



CENTRO STUDI LUCA D'AGLIANO

Report to the Scientific Advisory Board

2015

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1 Luca d'Agliano and the Centro Studi

Luca d'Agliano

Luca d'Agliano was born in Turin on July 4, 1961. At the end of the first year of classical high school at the Rosmini Institute in Turin, he decided to finish his secondary education under the provisions of the Sevenoaks International Baccalaureate Programme.

In September 1980, he went up to Churchill College, University of Cambridge, where he read philosophy and then economics under Margaret Bray and Frank Hahn. On taking his Bachelor of Arts degree in 1983, he was awarded a scholarship by the Fondazione Luigi Einaudi, Turin, and was admitted to St. Antony's College, University of Oxford. Here, under the guidance of Amartya Sen, he studied questions relating to developing countries and welfare economics, concentrating mainly on the analysis of collective agriculture systems and the conflict, typical of such systems, between the ethical value of collective production and the pragmatic need to give individuals the incentive to produce.

In Luca d'Agliano's vision: "...economics [is] to be continually carried over into practical applications. [...] For this substantially ideological reason, it becomes important to combine the [...] study of purely theoretical matters with the study of the problems afflicting the developing countries in their struggle against poverty [...]".

Luca d'Agliano lost his life in a road accident in June 1984.

Centro Studi Luca d'Agliano

Centro Studi Luca d'Agliano (LdA) was founded in Turin in 1986 and it is currently located at Fondazione Luigi Einaudi in Turin and at the Department of Economics of the University of Milan.

LdA is a non-profit research institution contributing original research in the field of international and development economics. LdA carries out its activities in collaboration with major international and Italian research institutions and it works through a network of researchers worldwide. Although LdA's main focus is academic research, it also contributes to the policy debate, working for institutions like the World Bank, the European Commission, the United Nations and the Italian Government.

LdA is especially keen in encouraging young scholars to undertake research in development and international economics. It supports Italian students in their post-graduate studies abroad by awarding scholarships, prizes and research grants. It also funds foreign post-doctoral fellows to carry out research at its premises.

LdA regularly organises conferences and seminars and it publishes one of the leading working paper series in development economics.

2 Research areas at Centro Studi Luca d'Agliano

Research at Centro Studi Luca d'Agliano is organised around three main areas: Poverty and Development, Migration, Firms and the International Market. Within each of these areas, LdA carries out a number of projects in cooperation with various research partners and funding institutions. Table 1 provides an outline of the research projects active in 2015 and the corresponding partners.

Table 1: Research areas, projects, research partners and funding institutions at LdA

POVERTY AND DEVELOPMENT	
COORDINATOR	
Mariapia Mendola	
PROJECTS	
Knowledge Heterogeneity: Experimental Evidence on Information Barriers to Agricultural Technology Adoption in Uganda	Land Redistribution and Household Living Standards in Malawi
RESEARCH PARTNERS	
IFAD; University of Milan Bicocca; University of Milan; Goethe University Frankfurt; Paris School of Economics; University of Paris 1 Panthéon-Sorbonne; ILRI-Kenya; Makerere University (Kampala, Uganda).	
FUNDING INSTITUTIONS	
The World Bank; International Initiative for Impact Evaluation (3ie); Compagnia di San Paolo; CISEPS-Bicocca; Institutional funding.	
MIGRATION	
COORDINATOR	
Giovanni Facchini and Tommaso Frattini	
PROJECTS	
Value Added in Motion. The Future Geography of Production, Migration and Energy (VAM)	
RESEARCH PARTNERS	
University College London; Catholic University of Louvain; CEPR; Centre pour la Recherche Economique et ses Applications (CEPREMAP). Université Libre de Bruxelles; European University Institute; The Graduate Institute of International and Development Studies (IHEID). Ragnar Frisch Centre for Economic Research; Tilburg University.	
FUNDING INSTITUTIONS	
Enel Foundation.	

FIRMS AND THE INTERNATIONAL MARKET

COORDINATORS

Gianmarco I.P. Ottaviano and Giovanni Pica

PROJECTS

Competitiveness Research Network (CompNet)	Mapping European Competitiveness (MAPCOMPETE)	Value Added in Motion. The Future Geography of Production, Migration and Energy (VAM)	Productivity, Non-Tariff Measures and Openness (PRONTO)
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RESEARCH PARTNERS

University of Milan; University of Turin; CEPR; Bocconi University; Centre for Economic and Regional Studies of the Hungarian Academy of Sciences (CERS-HAS); Bruegel; Institute for Applied Economic Research (IAW); Paris School of Economics (PSE); SciencesPo Paris; London School of Economics and Political Science (LSE); University of Oxford; Tilburg University; Columbia University; University of California, San Diego; University of British Columbia; CEMFI Madrid; Université Catholique de Louvain; University College London; Queen Mary University of London; University of Oslo - Ragnar Frisch Centre for Economic Research; Georgetown University; French Research Center in International Economics (CEPII); European Central Bank; Bank of Italy; Bank of France; National Bank of Belgium; Deutsche Bundesbank; Bank of Spain; Central Bank of Hungary; Organisation for Economic Co-operation and Development; the World Bank; the US International Trade Committee; University of Bern; University College Dublin, National University of Ireland (NUID UCD); Ecorys Nederland B. V.; Stichting Dienst Landbouwkundig Onderzoek; Athens University of Economics and Business – Research Centre; The Vienna Institute for International Economic Studies (WIIW); University of Surrey.

FUNDING INSTITUTIONS

The European Commission; Compagnia di San Paolo; Enel Foundation; the European Central Bank.

2.1 Poverty and Development

2.1.1 Main findings

Within this area, LdA has been working on three broad themes: i) technology adoption, extension services and development in Uganda; ii) human capital (health) investment in BiH; iii) migration and intra-household allocation choices in developing countries.

In a recent project, the LdA team has been designing the *impact evaluation of an agricultural development project* implemented by IFAD in Northern Uganda. The project aims to answer research questions related to the improvement of information, contractual arrangements and cost-effective incentives as to foster technology adoption, agricultural productivity and wellbeing of smallholder farmers in a low-income context. The impact assessment follows a Randomised Control Trial (RCT) design.

Researchers working in the Development Area have completed two papers looking at *human capital investment in the aftermath of conflict* in Bosnia and Herzegovina (BiH). In a first paper they identify the impact of poor parental health conditions on child school enrolment. They show that maternal, but not paternal, health makes a difference as far as children schooling is concerned. These findings suggest that lack of women's access to health care and social protection services may increase the intergenerational cost of low investment in human capital. A related project looks at the long-lasting effects of the BiH 1992-95 civil conflict on health, in particular mental well-being, on those exposed to war trauma. By using an identification strategy based on the geographical variation of war intensity, they find that war exposure has long-lasting negative effects on mental health, which represent an economically significant cost on the country-level performance.

Finally, LdA researchers have been working on the relationship between *migration and intra-household allocation* in developing countries. In a recent paper, they examine the extent to which Mexico-U.S. migration during the '90s is affected by the size and demographic structure of the migrant's household of origin. By using rich survey data from Mexico, they estimate the impact of sibship size, birth order and sibling composition on teenagers' and young adults' migration outcomes. They find little evidence that high fertility drives migration. The positive correlation between sibship size and migration disappears when endogeneity of family size is addressed using biological fertility (miscarriages) and infertility shocks. Yet, the chances to migrate are not equally distributed across children from the same family. Older siblings, especially firstborns, are more likely to migrate, while having more sisters than brothers may increase the chances of migration, especially among daughters. These findings hint to the fact that parental investment in offspring's migration may matter for fertility decisions in a context of poor resources and high emigration opportunities. The reason is that, with imperfect markets and weak social safety-nets, offspring are the primary caretakers of parents and they may do so by providing support to their origin family through emigration and spatial diversification.

2.1.2 Projects

Knowledge Heterogeneity: Experimental Evidence on Information Barriers to Agricultural Technology Adoption in Uganda

This is a research project funded by 3ie's Agricultural Innovation Thematic Window whose goal is to evaluate the impact of an IFAD-supported agricultural development project in Eastern and Northern Uganda. The study aims at providing rigorous evidence on the nature and magnitude of the frictions that slow down agricultural technology adoption in a low-income context. Understanding barriers to farm households' innovation behaviour is a critical step towards formulating policies that enhance smallholders' productivity, competitiveness and inclusion in agricultural value-chains. The proposal is specifically interested in two questions. First, what are the nature and magnitude of barriers faced by small farms to adopt technologies; in particular, we are interested in exploring the significance of lack of technological knowledge and of lack of knowledge about the market opportunities that the new technologies offer. Second, we plan to assess the impact technologies have on farm productivity, household health, food consumption, schooling and child labor. To investigate these issues, our experimental design will randomize on the nature of training and knowledge offered to farmers in 10 rural districts in Uganda.

Land Redistribution and Household Living Standards in Malawi

This is a research project in collaboration with the Government of Malawi, the World Bank, and Italtrend S.p.a (Italy). An independent impact evaluation of the Community Based Rural Land Development Project (CBRLDP) has been carried out with the aim of assessing the economic impact of the decentralised and community-based land reform carried out in six pilot districts in Malawi. The CBRLDP initiative aims at easing land pressure and improving access to needy rural communities through voluntary land acquisition and redistribution. Its final objective is to increase the incomes of about 15,000 poor rural families through a market-based provision of land to the landless and land-poor beneficiary groups from the six districts in southern Malawi. More specifically, the project was set up so as to provide conditional cash and land transfer to poor families to relocate, purchase, develop and cultivate (larger) plots of farm land. Land reform has been viewed by many development experts as an effective mean for reducing poverty since land enriches the asset base of poor households and carries with it the potential for agricultural production and entrepreneurship. Yet, while its implementation is hindered by political constraints, there is little empirical evidence on the actual impact of land redistribution on economic well-being. This project aims at filling this gap by assessing the economic effect of the CBRLDP on household living standards and productivity by using a quasi-experimental approach.

2.1.3 Research output

Mariapia Mendola and Franklin Simtowe: *The Welfare Impact of Land Redistribution: Evidence from a Quasi-Experimental Initiative in Malawi*, World Development, Vol. 72, pp. 53–69, 2015;

Margherita Comola and Mariapia Mendola: *The Formation of Migrant Networks*, The

Scandinavian Journal of Economics, Vol. 117 (2), 592–618, 2015;

Massimiliano Bratti, Mariapia Mendola, and Alfonso Miranda: *Hard to Forget. The Long-Lasting Impact of War on Mental Health*, IZA Discussion Paper no. 9269, 2015 and LdA Working Paper no. 388, November 2015;

Anna de Paoli and Mariapia Mendola: *International Migration and Child Labor in Developing Countries*, *The World Economy*, forthcoming 2015;

Guido Friebel, Miriam Manchin, and Mariapia Mendola: *Human Smuggling and International Migration: a Cross-Country Analysis of Individual Intentions to Migrate*, mimeo 2015;

Massimiliano Bratti, Simona Fiore, and Mariapia Mendola: *Sibling Rivalry and Migration*, mimeo 2015;

Massimiliano Bratti and Mariapia Mendola, *Parental Health and Child Schooling*, *Journal of Health Economics*, 35: 94–108, 2014;

Garance Genicot, Anna Maria Mayda, and Mariapia Mendola: *The Impact of Migration on Child Labor: Theory and Evidence from Brazil*, mimeo 2014.

2.1.4 Research team, research partners and funding institutions

Researchers working in the area are: Caterina Alacevich, Jacopo Bonan, Massimiliano Bratti, Margherita Comola, Anna De Paoli, William Ekere, Simona Fiore, Guido Friebel, Juan Miguel Gallego, Harounan Kazianga, Miriam Manchin, Mariapia Mendola, Franklin Simtowe.

Research partners in this area's projects include IFAD, the University of Milan Bicocca, the University of Milan, Goethe University Frankfurt, Paris School of Economics, University of Paris 1 Panthéon-Sorbonne, ILRI-Kenya, Makerere University in Kampala.

Research in the area has been funded by the World Bank, the International Initiative for Impact Evaluation (3ie), Compagnia di San Paolo, CISEPS-Bicocca and institutional funding.

2.1.5 Conferences and other events

In 2015, LdA fellows working in the development research area organised and participated in several conferences and workshop, including the Research Seminar Series on “Global Challenges” in Milan. See Section 6 for more details.

