



DIWDC



Annual Report
2011



**Excellence in
Research and
Teaching**
**Solutions for
Effective
Policymaking**
**Stronger
Transatlantic
Relationships**



Chairman's Message



2011 will be remembered as a year of unmatched social, economic, and political troubles in both developed and developing economies. Astronomically mounting budget deficits and the ongoing “euro crisis” have led to unending reactions around the world.

All these phenomena remind us of the relevance and necessity of cross-country and regional cooperation in research and policy implementation. I am pleased to see that DIWDC has followed this path since its creation in 2007. As in previous years, in 2011 DIWDC engaged in relevant, timely, and meaningful academic research, it firmly disseminated and communicated its results to the policymakers, it remained true to its mission to provide rigorous academic education to students and general education to the public, and it was a relevant player in transatlantic discussions and cooperations.

The challenge of fiscal stabilization has been a central concern in 2011 in many parts of the world. As Europe’s economy remains on the brink, the suggested idea of a “debt brake” is one of the most important policy tools to have fiscal policy under control. This

proposal is not only important for Europe, the United States, and Japan but also for the financial and economic health of emerging markets. The establishment of such a measure would certainly stabilize the long-term expectations of governments’ fiscal path in financial markets.

A debt brake will force Western governments (including the United States, whose debt level will soon be high enough to dominate international headlines again) to stop relying on “hope” as a core tool of public finance. In the far more optimistic 1970s, when the Western world had a feeling about itself as the emerging markets do today, Western governments still had reason to hope that they would grow fast enough to offset their rapidly rising levels of debt. Those hopes are gone, quite independent of the current economic calamity. It is therefore welcome that most European Union member states are committed to introducing the debt brake.

We need to implement a reliable self-disciplining mechanism. To be effective, such a debt brake mechanism must meet three tests: first, it must be anchored in countries’ constitutions, underscoring the hard-to-revoke character of the commitment. Second, countries must undertake commitments mutually, as is now the case in countries in the eurozone from Spain and Portugal to Italy. And third, in light of the past failure of effective monitoring and enforcement (whether the Maastricht criteria in the EU or pay-go rules in the US), there must be independent watchdog agencies equipped with penalizing powers in case of mal-performance.

But it is not just past practice that makes us in the West accountable for our past actions in running up debt. Our future-oriented self-interest dictates no less. Perhaps the most important number ever generated by the International Monetary Fund - an institution in the business of producing millions of numbers - is 441 percent.

That is the expected debt-to-GDP ratio that the G7 countries will arrive at on average by 2050 under present policies, if we continue business-as-usual. Concerned as we rightly are about debt levels approaching 100 percent for major G7 nations (other than the eternal culprits of Japan and Italy both of which are way past that marker), some policymakers and policy analysts are still inclined to just wish that number away believing in a magic healing function of the economy.

However, on the road to 441 percent not even the most fantastic economic and political minds can really be prepared to go on with business-as-usual. The debt brake is a very useful instrument to achieve the turnaround.

The emerging market countries and their vast populations feel with good reason that this is their time and that a shadow that laid over them for centuries has been lifted at long last. On most of these nations' minds the past is closely associated with the legacy of colonialism. If the former colonial powers – read: today's G7 nations, plus some countries like Spain and Portugal - now don't get their fiscal acts together there is a very real danger of a new form of colonialism.

That new “colonialism” would manifest itself in the very serious growth “tax” that would be imposed on the developing nations. That “tax” would take the form of a global economic collapse and a decline in development aid related to an unresolved Western debt overhang that may very soon prove unsustainable. Or it may take the form of high inflation, which would have the same effect on emerging market countries that depend on macroeconomic stability to execute their plan to move out from under the shackles of centuries-long underdevelopment.

I want to express my gratitude to DIWDC's Executive Director, Dr. Amelie F. Constant, and her talented and hardworking staff for their exceptional energy and enthusiasm in pursuit of the Institute's mission. My best wishes for DIWDC, its staff, and leadership. ■

Sincerely,



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

Director's Message



During the past year the world witnessed monumental changes and challenges. Countries faced devastation worldwide, notably the earthquakes and tsunamis in Japan. Other types of events such as the monetary crisis that threatened Greece and the European Union dominated headlines as they threatened entire economies. The financial crisis that began in 2008 clearly still has effects throughout 2011. World leadership has seen transitions during the past year as well. The death of Kim Jong-Il led to questions about the future of the isolated and secretive North Korea. In other regions the Arab Spring succeeded in replacing some governments while the struggle still continues in others. Political struggles in the Middle East and North Africa still continue and the end has not yet been determined. In the United States movements spurred by Occupy Wall Street grew in response to the extreme wealth of the minority and the suffering of the average American during the Great Recession. Challenges abound in today's world, but with consideration and collaboration we can work toward solutions and a brighter future.

DIWDC has continued providing its excellent research in the field of economics and tackling the complex issues that face the world. This annual report provides a glimpse into the work that DIWDC has undertaken in the past year in pursuit of its mission. The Institute has had another exciting year of education, research, and events. There were a number of conferences that provided opportunities to share stimulating new research and to expand partnerships both domestically and internationally. DIWDC cosponsored the third Annual Meeting on the Economics of Risky Behaviors and the recent fourth Annual German Day on Development at the World Bank where a number of issues pertaining to a variety of developing countries were presented. Another successful meeting, the eighth Annual Migration Meeting, brought together a number of experts in the field for a conference in Washington, DC.

