



DIWDC



Annual Report
2010

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*Excellence in
Research and
Teaching*

*Solutions for
Effective
Policymaking*

*Stronger
Transatlantic
Relationships*



Chairman's Message



Globally, 2010 will be remembered as a year of dramatic and significant events. It commenced with budding hopes, with many developed countries showing early signs of an economic recovery from the traumatic and continuing aftermath of the economic crises of 2008-2009. The German economy, for instance, experienced an impressive improvement in 2010. This recovery is due to, among other things, the German government's insistence on following a rigorous program of long-term labor market reforms and fiscal austerity, the country's strength on the export markets for capital goods, and the extension of the "*Kurzarbeit*" or "short work" program to incentivize companies to furlough workers or reduce their workdays instead of firing them.

During his January State of the Union address, President Obama called for the passage of a health care reform bill to improve and increase access to health insurance coverage. Congress agreed, and echoing the sweeping social reforms of the New Deal era, passed a landmark piece of social legislation, the Patient Protection and Affordable Care Act, on March 23, 2010. This health care law is reminiscent of Germany's health insurance bill known as "*Gesetz betreffend die Krankenversicherung der Arbeiter*."

Passed on June 15, 1883 and the namesake of Prussian Chancellor Otto von Bismarck, the "Bismarck Model" of health care was part of his vision for the newly-unified German nation. Bismarck viewed a strong economy fueled by a happy, productive foundation of working-class citizens who could rely on a national health insurance and a pension/retirement system.

There are strong parallels between America's new health care reform bill and Germany's 127 year-old universal health insurance bill. For instance, both health care laws foresee that health insurance should be mandatory for all workers, and thus many Americans and Germans are covered by employee-sponsored group health insurance. Thus 2010 marked the beginning of a new era in implementing policies to ensure fair and affordable healthcare for all Americans.

The health of the global economy also was a recurring theme of 2010. Although policymakers around the world hoped that the worst of the global economic crisis was over, the spring of 2010 showed a period of high economic uncertainty with a slow and uneven recovery. Europe's veiled debt levels and deficits were brought into the open with the economic crisis. Latvia and Romania were facing economies that were in dire straits. Greece is poised at the brink of an economic implosion, while Portugal, Spain, and Ireland also are feeling the full brunt of the housing bubble, deficits, and national debts. Italy, too, is also experiencing high public debt. This shook the entire European community and required a revisiting of the Euro-zone. Europeans in the Euro-zone were struggling to bail out other highly indebted member countries while facing their own unpleasant consequences from years of unrestrained spending, cheap lending, and a lack of financial reforms.

In America, the economy suffered from slow growth without considerable employment growth. Thus, the role of institutions in the whole economic system seems to have taken on a stronger presence, as the International Monetary Fund saw itself thrust into the forefront as a worldwide financial overseer. (Note: there are at least 55 countries under IMF's program).

In recent years, DIWDC has engaged in relevant, timely, and impactful academic research in the nation's capital. With experience in a broad range of sectors, including the labor and financial markets and the role of institutions, DIWDC's world-class team is sought for its expertise in developing and studying nonpartisan and balanced solutions to the most complex domestic and international issues of our time. Although still in its infancy, 2011 continues to bring numerous changes to the global marketplace. Recently, the shifts in governing institutions in Africa and the Middle East and the massive exodus of migrants from these regions to the Western Hemisphere have been starting to have significant repercussions on the labor market. Although it is hard to gauge the extent of these changes, these events are already affecting the global economy. As always, DIWDC will be contributing to the discussion surrounding the world affairs.

Finally, I want to express my warm appreciation to DIWDC's Executive Director, Dr. Amelie Constant, and her talented and hardworking staff. In a dynamic world, DIWDC can turn its vision into reality with the help of their creativity, dedication, and determination. As 2011 continues to unfold, we at DIWDC look forward to the challenges and opportunities of another year. ■

Sincerely,



Prof. Dr. Klaus F. Zimmermann, Chairman of the Board

Director's Message



With the negative effects of the financial crisis of 2008 still lingering in our world economy, 2010 experienced a tumultuous beginning. A deadly earthquake ravaged the small island nation of Haiti, and soon thereafter one of the strongest earthquakes recorded toppled buildings in Chile with effects felt throughout most of South America. An explosion in the Gulf of Mexico sent thousands of barrels of crude oil spilling into the Gulf, polluting the waters and threatening coastal cities and economies. The European continent witnessed the brunt of the economic crisis as several EU member countries were hit by it and others urgently needed foreign aid to avoid economic failure. The African continent watched failed governance to unravel in many countries that need significant institutional and policy changes, as our featured essay shows in this annual report. The Arab world, in particular, undergoes serious uprising that started in 2010 as an economic issue, and escalated to a political and civil unrest. Despite these chaotic and disconcerting events, the U.S has seen gradual and systematic economic growth and improvement. The passing

of the healthcare reform bill as well as the Republicans controlling Congress after the mid-term elections also express serious governmental reforms. In the wake of disasters, unrests, and downturns, our country and the world are experiencing signs of positive reform and prosperity.

Pursuing our mission, DIWDC is working towards prosperity, and evidence of our institution's success is contained in the following pages as representations of what can be accomplished through skillful research and cooperation. DIWDC's achievements this year are all the more noteworthy given the perplexing financial times that we face. They demonstrate our service to the scientific community and the wider public. Notably, we have continued our strong dedication to socioeconomic research while educating students throughout various internship, courses, and doctoral programs. We continue to work closely with DIW Berlin's Graduate Center, providing doctoral students the opportunity to research and study in the nation's capital. In 2010, and for the fourth consecutive year, we welcomed twenty students to DIWDC, educating them with rigorous graduate courses. We also provided the students the opportunity to study relevant issues like the Euro crisis, deregulation, and environmental disasters. A one-month internship at international institutions and other think tanks in the Washington area as well as extracurricular lectures and other social events were part of the doctoral program in DC. DIWDC's affiliation with George Washington University and the Elliott School of International Affairs allows us to collaborate at different levels of high-quality education and research with our colleagues at GWU. I teach the graduate class, "International Migration and the Labor Markets," which brings me great joy. Exchanging students and interns with GWU is another valuable collaboration.

At DIWDC we are dedicated to strengthening transatlantic relationships with Europe and Germany as well as with Africa. Our multilayered cooperation with European think tanks such as DIW Berlin, IZA and other centers is evidenced by our scientific output, our events, and our conferences. Our nascent cooperation with the African continent has produced a few research papers, a dialogue with some think tanks, and a one-day conference at the World Bank. We have also recognized the importance of transpacific partnerships. In January 2010 DIWDC was honored to receive a Chinese delegation from Beijing Normal University with whom we discussed areas of future co-operation and the possibility of an exchange program with DIWDC to continue our ever-growing success and widen our educational influence. Indeed, DIWDC was happy to host several scholars from abroad this summer.

DIWDC has also continued to host and participate in various academic events and conferences throughout the Washington area and elsewhere. In January 2010, DIWDC was active in ASSA and the Annual Meeting of the American Economic Association, where I organized and led a session on “Performance in Academia.” The second Annual Meeting on the Economics of Risky Behaviors, co-organized with Georgia State University’s Andrew Young School, was successfully completed in March in beautiful Stone Mountain, Georgia. The seventh Annual Migration Meeting, hosted at IZA, Bonn in June, was another successful meeting. In a knowledge-based economy, innovation is the necessary and sufficient condition to success. DIWDC, along with the National Academy of Science, DIW Berlin and the German Embassy in DC organized a two-day Conference on Innovation covering economics, policy, and business. Teaming with the World Bank, IZA and DIW Berlin, DIWDC co-organized another fruitful meeting on economic development in November 2010 for the fourth time.

