Harnessing the Diaspora:
The Political Economy of Dual Citizenship*

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Work in Progress; Comments Welcome

Abstract: I examine the causes and consequences of dual citizenship rights as they apply to expatriates. Arguing that migrant networks provide sending/home countries with access to global capital pools, I demonstrate that the provision of dual citizenship helps home countries harness the financial and human capital of their disaporas. The first section of the paper develops the argument while the second empirically tests the implications by examining the linkage between migration, dual citizenship and flows of foreign economic aid, portfolio investment and remittances. I also provide some evidence that dual citizenship increase the likelihood that migrants will express an intention to return to their home country. The final part of the paper develops and tests hypotheses about the rise in national policies providing for dual citizenship rights.

Migration is, and always has been, a persistent part of global change. The Book of Genesis describes, as a consequence of the "confusion of the tongues" surrounding the construction of the Tower of Babel, how man came to be scattered across the face of the earth. And history books are filled with stories of heroic individuals seeking out new lands for settlement, exploration and exploitation. While the process of migration separates populations, migrants, their families and their homelands have worked to retain communication and contact. And these migrant ties have served to draw disparate

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countries and cultures closer together. These linkages have been steadily increasing in spite of efforts to restrict the movement of peoples across national borders and at last count the percentage of the world's population residing outside their country of birth stands at over four percent (United Nations 2006).

While the sources of and destinations for migrants has changed dramatically over the centuries, one aspect of the migrant's connection to the homeland has not: the homeland has and continues to see the migrant as an economic resources. Centuries ago this relationship may have found expression in the migrant's attempt to bring family and community members to new lands by sending money back home. Today the importance of migrants as a source of capital flows is at least, if not more, important. Migrants are increasingly part of the global supply chain and serve as consumers of products manufactured in the homeland. They act as entrepreneurs and exploit informational advantages when they invest in home country economic opportunities. And, like their behavior centuries prior, they continue to funnel capital directly back to their families and friends through remittances. In addition to their access to capital, migrants themselves embody human capital—they possess knowledge, skills, and contacts that make them valuable resources in and of themselves.

The importance of migrant communities has not gone unnoticed as homelands have increasingly developed policies and strategies designed to harness their diasporas. The desire of home countries engage their diasporas manifests itself in multiple ways: countries establish embassies and consulates where there are large clusters of expatriates and they encourage home town associations to facilitate a feeling of connectedness. Most notably, as evidenced by figure one, a growing number of home countries have been expanding the range of political rights accorded to their citizens abroad. By 2006, 91 out of 186 countries made some allowance so that their expatriates could vote in national elections.[1] In that same year 84 countries allowed for dual citizenship—a provision whereby migrants naturalizing abroad maintain home country citizenship.[2]

This increase in the political rights afforded to external populations presents very real theoretical and normative challenges. Theoretically speaking, the expansion of rights to citizens—in fact the very use of the word citizen—is a challenge to well established notions of state sovereignty and to the very definition of the nation state. It effectively "decouples" citizenship from residence and disrupts the notion of a nation state as a territory with a well-defined population that share a common culture and history. And providing populations that are outside of those borders political rights renders those borders less meaningful. Expatriate rights also raise troubling normative complications, as they constitute the extension of a right without a substantive or meaningful obligation; a practice seemingly inconsistent with domestic notions of justice and fairness.

Yet despite these challenges countries have become increasingly likely to extend political rights to their diasporas because the extension of these rights brings benefits to the home country. In this paper I examine how migrants serve as a conduit for capital

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[1] International Institute for Democracy and Electoral Assistance (2006). This count includes provisions that allow migrants to vote abroad at consulates or embassies as well as provisions that require migrants to return to the home country to cast their vote. In 2006 less than half (45) could vote from abroad.

[2] I use the following criteria to determine the existence of dual citizenship rights for expatriates: whether upon naturalizing abroad a citizenship retains or loses the right to own property in the home country. This may or (as is the case in a large number of countries) may not include retaining the right to vote or to stand for elective office. Coding dual citizenship right for expatriates was done through reference to national constitutions and related legislation, through documents held by the United Nations High Commission on Refugees, through secondary source material (detailed in the appendix) and through phone calls to national embassies.

flows—foreign aid, portfolio investment, and remittances—to their home country. And I find not only that migrant links between host and home country increase these capital flows but also that the extension of dual citizenship rights increases them significantly. In addition, through the use of survey data, I find that dual citizenship increases the probability that migrants will return to their home country. Finally, given that dual citizenship has such substantial consequences for the home country I examine the circumstances that give rise to this policy.

This paper contributes to the broad literatures in political economy and migration in a number of ways. First, it adds to a small but growing political economy scholarship that examines how migrant networks facilitate the cross-border flow of trade and investment (e.g., Rauch and Trindade 2002; Leblang 2009). While that literature emphasizes the importance of migrant networks it gives pride of place to migrant networks and excludes the role that sending states play. By focusing on the rights of expatriates this paper begins to fill that gap. Second, the lion's share of migration research that focuses on immigration policy focuses on receiving or host societies (e.g., Howard 2009). There is little, if any, systematic empirical or measurement work focusing on the emigration policy of sending states.[3] This empirical focus also contributes to a more policy focused literature that asks generally about the engagement strategies of sending states (e.g., Gamlen 2006). And it adds to a surprisingly small literature—a literature concerned mostly with "brain drain"—that asks about the consequences of migration for home countries. Finally, this project contributes to an increasing awareness of the role that sending states play in the process of

[3] The only paper I know of that would fit this category examines the costs associated with obtaining a passport (MacKenzie 200X).

international immigration; a literature that heretofore have been mainly concerned with the consequences of immigration for human capital development in the sending state (e.g., Kapur and McHale 2005).

The arguments and evidence linking capital flows to migrant networks and those networks to the home country via dual citizenship policy are developed four parts. The following section develops the hypothesis linking migrant networks to global capital and explores how and why sending countries provide expatriates with dual citizenship rights. Section two then tests this hypothesis by linking migrant networks and dual citizenship in four empirical examples: foreign economic aid, portfolio investment, international remittances, and return migration. In section three I turn the analysis around and, through the use of event-history analysis, examine the causal factors that lead countries to extend dual citizenship rights. The final section concludes and offers suggestions for further research.

1. Migrants, Migration and Dual Citizenship

As noted in the introduction, migration and dual citizenship pose a challenge for the sending state. Even while countries of origin struggle with normative conditions surrounding expatriate rights, residents of that country remained linked to those that have left. And the immigrants that have gone abroad create social, economic and political linkages with their home country; linkages that have been emphasized in the study of "transnationalism."[4] This transnational focus—a focus on migrant ties that link societies across national borders—is useful but because its theoretical focus is on social

[4] See Itzigsohn (2000) for a discussion of the linkage between transnational behavior and policies surrounding citizenship rights in the country of origin. While Itzigsohn focuses on remittances the argument is more generally applicable to all types of transnational economic activity.

relationships it ignores the role that states play in fostering the very types of linkages that migration provides. I this section I first develop the transnational argument and argue that migrant ties lead to capital flows across countries. Then I argue that sending country policies—specifically those associated with the provision of dual citizenship—serve to intensify these transnational linkages.

The academic focus on transnational linkages follows, in large measure, the shift in tone used by home countries in describing or discussing their expatriate populations. Home countries have tended to look down on their expatriate populations, often referring to them as "traitors" who have turned their backs on their countrymen. Countries treated their expatriates "as prodigal sons and daughters who had abandoned their national family and who therefore should not be allowed to retain the original nationality" (Martin 2003, p.7). Recently, however, the relationship between country of origin and migrant has changed as home countries have attempted to reengage with their diasporas. In some cases, Mexico, Morocco and China, for example, émigrés are celebrated as national heroes, while in others elected politicians from the homeland have traveled abroad to court their diasporas (Gamlan 2006).

