

Economics of Migration

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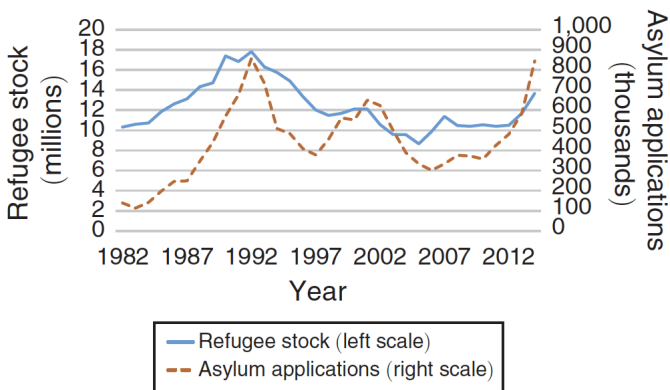
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Refugees and Crime

- This section draws on Fasani et al. (2019, Ch. V).
- Recent years witnessed a resurgence of refugee flows in the world, as Figure 1 from Hatton (2016) shows.



Refugees and Crime

- Refugees are defined by the UN Refugee Convention as those who have been displaced outside their origin country owing to a “well-founded fear of persecution” (Hatton, 2016, p. 441)
- The European Union was strongly affected by refugees inflows in recent years.
- Figure 2 from Fasani et al. (2019) shows recent trends for numbers of asylum applications and refugee population in EU countries

Refugees and Crime

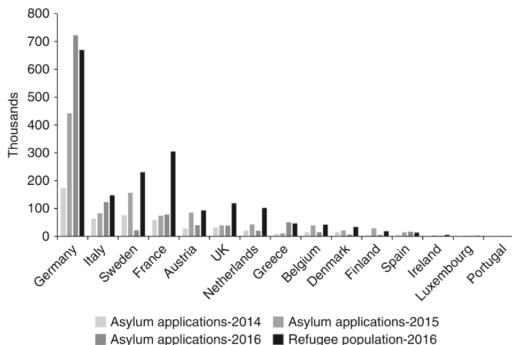


Figure 2: Asylum applications and refugee population in EU15 countries. Source: Fasani et al. (2019)

- Clearly, countries like Germany, Italy, Sweden and France had major impacts. The picture changes when one considers the *share* of refugees, and of asylum seekers, on the total population, as Table 1 shows.

Refugees and Crime

Country	Asylum applications (per 10,000 pop.)		Country	Asylum applications (per 10,000 pop.)	
	Avg.	Std. dev.		Avg.	Std. dev.
Sweden	42.91	34.77	Sweden	141.78	53.96
Austria	29.79	21.40	Germany	94.50	39.49
Luxembourg	21.74	12.21	Denmark	84.23	46.11
Ireland	18.43	9.06	Netherlands	64.09	19.26
Belgium	17.08	6.50	Austria	54.16	31.58
Denmark	11.68	9.35	EU15	40.18	—
Netherlands	11.23	7.03	Luxembourg	33.45	19.17
Germany	10.08	12.85	UK	32.42	13.46
Greece	9.94	5.01	France	27.29	6.07
Finland	9.13	11.97	Finland	20.48	4.01
EU15	8.67	—	Belgium	17.62	5.63
France	7.76	1.79	Ireland	9.40	7.63
UK	6.81	3.56	Italy	7.75	5.42
Italy	4.07	3.48	Greece	4.71	4.65
Spain	1.35	0.70	Spain	1.28	0.29
Portugal	0.16	0.08	Portugal	0.40	0.13
Years	2000–15			1995–2015	

Table 1: Asylum applications and refugees population (per 10,000 population) in EU15 countries in 2000-2015. Source: Fasani et al. (2019)

Refugees and Crime

- What determines refugee flows?
- The literature summarized in Hatton (2016, p. 442) points out that significant determinants are: “genocide, civil war, dissident conflicts, and political regime transitions.”
- On the other hand, bad economic conditions (i.e. low GDP per capita) in the origin country seem to matter too (Hatton, 2009).
- In particular, existing evidence shows that these “push” factors matter more than “pull” factors, such as asylum policies in destination countries that can make easier or harder to be granted asylum.