DIWDC has sustained its dedication to publishing and sharing significant information on pressing economic issues. DIWDC’s staff was quite prolific this year as our output shows on page 30. Most importantly, DIWDC is elated to have one of its advisory board members receive the Nobel Prize in Economics this year. Professor Christopher Pissaridis (London School of Economics) is a close friend and collaborator of the Institute, and we look forward to many more fruitful encounters and stimulating discussions with him. To celebrate our fourth year in Washington, DC and our continued exemplary commitment to bridging the gap between academia and public policy, I invite you to celebrate our success, which is detailed in the following pages of this annual report. With the support of our dedicated board members, distinguished advisers and wonderful staff, we hope to make 2011 an even more successful and productive year. Thank you for your continued support and contributions. ■

Thanks to all who have contributed to our accomplishments,



Prof. Amelie F. Constant, Executive Director

Who We Are

DIWDC is an independent, nonpartisan, and nonprofit economics think tank incorporated in Washington, DC. Founded in January 2007, DIWDC conducts serious research in economics, provides solutions for effective policymaking, educates doctoral students, and specializes in researching and interpreting American and European economic trends for the transatlantic market, serving as a platform for joint research and policymaking. DIWDC takes pride in its independent original research, in enriching the understanding of public policy issues, and in offering services to the scientific community and to the wider public.

The DIWDC organization focuses on current and emerging socioeconomic and policy issues of our time, engaging in educational and research activities. Acting as a nexus between academia and public policy, DIWDC offers practical policy solutions and advice for both the general public and policymakers.



Through teaching, fellowships, visiting scholars, conferences and publications, DIWDC widely disperses educational research and analysis, serving as a vital catalyst between academic scholarship and policymaking. The Institute achieves its goals primarily by bringing new knowledge to the attention of decision makers and affording scholars greater insight into public policy issues.

Focusing on issues of current social and economic importance, DIWDC facilitates the exchange of ideas, knowledge and people in policymaking institutions on both sides of the Atlantic (U.S., Europe, China and Africa) with the aim of stimulating transatlantic research exchange and

providing unique insight into all parties' economic landscapes.

DIWDC Board of Directors

The Board of Directors (BoD) serves as the governing body of DIWDC. This group of international economic experts is responsible for managing the Institute's affairs by setting its mission and policies, planning and supervising its operations and publicly serving as advocates of DIWDC. In 2010, BoD members were:

- Prof. Guillermina Jasso, Ph.D.
- Prof. Amelie F. Constant, Ph.D.
- Prof. Dr. Klaus F. Zimmermann

DIWDC Board of Distinguished Advisers

The DIWDC Board of Distinguished Advisers (BoDA) is comprised of leading scholars, distinguished business and corporate executives, academics, former government officials and community leaders, who provide advice and counsel to the Institute. They project the Institute, further strengthen DIWDC's connections, ensure continued relevance to the national and international business communities, and safeguard the international and interdisciplinary character of the Institute's transatlantic vision. The 2010 BoDA members were:

- Prof. Kathryn Anderson, Ph.D. (Vanderbilt University)
- Prof. Larry Hedges, Ph.D. (Northwestern University)
- Prof. Edward Lazear, Ph.D. (Stanford University)
- Prof. Keith Maskus, Ph.D. (University of Colorado at Boulder)
- Prof. Douglas Massey, Ph.D. (Princeton University)
- Prof. Dr. Christopher Pissarides (London School of Economics & 2010 Nobel Prize Laureate)
- Mr. Wolfgang Pordzik (Executive Vice President, DHL Americas)
- Mr. Howard Silver (Partner, Hogan Lovells LLP)
- Prof. Dr. Rita Süßmuth (Former President of the German Federal Parliament)
- Prof. Jan Svejnar, Ph.D. (University of Michigan)



C. A. Pissarides after receiving his Nobel. Copyright © The Nobel Foundation 2010. Photo: Frida Westholm

Resident Ph.D. Students

Each year, first-year students from the DIW Berlin Graduate Center of Economic and Social Research spend three months at DIWDC as part of their studies. The students attend graduate classes, participate in internships, and are given the opportunity to interact with some of America's leading economic minds. In 2010, DIWDC hosted the 2009 entry cohort of 20 doctoral students. ■



What We Do

Excellence in Research and Teaching

The Institute's collaborative research teams are international and multidisciplinary, drawing upon political science, law, sociology, geography, social psychology, and anthropology to explain economic forces and behaviors. Some projects are initiated by our staff or individual fellows, while others are commissioned or funded by foundations or governments. Together with our partner organizations, we conduct research in the following areas of economics:

- Migration
- Evaluation of Labor Market Programs
- Labor Markets, Institutions and Development
- Macroeconomic Analysis, Business Cycle Measurement and Forecasting
- International Economics
- Public Economics
- Energy, Transportation, Environment
- Information Society and Competition
- Innovation, Manufacturing, Service
- Political Economy
- Health
- Law and Global Affairs

In addition to conducting cutting-edge research, DIWDC is strongly committed to educating tomorrow's economic leaders. Each year, DIWDC hosts students from DIW Berlin's Graduate Center of Economic and Social Research, arranging internships, classes, and weekly guest lectures from prominent scholars and businessmen. Students are given career advice and encouraged to make lifelong American connections. DIWDC works closely with American universities as well. It enjoys partnerships with Georgetown University and George Washington University, both strong international leaders in scholarship and public policy. As a visiting professor at George Washington University, DIWDC's Executive Director, Amelie F. Constant, shares her in-depth knowledge of the economics of migration and the labor markets with her students and encourages them to attend DIWDC lectures and events. Receiving graduate and undergraduate students as interns is another way to be in close contact with universities and the academic world. DIWDC takes pride in training interns from various universities every year, mostly in the spring and summer semesters.





Solutions for Effective Policymaking

Seeking to enrich understanding of public policy issues through work with international scholars, government leaders, the general public, and the private sector, DIWDC is committed to promoting conscientious economic research and disseminating knowledge to the public. As an Institute, DIWDC focuses on current socioeconomic and policy issues, offering practical policy solutions and advice to both the general public and policymakers. The Institute achieves its goals by bringing new knowledge to the attention of decision makers and affording scholars greater insight into public policy issues. DIWDC also offers a direct connection to international policy research. Affiliated with leading German economic research institutions DIW Berlin and IZA Bonn, DIWDC serves as a stage for U.S. European collaborative research and policymaking. Focusing on issues of current social and economic importance, DIWDC facilitates the exchange of ideas and knowledge. Organizing substantive workshops and meetings and inviting policymakers and other stakeholders and NGOs, the Institute communicates its unbiased research to the policymakers, the media, and the public.

Stronger Transatlantic Relationships

While DIWDC is an American company, it has a very international orientation and flair. DIWDC enjoys close partnerships with DIW Berlin, the largest German think tank in economics, and IZA, the international network of labor economics, headquartered in Bonn, Germany. Building on the internationally renowned reputation of IZA and the more than eighty years of DIW Berlin's commitment to research, teaching, and policy advice, DIWDC brings a new level of awareness and resources to the scientific community, the political arena and the wider public. Collaborating with other think tanks and organizations in Europe, China, and Africa, DIWDC values transatlantic relationships and strives to create stronger and deeper relationships across the Atlantic. Each country can serve a unique paradigm to the other country that can be very valuable in our global world. Focusing on issues of current social and economic importance, DIWDC facilitates the exchange of ideas, knowledge, and people among U.S. and European policymaking institutions with the aim of stimulating transatlantic research exchange and providing unique insight into both economic landscapes.

