"Emigration During Turbulent Times"

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Abstract

Migration to another country is one approach to avoiding risks from political turmoil, but many more people stay behind than leave. In part, this may be because the economic costs of uprooting families or businesses are large. We explore the economic calculus behind migration during times of political turmoil through two major episodes in China over the past century: movement from Shanghai to Hong Kong in advance of the possible Communist takeover in the 1940s, and exit from Hong Kong in more recent years as the mainland government increased political control over the city. In each case, we document the extent to which exit decisions are responsive to (i) wealth shocks, as measured by differential real estate appreciation, and (ii) changes in the differential ``price'' of moving vs. staying put, using quasi-random destruction of businesses by errant bombs in historical Shanghai and Bartik-type unemployment shocks in contemporary Hong Kong. In both episodes, we document a large, positive wealth elasticity of migration and a negative relative price elasticity. Importantly, in both cases, people became more elastic, not less, when the perception of political turbulence became salient. Economic incentives play an important role in shaping migration decisions even during highly politically uncertain times.