Refugees and Crime

- The results of the econometric analysis of Hatton (2016) confirms these findings: hardship in origin countries, such as political terror and violence and lack of civil liberties, significantly explain the asylum applications in OECD countries for the period 1997-2012, although the per capita GDP in origin countries matter too: “These results illustrate that political terror and human rights abuse are at the heart of refugee flights” .
- What can the economic model of crime tell us about the propensity of refugees to commit crimes? Are there significant differences?

Refugees and Crime

- A similarity can be drawn with respect to the discussion of the legal status of immigrants: as undocumented immigrants can change their legal status and become documented immigrants, refugees can experience a change in their legal status when, from asylum seekers, they are granted asylum.
- On the one hand, given the hardship of the conditions (not just economic) in origin countries, refugees should have a low incentive to commit crimes, as long as this can imply deportation to origin countries.

Refugees and Crime

- On the other hand, refugees can find themselves in a limbo during the administrative process necessary to examine their asylum application, which typically implies being unemployed and (almost) without the support that welfare states typically grant to the unemployed. This may increase the propensity to commit crimes.
- In addition, it can be the case that, for the necessity to leave fast the countries of origin, refugees do not have the time to properly select the destination country, and therefore, for example, they do not make the best choices for what concerns the conditions of the destination labor markets, the existence of social networks, etc.
- This can delay socio-economic integration.

Refugees and Crime

- Existing evidence suggests that, indeed, integration of refugees into the host country labor markets can be slower than the one of the “labor” migrants, as Figure 3 from Bevelander (2020) and Figure 4 from Brell Et Al. (2020) show.

Refugees and Crime

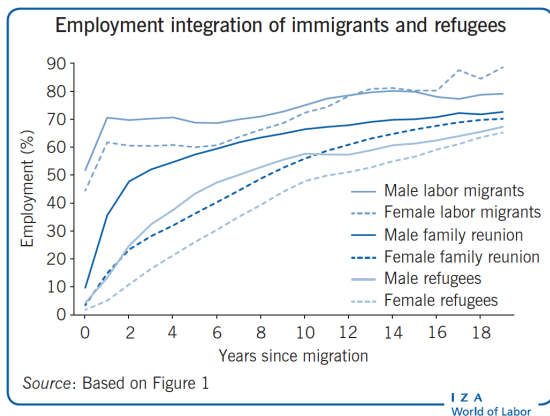


Figure 3: Employment integration of immigrants and refugees in Sweden.
Source: Bevelander (2020)

Refugees and Crime

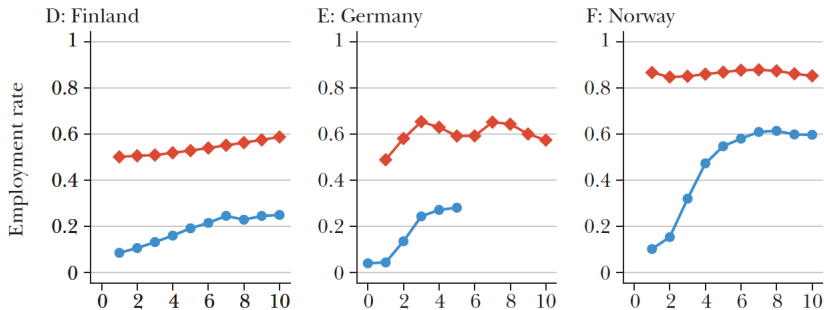


Figure 4: Employment Rates of Immigrant Groups over Time since Migration. Blue: refugees. Red: other immigrants. Source: Brell Et Al. (2020)

Refugees and Crime

- Refugees, in addition, are likely to have accumulated traumatic experiences along the journey, including permanence in refugee camps, which can badly affect their health. This can also retard their economic integration, and create incentives to commit crimes
- Finally, the fact that refugees often come from violent environments, such as civil conflict or war areas, can imply that they generated a tendency to perpetrate violent crimes, for the psychological impact that the experience in their country of origin had on them, in particular during childhood. This could create inclination to violent behavior.