Fourteenth Summer School in International and Development Economics

The Fourteenth Summer School in International and Development Economics on “Risks and Policy Responses in Developing Countries” took place from September 9th to September 11th 2015 at the University of Milan, Palazzo Feltrinelli, Gargnano, Italy. It was organised by the Centro Studi Luca d'Agliano, the Paolo Baffi Centre on Central Banking and Financial Regulation

(Bocconi University), the Centre for Economic Policy Research (CEPR), the University of Milan Bicocca, the Lombardy Advanced School of Economic Research (LASER), and the Vilfredo Pareto Doctoral Program in Economics of the University of Turin.

Robin Burgess (LSE and CEPR) and Alessandro Tarozzi (Universitat Pompeu Fabra and GSE Barcelona) were this year's lecturers and 30 students from all over the world attended the Summer School. The lectures focused on some of the key risks that citizens in developing countries face and on evaluation of potential policy responses to these risks. A range of topics has been covered under the course including mechanisms to enforce accountability of politicians to citizens, health risks and impact, interventions in credit and insurance markets to ameliorate risk, environmental risks and climate change, and the relationship between conflict and economic development.

Second Workshop on "Global Challenges"

On 18th June 2015 the Second Workshop on "Global Challenges" took place at the University of Milan Bicocca, jointly organised with the University of Milan, the Paolo Baffi Centre (Bocconi University) and the Catholic University of Milan. Several distinguished speakers working on international and development economics issues were invited, including Giovanni Peri (University of California Davis) and Beata Javorcik (University of Oxford, ESOP and CEPR).

2.1.6 Work programme for 2016

LdA fellows will continue working on development economics issues, in particular in the following research lines:

(i) Analysis of the linkages between land, agriculture and development in Africa.

LdA fellows will work on the impact assessment of the IFAD-supported development programmes in Uganda. This entails a major work of first-hand data collection via experimental methods, i.e. baseline and follow up surveys on treated and control randomized households will be administered in Uganda over the next years. Research questions to be studied within the impact evaluation are related to the effect of removing information/knowledge constraints on the farmer's decision to adopt a new technology with the ultimate goal of increasing agricultural productivity and household welfare.

(ii) Analysis of the linkages between migration and development.

The LdA team in this research area will continue working on this topic, especially at the household-level and from the perspective of developing/sending countries, as migration issues are pivotal in its research agenda having many different implications on several aspects of development. In particular, next year LdA team will focus, through different approaches and in different countries, on the relationship between migration and human smuggling.

2.2 Migration

2.2.1 Main findings

The study of the economics of international migration is one of the main focuses of the LdA research activity. In particular, in the past two years, LdA fellows have been working on four themes: i) the political economy of immigration policy; ii) illegal immigration; iii) the assimilation of migrants in the host country and iv) the effects of immigration in source and host countries.

To understand how migration policies are shaped, LdA work has started by analysing individual *attitudes towards immigration* in the receiving countries, and how they are influenced by labour market competition and by the presence of a redistributive welfare state. The LdA team has found that both channels matter and that, on average, individuals expect the welfare state to adjust to growing immigration through changes in the level of fiscal pressure. LdA fellows have also looked at non-economic drivers of preferences, focusing in particular on the role played by the media in shaping perceptions towards illegal immigration. Finally, in an ongoing project funded by the Research Institute of Economy, Trade and Industry (RIETI) of the Government of Japan, LdA researchers are carrying out a novel survey experiment to assess the effects of information on individual preferences towards migrants in the country.

Importantly, in a modern democracy, individual attitudes should be key drivers of actual policies. As a result, the next step has been to investigate *the link between attitudes towards immigration and the actual policies implemented*. Although we find that attitudes play an important role, i.e. countries where the population is more anti-immigration tend to implement more restrictive policies, our data suggest that attitudes alone cannot explain the size and composition of the actual immigration flows. In a related project, LdA researchers have investigated how media exposure affects the accountability of elected officials in the United States on two facets of globalization, namely immigration and trade policy. Using a novel dataset spanning the period 1986-2004, in which they matched individual opinion surveys with congressmen roll call votes, they find that greater exposure to media coverage tends to increase a politician's accountability when it comes to migration policy making, while they find no effect for trade policy, except in districts where trade is perceived as a relevant issue by a large share of voters. Their findings thus suggest that more information on the behavior of elected officials affects decisions only when the policy issue is perceived to be salient by the electorate.

In a third project, LdA researchers have looked at the drivers of actual policy making, by investigating how economic and non economic characteristics of a constituency have affected the voting behaviour of US representatives on immigration legislation in the post 1965 period. They have found that labour market complementarities are a key driver in explaining support to bills aimed at increasing the inflow of foreign workers, highlighting the importance of economic factors in shaping actual policy making. In a fourth, related project, the LdA research group has compared the political economy of trade and immigration liberalisation in the United States. The evidence suggests that while there is a much broader consensus for trade liberalisation than for the liberalisation of migration, the same economic forces that shape a Congressman voting

behaviour on trade shape also his/her voting behaviour on migration.

The LdA team has thus turned its attention to the *role played by pressure groups*. In particular, they find strong evidence supporting the view that lobbies exert a significant influence in the shaping of immigration policy in the United States. Interestingly, lobbies turn out to have an efficiency enhancing effect, i.e. broadly speaking they tend to make the actual policies closer to the efficiency enhancing outcome.

LdA fellows are also producing a series of papers focusing on illegal immigration. The first contribution has developed a theoretical model to understand the emergence of large numbers of illegal immigrants in destination countries, and the determinants of legalization programs (amnesties). In particular the research aims at establishing when a policy maker finds it optimal to resort to the introduction of an amnesty, and how the availability of this policy tool affects the incentives of foreign workers to leave their country. The issue is addressed both theoretically and empirically. Specifically, the research has shown how illegal immigration is likely to be the result of political failure, whereby an elected government, unable to admit its most preferred number of immigrants legally, resorts to illegal immigration as a second best policy tool. In establishing whether an amnesty might be desirable, the cost–benefit calculus involves a comparison between the potential improvement in domestic income resulting from the new labor market opportunities opened to legalized migrants, and the costs of a welfare state leakage from natives to migrants. The predictions of the model are tested empirically analysing the determinants of the voting behavior of U.S. representatives on the IRCA, one of the largest legalization programs ever undertaken. Empirical results offer strong support to the theoretical predictions: the higher the share of over–educated undocumented immigrants in a district, the more likely its representative is to vote in favor of IRCA. At the same time, a higher potential fiscal cost from legalization, makes it less likely that the representative casts a vote in support of IRCA. In a related paper the LdA team provides an overview of the mechanisms behind the formation of migration policies and how they lead to or limit the presence of illegal immigrants. They also study how governments deal ex-post with the presence of undocumented foreign workers by introducing immigration amnesties and review the determinants of their introduction and address their desirability from the point of view of aggregate welfare. As countries in the EU differ substantially in the implementation of both ex-ante and ex-post immigration policies, the paper emphasizes the need for more coordination in the area of migration policy enforcement, both at the border and within each country.

In another paper LdA fellows estimate the causal effect of the prospect of legal status on the employment outcomes of undocumented immigrants. The paper innovates on the existing literature in several dimensions. First, the authors study the effects that the prospect of legal status has on undocumented migrants' employment rate, while the received literature focuses on the labor market effects of gaining legal status for legalized immigrants, exploring labor market effects that, although essential for a complete analysis of amnesty program outcomes, have so far been overlooked. Second, their identification strategy exploits a natural experiment provided by the 2002 amnesty program in Italy that introduced an exogenous discontinuity in eligibility based on date of arrival. Their findings indicate that the prospect of legal status significantly increases the employment probability of immigrants that are potentially eligible for

the amnesty relative to other undocumented immigrants. The size of the estimated effect is equivalent to about half the increase in employment that undocumented immigrants normally experience in their first year after arrival in Italy. Additionally, using a supplementary set of microdata, the authors show that these effects are likely to persist even some years after the amnesty has closed.

LdA researchers have also been involved in a project to study immigrant assimilation by analyzing whether friendship with natives is a measure of cultural assimilation, and by investigating the formation of social ties. Using the German Socio-Economic Panel, they have found that immigrants with a German friend are more similar to natives than those without German friends, along several important dimensions, including concerns about the economy, interest in politics, and a host of policy issues. Turning to friendship acquisition, they have found that becoming employed, time spent in the host country, the birth of a child, residential mobility, and additional education acquired in the host country are significant drivers of social network variation.

The consequences of international migration for sending and receiving countries is also central to the research agenda of the LdA team. In a recent paper, LdA researchers have studied the impact of emigration of emigration from Poland on Polish wages. Focussing on the 1998–2007 period for Poland, and using a unique data set that contains information about household members who are currently living abroad, allowed them to develop region-specific emigration rates and to estimate the effect of emigration on wages using within-region variation. Their results show that emigration led to a slight increase in wages for high and medium skilled workers, which are the two groups with the largest relative outmigration rates. Workers at the low end of the skill distribution may have experienced slight wage decreases. In another paper, the LdA team has provided suggestive guidelines for future research on brain drain by identifying the mechanisms that can generate larger economic impacts at the aggregate. The analysis is based on a dynamic general equilibrium world model that is calibrated to published statistics and incorporates empirical estimates on the effects of brain drain. It simulates short- and long-run impacts of increased brain drain on GDP per capita, GNI per capita, and income inequality. The results suggest that, while more studies should be conducted to further examine how the brain drain influences human capital formation and technology spillovers, both have significant impacts on domestic production and national income. A better understanding of different remitting patterns would also be desirable to understand how to reduce inequality and promote recipients' investment in productive assets. In another project, the team has studied the role of migration in transferring social norms across countries. Specifically, the focus is on the effect of transnational migrants on gender equality in the country of origin, as measured by the share of women enrolled in the lower chamber of National Parliaments. Using panel data from 1960 to 2010 in ten-year intervals the paper finds that total international migration has a significant effect on female political empowerment in countries of origin conditional on the initial female parliamentary participation in both origin and destination countries.

Turning to the effects of immigration in host countries, another paper has investigated the fiscal impact of immigration on the UK economy, with a focus on the period since 1995. Specifically, the paper provides estimates for the overall resident immigrant population in each year between 1995 and 2011, and for recent cohorts that arrived since 2000, with a distinction made between

immigrants from European and non-European countries. Overall, the findings indicate that, when considering the resident immigrant population in each year from 1995 to 2011, immigrants from the European Economic Area (EEA) have made a positive fiscal contribution, even during periods when the UK was running budget deficits, while Non-EEA immigrants, not dissimilar to natives, have made a negative contribution. For immigrants that arrived since 2000, and where we observe the entire cohorts, contributions have been positive throughout, and particularly so for immigrants from EEA countries. Notable is the positive contribution made by immigrants from countries that joined the EU in 2004. This conclusion is further supported by evidence on the degree to which immigrants receive tax credits and benefits compared to natives. Recent immigrants are substantially less likely to receive state benefits or tax credits. These differences are partly explainable by immigrants' more favourable age-gender composition. However, even when compared to natives with the same age, gender composition, and education, recent immigrants are still less likely than natives to receive benefits. LdA fellows have also edited an *Economic Journal Feature* dedicated to the welfare and fiscal effects of immigration. The *Feature* hosts a contribution providing a conceptual framework, which points out the issues that face the researcher in investigating the fiscal effects of immigration, due to problems that regard the allocation of expenditures and revenues to different populations. This paper sets the stage for the way we should think about empirical analysis that investigates the fiscal impact of immigration, and provides a valuable pre-requisite not just to the more empirical papers in this feature, but also to the debate about the fiscal impact of immigration more generally. Additionally, the *Feature* hosts two papers providing concrete empirical analyses on various aspects of the fiscal impact that immigration may have on receiving countries. These two papers focus on two countries that represent different ends of the generosity spectrum in terms of accessibility to welfare and transfer systems in Europe, the UK and Norway, two nations that also differ dramatically in the types of immigrants attracted over past decades. The two papers also represent two different modes of analysis for investigating immigration's fiscal aspects. The picture that emerges is that whereas post-2000 immigrants to Britain have made a substantial net fiscal contribution, immigrants to Norway have been drawing far more heavily on certain key welfare transfers than natives.

The LdA team has also analysed other ways in which immigration may affect destination countries. In particular, the focus has been on the impact that unskilled immigrants in the household service sector have on native female labour supply. The team has analysed a group of developed countries, which differ in terms of family policies, considering both the effects of immigration on the employment decision and on the number of hours worked. The results suggest that the share of immigrants working in services is positively associated with an increase of native-born women's labour supply at the intensive margin, if skilled, and at the extensive margin, if unskilled. Moreover, the results show that these effects are larger in countries with less-supportive family policies.

