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## AM<sup>2</sup> Reaches the Last of the Single Digits

The flagship of the migration area at IZA, the Annual Migration Meeting (AM<sup>2</sup>) - took place on June 3 and 4, 2012 at IZA in Bonn, Germany. DIWDC Executive Director and Prog. Dir. of Migration at IZA, Bonn, Amelie Constant, organized the meeting. The high demand for participation in the AM<sup>2</sup> culminated this year with 85 paper submissions. In the day-and-a-half meeting there were ten paper presentations



that covered topics in immigrant integration and labor market performance, ethnic innovation in host countries, reverse migration, ethnic attitudes and trust, migration policies, and educational considerations of immigrants. *Continued on page 2*

## The 4th AMERB in Istanbul: Bridging East and West



“Risk attitudes pertain to almost all areas of economic decision making, as it is related to economic decision making under uncertainty. Some view the risk attitudes as a fundamental value that is genetically determined; others as something that can be altered by environmental factors.” – Albert Young-Il Kim (Songang University). *Continued on page 5*

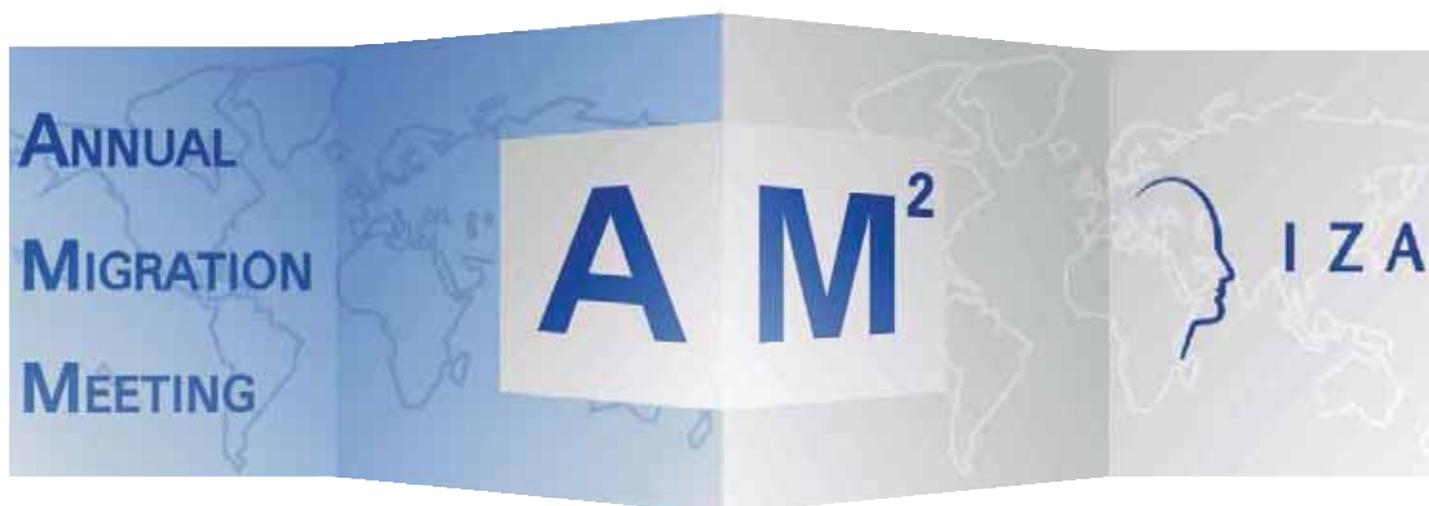
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After a warm welcome to everyone Prof. Constant kicked off the meeting with Session A: *Immigrant Integration and Labor Market Performance*. Hans Bloemen (VU University of Amsterdam and IZA) presented his paper on the “Language Proficiency of Migrants: The Relation with Job Satisfaction and Matching.” He empirically analyzed the language proficiency of migrants in the Netherlands to see if a lack of language skills may induce the migrant to work in jobs that require a lower education level than the level achieved by the migrant and/or may lead to a lower performance on the job. There is evidence for a positive relationship between indicators for language proficiency and satisfaction with work type and professional level for men, but it is not significant for women. Next, Laura Pagani (University of Milan Bicocca) presented her work co-authored by Carlo Dell’Aringa (Catholic University of Milan) and Claudio Lucifora (Catholic University of Milan, IZA) on immigrants in Italy. “A ‘Glass-Ceiling’ Effect for Immigrants in the Italian Labour Market?” explores the possibility of highly qualified immigrants being unable to earn as much as comparable native Italians.



The highlight of the AM<sup>2</sup> that showcases the strength of the meeting is the Julian Simon Lecture in honor of the late economist and migration advocate. This year’s Julian Simon lecture was given by AM<sup>2</sup> veteran and renowned migration scholar Prof. Guillermina Jasso of New York University. IZA’s Migration Program Director Amelie Constant introduced Prof. Jasso, a Silver Professor who is also on the board of directors at DIWDC

and a research fellow at IZA. Prof. Jasso’s research covers socio-behavioral theory, distributive justice, inequality, international migration, and many other areas; she has been recognized as a prolific scholar publishing numerous articles in scholarly journals as well as peer-reviewed book chapters and a book of her own. Her intriguing address this year entitled “Studying Immigrant Self-Selection,” explored her complex research into the reasons for immigrating. Prof. Jasso was an excellent addition to the outstanding list of previous AM<sup>2</sup> keynote speakers.<sup>1</sup>



Following day one's lunch at the IZA villa overlooking the breathtaking view of the Rhine and the Siebengebirge, participants reconvened for the next session. Session B: *Who Is Returning and Who Is an Inventor?* was chaired by Corrado Giulietti, the Deputy Program Director of Migration. Meghna Sabharval (University of Texas at Dallas) presented her and her colleague



Roli Varma's (University of New Mexico) groundbreaking ideas on reverse migration in "Why One Leaves? Return Migration of Academic Scientists and Engineers from the United States to India." Employing data such as the 2003 *Survey of Doctorate Recipients* (SDR), Sabharval explained the results from the pilot study revealing some factors that might prompt return migration. The implications are relevant because, for example, it is important for universities to retain talent -- of which a great deal is returning to India it seems. After this, Max Nathan (London School of Economics) took the podium to explain the effect of diversity on innovation in the UK, the first paper of its kind outside of the US. In his paper "Same Difference? Ethnic Inventors, Diversity and Innovation in the UK" he used data from patent microdata in the UK and showed the effect was positive and significant. Immigrants filed for more patents, and diversity was correlated with more innovation. An important policy implication for the UK to increase innovation and thus productivity would be to allow more migration of ethnic groups.

Session C: *Attitudes and Trust: It Takes Two to Tango*, chaired by IZA Director and Chairman of the DIWDC board Klaus F. Zimmermann, started with Verena Dill (University of Trier) and her paper "Ethnic Concentration and Right-Wing Voting Behavior in Germany." Her significant finding was that ethnic concentration was inverse to "far-right" voting behavior. Areas with high concentrations of far-right (political voting for groups that are openly hostile to ethnic groups) voters have fewer ethnic groups. Concluding the first day of the AM<sup>2</sup> Martin Ljunge (University of Copenhagen) presented "Trust Issues: Evidence from Second Generation Immigrants." Through a masterful and complex paper, Ljunge showed his evidence in the differences in trust between the regions of Europe, finding that there is significant transmission of trust on the mother's side, and trust is strongest in Northern Europe. Building trust in Northern Europe for migrants takes longer while adjustment to the trust levels in Southern and Eastern Europe is fast. The meeting was



then adjourned for the first day, and the group headed to Prof. Klaus Zimmermann's home for dinner. Faced with heaps of delicious food at the director's garden party, participating economists with their expertise on scarcity failed to understand this task and did not reach equilibrium. The resulting over-consumption that occurred had us analogizing to the resources of today's vs. tomorrow's developed economies, as the majority skipped breakfast.

*Migration Policies and Their Success* was the title of Session D, the start of day two. After some opening remarks by chair Ulf Rinne (IZA), Giovanni Facchini (Erasmus University Rotterdam, IZA) presented his work with Tommaso Frattini (University of Milan, IZA) and Alessandra Casarico (Bocconi University) entitled "Spending More Is Spending Less: Policy Dilemmas on Irregular Migration." In this paper on governmental policy problems Facchini developed a model of legal and illegal immigration which allows an understanding of the tradeoffs faced by a government concerning costly enforcement of illegal immigration. The paper argued that when amnesty from the point of view of the destination country is more desirable investment in enforcement is the appropriate policy. When amnesty is not desirable, the host country would be better off by not devoting any resources to policy enforcement, letting some foreign workers enter and stay illegally. Another migration policy paper, "Sustainable Migration Policies," by authors Tim Worrall (University of Manchester) and Pierre M. Picard (University of Luxembourg, IZA) was presented by Prof. Picard. The co-authors considered whether countries might mutually agree on a policy of free movement of workers across countries. For the countries to agree, short-term costs must be outweighed by long-term benefits that result from better labor market flexibility and income smoothing. The paper showed that free movement of workers creates negative externalities on local workers when countries produce some tradable goods reducing incentive to create free worker movement. Thus in general free migration policies are sustainable only in an economy with a low share of tradable goods with low congestion factors.