Refugees and Crime

- Overall: “asylum policies can ... play a major role in altering ... incentives to commit crime. Waiting times for processing the application, refugee status recognition rates, restrictions on the labour market access of asylum seekers and refugees, and dispersal policies can all influence ... the socio-economic integration of refugees” (Fasani et al., 2019, p. 134).
- We can therefore expect a similar effect of a successful application for asylum to the one of receiving legal status in the case of undocumented immigrants, that is a reduction in the propensity to commit crimes as long as some benefits, like the possibility of legal residence or the access to (legal) labor markets are concerned...

Refugees and Crime

- ... although opposite effects can be at work: a refugee can lose asylum seekers benefits (if they exist) or, if granted asylum, they fear less to be deported in source countries.
- No compelling evidence, however, exist on the causal effect of the change of legal status of refugees/asylum seekers.
- So, this is still an open question in the research literature on this topic.

Refugees and Crime

- Few works examined the nexus between the presence of refugees and crime.
- The mentioned work of Bell et al. (2013) documented an increase of property crime related to the presence of asylum seekers (but no increase in violent crimes).

Refugees and Crime

- The recent work of Couttenier Et Al. (2020), based on the experience of asylum seekers in Switzerland focuses on the violent experiences of many refugees in countries of origin, especially during childhood.
- Couttenier Et Al. (2020) suggest that, indeed, traumatic experiences in early phases of refugees' lives imply a higher propensity to commit violent crimes (from murder to sexual assaults).

Refugees and Crime

- Other works (see Fasani et al., 2019, p. 137) based on studies on Germany and US suggest that, in Germany, an effect on crime is detected (albeit small and related to drug offenses and fare-dodging, i.e. free riding), while in the US the effect is not found.
- The latter discrepancy suggests that policies to handle refugees resettlement can actually be important in affecting their propensity to commit crimes.
- In fact, both UK and Germany adopt *dispersal policies* which do not seem explicitly targeted towards resettling refugees in areas where they can better be integrated, in particular in the labor market.

Refugees and Crime

- In the UK, for example, the asylum seekers' wave studied by Bell et al. (2013) were relocated to disadvantaged areas that experienced declines in resident population. In addition, UK law featured a "six-month ban on legal labor market for asylum seekers" (see Fasani et al., 2019, p. 136)
- In the US, differently, dispersal policies consider the aspect of integration in local economies, and no bans on participation to labor markets exist (Fasani et al., 2019, p.137).
- This implies that the integration of refugees into labor markets in the case of US is faster, as Figure 5 from Brell Et Al. (2020) testifies:

Refugees and Crime

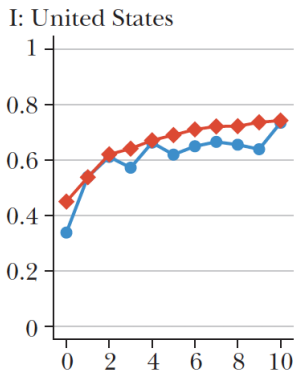


Figure 5: Employment Rates of Immigrant Groups over Time since Migration: US. Blue: refugees. Red: other immigrants. Source: Brell Et Al. (2020)

Refugees and Crime

- The same work of Couttenier Et Al. (2020) finds that the propensity to violent crimes by asylum seekers is attenuated in Swiss Cantons where labor market access to this group is facilitated (Fasani et al., 2019, p. 138).
- Fasani et al. (2019) offer a cross-country analysis of the relationship between the shares of asylum seekers and refugees (on national population) and number of crimes (normalized by population) for 15 EU countries for the period 2000-2015.