2.2.2 Projects

Value Added in Motion. The Future Geography of Production, Migration and Energy (VAM)

This is a large three-years project coordinated by LdA and funded by Enel Foundation. The project is also carried out under the research area of Firms in the International Market and described broadly in Section 2.3.2 of the report. The project aims at understanding the changing geography of value added and its implications for migration and for demand and supply of energy. It is built around three separate but interconnected pillars dealing with: the location of production activities, the movements of people and the demand and supply of energy. As regards migration, the project is addressing questions like:

- What will the main migration trends be in the future?
- What drives these trends?
- How will migration trends influence and/or are driven by industrial activity?
- How does trade-induced changes in labor demand affect internal and international migration?
- What is the role of migrant labor in the energy sector, especially oil?

The project has now entered its third year, and it has produced its first outputs. Four teams of researchers are in the final stages of writing up four academic papers:

1. Frédéric Docquier (FNRS and IRES, Université Catholique de Louvain) and Joël Machado (IRES, Université Catholique de Louvain): “Income Disparities, Population and Migration Flows in the 21st Century”;
2. Bernt Bratsberg and Oddbjørn Raaum (Frisch Center, University of Oslo): “Migrant Labor in the Norwegian Petroleum Sector”;
3. Christian Dustmann (University College London, CEPR and CReAM), Francesco Fasani (Queen Mary University of London and CReAM), Xin Meng (Australian National University) and Luigi Minale (University College London and CReAM): “Risk Attitudes and Household Migration Decisions ”;
4. Giovanni Facchini (University of Nottingham, University of Milan, CEPR, Ceslfo, IZA and LdA), Yuanyuan Liu (Georgetown University) and Anna Maria Mayda (Georgetown University and CEPR): “The impact of China’s WTO Accession on Internal Migration”.

More specifically, Docquier and Machado develop and parametrize a dynamic, stylized model of the world economy with endogenous income disparities, migration, fertility and education decisions. The model accounts for the links between skill-biased emigration prospects, investment in human capital and population growth. Using scenarios about the evolution of total factor productivity (TFP) and immigration barriers, the paper jointly predicts the evolution of income inequality, population growth, desired and effective migration flows.

Bratsberg and Raaum take advantage of a unique, very rich linked administrative dataset covering all workers employed in the petroleum sector in Norway over the period 1998-2012 to study the patterns of employment of foreign workers. The study addresses differences in wages and other characteristics of migrants and native labor as well as the role of foreign company ownership and

legal restrictions on immigration, with a focus on the opening of the labor market to citizens of accession countries following the 2004 and 2007 expansions of the European Union. Finally, the paper examines spillovers from the petroleum sector to the rest of the Norwegian economy by tracking workers who leave the sector for jobs in other industries.

Dustmann and co-authors look at the role played by risk attitudes on the selection into migration both at the individual and household level within China. They first build a theoretical model of household migration decision with heterogeneous risk preferences. In the model, households can diversify income risk by sending one of their member as migrant in a different labor market with respect to the one where the other household members work. If migration is a risky enterprise, imperfect income pooling between migrants and family members left behind implies a higher exposure to risk of the former. This theoretical framework will deliver testable predictions about the individual, within- and across-household migrant selection according to risk aversion. The model is then assessed using data from a large longitudinal household survey collected in rural China that contains unique information on both migration decisions and individual risk aversion.

Mayda and co-authors study how internal migration in China reacted to the entry of the country in the WTO. Using a novel dataset, combining information from the Chinese population census, the Chinese Census of Manufacturing, China Customs data and trade policy data, they employ a difference-in-difference empirical specification based on variation across Chinese prefectures before and after 2001. In particular, the change in internal migration rates is related to changes in the average normal-trade-relations (NTR) gap faced by the Chinese city's exporters to the U.S. The findings indicate that the Chinese cities facing a larger decline in the average NTR-gap experience a greater increase in labor flows from outside the prefecture. The results also show that the average skill intensity of export industries of a prefecture differently affects the demand for skill.

Draft versions of all papers have been presented at the conference organised by LdA at the University of Milan on 14-15th May 2015.

2.2.3 Research output

Papers

Julian Emami Namini, Giovanni Facchini, and Ricardo A. López: *Export Growth and Factor Market Competition*, Canadian Journal of Economics, forthcoming, 2015;

Giovanni Facchini, Anna Maria Mayda, and Prachi Mishra: *Lobbying Expenditure on Migration: A Descriptive Analysis*, CES-Ifo Economic Studies 61: 701-721, 2015;

Giovanni Facchini, Eleonora Patacchini, and Max Steinhardt: *Migration, Friendship Ties and Cultural Assimilation*, Scandinavian Journal of Economics, 117: 619-649, 2015;

Christian Dustmann, Tommaso Frattini, and Anna Rosso: *The Effect of Emigration from Poland on Polish Wages*, Scandinavian Journal of Economics, 117: 522-564, 2015;

Emanuele Forlani, Elisabetta Lodigiani, and Concetta Mendolicchio: *The Impact of Low-Skilled*

Immigration on Female Labour Supply, Scandinavian Journal of Economics, vol. 117, pp. 452-492, 2015;

Elisabetta Lodigiani, Luca Marchiori, and I-Ling Shen: *Revisiting the Brain Drain Literature with Insights from a Dynamic General Equilibrium World Model*, World Economy, doi: 10.1111/twec.12269, 2015;

Giovanni Facchini and Cecilia Testa: *The Political Economy of Migration Enforcement: Domestic versus Border Control*, CES Ifo Economic Studies 61:701-721, 2015;

Alessandra Casarico, Giovanni Facchini, and Tommaso Frattini: *Illegal Immigration: Policy Perspectives and Challenges*, CESifo Economic Studies, 61 (3-4): 673-700, September-December 2015;

Giovanni Facchini, Tommaso Frattini, and Anna Maria Mayda: *International Migration*, *International Encyclopedia of the Social & Behavioral Sciences*, 2nd edition, Vol 12, Oxford: Elsevier, pp. 511–518, 2015;

Christian Dustmann and Tommaso Frattini: *The Fiscal Effects of Immigration in the UK*, Economic Journal, 124 (580), F593–F643, 2014;

Christian Dustmann and Tommaso Frattini: *The Fiscal and Welfare Effects of Immigration: Introduction*, Economic Journal, 124 (580): F565–F568, 2014;

Paola Conconi, Giovanni Facchini, and Maurizio Zanardi: *Policymaker's Horizon and Trade Reforms: The Protectionist Effect of Elections*, Journal of International Economics 94:102-118, 2014;

Giovanni Facchini and Elisabetta Lodigiani: *Attracting Skilled Migrants: An Overview of Recent Policy Developments in Advanced Countries*, National Institute Economic Review 229: R3-R21, 2014;

Carlo Devillanova, Francesco Fasani, and Tommaso Frattini: *Employment of Undocumented Immigrants and the Prospect of Legal Status: Evidence from an Amnesty Program*, LdA Working Paper no. 367, June 2014;

Giovanni Facchini, Tommaso Frattini, and Cora Signorotto: *Mind What Your Voters Read: Media Exposure and International Economic Policy Making*, LdA Working Paper no. 358, October 2013, revised 2015;

Paola Conconi, Giovanni Facchini, Max Steinhardt, and Maurizio Zanardi: *The Political Economy of Trade and Migration: Evidence from the US Congress*, LdA Working Paper no. 346, November 2012, revised 2014;

Giovanni Facchini and Cecilia Testa: *The Rhetoric of Closed Borders: Quotas, Law Enforcement and*

Illegal Migration, LdA Working Paper no. 303, November 2010, revised 2014.

Policy Reports

Giovanni Facchini and Tommaso Frattini: *Where Do Migrants Go? Population Movements and Economic Activities*”, mimeo, 2014.

2.2.4 Conferences and other events

The intense research activity carried out by the LdA migration team led to the presentations of our research output to a variety of international conferences, meetings and seminars. In particular, over the past two years LdA resident research fellows have presented their research at COEURE Workshop in Brussels, the University of Kansas, University of Bologna, Marche Polytechnic University, the Chinese University of Hong Kong, Georgetown, Hitotsubashi University, Paris School of Economics, Stanford, Yale, Université Catholique de Louvain, London School of Economics, Graduate Institute, Geneva, RIETI (Tokyo, Japan), the National Bank of Poland and at several international conferences like the EU Commission organised “Labour Economics after the Crisis” conference (Brussels), the CEPR organized European Workshop in International Trade (Oslo), the European Conference of Population Economics (Braga, Portugal), the Migration Forum (Tallinn), the IZA Annual Migration Meeting (AM²) and Migration Topic Week, (Dakar, Senegal); the Barcelona Summer Forum Migration Workshop, the joint Society of Labor Economics/European Association of Labour Economics Conference (Montreal, Canada).

2.2.5 Research team, research partners and funding institutions

Researchers who worked in the migration area in 2015 are Bernt Bratsberg, Alessandra Casarico, Carlo Devillanova, Frédéric Docquier, Christian Dustmann, Giovanni Facchini, Francesco Fasani, Tommaso Frattini, Elisabetta Lodigiani, Joel Machado, Anna Maria Mayda, Anna Rosso, Cora Signorotto, Max Steinhardt and Cecilia Testa.

Research partners in the area include the University College London, Catholic University of Louvain, CEPR, Centre pour la Recherche Economique et ses Applications (CEPREMAP), Université Libre de Bruxelles, European University Institute, The Graduate Institute of International and Development Studies (IHEID), Ragnar Frisch Centre for Economic Research, Tilburg University.

Research in this area is funded by Enel Foundation.

2.2.6 Work programme for 2016

LdA will continue to be actively engaged in migration research next year. The team has several ongoing projects, ranging from assessment of the labour market implications of international migration, to the role of migration on the international transfer of norms, to the determinants of immigration policy. In particular, *Tommaso Frattini* is working together with *Carlo Devillanova*

(Bocconi University) and *Francesco Fasani* (Queen Mary University of London) on a project about the consequences of the economic crisis on the labor market outcomes of legal and undocumented immigrants in Italy. Together with *Francesco Fasani*, *Frattini* has also started investigating empirically the determinants of refugee and non-refugee migration flows in the Mediterranean, with the main aim to assess whether and how they are influenced by different policy intervention (most notably European search and rescue operations). *Elisabetta Lodigiani* is studying the effect of immigration on the sending country institutions. Together with *Frédéric Docquier* (UC Louvain), *Hillel Rapoport* (University of Paris) and *Maurice Schiff* (World Bank), they are revising a study which looks at the broad question of how immigration affects the quality of democratic and economic institutions in the source country. Together with *Emanuele Forlani* (LdA and University of Pavia) and *Concetta Mendolicchio* (IAB) she is working on a paper which studies the effect of international migration on fertility and native female labour supply, using SOEP and INKAR data for Germany. *Giovanni Facchini* and *Alessandra Casarico* have started to work on a theoretical model to explain the flow of skilled migrants among advanced countries. *Giovanni Facchini*, *Tim Hatton* and *Max Steinhardt* will be studying the political economy of the US 1965 Immigration Act, using a large dataset on policy makers characteristics. *Giovanni Facchini*, *Tommaso Frattini* and *Cora Signorotto* are updating their analysis of the disciplining effect of media exposure on the voting behaviour of US representatives on trade and migration liberalisation. *Facchini*, *Frattini* and *Anna Rosso*, together with *Bernt Bratsberg* (University of Oslo, Frisch Centre) are starting a wide-ranging project on the political participation of immigrants and how this influences electoral outcomes. The project is based on very rich administrative Norwegian data. Finally, *Costanza Biavaschi* and *Giovanni Facchini* are working on the effects of changes in the franchise on restrictions to migration during the progressive era.

2.3 Firms and the International Market

2.3.1 Main findings

LdA fellows have worked extensively on internationalisation patterns at the firm level both in developing and advanced economies.

The current global integration of real and financial markets makes a country's overall performance more reliant than in the past on its trade competitiveness and on its ability to operate on a global scale. The recent crisis has shown that heterogeneity in trade imbalances is a cause of macroeconomic instability. LdA works at a deeper understanding of the determinants and the effects of such imbalances from several angles.

In particular, LdA's recent work has focussed on three main teams. First, the analysis of how micro-level shocks may determine macroeconomic outcomes and also a deep assessment of the methodology and data requirements for the construction of micro-based competitiveness indicators. Second, the assessment of the role of non-tariff trade barriers as one of the main obstacle to firms' internationalization. Third, the assessment of the trends in global internationalisation patterns.