In addition to sponsoring and participating in numerous conferences throughout the past year, DIWDC has also contributed to educational missions. Recently I spoke to a group of students at the Capital City Public Charter School about the economics of migration. Encouraging students in the field of economics is one of the most important things that we can do for our future. In light of the huge effects that economics has had and will continue to have on our world, instilling an understanding of economics is an important mission. DIWDC continues its partnership with George Washington University and the Elliott School of International Affairs. As a GWU faculty member, I teach a graduate course each spring and am always impressed by the caliber of students and their interest in the subject. The internship program at DIWDC also has allowed students the opportunity to experience economic research first hand.

Both the conferences and educational mission of DIWDC rely on the institute's devotion to conducting new economic research and stay in the forefront of the field. This year was no exception and the institute has published some exciting new papers. Our team provides original research on a variety of topics; our research is then presented at conferences, published by the institute, or published in academic journals. Our commitment to building transatlantic relationships remains as strong as ever. With all of the issues facing the world today DIWDC believes that cooperation and collaboration are the keys to the future.

Throughout all the changes and events that occur, DIWDC has continued to provide high level and pertinent research and outstanding conferences and collaborations with fellow organizations.

DIWDC is able to continue its mission and provide outstanding services to the public because of your support and belief in us. I want to extend my heartfelt thanks to all of you, the friends of DIWDC. ■

Sincerely,



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 2011, 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 2011 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 and Hartson LLP)
- Prof. Dr. Rita Süssmuth (Former President of the German Federal Parliament)
- Prof. Jan Svejnar, Ph.D (University of Michigan)

DIWDC Academic Training

For the fifth consecutive year, DIWDC was delighted to host the Ph.D. students of the DIW Berlin Graduate Center of Economic and Social Research for their semester abroad. Students take two months of rigorous and intensive graduate courses at DIWDC and undergo a one month internship at leading American, international, or governmental institutions, as well as at the best universities in the area. DIWDC also has an MOU with the Elliott School of International Affairs and DIWDC's Executive Director teaches a graduate class each year. DIWDC's academic training also applies to the interns it receives every summer. ■

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, other stakeholders, and NGO's, 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 cooperates 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 eighty-five 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 ever globalizing 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 over the Atlantic Ocean region. ■

Doctoral Program at DIWDC

In 2011, for the fifth consecutive year, DIWDC hosted seven graduate students from the DIW Berlin Graduate Center of Economic and Social Research. DIWDC, as a partner institute, offers classes and internships to the graduate students of DIW Berlin during the spring semester.

Graduate Courses

DIWDC offers two graduate classes that take place at the Institute. In January 2011 DIWDC offered a graduate course in macroeconomics, taught by the University of Maryland Professor Sanjay Chugh. The course in economic policy was held during February and taught by Dr. Richard O'Neil, chief economist at the Federal Energy Regulatory Commission. While taking place at a fast pace, these rigorous courses are equivalent of graduate classes in US universities in a semester.

Internships organized by DIWDC for the Graduate Students

Part of the curriculum is an internship that best matches the interests of the students and their future field. DIWDC organizes these internships. In 2011, the graduate students were placed at the following institutions:

- Alexandra Avdeenko The World Bank
- Veronika Hümmer International Food Policy Research Institute (IFPRI)
- Marlene Karl The International Monetary Fund (IMF)
- Holger Lüthen The Urban Institute
- Kathleen Ngangoué The International Monetary Fund (IMF)
- Marco Springmann Resources for the Future (RFF)
- Doreen Triebe Federal Energy Regulatory Commission (FERC)



Distinguished Scientists Lecture Series and Other Extracurricular Activities

During their stay, the DIW Berlin doctoral students were able to partake of the wide array of experiences found in Washington, DC. DIWDC organized extracurricular activities for the students and facilitated events that supplemented their academic training by providing unconventional cross-disciplinary educational opportunities with scholars and industry leaders. For instance, the *Distinguished Scientists and Their Stories* lecture series allows DIW Berlin graduate students to engage in conversations with prominent political, economic and business leaders in Washington, DC. Topics range from surviving the doctoral program process, how to succeed in the profession, how to publish in academics, how different international organizations operate, how to succeed in a foreign country, and career options outside academia. Those presenting to the students included:

- Dr. Matin Bodenstein, Board of Governors of the Federal Reserve System, International Finance Division
- Mr. Howard Rosen, Peterson Institute for International Economics
- Prof. Amelie Constant, DIWDC, GWU, and IZA
- Costanza Biavaschi, Rutgers University
- Ms. Diana Fruchtgoth-Roth, Hudson Institute
- Rebecca Lessem, University of Wisconsin-Madison
- Stephan R. Lindner, University of Michigan, Ann Arbor
- Thomas J. Murray, University of Notre Dame
- Owen W. Ozier, University of California, Berkeley
- Todd Pugatch, University of Michigan, Ann Arbor
- Sanjukta Roy, World Bank, Washington
- Monica Yanez-Pagans, University of Illinois at Urbana-Champaign ■



Dr. Constant at GWU Teaching “International Migration and the Labor Markets”

‘International Migration and the Labor Markets’ (ECON 6295) is a graduate class offered at GWU and the Elliott School of International Affairs every spring. This specialized course, created and taught by DIWDC



Executive Director Dr. Amelie F. Constant, employs labor economics tools to examine international migration and addresses the implication for public policy. Students obtain a firm understanding of the theories of international migration and state of the art migration research in different parts of the world. The course covers the following topics: migration decision; why people migrate; performance of immigrants and their descendents in the host country; impact of immigrants on the natives, on other immigrants and the public coffers; and sending country challenges such as brain drain, remittances, and economic

development issues. This spring Professor Constant was delighted to teach a strong class of engaged students. “I am pleased with their intellectual acumen and inquisitive minds,” she said as the semester came to an end. The students wrote excellent term papers on a variety of migration topics. ■

Internship Program and Training at DIWDC

DIWDC thanks our intern Ms. Juri Mitkute, a senior at American University, who assisted during the month of August. Ms. Mitkute provided valuable assistance to the DIWDC team in the event/PR department and the research department. Additionally, Megan E. Espeland and Ashley Howe from the University of Colorado Boulder, spent time at DIWDC during the summer of 2011. The students were able to participate in the daily activities and research that takes place at DIWDC. The Institute is happy to provide internships to outstanding students who wish to further their interest in economics. 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 a number of bright students through our internship program.