Refugees and Crime

- After controlling for a number of other possible time-varying determinants of crimes (e.g. level of economic development, unemployment rates, share of young people, etc), plus a country time-invariant fixed effects, aimed at capturing slow-moving country characteristics such as the effectiveness of the legal system, Fasani et al. (2019) do not find any statistically significant effect of the presence of refugees or of asylum seekers on various types of crimes: property crimes, violent crimes, drug-related crimes.
- Clearly, cross-country data can mask within-country variations (such as those mentioned before about the UK or Switzerland) but, still, they are useful to have a broad picture of the phenomenon of interest.

What is Diversity? Why Should it Matter?

- An important effect of migration is an increase in diversity in destination countries.
- At least from the point of view of diversity of country of birth, countries receiving flows of immigrants become more diverse.
- We have seen that immigration brings costs and benefits to different groups, now we take a broader perspective, i.e. the one of the whole society/economy.
- We ask the question of whether diversity can be economically beneficial to a society.
- The first issue is: what is diversity?

What is Diversity? Why Should it Matter?

- As Page (2008, pp. xx and xxi) puts it, one can distinguish cognitive differences from identity differences
- Cognitive differences refer to what people have “inside [their] heads ... diverse perspectives, heuristics, interpretations, and mental processes”.
- Identity differences refer to “who we are on the outside”, hence to elements such as: skin color, gender or ethnicity”.
- Diversity can of course be promoted and defended on legal grounds by anti-discrimination rules and regulations, based on general principles of many modern constitutions.

What is Diversity? Why Should it Matter?

- What we want to make here is an economic argument. Is diversity beneficial from an economic point of view? What are the implied costs? Is there, in presence of benefits and costs, a net economic benefit from diversity?
- Page (2008, p. xxi) makes an interesting point: diversity is more advocated by “business leaders”.
- This is reminiscent of the argument according to which firms can be more in favor of immigration than workers as the former can reap the benefits more from immigration than the latter.
- Page (2008, p. 5) makes a conjecture: “diversity leads to better outcomes”.
- The key aspects of this conjecture are: i) to define diversity; ii) to “identify those tasks for which we expect it to be beneficial”

What is Diversity? Why Should it Matter?

- According to Page (2008, p. 6), the diversity that matters refers to “cognitive differences”.
- Diversity can be “unpacked” into four formal frameworks: i) Diverse Perspectives: ways of representing situations and problems; ii) Diversity Interpretations: ways of categorizing or partitioning perspectives; iii) Diverse Heuristics: ways of generating solutions to problems; iv) Diverse Predictive Models: ways of inferring cause and effects.
- Diverse Perspectives: people see or envision set of possibilities differently. For example, when asked about a location in city (say “Zingerman’s” restaurant), Isabelle may mention a path based on the location of her house, while Nicky can refer to a mental map of the city and just specify the crossing of two relevant streets where Zingerman’s is located.

What is Diversity? Why Should it Matter?

- Diverse Interpretations highlight the different categories people use to classify events. For example, one person may classify a politician according to his position (e.g. left/right), another person may classify the same politician by his region of origin.
- Diverse Heuristics: different people use different tools to solve problems. One person may use a rule of thumb, another one his/her knowledge of mathematical concepts.
- Diverse Predictive Models: if someone says “Italians are nice”, s/he makes a prediction about Italians (being Italian causes someone to be nice). Predictive models can differ: one can think that salty meat is bad for the health, someone else can claim the opposite.

What is Diversity? Why Should it Matter?