A special lecture by honored guest Prof. Oded Galor (Brown University and IZA) followed. Amelie Constant introduced Prof. Galor who is the founder of the Unified Growth Theory. Prof. Galor presented his latest nontraditional macro hypothesis with his paper “The ‘Out of Africa Hypothesis’, Human Genetic Diversity, and Comparative Economic Development,” co-authored by Quamrul Ashraf (Williams College). Oded Galor questioned how today’s economies are affected by the genetic diversity of a population, which is found to be largely influenced by the initial migration of modern humans from East Africa thousands of years ago. Through a complex and well thought out method of analysis using data from population density to migratory distance of ancient ethnic groups, Prof. Galor provided evidence for an optimal level of genetic diversity in a population that allows for the fastest pace of economic development. The United States is found to lie close to the optimal with ancient Rome hypothesized to as well. Findings “suggest that residual genetic diversity explains about 16 percent of the cross-country variation in residual log income per capita.”

*Educational Considerations* was the theme of Session E chaired by Amelie Constant. Massimiliano Tani (Macquarie University of Sydney, IZA) presented his research entitled “Does Immigration Policy Affect the Education–Occupation Mismatch? Evidence from Australia.” His paper analyzed the impact of a change in Australia’s immigration policy, and it indicated that those who entered under more strict conditions have a lower probability of being overeducated than the first. Overall, the policy appears to have brought immigrants that reduced the over-under-education of Australia’s labor market, a good sign. The final paper was by Prof. Stefan C. Wolter (University of Bern, IZA) who presented his and Maria Cattaneo’s (Swiss Coordination Centre for Research in Education) paper titled “Migration Policy Can Boost PISA Results - Findings from a Natural Experiment.” In this natural experiment they used education data from Switzerland and assessed the before and after effects of new standardized test taking policy. Using a Blinder–Oaxaca decomposition analysis, Prof. Wolter explained they found that almost 70 percent of the increases in test scores by first-generation immigrants was due to changes in the individual background characteristics of the new immigrants and improved school composition. The result indicates that internationally comparative analyses should more fully consider differences in national migration policies.

The successful ninth Annual Migration Meeting had come to a close. Researchers were thrilled for the opportunity to come together at IZA to discuss the various topics in migration. “Every paper presented came across important findings; AM<sup>2</sup> and IZA facilitated the spread of these findings and offered opportunities for new research,” said Amelie Constant in her concluding remarks. As it has happened in the past many AM<sup>2</sup> presentations have reached top publication outlets and have been influential in policymaking and the wider community. Expressing her thanks to all, Amelie Constant declared the meeting adjourned and started preparations for the next year’s AM<sup>2</sup>. In June 2013 in Jerusalem the 10th AM<sup>2</sup> will be combined with the 4th Migration Topic Week and span four days. Amelie Constant received praise and positive feedback from this year’s AM<sup>2</sup>. “It is so gratifying to setup such meetings and talk migration with the participants” said Amelie Constant.

The AM<sup>2</sup> program, the papers presented, and more information are at [http://www.iza.org/conference\\_files/amm2012/viewProgram?conf\\_id=2229](http://www.iza.org/conference_files/amm2012/viewProgram?conf_id=2229).



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<sup>1</sup> Previous Julian Simon lecturers have been:

In 2011: [Douglas S. Massey](#), “The Political Economy of Illegal Migration”

In 2010: [Eskil Wadensjö](#), “Experiences of the Common Nordic Labour Market”

In 2009: [Jeffrey G. Williamson](#), “Vanishing Third World Emigrants?”

In 2008: [Sara de la Rica](#) “Immigration in Spain: Facts, Economic Outcomes and Lessons”

In 2007: [Barry R. Chiswick](#) “The Economics of Language”

In 2006: [Timothy J. Hatton](#) “Should We Have a WTO for International Migration?”

In 2005: [Klaus F. Zimmermann](#) “Fortress Europe: The Price of Being Closed”

In 2004: [Don J. DeVoretz](#) “Immigration Policy: Methods and Assessment” ■



*Continued from Page 1*

The fourth Annual Meeting on the Economics of Risky Behaviors (AMERB), co-founded and co-organized by DIWDC Executive Director Amelie F. Constant (The George Washington University, and Program Director of Migration at IZA) and Professor Erdal Tekin (Georgia State University, IZA) took place in April this year at Bahcesehir University in Istanbul, Turkey played host to this year's meeting; while only in its fourth year, AMERB has become a well sought-after conference. The co-organizers received eighty-



two paper submissions but were only able to accept fourteen for presentation - the maximum number for a two-and-a-half day meeting. The 2012 AMERB brought together thirty-seven top-notch economists and criminologists from all over the world who presented their cutting-edge research on risky behaviors ranging from substance abuse to obesity to prostitution. AMERB was funded by IZA Bonn, the Andrew Young School of Georgia State University, the Center for the Economic Analysis of Risk (CEAR) of Georgia State University, and the Center for Economic and Social Research (BETAM) at Bahcesehir University.



Opening with Session A: *Victimization*, ushered by Amelie Constant, Horst Entorf (Goethe University Frankfurt, IZA) discussed his work on "Criminal Victims, Victimized Criminals, or both? An Econometric Analysis of the Victim-Offender Overlap." His basis was that offenders are more likely than non-offenders to be victims and victims are more likely than non-victims to be offenders and that this overlap is not well understood in criminology. Prof. Entorf's analysis found that behavioral explanations like retaliatory anger might trigger cycles of crime. Other explanations for overlap found were broken homes and alcohol/drug abuse. He hopes this paper will encourage more research on the widely neglected subject. Next, the combined work of Imran Rasul (University College London, IZA) and Brendon McConnell (University College London, IZA) was presented by the latter. "Ethnicity, Sentencing, and 9/11" explained the source of ethnic sentencing differentials in

US federal courts by distinguishing between two main explanations for these disparities: discrimination and unobserved offense heterogeneity. Through a clever method of using the before and after data on criminals around 9/11, the researchers

found that Hispanics experienced a 3.5% conditional sentencing penalty, and there was no change in penalty for any other ethnic or racial group over this period. The last paper in this session by Jungmin Lee (Songang University, IZA) was presented by co-author Albert Young-Il Kim (Songang University). Entitled “Long Run Impact of Traumatic Experience on Attitudes Toward Risk: Study of Korean War and Its Impact on Risk,” the analysis found that early childhood experience of the Korean War sizably increases risk aversion. The formal discussants in this session were Susan Laury (Georgia State University), Thomas F. Crossley (Koc University), and Bulent Anil (Bahcesehir University).

Erdal Tekin chaired Session B: *To Decriminalize or Not to Decriminalize*. Scott Cunningham (Baylor University) presented his and Manisha Shah’s (University of California Irvine) paper entitled “Does Decriminalization of Indoor Prostitution Reduce Rape and Gonorrhea?” The authors used evidence from a Rhode Island natural experiment to estimate the causal effect of decriminalizing prostitution on public health outcomes. The results of the natural experiment show that decriminalization caused female and male gonorrhea incidence to decrease 61 and 27 percent, respectively; decriminalization also resulted in between 40 and 54 percent fewer rapes from 2004



to 2009. After this, Pedro Portugal (Banco de Portugal, IZA) and Ana Tavares (Universidade Nova de Lisboa) presented their work on “The Impact of Drug Decriminalization in Portugal.” Using the Synthetic Control Method Portugal gave results suggesting that the new Portuguese policy led to a decrease in heroin and cocaine seizures, a decrease in the number of offenses and drug related deaths, and a decrease in the number of clients entering treatment. Núria Rodríguez-Planas (IZA) and N. Meltem Daysal (Tilburg University, IZA) discussed this session's papers.

The last session of the day featured two papers that explored the relationship between *Alcohol and Health* and was chaired by Prof. Dr. Klaus F. Zimmermann (IZA, University of Bonn). “Play Hard, Shirk Hard? The Effect of Bar Hours Regulation on Absence and Health” by Colin P. Green and Maria Navaro Paniagua (both of Lancaster University) was presented by Prof. Green. Their work examined two recent policy changes in England and Spain that increased and decreased opening hours, respectively, in a quasi-natural experiment. Green provided evidence that increasing and decreasing bar opening hours increased and decreased absenteeism, respectively, in the workplace. Also, individual health declined with later opening hours. Next up was the work of IZA members Per Johansson (Uppsala University), Tuomas Pekkarinen (Aalto University), and Jouko Verho (Social Insurance Institution of Finland). Their paper “Cross-Border Health and Productivity Effects of Alcohol Policies” was presented by Pekkarinen who



estimated the effect of a large cut in the Finnish alcohol tax on mortality, work absenteeism, and alcohol related illnesses in bordering Sweden. Although unable to find significance in alcohol hospitalizations, their differences-in-differences strategy found an increase in absenteeism in Northern Sweden of 5% for males and 13% for females - a significant externality from Finnish legislation. The discussants in this session were Aydogan Ulker (Deakin University) and Abdurrahman Aydemir (Sabanci University, IZA).

