

IZA Press Statement, October 31, 2006

## **IZA Prize 2006 goes to David Card and Alan Krueger**

American economists honored for their contributions to the field  
Award ceremony to be held in Berlin, November 8

This year's IZA Prize in Labor Economics, awarded annually by the Institute for the Study of Labor, will be shared by the outstanding labor economists **David Card** (University of California, Berkeley) and **Alan B. Krueger** (Princeton University). The prestigious IZA Prize, made possible by the science sponsoring activities of the Deutsche Post Foundation, recognizes the significant contributions of the two American economists particularly to policy-oriented empirical research on education and labor market issues.

“David Card and Alan Krueger have stimulated labor economics for many years with their original research approach, the practical relevance of their results, and their remarkable use of natural experiments to test commonly accepted models,” said IZA Director **Klaus F. Zimmermann** during the announcement of the IZA Prize Committee decision in Bonn. “The findings by Card and Krueger are highly relevant for labor market policy in Germany.”

The IZA laureates have analyzed, for instance, the impact of education, training, and human capital on earnings. According to their studies, the quality of schooling has an enormous influence on future labor market outcomes. In view of the alarming PISA results, German educational policy should therefore put a larger weight on improving school quality. “We need more competition between schools and an incentive system that rewards quality and performance,” Zimmermann demanded.

Other work by Card and Krueger has focused on the role of institutions, e.g. collective bargaining, on employment and wage determination. They found, for example, that lower unionization and reduced bargaining power of unions lead to higher wage dispersion.

David Card's studies of the economic effects of immigration are equally important for German policymakers. Based on data from a natural experiment, he showed that immigration does not have a negative effect on the labor market of the receiving country. Since similar findings are available for Germany, policymakers should finally adopt a more effective strategy to actively control immigration based on economic criteria.

Often challenging the conventional views of the profession, the IZA Prize laureates have greatly shaped international labor economics towards a stronger focus on policy issues. They have also shown that high-quality scientific research is an important prerequisite for sound policymaking.

Head of Public Relations: Holger Hinte  
Leiter Öffentlichkeitsarbeit: Holger Hinte

The IZA Prize will be awarded on November 8, 2006, during a festive ceremony in Berlin with Federal Labor Minister **Franz Müntefering** as the invited speaker. **Klaus Zumwinkel**, CEO of Deutsche Post World Net and President of IZA, will present the prize jointly with IZA Director Klaus F. Zimmermann.

Deutsche Post World Net has sponsored IZA since the foundation of the institute in 1998. The IZA Prize was established in 2002 and carries a cash award of 50,000 euros. It is now considered the most esteemed science award in labor economics worldwide.

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