The Institute is also affiliated and collaborates with many other DC think tanks, international organizations, the local German expatriate community and other German and European businesses. Through these connections, DIWDC bridges the gap between academic research and public policy as well as between the U.S. and across the Atlantic Ocean Regions. ■

DIWDC Expands Graduate Center Curriculum with Classes, Internships and Seminars in DC

With the best interests of the doctoral students in mind, DIWDC organized prestigious internships at high-profile think tanks, organizations, and universities in the DC area during February 2010. These internships are designed to offer the best match with the students' interests. The students work closely with top-notch researchers and professors on a project that has often led to co-authorships of papers. Among the institutes hosting DIW student internships in 2010 were:

Internships Organized by DIWDC for the Graduate Student Residents

Student Name	Internship Placement
• Julian Baumann	George Washington University
• Elisabeth Buegelmayer	George Mason University
• Damir Esenaliev	Center for Strategic and International Studies
• Christoph Grosse Steffen	International Monetary Fund (IMF)
• Clemens Haftendorn	Center of Integrative Environmental Research
• Daniel Kemptner	International Monetary Fund (IMF)
• Juliana Koernert	University of Maryland
• Antje Kroeger	The World Bank
• Jan Marcus	The Urban Institute
• Florian Moelders	The World Bank
• Soeren Radde	International Monetary Fund
• Nils Saniter	Migration Policy Institute
• Tobias Schmidt	George Washington University
• Anne Schopp	Resources for the Future
• Andreas Schroeder	Federal Energy Regulatory Commission
• Johanna Storck	The Urban Institute
• Paul Viefers	International Monetary Fund
• Lilo Wagner	Federal Energy Regulatory Commission
• Sindu Workneh	The World Bank
• Michael Zchille	Federal Energy Regulatory Commission

Social and Professional Program

DIWDC provided a social program for the students to make them familiar with the American lifestyle and the professional world. Prof. Constant has given the students ample information about DC events and happenings, and sightseeing (such as White House and the Capitol). Very often professional programs also had some social events included.



About the DIW BERLIN Doctoral Program

The DIW BERLIN Graduate Center strives to train and graduate young doctoral students from all over the world with a research environment and institutional training. Doctoral students at DIW BERLIN enter into a three year program. During their first winter term, the students attended advanced-level courses in microeconomics, macroeconomics, econometrics, and economic policy in Berlin and Washington D.C. They are also placed in two internships: one in Berlin and one in Washington D.C. This is a unique opportunity offered by DIW BERLIN which allows the students to develop an in-depth practical understanding of what it means to work in applied economic research.

The faculty of the Graduate Center consists of permanent staff and invited visiting lecturers including Dr. Amelie F. Constant, Executive Director of DIWDC. She is also a visiting professor at the Elliott School of International Affairs at George Washington University, and the Vice Dean of the Graduate Center in Berlin. ■



EVENTS

Distinguished Scientists Lecture Series and Other Extracurricular Activities

The DIW Berlin doctoral students enjoyed a rich abundance of experiences and all that the nation's capital has to offer, including several extracurricular activities which consisted of tours to the U.S. Capitol building and offices. These tours gave a well deserved break to the students.

The Distinguished Scientists and their Stories is a series of lectures for the DIW Berlin graduate students to participate in conversations about issues relevant to their time with prominent political, economic, and business leaders in Washington, DC. This series intends to give insights, enrich social capital, and provide unconventional cross-disciplinary education, as scholars and industry leaders share their experiences with the students. Topics covered include a survival guide to the doctoral program, recipe for success in the profession, how to publish and not perish, how different international organizations work, how to succeed in a foreign country, career options outside academia, and pressing current problems and effective solutions. The following group of scientists and high profile businessmen participated in this series and mentored the students during their tenure at DIWDC:



- Prof. David B. Audretsch, Distinguished Professor Indiana University, Bloomington and Director of the Institute for Development Strategies and Director of the Max Planck Institute of Economics in Jena
- Dr. Dean Baker, Co-Director of the Center for Economic Policy Research in Washington, DC
- Prof. Dr. Helge Berger, International Monetary Fund and Free University Berlin
- Dr. Rebecca Blank, Under Secretary of the Department of Commerce for Economic Affairs, Economic Advisor to the Secretary of Commerce and Head of the Economic and Statistics Administration
- Ms. Jie Li, University of California
- Ms. Valentina Calderon-Mejia, University of Chicago

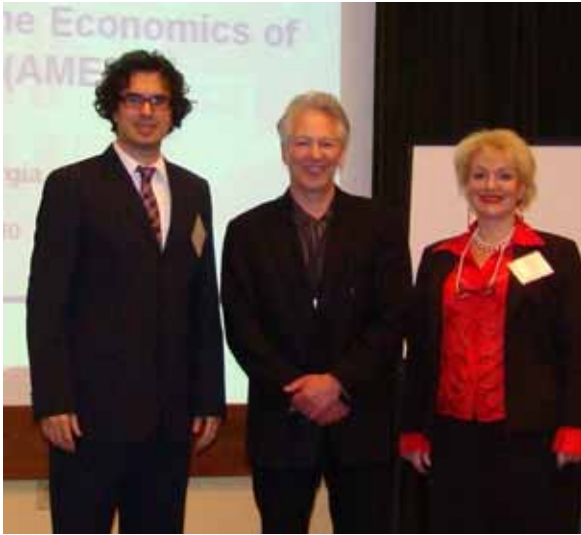
- Dr. Susan E. Fleck, Division Chief, Office of Productivity and Technology, Bureau of Labor Statistics
- Dr. Matin Bodenstein, Board of Governors of the Federal Reserve System, International Finance Division

- Prof. Spyros Konstantopoulos, Measurement and Quantitative Methods, Michigan State University
- Prof. Dr. Frauke Kreuter, Joint Program in Survey Methodology, University of Maryland
- Mr. Thomas G. Morr, JD, President and CEO of Select Greater Philadelphia
- Dr. Eugene Schmiel, Director for Academic Programs, Washington Internship Institute
- Dr. Stephanie Shipp, Senior Research Analyst for Economics, Energy, and Technology Assessment, at the Science and Technology Policy Institute
- Prof. Dr. Thomas Straubhaar, Director Hamburg Institute of International Economics (HWWI), Professor at the University of Hamburg and Helmut Schmidt Fellow at the Transatlantic Academy of the German Marshall Fund in Washington, DC
- Prof. Dr. Klaus F. Zimmermann, President of DIW Berlin, Director of IZA in Bonn and University of Bonn Professor ■



Successful AMERB for the Second Time and Counting!

The Second Annual Meeting of the Economics of Risky Behaviors (AMERB) took place in Stone Mountain, Georgia in March 2010. It was funded by the triad of DIWDC, IZA Bonn and the Andrew Young School of Georgia State University. AMERB brought together about 40 economic experts and criminologists from all over the world. These scholars presented their research on the causes and consequences of risky behaviors, debated the issues with their colleagues and enriched our understanding. The three-day



conference was filled with innovative presentations and lively discussions on research related to a variety of risky behaviors and outcomes ranging from substance abuse to obesity. Risky behaviors impose negative externalities and substantial costs to those who engage in them, their close circle, and society. AMERB's co-organizers, Dr. Amelie F. Constant, Executive Director of DIWDC and Dr. Erdal Tekin, Professor of Economics at Georgia State University, were honored to have Dr. Richard Rosenfeld, Curators Professor of Criminology at the University of Missouri - Saint Louis and the current President of the American Society of Criminology, attend this year's conference as the Keynote speaker, Dr. Rosenfeld presented his widely popular and solid research on the effects of street crime entitled "Violent Crime, Property Crime, and the Economy:

The Role of Underground Markets."

