

Tim Phillips [00:00:00]:

Today on VoxTalks Economics the impact of asylum seekers on housing rents. Welcome to VoxTalks Economics from the Centre for Economic Policy Research. My name is Tim Phillips. Every week we bring you the best new research in economics. So remember, subscribe and follow us on Instagram as well at VoxTalks Economics. Immigration has become a political hot button in every high income country. Often the debate focuses on the migrants who arrive seeking asylum. That's partly because these migrants are very visible. They're housed in special accommodation, they're usually not able to work, and so they can't really integrate with the community either. But does the opposition to their presence have strong enough effects that we can observe it in the economy rather than just on social media? Marius Brühlhart of the University of Lausanne is one of a team of economists that have measured the impact of migrants on house rents in Switzerland, and he joins me now. Marius, delighted to speak to you.

Marius Brühlhart [00:01:18]:

Hello, Tim.

Tim Phillips [00:01:18]:

It's the second time we spoke at Marius. A few years ago, we were talking about wealth taxes. We're sort of at the other end of the economic spectrum here, but we're still talking about research that you've done in Switzerland.

Marius Brühlhart [00:01:30]:

That's true. And again, we have exciting data to look at. A different question in this case.

Tim Phillips [00:01:35]:

We are talking about discrimination against a group. So I guess we have to look at how economists think about discrimination. And there's two types of discrimination in the way that economists usually think about this, aren't there? First of all, there's taste based discrimination. What's that?

Marius Brühlhart [00:01:53]:

Well, that's about pure preferences. Call it prejudice. If I care about just some innate characteristics of people, for instance, I may just say I don't like left-handed people for no other reason. But another way of thinking of what people call taste based discrimination is invalid inference. So I may think I don't like left-handed people because I think they're on average less honest, which statistically surely isn't right. But some people may hold these beliefs. So that's generally how this is defined.

Tim Phillips [00:02:27]:

This is bad news for our relationship. I'm left handed. Now also, Marius, there is statistical discrimination. How is that different?

Marius Brühlhart [00:02:36]:

That is different in that it means I have something against certain people who have certain visible cues, but it's not those cues in themselves I care about. So it could be statistical inference, but that is not ridiculous, like thinking left-handed people are generally less honest or less likable or whatever, but it would be about correct statistical inference. So, for instance, in medicine you screen women only for breast cancer, even though breast cancer can also appear in men. Or when it's about prioritizing vaccination, you go by age, even though some younger people may need it more than some other older people. But you cannot target things exactly. So you go by some sort of simple cue like gender or age to discriminate on. And of course that is not optimal either because it would be better to target individually whatever you're doing and not rely on these simple cues.

Tim Phillips [00:03:33]:

Looking at the debate on migration, we know that across Europe, North America, a lot of people are worried about the impacts of migration on their communities. They tend to give all sorts of reasons when they're asked about it. Often when they're not asked about it actually. Which of these reasons could we categorize as statistical and which of those are just prejudice?

Marius Brühlhart [00:04:00]:

First of all, we need to think that it's not all is discrimination. So migrants as an economist we think of also as competitors, at least for some native people. They compete for jobs and they compete for housing, they compete for space on public transport and so on. But this is an angle that we leave out. We have a study design that allows us to focus on the discrimination prejudice part of the question. So then within that discrimination prejudice part, there's the question you raise: is it statistical or is it pure taste based discrimination? And there you could think it could be statistical discrimination if I'm against immigrants, if there were valid reasons, for instance, that a typical, say 30 year old male immigrant is more likely to rob me than a comparable 30 year old male native person. So if on average crime rates for comparable individuals would be higher among immigrants or certain types of immigrants, then the statistical discrimination logic could apply. It would of course still be unfair against all the immigrants who don't fit that particular average. But then this definition would hold. Taste based discrimination in this context would be just I say I don't like people who come from country x or who look like a certain type for no more fundamental reason. And then we could go on and make it more complicated. You could say let's take a simple example: I don't like Greek people because I

don't like the smell of their cooking. Silly example, but imagine. So is this taste based or is this statistical discrimination? You see, the boundary is a little bit blurry and those aren't clean categories but they've helped to organize our thinking.

Tim Phillips [00:05:44]:

And just to be clear, you have no objection to Greek people or Greek cooking in real life.

Marius Brühlhart [00:05:49]:

I love Greek people and I like a lot of the Greek cooking as well. So these are just silly examples.

Tim Phillips [00:05:55]:

So do I. However, seriously, when you have these different types of discrimination, I guess there's a different policy response if you want to reduce the level of discrimination. How might policymakers address each of these?

Marius Brühlhart [00:06:10]:

Well, the remedy for statistical discrimination is simply information. The more we know about individuals, the less we need to rely on these sorts of general clues to guess what they are like. And taste based discrimination is harder. But in the literature there are two hypotheses that are raised. One is the education hypothesis, so called. It's just educate people better and let them know about different cultures and different people and teach them that there may be no fundamental reasons to have negative priors about them. And the other one is what the literature calls a contact hypothesis, is just expose people to other human beings from different backgrounds and they learn by interacting with them that we're all human beings. And maybe some of the priors and the prejudices were unfounded.

