



CONTENTS

Economic Indicators

Recent U.S. and German Economic Performance at a Glance

German Day on Development

The World Bank and DIW DC host an international forum on economic development

Paul Krugman: A Profile

A Look at the 2008 Nobel Prize Winner in Economics

Businesswomen

Are women in the business world better off self-employed or salaried?

The Financial Crisis

A Roadmap to Rescuing a Faltering Economy

EU Year

2008: European Year of Intercultural Dialogue

AM² & 2nd Topic Week

Five Years of Migration Meetings

Metropolis Congress 2008

Mobility, Integration and Development in a Globalized World

IZA Celebrates 10 Years

DIW DC Partner Institute IZA Commemorates 10 Years of Research Excellence

World Bank, DIW DC Congress Showcases New Research on Development and Conflict



Left: Dr. Michael Hofmann, Executive Director for Germany at the World Bank, opens the conference.

Above: Economists Bircan, Vothknecht, Brück and Constant listen to a presentation.

As part of its mission to build stronger transatlantic relationships and promote excellence in research, DIW DC hosted the first annual German Day on Development on December 3 in conjunction with partners the World Bank, DIW

Berlin and the Institute for the Future of Labor (IZA). Presented at the World Bank, German Day on Development provided a forum for disseminating outstanding German research internationally and facilitating academic cooperation between

continued on page 10

The Financial Crisis: A Roadmap to Rescuing a Faltering Economy

While housing and financial markets boiled and festered, officials long denied there were any problems. The U.S. government waited until October before officially recognizing the

burst housing bubble and the meltdown of Wall Street. Former Federal Reserve Chairman, Alan Greenspan, a staunch believer in free markets, acknowledged that the meltdown had revealed a flaw in a lifetime of economic

continued on page 12

Our Partners



DIW DC

1800 K Street, NW
Suite 716
Washington, DC 20006

Phone: 202.429.2904 or 202.429.2906
Fax: 202.429.2907
Email: Info@diwdc.org
Website: www.diwdc.org

Executive Director

Prof. Amelie F. Constant, PhD.

Chairman

Prof. Dr. Klaus F. Zimmermann

Program Coordinator

Elsbeth Clay

Development Support

Marina Dathe

Research Analyst Support

Christopher Dielmann

Research Assistant

Patricia Javier

Board of Distinguished Advisors

Dr. Rebecca M. Blank

Dr. Larry V. Hedges

Dr. Douglas S. Massey

Dr. Christopher A. Pissarides

Mr. Howard Silver

Prof. Dr. Rita Süssmuth

Dr. Jan Svejnar

DIW DC is an independent, nonpartisan, nonprofit economics think tank. DIW DC *ynopsis*, the newsletter of DIW DC, is published three times a year.

Editors: Elsbeth Clay, Marina Dathe

Businesswomen in Germany and Their Performance

Are women in the business world better off self-employed or salaried? Should they be encouraged one way or the other? Does ethnic background have any bearing on this issue?

Labor policy decisions are taking on a sharper meaning in light of the economic recession. Today more than ever, policymakers need to fine-tune their labor programs by taking into account individual characteristics such as gender and ethnicity. In her paper entitled “Businesswomen in Germany and Their Performance by Ethnicity: It Pays to Be Self-Employed” (forthcoming in the *Journal of International Manpower*, 2009), Dr. Amelie Constant contends that in Germany, self-employment offers businesswomen a lucrative avenue with higher monetary rewards than traditional employment, albeit for a shorter spell. If salaried businesswomen went into self-employment, they would earn considerably higher wages (an average increase of 26%), which would extend at least 30 years. Self-employed women generally fare well and in Germany at least, success does not depend on their ethnicity.

In Germany, entrepreneurial activity is comparatively moderate, although this is rapidly changing. While the majority of decision-makers in

German businesses are still male, 30% of all executives are women. In keeping with the spirit of the Lisbon Agenda to promote a “more entrepreneurial culture and a supportive environment for small and medium size enterprises,” self-employment in Germany is on the rise. In 1998, recognizing that women

If salaried businesswomen went into self-employment, they would earn considerably higher wages.

are broadly underrepresented in small and medium businesses and lack of start-up capital is largely to blame, the government enacted a funding scheme for start-ups of female-owned businesses (OECD, 2000).

Does ethnic origin matter? Immigrants show a marked preference for self-employment; over the last decade, more foreigners entered self-

employment than native Germans.

For immigrants, self-employment is a way of climbing the socio-economic ladder, avoiding unemployment and assimilating financially; it is a sign that immigrants are “making it” and putting down roots. Research shows self-employed immigrants earn higher incomes than their salaried peers. There does not, however, seem to be any clear evidence that ethnic minorities are any more entrepreneurial than others.