This change in behavior is an explicit acknowledgement that expatriates are a resource to be leveraged for national economic betterment. In one of the first attempts to link migrant networks to international activity, Rauch and Trindade (2002) examine the role that the Chinese diaspora plays in international trade. Communities of Chinese residing outside of mainland China serve as an external market, a foreign population that has a taste for products produced in China. Empirically find that countries with large populations of ethnic Chinese have larger bilateral trade flows with China. And individuals residing in these external communities may have specific knowledge about opportunities that exist within China; opportunities that may lead to Chinese imports.

The logic linking diasporas to trade flows can be extended to other types of cross-border economic activity. Scholars have long recognized the importance of social networks for fostering economic exchange either when formal institutions are absent or when they are incomplete (e.g., Greif 1989; North 2005).[5] From this perspective, migrant networks have a direct and observable impact on cross-border investment when they, themselves, are the actors. This has been documented in a sizeable case-study literature from economics, demography, political science and sociology that details how migrant entrepreneurs use home-country connections to channel human, physical and investment capital.[6] Indirectly migrant networks can provide business opportunities by decreasing asymmetries of information and by reducing transaction costs through formal (e.g., business) or information (e.g., familial) contacts in their home country. These linkages have been extensively documented in studies of specific industries and migrant communities, although they are likely best documented in studies of the overseas Chinese (Rauch and Casella 2001). In their study, the *Bamboo Network*, Weidenbaum and Hughes (1996) detail the comparative advantage overseas Chinese have when it comes to investing in China and argue that it goes well beyond commonality of language, knowledge of cultural and legal barriers, and pre-existing familial connections. Wang's study shows how ethnic Chinese residing abroad provide a "linkage between China and the rest of the world [in that

[5] The relational approach to economic sociology focuses on relations between parties to a transaction rather than on the transaction itself. This view, that economic processes are "embedded" in social relations, has been used to study labor markets (Granovetter 1973), business transactions (Uzzi 1996), and foreign direct investment (Bandelj 2002, 2007).

[6] Examples include: Freinkman (2002) on Armenia, Kapur (2001) and Saxenian (2002) on India, Kleinman (1996) on Israel, Rauch and Casella (2002) and Weidenbaum and Hughes (1996) on China.

they] facilitate the understanding of and access to *guanxi* networks by other foreign investors. Without the agency of ethnic Chinese, it would have been much more difficult for foreign companies to use informal personal networks to complement and compensate for the weak formal legal institutions in China" (Wang, 2000).

Migrant networks have also been the source of foreign policy lobbying on behalf of home country interests. As individuals residing in a democracy, migrants have the ability to influence the government for policies that they favor. This is not to say that migrants have interests that are incompatible with their host country; rather that they may have interests also favor their homelands. The popular press is replete with stories of the rule that Israeli and Cuban lobbies have played in directing US foreign policy towards their respective countries. Bu the examples of the Israeli and Cuban lobbies are but examples; examples where prominent groups have been able to create policies that have generated heated debate in host countries.

Migrant lobbying has a long and storied history. In 1975 Nathan Glazer and Daniel Patrick Moynihan observed that ethnic influence has become "the single most important determinant of American foreign policy." Yossi Shain (1994) describes in detail how US based migrant groups have shaped foreign policies directed towards Albania, Cuba, Czechoslovakia, Greece and Israel. He shows how these ethnic based lobbies have influenced not only economic development policy but also policies regarding diplomatic recognition, state formation and economic sanctions. Shain is not alone. Levitt and de la Dehese (2003) detail the how Mexican immigrant groups lobbied the various parts of the US foreign policy bureaucracy to help aid passage of the North American Free Trade Agreement. Jones-Correa (2001) and Itzigsohn (2000) also show how Latin American and

Hatian groups have successfully lobbied the US for more permissive immigrant and refugee policies, for stays of deportation and for amnesties.

While migrant connections to the homeland have been important for foreign investment and for lobbying, they are an indispensible link when it comes to funneling remittances directly to families and communities in their homelands. And these connections have become even more important as countries become more reliant on remittances as a stable and reliable source of external capital (Ratha 2003; World Bank 2006).

While these arguments provide a mechanism linking migrant groups to access to international capital and to foreign lobbying, they do specifically ask if and how home government engage their diasporas. I argue that through the extension of dual citizenship rights, home countries increase and enhance connections with their diasporas.

As noted in the figure one, there has been a dramatic increase in the number of countries extending dual citizenship rights to their expatriates. This trend is at odds with a long history that went beyond legal prohibition against dual citizenship, a tradition that treated it as a moral failing. US Ambassador to Germany, George Bancroft, famously remarked that states should "as soon tolerate a man with two wives as a man with two countries; as soon bear with polygamy as that state of double allegiance which common sense so repudiates that it has not even coined a word to express it" (Bancroft 1949). Bancroft was not along in this view. A 1925 League of Nations conference produced the 1930 Hague Convention on Certain Questions relating to the Conflict of Nationality Laws which states that "it is in the interest of the international community to secure that all members should recognize that every person should have a nationality and should have one nationality only"(League of Nations 1930 quoted in Koslowski 2003). And national constitutions embraced this idea; the Philippines Constitution, for example, declares that "Dual allegiance of citizens is inimical to the national interest and shall be dealt with by law" (cited in Chander 2006, p.69).

Over the last three decades this anti-emigrant tide has turned as countries of emigration increasingly see their diasporas as an asset.[7] Countries such as the Philippines and Mexico have established home town associations to foster connections with their external citizens. India and China, following separate international incidents, actively courted their diasporas by offering incentives for home country investment. And, as seen in figure one, countries have increasingly been offering expatriates political rights. These strategies attempt to create, recapture or cultivate feelings of membership in the nation; a nation that is tied to yet is geographically disconnected to the state itself. And the use of dual citizenship policies are especially important because they are designed to evoke a feeling of inclusion in the homeland, a feeling that will, hopefully, lead the emigrant to seek connections to the homeland (Newland 2004; Gamlen 2006). As David Fitzgerald remarks, "States deploy the language of nationalism precisely because migrants are outside state territorial borders but within the boundaries of the imagined nation" (Fitzgerald 2002).

[7] It should be noted that ties to expatriates may not be unambiguously good. The extension of citizenship rights to expatriates may lead external populations to have too much say in domestic politics. Levitt and de la Dehensa (2003) and Rubio-Marin (2006) raise troubling concerns when they reflect on the possibility that expatriate communities may be of sufficient size to influence the outcome of a democratic election. In a more thorough critique of expatriate rights, Benedict Anderson notes that external participants "rarely pays taxes in the country in which he does his politics; he is not answerable to its judicial system; he probably does not cast even an absentee ballot in its elections because he is a citizen in a different place…But, well and safely positioned in the First World, he can send money and guns, circulate propaganda, and build intercontinental computer information circuits, all of which can have incalculable consequences in the zones of their ultimate destinations" (1994, p.327).

These symbols are deployed instrumentally. They are used to shape attitudes and behaviors and to signal who is part of the "in group" and who is disconnected. Yossi Shain (1999) remarks that governments use this power to "promote and sustain the attachment of the people to the motherland" (Shain 1999, 662-3). And dual citizenship policies have often been used strategically. Ostergaard-Nielsen (2003) shows that the Turkish government attempted to engage its diaspora was designed to upgrade its image to facilitate entry into the EU. Itzigsohn (2000) and Goldring (1998) strike a hopeful tone and argue that the extension of dual citizenship should help persuade expatriates to become more involved in their home countries; an involvement that will hopefully lead to steady flows of capital through investments and remittances.

In addition to symbolically linking diasporas with their homelands, the extension of dual citizenship is often used to encourage expatriates to naturalize in their host countries. Jones-Correa (2001) and Mazzolari (2007) use micro-level data and find ample evidence—based on Latin American immigrants to the United States—to support this conjecture. Encouraging naturalization, while seemingly at odds with the idea that sending countries attempt to strengthen ties with their diasporas, is a strategic decision. Freeman and Ogelman (1998) argue that "sending countries are likely to be strategic and to be directed toward such goals as enhancing their control and influence over their nationals living abroad and, through them, increasing their influence over the foreign and domestic policies of receiving states" (p.771).