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

Events in the US and Abroad

Third Time Is a Charm for Risky Behaviors



The Annual Meeting on the Economics of Risky Behaviors (AMERB) occurred at IZA in Bonn, Germany in April this year; the meeting was co-founded and co-organized by DIWDC Executive Director Amelie F. Constant (George Washington University and IZA) and Professor Erdal Tekin (Georgia State University and IZA). While only in its third year, AMERB has become a well sought-after conference. The co-organizers received close to sixty paper submissions only to accept 14 for presentation. The two-and-a-half day meeting brought together forty top-notch economists and criminologists from all over the world who presented their cutting edge research on risky behaviors ranging from substance abuse to obesity. AMERB was funded by the international institutions DIWDC and IZA Bonn and the Andrew Young School of Georgia State University.

AMERB was founded by Amelie Constant and Erdal Tekin to bring together those examining issues related to the causes and consequences of risky behavior including crime, drug use, and obesity. During six presentation sessions conference participants were able to learn about new research in the area and discuss work that is currently under way. It is customary at the AMERB that a distinguished scholar gives the keynote. This year's keynote address was given by Professor Peter Reuter, who is in the School of Public Policy and in the Department of Criminology at the University of Maryland. Professor Reuter is also Director of the Program on the Economics of Crime and Justice Policy at the University and also Senior Economist at RAND. His keynote was entitled "Purity, Price and Production: Are Drug Markets Different?" ■

Eight Year Old AM² in the Nation's Capital

The eight year old Annual Migration Meeting (AM²) along with the third Migration Topic Week (MTW) took place in Washington, DC in May 2011. The four-day meeting in the nation's capital brought together more than fifty migration experts from all over the world. The conference featured twenty-seven papers presented during eleven different sessions. Co-organized by DIWDC Executive Director and Deputy Director of the Migration IZA program area Amelie F. Constant and Director of the Migration IZA program area and Chairman of the Economics Department at George Washington University Barry R. Chiswick, the meeting allowed for presentations that covered fifteen different countries and varying topics such as remittances, occupational adjustments, personal and cultural conflicts, and the effects of immigration on the host economy.



The Julian Simon Keynote has been the highlight of the AM² since its beginning. This year's keynote was delivered by Prof. Douglas S. Massey of Princeton University, who is also on the board of distinguished advisers of DIWDC. In his keynote entitled "Chain Reaction: The Causes and Consequences of America's War on Immigrants," Professor Massey stressed the importance of policymakers - at both the state and national levels - to take action in legalizing the undocumented immigrants and integrating them into American society in order for the nation to continue striving economically and socially.

The sessions spanned four days and covered a variety of migration related topics. The sessions were: *All About Remittances*, *All Around the World*; *Occupational Adjustment*; *Employer Attitudes*; *Fertility and Other Family Issues*; *Culture and Identity*; *Migration Flows*; *Conflict and Culture*; *Impact on Natives*; *Effects of the Host Economy*. The papers presented were selected from more than 130 submissions; each presentation was insightful and thought-provoking making for a wonderful conference. The Annual Migration Meeting is going strong and looking forward to another wonderful conference next year! ■



Ethnic Diversity in Europe Presented at MPI

Organized by DIWDC and hosted by the Migration Policy Institute (MPI) in Washington, DC, an August 18 luncheon speech featured Prof. Dr. Klaus F. Zimmermann, Director of the Institute for the Study of Labor (IZA Bonn), who presented his latest book on labor migration. Co-authored by Dr. Martin Kahanec, the book is entitled “Ethnic Diversity in European Labor Markets: Challenges and Solutions.” Based on an extensive research from Europe, the book gives a background insight to some of the challenges that ethnic minorities often face in European and international labor markets. The key questions of the book included issues surrounding



ethnic diversity, labor immigration, policymaking, and socio-economics. The study uses a European platform with special interest taken in Denmark, France, Germany, Hungary, Latvia, The Netherlands, Romania, Slovakia, Spain, and the UK. The presentation focused on the European labor market situation of ethnic minorities and described the biggest challenges that ethnic minorities currently face such as difficulty in finding employment and securing socioeconomic status. Prof. Zimmermann elaborated more on the rising importance of the female variable in labor market outcomes.

According to Prof. Zimmermann it is essential to address the policy challenges and identify specific integration purposes in order to provide guidance and structure for the European policy debate. Most importantly the book proposes a policy agenda for diversity and minority integration which states that every country should have a separate policy, unique specifically for that particular country in order to be effective rather than following others. In addition, policies should account for a gender variable in the integration process. The key to a successful ethnic labor integration policy is to inform, educate, act, and react. Dr. Demetri Papademetriou, MPI President, moderated the meeting. Dr. Randy Capps, Demographer and Senior Policy Analyst for MPI, discussed the book. Following the discussion, additional remarks were added by panelists Amelie Constant, Barry Chiswick, and Demetri Papademetriou. ■



German Day on Development at the World bank

The Fourth Annual German Day on Development was held at the World Bank on December 5, 2011. The day was a result of collaboration by DIWDC, IZA, and the World Bank. The morning began with a warm welcome by Dr. Amelie F. Constant and Dr. Klaus Werner-Schmitter, the Senior Adviser to the Executive Director of the German Office at the World Bank Ms. Ingrid Hoven. Dr. Arup Banerji, Director of Social Protection and Labor at the World Bank and an IZA Fellow, spoke next about the relations of the organizing institutions and specifically about the Memorandum of Understanding signed the day before between the World Bank and IZA.