Is there a similar trend in the U.S. labor market?

A female approach can create a “gender edge” that generates additional business, augments sales and increases investor appeal. Female-owned enterprises in the U.S. are considered the “new face of the economy” and women are becoming an increasingly substantial client-base for financial institutions.

A country’s social norms and perceptions can encourage or stifle its people’s entrepreneurial spirit. In the U.S., “being one’s

own boss” is not only socially acceptable and encouraged, but such status is also intertwined with prestige, money, and power. Business-owners are critical components of the American economy and highly regarded. While there are still more male entrepreneurs, 6.5 million American businesses are owned by women and yield almost \$951 billion in annual receipts (U.S. Bureau Economic Censuses). Although less than 5% of America’s Top 500 executives are women (Forbes.com), businesswomen in management, administration, and executive positions are making inroads and now comprise 46% of all managers and administrators. Constant’s research shows that self-employment is not just another viable option, but a markedly successful one. While the labor force participation of skilled and talented women in Germany remains low, realizing that ethnicity is not a significant determinant for entrepreneurship is a positive indicator. Although prevailing socio-economic conditions vary between the U.S. and Germany, the German model nonetheless offers food for thought to U.S. policymakers.

Paul Krugman: 2008 Nobel Prize Winner in Economics

Paul Krugman, a Princeton University professor and New York Times columnist, was awarded the Nobel Prize in Economic Science in 2008. Known for his popular political reviews, he is a frequent critic of the Bush Administration and free-trade policy. Krugman’s main research is concentrated on international finance. His reviews attract both followers and foes in the economics discipline.

Developing his research in the 1970s, Krugman, as well as Romer, Grossman, Helpman, and many others, innovated the modeling of scale economies and imperfect competition. Krugman has the ability to turn simple economic intuition into something more profound. While many other researchers have shown that location choice and historical coincidence lead to scale economies (such as those enjoyed by Airbus and Boeing), Krugman was famous for showing that populous regions can enjoy decreasing costs to labor input and higher wages by attracting migration from other areas and causing a multiplier effect. New demand from other firms supplement the economies of scale within each

firm, while the concentration of production within a region is checked by transportation costs across other regions; equilibrium created by these forces determines the overall pattern of production within the said location. Krugman’s “ideas have led to a revolution in the field of economic geography, transforming it from a primarily descriptive endeavor into an analytic discipline,” says Princeton University colleague, Avinash Dixit.

Krugman received his doctorate from M.I.T. alongside Federal Reserve Chairman Ben Bernanke in the 1970s. Later, Bernanke offered Krugman his Princeton post after his Fed appointment. Krugman has been teaching at Princeton since 2000. A humble academic, Krugman quotes in an interview, “To be absolutely, totally honest, I thought this day might come some day, but I was absolutely convinced it wasn’t going to be this day...I know people who live their lives waiting for this call, and it’s not good for the soul. So I put it out of my mind and stopped thinking about it.”

Fifth Annual Migration Meeting (AM²) and Second Topic Week on Migration at IZA in Bonn, May 2008

DIW DC Executive Director and IZA Deputy Program Director in Migration, Amelie F. Constant, co-organized, with Barry R. Chiswick (University of Illinois at Chicago), the 5th AM² and the 2nd Topic Week in Migration in May 2008. The popular meeting that has become an ideal forum for the exchange of knowledge among migration scholars was held at IZA in Bonn, in conjunction with the 2nd Topic Week on Migration. For the 5th consecutive meeting, demand to participate in the AM² remains high; the number of submissions received for 2008 was at least 5 times as many as the number of available slots. During the intellectually challenging week, 21 papers covering as many countries were presented and discussed. Participants hailed from 12 different countries and from fields as diverse as economics, sociology and social psychology.

An integral part of the activities pursued by DIW DC and IZA is the open exchange of knowledge among scientists that stimulates further research. In that spirit, the 5th AM² brought together



more than 50 international experts on migration and integration research to present and discuss their most recent findings. The high-quality research presented at AM² by junior and more seasoned scholars extends, enriches, refines, and challenges our understanding of the broad array of issues related to migration. Unlike AM², the topic week takes place only every other year, but offers tremendous opportunities for group discussions and close interaction between IZA staff members and visiting researchers. Participants can build and extend their professional network and forge

close collaborations with others. The setting is organized in a manner that fosters interaction and exchange of ideas among the participants in a relaxed atmosphere. The highlight of the meeting is the Julian Simon Keynote Lecture, in honor of the great pioneer of migration research. Keeping up with traditions, Sara de la Rica (University of the Basque County) delivered the Julian Simon Lecture. Her speech was entitled “Immigration in Spain: Facts, Economic Outcomes and Lessons.”