Participants then attended a dinner at the Roof Garden Restaurant at Bahcesehir University overlooking the Bosphorus Strait. IZA director Klaus F. Zimmermann (University of Bonn) - introduced by Amelie Constant - gave an honorary speech on "The Perils of Scientific Policy Advice."

Session D: *Recidivism* began on day two with remarks from chair Alfonso Sousa-Poza (University of Hohenheim, IZA). First, Benjamin Hansen (University of Oregon) presented his preliminary findings on "Punishment and Recidivism in Drunk Driving." After testing the effects of harsher punishments on deterring driving under the influence, quasi-experimental evidence shows that stricter policies and penalties surrounding drunk driving negatively affect recidivism. Next up was Signe Andersen (Rockwool Foundation Research Unit) with her paper entitled "Serving Time or Serving the Community? Exploiting a Policy Reform to Assess the Causal Effects of Community Service on Income, Social Benefit Dependency and Recidivism." Andersen's results were astounding, as she found most importantly that community-service participants fare better for long-term social benefit dependency and income. Plus, offenders of violent crimes and misdemeanors have a lower



rate of recidivism if they participate in community-service. This session's discussants were Albert Young-II Kim (Sogang University) and Gökce Uysal (Bahcesehir University).

Professor Stephen Machin (University College London, IZA) delivered this year's keynote address. In "Terror Attacks and Hate Crime," Prof. Machin uses existing data on hate crime incidence before and after the 7/7 and 9/11 terrorist attacks in four areas of England to assess the characteristics of hate crime differences. He finds there were big increases (20 to 30 percent) which occurred almost immediately in the wake of the two terror attacks. Also, although the increase tapered off in later years, the hate crime incidence against Asians and Arabs was higher than initially, suggesting a longer run effect. This increase in hate crimes points to an additional indirect social cost of terrorist activity; Machin concludes that if attitudes towards ethnic groups like British Muslims are changed by attacks, then the findings fit in with the proposition that 'attitudinal shocks' matter as an element of hate crimes.

Professor Insan Tunali (Koc University) opened Session E: Perspectives of Risky Behaviors on Health and Education. The “Spillover Effects of Drug Safety Warnings on Health Behavior” was assessed in the work of Chiara Orsini (University of Venice) and N. Meltem Daysal (Tilburg University, IZA). Prof. Daysal presented the paper in which the authors examined the impact of new medical information on drug



safety on preventive health behavior; they found a spillover effect on preventive behavior was driven almost entirely by those with a high-school degree or less. Elaine Kelly (Institute for Fiscal Studies, London) followed, presenting her work with Imran Rasul (University College London, IZA). Their paper was entitled “Policing Cannabis and Drug Related Hospital Admissions: Evidence from Administrative Records.” In this paper the authors constructed a panel dataset from hospital records to estimate the short and long run effects of the de-penalization policy of small quantities of cannabis introduced in Lambeth. They found significant negative characteristics related to hospital visits for other drugs in the area, and proposed exercising caution to using a liberal drug policy, but also suggested the benefits of a policy, which was not measured. Lastly, Marcello Sartarelli (Institute of Education at the University of London) explored education and risk in “Do Performance Targets Affect Risky Behavior? Evidence from Discontinuities in Test Scores in England.” Prof. Sartarelli finds evidence that having test performance goals in education has a negative effect on proxies for risky behavior and explores the policy implications. Benjamin Hansen (University of Oregon), Scott Cunningham (Baylor University), and Brendon McConnell (University College London, IZA) discussed the papers of this session.

Amelie Constant chaired the last session of AMERB on day three. Starting the final Session F: *Birth Weight and Child Weight*, Alfonso Sousa-Poza (University of Hohenheim, IZA) showed the group his and his co-author's Wencke Gwozdz (Copenhagen Business School) findings from “Maternal Employment and Child Obesity -- A European Perspective.” Unlike research from the US, their analysis found no evidence that maternal employment has a negative effect on child obesity, diet, or physical activity. Lastly, the combined work of Gordon B. Dahl (University of California San Diego), Brian Duncan (University of Colorado Denver), Hani Mansour (CU Denver), and Daniel I. Rees (CU Denver, IZA) was presented by Prof. Rees. In “Emotional Cues and Low Birth Weight: Evidence from the Super Bowl,” Rees explained how they used data from the National Vital Statistics System for the period from 1969 through 2004 to see the impact of prenatal exposure to the Super Bowl on birth weight. They found that winning the Super Bowl is correlated with an increased risk of low birth weight; also, it is associated with increases in maternal tobacco and alcohol use. Costanza Biavaschi (IZA) and Colin P.



Green (Lancaster University) were the discussants of this last session of AMERB.

The conference came to a close with remarks by Dr. Amelie F. Constant and Dr. Erdal Tekin, who thanked all partner institutions (IZA Bonn, the Andrew Young School of Georgia State University, the Center for the Economic Analysis of Risk (CEAR) of Georgia State University, and the Center for Economic and Social Research (BETAM) at Bahcesehir University) for their generous support and commitment to high quality and groundbreaking research. They also thanked all participants for their contributions either with their paper presentations or with their discussions and thoughtful comments. Lastly, they thanked all attendants for their interest and encouragement and all personnel behind the scenes who made this a fantastic meeting. An elated IZA Director Klaus F. Zimmermann along with Amelie Constant and Erdal Tekin pledged the continuation of this annual IZA meeting and underlined the paramount importance of this line of research in economics, in other social sciences, and in society. Participants gathered upstairs on the Roof Garden of the University for a farewell lunch overlooking the Bosphorus Strait that separates Europe from Asia.

The feedback the organizers received was in the superlative. Some said they liked the diversity in terms of experience and gender while Professor Rees added, "In all honesty, it was the best conference I have ever attended." "Excellent conference"

said Professor Machin and "It truly was a great opportunity for me to expose our paper and interact with scholars of similar interests from all over the world," said Professor Kim. In a short congratulatory note sent to Amelie Constant and Erdal Tekin,

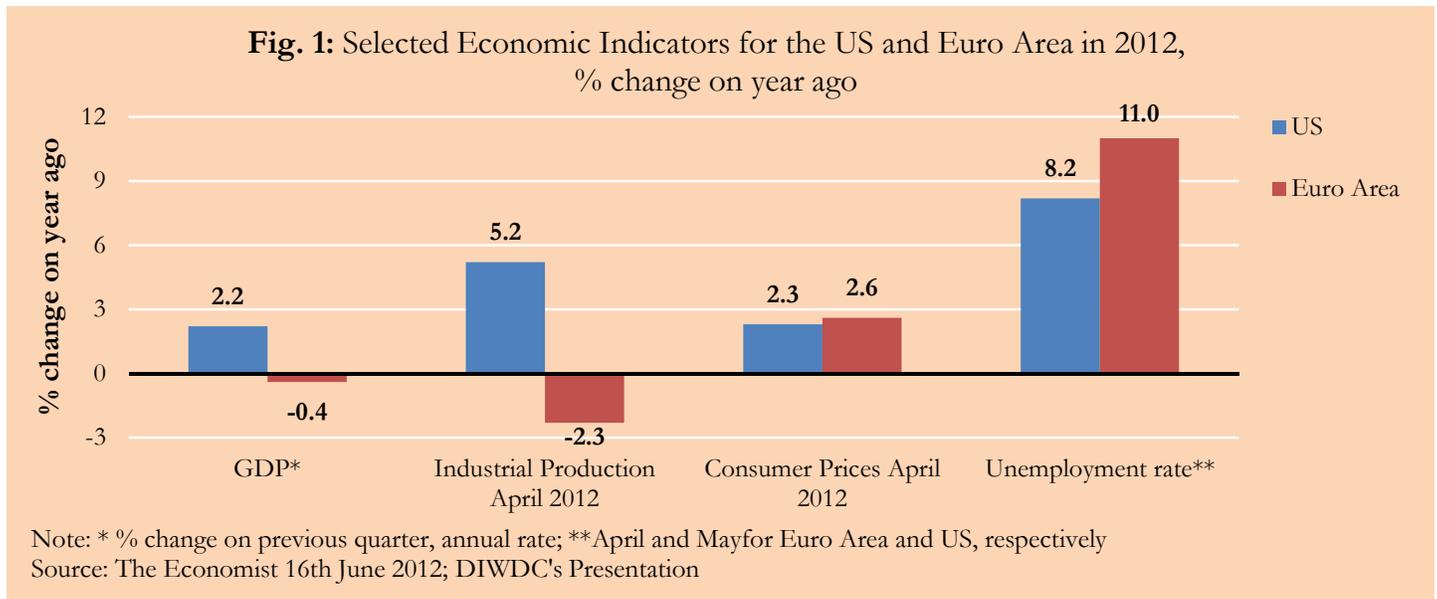
Professor Sousa-Poza said: "I really enjoyed it and was very impressed with the quality of the program you put together. It was also a very nice group and I managed to establish contacts with several interesting colleagues." ■



