

More than 400,000 Finns were forced to leave their homes as a result of the Soviet invasion in 1939. Research by **Matti Sarvimäki** and colleagues finds evidence of a surprisingly positive impact on the economic outcomes of the displaced people more than three decades later.

The unexpected consequences of forced migration



Image: credit7

Finnish men displaced by the war earned substantially more in later life than otherwise similar men who were not forced to migrate



A few hours after the Soviet aircraft had attacked the Finnish village of Kiviniemi on 30 November 1939, a messenger arrived at the Uosukainen family farm. He commanded the women and children to make their way to the train station and said that everyone was allowed to bring just one suitcase, nothing more. Mrs Uosukainen packed in haste, climbed onto a sleigh with her children and sister, and rode to the station.¹

They were not alone. More than a tenth of the Finnish population was permanently displaced during the Second World War as the eastern parts of the country were ceded to the Soviet Union.

At the time, Finland was a middle-income developing country by today's standards. It had won independence just two decades earlier, gone through a short but brutal civil war and then evolved into a reasonably well functioning democracy. Half of the population was working in agriculture, typically owning small farms and working as hired labour in forestry during the winter.

When the war ended, the country of four million had suffered relatively minor civilian casualties. But 92,000 men had died in battle and more than 200,000

were injured. Much of the production capacity was destroyed and large war reparations were due. On top of this, 430,000 people were displaced.

To cope with the situation, the Finnish parliament decided that the displaced people would be compensated for their lost property, financing the compensation by levying a massive tax on capital. Displaced people in urban areas received compensation in government bonds, while displaced farmers were given agricultural land. Since the amount of publicly owned land available was insufficient, half of the distributed fields were expropriated from private farmers living in their farms.

In 1950, the Uosukainen family had another visitor. This time the matter was far less dramatic: Finland was conducting its first full census and the man was there to help fill in the questionnaire.

The census form included a large set of questions about the family's current situation as well as retrospective questions on the pre-war municipality of residence, socio-economic status and industry. The answers were then coded to punch cards and transformed to reports published during the next eight years. The original forms were sorted by municipality, archived into boxes and largely forgotten.

Fifty years later, Statistics Finland drew

a sample of every tenth box of the original census forms. Most of the information was keyed into a database. These data were then merged with later censuses, creating a large dataset that follows a random sample of the Finnish population and their children for more than six decades.

Our research uses a subset of these data to study the long-term effects of displacement on those forced to migrate. We focus on the cohorts born between 1907 and 1925 – those who were at least 14 years old at the beginning of the war and still of working age in 1971, when we first observe their tax records.

Analysis of these data shows that the pre-war economic status of those who later became displaced was similar to the rest of the population. But more than three decades later, the displaced men were earning substantially more than otherwise similar men who had not been forced to migrate. This result survives a battery of checks for robustness, so we interpret it as indicating a causal relationship.

What happened? According to our research, the most likely answer is that forced migration increased people's mobility both in terms of geography and occupation. Of course, the displaced were geographically mobile during the war. Less obviously, they were more likely to move from traditional to modern occupations. They also remained geographically more mobile even after resettlement.

Most of these migrations were from the countryside to the cities. This capacity to adapt to the changing circumstances turned out to be valuable in the rapidly urbanising and industrialising post-war Finland – at least for men. While the

¹ The recollection of Mrs Uosukainen's daughter is available in Finnish at: <http://www.sakkola.fi/tarinat/uosukainen-1.htm>

estimates for urbanisation among women are comparable to those of men, we find no impact on income. This suggests that later migrations were likely to be driven by the labour market considerations of husbands.

Our findings illustrate that while forced migrations can be tragic, good policies can prevent the displaced becoming an impoverished underclass. The Finnish policy consisted of providing land and monetary compensation for lost property. Those given land were free to sell it. Everyone remained free to choose where to live. So the policy provided the means to start over but did not lock the displaced into traditional work.

It may be tempting to think that such policies were possible only in a country with a homogenous population and well functioning institutions. But it is not evident that Finland was such a country in the 1940s.

For example, one of the reasons for the civil war in 1918 was a dispute about land, notably between landowners and

crofters (tenants of very small farms), who wanted the right to buy the land they were renting. And the resettlement of the displaced was fiercely debated in the Finnish parliament, with representatives of the Swedish-speaking parts of the country managing to exempt their constituencies from giving up virtually any land.

In short, the resettlement policies were not implemented as a consequence of Finland being an exceptionally harmonious society. Rather, pragmatism and fear of further unrest are the most likely explanation for these policies.

Our results also point towards a broader lesson about the importance of mobility. While economists have long argued that the returns to migration are positive and potentially large, hard evidence has been scarce.

The reason is that migrants are typically a highly self-selected group. Hence correlations between migrant status and economic outcomes are not likely to be informative about the causal effect of migration. Since we are able to study the

impact of migration in a 'quasi-experimental' setting, this selection problem does not occur.

Of course, one should not extrapolate too freely from these results to current policy debates. Yet, the results are consistent with the argument that policies promoting mobility – both in terms of occupation and geography – are likely to promote growth.

Policies to promote occupational and geographical mobility are likely to be good for economic growth



Image: <http://www.sakkola.fi>

While forced migrations can be tragic, good policies can prevent the displaced becoming an impoverished underclass

This article summarises 'Long-term Effects of Forced Migration' by Matti Sarvimäki, Roope Uusitalo and Markus Jäntti, Discussion Paper No. 15 of the Spatial Economics Research Centre (SERC) at LSE (<http://www.spatial-economics.ac.uk/textonly/SERC/publications/download/sercdp0015.pdf>).

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