This discussion gives rise to two testable hypotheses. First, it suggests that migrant networks foster the flow of capital between countries and I hypothesize that, all else equal, larger migrant networks will produce larger flows. And, second, it suggests that home country policies of dual citizenship should increase these flows. It is to testing these two hypotheses that I now turn.

2. Empirics: Migrant Networks, Dual Citizenship, and Capital Flows

I test the two hypotheses using four different measures of capital flows; measures that tap different types of immigrant behavior. And the four measures are available for a diverse set of countries, country-pairs and years, offering a rich set of results for comparison. For the ease of exposition I leave technical details regarding variable definitions and sources to the appendix.

The Allocation of Foreign Economic Assistance

To test the argument that migrant groups lobby their host country's governments\ on behalf of their home countries I first examine the allocation of foreign economic assistance. More precisely, I employ a dependent variable that measures the amount of overseas development aid (logged, in 2005 constant US dollars) that a donor country allocates to a particular recipient. For the present analysis I exploit data that traces aid allocation from 21 donor countries to 130 recipient countries over the period 1980-2005. To guard against omitted variable bias I include a standard set of control variables that include both recipient characteristics—such as income, population, democracy, and civil conflict—and dyad characteristics—such as distance, shared border, common language and colonial history. I also include a set of time-invariant dummy variables for all donor and recipient countries to capture unmeasured donor and recipient time-invariant heterogeneity.[8]

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[8] See Bermeo (2008) for a discussion of the control variables and Bermeo and Leblang (2009) for a more detailed examination of the relationship between immigration and the allocation of foreign aid.

Column one of table one contains the results of a Tobit model of foreign aid allocation that in addition to standard control variables also includes a measure of migrant networks: the (logged) number of migrants from an aid recipient country residing an a donor country.[9] The parameter estimate for migrant stock is positive and statistically significant at conventional levels. Since both foreign aid (the dependent variable) and migrant stock are measured in logs we can interpret the coefficient as an elasticity. A ten percent increase in the stock of migrants residing in a donor country would increase foreign aid by 16 percent. In some cases this may be unrealistic—absent a large shock in the country of emigration it is unlikely that migrant stock will increase by ten percent. But that comparison is not necessary. A donor country such as Germany in 2000, for example, is home to 7,405 Latvians and 53,103 Hungarian. Accordingly we would expect—and do observe—substantially more aid from Germany to Hungary then to Latvia.

In columns two and three of table one I test the hypothesis that home countries are able to harness their diasporas through the extension of dual citizenship rights. Column two includes a dummy variable for dual citizenship while column three interacts that variable with the migrant stock. The interesting results are in column three where all three variable—migrant stock, dual citizenship, and the interaction—are statistically significant and positively signed. The positive coefficient on dual citizenship means, holding migrant stock constant at zero, that countries extending dual citizenship receive 18% more foreign

[9] I employ a Tobit model because of the large number of observations (9500) where aid flows are equal to zero.

aid that those that do not. And that effect increases by two percent as the size of the migrant group increases.[10]

To better grasp the importance of dual citizenship, in figure two I plot the predicted amount of foreign economic assistance provided to six countries from both the United States and Germany. To calculate these predicted values and associated 95% confidence intervals I hold all of the independent variables at their means and vary dual citizenship policy between zero and one. Because the effect of dual citizenship is conditional on the size of the stock of migrants from particular recipients residing in either the US or Germany, the distance between estimated aid flows is not constant across recipients.

The top panel of figure two traces the effect of dual citizenship on foreign aid flows from the United States to countries that have always provided dual citizenship to expatriates (Turkey and Poland), never provided dual citizenship (India, Kenya, and Thailand), and that changed dual citizenship policy (Mexico which extended dual citizenship rights to expatriates in 1998). With the exception of Poland, dual citizenship rights, conditional on the size of the emigrant population, has a statistically and substantively effect on foreign aid allocation. In some cases the effect is small—if Kenya and Thailand had adopted dual citizenship polices the average amount of aid from the US to those countries would be less than twelve million dollars. In other cases the amount is far larger—India is predicted to have garnered an additional 31 million dollars in aid (from 49 to 80 million) and the amount for Mexico is even larger, exceeding 50 million dollars. The results for Turkey are

[10] An alternative hypothesis—that foreign aid is used by countries in an attempt to decrease migrant flows into their countries—is evaluated in Bermeo and Leblang (2009). That hypothesis, however, would not account for the large effect of dual citizenship or for the interaction.

likewise impressive but the counterfactual is likely stretched too far with this example as Turkey provided dual citizenship rights for the entire period under investigation.

The lower panel of figure two undertakes a similar analysis (note that the scale of the x-axis differs from the upper panel) with comparable results. Germany, as expected provides more foreign aid to Poland than does the United States and less to India. And dual citizenship rights exhibit a pattern consistent with observed above.

<u>The Cross-Border Flow of Portfolio Investment</u>

While the argument linking dual citizenship to foreign aid rests on the assumption that migrants lobby their host governments, I also test whether the extension of dual citizenship itself more directly leads increased capital flows to home countries. To that end in table two I examine whether migrant networks and dual citizenship policies impact cross-national portfolio investment. In table two the dependent variable is the total amount of cross-border portfolio—stock and bond—investment from country D (the migrant's destination) to country O (the migrant's country of origin) for the year 2002 collected from the International Monetary Fund's Coordinated Portfolio Investment Survey. I use a set of control variables derived from gravity type models of cross-border investment – distance, exchange rate arrangement, etc – as well as variables that help control for cross-country similarity—common language, history, religion, etc.[11] The sample is comprised of portfolio flows from 56 countries (D) into 129 countries (O).

Beginning in column one of table two note that the estimated coefficient for migrant networks—the number of migrants from country O residing in country D—is positive and statistically significant. Substantively migration matters quite a bit: the parameter estimate

[11] The theoretical basis for the inclusion of these variables is discussed in Leblang (2009).

indicates that a ten percent increase in the size of migrant population increases portfolio flows back to the home country by almost 15 percent. As with foreign economic aid, this is substantial especially as the size of the migrant population increases.

In columns two and three I include a dummy variable measuring whether the home country extends dual citizenship rights to expatriates. In both specifications this variable is statistically significant and positively signed. The interactive model in column three is again most suggestive as it tests the hypothesis that home country policies enhance migrant networks. And like the results from foreign aid, all three components of the interaction are positive and statistically significant.

In figure three I repeat the exercise of predicting portfolio investment as a function of the means of the independent variables and the conditional effect of dual citizenship on the size of the immigrant population. Because the data for is available for a cross section corresponding to 2001 dual citizenship is interpreted accordingly; that is, Mexico is considered a dual citizenship country because it changed its policy in 1998.

And we observe that dual citizenship rights have large substantive effects across a number of countries. Again, in some cases—Kenya and Thailand—the predicted difference is small while in others—Poland, India and Mexico—it is large. Had Poland and Mexico not extended dual citizenship rights the expected flow of investment from the United States would be smaller by 800 and 410 million dollars respectively. Note however, that these amount could be far smaller as indicated by the size of the 95% confidence intervals. And India is predicted to increase investment from the United States by as much as 280 million dollars; but again, the confidence intervals overlap suggesting that it is plausible that there would have been no increase at all. The results using Germany as the donor country are similarly instructive.