The first session was dedicated to research on Risky Behaviors and Health and was chaired by Dr. Amelie F. Constant. Session II was chaired by Dr. James Alm from Georgia State University. It was entitled Smoking and Illicit Drug Use. Session III focused on Alcohol Consumption, Sexual Activity, and Risky Behaviors. The second day of the meeting commenced with Session IV that was dedicated to research on Gangs, Crime, and Productivity. It was chaired by Dr. Volkan Topalli from Georgia State University. The last session of the day was on Risky Behaviors and Experimental Evidence, and was chaired by Dr. David L. Sjoquist from Georgia State University. Session VI on Adolescents and Risky Behaviors commenced the third day of the conference. It was chaired by Dr. Erdal Tekin from Georgia State University. The conference came to an end with closing remarks by Dr. Amelie F. Constant and Dr. Erdal Tekin, who co-founded this series of research in riskynomics and co-organized the meeting. They thanked all three partner institutes of this conference (DIWDC, IZA Bonn, and the Andrew Young School of the Georgia State University) for their generous support, as well as all participants for their contributions and all attendants for their interest and encouragement. The co-organizers underlined the paramount importance of this line of research in economics, in other social sciences and in society. Pledging to take the risk to co-organize the next conference on the Economics of Risky Behaviors in March 2011, they enjoyed a farewell Luncheon. ■

Conquering the Seventh Year Itch: Viva AM²!

More than 30 migration experts from various countries gathered at IZA in Bonn, Germany to attend the seventh Annual Migration Meeting (AM²). AM² was organized by Dr. Amelie F. Constant, DIWDC Executive Director and IZA Deputy Program Director in Migration, and Dr. Barry R. Chiswick, Professor at the University of Illinois at Chicago and IZA Program Director in Migration. In the two-day meeting from June 4th to 5th 2010, twelve scholarly papers, on a variety of migration topics, were presented and discussed by the migration scholars. Going strong for the seventh year, AM² consisted of seven sessions. Each paper presentation was formally commented upon by a discussant and followed by floor discussion.



This year's AM² broke significant records from previous years as one of the most selective conferences with a seventeen percent submission acceptance rate chosen from sixty-five applications. Eleven papers were presented along with a very stimulating keynote speech.



Additionally, this year's meeting included a balance of male and female presenters from fourteen different countries. Research from these presenters was rich in diversity as research topics were conducted on nine different countries. Following the welcoming remarks by Amelie Constant and Barry Chiswick, the meeting started with the Session entitled, *"The Highly Skilled of the Past, Networks and Child Labor of the Present."* *"Immigration and Family Interactions"* was next and the meeting proceeded with the Julian Simon Lecture, the AM² featured keynote in honor of the late economist Julian Simon. A migration advocate, Julian Simon was a major supporter of an unrestricted migration policy. This year, Professor Eskil Wadensjö (Stockholm University and IZA) was the honored speaker of the Julian Simon Lecture. His keynote was entitled *"Experience of the Common Nordic Labour Market."*

The second day of the meeting resumed with a Session on Immigrants and Language. The last Session was devoted to Immigrant Earnings. The 7th AM² ended with lunch at IZA's backyard overlooking the Rhine after the co-organizers, Amelie Constant and Barry Chiswick thanked the participants and pledged an exciting 8th AM² in 2011, to take place along with the 3rd Migration Topic Week.

Over the last seven years, AM² had served as a cocoon for groundbreaking research as well as a springboard of new collaborations. "A refreshing higher female gender ratio this year attests to the fact that women are strong scholars in the economics of migration," notes DIWDC Director Amelie F. Constant. ■



Transatlantic Cleavage at CSIS

The July 15 luncheon speech was co-organized by DIWDC and hosted by the Center for Strategic & International Studies (CSIS) in Washington DC. The luncheon speech featured Prof. Dr. Klaus F. Zimmermann, who talked about the transatlantic relations after the G-20 Summit in Toronto. The speech was moderated by Dr. Sidney Weintraub, the William E. Simon Chair in Political Economy at CSIS. It was attended by high-profile community members from universities, embassies, think tanks, the media and other international organizations in the Washington, DC area.

The fourth G-20 meeting of the heads of state in Toronto ended in a division of economic strategies between the U.S. and Europe. The two commanding powers across the Atlantic – the U.S. and Europe – will now follow different economic strategies, heading towards regionally different regulations of the financial markets and different models to improve potential economic growth. DIWDC Chairman Prof. Dr. Klaus F. Zimmermann talked about this transatlantic divergence, and advocated the need for new fiscal stabilization policy to achieve sustainable and balanced economic growth.



Based on economic data and recent statistics, and using Germany as a European paradigm, Dr. Zimmermann discussed the current GDP growth and unemployment situation in Germany and the U.S. He showed that although GDP steeply declined in Germany compared to the U.S., employment in Germany has been constant. This German Miracle (*Wunderbar*) of the 21st Century is mainly due to short-time work (*kurzarbeit*) practices that created a scope for buffering capacity within firms and recent labor market reforms and behavior of social partners. Additionally, the crisis mainly affected export-oriented manufacturing firms. Those firms face a shortage of qualified workers and dismissals would entail a significant loss of firm-specific human capital.

In the end, Dr. Zimmermann pointed out that it is time for a new supply side strategy, and called for a growth-friendly fiscal consolidation with regulation of financial markets, free skilled labor migration, rising female work force participation, structural reforms of labor market strategy affecting education and fostering free trade as the keys to recovering from the global recession. After the presentation, Dr. Zimmermann answered questions and discussed transatlantic economic issues with the audience. ■



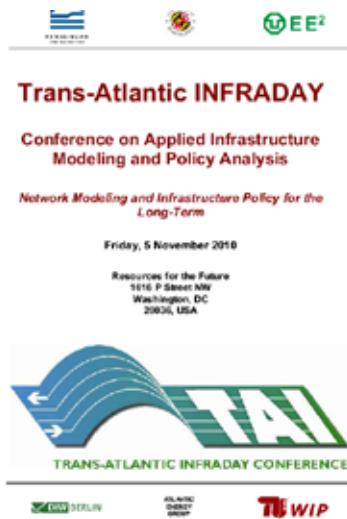
“Troubled Waters” in Washington DC

“**T**roubled Waters: Piracy and Governance” was the title of the luncheon talk that Dr. Olaf de Groot from DIW Berlin gave on November 5. This was another event organized by DIWDC and hosted at the Center for Strategic & International Studies (CSIS). Dr. Sidney Weintraub, Holder of the William E. Simon Chair at CSIS and a veteran scientist and policymaker, chaired and moderated the talk; Dr. de Groot presented his research from his DIW Berlin Discussion Paper No. 1063, entitled “Gov-arrgh-nance Jolly Rogers and Dodgy Rulers.” This paper is co-authored with Anja Shortland (DIW Berlin and Brunel University). ■



Infraday in Washington DC for the Fourth Consecutive Year

DIWDC was thrilled to be involved again in the 4th annual conference “Infraday” that unites economists and engineers. Infraday stands for “Applied Infrastructure Modeling and Policy Analysis.” This transatlantic conference was co-organized by DIW Berlin, Dresden University of Technology, Technical University of Berlin, Germany, and the University of Maryland. The theme of this year’s conference was “Network Modeling and Infrastructure Policy for the Long-Run.” The objective was to identify similarities and differences between various networked industries such as energy, transportation, and water, as well as to draw comparisons between North American and European experiences in research. Particular emphasis was placed on the engineering-economic connection, as well as its policy implications. This year, Infraday was held in tandem with the conference on “Next Generation Power System Planning Models.” This companion conference was held at the Federal Energy Regulatory Commission (FERC) in Washington, DC, the previous day. ■



Meeting Global Challenges: US-German Innovation Policy: 1st Day

The first series of the Innovation Conference was launched on Monday, November 1 and close to 150 policymakers, researchers, academics, and businessmen gathered at the Ballroom of the National Press Club. Leading figures from Germany and the United States participated, discussed, exchanged information, and debated a range of issues of mutual interest: clean energy policy, manufacturing and exports, electric vehicle industries, small business and technology commercialization, and the increasingly important role of universities as drivers of innovative economic engines. The conference successfully apprised the community about the importance of innovation, the current policies on innovation, and the strategies on innovation from both sides of the Atlantic. DIWDC was privileged to co-organize this remarkable conference with DIW Berlin and the National Academy of Science (NAS).