- Each individual has a cognitive toolbox, i.e. a combination of perspectives, interpretations, heuristics, and predictive models.
- This is a way to speak of someone's intelligence, which can complement the information that can be obtained by synthetic indices such as IQ.
- The diversity of toolboxes across individuals matter: we have to understand when: "toolbox diversity produces benefits" (Page, 2008, p. 22), that is: "[w]e need to understand the conditions under which diversity produces benefits." (Page, 2008, p. 9)
- The tasks in which diversity can be beneficial are problem solving and prediction, i.e. tasks that are somewhat sophisticated (i.e. not simple tasks).

What is Diversity? Why Should it Matter?

- However, diverse people can also have conflicts.
- Why? Because they can have diverse preferences.
- The relevant domains of preferences can be fundamental preferences: people may or may not share the same ends, or instrumental preferences: they can disagree on “how they think it best to cross a particular finish line”.
- Instrumental preferences are about means to reach an end. In this sense, it is possible that people agree on one end, but disagree on how to achieve it.
- What can make a collective work poorly are differences in fundamental preferences, i.e. differences on what, for example, society’s ends should be.

What is Diversity? Why Should it Matter?

- “People who have different fundamental preferences might be said to have different values” (Page, 2008, p. 240). “More diverse fundamental preferences should result in fewer resources allocated to collective goods and projects ... things that everyone can use” (Page, 2008, p. 240)
- To sum up: “[t]his book makes three core claims: (1) Diverse perspectives ... enable collections of people to find more and better solutions and contribute to overall productivity (better problem solving); (2) Diverse predictive models enable crowds of people to predict .. accurately (better predictions), and (3) Diverse fundamental preferences frustrate the process of making choices.” (Page, 2008, p. 13)

What is Diversity? Why Should it Matter?

- Does identity diversity, i.e. the diversity of gender, ethnicity, social status, etc., bring benefits? To answer this question first of all we should map identity diversity into cognitive diversity.
- If it generates the conditions for the positive effects of cognitive diversity the answer is yes, plus the requirement that this diversity should be relevant, i.e. applied to something that has some relevant impact on society.

What is Diversity? Why Should it Matter?

- At the same time, do not forget that people with different identities (e.g. ethnicity or nationality) can think alike and that people with the same identity can think differently.
- What matters is whether a group with identity differences brings cognitive differences with it.
- In addition, identity diversity can become relevant according to the task: “we shouldn’t expect diverse teams to be better at eating donuts or mopping floors ... [but at tasks such as] designing a building” (Page, 2008, p. 14)

What is Diversity? Why Should it Matter?

- “If we look at the evidence on whether identity diverse collections of people perform better than more homogeneous collections, we see mixed results at every level. At the country level, we find that in advanced economies, ethnic diversity proves beneficial. In poorer countries, it causes problems. In cities, we see similar effects. Diversity has the same pluses and minuses. Cognitive diversity increases innovation. Preference diversity leads to .. [useless discussions].” (Page, 2008, p. 14)
- “If well managed, identity diversity can create benefits, provided it correlates with cognitive differences and provided the task is one in which diversity matters.” (Page, 2008, p. 15)

What is Diversity? Why Should it Matter?

- The point about the desirability of diversity in some circumstances, does not imply that ability and exceptional skills are irrelevant. The point is that they are relevant, as well as diversity is.
- Page (2008, p. 162) claims that when solving a problem, diversity can outperform ability.

What is Diversity? Why Should it Matter?

- The best problem solvers tend to be similar; therefore, a collection of the best problem solvers performs little better than any one of them individually. A collection of random, but intelligent, problem solvers tends to be diverse. This diversity allows them to be collectively better.
- A similar argument applies to the capacity to make predictions: a more varied set of individuals is more likely to make accurate predictions, for example because (collectively) it takes into account more factors. Sometimes the term wisdom of the crowd is used to describe this effect.

Ethnic Fractionalization and Economic Growth

- Recent approaches to economic growth (see for example Weil, 2013) classify the determinants of economic growth into deep determinants and proximate determinants.
- Deep determinants are: geography, institutions, culture and natural resources.
- Proximate determinants are factor accumulation (referring in particular to physical and human capital), and technology.
- In this framework, deep determinants shape the incentives to accumulate and to generate technological progress.