Dual Citizenship and Access to Remittances

In this section I test the hypothesis that dual citizenship increases remittance flows to developing countries. Using data from the World Bank's World Development Indicators I compiled a panel dataset of remittance flows to 116 developing countries[12] for the period 1972-2007. The dependent variable is the log of the ratio of remittances to gross domestic product. Following Chami, Fullenkamp and Jahjah (2005) I include the difference in interest rates and in per capita GDP measured in PPP terms between the local country and the United States as well as the change in the local currency-dollar exchange rate. I also include the local country's rate of economic growth to control for the idea that remittances flows may be counter-cyclical (Frankel 2009). Drawing on Yang's (2006) work I include a variable measuring the number of people affected by natural disasters in a given year as a share of that country's total population. Finally, because remittance flows depend in large measure on the size of a country's emigrant population I create a measure of weighted emigrant stock. Leblang, Fitzgerald and Teets (2009) have collected bilateral migration data measuring the stock of migrants residing in 21 host countries broken down by country of origin for the period 1960-2007. I take that data, weight it by per capita GDP (in PPP terms) in the host country and then sum it by origin country and year. This provides a

[12] We define developing countries as all non-OECD countries except for Mexico and South Korea. Other countries are excluded on the basis of data availability.

variable capturing the size of a country's external population weighted by income; a variable that provides a proxy of the potential to send remittances.[13]

To test the affect of dual citizenship on remittances I estimate use ordinary least squares and report standard errors that are robust to both heteroscedasticity and serial correlation. I also include a set of country specific dummy variables to control for omitted variables that are constant within country. To decrease the chances of simultaneity we also lag all independent variables by one year.

The benchmark model is contained in column one of table three. There is evidence to support much of the earlier literature: remittances respond to investment opportunities in the recipient country (as evidenced by the positive coefficient on the interest rate variable) and to countercyclical forces (as evidence by the positive coefficient on the income variable). They also respond to changes in the exchange rate where a depreciation of the local currency results in an increase in remittance flows. Interestingly the parameter estimate on the growth rate—an additional measure of countercyclicality—is positive and significant, indicating that remittances increase when economic times in the recipient country are good. There is also evidence to corroborate the notion that remittances respond to natural disasters and that remittances increase as a function of the income potential of their external population.

In column two I include the (lagged) measure of dual citizenship. The effect of dual citizenship, holding all other variables at their means, is positive and significant. Given that the dependent variable is expressed as a log transformation this coefficient can be interpreted as meaning that countries offering expatriates dual citizenship rights increase

[13] O'Mahoney (2009) creates a similar measure though she uses bilateral migrant stock data for a single year.

the ratio of remittances to GDP by 35%--a substantial sum indeed. And because a set of country specific dummy variables are included in the model this parameter estimate is likely an underestimate as countries that have granted dual citizenship rights for the entire period have that effect subsumed by the dummy variable.[14]

In figure four I again calculate the predicted flow of remittances based on averages for the entire period. There are two differences between this figure and the earlier ones. First, the remittance flows are not dyadic—they represent total flows from all countries. Second, since remittances are transmitted directly by immigrants it is not necessary to interpret dual citizenship as a conditional effect.

The predictions in figure four tell a now familiar story about the importance of dual citizenship rights. In every case there is a statistically significant difference between predicted remittances (as a percentage of GDP) when dual citizenship rights are extended and when they are not. One of the most striking results is for India where the confidence intervals do not even come close to overlapping; an indication that India could stand to gain substantially by extending dual citizenship rights—an increase of remittances from two to over two and a half percent of GDP.

In spite of the inclusion of country fixed-effects it is plausible that the results in column two are subject to simultaneity bias as countries that receive remittances are also those that may extend dual citizenship rights. I address this in column three through the use of instrumental variables using the percentage of other countries in the region that extend

[14] As a robustness check I also include a number of other variables including ones measuring democracy and elections as in O'Mahoney (2009) and did not find them to be statistically significant in any of the specifications. I also included a linear trend which was statistically significant but did not substantively change the reported parameter estimates or hypothesis tests.

dual citizenship rights to expatriates.[15] This variable is plausibly correlated with dual citizenship rights as there may be a type of convergence effect occurring as countries observe the behavior of their neighbors—especially when cashing in on opportunities to generate capital are concerned. And this variable is also excludible as it is difficult to conceive of a mechanism whereby the behavior of other countries would affect another country's flow of remittances. Again, fixed effects are included to control for other country-specific factors. The instrumental variables results are contained in column three and confirm the findings of column two: dual citizenship has a positive and statistically significant effect on remittance flows into developing countries.

Dual Citizenship and the Intention to Return

In addition to fostering attachments that result in financial flows, dual citizenship policy may be part of a larger strategy of diaspora engagement; a set of policies designed to encourage the return of expatriates. In some cases countries actively encourage return migration because returnees may have both contacts and human capital. In her study of Taiwanese and Chinese migration policy, Saxenian (2002) notes that return is encouraged because migrants have global links, links that "facilitate access to foreign sources of capital, technical skills and markets."

Studying return migration is notoriously difficult as national statistical offices—even if they do collect data on out migration—do not collect data corresponding to the characteristics of those who stay and those that leave. To test the effect of dual citizenship on return migration I utilize a unique survey of migrants. In 2006-2007 the Spanish

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[15] I divide the world into eight regions: North America, Latin America, Sub-Saharan Africa, North Africa & the Middle East, Asia, South East Asia, Western Europe, and Eastern Europe.

Statistical Office undertook a survey of immigrants living in Spain. The result—the National Immigrant Survey of Spain—was released in 2008 and contains over 15,000 respondents.[16] Failure to respond to questions related to level of education and remittance behavior reduced the sample though not substantially and we are left with a usable sample of over 11,000.[17] Unfortunately the response rate to the question about level of income was less than 10% so we do not use that variable in this model.

The Spanish survey asks "Do you intend to return to your home country?" and I use this dichotomous response as the dependent variable in the probit models reported in table four. As control variables I include a set of individual characteristics capturing demographic, human capital and social network variables.[18] To measure the strength of social networks I include questions asking whether the respondent has contact with family or friends in the home country and whether s/he has naturalized as a Spanish citizen. Human capital is difficult to measure consistently so I use three variables measuring level of education, whether the individual was working the prior week and whether the individual is retired. I use a simple set of demographic variables that capture age and gender.

To these control variables I include a variable measuring whether the immigrant is from a country that provides for dual citizenship. The results of estimating this model are included in table four. Column one of table four contains probit coefficients and robust

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[16] http://www.ine.es/en/prodyser/micro_inmigra_en.htm

[17] This sample corresponds to migrants from over 100 countries.

[18] The set of variables was informed by Constant and Massey's (2004) study of return migration by German guest workers. Unfortunately the Spanish survey does not include the full battery of questions available in the German survey.

standard errors estimated via maximum likelihood while column two contains marginal effects evaluated holding all other variables at their means. For dichotomous independent variables the marginal effect reflects the change in the probability of a respondent reporting an intention to return as the independent variable changes from zero to one.

Before turning to dual citizenship it is interesting to note that the demographic and human capital variables do not show a consistent pattern. Employment status, level of education and gender have no statistically significant impact on one's intention to return. Older migrants and those who have retired or who receive a government pension are less likely to return; a result compatible with that of Constant and Massey (2002).

Social networks play an important role in conditioning a migrant's intention to return. Migrants who are in contact with friends or family in the home country are six percent more likely to report an intention to return while those that have become naturalized Spanish citizens are four percent less likely to express a similar intention. These results square with expectations and with the importance that personal connections play in the immigration decision. Contact with the homeland continues linkages between the migrant and the migrant while the decision to naturalize in Spain tends to work in the opposite direction.

Within this context the marginal effect for dual citizenship seems reasonable. All else equal, migrants are a little over two percent more likely to express an intention to return to their homelands when those homelands allow them to maintain dual citizenship. As noted above, dual citizenship tends to increase the probability that a migrant will naturalize so those two factors work against one another. That said, it is surprising that the parameter estimate is as large at it is and it is likely underestimated due to the effect of naturalization.

This section has provided evidence linking both migrant networks and home country policies to flows of foreign aid, investment capital, remittances and human capital. In each case home countries gain substantially not just from having an external population but from actively engaging them through the extension of political rights.

3. The Political Economy of Dual Citizenship

In this section I ask whether the quest for global capital is the sole driving force behind the rise of dual citizenship rights. I find that while access to global capital is an important consideration, states extend dual citizenship rights to their expatriates for reasons associated with the desire to maintain national identity and as part of the process of consolidating democracy.