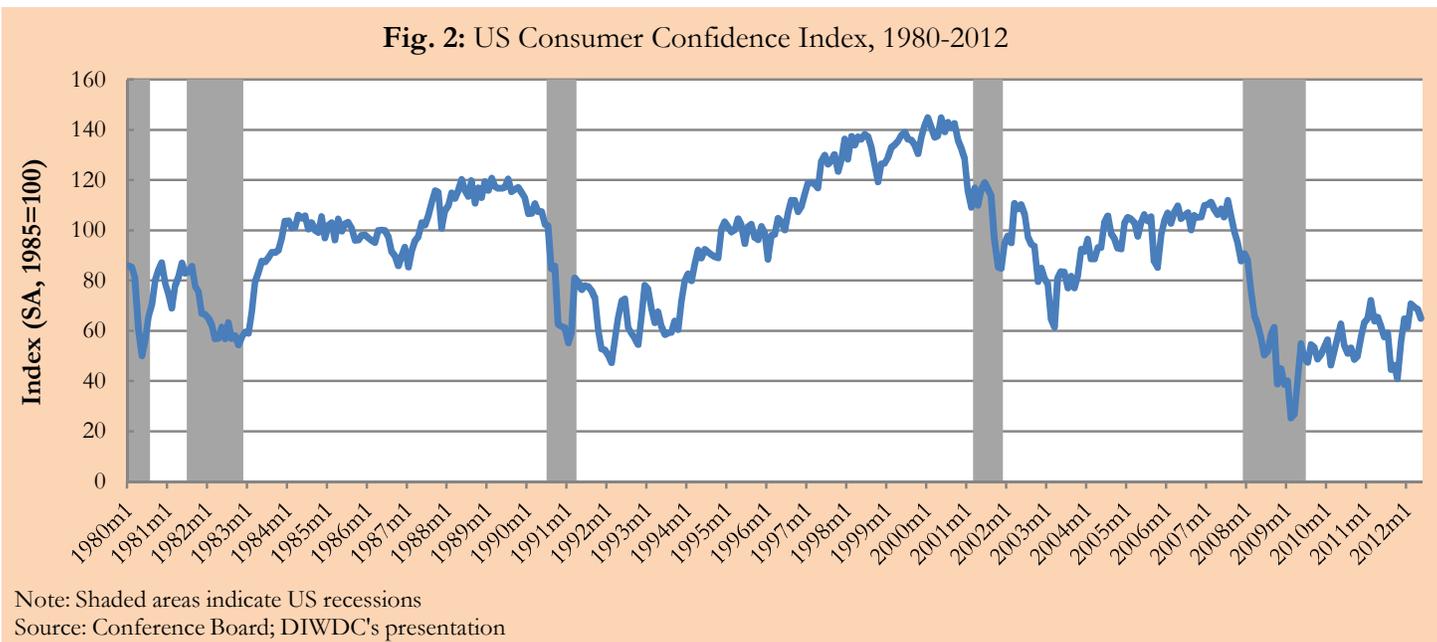


# Economic Indicators in a US Presidential Election Year

Economic indicators for the US in the first quarter of 2012 portray a strong economy and a healthy recovery. For example, the US GDP grew by 2.2 percent and industrial production increased by more than 5 percent. In contrast, GDP in the Euro zone countries shrank by 0.4 percent and industrial production fell by more than 2 percent. Figure 1 juxtaposes these indicators for the US and the Euro zone countries. In spite of the slight positive trend in the US, the jobless rate on both sides of the Atlantic remains high. In May 2012, the unemployment rate in the US was 8.2 percent and was 11.0 percent in the Euro zone in March 2012. Lastly, the inflation rate in both regions was clearly below the 3 percent in April.

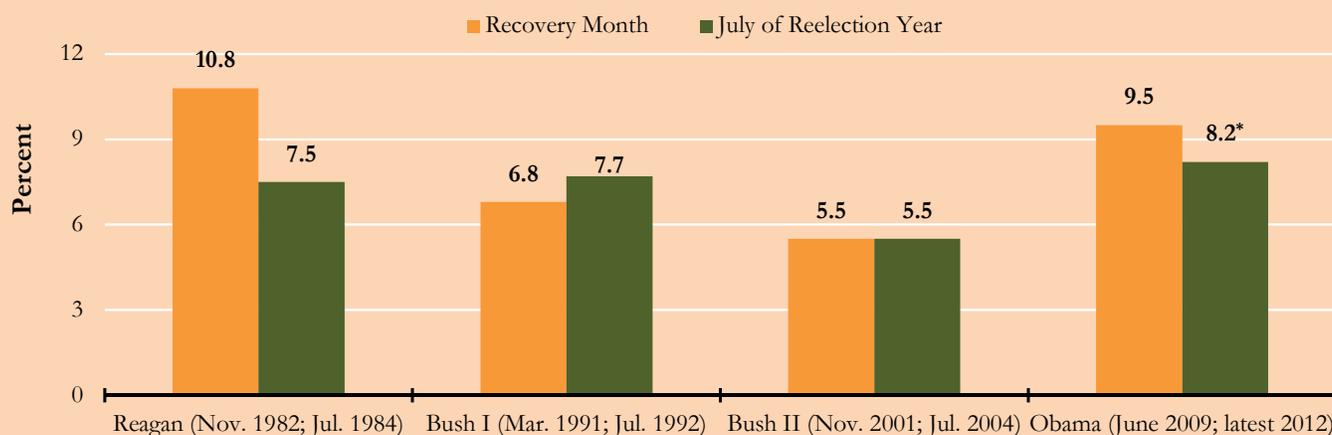


Another economic indicator is consumer confidence. When consumer confidence is high people feel stability about their incomes and increase their spending, thus expanding the economy. Figure 2 portrays the US Consumer Confidence Index (CCI) from January 1980 to May 2012. With 1985 as the base year (1985 = 100), CCI hit a historical low in February 2009 (25.3) amidst of the financial and economic crisis. Since the end of the recession in June 2009, however, US consumers have been gaining confidence. In February 2012 CCI reached 70.8 before falling to 64.9 in May 2012. In spite of positive expectations, US consumer confidence has not yet reached its pre-crisis level of 90.6 in December 2007.



2012 is a special year; it is an election year. History has shown that there is a strong correlation between an election year and the stock market as well as the unemployment rate. To boost voter enthusiasm and get re-elected the incumbents may tinker with fiscal policy. Figure 3 displays the US unemployment rates for both the actual month of economic recovery and the month of July in the year of the US presidential elections. The figure juxtaposes the two rates over the last six elections. Starting with President Reagan's re-election year in 1984, Figure 3 shows that historically the unemployment rate of the recovery month has been higher than the unemployment rate in the month of July. Note that the month of July is important because the incumbent president is campaigning for reelection during that time. The only exception occurred under President Bush Senior in 1992. Under his presidency the unemployment rate out of the recession was 6.8 percent in March 1991. By July 1992, the jobless rate has jumped to 7.7 percent. Currently, the unemployment rate has fallen from 9.5 percent in June 2009 to 8.2 percent in May 2012. ■

**Fig. 3: US Unemployment Rate At Recovery and During Reelection Years**



Note: \*Unemployment rate for May 2012

Source: BLS; DIWDC's presentation

## US GDP Decreases in the Second Quarter of 2012

As it is customary the last Friday of July the Bureau of Economic Analysis (BEA) releases its advance estimate for Gross Domestic Product (GDP) and revised estimates for the National Income and Product Accounts from 2009 through the first quarter of 2012. While real GDP increased at an annual rate of 1.5 percent from the first to the second quarter of 2012, this represents a decrease from the 2 percent annual growth rate seen in the first quarter of 2012. Fueling the 1.5 percent rate of growth were personal consumption expenditures, exports, nonresidential fixed investment, private inventory investment, and residential fixed investment. These sources of growth were partially offset by negative contributions from state and local government spending and an increase in imports. ■

# Conference/Event Participation and Paper Presentation

■ National Business and Economics Society (NBES) conference, Hawaii, March 2012

■ IZA - Policy Evaluation Dataset, Bonn, Germany, April 2012

■ IZA and World Bank Knowledge platform - jobs, Istanbul, Turkey, May 2012

■ European Society for Population Economics (ESPE), Bern, CH, June 2012

■ Committee on the Status of Women in the Economics Profession (CSWEP) seminar

on mentoring and careers Washington, DC at the Federal Reserve and the Bureau of Labor Statistics, Washington, DC

■ “Senegal Presidential Election: A Turning Point for Democracy and Economic Growth in West Africa” The Brookings Institution, February 16, 2012

■ “The Future of Europe and the Trans-Atlantic Partnership in the 21st Century” Center for American Progress, Washington, DC, February 24, 2012

■ “Ending Poverty Through Education: New Evidence from India and Africa” IGCC, The University of California, Washington, DC, March 2, 2012

■ “Africa’s Odious Debts: How Foreign Loans and Capital Flight Bled a Continent” The Brookings Institution, Washington, DC, March 19, 2012

■ “Exploring the Locus of Greentech Innovation” SMPP Department, The George Washington University, March 26, 2012