Amelie F. Constant opened the meeting on Monday morning

continued on page 14

DIW DC Partner Institute IZA Celebrates 10 Years of Research Excellence

DIW DC participated in the high-profile events commemorating the 10th Anniversary of IZA, a special partner of DIW DC. The 2-day celebration included the scientific conference “Frontiers in Labor Economics,” an expert panel discussion on “The Economist’s Role in Policy Advice,” the anniversary gala, and the award ceremony for this year’s IZA Prize in Labor Economics that went to Lord Richard Layard (London School of Economics) and Stephen J. Nickell (Nuffield College, Oxford). For a decade now, IZA has been devoted to high-quality fundamental research and international policy advice in all areas of labor economics, and has built a global network of more than 850 Research Fellows and Affiliates. “In its short life, IZA has become the mantra of labor economists, a must online visit for every labor researcher,” said DIW DC Executive Director and IZA Deputy Program Director in Migration, Amelie F. Constant, who was honored to be part of these events. Constant chaired and moderated the Monday morning session on “Monetary Policy, Labor and the New Financial Disorder” in a conference room packed with

the “Who’s Who” of economics, politics, and the media.

David G. Blanchflower (Dartmouth College) discussed macroeconomic literacy, numeracy and, their implications for monetary policy, and underscored his concerns about the global financial markets crisis. He drew upon his experience as a member of the Monetary Policy Committee of the Bank of England to further discuss the London’s vulnerability as an important

agreed with Constant that enforcing further education, especially for youth, is a prudent measure to decrease unemployment in the short-run and reap the benefits of higher human capital in the long run. Investments in infrastructure, such as buildings, bridges, and highways, are also safe steps to ebb economic recession in the short- and medium-term. Richard B. Freeman (Harvard University and IZA) elaborated on the labor market aspects as he briefed the audience on the new



financial center. Bombarded by questions from the audience, Blanchflower also suggested measures that London should take to maneuver out of the impending economic recession with rising unemployment and fear of deflation. Blanchflower

financial disorder, restructuring the American economic model and the economic analysis of institutions and incentives. Freeman went over the early warnings signs that were ignored, such as the “.com” crash, the ENRON scandal

continued on page 17

The European Year in Perspective: From 2008's Intercultural Dialogue to 2009's Creativity and Innovation

Europe to Boost Innovation Capacity

As it is customary at the end of the year, we take a moment to reflect upon past events and gaze on to the New Year. The EU, a conglomerate of 27 different nations and a mosaic of different languages, customs, cultures, religions, economies and currencies is united around powerful annual themes that provide a continuation between the years. For example, 2007, the Year of Equal Opportunities for All, gives way to 2008, the Year of Intercultural Dialogue, which gives way to 2009, the Year of Creativity and Innovation.

The EU recognizes that culture and diversity are vital elements to its countries' economies and competitiveness and its international relations with third countries. "Today's strategy promoting intercultural understanding confirms culture's place at the heart of our policies" said Barroso (in EU, 2007). The year 2008 was named the "European Year of Intercultural Dialogue," not just as a token, but with the intention to ensure that EU's diversity becomes a source of richness, rather than a

source of confrontation; culture, education, youth, sport and citizenship are the main areas concerned.

The 2008 theme had two central expectations:

- To assist all peoples living in the EU in acquiring the knowledge and aptitudes to enable them to deal with a more diversity at many levels, as more new countries join the Union;
- To raise awareness of "European citizenship" that respects cultural diversity and is based on common values; as well as to fight racism, discrimination and xenophobia.

Boosting competitiveness has become Europe's mantra as of late. However, EU policy initiatives in that regard have been fragmented in the past. Regulatory barriers hampering EU's innovation potential still affect labor markets, goods, services and the availability of venture capital. It is this realization that prompted the European Council to request a focus on the promotion of innovation. 2009, therefore, is to be the European Year of

Creativity and Innovation. It underlines the EU's commitment to diversity and intercultural cooperation. This is backed by research that emphasizes the indisputable value of ethnic diversity in the economy. In light of the current financial and economic crisis that needs bold, creative and innovative actions, this slogan could not have been more appropriate.