LdA has contributed or is contributing to several leading European projects on competitiveness such as EFIGE, the CompNet research network, the MAPCOMPETE project. At the core of the EFIGE project is the very large cross-European firm level survey carried out in 7 EU countries and providing comparable information on firms' international activities and on several other firms' characteristics and strategies. The main message emerging from the research carried out on the EFIGE data set is that aggregate industrial performance depends strongly on firm-level factors and that, consequently, a country's performance strongly depends on the underlying micro characteristics of its population of firms.

Within this framework, however, the micro-macro link is not obvious, in other words: how do the micro features of exporting firms translate into macro outcomes like aggregate productivity and trade balances? To answer this question LdA is pursuing three synergic lines of research.

Gianmarco Ottaviano (together with Marc Melitz, Thierry Mayer, Antonella Nocco and Matteo Salto) kept working on theoretical frameworks and empirical assessments on how trade liberalization among countries with possibly very different levels of development may affect their firms' performance and thus their aggregate outcomes in very different ways. These implications are then being brought to the data using detailed firm level data sets for the ex post evaluation or structural calibration for the ex-ante study of policy-relevant scenarios.

Second, LdA is carrying out an in depth empirical assessment, within the framework of the MAPCOMPETE and CompNet projects, trying to relate characteristics of populations of European firms observed at the industry/country/year level to aggregate trade performance. Preliminary results show clearly that within industry indicators of dispersion of productivity and the productivity of the higher percentiles of these distributions significantly relate to such aggregate performances in the export market. More specifically, the role of different moments of the firms'

productivity distribution in affecting the aggregate performance is analysed by Barba Navaretti, Bugamelli, Forlani, and Ottaviano (2015). This study provides theoretical and empirical evidence on the relationship between aggregate exports and the distribution of firms' efficiency. In particular, it shows that the higher moments of productivity distributions are related to aggregate exports. In doing so it challenges the standard predictions of the basic model of international trade with heterogeneous firms and the widespread policy wisdom that only average productivity is related to aggregate trade outcomes. Policy implications are also important. In particular, policy could focus on shifting the upper tail of the firms' productivity distribution within a sector, as a way to increase both the average productivity and the export performance of an industry.

Third, with several teams of researchers within the MAPCOMPETE and the CompNet projects, LdA's researchers are working at devising a new range of micro-grounded competitiveness indicators and in assessing their computability given data availability and accessibility in Europe. Several central banks and national statistical institutes are contributing to this effort. One key output from these projects has been a thorough mapping of data availability for computing more than 150 competitiveness indicators in the EU countries, with special reference to those indicators that can be built from firm-level information. In 2014 and 2015, LdA produced two major reports for the MAPCOMPETE project on "State-of-the-art on indicators at the micro-level" as well as at "the industry, regional and aggregate level". At the same time, LdA has contributed to design and populate a web tool which will help researchers, practitioners and policy makers, in their search for meta-information on competitiveness indicators.

In 2015 LdA started working on a new research project on the role of non tariff barriers (NTBs) in affecting trade outcomes. The project (PRONTO) is funded by the European Commission. Within these projects, LdA's researchers are working on three main research questions. The first one is the impact of NTBs on inequality and employment; the second one is the assessment of whether the impact of NTBs is affected by micro characteristics of the population of firms and in particular of productivity distributions; the third one is the assessment of NTBs in the internationalization of services like legal practices.

During 2014 and 2015, LdA researchers have also been working extensively on the geography of value added by analysing its implications for migration and for demand and supply of energy, within the Value Added in Motion (VAM) project. Results provide clear macro evidence that there are indeed very strong interconnections in the geography of value added, demand for energy, and migration. These interconnections are reflected mostly in the intensity per head of these variables, which evolve in a relatively similar way over time. In other words, the geographies of per capita value added, per capita immigrant population, and per capita energy consumption reflect similar patterns. Indeed, intensities are related to the average level of economic development of the countries considered, which has huge implications in terms of the productivity of industry, the attraction of migrants, and the environmental impact of energy consumption. Naturally changes in policy and technology do affect the relationship between these variables. For example, we find that energy efficiency rises faster with industrial value added per head today than it did thirty years ago.

If intensities per head are essentially related to economic development, the absolute values of industrial value added, migration flows and energy consumption are driven by scale to a large extent. Growth rates are good indicators of these patterns. Worldwide, we are observing the well-known fact that some emerging countries are gradually catching up with industrialized ones. The fact that this catching up is indeed occurring (rapidly) in terms of absolute values (industrial value added, migration flows, and energy consumption), but more slowly in terms of productivity and consumption per capita has profound implication for the future geography of economic activities. Precisely because of the different dynamics in productivity, we find overwhelming evidence of a very strong ‘industrial resilience’ in mature economies, which are able to preserve their leadership through rapid technological upgrading and an efficient use of their resources, even more so when they are scarce and expensive.

The work carried out by LdA researchers has been an essential step for identifying specific issues requiring in-depth and targeted analysis, addressed by the twelve academic papers and three regional long term scenarios commissioned to world leading academics.

In particular, the four papers commissioned within the “Geography of Value Added” pillar of the VAM project aim at understanding whether or not the persistent division of labor in industry between mature and emerging economies, with the former controlling high productivity, high quality and high value added production, is likely to survive in the era of Global Value Chains (GVCs). The papers have been commissioned to world leaders in the field:

All papers analyse the evolving drivers of the geography of value added at different complementary levels of spatial and sectoral disaggregation.

More in details, Shang-Jin Wei and co-authors provide a unique assessment of the changing patterns of the global division of labour by developing a novel methodology allowing for better measurement of the defining features of GVCs with an emphasis on cross-border linkages among countries/sectors and their contributions to total value added.

Gordon Hanson examines the global geography of offshoring and how it has evolved over the last three decades. In so doing, he complements the macro analysis of Shang-Jin Wei from the viewpoint of the factory floor by measuring offshoring as distinct from the measurement of trade in value added. To this aim he draws on detailed data from China, Mexico, and the United States that specifically captures trade in processing services rather than simply intermediates.

Keith Head and Thierry Mayer add a new dimension to the drivers of the geography of value added by investigating whether (at least for some key sectors and production stages) the current division of labor between mature and emerging economies may persist due to the resilient association in buyers’ eyes of high-end branded products with their traditional production sites. The idea is to check whether (all the rest given) these products are valued more by customers if sourced from the traditional places of origin. To implement this idea, the paper focuses on car making, emphasizing the offshoring of car assembly and examining the costs and benefits affecting the decision of each brand to serve traditional markets from new locations. In so doing, it distinguishes the location-based aspects of performance (country and plant of assembly) from the aspects tied to brand identities promoted by car makers.

The aim of the commissioned paper by Diego Puga is to analyze how the economy, seen as an interconnected system of cities, is shaped by the mobility of firms and workers with different characteristics and at different points of their respective life-cycles.

We report here also the main results of the energy Pillar of the VAM project and the main results emerging from the commissioned papers in this area.

According to the paper by Arik Levinson, “Energy Intensity: Prices, Policy, or Composition in US States”, world energy consumption per dollar of GDP – energy intensity – has declined by 25% since 1980. But that global average masks tremendous heterogeneity. For instance, energy intensity fell by 76% in China, 47% in the US and 37% in the EU, but grew by 86% in the Middle East. If global greenhouse gas emissions are to be reduced without reversing economic growth, we must understand how some jurisdictions have been able to reduce their economies' energy intensities. Likely explanations include energy regulations, energy prices, and industrial composition. And each explanation comes with a different set of policy implications. If regulations explain the reduction, that suggests energy policies have worked as intended, without sacrificing economic growth relative to jurisdictions that have become more energy intensive. If regulations explain the reduction, that supports market-based policies such as taxes on energy-intensive industries commensurate with the external costs those industries generate. And if industrial composition explains the reductions in energy intensity, that raises the concern that the differences may involve no more than simply shifting energy around from one jurisdiction to another, without necessarily reducing overall consumption.

To address these questions Levinson studies the historical experience of US states during the 25-year period from 1982 to 2007.

Sylvain Weber, Reyer Gerlagh, Nicole A. Mathys, and Daniel Moran in “CO2 Embedded in Trade: Trends and Drivers” look at the impact of foreign trade in affecting greenhouse gas emissions. Total carbon embodied in trade has risen over the last 15 years, from about one quarter of total emissions before 2000 to approximately one third post-2000. This mirrors the growth in the traded portion of global GDP over the same period. Notwithstanding the sharp decline in 2008 due to the global economic downturn, this upward trend is likely to continue. Understanding their evolution and determinants of emissions embodied in trade, which are a significant part of global emissions, is not only of interest from the trade perspective, but also in general for climate change. If trade and globalization is to increase overall welfare, it is then crucial to understand to what extent increased exchanges of goods between countries also contributes to global warming. This paper studies the consequences of trade trends on global emissions and the drivers of embodied carbon over the period 1995-2009.

Marzio Galeotti, Elena Verdolini, and Silvia Salini in “Measuring Environmental Policy Stringency: Approaches, Validity, and Impact on Energy Efficiency” address rising concerns about the impact of anthropogenic greenhouse gas emissions (GHG) which have recently pushed more and more governments towards concrete mitigation efforts. To this end, countries are implementing increasingly stringent environmental policies which are aimed at internalizing the costs of pollution or, alternatively, at reducing the price wedge between clean and dirty technologies. This shift is however accompanied by rising concerns that increased environmental policy

stringency may come at the expense of competitiveness and well-being, especially in light of the recent economic downturn. This paper looks at this trade-off.

Frederick van der Ploeg in “Rapacious Oil Exploration in Face of Regime Switches: Breakthrough Renewable Energy and Dynamic Resource Wars” looks at how concerns for effective climate policies may also emerge in resource-rich countries. In particular the paper develops a theoretical model on the political economy of rapacious resource extraction in resource rich economies.

Natural resources are a prevalent feature of many wars in history and today. The immense empirical literature on conflict and natural resources offers support for the effect of natural resources on conflict, but takes resource revenue as given. This ignores important endogeneity issues, because resource extraction and thus resource revenue are themselves influenced by conflict. In this study Rick van der Ploeg addresses the above issues by setting out a variation of the theory of exhaustible resource extraction under confiscation risk and a model of perennial political conflict in economies with a benevolent and a rent-grabbing political party and exogenous hazards of being removed from office.

The rich theoretical framework offered by van der Ploeg provides a way to understand the two-way link between resource extraction and conflict, thus contributing to the explanation of dynamic resource wars, a prevalent feature both of history and the present day. But his model provides also a new rationale for Green Paradox effects which may result in unintended consequences when government try to implement well-intended climate policies.

2.3.2 Projects

Competitiveness Research Network (CompNet)

LdA contributes to the ECB’s “Competitiveness Research Network” (CompNet) established at the end of 2011 and approved by The General Council of the European System of Central Banks on March 2012. The network draws its participants from all ESCB national central banks, as well as from international organisations such as the OECD, the World Bank and the US International Trade Committee, with an interest in competitiveness issues. The network analyses competitiveness with a broad-based approach grounded in contemporary trade theory, focussing on the interaction between micro and macro perspectives. The work is organised into three workstreams: 1) Aggregate measures of competitiveness; 2) Firm Level; 3) Global Value Chains. LdA is involved mainly in the workstream 2 .

In particular, Bugamelli, Barba Navaretti, Forlani and Ottaviano (2014) exploit the richness of CompNet database and analyse how firms’ productivity distribution affects the export competitiveness at macro-sector level. The results were presented at the CompNet final conference in June 2015 at the ECB.

Mapping European Competitiveness (MAPCOMPETE)

MAPCOMPETE is a two-years Coordination and Support Action project funded by the 7th Framework Programme of the European Commission which started in February 2013 and ended

in early 2015. Partners of the project are Brussels based think tank Bruegel, Budapest based research centre CERS–HAS (coordinator), Paris School of Economics and Sciences–Po in Paris, and Tübingen research institute IAW. Associate partners are the OECD, the ECB and several central banks in Europe.

The project aims at identifying gaps in available data sets and key data requirements for constructing better competitiveness indicators at different levels. A key aim is to analyse the combined use of three types of resource: census type quantitative (e.g. national tax authority) data, quantitative survey (e.g. EFIGE survey) data and qualitative (interview based) information.

The project also aims at creating a more systematic connection between research results and the developments of indicators to be used for policy purposes. This in several directions.