The conference started with two welcome addresses, first by Alan Am. Wolff, Chairman of National Academies Study of Comparative National Innovation Policies and then by Professor Klaus F. Zimmermann, President of DIW Berlin. Dr. John Holdren, Science Adviser to President Obama and Director of the White House Office of Science and Technology Policy, opened the conference by describing the current administration's innovation program. His speech, "A Strategy for American Innovation: Driving Toward Sustainable Growth and Quality Job," covered the current administration's dedication towards economic improvement.

His Excellency Dr. Klaus Scharioth, the German Ambassador to the United States, gave the next presentation. Ambassador Scharioth emphasized the importance of the conference during this time of expansion between Germany and the United States in the fields of science, technology, and innovation.



The conference consisted of six panels:

- Panel I: Current Trends in Innovation Policy
- Panel II: Energy Policy: Lessons and Opportunities
- Panel III: Building the Electric Vehicle Industry
- Panel IV: Manufacturing and Trade: Lessons in Export Policy
- Panel V: Helping Small Business: Perspectives from the United States and Germany
- Panel VI: Universities for the 21st Century

The Innovation conference, which focused on comparing innovation policies and measures across the Atlantic, ended with a roundtable chaired by Alan Wm. Wolff. In their closing remarks, co-organizers Professor Klaus F. Zimmermann and Alan Wm. Wolff thanked the participants for their valuable contributions and spirited discussions. ■

2nd Day on Innovation

On November 2nd, Dr. Amelie F. Constant, Executive Director of DIWDC, opened the conference by underlining the importance of research efforts in innovation. After thanking all co-sponsoring institutes (DIWDC, NAS, DIW Berlin, and BIGS), Dr. Constant talked about the nexus between innovation and economics. Dr. Charles Wessner, Director of Technology, Innovation, and Entrepreneurship at the National Academies, also gave his opening remarks. Session I, which was on *Measuring Innovation*, was chaired by Dr. Anne Golla from the International Center for Research on Women. Session II, chaired by Dr. Amelie Constant of DIWDC, was on *Green Innovations*.

Dr. Amelie Constant chaired the honorary luncheon address, delivered by Professor Rebecca Blank, Under



Secretary of the United States Department of Commerce. Dr. Blank's presentation was entitled, "How Does Innovation Help Economic Growth." Dr. Constant moderated the numerous questions addressed to professor Blank.

Following Professor Blank's honorary address was Session III on *Innovations in Security*; it was chaired by Tim Stuchtey, Director of BIGS.

The second day of the Innovation conference ended with the Session *Innovation and Entrepreneurship*. It was chaired by Stefanie Shipp from the Science and Technology Policy Institute. The fruitful conference ended with Professor Zimmermann's, Chairman of DIWDC's Board of Directors, concluding remarks and a reminder that the next conference will be in Berlin in May 2011. ■

German Day on Development at the World Bank

Returning to the World Bank headquarters in Washington DC, the fourth annual “German Day on Development” conference was hosted by Germany on November 3.¹ This day-long conference is organized by DIWDC in cooperation with IZA, DIW Berlin, and the World Bank. Attended by several World Bank officials, this event provides an excellent opportunity for experts to discuss the latest research on conflict, development, investment, and migration issues. The German Day on Development also enhances collaboration and communication between researchers in Washington and Germany. As a new Washingtonian, Ms. Ingrid Hoven, Executive Director for Germany at the World Bank, presided over the commencement of the conference as her first official duty. Professor Dr. Klaus F. Zimmermann and Dr. Amelie F. Constant, Executive Director of DIWDC, followed Ms. Hoven’s opening remarks. Economic specialists presented extensive research analyses on a broad array of topics, ranging from the effects of conflict on micro and macro-economic development, positional income concerns, leader educational attainment and FDI (Foreign Direct Investment) flows, and East Asia regional considerations.

The highlight of this year’s conference was the keynote by Dr. Mwangi S. Kimenyi from the Brookings Institution. Dr. Amelie F. Constant highlighted the background of the honored speaker and moderated the Q&A session. Dr. Kimenyi presented his research on



“The Centrality of Mirco-(self-governing) Institutions in the Development Process.

The conference was comprised of three diverse sessions. Session A was dedicated to research on *Measuring the Impact of Conflicts: Micro and Macro Perspectives*. It was chaired by Dr. Quentin Wodon of the World Bank. Chaired by

Dr. Sonia Plaza of the World Bank, Session B was entitled “*Positional Income Concerns in Ethiopia and African Leaders*.” The conference concluded with Session C on *East Asia Regional Considerations*. It was chaired by Dr. David Margolis of the World Bank. Closing remarks were given by Professor Klaus F. Zimmermann and Dr. Amelie F. Constant, who thanked all participants for their contributions and stimulating comments. They also thanked the World Bank, and Germany in particular, DIWDC, IZA, and DIW Berlin for their generous support, and pledged to continue this event in 2011. ■

¹ Germany is the third largest donor government to the World Bank, following the United States and Japan.

Prestigious Prize in Labor Economics Goes to Professor Francine D. Blau!

DIWDC joined partner Institute IZA in the award ceremony of the 2010 IZA Prize in Labor Economics. Professor Francine D. Blau, Frances Perkins Professor of Industrial and Labor Relations and Labor Economics at Cornell University, received this year's prestigious Prize for her seminal contributions to the economic analysis of labor market inequality. A Harvard graduate, Professor Blau has devoted her career to research on the role of women in the labor market and on gender differences in many aspects of economic life. Against all odds and when research on women was not "tenure material" Professor Blau stayed true to her dedication and made tremendous contributions to the literature on labor market inequality, studying minority groups around the world and pioneering the use of detailed micro-level data on the occupational level. The IZA award committee recognized that professor Blau's "work has profoundly shaped the view of scholars and policymakers on the causes and consequences of gender differences in economic outcomes, and on policies for advancing women's labor market position and well-being."

Among her many honors, Professor Blau has served as vice president of the American Economic Association (AEA), and as chair of the Committee on the Status of Women (CSWEP) in the Economics Profession. A Founding Fellow of the Society of Labor Economists, she has also been the president of the Society of Labor Economists and of the Labor and Employment Relations Association. In her prolific career she has produced one hundred refereed journal articles, eight books, and countless other monographs, policy briefs and op-eds.