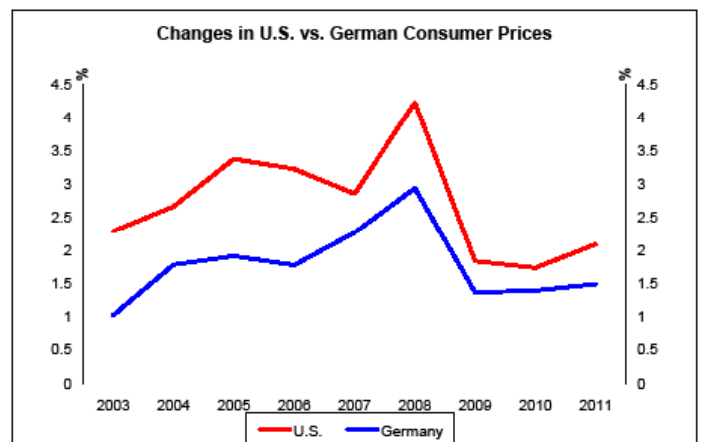
DIW DC is doing its part to support the EU's annual themes. One of the central tenets of DIW DC's mission is to promote stronger transatlantic relationships, which the Institute does by promoting international cooperation and exchange. An important part of the Institute's research deals with ethnic identity, cultural differences and their impact on the labor market; this complements the 2008 theme. Other research by DIW DC's staff is on entrepreneurship and immigrant and female self-employment that are at the core of innovation and creativity, the 2009 theme.

Economic Indicators

Recent U.S. and German Economic Performance at a Glance



Source: IMF.org
Note: Values for Q4 2008 and beyond are projections.



Source: IMF.org
Note: Values for Q4 2008 and beyond are projections.



Source: IMF.org
Note: Values for Q4 2008 and beyond are projections.



Source: IMF.org
Note: Values for Q4 2008 and beyond are projections.

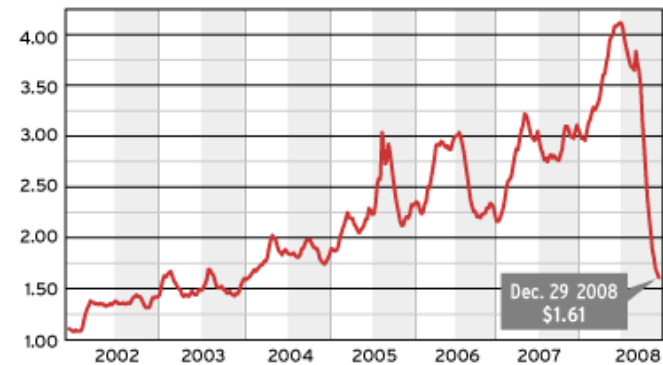
Commodity Prices in 2008

Volatile commodity prices in recent years have been attributed to a changing economic climate and a mix of droughts, spikes in oil prices, increasing meat consumption in developing countries, and diversion of food crops to energy-saving biofuels. In March of 2008, Asia saw rice prices surge to a 20-year high, a sign of global food inflation that put many into poverty. Rice-producing nations such as the Philippines, Thailand, India and China saw prices of rice, corn, pork, and cooking oil rise. The global increase in prices was met with tariffs as a measure to counter these expenses. Then with the financial panic following August 2008, an economic slowdown led to lower demand. Investors retreated from commodity futures into safer havens like government bonds. Although the decline in demand has eased fears of inflation, government, as well as industry analysts, including the United Nations, have projected that global food prices will remain elevated.

The Rise and Fall of U.S. Gas Prices in 2008

Americans faced increasing crude oil prices earlier this year, with a peak at \$150 a barrel in July. A change in the U.S. economy, however, has led to a drastic decline in gas prices. Gasoline prices reflected an all-time low in late December, lingering around \$1.60 a gallon. According to the American Automobile Association (AAA), prices are down \$1.43 from a year ago. Consumer confidence declined as Americans were losing jobs and housing markets and investment groups deteriorated. More Americans began cutting back on expenses, including gasoline consumption. The Organization of Petroleum Exporting Countries (OPEC), provider of nearly 40 percent of the global supply, has announced production cuts. Although this has done little to stop the slide in prices, recent unrest in the Middle East could lead to supply shortages secondary on crude markets.

U.S. AVERAGE RETAIL GASOLINE PRICE, REGULAR GRADE (PER GALLON)



SOURCE: Energy Information Administration

MSNBC

The Transatlantic Infraday Annual Conference

DIW DC co-hosted the welcoming reception of the Transatlantic INFRADAY Annual Conference, which was held at Resources for the Future in Washington, DC on November 14, 2008.



Organized by DIW Berlin and the University of Maryland, the Infraday conference examines Applied Infrastructure Modeling and Policy Analysis, and features sectoral analyses and case studies in the fields of:

- Energy (electricity, natural gas, renewable energies, oil, coal)
- Transportation (roads, railways, air transport, shipping)
- Telecommunications & Internet
- Water (supply and waste water)

The theme of this year's conference was sustainability infrastructure, modeling and policy issues in a low-carbon world. The conference, with more than 30 presentations of cutting-edge research, stands out among its fellows by bringing together economists and engineers to learn from each other and debate energy issues, the environment, and transportation.