Moving on to the morning session, Labor Market Outcomes for Return Migrants, chaired by Ms. Sonia Plaza (World Bank), Dr. Janneke Pieters (IZA) presented the new research initiative on low income countries funded by the British government (DFID) at IZA. The first presentation was by Dr. Costanza Biavaschi (IZA), and then Dr. Corrado Giulietti (IZA) presented while David Newhouse (World Bank) served as a discussant.

The morning session was followed by a luncheon keynote address by Professor John S. Earle (George Mason University and IZA). An expert on emerging economies, Professor Earle presented his research on “Foreign Direct Investment and Wages” using data from Hungary. He gave a thorough presentation on what the effects were of foreign direct investment in the country on a number of different aspects relating to wages, including high and low wages, employer wage effects, and subsequent divestment.

The afternoon session, Labor and Developing Countries, was chaired by T. H. Gindling (University of Maryland – Baltimore County). The afternoon featured presentations by Dr. Johannes Koettl (World Bank), Dr. Quentin Wodon (World Bank), and Dr. Janneke Pieters (IZA) with Corrado Giulietti and Dr. Elisa Gamberoni (World Bank) serving as discussants. The conference concluded with thanks from Dr. Constant to all the presenters, discussants, chairs, attendees, and the sponsoring partners IZA and the World Bank, pledging the 5th meeting next year. ■



DIWDC Executive Director Takes Migration to the Capital City Public Charter School

Dr. Amelie Constant, Executive Director of DIWDC, was invited to talk about international migration at the Capital City Public School in DC. Dr. Constant was delighted to talk to the 7th, 8th, and 9th graders in this inter-curricular project that involves the topic of economics. These bright students were exposed to the field of migration in their math class and also in their humanities class. In the humanities class they created a podcast based on their interviews of people who immigrated to the US. In addition, they were looking at social, political and religious factors as drivers of migration. In math, they were studying the push and pull factors of migration looking at high inflation rates, unemployment rates, and poverty rates as three reasons that push people in developing nations to leave their home country for another.



Following a building blocks pedagogical tool as well as bringing personal migration experience in the classroom, she captured the attention of the pupils for more than an hour. Step by step she explained to the young students the complex theories on the economics of migration using mathematical algebra and real life examples. In her unique dynamic style as a teacher, she engaged the students in discussion and reflection. She explained why people migrate, what are the implications of migration for the migrants themselves, the sending and the receiving countries. Dr. Constant was impressed with the school campus and the high caliber of the students. ■



© Jim Sanborn at Cleveland State University

Migration Scholars Rewarded for Their Fundamental Work

The 2011 IZA Prize Award ceremony was held in Oslo, Norway on August 25. The event coincided with the annual congress of the European Economic Association and the Econometric Society European Meeting, bringing together a large number of international economists and IZA network members. Before many distinguished guests, Nobel laureates, the who's-who in labor, other famous economists, their family and friends, Professor George Borjas (Harvard University) and Professor Barry Chiswick (George Washington University) accepted the IZA prize. The renowned and prestigious IZA Prize in Labor Economics that carries 50,000 Euros was awarded to both Professors “for their fundamental contributions to the economic analysis of migration.” Almost forty years ago, Barry Chiswick published his seminal paper in JPE starting the economic analysis of migration. In 1985, George Borjas’s paper in the JLE demonstrated the importance of differences in cohort characteristics when evaluating immigrant adjustments and gauging the speed of the earnings assimilation thus shaping the literature.



These exceptional scholars have greatly advanced our understanding of some of the most important questions in modern labor market research. They have been the leading figures in the intense debate about earnings assimilation and the nature of migrant selectivity. Their research has made migration an important subdiscipline of economics with high policy relevance. For example, the prize-winners have shown that the successful integration of immigrants depends on individual qualifications and language skills, but also requires an active integration policy that selects immigrants on the basis of labor market needs. ■

The New IZA PD in Migration



DIWDC Executive Director Amelie F. Constant became the Program Director of Migration at IZA, Bonn in July 2011. The previous Program Director was Professor Barry R. Chiswick; upon hearing the news he gave her his vote of confidence.

Amelie Constant is the first woman economist to occupy this high profile post at IZA. She has been instrumental in the creation and the reconstruction of the migration area in 2004 at IZA, and she has been serving as the Deputy of Migration since 2005. An immigrant herself, naturalized in the US, Constant has been devoted to the field for the last 15 years. “I am looking forward to working closer with both deputies of the area, with the migration group in-house at IZA, and the IZA fellows and affiliates in migration.” ■