Heralded by the cognoscenti in Labor Economics, previous IZA Prize winners, Nobel Laureates, international labor market experts in economics, pundits co-authors, family, and friends Professor Francine Blau accepted the IZA Prize, which carries a monetary award of 50,000 Euros. The IZA Prize in Labor Economics is considered the most important international science award in its field. The 2010 IZA Prize Ceremony started with a warm welcome by the incoming AEA President and Princeton University Professor Oley C. Ashenfelter. Professor Klaus F. Zimmermann, IZA Director and University of Bonn Professor, spoke at the Prize Ceremony. Next, Professor Dale T. Mortensen of Northwestern University, 2005 IZA Prize Laureate, and 2010 Nobel Laureate, delivered the keynote. The Prize Ceremony continued with a Panel



Symposium of prominent labor economists. It was moderated by the erudite Professor Shelly J. Lundberg of the University of Washington. The panelists were Orley C. Ashenfelter (Princeton University and 2003 IZA Prize Laureate), David Card (University of California, Berkeley and 2006 IZA Prize Laureate), Alan B. Krueger (Princeton University and 2006 IZA Prize Laureate), Dale T. Mortensen (Northwestern University, 2005 IZA Prize Laureate and 2010 Nobel Laureate), and the rookie in the IZA Hall of Fame, Francine D. Blau (Cornell University and 2010 IZA Prize Laureate). Professor Jane Waldfogel of Columbia University delivered the eloquent and inspiring laudation. A moved Francine Blau replied with thanks to her husband, Lawrence Khan, her children, family members, professors, and other individuals who influenced her quest for knowledge and shaped her devotion to economics and the field. She received cheerful applause and a lengthy standing ovation by the entire ballroom. The 2010 IZA Prize Ceremony continued with musical performances and the dinner banquet. “Fran has been the role model for many female economists; she has certainly influenced me! She has juggled a rewarding career, a fabulous marriage, and amazing children with humble grace,” said DIWDC Executive Director Amelie F. Constant. ■



Professor Raj Chetty Receives the 2010 IZA Young Labor Economist Prize

The 2010 IZA Young Labor Economist Award was bestowed on Harvard University Professor Raj Chetty for his outstanding paper on “Moral Hazard Versus Liquidity and Optimal Unemployment Insurance.” Professor Daniel Hamermesh of the University of Texas and former DIWDC Board of Directors along with IZA Research Director Marco Caliendo praised the winner for this publication in the *Journal of Political Economy*, 2008, 116 (2), 173-234. They acknowledged that Chetty’s paper has “greatly influenced our view of unemployment benefits and social insurance programs.”

This year’s award ceremony was presented in tandem with the IZA Prize in Labor Economics (see previous page). It demonstrates IZA’s strong commitment to supporting young and aspiring scholars and it serves as an additional incentive for this group to conduct high-quality and policy-relevant research in the field of labor economics.

Raj Chetty received his Ph.D. from Harvard University in 2003. After his tenure at Berkeley, he is back at Harvard as a full professor at the Economics Department and as the Director of the Lab for Economic Applications and Policy. His scholarly outputs have been published in outlets such as the *American Economic Review*, the *Journal of Political Economy*, or the *Quarterly Journal of Economics*. He is currently also serving as Editor for the *Journal of Public Economics* and as Co-Director of the Public Economics Program at the NBER. ■



Executive Director Gives Keynote at the Migration Scribani International Conference in Madrid

“European Migration and Asylum Policies: Coherence or Contradiction?” was the theme of this year’s Scribani International Conference, held at the Universidad Pontificia Comillas, Madrid and the University Institute for Migration Studies (<http://www.upcomillas.es/pagnew/iem/index.asp>). The University Institute for Migration Studies was founded in 1994 and was part of the Scribani Network from its beginning in 2003. Its principal areas of activity are: migration research, teaching on migration at all levels of university education, giving advice and support to public and private entities involved in activities related to immigration and providing practical formation for the assistance of ethnic groups and people in migration.

Dr. Amelie F. Constant, Executive Director of DIWDC, was invited to deliver a keynote at this high-profile three-day international and interdisciplinary conference on migration. The conference focused on the new challenges raised by the European asylum and immigration policy from an interdisciplinary point of view, and was structured around four major pillars: legal migration and integration; irregular migration and border controls; right to asylum; and EU migration, development policies, and the fundamentals of the integration of nations and regions. The conference opened with welcome speeches by the University Rector, Jose Ramon Busto Saiz and the President of the Conference of European SJ Provincials, Mark Rotsaert. Professor Javier de Lucas of the University of Valencia gave the opening lecture on “From the Society of Contempt to the Defilement of the Rule of Law. On European Immigration Policies.” On September 10, 2010, in front of a large audience and the presence of migration veterans like Professor



Stark Oded and Professor Ruben G. Rumbaut, Dr. Constant presented her talk on “Sizing it up: Labor Migration Lessons of the EU Enlargement to 27.” Professor Dr. Christiane Timmerman, Director of the Centre for Migration and Intercultural Studies (CeMIS) at the University of Antwerp introduced Dr. Constant and moderated the session.

In her keynote address, Dr. Constant reminded the audience about the integral part of migration in Europe’s past, present and future, and described the evolution of the European Union’s (EU) labor migration after the expansion of the EU to 27 member states. Dr. Constant showed that for the EU as a

whole, substantial positive effects in terms of GDP, GDP per capita, productivity and wages, and a somewhat

smaller effect for employment could be expected in the long-run. EU-intra labor migration in light of the recent economic downturn was the last part of Dr. Constant's keynote.

An accomplished labor economist and migration expert, Dr. Constant addressed following challenges: The question of whether many more people will decide to leave new member states for the old ones; whether the numbers will stabilize at much lower figures than they currently are; the composition of future migration flows; the timing, duration, and frequency of migrants' stay abroad; how transitory arrangements affect the post-enlargement migration flows and their repercussions; and finally, how to ensure that free mobility in the EU is upheld in all aspects. After her keynote Dr. Constant's keynote ignited many questions from the audience. In the ensuing panel session, Dr. Constant answered questions and debated issues with Dr. Stark and others. ■

DIWDC Executive Director Receives “2009/2010 Professional Woman of the Year Award”

Dr. Amelie F. Constant has been awarded for her accomplishments, achievements, and professional history as Professional Woman of the Year by the National Association of Professional Woman. NAPW recognizes Dr. Constant for her outstanding leadership and commitment within her profession. ■

The image shows a professional profile card for Amelie F. Constant Ph.D. The card is titled "NAPW Profile" and features a "VIP" badge in the top right corner. A pink banner at the top left reads "VIP woman of the year." Below this, the name "Amelie F Constant Ph.D" is prominently displayed. To the left of the name is a portrait of Dr. Constant, a woman with short blonde hair wearing a dark jacket over a white collared shirt. To the right of the name, her details are listed: "First Name: Amelie", "Last Name: Constant Ph.D", "Company: DIWDC", "Industry: Organization", and "Title: Executive Director". Below the name and details is a logo for "DIW DC" which includes a stylized image of the US Capitol building. At the bottom left, under the heading "PROFILE", there is a short bio: "My name is Amelie Constant. I am the Executive Director of DIW DC. My Institute is a non profit economics think tank, specializing in sound research, education and transatlantic relationships. I received my Ph.D. from Vanderbilt University and my area of study is labor economics. I love my job and so it has become my hobby too." At the bottom right, under the heading "AFFILIATED CHARITIES", it says "Affiliated Charities Coming Soon".

Fellowship Program at DIWDC

Washington, DC, is an ideal location for researchers who are also interested in policy. It is the home of all three branches of the United States federal government, the World Bank, the International Monetary Fund, 22 colleges and universities, 172 foreign embassies, innumerable think tanks, lobbying groups, NGOs, and professional associations. It is also home to DIWDC, a leading independent, nonpartisan, nonprofit economics think tank. The DIWDC Fellowship Program enables academics and scientists to come to the district and enjoy DIWDC's prime resources, central location, and close ties to policymakers, embassies, fellow research institutions and universities, all while pursuing a project in one of DIWDC's research areas or general socioeconomic topic of interest to DIWDC. Applicants must have an advanced degree and be working on an approved project. They should set their own timeline for their visit and, once accepted, may stay from one month up to one year, with the opportunity of seeking renewal after one year. Fellows will be responsible for all their own costs, including office space and travel. Fellows will also be responsible for obtaining a visa to come to the U.S. ■

To apply, please send a CV, cover letter, a two page project proposal, two to three references and a suggested timeline to: info@diwdc.org.