World Bank, DIW DC Congress on Development

Continued from page 1

the U.S. and Europe.

The conference was opened by Michael Hofmann, Executive Director for Germany at the World Bank. Hofmann emphasized the importance of establishing conferences like German Day on Development to promote German research to the outside world. DIW DC Chairman Klaus F. Zimmermann introduced the participating research institutions to the Washington, DC audience, highlighting DIW DC's unique insider position as an American economics research institution that closely cooperates with its European partners. The conference was moderated by Amelie F. Constant, Executive Director of DIW DC.

Leading the presentations was Markus Frölich, who presented his research on "Teacher Shortages, Teacher Contracts, and Their Impact on Education in Africa: Evidence for primary education in Mali, Niger and Togo." With completion of primary education in Africa at the rate of only 45% overall, countries in Africa are experiencing a massive need for new teachers. If this need is not met, students must face a considerable increase in class size, which already aver-

ages 45 students across the continent. The situation, says Frölich, has been exacerbated by massive population growth, but needs cannot be met because of budget constraints. Frölich's research suggests that reducing the wages of contract teachers would permit hiring more teachers and would not necessarily lead to a loss in quality. This result, he argues, is consistent



with theoretical arguments about the role of incentives, selection and training effects. He also demonstrated that there is some evidence that contract teachers might contribute to a reduction of inequality in educational outcomes. Frölich, a professor at the University of Mannheim, completed his research with Jean Bourdon and Katja Michaelowa. Discussion of their work was led by Emiliana Vegas, Senior Edu-

cation Economist of the Human Development Department at the World Bank.

Randall Akee of IZA presented his joint work on "Parents' Income and Children's Outcomes: A Quasi-Experiment with Cash Transfers." Akee's research focused on information supplied by a Duke University longitudinal study with rich data on Native Americans. Midpoint during the study, a casino was built on Eastern Band of the Cherokee Nation property, with the profits from the casino being shared by the Eastern Band community. Akee and Duke University co-authors William Copeland, E. Jane Costello, Adrian Angold and Gordon Keeler isolated the data to focus on the impact of the additional casino income on the Eastern Band families. Their results show that children in the community attended school longer and participated in less crime in the period when family incomes were supplemented. Akee's research was discussed by Emmanuel Skoufias, Lead Economist of the Economic Poverty Reduction Group at the World Bank.

"Violent Conflict and Inequality" was presented by Tilman Brück

and Marc Vothknecht of DIW Berlin and co-author, Cagatay Bircan of the University of Michigan. Brück, Vothknecht and Bircan explained how they used 44 years of cross-country panel data to estimate war-related changes in income inequality. Rather than investigating the specific effect of each conflict, the authors prefer a macro approach, which they believe offers better assessment of the average distributional effect of violent conflicts. Brück, Vothknecht and Bircan's work reveals rising levels of inequality during war, especially in the early period of postwar reconstruction. They attribute lagged distributive effects of conflict, such as the impact of war on human capital formation and public health, as a potential explanation of such patterns of inequality during the course of war. Their work was discussed by Gary Milante of the Research Department of the World Bank.



The final presentation was held by Joppe de Ree of DIW Berlin. De Ree presented his work on "Localizing conflict spillovers: introducing regional

heterogeneity in conflict studies," which examines whether the effects of conflict spillovers (a phenomenon where war in one country leads to war in a neighboring country) are overestimated in academic literature. De Ree uses econometric measures to answer this question, which reveal that although conflict onsets are clustered in particular areas, this could be due to similar clustering of country-specific causes, such as poverty, shared colonial backgrounds and artificial borders, not necessarily to spillovers. By not adequately controlling for country-specific factors, researchers could spuriously identify a spillover as the root cause of a conflict. De Ree's econometric analysis allows for different types of heterogeneity, revealing that while geographic clustering of unobserved effects leads to overestimating spillover effects; randomly scattered, unobserved effects lead to underestimating the spillover effect. De Ree's research shows that spillovers may not be equally relevant for all regions of the world and that important spillovers are found in Africa, but not in other world regions. A neighbor at war, moreover, increases the probability of war onset by 4%. De Ree's work was co-authored by Maarten Bosker of the University of Groningen and

discussion of their work was led by fellow presenter, Markus Frölich.

Historically, economic research on developing countries has not been a priority for German social scientists, says Frölich. As the German Day on Development showed, however, this is changing. Academics at DIW DC, DIW Berlin, and IZA Bonn have not only increased the amount of research they conduct on developing countries, but their research is more empirical and policy-oriented than ever before, according to Frölich. When Hofmann concluded his opening speech at the conference, he ended it with a hope for the future: he expressed a wish, echoed by Zimmermann and Constant, that German Day on Development will become an annual fixture at the World

Bank and a jumping-off point for a closer relationship between all involved.