Existing studies of the rise of expatriate rights are few; those that do exist largely hold that states extend rights to émigrés as part of a strategy to encourage and sustain the flow of remittances (e.g., Itzigohn 2000). There is no question that the economic potential of external populations has played a pivotal role in this process. Indeed, Foner (2007) describes the rise of dual citizenship policy in early twentieth century Italy as an attempt to maintain the loyalty of émigrés—especially those residing in the United States—not only because it was part of the Italian nation-building exercise, but because it ensured a steady flow of remittances and savings back to the homeland.

Access to international capital may be even more important in the present era as both private actors and national governments are often faced with a need to restore their stores of foreign capital. As international debt has increasingly been issued in dollars (or in other major currencies), immigrant based flows of capital—especially remittances—can be used to help borrowers deal with the burdens of international debt. I hypothesize, therefore, that dual citizenship is more likely to be extended when home countries have a need for foreign currency.

In addition to economic need, the extension of dual citizenship is in large measure part of a strategy committed to the preservation of national identity. In a study of political rights of immigrants, Joppke (2003) distinguishes between national strategies of de- and re-ethnicization. Citing examples from Spain, Italy and France, Joppke argues that re-ethnicization occurs when countries attempt to reconnect and embrace their émigrés in order to maintain a sense of self and a sense of nation. This story is similar to that told about France's decision to extend dual citizenship to expatriates shortly after the end of World War Two. At that point in time France was dominated by immigrant groups as large numbers of native French had been displaced or had fled the country as a result of the war. Seeing that natives would soon be outnumbered, the French government extended dual citizenship rights to expatriates in the hopes not just that they would return, but also that they would continue to be engaged in the political process (Weil 2009).

Finally, the extension of dual citizenship can be part of a more general process of democratic transition. As countries open up their political processes and allow for competitive elections they also may encourage the participation of those who have left the country whether leaving was voluntary or forced. The extension of dual citizenship rights

To test these hypotheses I estimate a duration model for the period 1970-2007 where countries exit from the sample upon the adoption of dual citizenship. Countries that have had dual citizenship policies in place prior to 1970 are never included in the estimation sample. This leaves 136 countries of which 50 exited (adopt dual citizenship for expatriates) during the sample period.

To test the hypothesis that competition for capital leads to the extension of dual citizenship rights I included the measure of the weighted emigrant stock. This proxies for the availability of external capital which could, all else equal, be channeled through migrants. I also include a variable measuring a country's short term external debt as a percentage of total exports as a proxy for hard currency need.

Countries may also extend dual citizenship rights because of fears of losing national identity. I capture this through the inclusion of a variable measuring the share of immigrants in the country's total population. This data, available from the United Nations Population Program, is only available every five years so we fill in the missing values using multiple imputation.[19]

I also include two variables measuring democracy. The first is a simple dummy variable coded 1 if a country is a democracy.[20] But democracy means different things in different contexts. As part of the quest for political legitimacy, countries may extend dual citizenship right to expatriate populations especially if those populations exist as a result of forced migration or exile. Unfortunately, measuring these latter two concepts are difficult. As a proxy I use a dummy variable that is coded one if international election observers were present for the last election. This provides, at least in part, a proxy for the country's desire

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[19] For the imputation we include a trend line, a dummy variable coded 1 for countries in the developing world, and the log of the country's external migrant population (unweighted).

[20] We use the POLITY2 variable from the POLITY database and code a country as being democratic if its POLITY2 score is greater than or equal to 5. We update and fill in missing observations using the POLITICAL RIGHTS variable from Freedom House.

to establish and reconnect with external actors that may have viewed the previous regime with skepticism or hostility.[21]

I include a number of control variables as well. First, I control for regional variation in the provision of dual citizenship (the variable I used as our instrument in section two) as there may be convergence in policies across countries. I also control for the number of years since the country became independent as well as its square to capture nonlinearities in the political process related to the provision of dual citizenship.

The duration models are estimated models using two different methods. In column one of table five I estimate the probability that a country will exit—that it will adopt dual citizenship—using a discrete time hazard model estimated via logit as suggested by Beck, Katz and Tucker (1998). In this specification I account for the underlying hazard through the inclusion of three cubic splines. In column 2 I estimate a continuous time hazard model using the Cox distribution. The results from both specifications are almost identical; for the purpose of interpretation I use the logit specification because of the ease of interpreting predicted probabilities and their associated standard errors.

The baseline probability of exiting in any given year is quite low—we only have 50 exits out of over four thousand observations—a probability equal to .5%. The results point to the importance attributed to the economic access of emigrants—the emphasis of studies of transnationalism highlighted in section one. Increasing the weighted migrant stock by one percent increases the probability of a country adopting dual citizenship rights by 0.08 percent. This is seemingly small but substantively it means that a country with émigrés

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[21] This variable is from the National Elections Across Democracy and Autocracy database compiled by Susan Hyde and Nikolay Marinov (http://hyde.research.yale.edu/nelda/). I am grateful to Susan Hyde for providing access to this database.

residing in the United States (average GDP per capita of 35,000) rather than in Spain (average GDP per capita of 22,000) increases its likelihood of providing dual citizenship rights by 12 percent. The results also support the idea that dual citizenship rights—because they are part of a strategy of national development—are more likely to arise when a country is in need of hard currency to service its debts. A one percent increase in debt service as a share of exports increases the probability of dual citizenship by 0.15 percent. Again, a seemingly small number but substantial when we note that average debt service averages 68 percent of exports and it is not unusual to see it exceed 150%.

Politics and the transition from autocracy to democracy also influences the decision to extend rights to emigrant populations. Democratic countries are .6% more likely than autocracies to exit and countries that have allowed external election observation are .8% more likely to exit. This result is consistent with the idea that democratic countries and those that are attempting to demonstrate their democratic "bone fides" will be more likely to extend rights to their expatriates.

Finally, the results in table five point to the importance of national identity in influencing policies regarding émigrés. As the share of immigrants to the total population rises countries increasingly attempt to harness their diasporas; an attempt to maintain a sense of nationhood in an environment where the country is becoming more and more heterogeneous.

4. Conclusion

I argue that countries use dual citizenship to access a steady stream of international capital, capital that is available through their external populations through lobbying, investment, remittances and return migration. Using a variety of data sources and country samples I find not only that immigrant populations serve as an economic engine for their home country but also that national policies of emigrant engagement enhance that relationship. Of course countries want to maintain connections to their diaspora for reasons other than the access to capital. Migrant communities can serve as advocates for the home country and can lobby their host countries for foreign assistance, preferential economic and military policies, and better treatment of immigrants from their countries. The extension of political rights by the home country helps maintain those connections and may provide better connections between host and home country governments.

There is, of course, much to be done. In addition to cataloguing dual citizenship and voting rights for migrants, it would be valuable to identify other immigrant engagement strategies—strategies designed to strengthen the connection between emigrant and the home country. More can be learned about the causes of return migration from tapping the large (and growing) number of immigrant surveys that have been carried out in Germany, Canada, Australia, New Zealand, the United States and Sweden. An analysis of these surveys could help clarify whether migrant engagement strategies are successful in harnessing those members of the diaspora that the home country most wants—those that embody human capital.

And more needs to be done to help make sense of the seeming disconnect between rights and duties afforded to national populations. The normative questions associated with allowing external populations to influence politics in the home country—and the desirability of trading these rights for economic flows—do not have easy or simple solutions.