Economics Seminar Series Underway at DIWDC

Addressing a need and a demand for an Economics Seminar Series, DIWDC is proud to start this series in 2010. As an economic think tank in the heart of the Nation, DIWDC is dedicated to providing a beneficial learning environment that fosters the engagement of young as well as more experienced individuals in the field of economics and which can stimulate thinking and generate new ideas. DIWDC holds several seminars a year in which participants are given the opportunity to present their original research to a select audience. Intermittent seminars cover a wide range of topics in economics and public policy and last for an hour and a half, allowing ample time for Q&A. Active participation is required and a dialectical method of debating encouraged.

The Seminar Series is well attended by economists from the Institute, DIW Berlin, CSIS, as well as from the World Bank and Georgetown University. Among the seminar presenters this year was visiting fellow Mr. Steffen Otterbach (University of Hohenheim, Germany), who presented his latest research on *Over-employment and Health: A Panel Analysis of Germany and the UK*. Long-time visiting scholar at DIWDC, Dr. Jens Schmidt-Ehmcke (DIW Berlin), presented his work on innovation entitled the *Innovation Index of DIW Berlin and its Policy Relevance*.



Ms. Simone Schueller (DIW Berlin and Free University of Berlin), another visitor of DIWDC, gave an outstanding seminar presenting a paper from her dissertation entitled “Ethnic Identity and Educational Progression of Second-Generation Immigrants in Germany.” Ms. Agnieszka Postepska (Georgetown University) presented her co-authored work on immigrant remittances using the New Immigrant Survey. Her paper “Immigrant Remitters in the U.S.: Sex and Ethnic Differences” was also included in the poster session of the Annual Conference of the Population Association of America that took place in Washington DC in March 2011. Last but not least, Mr. Bienvenue Tien (DIWDC) featured in the seminar series with his co-authored paper with Amelie Constant, Executive Director of DIWDC entitled *African Leaders: Their Education Abroad and FDI Flows*. ■



Internship Program at DIWDC

DIWDC thanks the six summer interns, Carolyn Ferguson (Franklin & Marshall), Erdal Kaplan (McGill University and Graduate Institute of International Studies in Geneva Switzerland), Jingzhou Meng (George Washington University), and Paul M. Butler IV (Loyola



University), Aga Postepska (Georgetown University) and Phanwin Yokying (Randolph College), pictured above with DIWDC Director, Amelie F. Constant, for their valuable help to the Institute. DIWDC is accepting applications for the spring and summer internships in the fields of economics, public relations and administration. The Institute is happy to have hosted and trained these bright students from May to August. ■

If you are interested in interning at DIWDC, please contact us at: info@diwdc.org or call 202.429.2904.

DIWDC Part of USAID International Education

DIWDC participated in a USAID-sponsored training program about not-for-profit think tanks for an official delegation from Azerbaijan. The goal of the program is to teach people how to create and manage think tanks and robust organizations that are critical for assisting governments in economic transition. On July 21st, the Azeri delegates visited DIWDC for a discussion with Executive Director Amelie F. Constant about how to create, support, and manage an economic think tank in Washington DC. Being the founding director of a think tank herself, Dr. Constant shared with them various strategies about staffing a think tank and how such decisions can affect the outcomes of each think tank's performance. Dr. Constant additionally discussed topics such as member credentials and ways to maintain in-house experts while outsourcing other aspects of the think tank to consultants. Dr. Constant emphasized how crucial think tanks are within a country due to

between the government, the media, as well as other institutions and universities are ways in which Dr. Constant suggested the delegation go about creating a credible standing for newly formed think tanks. The delegates walked away with some valuable information to take back with them to Azerbaijan as they attempt to start their own think tanks. ■



Scientific & Policy Output

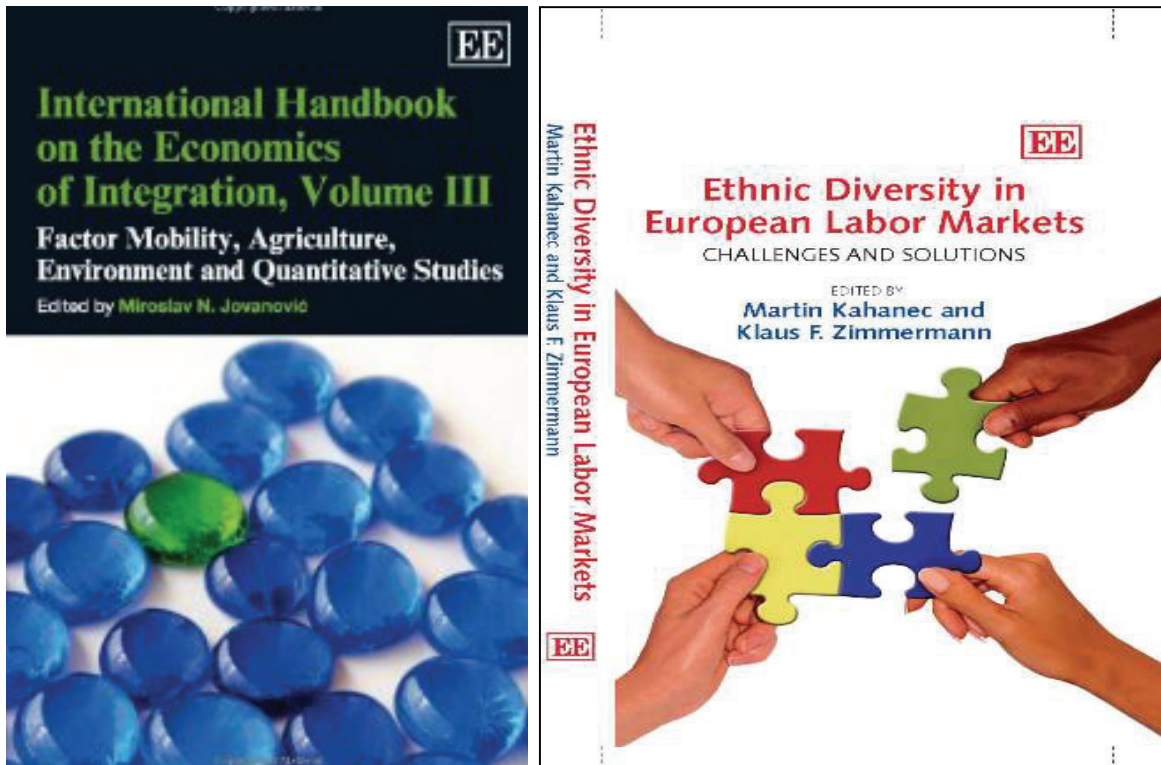
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- “Comparing the Early Research Performance of PhD Graduates in Labor Economics in Europe and the USA,” *Scientometrics*, (K. F. Zimmermann, A. Cardoso, and P. Guimarães), 2010, 84, 621-637
- “Economic Preferences and Attitudes of the Unemployed: Are Natives and Second Generation Migrants Alike?” A. F. Constant, A. Krause, U. Rinne, and K. F. Zimmermann. *International Journal of Manpower*, Forthcoming 2011
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- “An Expert Stakeholder’s View on European Integration Challenges,” A. F. Constant, M. Kahanec and K. F. Zimmermann, *IZA DP* 5398, December 2010
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Thoughts on Governance for the Future of Africa

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The recent pro-democracy protests in Northern Africa and Middle East took the world by storm. With a swiftness that was hard to imagine, deeply entrenched leaders were brought down from power and other leaders have seen their regimes threatened with a similar fate. The democratization process in the Arab world is unique in that these countries have had a very good record of progress in human development—especially in the health and education sectors. In fact, these countries have been development successes rather than failures. Yet these countries have long been characterized as having what the 2010 Human Development Report referred to as “democracy deficits.” These deficits have manifested in the form of pernicious levels of corruption, a lack of democratic space, and a poor record of rule of law and human rights. In recent years, the countries have also witnessed an increase in joblessness especially among the youth.