■ IZA and World Bank Conference on Activation and Employment Support Policies (AESP), Istanbul, Turkey, May 2012

■ “Statesmen’s Forum with H.E. Dr. Ngozi Okonjo-Iweala” Center for Strategic and International Studies, Washington, DC, April 23, 2012



- “Is Immigration Good for America?” Cato, Washington, DC, April 26, 2012
- “The African Growth and Opportunity Act: Looking Back, Looking Forward” The Brookings Institution, June 13, 2012
- “Learn, Empower, Succeed,” National Association of Professional Women (NAPW), New York City, May 2012
- “Transformation of Economies in Africa” International Food Policy Research Institute (IFPRI), Washington, DC, June 14, 2012
- “The Geography of H-1B Workers” The Brookings Institution, Washington, DC, July 18, 2012
- “International Energy Agency’s Energy Technology Perspectives 2012” Center for Strategic and Intentional Studies (CSIS), Washington, DC, July 17, 2012
- “One Year After South Sudan’s Independence: Opportunities and Obstacles for Africa’s Newest Country” The Brookings Institution, Washington, DC, June 22, 2012
- “The Immigrant Workforce and the Future of US Immigration Policy,” The Brookings Institution, Washington, DC, July 31, 2012
- “Public Housing Transformation and Crime: Is There a Link?,” the Urban Institute, Washington, DC, April 5, 2012
- “Immigrant Workers in the U.S. Labor Force,” Brookings, Washington, DC, August 7, 2012
- “Impact of School Vouchers on College Enrollment,” Brookings, Washington, DC, August 23, 2012



## IZA Banquet in DC

Although a number of IZA Fellows inhabit the greater Washington, DC area almost do not get a chance to gather that frequently. To bring the network together and allow for sharing of current research, Amelie Constant co-organized a banquet in January at Columbia Square, in DC. Fellows, affiliates and friends of IZA from around the area were invited to attend a dinner and lecture by Prof. John Haltiwanger (University of Maryland) who presented his work on “Job Creation and Firm Dynamics in the U.S.” The Director of IZA, Prof. Dr. Klaus F. Zimmermann, was present and welcomed all fellows and affiliates. ■



## Executive Director Serves on the SRC's Midterm Evaluation of Linnæus Grants



Dr. Constant was selected to serve on the Humanities, Social Sciences, and Educational Sciences (HSSSES) expert panel for the midterm evaluation of the 2006 Linnæus Grants and Doctoral Programs, which are organized by the Swedish Research Council (SRC). The expert panel, composed of five international scholars, spent an intense two weeks in February time at 5 different universities in Sweden. Travelling from Gothenburg to as north as Umeå, the panel conducted on-site evaluations, held sessions with the coordinator of each Linnæus environment, doctoral program directors, Ph.D. students, and university vice-chancellors. Besides the HSSSES panel, there were expert panels for Engineering

Sciences, Medicine, and Natural Sciences. With the Linnæus grants, the SRC provides support for 40 research environments in different research areas. The aim of the Linnæus grants is to enhance support for research of the highest quality that can compete internationally. It also aims to encourage universities and colleges to prioritize research fields and to allocate funding for them. The amount of the Linnæus grants is up to 10 million Swedish Krona and they are available for a maximum of ten years. The project is named after the Swede Carl Nilsson Linnæus, the father of modern taxonomy and one of the fathers of modern ecology. ■



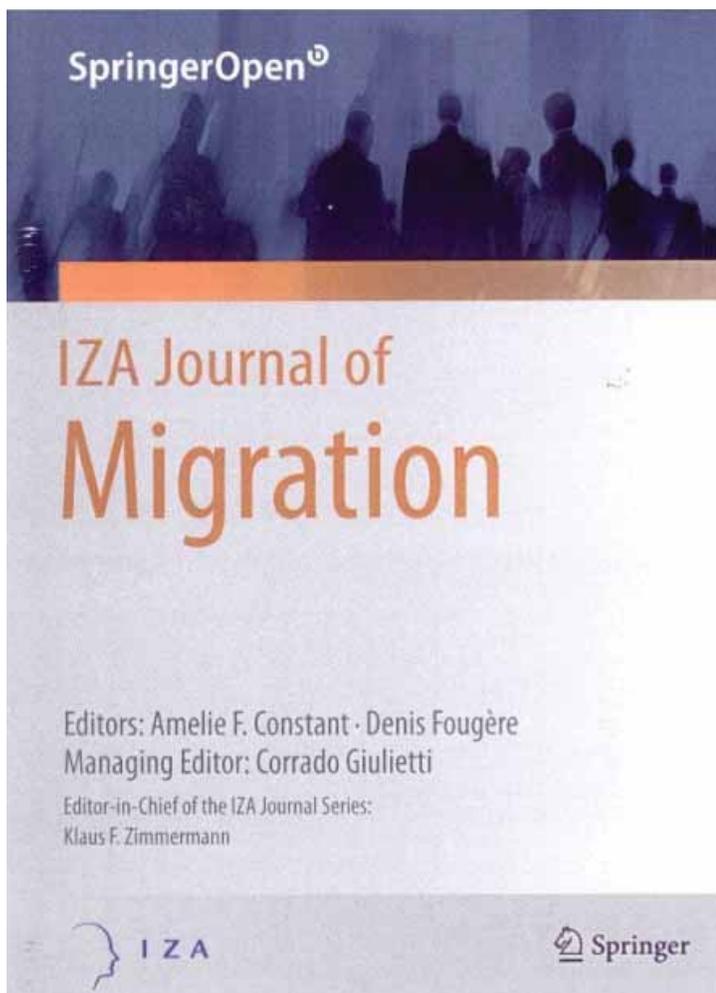
## Present at the Annual AEA Meeting in Chicago

The American Social Science Association's (ASSA) annual meeting was held in Chicago during January 5-8. The event encompasses conferences, exhibitions, and acts as the largest international job market. Dr. Constant attending the meeting during which time she interviewed a number of candidates for IZA. IZA hosted the traditional reception for its Fellows, Affiliates and Friends. During the reception the young economist award was presented to Johannes Abeler, Sebastian Kube, Steffen Altmann, and Matthias Wibral who co-authored "Gift Exchange and Workers' Fairness Concerns: When Equality Is Unfair" (Journal of the European Economic Association, 2010). The authors utilized an experiment in which two alternate situation were used. In the first a principal can determine individual wages for two agents based on their effort. In the other scenario the principal must pay the same wage to both agents. In both situations the agents showed high levels of effort; however, efforts were even greater when they determined wages. When they are paid equally, workers may regard the pay as unfair because their effort level does not correspond directly to their wage.

Other kudos at the IZA reception went to the “Research in Labor Economics” ([www.rle.iza.org](http://www.rle.iza.org)) a highly acclaimed book series in economics, established in 1977. RLE is edited by Solomon Polachek (Distinguished Professor at the State University of New York at Binghamton) and IZA co-editor Kostantinos Tatsiramos (University of Leicester) and published by Emerald Publishers. The editors received the Leading Book Series Editors in the Emerald Literati Network 2011 Awards for Excellence in recognition of the outstanding work they have put into the RLE series. ■



## A New Peer-Reviewed Journal is Born at IZA



In its effort to better service the community, IZA has recently launched a series of five new peer-reviewed journals. To align with the current needs of the community these journals are electronic and accessible from IZA and Springer. They are: *Labor Economics*, *Labor & Development*, *Labor Policy*, *European Labor Studies*, and the *Journal of Migration*. These new journals are excellent new outlets for research publications. Their added value is an expedited review process and publication of the original research. The *IZA Journal of Migration* (IZAJoM) covers all issues related to the economics of migration and ethnicity in developed or developing countries (<http://www.izajom.com>). The journal constitutes the first platform dedicated to fostering the international debate and promoting publication excellence in the field of migration economics. DIWDC’s own Amelie Constant, who is also the Program Director of Migration at IZA, is the editor of the journal with Denis Fougère (CNRS); together, the editors said: “The IZA Journal of Migration is the only one journal entirely devoted to issues concerning socioeconomic causes and consequences of migration and integration of migrants. It is open to original and innovative high-quality research articles that will surely contribute to the public debate on migration. Our goal is to publish the crème de la crème of migration papers and to keep them 'moving'.” The managing editor of JoM is Corrado Giulietti (IZA) while Klaus F. Zimmermann (IZA and Bonn University) serves as the editor-in-chief for the journal series.