1. Mapping existing datasets: screen national sector and micro-level datasets regarding geographical coverage, time span, representativeness with a special focus on areas where no standard set of variables exists, such as non-tangible assets and innovation.
2. Assessing consistency issues of different datasets: benchmark on existing research to understand the extent to which some country and year-specific competitiveness-related indicators can be derived from data contained within available dataset or from a cross-reference use of available datasets at different levels of aggregation.
3. Assessing conditions and requirements to match different data sets: on the basis of the pilot indicators identify the extent to which datasets relevant for competitiveness can be matched within country and across countries and map data gaps.
4. Fostering research directions towards better competitiveness indicators: investigate how novel data or combination of datasets (such as AMADEUS) can be used to introduce novel research areas and design new research directions leading towards better competitiveness indicators.
5. Benchmarking: identify steps to enhance quality and availability of existing data and suggest new methods and sources of data collections.

One of the most interesting output of MapCompete has been the analytical webtool which allows to map European competitiveness indicators (<http://mapcompete.eu/meta-webtool/>). The MapCompete webtool, contains detailed information about a number of competitiveness indicators and the corresponding variables used to compute such indicators. The webtool provides information on accessibility and computability of the indicators.

The project has also produced several methodological and analytical reports by the LdA's team, listed below.

Value Added in Motion. The Future Geography of Production, Migration and Energy (VAM)

LdA, together with the Department of Economics, Management and Quantitative Methods of the University of Milan, are the leading institutions of this 3 years research project funded by the Enel Foundation.

The overarching aim of this large project, is understanding the geography of value added and its implications for migration and for demand and supply of energy; enhancing our capacity of

predicting future economic patterns; and developing policy tools to strengthen the competitiveness of regions or countries as 'creators of value added'. This project also covers work in the migration research area of LdA and opens LdA research to the new field of energy and the environment.

The project will provide useful insights and an analytical framework for outlining future trends and scenarios for an intermediate period up to 2030 in the areas analysed. Even though no time specific forecasts will be carried out, the project will provide useful insights and tools to understand future global trends. These scenarios will be developed under different assumptions concerning environmental constraints, i.e. trends in global warming and environmental regulations. This work pursues three different objectives/tasks that also constitute three sub projects in themselves.

The first one is to **map the geography of value added and to assess its main triggers**. A large literature has been focusing on the unbundling of production, using different sources of data and theoretical approaches. Other contributions have looked at the competitiveness of countries at the macro and micro level. Others, finally, have studied the factors driving the geography of economic activities. All these approaches contribute vitally to the understanding of the mapping of value added and its triggers; nevertheless each of them provides only a partial explanation. Thus, the goal of this task is (i) to carefully analyse the link between those different approaches, and (ii) to investigate the issues left unexplored by the literature, such as, for example, the link between the micro and macro determinants of competitiveness. From a policy perspective, the identification of the factors that drive the competitiveness of countries is important to design measures that can be used to make them more efficient and attractive. Among these factors, the provision and the cost of energy is of course of paramount importance.

The second task is to **assess the relationship between the location of activities and the production of value added and population movements**. The unbundling of production is driven by the fact that new technologies allow for a better match between tasks (what individuals actually do at work) and skills (individuals' educational attainments) in a global market place. It is quite unlikely that best matches involve tasks demanded by firms and skills supplied by workers located in the same place. Hence, either firms relocate tasks to where the right workers are, or workers bring their skills to where the right tasks are. Moreover, even when the geographical matching between tasks and skills is not always easy, in general migration flows seek high returns from labour and thus move to high value added countries. At the same time, by affecting labour market equilibria migration flows also influence the competitiveness of production locations, while the relationship between population flows and economic activities influences demand and use of energy in given locations.

The third one is to **assess how energy demand and the availability of energy sources relate to the creation, composition, and location of economic activities and to population movements**. The availability of energy sources – both their abundance and their scarcity – is an important determinant of the creation, expansion, composition, and location of production activities. Changes in these aspects may entail the creation of new employment opportunities, possibly triggering migration flows. At the same time, the cost of primary energy sources as well as of

electricity represents a critical ingredient for energy-intensive industries, while it is much less important for other production activities – like various branches of manufacturing and services – where labour costs are quantitatively more relevant. As a consequence, changes in the cost of energy may induce changes in the location of firms and in the composition of value added. Besides cost, or price of energy, other aspects are crucial for shaping the structure of energy systems and energy demand, chiefly the role of new technologies and those energy-environmental policies that aim at reducing greenhouse gas emissions via changes in energy mixes and overall reductions of energy consumption.

The scientific coordinator is Giorgio Barba Navaretti and the task scientists in charge are Gianmarco Ottaviano (Geography of value added), Giovanni Facchini (Migration), and Marzio Galeotti (Energy). Partner institutions are: University of Oxford; Tilburg University; Columbia University; University of California, San Diego; University of British Columbia; SciencesPo Paris; CEMFI Madrid; Université Catholique de Louvain; University College London; Queen Mary University of London; University of Oslo - Ragnar Frisch Centre for Economic Research; Georgetown University; French Research Center in International Economics (CEPII).

During 2015, leading academics have been working on four academic papers for each pillar of the project:

- “What Do We Really Know about Offshoring? Industries and Countries in Global Production Sharing”, by Gordon Hanson (University of California, San Diego and NBER);
- “Characterizing Patterns of Global and Regional Manufacturing Value Chains: Stable and Evolving Features”, by Shang-Jin Wei (Asian Development Bank) and Zhi Wang (US International Trade Commission);
- “From Torino to Tychy: The Limits of Offshoring in the Car Industry”, by Keith Head (University of British Columbia and CEPR) and Thierry Mayer (SciencesPo, CEPII and CEPR);
- “The Changing Distribution of Firms and Workers Across Cities”, by Diego Puga (CEMFI, Madrid and CEPR);
- “Energy Intensity: Prices, Policy, or Composition in US States”, by Arik Levinson (Georgetown University and NBER);
- “Environmental Policy Stringency and Green Growth”, by Marzio Galeotti (University of Milan and LdA), Silvia Salini (University of Milan) and Elena Verdolini (FEEM);
- “CO2 Embedded in Trade: Trends and Drivers”, by Reyer Gerlagh (Tilburg University), Nicole A. Mathys (Swiss Federal Office of Energy and University of Neuchâtel), and Thomas O. Michielsen (Tilburg University);
- “Rapacious Oil Exploration in Face of Regime Switches: Breakthrough Renewable Energy and Dynamic Resource Wars”, by Rick van der Ploeg (University of Oxford, Cesifo and CEPR);

The projects also includes papers in the migration pillar, already mentioned in the migration section of this report:

- “Income Disparities, Population and Migration Flows in the 21st Century”, by Frédéric Docquier (FNRS and IRES, Université Catholique de Louvain) and Joël Machado (IRES, Université Catholique

de Louvain);

- “Risk Attitudes and Household Migration Decisions”, by Christian Dustmann (University College London, CEPR and CReAM), Francesco Fasani (Queen Mary University of London and CReAM), Xin Meng (Australian National University) and Luigi Minale (University College London and CReAM);
- “The Impact of China’s WTO Accession on Internal Migration ”, by Giovanni Facchini (University of Nottingham, University of Milan, CEPR, Ceslfo, IZA and LdA), Yuanyuan Liu (Georgetown University) and Anna Maria Mayda (Georgetown University and CEPR);
- “Migrant Labor in the Norwegian Petroleum Sector”, by Bernt Bratsberg and Oddbjorn Rauum (Frisch Center, University of Oslo).

Additionally, Cepii in Paris under the leadership of Lionel Fontagné (Cepii and Paris School of Economics) has been preparing three reports with scenario analyses for the EU region and its worldwide interactions (one on value added, one on migration, one on energy):

- "Value added in motion: the determinants of the location of value added within the EU";
- “Demographic determinants of the reshaping of value added across Europe”;
- “Value added in motion in a world of scarce resources.

Draft versions of all these papers have been presented at VAM Conference organised by LdA at the University of Milan on 14-15th May 2015.

LdA researchers are now working on the preparation of the four final policy reports of the project.

Productivity, Non-Tariff Measures and Openness (PRONTO)

PRONTO is a Collaborative project funded by the 7th Framework Programme (Collaborative Programme) of the European Commission. Partners of the project are: University of Bern (UBERN); University College Dublin, National University of Ireland (NUID UCD); Ecorys Nederland B. V.; London School of Economics and Political Science (LSE); Paris School of Economics (PSE); Stichting Dienst Landbouwkundig Onderzoek (DLO); Athens University of Economics and Business – Research Centre (AUER-RC); The Vienna Institute for International Economic Studies (WIIW); University of Surrey; Centre for Economic Policy Research (CEPR).

The first goal of the project is to extend the state of the art of NTM measurement by collecting existing NTM measures, identifying NTMs not yet measured, and filling those gaps. A key aspect of this is recognition of the ways in which NTMs interact with one another. The second goal is to use these improved measures to estimate the effects of NTMs on a variety of social and economic outcomes, including their impact on income and inequality in the EU, their role in promoting sustainable growth in developing countries, the effects they have on technological growth, and the frictions they create in the global supply chain. Thus, the aim of the project is to produce both improved understanding of NTMs and their effects, allow for more meaningful policy recommendations, and provide an innovative data set ideal for continued work on international trade and investment policy. Moreover, the project will deliver new and better data, better methodologies, and better understanding of the impact of NTMs on international investment and trade. Emphasis is placed on policy relevance and data availability.

2.3.3 Research output

Papers

Giorgio Barba Navaretti, Matteo Bugamelli, Emanuele Forlani, and Gianmarco I.P. Ottaviano: *It Takes (more than) a Moment: Revisiting the Link Between Firm Productivity and Aggregate Exports*, mimeo, 2015;

Giacinta Cestone, Chiara Fumagalli, Francis Kramarz and Giovanni Pica, *Insurance within Groups: The Role of Internal Labor Markets?*, mimeo, 2015;

Federico Cingano, Marco Leonardi, Julián Messina and Giovanni Pica, *Employment Protection Legislation, Capital Investment and Access to Credit: Evidence from Italy*, forthcoming, The Economic Journal;

Thierry Mayer, Marc Melitz, and Gianmarco Ottaviano: *Market size, competition, and the product mix of exporters*, American Economic Review, Vol. 104, 2014, 495–536;

Antonella Nocco, Gianmarco Ottaviano, and Matteo Salto: *Monopolistic competition and optimum product selection*, American Economic Review, Vol. 104, Papers and Proceedings, 2014, 304–309.

All the VAM's research papers listed above are being revised for their final draft.

Technical Reports and Policy Reports

Davide Castellani and Andreas Koch: *Mapping Competitiveness with European Data*, Bruegel Blueprint no. 23, 2015;

Giorgio Barba Navaretti, Matteo Bugamelli, Emanuele Forlani, and Gianmarco Ottaviano: *The importance of micro data in assessing competitiveness*, in "*Measuring competitiveness in Europe: resource allocation, granularity and trade*", edited by Carlo Altomonte and Gabro Bekes, Bruegel Blueprint, forthcoming, 2015;

Davide Castellani, Silvia Cerisola, Giulia Felice, Emanuele Forlani, and Veronica Lupi: *Technical Report Describing the State of the Art on Indicators at the Microeconomic Level*, MAPCOMPETE Technical Report, 2014;

Davide Castellani, Silvia Cerisola, Giulia Felice, Emanuele Forlani, and Veronica Lupi: *Technical Report Describing the State of the Art on Indicators at the Sectoral Regional and Aggregate Level*, MAPCOMPETE Technical Report, 2014;

Giorgio Barba Navaretti, Giovanni Facchini, Tommaso Frattini, Marzio Galeotti, Gianmarco Ottaviano, Giovanni Pica, Francesco Vona, and Silvia Cerisola: *How Do Value Added, Migration and Energy Interact?, Initial Evidence and Open Issues*, mimeo, 2014;

Giorgio Barba Navaretti, Gianmarco Ottaviano, Giovanni Pica, and Silvia Cerisola: *Does it Stay or Does it go? Industrial Value Added across Mature and Emerging Economies*, mimeo, 2014;

Marzio Galeotti and Francesco Vona: *The Sustainable Management of Energy and Natural Resources and the Geography of Economic Activities and Population Movement: An Overview*, mimeo, 2014.

2.3.4 Conferences and other events

In 2015, the LdA team in this area organised and participated in several conferences and workshops.