The conference was followed by a reception at DIW DC, which enabled participants from all four participating organizations to mingle informally and facilitated interaction between junior and more senior economists.

The Financial Crisis: A Roadmap to Rescuing a Faltering Economy

Continued from page 1

thinking as he, himself, was in a “state of shocked disbelief.”

Pandora’s box, however, had only just been opened. In the weeks that have followed, countless banks, mortgage companies, high-risk-management institutions, and automotive oligopolists have folded, desperately seeking the government’s support. Markets and countries intertwined by globalization have left few parts of the world untouched by the crisis. The credit crunch and the realization that Main Street is also infected has produced mistrust of the system and fears about the unknown extent of damage that can spread to the labor market. Utterly concerned, the G7/8 and G20 leaders met in Washington, DC in mid-November 2008 to coordinate an action plan to solve the global financial, credit, and economic crisis.

In the wake of that meeting, leading economic experts from around the world and from different schools of thought produced recommendations to tackle the international financial crisis (see www.diwdc.org/Global_Credit_Crisis.pdf for the full publica-

tion). Some even recommended measures to ward off the looming recession. They showed a remarkable degree of consensus on what must be done by policymakers.

In the short-term, they must:

- Contain the panic and stabilize the financial system

In the long run, they must:

- Reform the financial system through regulation
- Revive / implement social programs to minimize the impact of the recession on vulnerable groups
- Repair damage done to the housing market, retirement accounts, and pensions

The stabilization of the financial system would be achieved by quick bank recapitalization, albeit not without repercussions. In Europe, concerted action by the European finance ministries is deemed imperative to succeed. In the U.S., it would mean direct capital injection into banks (as opposed to taking troubled assets off bank balance sheets).

In addition to this, some economists argue that a blanket guar-

antee should be placed on bank liabilities by central banks, and that it is necessary that this be done simultaneously around the globe.

DIWDC Chairman Klaus F. Zimmermann contributed to the paper, emphasizing the coordination of international responses to the crisis.

Zimmermann noted that early reactions of the markets suggest that attempts to calm the markets and restore trust are not effective in the short term. The key to a successful outcome, therefore, is a worldwide concerted action where governments around the world adopt a mixed strategy of coordinated short- and long-term measures to handle the crisis. The proper response to a financial crisis, according to Zimmermann, is an internationally coordinated flow of the money supply, low interest rates, guaranteed interbank lending and savings deposits, along with the replacement of incompetent managers and the provision of public capital funds through a temporary partial-nationalization (British model) or

through the divestiture of risky assets in a “Bad Bank” (Swedish model).

Zimmermann calls for national, supra-national (at the regional level), and international cooperating control institutions to be equipped with stricter auditing rights for the entire banking sector, including banks, hedge funds and rating agencies. Meritocracy principles should apply to the remuneration of managers, who are dedicated to the long-term success of the business and are also guided by the responsibility for entrepreneurial actions. Additionally, governments should continue the medium-term expenditure course and pursue at the same time forceful, growth-oriented investments, in particular, those in infrastructure, construction, education, research, innovations and the family.

While it is obvious that bad loan decisions and dubious practices in the financial sector have gravely damaged the global financial system, the U.S. government’s policy of over-activism; its antithetical stance to imposing regulations on derivatives; the Federal Reserve’s excessively low interest rates and its resistance to use its power to crack down on subprime mortgages have

also contributed to the current crisis. Europe’s failure to provide early systemic responses only fuelled the fire. The greatest loss of the financial crisis, however, is the financial sector’s massive loss of faith in itself. The sector and the markets will only be able to settle down when a new international architecture of finance has taken shape.

Social and Labor Market Integration of Minorities in the EU

On March 12, 2008, Amelie F. Constant, Klaus F. Zimmermann and Martin Kahanec presented their “Study on the Social and Labour Market Integration of Ethnic Minorities” (IZA Research Report No.16, <http://www.iza.org/files/IZA16.pdf>) during a joint Berlin Lunchtime Meeting with DIW Berlin. The president of the “High Level Group,” Rita Süßmuth, elaborated on the group’s policy recommendations for European and national integration policies. Based on the findings of the IZA study, the High Level Group Report concludes with “An Urgent Call for Better Social Inclusion” of ethnic minorities in the European Union.