The prestigious body of the associate editors for the *IZA Journal of Migration* is consisting of:

- George J. Borjas (Harvard University)
- Barry R. Chiswick (The George Washington University)
- Shi Li (Beijing Normal University)
- Alan Manning (London School of Economics)
- Pia M. Orrenius (Federal Reserve Bank of Dallas)
- Una O. Osili (Indiana University)
- Giovanni Peri (University of California, Davis)
- Jacques Poot (University of Waikato)
- James P. Smith (Rand Corporation)
- Yves Zenou (Stockholm University) ■



## *The IZA World of Labor: A Cutting-Edge Project*

IZA in collaboration with Bloomsbury Publishing Plc has created a unique site that will provide current and reliable information as a resource for economists, professionals, and decision makers around the world. The site will involve numerous scholars who will contribute cutting-edge work. The site will be free and accessible to all with links to others works and books published by scholars in labor economics (<http://wol.iza.org>). ■

## Graduate Education



“International Migration and the Labor Markets” is a graduate course offered at the George Washington University. Dr. Constant has taught the course for a number of semesters; the course employs labor economics tools to examine international migration and address the implications for public policy. Students obtain a firm understanding of the theories of international migration and state of the art migration research in different parts of the world. The course covers the following topics: migration decision, why people migrate, performance of immigrants and their descendents in the host country, impact of immigrants on the natives, on other immigrants and the public coffers, and sending country challenges such as brain drain, remittances, and economic development issues. Additionally, this semester the students benefited from guest lectures and migration scholars including Professor Barry Chiswick, Professor Lindsay Lowell, Professor Klaus Zimmermann, and Professor Harriet Duleep. ■

## Internship Program at DIWDC



green jobs. Additionally Anastasia Xidous (George Mason University) completed an internship and project in the spring as part of her graduate studies on conflict and peace in Liberia. ■

DIWDC's internship program offers opportunities in the fields of economics, public relations, and administration at the graduate and undergraduate level. Interns at DIWDC experience first-hand the execution of real economics research along with the economic and political networking that Washington provides. Interns provide extensive assistance in planning and organizing various conferences and events; they also support our public relations and administration work. Under the guidance of Dr. Amelie Constant, interns engage in substantial economic research and contribute to DIWDC's scientific and policy outlets. Interns also attend conferences and talks by other think tanks in DC and represent the institute at various functions. This summer DIWDC was pleased to have Samuel Gosney (The George Washington University) and James Daniel Eubanks (Vanderbilt University) intern with us; while at DIWDC they researched the green economy and



# DIWDC's Scientific Output

As a non-profit organization, by definition, DIWDC exists for educational and philanthropic reasons and provides programs and services that are of public benefit. Producing scientific output is DIWDC's forte. The team has recently published numerous papers and policy briefs of high relevance in the current debate; whether it is about China's rise, development and governance in Africa, migration policy and labor skills shortage in developed economies, risk taking behavior among unemployed natives and second generation migrants, or about remittances and the political divide in Ukraine, DIWDC has produced high quality research papers. Below we take stock of DIWDC's publication record until August 2012.

## Refereed Journal Publications

■ “The Russian-Ukrainian Earnings Divide,” *Economics of Transition*, A. Constant, M. Kahanec, and K.F. Zimmermann. [Lead article](#), 2012, Vol. 20, No. 1, 1-35

■ “China's Overt Economic Rise and Latent Human Capital Investment: Achieving Milestones and Competing for the Top,” *Journal of Contemporary China*, A. Constant, B.N. Tien, K.F. Zimmermann, and J. Meng, 2013, forthcoming

■ “The Dynamics of Repeat Migration: A Markov Chain Analysis,” *International Migration Review*, A. Constant and K.F. Zimmermann, [Lead article](#), 2012, Vol. 46, No. 2, 361-387

■ “Ethnic Persistence, Assimilation and Risk Proclivity,” *IZA Journal of Migration*, H. Bonin, A.F. Constant, K. Tatsiramos, and K.F. Zimmermann, 2012, Vol. 1, forthcoming

■ “Relative Concerns of Rural-to-Urban Migrants in China,” *Journal of Economic Behavior and Organization*, A. Akay, O. Bargain, and K.F. Zimmermann, 2012, Vol. 81, 421-441

■ “Self-Employment of Rural-to-Urban Migrants in China,” *International Journal of Manpower*, C. Giulietti, G. Ning, and K.F. Zimmermann, 2012, Vol. 33, No. 1, 96-117

■ “Unemployment Benefits and Immigration: Evidence from the EU,” *International Journal of Manpower*, C. Giulietti, M. Guzi, M. Kahanec, and K.F. Zimmermann, 2013, Vol. 34, No. 1/2

■ “Anonymous Job Applications of Fresh Ph.D. Economists,” *Economics Letters*, A. Krause, U. Rinne, and K.F. Zimmermann, 2012, Vol. 117, No. 2, 441-444 [Open Access]

■ “A Challenge for the G20: Globally Stipulated Debt Brakes and Transnational Independent Fiscal Supervisory Councils,” *Intereconomics*, M. Dolls, A. Peichl, and K.F. Zimmermann, 2012, Vol. 47, No. 1, 31-38

■ “Pitfalls of Immigrant Inclusion into the European Welfare State,” *International Journal of Manpower*, M. Kahanec, A.M. Kim, and K.F. Zimmermann, 2013, Vol. 34, No. 1/2

## Discussion Papers

■ “The Impact of Immigration on the Well-Being of Natives,” A. Akay, A.F. Constant, and C. Giulietti, *IZA DP 6630*

■ “Immigrant Remitters in the US: Sex and Ethnicity Differences,” A.F. Constant, A. Postępska, and P.R. Wetherille, *IZA DP forthcoming*

■ “A Citation-Analysis of Economic Research Institutes,” R. Ketzler and K.F. Zimmermann, *IZA DP 6780*

■ “Fading Hope in the US,” J. Ritzen and K.F. Zimmermann, *IZA DP 6340*

■ “Remittances and Well-Being among Rural-to-Urban Migrants in China,” A. Akay, C. Giulietti, J.D. Robalino, and K.F. Zimmermann, *IZA DP 6631*

■ “Celebrating 150 Years of Analyzing Fertility Trends in Germany,” M.J. Kendzia and K.F. Zimmermann, *IZA DP 6355*

### Policy Papers

■ “‘Green Jobs’ as Panacea for the US Labor Market: Are they Sustainable?” A.F. Constant, J.D. Eubanks, S. Gosney, and B.N. Tien, *IZA PP 59*

■ “How Competitive is Côte d’Ivoire’s Higher Education?” A.F. Constant and B.N. Tien, forthcoming *DIWDC Policy Brief*, August 2012

■ “Post-Conflict Growth: The Case of the Liberian Economy” (A.F. Constant, B.N. Tien, and A. Xidou), DIWDC mimeo, May 2012

### Refereed Book Chapters

■ “Cultural Integration in Germany,” in *Cultural Integration in Europe*, A. Bisin, A. Manning and T. Verdier, editors, A.F. Constant, O. Nottmeyer, and K.F. Zimmermann. *Invited*. CEPR, Oxford University Press: UK, 2012, forthcoming

■ “Sizing it Up: Labor Migration Lessons of the EU Expansion to 27,” in *Scribani International Conference Proceedings*, A.F. Constant. *Invited keynote*. Bruylant: Belgium, 2012, pp. 49-77

■ “Germany’s Immigration Policy and Labor Shortages” in A. Platonova and G. Urso (Eds.), A.F. Constant and B.N. Tien, IOM Publishing, Brussels, 2012, forthcoming

### Books

■ *The International Handbook on the Economics of Migration*, A.F. Constant and K.F. Zimmermann, editors. Edward Elgar Publishing: Cheltenham, 2013, forthcoming

■ *Foundations of Migration Economics: The 2011 IZA Prize in Labor Economics* to G. Borjas and B. Chiswick. A.F. Constant and K.F. Zimmermann (Eds.). Oxford University Press, 2013, forthcoming

### Research in Progress

DIWDC is invited to contribute to the following projects, forthcoming in 2013:

■ “Ethnic Identity and Work” at the *Social and Behavioral Sciences of Major Reference Works*. Elsevier Ltd: UK

■ “Immigrant and Ethnic Identity” entry at the *IZA World of Labor Portal*. Bloomsbury Publishing

■ “Losing their Minds: Host Countries, Immigrants, and Human Capital” in Immigration and Human Capital Development Special Issue by the *Journal of Comparative Policy Analysis*

■ “Active Inclusion of Immigrants in Greece” in *Migration, Crisis, and Adjustment* in an *Enlarged E(M)U*, K.F. Zimmermann and M. Kahanec editors

■ “Ethnic Identity and the Formation of Enclaves in Germany” A.F. Constant, S. Schueller and K.F. Zimmermann



■ “Working Hours Constraints: Impacts and Policy Implications,” submitted to the IZA Journal of European Labor Studies, A. Constant and S. Otterbach

■ “The Economic Analysis of Migration” in *Public Economics: The Government’s Role in American Economics*, S. Payson editor, ABC-CLIO, Inc.: Santa Barbara

■ “What Do New U.S. Immigrants Know about the Labor Markets in the U.S. and Their Home Countries? Perceptions of Earnings in Selected Occupations,” A.F. Constant, G. Jasso, and K.F. Zimmermann, unpublished manuscript, presented at the 1st CIER/IZA Annual Workshop: Research in Labor Economics, Beijing, China ■



**DIWDC** board members have been extremely prolific on their own and as a team. Chairman K.F. Zimmermann and Executive Director A.F. Constant have been collaborating for more than ten years. Their work has been funded by prestigious foundations (more than 1 Mill. Euros). Together, they have produced:

- ✓ 30 IZA discussion papers
- ✓ 21 peer-reviewed journal publications and 2 reprints
- ✓ 10 book chapters
- ✓ 1 edited book
- ✓ 1 handbook
- ✓ 1 IZA Prize in Migration Book
- ✓ 2 special issues of journals
- ✓ 5 other publications, policy briefs, and op-eds and 4 reprints
- ✓ 1 IZA research report
- ✓ 1 IZA policy paper
- ✓ 6 papers in progress ■

## Kudos

■ Prof. Meghna Sabharwal (with R. Varma) for her NSF grant on “Return Migration of Academic Scientists and Engineers from the United States to India” (Dr. Constant as consultant) ■

## Notable Activities and Awards

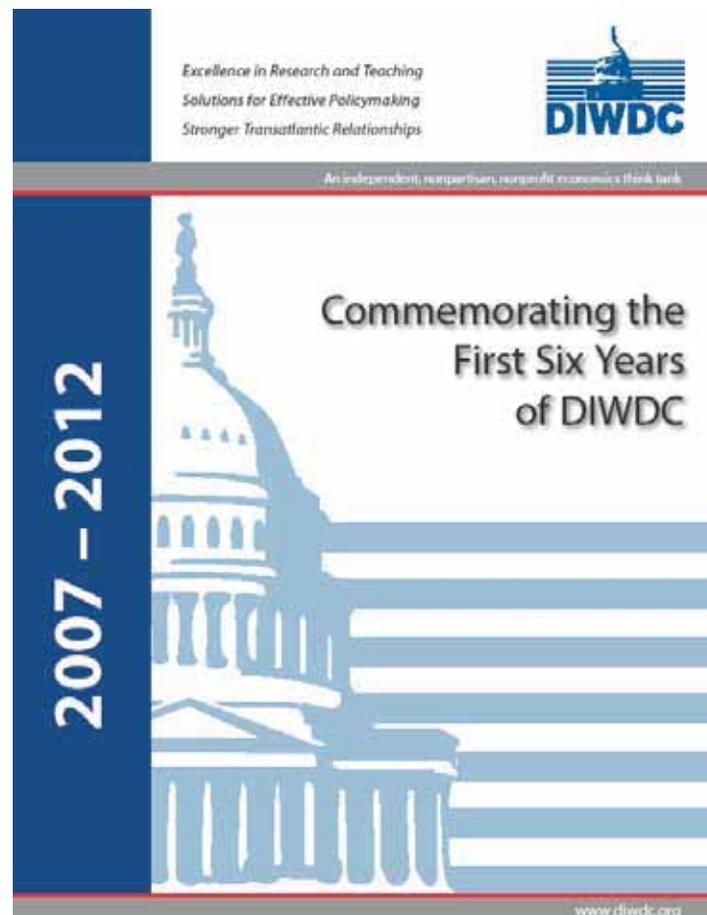
■ Executive Director Amelie Constant became a Lifetime Member of the *Cambridge Who's Who* and the *Continental Who's Who*, and was recognized as the Professional of the Year 2012 by the *Worldwide Who's Who* and as the Pinnacle Professional of the Year 2012 by the *Continental Who's Who*. She is added and featured at the honoree section of the *EliteAmerican* Executives website

■ Executive Director Amelie Constant was recognized as the Woman of Outstanding Leadership 2012 by the *International Women's Leadership Association*

■ Executive Director Amelie Constant was interviewed by Ashcroft Social Media, the Elite Radio Network, and others about the US economy and the European crisis

■ Executive Director Amelie Constant is organizing a session on migration at the Society of Government Economists (SGE) annual meeting in Washington, DC on November 5-6, 2012

■ Executive Director Amelie Constant is working with the local chapter of CSWEP to have monthly meetings and "speed mentoring" to the junior female economists ■



# Three Migration Scholars Unite for New Work on Happiness and Migration

For the first time in this newsletter, we have the privilege of featuring three economic researchers for our dedicated profile series. Alpaslan Akay (IZA), Corrado Giuliatti (IZA), and DIWDC's own Amelie Constant (Program Director of Migration at IZA) have been collaborating as they share common interests in migration and migration policy. Recently, the dynamic trio published groundbreaking research on the effect of immigration on the happiness of natives.



Sharing a passion for research and inquisitive minds that want to answer socioeconomic questions these economists recently completed research together on a topic at the forefront of migration research and at the core of human existence. In their paper, "The Impact of Immigration on the Well-Being of Natives," the authors take an original approach in assessing immigration's effect on the good fortune, health, happiness, and prosperity of natives. Instead of using traditional measures such as wages, employment, or income per capita, they employ a subjectively reported measure of well-being (SWB) as a proxy for overall experienced "utility." In the hunt for immigration's effect they come across two important findings.

First, results reveal there is an economically and statistically significant positive effect of the immigration rate on the SWB of immigrants *and* natives. The more immigration in a region there is, the happier the population. Then, authors explore the impact of economic and cultural assimilation of immigrants in the region. Evidence is provided showing that immigration increases well-being up to a certain level of an "assimilation threshold" beyond which its effect becomes essentially zero. This is perhaps the most important finding of the paper and the investigation of the channels behind this result, as well as its potential policy implications, will form the scope of future research. The paper has already generated a lot of publicity in Germany. It appeared in the Frankfurt Allgemeine Zeitung on August 3. Other European newspapers have also written about this research.



Below we present the profiles of the authors (alphabetically) and the interview conducted by intern Samuel Gosney in June.

**Alpaslan Akay** is a Senior Research Associate at IZA and Deputy Program Director of Employment and Development, joining the institute in 2008 after completing his Ph.D. at Gothenburg University in Sweden. He has over ten years of teaching experience in economics, has published eight peer-reviewed papers, and has co-authored the book *Mathematics for Economists, 2nd Edition* (in Turkish). In his short time with IZA, Akay has produced more than fifteen discussion papers and he is often in the news for his novel research. He has been invited to present his research at many universities in Europe and the US. He has attended and presented at eight international migration conferences and workshops and at seven with topics dealing with happiness.

Akay's main research interests are labor economics and migration, experimental and behavioral economics, economics of happiness, microeconometrics, and Monte Carlo simulations.

**Q: Some argue that the use of subjective measures in economic models may be discredited. You have been using them successfully in your research – what is your opinion of these variables?**

*A: In a way, it is funny that we ask this even though many scientific programs in the past have failed to explain various economic phenomena by only using objective measures. The current resistance or scientific conservatism on this issue is related to the early degeneration of social sciences due to the influences of natural sciences especially by the physics. I think, however, that the distinction between “subjective” or “objective measures” is purely artificial. The main challenge is to merge these two into one. I believe that this issue will be one of the main scientific problems in the future. The subjective measures at use today - such as “happiness” as subjective measure to proxy welfare – are in very early and crude stages relative to objective measures. We have recently started to observe the brain, the inside, directly. The field of neurobiology is developing very rapidly. These new developments are going to help to develop better subjective measures or even hybrid measures and models mixing the various forms of measurements and approaches. The tiny membrane between the subjective and objective will be no longer a metaphysical mystery but rather a scientific issue in the future.*

**Q: Why do you think this is an important paper (immigration and happiness) and where do you see the future of the economics of happiness?**

*A: In the last one or two decades various studies have aimed to find out the correlates or determinants of human happiness. We have today substantial information. It is like a dream and very nice I think! Imagine we study one of the most important philosophical issues of the history by using scientific tools: we measure welfare or utility directly. The field is growing. It is recently we get more confidence that the knowledge generated by happiness research can directly be used to test various hypotheses which are not easy to test by using standard approaches in economics. Our paper touches exactly to this point. The immigration literature uses measures such as wages and employment probabilities to test the impact of immigration on the welfare of natives. In our paper, and for the first time in the literature, we suggest using natives' happiness directly to test the impact of immigration. I think that the happiness research is now in the second stage: the happiness data will be used more and more to test this kind of important problems of economics and policy. I think that this stage will last until the point where the information obtained by using objective or subjective measures of welfare fully converges towards each other.*

**Amelie Constant** is the founder and the Executive Director of DIWDC. She is a visiting professor at the Elliott School of International Affairs at the George Washington University. She is also the Program Director of Migration at IZA and the co-editor of the IZA Journal of Migration. She has written over forty referred articles and book chapters, has edited special journal issues, and is the co-editor of the book *How Labor Migrants Fare?*. Constant has been recognized by the Research Papers in Economics (RePec) worldwide rankings as being in the top 10% of scholars in the economics of human migration (March - October 2011), the top 10% of female economists (January - October 2011), the top 200 young economists (June - October 2011), and the top 6% of female economists (June - November 2011).

Professor Constant has been conducting research on migration for fifteen years. While most of her empirical research is on migration in Germany, she has also done research on migration in France, Denmark, Italy, Greece, and other EU countries, as well as the U.S. and Africa. She has also written more than fifteen policy papers, op-eds, and other reports on migration and has presented her work at dozens of international congresses. Constant has received awards for her scholarly work and has been recognized as the professional of the year by professional associations such as the Cambridge Who's Who, the NAPW, and the

IWLA. Her research has also been funded by prestigious organizations.

