

## Conversations with an Eminent Labour Economist: Christian Dustmann

**Christian Dustmann (CD)** is Professor of Economics, University College London and Director of the Centre for Research and Analysis of Migration (CRAM). This interview, with Mike Dockery (MD) of the Bankwest Curtin Economics Centre, Curtin University, took place at the inaugural Asian and Australasian Society of Labour Economics (AASLE) meeting in Canberra, December 2017.

*MD: What do you think are the key issues in labour economics?*

CD: Labour economics is probably the most advanced field in applied economics, at the forefront of developing new methods and approaches, which have then spilled over to other areas in economics. Labour economics has advanced yet further over the last two decades. One important development is that today we take identification and causality much more seriously than we did 20 years ago. This has been helped by the richness of data we have available today. Researchers in this field have developed new methodologies needed to process such data, and we are now able to address questions that seemed unanswerable before. Labour economics is as important as it has always been but researchers today have more tools and methods available and, for most countries, much better data than before.

*MD: When you say much better data are you thinking access to administrative data or longitudinal surveys?*

CD: Yes, administrative data.

*MD: That brings me to some issues regarding the balance in training between theory and history and, increasingly, econometric techniques and the IT skills.*

CD: Well, better data requires less sophisticated econometric techniques to analyse it. So, in a way things have become simpler in labour economics. When I started all we had available were survey data, truncated data, data with large measurement error. Maddala (1983)'s book on limited dependent variables is a witness of that period where the lack of identification and data was substituted by assumptions through the structure of econometric models we were imposing on the data. Today we are in a much better position. We have rich data, often of administrative nature, which allows us to use simple statistical techniques to make inferences on causal coefficients.

*MD: Do you think young economists are still getting enough grounding in history and theory and the philosophical side of economics? I mean it seems to me I come along to this conference and there are a lot of people who have a lot of data but not really ideas and not translating results to policy.*

CD: There have always been economists with different abilities and interests. In any cohort of young scholars or PhD students some instinctively ask questions which are of great policy relevance while others are more interested in the technical side. This was the case 20 years ago and it's the case today. All these different abilities are important for the advancement of our field, and we have to provide young scholars with the training and the possibilities to develop the skills they have in the most efficient way.

*MD: What advice would you give to young scholars today?*

CD: Read a good informative newspaper, such as the Financial Times, and keep your eyes open. Economics –I am talking as a labour economist – is about people so it is not a technical field. It is a field which is preoccupied with what we see around us. The best questions to ask in labour economics and the most exciting research fields are those that relate to economic and public interest. So, in order to identify what are interesting areas of research we need to understand the political and economic debate. That means we need to follow those debates to develop ideas for research and provide answers to the relevant questions.

*MD: This is a great answer and it relates to research topics. Do you think things have changed as far as the mechanics of a career, building a career as an academic economist, in terms of how you need to go about that? It seems very much now it's very much publish or perish whereas, you know, people like Bob Gregory talk about the golden days where they sort of sat around and pondered.*

CD: I think it has always been a little bit like that so competition is clearly a feature of economics. We are in the lucky, or unlucky, position that we have global rankings. Each one of us is ranked on different types of ranking criteria, whether that is citations, publications, or some other metric. Now that, of course, leads to strong competition. That incentivises young scholars to work in directions where they can improve their rankings or publication records. But it also leads to our field being – well, very competitive.

And the quality we see at the upper end I think is extremely high. While competition among young scholars may have increased, there are also many more opportunities for young people, in terms of access to good research, through the internet, by attending conferences and going around and talking to other economists. This has certainly become easier.

However, there are large distinctions based on where you graduate and where you are coming from, and these may have slightly increased. One should never underestimate the dramatic impact networks of the top universities in the US have on the careers of their students. Graduating at a top university, of course, reflects ability, it also helps to understand how top researchers conduct research and write

papers. Young scholars at most Australian or Asian universities, or many universities in continental Europe, may not have access to that information and may find it harder to build their careers as top economists. The main reason we founded AASLE is to provide contacts and interaction to young researchers from Asia and Australasia, and to connect them to researchers from Europe and America.