CompNet conference and workshops

The final CompNet Conference on "Enhancing competitiveness and fostering sustainable growth: methodological issues and empirical results" was held at the European Central Bank on 25th - 26th June 2015. During the session on "Trade and Competitiveness" the paper by Matteo Bugamelli, Giorgio Barba Navaretti, Emanuele Forlani, and Gianmarco I.P. Ottaviano "It takes (more than) a moment: Revisiting the link between firm productivity and aggregate exports" was presented.

This paper was also presented by Emanuele Forlani during the Second Session of the workshop on "Balanced and sustainable growth – Operationalising the G20 framework" which was held on 27-28th August 2015 at the European Central Bank in Frankfurt.

MAPCOMPETE workshops and meetings

On 13th January 2015, Emanuele Forlani presented the chapter number 4 "*Firm productivity, distribution and aggregate exports*" of the MapCompete Blueprint 2 on "Measuring competitiveness in Europe: resource allocation, granularity and trade" during the workshop organised in Paris by CESifo, GEP and CEP II on "Firm Heterogeneity: Implication for Aggregate Outcomes".

Davide Castellani presented the MapCompete Blueprint 1 on "Mapping Competitiveness with European Data" (with Andreas Koch) at the Blueprint Launch Event organised by Bruegel in Brussels on 6th March 2015.

On 28-29th May 2015, Giorgio Barba Navaretti and Emanuele Forlani attended to the MapCompete Final Conference organised in Brussels by Bruegel. Giorgio Barba Navaretti presented during the second session the chapter number 4 of Blueprint 2. Emanuele Forlani presented the basic features of the MapCompete WebTool for competitiveness analysis. During the policy session on "The future potentials of matching data in Europe: prospects, barriers and policy options", speakers from European National Banks were invited.

"Value Added in Motion (VAM)" Conference

The VAM conference was organised by LdA at the University of Milan on 14-15th May 2015. Divided in three sessions (Energy, Migration and Geography of Value Added), twelve academic papers and three regional long term scenarios commissioned to world leading academics were presented and discussed. What emerged is that value added is indeed in motion, and that to

understand the geography of future global development patterns it is essential to explore those interactions which are at the core of the project. For example, it is clear that demographic patterns and migration scenarios have an overwhelming influence on the location of industry. Not only in the division of labour between mature and now emerging economies, but also within similar groups of countries, like the core European ones. Also, energy prices and the endogenous trends in energy efficiency are crucial in determining the industrial specialization of industry in different countries, and consequently demand for energy.

PRONTO Second Workshop

The PRONTO Second Workshop on "NTM Data: Concepts, Commonalities, and Differences. Measure-based Assessment & Integration Potential" took place at the VU University in Amsterdam on 27-28th May 2015. The goal was to have in-depth discussions on the relationship of NTM data across different databases. Giorgio Barba Navaretti and Anna Rosso attended the workshop.

2.3.5 Research team, research partners and funding institutions

Researchers who worked in the firms and international market area in 2015 are: Carlo Altomonte, Chiara Angeloni, Marina Bellani, Giorgio Barba Navaretti, Matteo Bugamelli, Massimiliano Bratti, Giacomo Calzolari, Davide Castellani, Silvia Cerisola, Giulia Felice, Emanuele Forlani, Marzio Galeotti, Paolo Garella, Marco Leonardi, Veronica Lupi, Thierry Mayer, Marc Melitz, Antonella Nocco, Gianmarco Ottaviano, Giovanni Pica, Alberto Pozzolo, Anna Rosso, Matteo Salto, Fabiano Schivardi, Maria Teresa Trentinaglia, Giulia Vattuone.

Research partners for the firms and international market area include the University of Milan; University of Turin; CEPR; Bocconi University; Centre for Economic and Regional Studies of the Hungarian Academy of Sciences (CERS-HAS); Bruegel; Institute for Applied Economic Research (IAW); Paris School of Economics (PSE); SciencesPo Paris; London School of Economics and Political Science (LSE); University of Oxford; Tilburg University; Columbia University; University of California, San Diego; University of British Columbia; CEMFI Madrid; Université Catholique de Louvain; University College London; Queen Mary University of London; University of Oslo - Ragnar Frisch Centre for Economic Research; Georgetown University; French research Center in International Economics (CEPII); European Central Bank; Bank of Italy; Bank of France; National Bank of Belgium; Deutsche Bundesbank; Bank of Spain; Central Bank of Hungary; Organisation for Economic Co-operation and Development; the World Bank; the US International Trade Committee; University of Bern; University College Dublin, National University of Ireland (NUID UCD); Ecorys Nederland B. V.; Stichting Dienst Landbouwkundig Onderzoek; Athens University of Economics and Business – Research Centre; the Vienna Institute for International Economic Studies (WIIW); University of Surrey.

Funding institutions for this area are the European Commission, Compagnia di San Paolo, Enel Foundation, the European Central Bank.

2.3.6 Work programme for 2016

Competitiveness and sustainable growth. How firm-level data can help.

During 2015, as part of the “Competitiveness Research Network” (CompNet), mentioned in Section 2.3.2, LdA has been working on the relationship between competitiveness at the firm and country-sector level. In 2016 we expect to further refine our cross-country analysis on export competitiveness (at sector level) and productivity dispersion within-industries. Using more recent versions of the CompNet database, we are going to enrich the analysis by collecting additional information at the country-sector level and exploiting the availability of new data produced within CompNet on the extensive and intensive margins of trade. The future work for CompNet will include an extension of the paper of Barba Navaretti et al. (2015) with more theory-driven empirical analysis. The empirical findings confirm theoretical predictions and suggest that the asymmetry in productivity distribution has an influence on the impact on macro aggregates such as total export. The main objective is to provide more rigorous theoretical and empirical evidence that allows researchers to better interpret gravity model of trade. The main message emerging from CompNet is that there is a strong link between micro level factors and macro-aggregated outcomes. In 2016, LdA is planning to work more in details on the relationship between microeconomic shocks and aggregate outcomes.

Finally, in early 2016, it is expected the publication of Bruegel Blueprint “Assessing competitiveness in Europe: new challenges”, edited by Carlo Altomonte (Bruegel) and Gabor Bekes (IEHAS), where LdA is contributing with a chapter titled “The importance of micro data in assessing competitiveness”, by Barba Navaretti et al. (2015). This last contribution will provide a general introduction on the relevance of micro-data to evaluate macroeconomic outcomes. as part of the “Competitiveness Research Network” (CompNet), mentioned in Section 2.3.2, LdA has been working on the relationship between competitiveness at the firm and country-sector level.

Value Added in Motion

As reported above, in 2015 LdA has been involved in the “Value Added in Motion. The Future Geography of Production, Migration and Energy” project. Over the next year, the research in this area will continue with the preparation of the final reports for each pillar of the project and of the overarching report that will summarize the main findings of the project.

Productivity, Non-Tariff Measures and Openness (PRONTO)

Centro Studi Luca d’Agliaio has two main objectives within the PRONTO project. First, starting from 2016, LdA researchers will assess the impact of NTMs on competitiveness. One contribution will bear implications on the effects of liberalization policies in the service sector by empirically evaluating whether liberalization policies induce higher quality of services; other contributions will be devoted to the empirical analysis of the impact of NTMs on the composition of the population of exporters and on firms’ labour demand; to this aim LdA has formally applied to have remote access to employer-employee matched data covering the entire French economy collected by INSEE (France) with detailed product/firm-level information on imports and exports. The second task will be to quantify the impact of NTMs on social objectives: it will thus investigate the role for trade over and above education and skills in explaining wage inequality

across and within countries. It will also study whether NTMs affect FDI, trade flows, and product innovation within a formal model that allows a proper welfare analysis.

3 Publications

Centro Studi Luca d'Agliano Development Studies Working Papers

The Centro Studi Luca d'Agliano publishes a series of working papers in Development Economics. Their publication is funded by the Bank of Italy. The Centro Studi Luca d'Agliano Development Studies Working Papers can be downloaded from the LdA website, www.dagliano.unimi.it, and are also available on the SSRN (Social Science Research Network) eLibrary. Tommaso Frattini is the editor of the series.

Since 1997, 179 of the manuscripts that have appeared in the Centro Studi Luca d'Agliano Development Working Papers series have been published, i.e. an average of 9.4 papers per year (see Table 2). Of these, 153 have appeared in refereed journals, while 26 have been published as chapters of edited volumes. To give an idea of the quality of the research output, in Table 2 we have reported information on the main outlets, and the number of articles which have been published in each journal.

To measure the impact of the different publications, we have used two well known rankings. The first one has been assembled by the Tinbergen Institute in the Netherlands, and assigns three possible grades to each journal. The top five, general interest journals (*American Economic Review*, *Econometrica*, *Journal of Political Economy*, *Quarterly Journal of Economics*, *Review of Economic Studies*) together with the *Journal of Finance*, have received a "AA" ranking. Top field journals and very good general interest journals appear under the "A" category, while second tier general interest journals and field journals appear in the "B" category. Overall, about 130 journals in economics, finance and business are ranked by the institute. The second ranking is the one proposed by Kalaitzidakis et al (2003)¹ in an article that appeared in the *Journal of the European Economic Association*. This study is based on a recursive impact factor methodology (see column 5, Table 1 page 1349). As shown by the table, the ranking proposed by the Tinbergen institute and the one by Kalaitzidakis et al (2003) are highly correlated.

Of the 153 papers which have appeared in refereed journals, 104 have been published in journals with rank B or above. While only 5 papers have been published in a top-five journal, 12 articles have appeared in leading general interest journals like the *Review of Economics and Statistics*, the *Journal of the European Economic Association* and the *European Economic Review*. 30 have been published in top field journals like the *Journal of Public Economics*, the *Journal of International Economics* and the *Journal of Development Economics*. This research output easily positions LdA as the leading research centre in Italy focusing on international trade and development economics, and as one of the leading centres in Europe specialising in this area.

Besides carrying out cutting edge academic research, LdA has been involved in the active dissemination of research output in the policy arena. Several papers have been published in leading policy outlets like *Economic Policy*, the *World Bank Economic Review* and *World Development*.

¹ Kalaitzidakis P., T. P. Mamuneas and T. Stengos (2003): "Rankings of Academic Journals and Institutions in Economics" *Journal of the European Economic Association* 1, 1346-1366.

Table 2: LdA publications in refereed outlets: 1997- today

Journal	Tinbergen Ranking	JEEA Ranking	Publications number
American Economic Review	AA	1	3
Quarterly Journal of Economics	AA	5	1
Review of Economic Studies	AA	8	1
Review of Economics and Statistics	A	13	5
European Economic Review	A	14	2
Economic Journal	A	18	3
Journal of Public Economics	A	19	3
Journal of Economic Literature	A	20	1
Journal of International Economics	A	30	20
World Bank Economic Review	A	37	2
Journal of Urban Economics	A	46	1
Journal of Health Economics	A	71	1
Journal of the European Economic Association	A		5
Economic Theory	B	16	1
Scandinavian Journal of Economics	B	27	1
Journal of Financial Economics		28	1
Journal of Development Economics	B	39	7
Canadian Journal of Economics	B	42	4
Economica	B	45	1
International Journal of Industrial Organization	B	47	1
Journal of Law and Economics	B	49	1
Oxford Economic Papers	B	53	2
World Development	B	55	4
Journal of Population Economics	B	61	1
Applied Economics	B	64	2
Scottish Journal of Political Economy	B	65	1
Regional Science and Urban Economics	B	72	2
World Economy	B	74	7
Small Business Economics	B	75	1
Review of World Economics	B	80	5
Economic History Review	B		1
Economic Policy	B		3
Journal of Regional Science	B		1
Labour Economics	B		8
Journal of Economic Growth	B		1
Other Refereed Journals			49
Other Miscellaneous			26
Total			179

List of LdA working papers published in 2015

388 - *Hard to Forget. The Long-Lasting Impact of War on Mental Health*

Massimiliano Bratti, Mariapia Mendola, and Alfonso Miranda

387 – *Correlating Social Mobility and Economic Outcomes*

Maia Guell, Michele Pellizzari, Giovanni Pica, and José V. Rodríguez Mora

386 – *External Imbalances in the European Union and International Fragmentation of Production: Is There a Link?*

Isabella Cingolani, Giulia Felice, and Lucia Tajoli

385 – *Even Education and Experience has its Limits: Closing the Wage Gap*

Gil S. Epstein, Dalit Gafni, and Erez Siniver

384 – *Ethnosizing Immigrants: A Theoretical Framework*

Gil S. Epstein and Odelia Heizler (Cohen)

383 – *Theocracy and Resilience Against Economic Sanctions*

Alireza Naghavi and Giuseppe Pignataro

382 – *Relationship-Specific Investments and Intellectual Property Rights Enforcement with Heterogeneous Suppliers*

Alireza Naghavi, Shin-Kun Peng, and Yingyi Tsai

381 – *Political Institutions and Government Spending Behaviour: Theory and Evidence from Iran*

Sajjad Faraji Dizaji, Mohammad Reza Farzanegan, and Alireza Naghavi

Policy reports

Davide Castellani and Andreas Koch: *Mapping Competitiveness with European Data*, Bruegel Blueprint no. 23, 2015;

Giorgio Barba Navaretti, Matteo Bugamelli, Emanuele Forlani, and Gianmarco Ottaviano: *The importance of micro data in assessing competitiveness*, in "Measuring competitiveness in Europe: resource allocation, granularity and trade", edited by Carlo Altomonte and Gabro Bekes, Bruegel Blueprint, forthcoming, 2015.