Fifth Annual Migration Meeting (AM²)

Continued from page 5

with welcoming comments and chaired the first session on “Why people move? Intentions and Networks.” Alexander Danzer (DIW Berlin and Humboldt University) presented his co-authored paper on “Economic Migration, Networks and Human Capital Transferability from the New European Borderland: A Comparison of Five Eastern European Countries,” while Mariola Pytlikova and Peder J. Pedersen (University of Aarhus) talked about the “EU Enlargement: Migration Flows from Central and Eastern Europe into the Nordic Countries - Exploiting a Natural Experiment” and Johanna Avato (World Bank and ISIM, Georgetown) presented “Skilled Labor Migration and the Propensity to Migrate.”

In the afternoon session entitled “Immigrant Impact on Housing, Wages, and Human Capital Investment,” Douglas Krupka (IZA) talked about his work “Wages, Rents and Heterogeneous Moving Costs,” which is co-authored with Kwame Donaldson (Georgia State University). Chad Sparber (Colgate University) and Giovanni Peri (NBER) followed with their paper on “Task Specialization, Comparative Advantages, and the Effects of Immigration on Wages.” Mark Regets (National

Science Foundation) presented “Effects of Highly-Skilled Migrants on Native Human Capital Investment.”

The “Immigrant Performance” session chaired by Klaus F. Zimmermann (DIW DC, IZA, DIW Berlin and Bonn University) included Thomas Bauer’s (RWI Essen) co-authored analysis of the labor market activity of immigrant families in Germany, Romain Aeberhardt’s (CREST-INSEE) co-authored work on the wages and employment of French workers with African origin, and Paul W. Miller’s (The University of Western Australia) and Barry R. Chiswick’s (University of Illinois at Chicago) work on the negative assimilation of immigrants, as a special case.

Congenital selection issues and why immigrants return home were the themes of the fourth session. Jesús Fernández-Huertas Moraga (IAE-CSIC) presented his research on what determines emigrant selection, looking at wealth constraints, skill prices, and networks. Martin Junge (Copenhagen Business School) asked whether the return home is to go to school, studying emigration and return migration of families with children in his co-authored work.

Michael Schields chaired the risk behavior and proclivity session that included the presentation of Madeline Zavodny (Agnes Scott College) with Pia M. Orrenius (Federal Reserve Bank of Dallas) on whether immigrants work in riskier jobs. Amelie F. Constant (DIW DC) presented her co-authored work on the role of ethnic persistence and assimilation on the risk proclivity of immigrants in comparison to native Germans.

In the networks and occupations session of Wednesday morning, Francis Vella (Georgetown University) presented his latest work (co-authored with Krishna Patel of Georgetown University) on the role of immigrant networks and their implications for the occupational choice of immigrants in the host country and their wages.

Meryam, MD (University Hospital Berlin, Charité) gave one of the keynote speeches on the mental health of immigrants, based on her research at the Berlin hospital. Dr. Schouler-Ocak, a psychiatrist, gave fascinating insights into the importance of the health of immigrants, the detrimental effects of misdiagnoses of mental problems, and the correlation with their culture and language

proficiency.

Martin Kahanec (IZA) chaired the migration and remittances session where Partick R. Whetherille (Georgetown University) presented his latest work (with Amelie F. Constant, DIW DC) on immigrant remitters in the U.S. and sex and ethnicity differences, using the New Immigrant Survey. Ira N. Gang (Rutgers University) gave a further twist to the remittance topic by looking at migration, remittances and child labor, a co-authored paper with Gil S. Epstein (Bar Ilan University) and Ralitzia Dimova (Brunel University).

The power of language in migration research was presented by Marie Louise Schultz-Nielsen (Rockwool Foundation Research Unit and Aarhus School of Business) in the context of the effect of immigrants' language proficiency on employment using recent Danish data. Last but not least was the paper of Hartmut Esser (University of Mannheim) on language acquisition and age at immigration with a special emphasis on the difficult conditions for bilingualism.

Another highlight of the AM² and the Topic Week was the Thursday afternoon panel on contemporary immigration issues around the globe,

chaired by Amelie F. Constant (DIW DC). Leading migration experts and pundits on the panel represented Germany, Spain, Denmark, the U.S., and Australia. While in Germany the big immigration issues are the integration of existing immigrants (most of them Turks), the recruitment of skilled workers as new immigrants, and the aligning of new immigrants to Germany's economic needs, the "permanent" illegal immigrant population of an estimated 12 million is the big issue in the U.S. Spain, which has enjoyed miraculous economic growth over the last 8 years and up to last summer, is dependent on immigrants and has therefore applied a series of amnesties to legalize many of them. "We need immigrants," said de la Rica; immigrants have helped the Spanish economy. In Australia, one of the prototype immigration countries, the shortage of high skilled immigrants and how to attract them is the big issue. Denmark is also facing an increasing non-Western immigrant population that is not faring very well and therefore tries to tackle these issues.

