$  is not necessary for economic refugees to exist.

## 8. BOGUS REFUGEES

In the preceding section when we discussed economic refugees we already alluded to some of the factors that contribute to the existence of bogus refugees. To take a closer look at this issue, we assume that  $u(E) = u(R)$ , that is, that applying for refugee status is a substitute for

applying for a work visa. We also assume that  $u(E) > u(S)$  and that  $P_T = 0$ , which is a change from the previous assumptions. The new assumptions indicate that the only motivation for leaving is economic. As before, the respective probabilities of success are denoted by  $P_R$  and  $P_E$ . As we discussed before, if a PAC provides refugees with special support to help them adjust, it could be possible that  $u(E) < u(R)$ . Alternatively, however, it is also possible that a PAC might impose initial constraints on work and place of residence, in which case  $u(E) > u(R)$  would likely be the case. Since both support programs as well as constraints are unlikely to be in place permanently, taking a longer-term view, the assumption  $u(E) = u(R)$  seems reasonable to deal with the case of bogus refugees.

If flight has no costs, then we know that  $P_R$  has no impact on the demand for asylum. However, since the magnitude of  $P_R$  relative to  $P_E$  influences the eventual outcome, individuals will choose the course of action most likely to yield the desired result. Hence, if  $P_R < P_E$  emigration be chosen, and if  $P_R > P_E$  flight will be chosen. While this result is obvious, it reminds us that bogus refugees are as much a problem of immigration as of refugee policy.

Since flight is costly, let us consider the effect of such costs.

$$u(S) < \left\{ \begin{array}{l} P_R u(R) + (1 - P_R) u(S'') \text{ or} \\ P_E u(E) + (1 - P_E) u(S'') \end{array} \right\} \text{ where } u(S) > u(S''), \quad (12)$$

and the difference reflects only mobility costs. Mobility costs may include more than transportation costs, but may include the loss of property that has to be left behind and for which there exists no secure title and that can be guaranteed only by one's personal presence.

Without retaliation, the choice is identical to the preceding case of no costs and depends entirely on the relationship between. If the country of origin retaliates against those who apply for refugee status, maybe because by doing so those individuals harm the government's image, then the relationship looks as follows. In this case, it takes the form of a threat and threat credibility that did not exist before the individual applied for asylum. We still assume that leaving for economic reasons elicits no negative response from the government of the country of origin

$$u(S) < \left\{ \begin{array}{l} P_R u(R) + (1 - P_R) \{ (1 - P_T'') u(S'') + P_T'' u(T'') \} \text{ or} \\ P_E u(E) + (1 - P_E) u(S'') \end{array} \right\} \quad (12')$$

By assumption  $u(T'')$  is smaller than the utility of any other state. Hence, if a government retaliates against those who seek refugee status, it also reduces the likelihood of bogus refugees. This follows directly from a comparison of the first line of the RHS in (12) and (12'), respectively.

**Proposition 10:** Retaliation by the government of the country of origin against asylum seekers lowers the likelihood of bogus refugees.

In the case of retaliation, the choice still depends on the relative magnitude of  $P_R$  and  $P_E$ , but also on  $P_T$  and  $u(T'')$ . If the latter is very small and the threat credibility very high, then the attraction of applying for asylum for an individual who is not facing a threat, that is, a bogus refugee, is clearly being reduced, probably significantly so.

## SUMMARY AND CONCLUSIONS

This article presents elements of an economic theory of political migration. It makes several contributions, including defining concepts and terms necessary for a rigorous analysis. The analysis is limited to individuals who can choose between different alternatives, though none may be attractive and some may be very unattractive. The analysis does not apply to individuals who are forced to move and have no choice in the matter.

The approach yields interesting insights. One of these insights is that restrictive asylum policies on the part of PACs may not reduce the demand for asylum. From the perspective of an individual country the policy is still effective, however, if other countries leave their asylum policies unchanged. In the case of a very large number of asylum applications, this seems an unlikely occurrence, however, and it is therefore possible that PACs may drive each others probabilities of granting refugee status,  $P_R$ , to very low levels. The result could be a total number of admittances that is not commensurate with the threat severity and threat credibility faced by the individuals seeking asylum. This possibility provides a strong case for coordinated international actions as well as a justification for diplomatic intervention in countries that disregard human and political rights, since they impose externalities on others.

Flight is costly. Costs include out-of-pocket expenses and psychic costs, such as worry about family and friends left behind, particularly if they could become victims of collective punishment, and retribution should flight be unsuccessful. As economic theory predicts, the higher the costs

of, the lower the demand for flight. This seemingly obvious result may be useful for assessing refugee movements because the costs of flight differ systematically by profession and occupation, and possibly by other factors, as well. For example, when gifted athletes or artists from the former Soviet Bloc left their team after an international competition, they brought their most important assets with them: an established, marketable reputation and their human capital and skills. By contrast, the relatively few of the opponents of the communist government during the days of the Solidarity movement who were arrested for their activities and given the option to leave lost most of their possessions and had to start over in a new place. Thus, the model suggests a greater likelihood of someone being a bona fide refugee the greater the cost, a result that also makes intuitive sense.

Ironically, the more effective the country of origin's policy of retribution, the more generous a PAC's asylum policy vis-à-vis that particular country can be, without the PAC running the risk of becoming overwhelmed with applicants. This was the case during the cold war, for example, with respect to refugees from communist countries in Eastern Europe.

When the cost of something is very high, individuals search for substitutes, and flight is no exception. It is at least theoretically conceivable that an individual may choose to pose as an economic migrant when in fact the real reason for leaving is political. This is the opposite of the much better known case of bogus migrants and can be thought of as a special form of accommodation and compromise.

The analysis also shows that the existence of bogus refugees is as much a problem of a highly restrictive immigration as of too lenient an asylum policy. If a solution to this problem is sought only by adjusting the latter, then the final result could be an asylum policy that does not provide a safe haven to individuals who meet the refugee criteria of the Convention and Protocol Relating to the Status of Refugees (United Nations High Commissioner for Refugees, 2006b), and could result in humanitarian crises.

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## NOTES

2. The terms refugee and displaced person are often used as synonyms, but they are not interchangeable. A displaced person is someone who was forced from the initial place of residence and could end up being a refugee, a prisoner, or a slave laborer. Hence, the term displaced person is more inclusive than the term refugee. In this paper we are only concerned with refugees.
3. Because of the interplay between the actions of the potential asylum country and the refugees, it is not easy to judge a country's attraction. Obviously, the number of refugees is a very poor measure, but even the number of asylum applications is an imperfect measure, since it is likely to be influenced by individuals' perceptions of that PAC's policy of approving asylum applications.
4. The analysis and therefore this statement is based on the assumption that  $u(T) < u(R) < u(S)$ .
5. This is the policy within the EU. Other western European countries are feeling the pressure because they offer the only remaining option for individuals rejected by an EU country. In response, there have been proposals, for example in Switzerland, to reject applicants for asylum if they have had an opportunity to apply for asylum in another safe country before entering Switzerland.

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