

The European Crisis and Migration to Germany: Expectations and the Diversion of Migration Flows

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Discussion by
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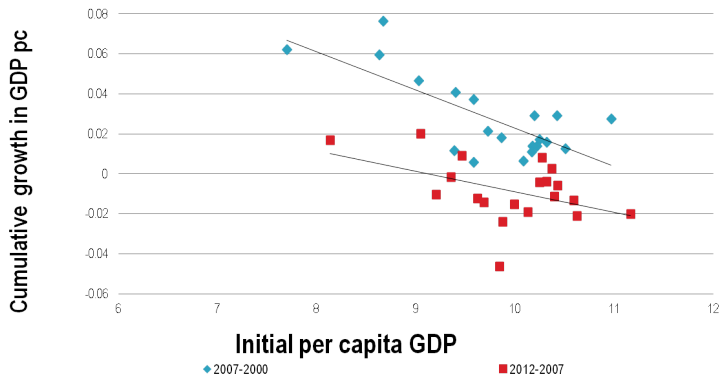
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3rd CEPII-OECD Immigration Conference

Relevant!

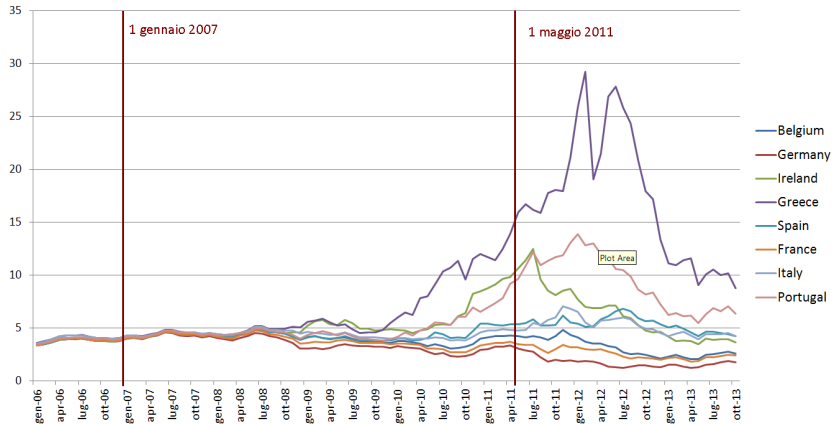
- ▶ Diversion of migration flows of third-country nationals important in adjustment of European labor markets
- ▶ because of increased heterogeneity within the EU
- ▶ Important role of expectations in migration decisions
- ▶ Changes in attractiveness of alternative locations are not irrelevant
- ▶ Good to *multilaterally resist*
- ▶ Migration treated as a temporary decision
- ▶ reacting to changes in the attractiveness of alternative locations

Less Convergence since 2007



10 ys Government Yields

Government Bonds 10 Years Gross Yields



Main comments: 1. why the spread?

- ▶ 10-year Government bond yields taken as proxy of expectations about future economic developments
- ▶ but market fundamentals relevant for migrants have not changed as dramatically as the spread
- ▶ Global risk moves the spread asymmetrically in contagion/non-contagion countries
- ▶ shifts in market sentiment change how the pricing of default risk is made
- ▶ Role of the ECB (LTRO, OMT)

- ▶ Alternative proxies for expectations
 1. business/consumers confidence indicators
 2. potential output growth
 3. demographic projections.

2. Is it so easy to relocate within the EU?

- ▶ Free mobility of EU citizens does not mean free mobility of non-EU workers.
- ▶ Much different migration restrictions (and transitional arrangements) within the EU.
- ▶ likely to be positively correlated (“race to the top” in migration restrictions)
- ▶ thus endogeneity of migration policy dummies
- ▶ Separate estimates for Schengen/non-Schengen?

3. Identification

- ▶ Bias in FE estimates is consistent with yields on Govt bonds being positively correlated
- ▶ whilst they have been moving in opposite directions among potential destinations.
- ▶ Allow for contagion vs. not contagion dummies?

- ▶ Migration restrictions (and restrictions to social welfare) are positively correlated and cannot be separately identified.