DIWDC's 2011 Scientific Output

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

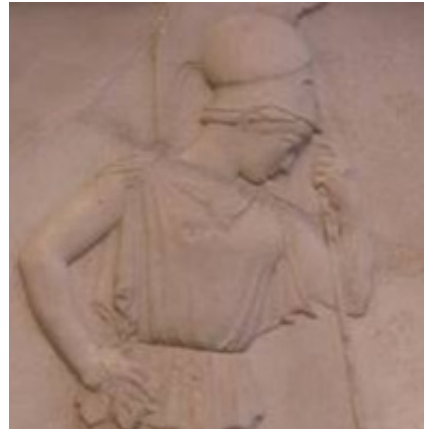
Referred Journal Publications

- “The Russian-Ukrainian Political Divide,” *Eastern European Economics*, A. F. Constant, M. Kahanec and K. F. Zimmermann, November–December 2011, 49/6, 103-115.
- “China's Latent Human Capital Investment: Achieving Milestones and Competing for the Top,” *Journal of Contemporary China*, A. F. Constant, B. N. Tien, K. F. Zimmermann and J. Meng. In press.
- “Ethnicity, Job Search and Labor Market Reintegration of the Unemployed,” *International Journal of Manpower*, A. F. Constant, M. Kahanec, U. Rinne, and K. F. Zimmermann, 2011, 32/7, 753-776.
- “Circular and Repeat Migration: Counts of Exits and Years Away from the Host Country,” *Population Research and Policy Review*, A. F. Constant and K. F. Zimmermann, 2011, 30/4, 495-515.
- “Economic Preferences and Attitudes of the Unemployed: Are Natives and Second Generation Migrants Alike?” *International Journal of Manpower*, A. F. Constant, A. Krause, U. Rinne and K. F. Zimmermann, 2011, 32/7, 825-851.
- “The Russian-Ukrainian Earnings Divide,” *Economics of Transition*, A. F. Constant, M. Kahanec and K. F. Zimmermann, Early view published on October 19, 2011, DOI:10.1111/j.1468-0351.2011.00428.x, 1-35.
- “The Dynamics of Repeat Migration: A Markov Chain Analysis,” *International Migration Review*, A. F. Constant and K. F. Zimmermann, 2011, forthcoming.
- “Do the Skilled and Prime-Aged Unemployed Benefit More from Training? Effect Heterogeneity of Public Training Programs in Germany,” *Applied Economics*, Ulf Rinne, M. Schneider, and A. Uhlendorff, (iFirst), DOI: 10.1080/00036841003670697.



Refereed Book Chapters

- “Cultural Integration in Germany,” in *Cultural Integration in Europe*, A. Bisin, A. Manning and T. Verdier, editors, A. F. Constant, O. Nottmeyer and K. F. Zimmermann. Invited. CEPR, Oxford University Press: UK, 2011, forthcoming.
- “Sizing it Up: Labor Migration Lessons of the EU Expansion to 27,” A. F. Constant. Invited. Bruylant: Belgium, 2011, forthcoming.
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- “An Expert Stakeholder’s View on European Integration Challenges,” Amelie F. Constant, Martin Kahanec and Klaus F. Zimmermann, in: *Ethnic Diversity in European Labor Markets*. K. F. Zimmermann and M. Kahanec (Eds.). Cheltenham: Edward Elgar Publishing, 2011.



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- “Sizing it Up: Labor Migration Lessons of the EU Expansion to 27,” A. F. Constant. *IZA Discussion Paper 6119*, 2011
- “Surviving the Turbulence Is Not Enough; Can Côte d’Ivoire Flourish Again?,” A. F. Constant and B. N. Tien. *IZA Policy Paper 30*, 2011. Reprint: *DIWDC Policy Brief*, September 2011
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- “Immigrant Remitters in the U.S.: Sex and Ethnic Differences,” A. F. Constant, A. Postepska and P. R. Wetherille. *DIWDC Manuscript*, 2011
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- “China’s Overt Economic Rise and Latent Human Capital Investment: Achieving Milestones and Competing for the Top,” Amelie F. Constant, Bienvenue N. Tien, Klaus F. Zimmermann, and Jingzhou Meng, *IZA Discussion Paper 5650*, April 2011.

Reports

- *Germany’s Immigration Policy and Labor Shortages*, Amelie F. Constant and Bienvenue N. Tien. *IZA Report 41*. ■

Public Outreach

- DIWDC Executive Director invited to present at the American Society for Public Administration Annual Conference in Baltimore, Maryland (March 11-15, 2011)
- DIWDC Executive Director invited to a panel symposium at the 71st International Atlantic Economic Conference in Athens, Greece (March 16-19, 2011)
- DIWDC Executive Director presents at the Population Association of America (PAA) Annual Meeting in Washington, DC (March 30-April 2, 2011)
- DIWDC Executive Director invited to present at the Bureau of Labor Statistics (April 7, 2011)
- DIWDC Research Assistant, Bienvenue N. Tien, invited to present at the Department of Economics Seminar, Leibniz University of Hannover, Hannover, DE (April 2011)
- DIWDC Executive Director presents at the IZA/World Bank “Employment and Development” Annual Meeting in Mexico City, Mexico (May 30-31, 2011)
- DIWDC Executive Director invited to present at the “Expert Seminar on Labor Market Needs and Migration” by IOM in Brussels, Belgium (June 16, 2011) ■



Distinguished Visitors

- Jo Ritzen (IZA)
- Matloob Piracha (University of Kent and IZA)
- Sonia Plaza (World Bank and IZA)
- Corrado Giulietti (IZA)
- Martin Khanec (Central European University and IZA)
- Annabelle Krause (IZA)
- Antje Kroeger (DIW Berlin)
- Simonetta Longhi (ISER, University of Essex, and IZA)
- Linguere Mbaye (CERDI and University of Auvergne)
- Lena Nekby (Stockholm University and IZA)
- Catia Nicodemo (Universitat Autònoma de Barcelona and IZA)
- Ulf Rinne (IZA)
- Dan-Olof Rooth (Linnaeus University and IZA)
- Simone Schüller (DIW Berlin and IZA)
- Costanza Biavaschi (IZA)
- Janneke Pieters (IZA)
- Klaus F. Zimmermann (IZA and University of Bonn)
- Aslan Zorlu (University of Amsterdam and IZA) ■