Ethnic Fractionalization and Economic Growth

- Among the elements of culture that are relevant for economic growth, we find trust.
- Trust is important because, in a market economy, can affect the extent to which trade takes place.
- In the words of Kenneth Arrow: “Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence” (quoted in Weil, 2013, p. 426)

Ethnic Fractionalization and Economic Growth

- Given that the level of mutual trust vary widely across States (and, in Italy, across regions), the natural question that arises is: what determines the level of trust in a country?
- Economists and sociologists have identified one of the determinants of trust as social capital.
- “Social capital refers to the value of the social networks that people have and of the inclination of people in those networks to do things for each other...
- ... In a society where people have large circles of acquaintance, and where people who know one another are inclined to be helpful, social capital is high. In a society where people are isolated socially, or where there is no norm of helping out those one knows, social capital is low. Social capital is the glue that holds society together.” (Weil, 2013, p. 429)

Ethnic Fractionalization and Economic Growth

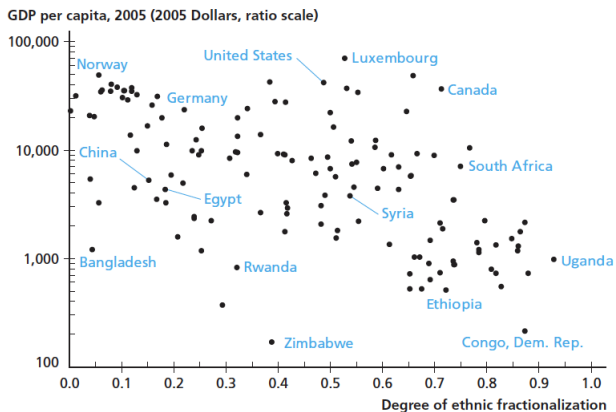
- Among the determinants of social capital, one can consider cultural homogeneity.
- In societies where people speak the same language (language is one dimension of culture), or belong to the same ethnic group, it is more likely that social interactions are more frequent (people get to know each other more easily), and the level of mutual trust is therefore higher (as the case of ethnically homogeneous groups of merchants suggests). See Weil (2013, p. 438).

Ethnic Fractionalization and Economic Growth

- “To test whether ethnic homogeneity is important at the country level, researchers have constructed an index of ethnic fractionalization, which is the probability that two randomly selected people in a country will not belong to the same ethnic group ...
- ... A country in which everyone is a member of the same ethnic group will have an index of 0 because there would be no chance that two randomly selected people would belong to different ethnic groups ... A country with an index of 1 would be completely fractionalized - every person would be a member of a different ethnic group, so the probability that any two individuals were from different ethnic groups would be 100%.

Ethnic Fractionalization and Economic Growth

- At first sight, Ethnic fractionalization seems to be negatively correlated with economic prosperity, measured by per capita GDP (see Figure 6)



Ethnic Fractionalization and Economic Growth

- “Countries with a high degree of ethnic fractionalization tend to have worse governments, as measured by high corruption or the inability to provide public goods such as roads and telephone networks.” (Weil, 2013, p. 439)

Ethnic Fractionalization and Economic Growth

- To sum up, as Alesina and La Ferrara (2005, p. 762) put it: “The potential costs of diversity are fairly evident. Conflict of preferences, racism, and prejudices often lead to policies that are at the same time odious and counterproductive for society as a whole. The oppression of minorities may lead to political unrest or even civil wars. But a diverse ethnic mix also brings about variety in abilities, experiences, and cultures that may be productive and may lead to innovation and creativity”.