*MD: Is there a global community of economists and how can economists from Asia and the Oceanic area best engage with that community?*

CD: Yes, we are certainly a global science - you can see that at this conference. Scholars from around the world came to Canberra. And many know each other. So whether people are from Singapore or from the US, from Australia or Canada, from Germany or the UK, at the higher end of our profession I think there is an unbelievable exchange of ideas. With the AASLE conference we want to support this kind of exchange for young scholars as well.

*MD: We have seen at this conference a lot of papers with several different authors all from different countries*

CD: Absolutely, and this is an increasing trend. One reason why we had the idea to start the society [Asian and Australasian Society of Labour Economics], is to help young scholars from Asia and Australasia to communicate with each other under the umbrella of a society and to allow them to exchange ideas with other scholars from Europe and the US. The society also supports cooperation between researchers from the US and Europe and researchers from Asia and Australasia to work on joint projects, in particular on topics relevant to Asia and Australasia. I think for young researchers these conferences are a very welcome and powerful tool to connect into a larger community and to further their ambitions and their careers.

*MD: One last question. What do you think is the best way to engage with policymakers in a constructive debate?*

CD: That's a hard question. The difficulty in the engagement with policymakers is that they often have different objectives from us. While we are striving for finding answers to particular questions and to address these in the best and cleanest possible way, policymakers think about policies. Often they consider the output of economists and other social sciences as a shelf from which to choose what serves their objective best. I think we need to be aware of that. For example, in our work on migration in the UK, we are often touching controversial issues in the policy debate and have been criticised for providing answers to policy questions that are inconvenient. We should also be aware that the influence we can have on policy is rather limited. We hardly change the way policymakers think about issues. But what we can do is to provide evidence to policymakers and the public to have an informed debate and uncover false arguments.

To give you an example, when we started looking at the fiscal impact of immigrants in the UK, the numbers which were going around were absurd. There were suggestions that immigrants who come to the UK from Europe are free riding on the welfare system and are a huge public burden. Our work, pointed in exactly the opposite direction: immigration from the EU has been a huge fiscal benefit for the UK, with European migrants who arrived after 2000 contributing far more in terms of taxes than what they received in terms of transfers and benefits. Those people who have opposite beliefs, or who favour a different narrative for their political objectives, will probably not change their views on the basis of our and others' research, and say, "okay, so we got it wrong". But as many media outlets report our results it will now be far more difficult for them to make the same claims, because there might be somebody in the room who says, "okay, but there was this research that says otherwise", and they need to respond to that. That limits the possibilities to make unfounded claims without any evidence – what we can do is limit the level of outrageousness we have on particular topics and issues in the public and policy debate.

*MD: Yes, it's definitely a role to call things out. It still amazes me, how the idea that trade is bad still is so easily pushed on - you know, we can't have this trade agreement because China is going to take all our jobs and so on. The public buys that so easily and I think one of our greatest failings is not to have made people understand how much better off we are because of trade.*

CD: These are very complex issues, and people who are occupied with different things in their daily lives don't have the time to fully understand them – even economists debate about the details. We see that at the moment in the Brexit debate in the UK. The issues involved are too complex for most people to fully understand. So, they follow their gut feeling and instinct and what they learn from social and print media, and form their views. These views often do not reflect economic reality. That is why we have elected MPs whose job it is to understand these issues and to make decisions in the best public interest, and why we should not have referenda on issues that are so complex, as they can lead to very damaging outcomes.

*MD: Most recently we have had the revival of the view that technology must cost jobs.*

CD: Yes, that was the view back in the 70's and 80's, and the opposite happened. As economists we should assess such claims and conduct research that addresses these issues, which is what is currently being done. Of course, we also have to be responsible as economists. On topics such as this, trade, or migration, we should be aware that every piece of output we produce provides ammunition for politicians who are looking for justifications for their policy objectives. I feel that responsibility is sometimes not taken sufficiently seriously among economists. If we are not quite sure about some research finding, we phrase that in a way that makes it obvious to academic colleagues, but it may still be misunderstood or misused by the political class. Extra care has to be taken that this will not happen.

*MD: On that note. Thank you. That was a wonderful conversation. Thanks for taking the time.*

**Reference**

Maddala, G. S. (1983), *Limited Dependent and Qualitative Variables in Econometrics*,  
*Cambridge University Press*, Cambridge, UK.