4 Training at LdA

Many different training activities are offered at LdA. Scholarships and prizes are provided for prospective graduate students; a summer school is organised annually to offer Ph.D. students intensive courses and a venue to present and discuss their work with senior researchers. Finally, pre and post-doctoral fellows are hired to work at LdA, actively contributing to its funded projects.

4.1 Scholarships and prizes

LdA devotes particular attention to training young students to acquire the background necessary for a professional career in development research, by providing them with financial assistance in the form of scholarships or by including them in research projects.

Scholarships

A yearly scholarship of 10.000 Euros, offered by Luca's family, is awarded through the Fondazione Luigi Einaudi in Turin to young Italian graduates who wish to advance their studies in development economics. From 2006, thanks to the generous support of one of Luca's close friends, the scholarship now covers two annuities.

The scholarship for 2015 was awarded to Zelda Brutti for her research project entitled "The empirical analysis of public education policies, with particular focus on Columbia" (Ph.D. student, European University Institute).

Table 3 provides a complete list of the scholarships awarded in the past.

Prizes

The Centro Studi's annual prizes are awarded through Churchill College, University of Cambridge, and St. Antony's College, University of Oxford, to students displaying "ability in their studies, particular interest in the problems of developing countries, humanity and altruism".

Prize-winners are listed by institution. A similar prize, assigned to a student from Sevenoaks School (Kent), was discontinued in 1994.

Cambridge (£. 500)

In 2015 the award was assigned to Raghavendra KC (Ph.D. student, Churchill College, University of Cambridge), for a research based on a pilot field-experiment on the use of customer loyalty schemes in micro-enterprises in developing countries.

Past prizes were assigned to: C.M. Bramall and X.H. Zhang (1986), S.V. De S. Gunaratne and L.Wang (1987), A. Basu, H. L. Khong and M. Marcel (1988), Luis A. V. Catao, Lucia Hammer and Sue Szabo (1989), He Dong, R. M. Rimmer and A. P. Woods (1990), Pingyao Lai, Xiao-Feng Liu and Asad Sayeed (1991), Giancarlo Spagnolo (1992), Anu Satyal (1993), Gangzhan Fu (1994), Samantha Gibson (1995), Reehana Rifat Raza (1996), Khwima Lawrence Nthara (1997), Grace P.C. Mugadza (1998), Martin Ruhs (1999), Sara Silvestri (2000), Rozana Salih (2001), Xutian Ma (2002), Yuantao Guo (2003), Dominic Rohner (2004), Hui Wang (2005), Carmen L. Lacambra

Segura (2006), Nazia Habib-Mintz (2007) and Osvaldo Gonzalez (2008-2009), Manasa Patnam (2010), 2011 not assigned, Igor Lopes Rocha (2012), Kim Wagenaar (2012), Ivanka Mamic (2013), Peng Zhang (2014).

Oxford (£. 500)

The prize for 2015 was awarded to Katherine Stapleton (DPhil in Development Economics, Lincoln College, University of Oxford) for a research project on "The Diffusion of Agricultural Technology: Evidence from China-Africa Agricultural Cooperation".

Past prizes were assigned to: J.R. Scott (1985), J. Hoddinot (1986), Solomon Soquar (1987), Jerome Booth (1988), Mamta Murthi (1989), Stephen Grant Devereux (1990), Nomaan Majid (1991), Lucia da Corta (1992), Roberto Tibana (1993), Riccardo Maggi (1994), Sabina Alkire (1995), Caterina Ruggeri Laderchi (1996), Nancy Collins (1997), Mark Wu (1998), Diego Angemi (1999), Sebastian Silva-Leander (2000), Maria Lugo and Jesse Kharbanda (2001), César Calvo (2002), (2003, not awarded), Raphael Espinoza (2004); Neha Kumra (2005), Sofya Krutikova (2006), Bet Caeyers (2007), Abhijeet Singh (2008) and Aidan Coville (2009), Miguel Sarzosa Castillo (2010), Rachel Cassidy (2011), Rossa O'Keefe-O'Donovan (2012), Matthew William Butler-Adam (2013), Matthew James Dawes (2014).

Table 3. LdA scholarships

Year	Recipient	Research Project	Hosting institution	Present affiliation
2015	Zelda Brutti	The empirical analysis of public education policies, with particular focus on Columbia	European University Institute	European University Institute, Ph.D. student
2014	Greta Semplici	A Displaced Life: the Resilience Challenge	University of Oxford	University of Oxford, Ph.D. student University of Oxford, Probationer Research Student - DPhil in Economics
2013	Viviana Perego	Impact of Trade Liberalization on the Well-Being in Rural Area Workers: Micro-level Evidence from DR-CAFTA Implementation in a Central American Country	University of Oxford	University of Oxford, Ph.D. student University of Oxford, Probationer Research Student - DPhil in Economics
2012	Federico Tagliati	Schooling and Health Investments in Developing Countries	University College London	University College London, Ph.D. student
2011	Paolo Falco	Occupational Choices and Income Generation in African Labour Markets	University of Oxford	OECD
2010	Marta Serena Marzi	The Multidimensional Measuring of Economic Development in Developing Countries	University of Oxford	Oxford Policy Management
2009	Antonio Miscio	Infrastructure Investment in Developing Countries: Bridging New Economic Geography and Political Economy	London School of Economics	Columbia University, Ph.D. student
2008	Lea Cassar	The Aid System under Asymmetric Information: Analysis and Policy Recommendation	University of Oxford	University of Zurich, Ph.D. student
2008	Lucia Rizzica	Brain Drain and Development	University College London	Bank of Italy

2007	Antonio Andreoni	Institutional Economic Analysis, Social Capital and Economics of Social Networks	University of Cambridge	University of London
2006	Federica Liberini	Infrastructural Gap and Fiscal Policy	University of Warwick	KOF-ETH Zürich, Postdoctoral Researcher
2005	Laura Anselmi	Socio-economic Causes of Child Labour	University of Oxford	London School of Hygiene and Tropical Medicine, Research Degree Student
2004	Giulia Pietrangeli	Theory of collective action in International Trade Negotiations	London School of Economics	European Union External Action Service
2003	Luciano Ciravegna	Automotive Sector Modernization in Developing Countries: Global and Regional Trends	University of Oxford	King's College, International Development Institute
2001	Francesco Rampa	Technological Innovation and Partners of Trade: The Case of Developing Countries	University of Oxford	European Centre for Development Policy Management
2000	Mattia Romani	Poverty Dynamics and its Determinants in Cote d'Ivoire	University of Oxford	European Bank for Reconstruction and Development
1999	Diego Angemi	Child Labour and Technological Advances	University of Oxford	UNICEF
1998	Ilaria Caetani	The Problems of Development in Rural Sub-Saharan Africa	London School of Economics	Asian Development Bank
1997	Andrea Finicelli	An Analysis of International Capital Markets	University of Oxford	Bank of Italy
1995	Renato Grelle	Investment Under Uncertainty and Irreversibility of Capital Adjustment Policies in Chile in the 1980s	University of Oxford	European Centre for Development Policy Management
1994	Sabina Di Addario	Estimating the Economic Costs of Conflict: An Examination of the Two-gap Estimation Model for the Case of Nicaragua	University of Oxford	Bank of Italy
1993	Gabriella Giacometti	Outward Oriented Developing Countries and Growth	University of Warwick	
1992	Paolo Craviolatti	The Impact of the Green Revolution in Sub-Saharan Africa	University of Oxford	UK Department for International Development
1990	Marina Moretti	The Behaviour of the Financial System under Hyperinflation and Structural Adjustment	University of Oxford	International Monetary Fund
1988	Francesco Daveri	Time Inconsistency and Trade Liberalization Policies in LDCs	University of Oxford	University of Parma
1987	Roberta Rabbellotti	Problems Associated with the Transfer and the Development of Advanced Technologies in Developing Countries	University of Oxford	University of Pavia
1986	Chiara Tufarelli	Foreign Debt and Investment Evaluation in Developing Countries	University of Cambridge	Studio Legale Ristuccia & Tufarelli
1985	Giorgio Barba Navaretti	Control Sharing Foreign Investments in Developing Countries	University of Oxford	University of Milan and Centro Studi Luca d'Agliano

4.2 Post and pre doctoral fellows

Within the several funded projects in which it participates, LdA has undertaken an intense training activity. Since 2000, a number of experienced researchers, post-doctoral and doctoral fellows have been hired and actively contribute to its projects, for a total of 178 men/months (see Table 4). Training has also taken place in the summer schools and doctoral conferences organised by LdA. 450 students have participated in LdA summer schools since 2003, with 145 of them coming from developing countries. The two editions of the Riccardo Faini conference were attended by 62 doctoral students, 12 coming from developing countries. Moreover, several Ph.D. students of the Doctorate of Economics of the University of Milan have been working at LdA: Rosario Crinò, Anna De Paoli, Valeria Groppo, Elisabetta Lodigiani, Marcella Nicolini, Gianluca Orefice, Angelica Salvi, Maria Teresa Trentinaglia, Fatma Usheva, Alessandra Tucci.

Table 4. LdA training activity – Funded projects

Name of Researcher	Type	Country of Origin	Man/ Month	Start Date	End Date
Globalisation, Investment and Services Trade (GIST)					
Markus Kelle	Experienced	Germany	9	01/07/2011	31/03/2012
Sophie Hatte	Early Stage	France	12	01/04/2011	31/03/2012
Daniel Horgos	Experienced	Germany	9	01/10/2009	30/06/2010
Transnationality of Migrants (TOM)					
Anna Maria Mayda	Experienced	Italy (US)	12	01/09/2007	31/08/2008
Juan Gallego	Early Stage	Colombia	16	01/05/2008	31/08/2009
Max Steinhardt	Early Stage	Germany	24	01/05/2008 01/02/2009	31/10/2008 31/07/2010
Raluca Prelipceanu	Early Stage	Romania	12	01/09/2008	31/08/2009
Trade preferences and the role of institutional quality in economic integration (TRARIQ)					
Miriam Manchin	Post-doc	Hungary	12	01/11/2007	31/10/2008
Trade, Industrialisation and Development (TID)					
Natalie Chen	Post-doc	UK	3	01/07/2006	30/09/2006
Klaus Desmet	Post-doc	Germany	3	01/07/2006	30/09/2006
Miriam Manchin	Post-doc	Hungary	12	15/09/2005	14/09/2006
Anne Celia Disdier	Post-doc	France	15	01/07/2004	31/10/2005
Foreign Direct Investment and the Multinational Corporation: New Theories and Evidence (TMR)					
Dieter Urban		Germany	33	01/06/1999	01/03/2002
Henrik Braconier		Sweden	3	01/09/2001	31/11/2001
George Siotis		Greece	3	26/06/2000	25/09/2000
Total	15 Researchers		178		

4.3 Summer Schools in International and Development Economics

A series of yearly Summer Schools was first established in 2003 by the Centro Studi Luca d'Agliano, jointly with Centre for Economic Policy Research (CEPR) and the Department of Economics of the Universities of Milan and Turin. The Schools aim at providing an intensive training course for Ph.D. students and young researchers interested in the major analytical and empirical approaches concerning the issue of international economics and development. They are open to 40 doctorate and post-doctorate students in economics and related disciplines from all countries, who are selected from a pool of 90-120 applicants by an international selection committee. 450 students have participated in LdA Summer Schools since 2003, with 145 of them coming from developing countries.

