Do Changes in Average Happiness Levels Cause Migration? Evidence from Germany

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Abstract

Models of migration assume that geographical utility differences result in migration flows. Using German panel data from 1992 to 2006 evidence is sought for a causal relationship between Bundesländer level population change and Bundesländer level utility differences from the national average. Initial regressions assuming a linear relationship give rise to problems of inappropriate functional form and heteroscedasticity. Instead, a multiple ranks transformation technique is offered as a simple alternative to searching for the correct specification. Using this technique, a highly significant relationship emerges whereby relatively happy Bundesländer appear to attract German migrants leading to a rise in population. However, there is also evidence of reverse causality: Population outflows diminish further the happiness of those who remain behind. This sits uneasily with hedonic theory whereby population decline should place downward pressure on house prices and upward pressure on wages and consequently increasing happiness. Granger causality between happiness, wages, unemployment and the price of land will be tested at a later date to understand these relationships further.

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