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Table One:
Migrants, Dual Citizenship and the Allocation of Foreign Aid

	(1) Tobit	(2) Tobit	(3) Tobit
Log(Stock of Migrants from R Residing in D)	0.164** (0.00533)	0.165** (0.00554)	0.157** (0.00585)
Recipient Extends Dual Citizenship to Expatriates		0.324** (0.0313)	0.165** (0.0533)
Dual Citizenship * Migrant Stock			0.0228** (0.00655)
log(Bilateral Trade)	0.0443** (0.00269)	0.0478** (0.00281)	0.0478** (0.00281)
Log(Bilateral Distance)	-0.500** (0.0206)	-0.492** (0.0211)	-0.492** (0.0211)
Shared Common Border	0.120 (0.107)	0.0763 (0.108)	0.0670 (0.108)
Common Official Language	0.504** (0.0289)	0.505** (0.0297)	0.508** (0.0298)
Common Colonial History	0.967** (0.0597)	0.961** (0.0601)	0.959** (0.0602)
Log(GDPPC) in Recipient	-0.139** (0.0350)	-0.169** (0.0361)	-0.172** (0.0361)
Log(Population) in Recipient	0.313** (0.0508)	0.284** (0.0528)	0.291** (0.0528)
Natural Disaster in Recipient	0.00699** (0.00159)	0.00564** (0.00163)	0.00565** (0.00163)
Log(Value of Oil and Gas Exports)	-0.0131** (0.00263)	-0.0112** (0.00265)	-0.0115** (0.00266)
log(US Military Aid) to Recipient	0.105** (0.00721)	0.0921** (0.00737)	0.0916** (0.00737)
Democracy (Polity Score)	0.0301** (0.00182)	0.0244** (0.00184)	0.0243** (0.00184)

Civil War in Recipient	-0.201**	-0.211**	-0.210**
	(0.0240)	(0.0249)	(0.0249)
Constant	-1.979*	-1.801*	-1.789**
	(1.049)	(1.018)	(0.824)
sigma			
Constant	1.157**	1.156**	1.156**
	(0.00627)	(0.00642)	(0.00640)
Observations	36232	34553	34553

Robust standard errors in parentheses.
All models include a set of donor and recipient dummy variables
* $p < 0.10$, ** $p < 0.05$

Table Two:
Migrants, Dual Citizenship and Dyadic Portfolio Investment

	(2) Migrants	(3) Dual Citizenship	(4) Interacton
Log(Stock of Migrants from O Residing in D)	0.145**	0.149**	0.111**
	(0.0261)	(0.0260)	(0.0328)
Recipient Extends Dual Citizenship to Expatriates		0.855**	0.449*
		(0.146)	(0.249)
Dual Citizenship * Migrant Stock			0.0783**
			(0.0380)
Log(Product of GDPs)	0.0206**	0.0210**	0.0210**
	(0.00209)	(0.00209)	(0.00209)
Log(Bilateral Distance)	-0.127	-0.174	-0.170
	(0.120)	(0.120)	(0.120)
Common Border	-1.181**	-1.169**	-1.174**
	(0.486)	(0.479)	(0.478)
Official Common Language	1.786**	1.716**	1.737**
	(0.254)	(0.254)	(0.254)
Correlation of Growth Rates	1.007**	1.002**	0.992**
	(0.140)	(0.140)	(0.140)
Common Exchange Rate Peg	2.292**	2.360**	2.382**
	(0.313)	(0.311)	(0.311)
Dual Taxation Treaty	3.421**	3.346**	3.319**
	(0.196)	(0.196)	(0.197)
Preferential Trade Agreement	1.977**	1.904**	1.901**
	(0.218)	(0.217)	(0.216)
Common Legal Heritage	-0.668**	-0.672**	-0.685**
	(0.166)	(0.165)	(0.166)
Common Dominant Religion	0.997**	0.867**	0.858**
	(0.181)	(0.182)	(0.182)
Genetic Distance	-0.00101**	-0.000900**	-0.000895**
	(0.000132)	(0.000132)	(0.000132)
Log(Bilateral Trade)	0.348**	0.342**	0.347**
	(0.0334)	(0.0334)	(0.0336)

Log(Bilateral Telephone Volume)	-0.0488	-0.0508	-0.0528
	(0.0720)	(0.0719)	(0.0719)
Constant	-22.44**	-22.64**	-22.55**
	(1.199)	(1.192)	(1.196)
Observations	4835	4835	4835
Adjusted R^2	0.478	0.481	0.482

Dependent Variable: Log(Portfolio Investment from Origin to Destination)
Robust Standard Errors in Parentheses
* $p < 0.10$, ** $p < 0.05$

Table Three:
Dual Citizenship and Remittances

	(1) Baseline	(2) With Dual Citizenship	(3) Instrumental Variables
Dual Citizenship Rights for Expatriates		0.300**	0.908**
		(0.0574)	(0.219)
Local-US Real Interest Rate	0.0000661**	0.0000810**	0.000111**
	(0.0000266)	(0.0000299)	(0.0000407)
US-Local Per Capita GDP PPP	0.0000249**	0.0000192**	0.00000772
	(0.00000438)	(0.00000456)	(0.00000543)
Change in Nominal Exchange Rate	-0.00120**	-0.00102**	-0.000656
	(0.000473)	(0.000496)	(0.000568)
Log(Weighted Emigrant Stock)	0.0605**	0.0635**	0.0696**
	(0.0171)	(0.0168)	(0.0166)
Growth Rate	0.579**	0.547*	0.483*
	(0.295)	(0.283)	(0.272)
Natural Disaster, Per Capita	0.307**	0.300**	0.286*
	(0.137)	(0.138)	(0.146)
Constant	-1.647**	-1.839**	-2.230**
	(0.388)	(0.389)	(0.410)
Observations	2375	2375	2375
Adjusted R^2	0.751	0.755	0.738

Dependent Variable: Log(Remittances as % of GDP)
Heteroscedasticity and Autocorrelation Robust Standard Errors in Parentheses
Models include a set of N-1 Dummy Variables
The instrument for column 3 is the share of neighboring countries that provide dual citizenship rights for expatriates.
$p < 0.10$, ** $p < 0.05$

Table Four:
Dual Citizenship and the Intention to Return

	(1) Probit Results	(2) Marginal Effects
Dual Citizenship Rights offered by Home Country	0.266** (0.0641)	0.0229** (0.0049)
Are You in Touch with Family/Friends in Home Country?	1.168** (0.167)	0.062** (0.0033)
Do You Possess Spanish Citizenship?	-0.464** (0.0444)	-0.044** (0.0042)
Last Week Were You Working?	0.0551 (0.0419)	0.005 (0.0418)
Last Week Were Your Retired/Pensioner?	-0.395** (0.0997)	-0.0305** (0.0056)
Level of Education Achieved	0.0231 (0.0160)	0.00236 (0.0163)
Gender (Male=1)	-0.0600 (0.0365)	-0.00615 (0.0372)
Age	-0.000400** (0.000155)	-0.0004** (0.0002)
Constant	-2.022** (0.355)	
Observations	12022	

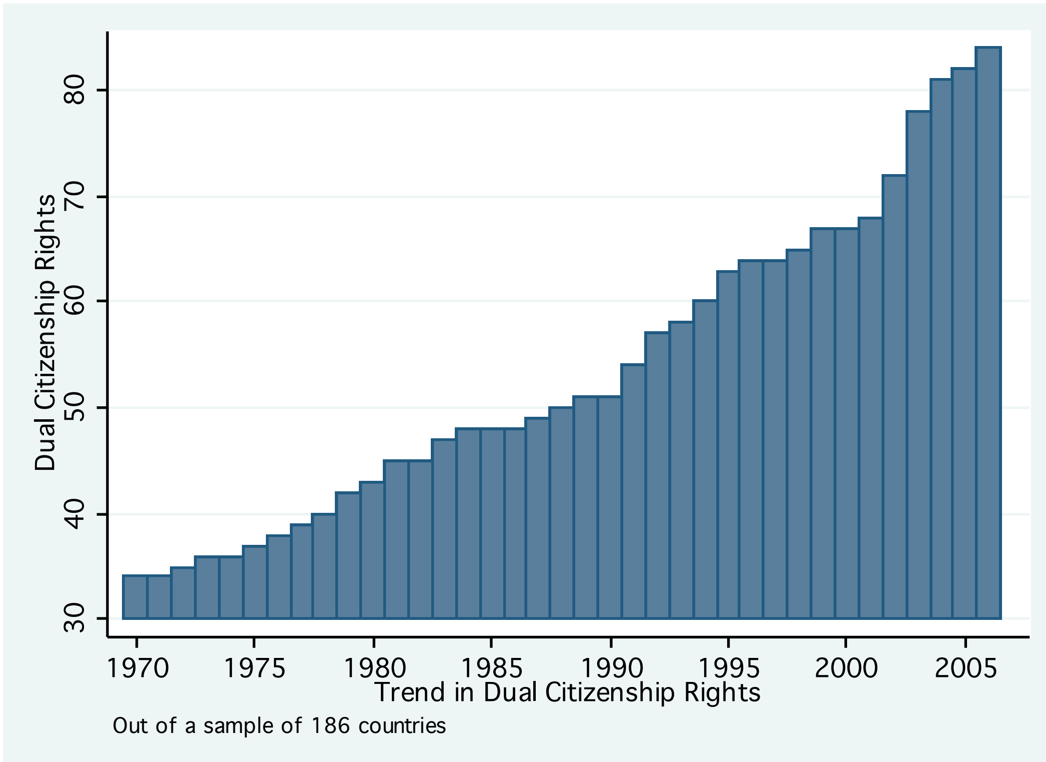
Dependent variable: "Do you intend to return to your home county?"
Robust standard errors clustered by home country in parentheses
$^{*}p < 0.10$, $^{**}p < 0.05$