Tim Phillips [00:06:59]:

And we know from previous research that that contact hypothesis that's been validated. Has it?

Marius Brühlhart [00:07:05]:

Yes. And even in our data we see it a little bit that in places where the local population is more mixed, there seems to be less prejudice against asylum seekers coming from elsewhere.

[Voiceover] [00:07:24]:

In June 2023, we featured research into whether Americans are right to worry that legal

immigration can overwhelm schools, hospitals and other local services. Listen to the episode titled: Immigration and Public Goods.

Tim Phillips [00:07:47]:

You have investigated the impact of state run asylum seeker hosting centers in Switzerland. So tell us, what are these? Where are they?

Marius Brühlhart [00:07:59]:

They are facilities that predominantly host asylum seekers during the period where their cases are still being assessed by the authorities. So they don't really know whether they'll be allowed to stay or they're going to have to go back. They're kind of temporary facilities and they are spread across the entire country and they take many different shapes. Some of them are just single apartments that are rented in apartment buildings and you wouldn't know from the outside. Some are disused military facilities or schools or former hotels. And they're also purpose built apartment blocks, so they come in different shapes and forms. In our study, we only consider centers that have a capacity of hosting at least 30 people, so they have to have a minimum size to be visible to the people around them. But the largest facility that we have in our data, they have a capacity of about 700 people. So there are also some pretty large structures.

Tim Phillips [00:08:57]:

Yes. What type of migrant is being accommodated in these centers and I guess how many as well?

Marius Brühlhart [00:09:04]:

In our data it goes from between 30 and 700 hundred. And these are asylum seekers, so they generally come from war torn countries in the Middle East, in Africa, but also some from Latin America and further away in Asia, who await to hear whether they're allowed to stay or whether they're going to have to return to their countries. It's the same range of national analyses, I suppose, that you get in most Western European countries.

Tim Phillips [00:09:30]:

And you have examined rental prices for housing in the vicinity of these centers. Why might those rental prices go down after these centers open?

Marius Brühlhart [00:09:43]:

Firstly, these centers tend to be known about locally. When they open or close, people who live in the area see it. You can see these populations arriving and disappearing and local media

often also reported, so it's a visible or what we like to say, a salient event in those local communities. And then if people on average feel a location close to one of those centers less desirable, then landlords will need to lower their prices if they still want to fill their rental units. That's the simple mechanism.

Tim Phillips [00:10:18]:

Why might the prices not go down?

Marius Brühlhart [00:10:21]:

There are two possible scenarios. Either people generally don't have any prejudice, any aversion to living near asylum seekers and then landlords will understand that and they won't change their prices. That's one possibility. Or the population could be mixed. There could be some people who are prejudiced and prefer not to live close to asylum seeker centers and others aren't prejudiced. And that's probably the more realistic scenario. And there's an old paper by Gary Becker which shows that when you have both prejudiced and non-prejudiced members of a population, it can be that on average at the market equilibrium, the non-prejudiced ones arbitrage away the prejudice of the prejudiced ones. In other words, these apartments that become vacant close to asylum center, they will be filled by non prejudiced people without landlords having to lower their prices. So that's an imaginable scenario, but it's not what we find. We do find that on average the market equilibrium is such that rental prices do fall a little bit in the proximity of an open asylum center.

Tim Phillips [00:11:30]:

You're talking about whether the opening of a center causes prices to change. For that, surely you would need centers to open randomly in random places at random times. This seems like a very strong assumption to me, is it correct?

Marius Brühlhart [00:11:48]:

Yeah, very good point. There is a lot of randomness in the opening of these centers. Firstly, the biggest driver of these openings and closures is the ebb and flow of refugee arrivals that is totally driven by events outside of Switzerland. And then there's another component is, well the authorities, which center do they open, where and when? That is arguably less random because the authorities may have certain reasons for opening one rather than another. But it also is actually largely determined by the preexisting availability of these necessary structures. As a local government, you're not totally free to decide where at a particular moment to host an inflow of new asylum seekers. So institutionally it's close to random, even though maybe not perfectly random, but there are well known statistical techniques where you compare evolution of prices very much within the same neighborhood but having a so called treatment group, so set of housing units that are really close to the asylum center. And you compare the prices to housing

units that are very much within the same sort of municipality, the same neighborhood, but a few hundred meters further away from the asylum center. So that you can assume that had there not been an asylum center that the prices would have evolved pretty much in parallel. We believe that this approach allows us to interpret what we find in a causal way.

Tim Phillips [00:13:12]:

You've already said that prices go down Marius. How big is the drop in price, rental prices close to an asylum center?