Global Economic Prospects for 2012

Figure 1 presents the state of the global economy in 2011 and the projections for 2012. According to the International Monetary Fund World Economic Outlook (IMF-WEO) update in January 2012, the global recovery is still threatened by the sovereign debt crisis in the euro area. The estimations for world output are subsequently around 3.3% compared with 3.8% in 2011. Global trade is also estimated to fall to 3.8% from 6.9% in 2011. Consumer prices are expected to ease in both advanced and emerging and developing economies. In the later, the inflation rate will be above 5%, and in the advanced economies it is projected to be below 2%.

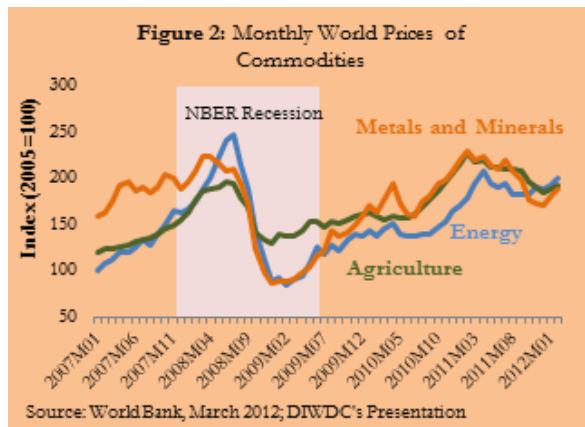
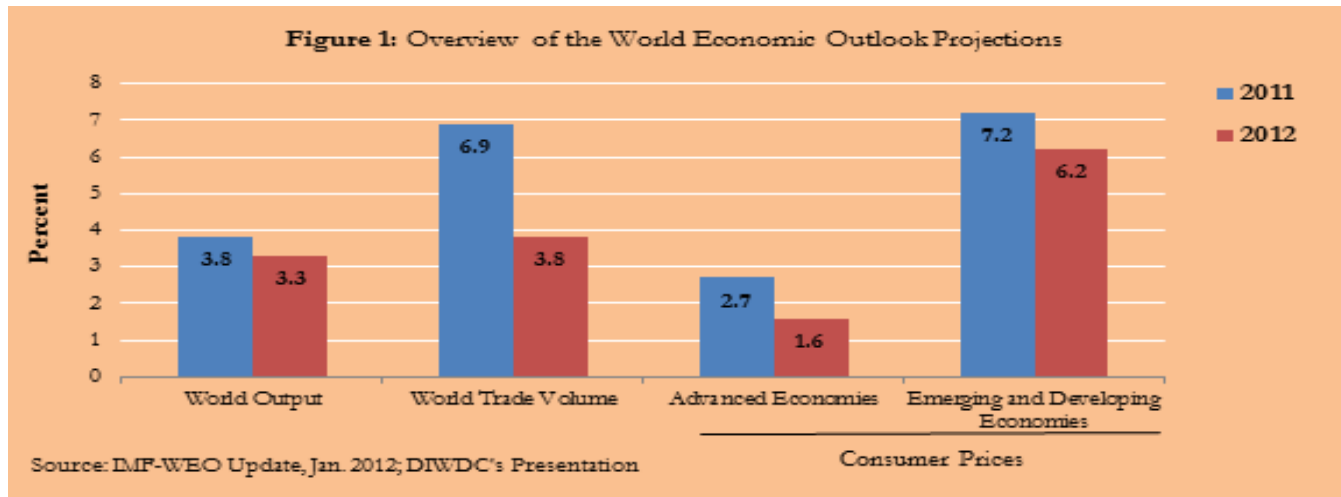
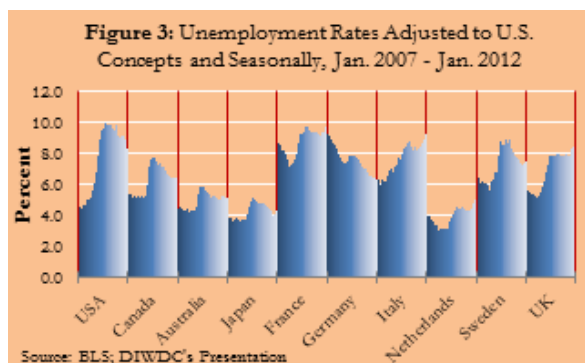


Figure 2 displays the monthly world prices of commodities from January 2007 to February 2012. There is a conspicuous increase during the pre-recession period (see NBER Recession Box) and a precipitous fall toward the end of the recession in 2009. Since then all prices of commodities have been on the rise. In February 2012 the indices for energy, agriculture, and metal and minerals were 200.9, 193.1, and 187.9 (2005=100), respectively. Figure 3 shows a double picture of the jobless rates in selected industrialized countries. First, it shows that the unemployment rate in the U.S., Canada, Japan, Germany, and Sweden has been falling from the post-recovery period of June 2009 to the present. At the same time, the unemployment rate has been on the rise in countries like France, Italy, and the UK. In January 2012, the jobless rates in France and Italy were around 9% while in the U.S., Sweden, Canada, and Germany they were 8.3, 7.5, 6.5, and 6.3%, respectively. The countries with the lowest unemployment rates were Australia (5.1), The Netherlands (5.0), Japan (4.3). ■



Entrepreneurship During a Recession

Two centuries ago, the French economist and successful businessman Jean-Baptiste Say coined the word “entrepreneur,” defined as “one who undertakes an enterprise, especially a contractor, acting as intermediary between capital and labor.” In the early twentieth century the German economist Joseph Schumpeter, the father of the theory of entrepreneurship and innovation, coined the word *Unternehmergeist* (entrepreneur-spirit). Schumpeter called a nation’s entrepreneurs, wild spirits, and named them catalysts for innovation and technological change. In fact, he argued that innovation may lead to desirable equilibria in a much better way than the “invisible hand” does.