Africa has the opportunity to become the next center for manufacturing, ICT, and service sector jobs

The events in the Arab World highlight the importance of a comprehensive approach to sustainable development—investing in people, achieving economic growth that creates jobs and narrows persistent inequalities, and reforming the institutions of governance to permit broad and meaningful participation of citizens in political, economic and social spheres. The African Growth Initiative (AGI) at the Brookings Institution seeks to address African development issues in a similarly comprehensive approach with a focus on the drivers of economic growth and on institutions that are conducive for achieving sustainable economic prosperity. AGI also serves to help articulate informed African voices on Africa’s development in Washington, DC.

At the core of AGI’s research program is a focus on achieving sustainable economic growth. Africa’s record of growth during the post-independence period has been extremely poor; for many African countries, per capital incomes have hardly changed over four decades. Although African countries have recorded decent growth rates over the past decade, it is also true that such growth has been driven primarily by the increase in demand for commodities. Unlike their East Asia counterparts, African economies have not yet undergone the structural transformation necessary to achieve sustainable growth and to spread benefits to all members of society. Therefore, AGI’s research is concerned with strategies for facilitating this structural transformation.

The Youth Joblessness Problem

Although Africa has had significant GDP growth over the last decade, this has not led to high employment rates, particularly among the youth. As reported by the International Labor Office (ILO), about 7.2 percent of Africa's youth are unemployed, and an additional 46.9 percent are underemployed or inactive. To make matters worse, Africa is experiencing a "youth bulge." According to the 2010 Africa Economic Outlook, more than 60 percent of Africa's population is under the age of 25—a number that is expected to increase to 75 percent by 2015. The United Nations Population division has observed that Africa will account for 29 percent of the world's population aged 15-24 by 2050, up from 9 percent in 1950.

This shift in demographics need not be a harbinger of conflict and instability in Africa. With advanced economies experiencing an aging population and rising wages in Asia, Africa has the opportunity to become the next center for manufacturing, information and communications technology (ICT) and service sector jobs. One key challenge for Africa is the scarcity of jobs that are available in the wage sector, especially in comparison with the bulging youth labor market. Also, the market for capital that youth should be able to access in order to create enterprises and jobs for themselves is severely underdeveloped in Africa.

Africa needs structural transformation to achieve sustainable growth and to spread benefits to all members of society

Institutional Dimensions of Africa's Development

A root cause of Africa's failure to achieve sustainable economic growth and transformation is her poor governance institutions. Although there have been significant improvements in this area in some African countries during the last two decades, they have not been enough. Household and business surveys by various reputable organizations, such as the World Bank's Governance Indicators, rank virtually all African countries among the worst performers in terms of governance. According to Transparency International's 2010 Corruption Perceptions Index, Africa is the most corrupt region in the world.

The estimates of the cost of corruption to African economies are mind-boggling. The African Union has estimated that during the 1990s, corruption cost the continent about \$148 billion per year, or about 25 percent of its total output. Other reports show that in one year, corrupt African politicians and civil servants diverted amounts in excess of \$30 billion in development aid to foreign bank accounts. Lack of accountability is also prevalent in service delivery as evidenced by high rates of absenteeism by frontline providers, such as nurses, doctors and teachers. For instance, estimates show that up to 25 percent of teachers are absent from schools at any given time.

Thus, the quest for economic development in Africa must focus on governance—a concept that includes good corporate, economic and political governance. At the very least, it entails: (1) transparency and accountability in both the public and private spheres; (2) maintenance of the rule of law; (3) establishment of incentive systems that enhance involvement in productive activities; (4) enforcement of property rights and freely negotiated contracts; and

(5) maintenance of an institutional environment conducive to mutually beneficial free exchange and peaceful coexistence.

One of the most important policies to ensure the continent's economic growth is to fast track Africa's war on corruption. Although most African countries have set up elaborate anticorruption units, these bodies are largely ineffective. Indeed, in some countries, authorities have intentionally comprised them. Similarly, in some instances, the war on corruption has been derailed by selective allegations, largely influenced by ethnic allegiances. In others, the judiciaries have been compromised and have become ineffective in the adjudication of corruption cases. In sum, there is a pressing need for national governments and development partners to prioritize the strengthening of autonomous anticorruption bodies and the reforming of national judiciaries.

Building Institutions through Competitive Elections

As we have observed from the recent uprisings in North Africa and the Middle East, governments that do not provide citizens with adequate political outlets to vent their frustration are not sustainable. For a long time, most of Africa has been under dictatorships that severely constrained the democratic space. Today, democratization has taken hold in the continent and many countries now hold regular elections. In 2011, some 27 countries in Africa will hold crucial presidential, legislative or local elections.

Politicians have often used ethnicity as the axis for political mobilization

The fact that regular competitive elections have become institutionalized in the African political landscape is in itself a positive sign of emerging democracies. These elections have given many Africans the opportunity to elect leaders who address the needs of their citizenry and who prioritize development goals. They have been instrumental in removing incompetent and corrupt leaders, which has increased the growth prospects for many African countries. In fact, there is compelling evidence that suggests that when elections are held on a regular basis, leaders are more accountable to their constituencies and service delivery improves considerably

However, competitive elections have not always turned out well in Africa. In fact, a few recent elections, such as those in Kenya, Zimbabwe and Côte d'Ivoire, have tended to weaken the legitimacy of the governance, a result of widespread claims of rigged and stolen elections. In these and other cases, elections have actually led to violent conflicts. In some instances, elections have allowed specific groups to continue their political dominance over others leading to the exclusion of some from sharing in the fruits of development. Often, elections have been marred by widespread vote buying, bribery and voter intimidation.

Perhaps the worst aspect of competitive elections in Africa has been its influence on ethnic politics. Elections have unfortunately tended to be extremely polarizing for many countries, as politicians have often used ethnicity as the axis for political mobilization. Rather than uniting various groups, electoral politics in Africa has tended to divide different ethnic groups and erode trust among them.

Many of the upcoming elections this year offer hope in solidifying democracy in Africa. Nevertheless, danger looms if these elections are not managed appropriately. As we start the year, there is a need for Africa and the international community to invest in elections in order to improve the electoral process. According

to AGI, there are two policy priorities that should be taken in order to ensure that the benefits of the 2011 elections in Africa are realized. The first has to do with the diffusion of power. African elections have been contentious due to the high concentration of power in the executive. Winning a presidential race in Africa often gives the new president immense power to distribute benefits to his/her supporters at the expense of other citizens. To minimize these discretionary powers, there is need for major institutional reforms that place sufficient constraints on executive powers. This way, even coalitions that do not win the executive branch could still hold its leadership accountable.

The second priority should be to invest in Africa's electoral systems such as voter registrations, identification, voting equipment, independent electoral commissions, vote monitoring and tallying. Weaknesses in the electoral processes have been the source of problems in recent disputed elections in Africa. Unfortunately, many African countries scheduled to hold elections in 2011 are ill-prepared to conduct credible, free and fair elections.

Prescription to Success: (i) Apply major institutional reforms that place sufficient constraints on executive powers and (ii) Modernize and liberalize the electoral system

Informed African Voices in Washington, DC

For Africa to achieve transformative progress, solutions and policies must come from local sources. The Brookings Institution's Africa Growth Initiative (AGI) brings together African researchers to conduct high-quality data and policy analysis on a range of African economic development issues. Under the auspices of Brookings, AGI works with leading African think tanks to amplify their visibility among African and Western policymakers, to increase the number and influence of African voices in global policy discussions on issues related to the continent, and to share best practices of academic research. Above all, though, AGI's mission is to deliver research from an African perspective that informs sound policy and creates sustained economic growth and development for the African people. ■

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