Marius Brühlhart [00:13:21]:

Our headline result is that within 700 meters of the asylum center they dropped by around 4% relative to the control group. Now, what is 4%? Is that a big number? Is it a small number? It can a little bit heroically compare it to results that have been found for similar exercises in different countries but that have been published in the academic literature. And if we make this admittedly a little bit heroic comparison, we find for instance, that the 4% seems to be a bit bigger than what people have found about the effect of increasing airport noise. So if you want to interpret it literally, having an asylum center close to you seems to be a little bit worse than having airport noise in the neighborhood. But the effect that we found is a lot smaller than what other people have found to be the effect, for instance, of the opening of a toxic industrial plant or of shale gas extraction sites which are factor of three, factor of four. Worse in terms of these rental prices than what we find for asylum centers.

Tim Phillips [00:14:25]:

I see asylum centers have less of an impact than toxic chemicals, but they're considered worse than being under a flight path. Having lived under a flight path, I think that's quite a large result. Was this result persistent? Did it last?

Marius Brühlhart [00:14:39]:

It lasted as long as we were able to follow it. So we don't have an infinite window of observation, but we can track these things for up to two years and still have enough statistical power to measure things with a reasonable amount of precision. And we find that, yes, the impact is pretty much immediate after an opening of a center and then it lasts for the full two years that we're able to follow things. This is an open point that future research could address if we had a way of tracking this longer into the future. Because this contact hypothesis that we talked about earlier would suggest that as people get used to each other and maybe discover that they can live well also with people who have very different cultures from yours, that these differences would disappear. So within two years we don't observe it, but maybe if we allowed for longer time horizons, it would be different.

[Voiceover] [00:15:32]:

Switzerland is traditionally generous to refugees, but government plans to house them in communities have caused uproar.

[Voiceover] [00:15:45]:

Some local politicians have asked the federal authorities to close the center. The local mayor drew up plans to ban asylum seekers from some public places.

Tim Phillips [00:16:00]:

How much do we know about these migrants that were involved in your research? Do we know what type of migrants or any behavior of migrants that's causing this effect?

Marius Brühlhart [00:16:13]:

A really cool feature of the data we are able to work with is that we have exactly this information. We know stuff about the people who stay in a particular asylum center at any particular time, which means we can then also statistically examine whether these local rental price effects differ according to the type of people who are hosted in a particular center. And so the first thing we looked at was to try to see whether these price drops are statistical discrimination in the sense that in centers that are populated by type of people who are statistically more likely to commit crimes, whether we find bigger price drops there. We have ways of inferring the crime proneness of an asylum seeker population through police data, but the short version of what we find is nothing. These inferred crime proneness of asylum hosting center populations seem to have no statistically discernible relationship to the change in local rental prices around these centers. So that is evidence that is rather not supportive of this statistical discrimination idea. Then we know other things about these people. So, for instance, we know their religious affiliations. So you could look whether maybe the price responses are stronger if you have more Muslim asylum seekers. Again, statistically we find absolutely nothing. There are other dimensions: the age distribution, male, females, and so on. We've looked at it in many ways, and nothing came out statistically except for one variable. And that variable is the share of asylum seekers that come from Sub Saharan African countries. That systematically leads to bigger price drops in the neighborhood than having a lower share of Sub Saharan African asylum seekers. The obvious inference is that people react to skin color. This most visible of cues seemed to be really something that drives reaction of local populations as measured through these rental prices.

Tim Phillips [00:18:23]:

So to put this in economics terms, is this basic taste based discrimination? Or to put it in layman's terms, is it racism?

Marius Brühlhart [00:18:31]:

You might think there's an element of statistical discrimination. If on average, dark skinned people were more likely to commit crimes, then it would fit again this definition of statistical discrimination. Our police data again allowed us to verify this, and we don't find any statistically significant correlation between skin color and probability to commit a crime. If anything, many crimes that we have data on, Sub Saharan Africans score pretty low on the frequency of committing them, even among the asylum seeker community themselves. So it doesn't look like rational statistical discrimination, and it does look like prejudice against dark skinned people or as you call it, racism.

Tim Phillips [00:19:21]:

So this is a challenge for policymakers in Switzerland and in many countries. What should they be doing about this?

Marius Brühlhart [00:19:29]:

Well, we can get back to the two hypotheses, the education hypothesis and the contact hypothesis, and we actually find some supporting evidence in our data. We find that in places where the average education level of the native population is higher, those price drops near asylum centers are less pronounced. And we also find that in places with a more diverse native population, which is already more mixed. Again, these price reactions are less pronounced. It does suggest that by educating people, and simply also by letting time pass, by letting people discover each other, some of this prejudice may go away.

Tim Phillips [00:20:12]:

Let's hope that it does. Marius, thank you very much.

Marius Brühlhart [00:20:15]:

Pleasure.

Tim Phillips [00:20:25]:

The paper is called: Price and Prejudice: Housing Rents Reveal Racial Animus and the authors are Marius Brühlhart, Gian-Paolo Klinke, Andrea Marcucci, Dominic Rohner and Mathias Thoenig. It is discussion paper 18050 CEPR.

[Voiceover] [00:20:48]:

We hope you enjoy with this VoxTalk from the Center for Economic Policy Research. If you did, please leave us a review and tell your friends about us. Next week on VoxTalks does identity politics fuel voter polarization?