Besides the scientific program, the AM² includes many social events, usually related to migration, that provide additional food for thought. This year included a visit to the museum



of history with an exhibition about guest workers in Germany and a visit to the Deutsche Post Office Tower. Participants also celebrated the 5th anniversary of the conference, enjoyed ethnic food from several countries, and listened to Zimmermann's insightful dinner speech on "My Immigration."

The week-long meeting ended with closing remarks by Amelie Constant and a farewell lunch.

Metropolis: October 2008

DIWDC participated in the 13th International Metropolis Conference in Bonn, Germany on October 27-31, 2008. The largest migration conference in the world, this year's Metropolis theme was "Mobility, Integration and Development in a Globalized World," and included more than



a hundred parallel workshop sessions, plenary sessions and talks. DIW DC Executive Director Amelie F. Constant co-organized and presented at the workshop "Ethnic Identity in a Globalized World" (with DIW DC Chairman Klaus F. Zimmermann), bringing together leading scientists on ethnic identity and diversity in the context of a globalizing world from several social sciences and different countries. The speakers presented and debated the notion of ethnic identity and how it evolves and changes with time, as well as discussed the four states of a positive and two-dimensional ethnic identity,

namely: assimilation, integration, marginalization and separation. Besides the standard culprits of unsuccessful immigrant integration – such as low human capital and newness in the host country - are the host society's negative attitudes towards immigrants. While the experts agreed that exposure in the host society, sociocultural adaptation and fluency in the host country language are positively correlated with integration, they cautioned that complete assimilation or absorption into the host society may not be the best strategy for the economic success of ethnic minorities. Constant also presented her work on circular migration at the "Are Circular Migration, Development, and Immigrant Integration Compatible Policy Goals?" workshop, organized by Lisa Roney and Carlos Iturregui. The workshop attracted many attendees and lively discussion.



Greece's Refugees

With the help of Prof. Dr. Savas Rombolis, Scientific Director of the Institute of Labor and professor at Panteion University, and local labor unions, Constant and Zimmermann visited a political refugee camp in Athens, Greece occupied by Kurd refugees from Turkey, Iran, Iraq, and Syria; the camp is located 60 km outside Athens, in Lavrion. The DIW DC group stayed for the day and talked to the camp's staff. Dr. Constant also interviewed several refugees and asked forceful questions.

Police statistics show that 300-500 illegal aliens arrive in Greece per day, paying about 3000 Euros to come to Europe. Many of the refugees survived years of prison and torture before escaping to Greece, where they now wait for their case to be decided. While they wait, they cannot work or move around Greece or Europe. The camp is under the aegis of the Red Cross, which provides them with shelter, food and medical care. Their meager means do not allow them to send their children to school, despite free schooling; they claim that they do not have the means to buy their children books, pens, pencils, or a school uniform.

IZA Celebrates 10 Years of Research Excellence

Continued from page 6

and lax accountability in the subprime mortgage market. He



was baffled at how the best, the brightest, and the highest-paid brains appeared to have no inkling of the situation, and at how easily the free market system broke down. He said that “the financial meltdown is due to market forces and normal responses to incentives and not abnormal, amoral greed.” He also stated how this crisis has changed economists and policymakers alike into instant Keynesians, calling the government to the rescue. This retreat of orthodoxy has opened the door for new thinking and a new role for labor looking forward. Hilmar Schneider (IZA Director of Labor Policy) and Hartmut Lehmann (University of

Bologna) offered constructive discussions to the issue. All experts agreed that the markets remain and will be fragile for a while. Constant tried to end the session on an optimistic note, quoting Greenspan that this is a “once in a century credit tsunami” and will not happen again.

In the afternoon expert panel, DIW DC distinguished board member Jan Svejnar (University of Michigan, Ann Arbor) highlighted the need to provide policymakers with clear and concise recommendations based on available research findings. The highlight of the meeting was the “Petersberg Declaration Call for Reform,” a comprehensive labor market manifesto of the most important challenges for

labor market policy during the next election period in Germany and beyond. The declaration contains a number of concrete recommendations for Germany’s future labor policy. IZA has also developed its own employment program, which includes the following key proposals described in “Full Employment Is Not a Utopia” (see IZA Compact Special Issue, December 2008): an implementation of workfare principles that encourage work instead of financing unemployment; overdue reforms in education policy; rendering social services more marketable; aligning immigration policy with Germany’s economic needs; separating redistribution from social security in the tax-benefit system; and enabling risk-taking through social security.





DIW DC

1800 K Street, NW
Suite 716
Washington, DC 20006

Phone: 202.429.2904 or 202.429.2906

Fax: 202.429.2907

Email: Info@diwdc.org

Website: www.diwdc.org