While entrepreneurs and their actions are precisely defined in theory in empirical studies they are often tautological with self-employed individuals. It is tacitly assumed that the self-employed who start their own business possess innate traits and abilities such as risk-taking, thinking outside the box or pushing the envelope, being creative, and moving forward with new products and technology. Almost all new businesses start very small as a sole proprietorship.

Entrepreneurs can be encumbered or empowered by the institutional settings of a country. In societies of flat hierarchy and narrow income distributions, such as the Scandinavian countries where the concept of “Janteloven” or “who do you think you are” attitude is present, entrepreneurship is hindered. By-passing contempt for income diversity and conspicuous consumption, as well as risk-aversity, entrepreneurship in these countries is often manifested as intrapreneurship. Danes entrepreneurs, for example, who want to avoid the risk of starting a new business but like the challenge of it start a business within the business where they work as employees (Constant and Schultz-Nielsen, 2004).

In countries like the USA where “owning your own business” is part of the American dream, self-employment rates are higher. Enterprises can range from small businesses - traditional “mom and pop” or retail stores - to hi-tech and electronic commerce. Start-up rates and longevity in the business are also a function of the business cycle. Among the motives for start-ups are both push and pull factors.

What happens to entrepreneurship in the face of large economic upheavals as was recently experienced? Months of job losses, high unemployment, declines in stock prices, real estate market crashes – all of these were features in the Great Recession. One can look at these indicators and despair, or some can look and see this as the right time to take a risk and start a business. During the recent recession entrepreneurship increased; during the recovery it now shows signs of declining. What drives people to become entrepreneurs during a recession, and is this a lucrative choice?

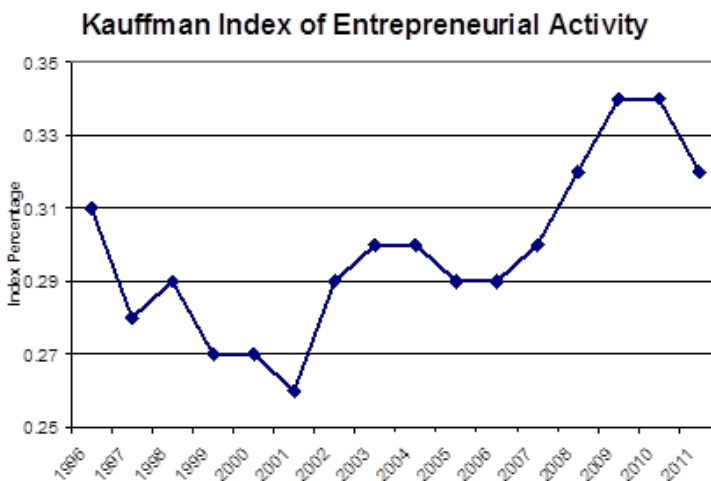
This first and most obvious answer is that jobs become scarce during a recession. Hiring is at a standstill and many who have been laid-off cannot find a new job. Even those who have a job may be working less hours or may have taken a job below their previous level. A number of entrepreneurs kept their “day job” and started their own business as a supplement. (Klein) Out of necessity then many people start their own business.

A study on self-employment dynamics across the business cycle for native and immigrant men in Germany argues that innovations, structural changes, and business cycles generate strong adjustment processes that lead to fluctuations between employment and self-employment, either directly or through the unemployment state. (Constant and Zimmermann) Migrants are more likely to be sensitive to adjustment pressures than natives, since they have less stable jobs and choose more often self-employment to avoid periods of unemployment. The findings suggest that the conditional probabilities of entry into self-employment are more than twice as high from the status of unemployment as from the status of paid-employment. Self-employment is also an important channel back to regular paid-employment. Clearly, self-employment is an intermediate state in the labor market.

This study also shows that the transition probabilities from self-employment to unemployment remain low and, in a way, they follow the ups and downs of the business cycle. For immigrant workers in particular, self-employment is a mechanism to circumvent and escape unemployment and to integrate into the host country's labor market. In general, higher educated men are more easily drawn into self-employment when they are unemployed.

Another study on the entrepreneurial activities of native and immigrant businesswomen in Germany argues that entrepreneurship can manifest itself in self-employment or in the salaried employment in executive, administrative, and managerial occupations. (Constant) For women, self-employment is rather a way of escaping the unemployment lines and circumventing the conflict between family responsibilities and work obligations. It is a conscious 'dream' choice later in life when women are free from family obligations and have acquired enough experience and financial capital.

In December 2011 9.14 million Americans, 6 percent of the workforce, was self-employed. (Linn) The Kauffman Index of Entrepreneurial Activity has risen consistently since 2007, and in 2011 it shows the first signs of decline, dates which coincide with the beginning recession and the beginning of the recovery.