Table Five:
The Determinants of Expatriate Dual Citizenship Rights

	(1) Discrete Time Probit Model	Marginal Effects (x100)	(2) Continuous Time Cox Model
Foreigners/Domestic Population	0.164**	0.08	0.157**
	(0.0670)		(0.0636)
Democracy Dummy	1.161**	0.57	1.200**
	(0.469)		(0.478)
Log(Weighted Emigrant Stock)	0.170**	0.08	0.157*
	(0.0856)		(0.0833)
Share of Neighbors offering Dual Citizenship	2.194**	1.01	2.032**
	(1.007)		(0.942)
Log(Short Term Debt/Exports)	0.318**	0.15	0.295**
	(0.124)		(0.118)
External Observation of Last Election	1.001**	0.80	0.839*
	(0.460)		(0.435)
Log(Years Since Independence)	-1.611**	-0.70	-1.551**
	(0.468)		(0.449)
Log(Years Since Independence)^2	0.318**	0.16	0.308**
	(0.0968)		(0.0930)
Constant	-8.973**		
	(1.310)		
Observations	4126		4126

Robust standard errors in parentheses
Column 1: Discrete Time Duration Model of Dual Citizenship Adoption Estimated via Logit
Column 2: Continuous Time (Cox) Duration Model of Dual Citizenship Adoption
Column 1 includes three linear splines.
Marginal effects are calculated holding all other variables at their means. They represent a change from zero to one for dichotomous variables.
* $p < 0.10$, ** $p < 0.05$

Figure One
Trends in Expatriate Political Rights



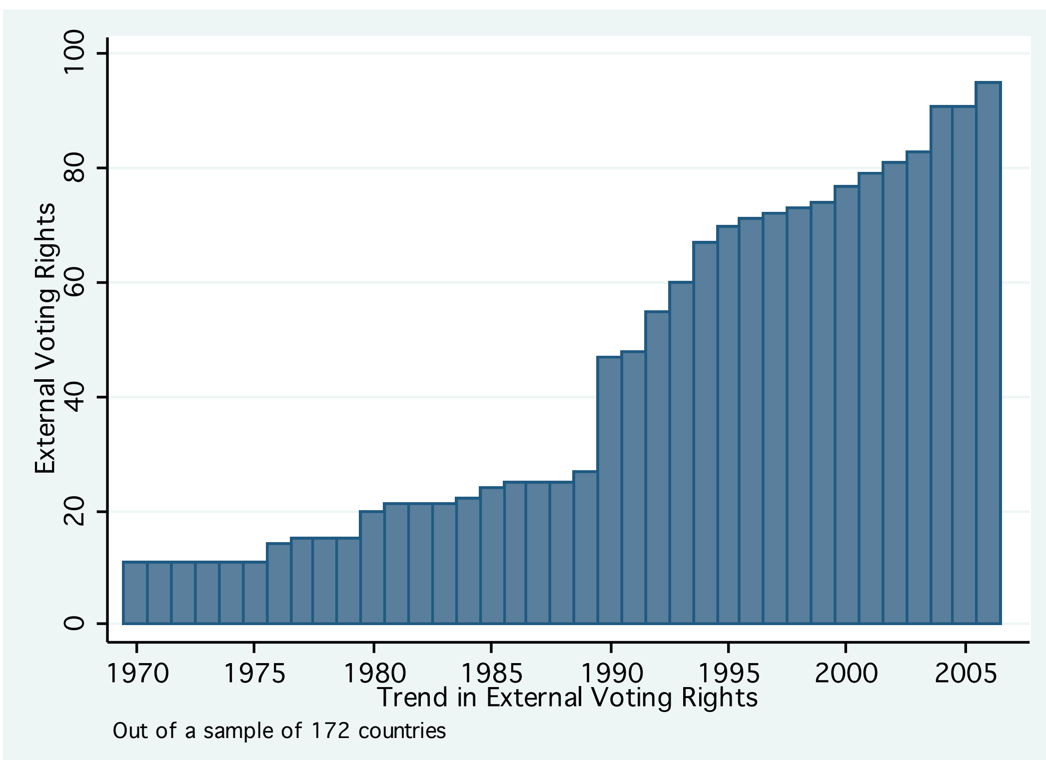
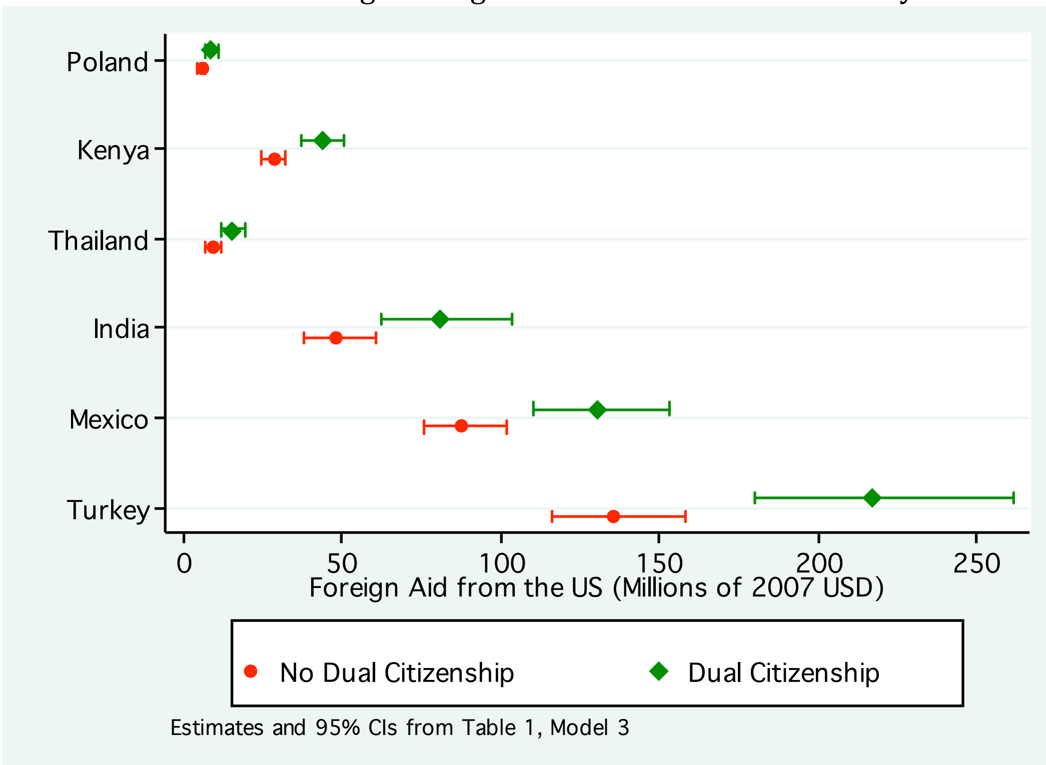