Ethnic Fractionalization and Economic Growth

- The literature surveyed by Alesina and La Ferrara (2005) is divided in: i) cross-country studies; ii) local communities studies. The latter is sub-divided into: iia) studies of cities in the US; iib) studies on other groups and local communities.
- In this perspective, one can study diversity in social groups such as, e.g. teams and small organizations, up to cities and countries.
- From the theoretical point of view, Alesina and La Ferrara (2005, p. 764): “propose a ... theoretical framework in which the skills of individuals from different ethnic groups are complementary in the production process ..., implying that more diversity translates into increased productivity.”

Ethnic Fractionalization and Economic Growth

- “On the other hand, individual utility also depends on the consumption of a shared public good and, since different ethnic groups may have different preferences on the type of public good to provide, increased diversity lowers the utility from public good consumption.”
- They find that: “while, coeteris paribus, increases in ethnic diversity are associated with lower growth rates, the interaction between diversity and the income level of the community under study is positive. This suggests that ethnic diversity can be beneficial (or at least less detrimental) at higher levels of development.” Alesina and La Ferrara (2005, p. 764).

Ethnic Fractionalization and Economic Growth

- This can suggest that: “the productivity benefits of skill complementarities are realized only when the production process is sufficiently diversified, as in advanced economies.”
- “Another - possibly complementary - explanation is that richer societies have developed institutional features that allow them to better cope with the conflict element intrinsic in diversity and isolate or moderate its negative effects.”

Ethnic Fractionalization and Economic Growth

- The dimensions of diversity explored in the literature vary.
- How to measure diversity? Diversity can be measured by place of birth, by the language spoken, by the ethnic group of membership.
- Defining something like an ethnic (or racial) group can be not easy. One can consider the existing classification of “races” in the American census: i) white, ii) black, iii) American Indian, iv) Asian, v) other (including Hispanic) (see Alesina and La Ferrara, 2005, p. 764)
- Diversity can have direct economic effects, or indirect economic effects, for example when it implies social unrest, civil wars, crime, etc.

Ethnic Fractionalization and Economic Growth

- Diversity can affect consumption. In particular, from diversity can enter the preferences of individuals.
- For example, individuals can have a taste for homogeneity or for heterogeneity.
- Alternatively, some individuals may derive positive utility from the well-being of individuals of their group, and negative utility from the well-being of members of other groups.

Ethnic Fractionalization and Economic Growth

- In addition, “diversity may enter the production function.
- As mentioned, people differ in their productive skills and, more fundamentally, in the way they interpret problems and use their cognitive abilities to solve them.
- This can be considered the origin of the relationship between individual heterogeneity and innovation or productivity” (Alesina and La Ferrara, 2005, p. 765)

Ethnic Fractionalization and Economic Growth

- The logic behind the effects of diversity in a production function lies in the concept of complementarity.
- If factors of production, in this case the different skills/cognitive abilities can be interpreted as different inputs, are complements, the addition of an extra input increases production.
- In other words, with complementarity, the addition of another factor (say another type of worker) increases the output of other workers.

Ethnic Fractionalization and Economic Growth

- In these circumstances, more inputs (i.e. inputs of different type), increase production.
- On the other hand there might be: “costs of heterogeneity ... outside the production function ... [there might be] a trade-off between the productive benefits of diversity and the possible costs that may arise due to difficult communication between people with different languages, culture, etc.” (Alesina and La Ferrara, 2005, p. 766)
- In other words, there might be “an optimal degree of heterogeneity that is identified by the optimal point of this trade-off” (Alesina and La Ferrara, 2005, p. 766)

Ethnic Fractionalization and Economic Growth

- In the literature on economic growth, ethnic fractionalization has been pointed out as a negative factor, in particular with respect to the African experience by the influential paper by Easterly and Levine (1997)
- However, controlling for the level of development, it turns out that fractionalization can be beneficial to growth in more developed societies.
- One explanation can be that more developed societies have better institutions (e.g. democracy) that help to handle the difficulties of heterogeneity (Alesina and La Ferrara, 2005, p. 772) or that they utilize technological processes that benefit more from diversity.

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