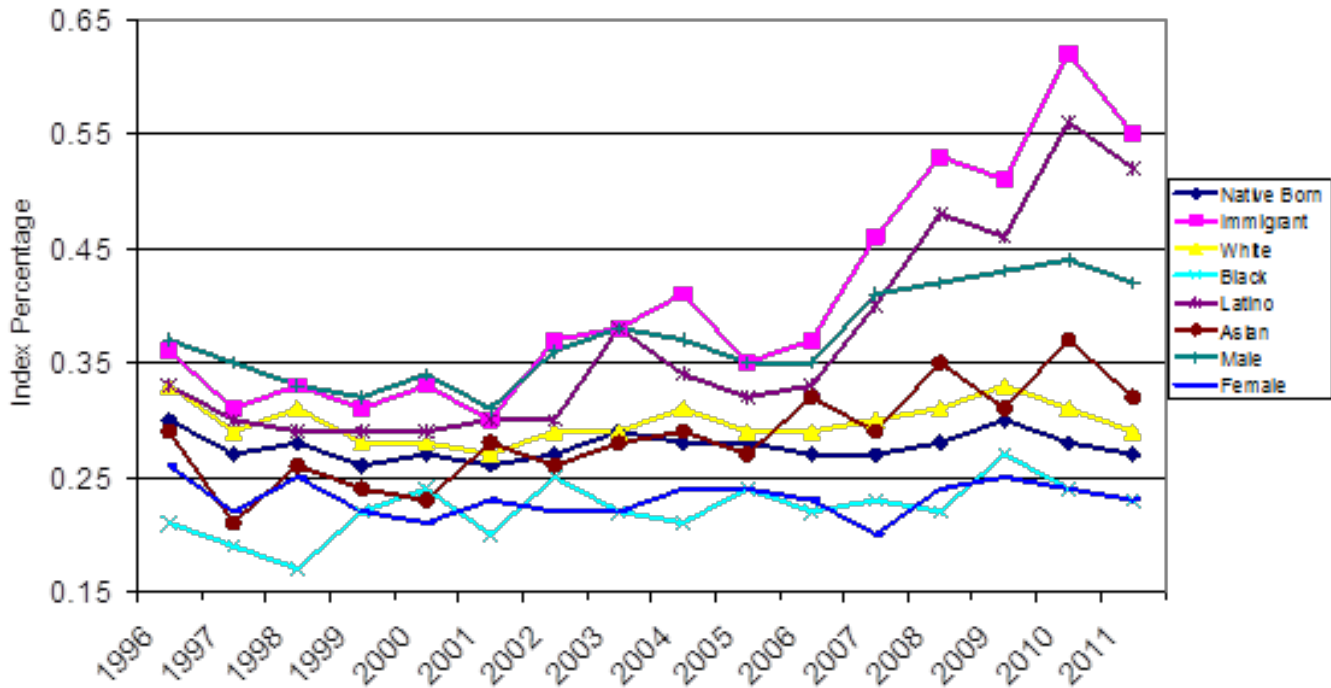
Source: Kauffman

There are other less obvious benefits to starting a business during a recession. The markets are much less competitive during downturns making it easier for new businesses to get a foothold. (Mitra) With fewer companies competing for business new ventures can capture market share and build up a loyal following. (Meyers) If one has the capital, the idea, and the determination to start a business during a recession there are other benefits as well including lower supply costs and cheaper rents. (Monk) For entrepreneurs looking to hire other employees a recession also offers them a wider talent pool. Many quality people are unable to find work during periods of high unemployment; whereas attracting talent during a booming economy is difficult for small start-ups, the task is somewhat easier during a recession. (Jana)

¹ The Kauffman Index is calculated using matched data from the Current Population Survey (CPS) using the percentage of individuals between 24 and 64 who start new businesses each month. The monthly index values are then averaged to produce an index value.

Looking at data on who has become entrepreneurial during the recent recession provides some interesting insights. Gender has shown some intriguing differences; both men and women increased their entrepreneurship levels beginning in 2007. However, women's entrepreneurial index began declining in 2009 whereas the men's index did not see a decline until 2010. This poses an interesting question: other data have shown that during the recovery women are gaining fewer jobs than men. If women are both recovering fewer jobs and not starting as many businesses, what is happening to women's employment during the recovery? Another variable that showed intriguing differences was entrepreneurship by nativity. Natives began 72 percent of entrepreneurship in the US during 2011. Immigrants then clearly started a minority of entrepreneurship, yet their index showed a marked increase beginning in 2006 while the native index has remained virtually flat. As far as ethnicities and entrepreneurship go, white and black ethnicities have consistently had low index values and the index for Asians has seen an increase albeit with a high degree of variability. However, the most explosive index growth has clearly been from Latinos which could coordinate with the large increase in the immigrant index as well. It is intriguing that the Latino Entrepreneur Index has seen a remarkable uptick beginning in 2006.

Kauffman Index of Entrepreneurial Activity by Characteristics



Source: Kauffman

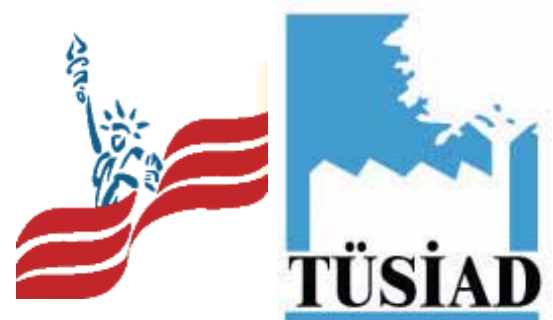
As it is shown on the figure, the index for most of the characteristics increased during the recession. Entrepreneurship increased during the recent recession; whether as a result of necessity or savvy business decisions, the number of entrepreneurs did increase. As the economy bounces back and begins the road to recovery though the entrepreneur index is decreasing across all groups.

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