Figure Two
Predicted Average Foreign Aid from the US and Germany



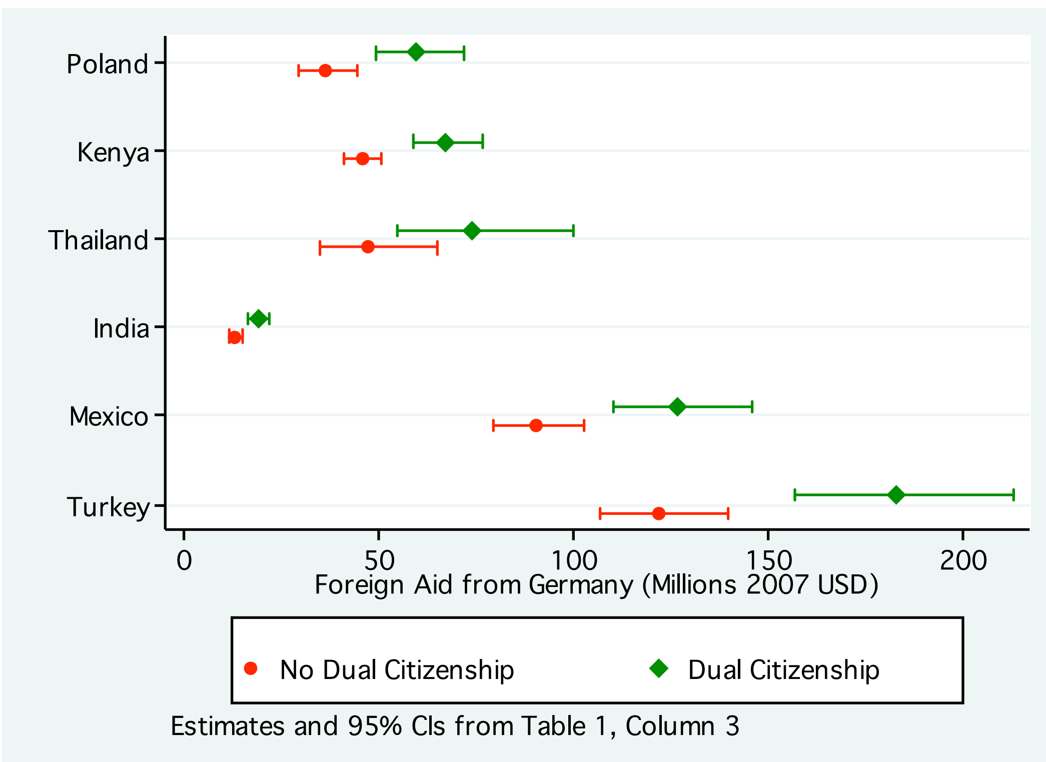
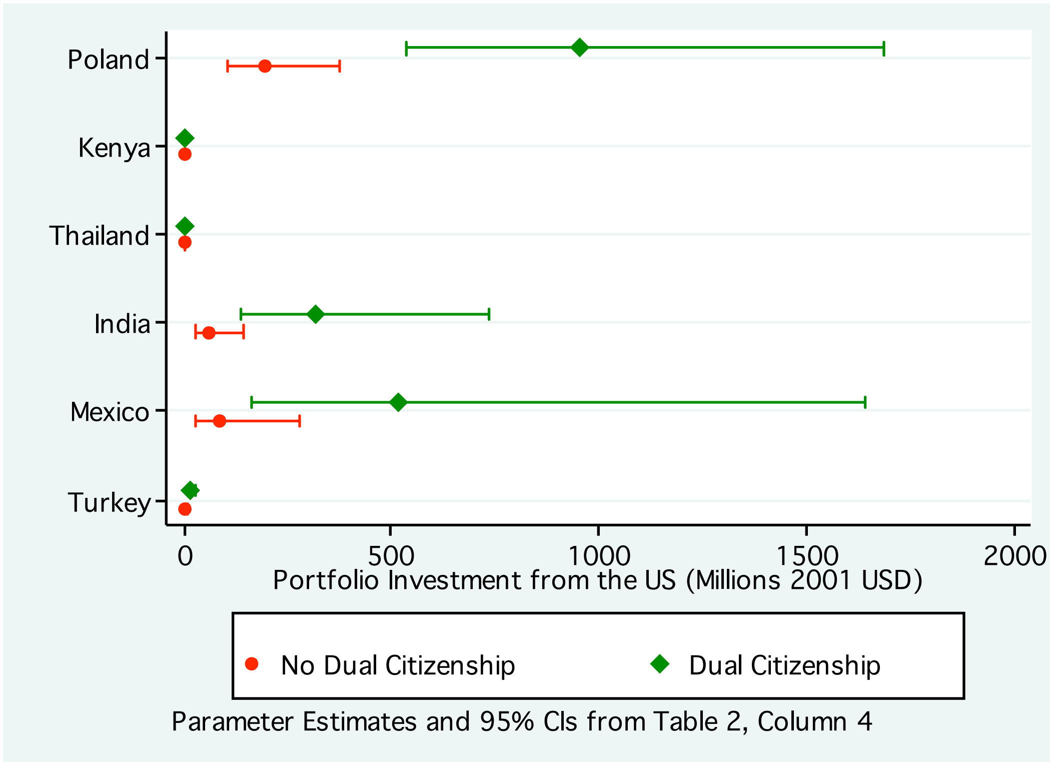


Figure Three
Predicted Portfolio Investment from the US and Germany



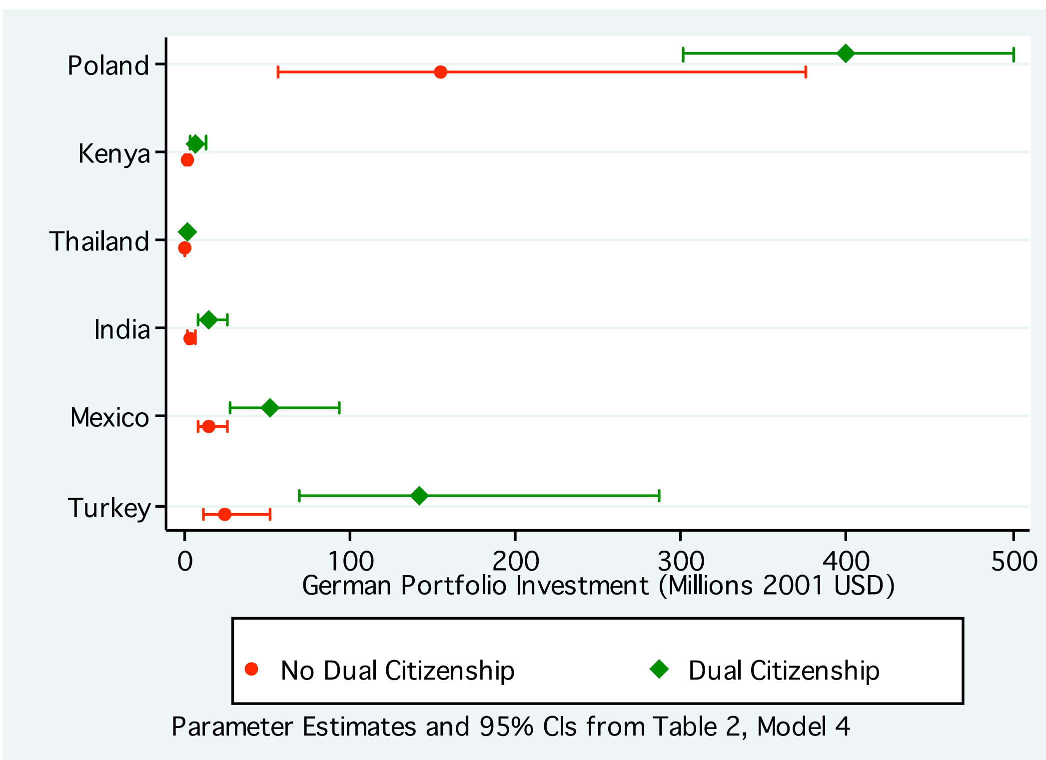


Figure Four
Dual Citizenship and Average Remittances