**Q: What prompted you to do research on such an important but yet elusive, intangible, and hard to gauge topic (meaning happiness)?**

*A: It's easy. First, I want to be in the frontier of my field, second, I could not pass up the amazing opportunity to collaborate with these two brilliant economists, and third, I like the challenge. It is only when we push the envelope that we can advance science and ourselves. Having said that, I have to underscore that I could not have done this paper alone; the amazing skills of my co-authors and our intense collaboration made this happen.*

**Q: What have you learnt from this paper? And what do you want people to retain from it?**

*A: Learning from research has no boundaries, it is difficult to quantify and enumerate, and is never ending. This - empirical - paper shows that happiness (a quintessential emotion of humans) can be gauged; it can be directly inserted in the economic agent's utility function. With proper estimation methods researchers can now offer tremendous new knowledge and awareness in the migration literature. Measuring the impact of immigrants in a locality on the happiness level of natives has not been researched before. This paper, while simple, provides a powerful finding: The happiness of natives and the number of immigrants are positively related, but this is not without boundaries. There is a threshold after which the happiness of natives decreases. This is a function of immigrants' assimilation. That is, the more immigrants are assimilated or resemble natives, the less happy natives are. This is very intuitive and can resonate with the average native. Prejudices and biases aside, natives are better off when immigrants are around because they are usually complements to each other and provide a slew of new and different ethnic goods. Consequently, when immigrants are assimilated there is not much to gain and the two groups may become substitutes and competitive.*

**Corrado Giuliatti** is the Deputy Program Director of Migration at IZA, the Deputy Director of Research and a Senior Research Associate; he is also the managing editor of the IZA Journal of Migration. Giuliatti obtained his Ph.D. at the University of Southampton in January 2010. From September 2009 to February 2010 he was a lecturer at the Division of Economics in Southampton, and since October of 2009, he has been a Visiting Fellow of the ESRC Centre for Population Change. During his doctoral studies, he worked for the Southampton Statistical Sciences Research Institute on the ESRC project “Combining migration data in England and Wales.”

Giuliatti's research interests are labor economics and applied econometrics, with a focus on the determinants of migration, the labor market effects of internal and international migration, the assimilation of immigrants, and the estimation of migration flows. Being a young graduate, Giuliatti has produced an impressive number of discussion papers and reports. He has three peer-reviewed publications and many more in the pipeline.

**Q: Do you think your findings in this paper (migration and happiness) could lead to changes in the immigration policy of Germany? Elsewhere? And why?**

*A: More importantly than a change in the current immigration policy of Germany, the findings of the paper suggest that policy makers should rethink the way in which the impact of migration is assessed. Our results imply that subjective well-being measures should complement objective measures (such as wages and employment) when evaluating the overall impact of immigration on the utility of individuals. Indeed, accounting for subjective outcomes can lead to a reassessment of the true “costs” and “benefits” of migration which, in turn, can determine that immigration policies will be reconsidered or reviewed.*

*While findings from our paper cannot be generalized to other countries, the main message can: immigration policies should not ignore the subjective dimension - independently on whether immigration “increases” or “decreases” the well-being of native individuals. Indeed it would be very interesting to explore whether our findings hold also in other major migration destinations in Europe - such as the UK and France. In these countries the question whether and how immigration affects natives' welfare generates quite a heated debate at the moment. Hence, it would be of extreme interest to learn about the impact of immigration on the overall well-being of French and British-born individuals. Incidentally, the governments of these two countries have recently become interested in the use of subjective measures and have taken actions to develop indicators and collect well-being and happiness data with the ultimate goal of evaluating policy.*

**Q: Corrado, you are a young scholar in migration. What recommendations or words of wisdom do you have for your peers and others who contemplate the economic field of migration? Or in general?**

*A: Working on the economics of migration is truly exciting. Migration is a complex phenomenon, often highly contentious, which for me is a big incentive to keep exploring new and stimulating research questions. What I learnt so far is that in the field of migration there is neither a unique nor a simple answer about the questions that I attempt to explain. For this reason, I always endeavor to refer to three “major rules”: 1) let curiosity drive your research question, 2) be inspired by economic theory, and 3) discover smart ways to analyze data and find the answers that you are seeking. These are the major recommendations that I would give to anyone interested in adventuring in the economics of migration and, in general, in the field of labor economics. ■*

# The Impact of Immigration on the Well-Being of Natives

There has been substantial concern about the impact of immigration on the welfare of natives. Previous studies have analyzed “objective” measures of welfare, such as wages and employment and more recently public spending and prices, but objective measures are only partially capable of capturing most of the aspects of life which generate welfare. As Stiglitz et al. (2009, p.41) states: “Quality of life is a broader concept than economic production and living standards. It includes the full range of factors that influences what we value in living, reaching beyond its material side.” In order to capture the overall welfare of individuals researchers have shifted towards the adoption of subjective well-being measures (SWB, “happiness” or “life satisfaction”).

Authors Alpaslan Akay, Amelie Constant, and Corrado Giuliatti take an original approach in assessing the immigration’s effect on welfare by employing a subjectively reported measure of well-being (SWB) as a proxy for overall experienced “utility.” In the hunt for this effect they come across more than one important result, each comprising major policy implications.

Authors decided to use data on Germany for several reasons. First, Germany is a high immigration country (12 percent of the total population is foreign born). Second, the study is based off of the German Socio-Economic Panel (GSOEP) which includes the key longitudinal information on SWB and, importantly, identical questions are asked to both natives and immigrants. GSOEP is merged with data from INKAR (*Indikatoren und Karten zur Raumentwicklung*), which provides labor market characteristics such as GDP, unemployment rates, and rich and reliable data on immigration stocks and flows at the local level upon which the identification strategy hinges.

In particular, they obtain information to construct the SWB variable. This is derived from the question “How satisfied are you at present with your life as a whole?”, which allows responses on an ordinal scale from 0 to 10, where 0 stands for ‘completely dissatisfied’ and 10 for ‘completely satisfied.’ Data from GSOEP is then matched with INKAR from which they extract statistics for the 96 “regional policy regions” of Germany (henceforth ROR – *Raum Ordnungs Regionen*). Limited by the data, the time period from 1997 to 2007 is used, and the sample is restricted to individuals aged between 16 and 65. The final sample size consists of more than 160,000 individual year observations.

One of the key sources of variation for the analysis lies in the spatial distribution of immigrants across RORs. There is a substantial variation in the immigration rate across regions, which also differs strikingly between the East and the West of Germany. In West Germany immigration rates vary from a minimum of 1.5 percent to a maximum of 16.8 percent. Looking at the distribution of immigrants, one can see that they are in higher income areas with lower unemployment – both of which are positive factors of SWB. It is necessary to take these characteristics into account when developing the econometric model.

Authors estimate various hybrid equations where SWB is expressed as a function of the proportion of immigrants in the local labor market. The dependent variable is measured on an ordinal scale from zero to ten, and the appropriate econometric model is an ordered probit. Several other models are tried as well including random- and fixed-effects (to address the presence of unobservable individual heterogeneity). The preferred model is the quasi fixed-effect model (QFE) which is more precise, offering the advantage of allowing individual unobservable and observable characteristics to be correlated. All estimations are then carried out using the QFE specification.



Results reveal there is an economically and statistically significant positive effect of the immigration rate on the SWB of both immigrants *and* natives. Other results are: having more children and being married are positively correlated with well-being; the same applies for possessing more years of education/training, being healthy, and having a higher income. Also, being unemployed is negatively associated with life satisfaction. The pattern of SWB over the life cycle exhibits the “classic” U-shaped behavior, meaning that well-being decreases into an age “dip” until the age of 40-45, and then increases again. Results also show that the effect of immigration rate on SWB is stronger for females, both immigrant and native, and is more than double for natives who are not married.

The summary statistics reveal that levels of SWB vary across high and low immigration RORs for natives as well as for immigrants; however, the characteristics of individuals are also different. The authors address these sources of regional and individual heterogeneity.

First, they find that the effect of the immigration rate of natives’ well-being is stable in regions with different levels of unemployment. On the other hand, the estimated effect of immigration on well-being decreases in areas with higher GDP per capita. A similar pattern is observed for immigrants although not all of the estimated interactions are statistically significant. Then, the authors explore the impact of economic and cultural assimilation of immigrants in the region. Evidence is provided showing that immigration increases well-being up to a certain level of an “assimilation threshold” beyond which its effect becomes essentially zero. This is perhaps the most important finding of the paper and the investigation of the channels behind this result, as well as its potential policy implications, will form the scope of future research. Even after several endogeneity and robustness checks were performed – the results remained the same. ■

### **Upcoming Events:**

EALE 2012 at IZA, Bonn – Sep. 2012  
IZA's 2012 Prize in Labor Economics at IZA, Bonn – Sep. 2012  
Society of Government Economists, Washington, DC – Nov. 2012  
German Day on Development, Washington, DC – Dec. 2012  
15 Years of IZA, Washington, DC – Dec. 2012  
5th AMERB, Zurich, CH – April 2013  
10th AM2, Jerusalem, Israel – June 2013

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