They are funded by the European Commission and they are also supported by the Compagnia di San Paolo. From 2003 to 2006, the Schools were organised within the activities of the Research Training Network on "Trade, Industrialisation and Development (TID)". From 2007 to 2010, they were organised as part of the Marie Curie Research Training Network on "Transnationality of Migrants (TOM)", and in 2011 within the Marie Curie Initial Training Network on "Globalisation, Investment and Services Trade (GIST)". From 2012, the summer schools were jointly organised with the Paolo Baffi Centre on Central Banking and Financial Regulation (Bocconi University).

Table 5 provides a complete list of LdA Summer Schools past editions.

Table 5. LdA training activity – Summer schools

Title	Professor	Affiliation	Dates	Participants	
					from developing countries
Risks and Policy Responses in Developing Countries					
	Robin Burgess	London School of Economics and CEPR	8-11 Sept. 2015	25	10
	Alessandro Tarozzi	Universitat Pompeu Fabra and Barcelona GSE			
Investment, Saving and Wellbeing in Developing Countries					
	Orazio Attanasio	University College London, IFS, NBER and CEPR	10-13 June 2014	29	7
	Pascaline Dupas	Stanford University, BREAD, CEPR, NBER, CEGA, JPAL and IPA			
Gravity Rules in the Modern World Economy					
	Keith Head	Sauder School of Business, University of British Columbia and CEPR	11-14 Sept. 2013	30	14
	Thierry Mayer	SciencesPo, CEPPII and CEPR			
Cities, Productivity and Migration					
	Gianmarco Ottaviano	London School of Economics, Bocconi University, CEPR, and LdA	27-30 June 2012	29	7
	Diego Puga	Madrid Institute for Advanced Studies (IMDEA) and CEPR			

The Political Economy of Trade in Services					
Kishore S. Gawande	Bush School of Government, Texas A&M University	18-21 Sept. 2011	35	11	
Emanuel Ornelas	London School of Economics and CEPR				
Spatial and temporal patterns in international migration. Temporary and return migration. Ghettos and ethnic enclaves					
Christian Dustmann	University College London and CEPR	5-8 Sept. 2010	30	7	
Jacob L. Vigdor	University of California, San Diego				
Outsourcing and Migration					
Giovanni Peri	University of California, Davis	30 Aug.-2 Sept. 2009	39	14	
James E. Rauch	University of California, San Diego				
International Migration and the Sending Country					
Gordon Hanson	University of California, San Diego and NBER	24-27 Aug. 2008	43	12	
Frédéric Docquier	Catholic University of Louvain and NFSR				
International Migration and the Host Country					
Barry Chiswick	University of Florence	9-12 Sept. 2007	39	12	
Massimo Livi Bacci	University of Illinois at Chicago				
Giovanni Facchini	University of Milano and LdA				
Outsourcing and International Fragmentation of Production: Implications for Developing Countries					
Kei-Mu Yi	Federal Reserve Bank of Philadelphia	11-14 June 2006	36	15	
Giorgo Barba Navaretti	University of Milano and LdA				
Trade, Innovation and Technology Diffusion: Implications for Developing Countries					
Jonathan Eaton	New York University and NBER	4-8 Sept. 2005	37	13	
Francesco Caselli	London School of Economics, NBER and CEPR				
The Microeconomic Effects of Trade and Trade Policy: The Perspective of Developing Countries					
Alan Winters	The World Bank and CEPR	5-8 Sept. 2004	39	12	
James Tybout	Pennsylvania State University and NBER				
Political Economy of Trade Policy and Development: Theories and Institutions					
Bernard Hoekman	The World Bank and CEPR	27-31 Aug. 2003	39	11	
Thierry Verdier	Paris-Jourdan Sciences Economiques and CEPR				
Total			450	145	

4.4 Riccardo Faini Doctoral Conferences on Development Economics

The Riccardo Faini Doctoral Conferences were held with the aim of giving Ph.D. students working on Development Economics topics an opportunity to present their work, to discuss it with senior researchers and to meet colleagues. They intended to honour the memory of Riccardo Faini, who always strived to provide graduate students with opportunities to broaden their views by interacting among each other and engaging with more established international researchers.

In the two editions, 25 papers by doctoral candidates were selected out of a pool of more than 100 students, many from top US and EU universities. The two editions of the Riccardo Faini conference were attended by 62 doctoral students, 12 coming from developing countries.

Table 6. LdA training activity – Doctoral conferences

Title	Lecturer	Affiliation	Dates	Participants	
					from developing countries
Second Riccardo Faini Doctoral Conference					
	Dean Karlan	Yale University	7-9 Sept. 2008	30	7
First Riccardo Faini Doctoral Conference					
	Jaime de Melo	University of Geneva	13-15 Sept. 2007	32	5
Total				62	12

5 Luca d'Agliano Lectures in Development Economics

The Luca d'Agliano Lectures are organised each year also thanks to the generous support of the Compagnia di San Paolo of Turin. The aim of these Lectures, which have always been very successful, is to favour the diffusion of the ideas of some of the most important scholars in the field to a non specialised audience. They also represent an important opportunity for bringing together members of the Scientific Committee of the Centro Studi and many of its former scholars. Past editions of the Luca d'Agliano lectures were all conceived and introduced by Riccardo Faini. In 2007 the Fifth Lecture on "Does Outsourcing Change Everything?" by *Paul R. Krugman* (Nobel Prize in Economics, 2008) was, in his memory, opened by Jaime de Melo.

The Thirteenth Lecture on "Religion, Politics, and Development: Is Islam a Special Issue?", by Jean-Philippe Platteau (University of Namur) is scheduled on 20th November 2015. The lecture will start analysing the well-known book entitled «What is Wrong with Islam?» written by the American Islamologue Bernard in 2002. The answer provided in this book is that the problem with Islam is the historical merging between religion and politics since the times of its foundation. The implication is that politics is surrendered to religion, giving rise to sorts of permanent theocracies. In this lecture, Jean-Philippe Platteau will take the opposite standpoint, namely that in the lands of Islam, during normal circumstances it is religion that is submitted to politics rather than the other way round. It is only in times of state crisis that religion comes to the fore and tends to supersede politics. Because of a special institutional characteristic of Islam, the fact that it has never possessed a centralized church structure, interventions by the clerics may, or may not, improve upon the chaotic predicament born of a weak state. Special attention will be paid to concrete country examples, such as Iran, Pakistan, Algeria and Egypt. Moreover, the lecturers will attempt to precise not only the contrasts but also the similarities between Islam and Christianity.

Title	Speaker	Affiliation	Date
Thirteenth Luca d'Agliano Lecture: "Religion, Politics, and Development: Is Islam a Special Issue?"	Jean-Philippe Platteau	University of Namur	20 November 2015
Twelfth Luca d'Agliano Lecture: "The Idea of Antipoverty Policy"	Martin Ravallion	Georgetown University	15 December 2014
Eleventh Luca d'Agliano Lecture: "Globalization and Industrialization in the Long Run"	Kevin H. O'Rourke	All Souls College, University of Oxford	6 November 2013
Tenth Luca d'Agliano Lecture: "State Effectiveness and Economic Development"	Timothy Besley	London School of Economics and Political Science	22 November 2012
Ninth Luca d'Agliano Lecture: "The Role of Cultural Diversity in Growth and Development: What do Economists Have to Say about This?"	Thierry Verdier	Paris School of Economics	28 November 2011
Eighth Luca d'Agliano Lecture: "The Future of Aid"	Nemat (Minouche) Shafik	Permanent Secretary, Department for International Development	7 December 2010
Seventh Luca d'Agliano Lecture: "The Dollar in Doubt"	Barry Eichengreen	George C. Pardee and Helen N. Pardee Professor of Economics and Professor of Political Science, University of	4 December 2009
Sixth Luca d'Agliano Lecture: "Accelerating Economic Growth in Africa"	Anthony J. Venables	Professor, Oxford University; Director, Oxford Centre for the Analysis of Resource Rich Economies	17 October 2008
Fifth Luca d'Agliano Lecture: "Does outsourcing change everything?"	Paul R. Krugman	Professor of Economic and International Affairs, Woodrow Wilson School of Public and International Affairs, Princeton University, Nobel Prize in Economics, 2008	11 June 2007
Fourth Luca d'Agliano Lecture: "Employment and Development"	François Bourguignon	Chief Economist and Senior Vice President, World Bank; Professor of Economics, École des Hautes Études en Sciences	22 May 2006
Third Luca d'Agliano Lecture: "Globalization and Underdevelopment in the Pre-Modern Third World"	Jeffrey G. Williamson	Laird Belle Professor of Economics, Harvard University	31 March 2006
Second Luca d'Agliano Lecture: "Rethinking Economic Growth in Developing Countries"	Dani Rodrik	John F. Kennedy School of Government, Harvard University	8 October 2004
First Luca d'Agliano Lecture: "Globalisation and the Poor"	Pranab Bardhan	University of California, Berkeley	10 June 2003

6 List of conferences and seminars

The Centro Studi Luca d'Agliano organises its conferences and seminars with the aim of encouraging exchange amongst Italian researchers in development and international economics and of inviting distinguished international scholars. Several conferences and seminars have been organised in collaboration with other Italian and international institutions.

The complete list of conferences and seminars organised in 2015 is set out below; details on the events can be found under the research programmes and in the remainder of the Report.

Conferences and Seminars

20th November 2015, Fondazione Luigi Einaudi, Turin

Thirteenth Luca d'Agliano Lecture in Development Economics: "Religion, Politics, and Development: Is Islam a Special Issue?" by Jean-Philippe Platteau

8-11th September 2015, University of Milan, Palazzo Feltrinelli, Gargnano, Italy

Fourteenth Summer School: "Risks and Policy Responses in Developing Countries"

25-26th June 2015, European Central Bank, Frankfurt

CompNet Workshop

28-29th May 2015, Brussels

MAPCOMPETE Final Conference

27-28th May 2015, VU Amsterdam

PRONTO Second Workshop

14-15th May 2015, University of Milan

Value Added in Motion Conference: "The Future Geography of Production, Migration and Energy"

26-27th March 2015, Banco de Espana, Madrid

CompNet Workshop

6th March 2015, Brussels

MAPCOMPETE – Blueprint Launch Event

Research Seminar Series on "Global Challenges"

Since September 2011, LdA has been organising a new research seminar series on "Global Challenges" jointly with the Paolo Baffi Centre on Central Banking and Financial Regulation (Bocconi University), the University of Milan Bicocca and the Catholic University of Milan.

27th November 2015, University of Milan

"Immigration, Wages, and Education: A Labor Market Equilibrium Structural Model" by Joan Llull (Universitat Autònoma de Barcelona, MOVE and Barcelona GSE)

18th June 2015, University Milan Bicocca

Second Workshop on “Global Challenges”:

- Giovanni Peri (University of California Davis): "Immigrants' Effect on Native Workers: New Analysis on Longitudinal Data"
- Joan Monras (Sciences Po): "Immigration and Wage Dynamics: Evidence from the Mexican Peso Crisis"
- Beata Javorcik (University of Oxford, ESOP and CEPR.): "Globalization: A Woman's Best Friend? Exporters and the Gender Wage Gap"
- Sergi Basco (Universidad Carlos III): "The World Income Distribution: The Effects of International Unbundling of Production"
- Manuel García-Santana (ECARES): "Competition and the Welfare Gains from Transportation Infrastructure: Evidence from the Golden Quadrilateral of India"
- Luigi Pascali (University of Warwick): "The Wind of Change: Maritime Technology, Trade and Economic Development"

24th April 2015, University of Milan

“Does FDI Boost the Sophistication of Domestic Firms?” by Alessia Lo Turco (Università Politecnica delle Marche) with B. Javorcik (Oxford University) and D. Maggioni (Università Politecnica delle Marche)

27th March 2015, Politecnico di Milano

“Just Words? Just Speeches? On The Economic Value of Charismatic Leadership” by Giovanna d’Adda (Politecnico di Milano) with J. Antonakis (Lausanne), R. Weber (UZH) and C. Zehnder (Lausanne)

3rd March 2015, Bocconi University

“Estimating Dynamic R&D Choice: An Analysis of costs and Long Run Benefits” by Mark Roberts (Pennsylvania State University and NBER) with B. Peters, V. A. Vuong and H. Fryges

30th January 2015, Bocconi University

“It takes (more than) a moment: Revisiting the link between firm productivity and aggregate exports” by Giorgio Barba Navaretti (University of Milan and Centro Studi Luca d’Agliano) with M. Bugamelli, E. Forlani and G.I.P. Ottaviano

7 Who's Who

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