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## Editorial: Migration and Development

Impacts on economic development emanating from international, interregional or seasonal migration movements are discussed controversially both in the public and in the scientific community. While we expect overall global gains from increased integration of labor markets, migration produces a series of distributional effects that are not yet fully understood. Especially the topical discussion about selective migration that has been enforced by the industrialized countries' increased application of selective standards generating a bias of immigration policies toward skilled applicants is characterized by a lack of consensus. Additionally, involuntary migration in cases of conflict and/or prosecution induces considerable humanitarian, social and economic challenges.

With the emergence of the brain-drain literature in the 1960s, migration has at the latest been recognized as a critical factor for the development of economically backward countries. Whereas early contributions emphasize the negative impact of emigration of highly skilled labor on the economic growth and development of those countries (cf., e.g., Bhagwati/Hamada 1974), more recent contributions (cf. Mountford 1997, Beine et al. 2001) take a different stance and highlight several positive effects of high-skilled emigration, such as (i) brain gain by comprehensive incentives to acquire education in emigration countries, (ii) overall brain gain in less-developed countries by brain circulation in case of re-migration, (iii) financial remittances of successful emigrants to their home countries and (iv) transfer of technology and knowledge to less-developed countries (including institutional change in financial markets and social security systems) especially in the case of temporary migration. As a result, new challenges arise with respect to the design of migration policies both in developed immigration countries and less-developed sending countries in order to support the development process in the poor sending countries. Challenges also arise with respect to the evolution of institutions (financial markets, education, provision of social security) in less-developed countries and their support by specific policy measures.

In order to promote research in that topical and wide field, the Justus-Liebig University (Giessen) awards the Developing Countries Prize for outstanding contributions. On occasion of awarding the Developing Countries Prize 2008 (that time sponsored by Kreditanstalt für Wiederaufbau, Frankfurt a.M.) to the laureates Frédéric Docquier and Hillel Rapoport (main prize), Anna Lindley (best PhD thesis), and Benjamin Etzold and Cristian Vasco (best student theses), an interdisciplinary symposium on "Migration and Development" has been arranged bringing together economists, political scientists, lawyers and geographers with politicians and members of nongovernmental organizations. The present special issue of the *Journal of Economics and Statistics* has been stimulated by this symposium and contains several papers that have been presented there.

The laureates Frédéric Docquier and Hillel Rapoport contribute a survey-like paper complementing existing empirical cross-country studies on brain drain and brain gain. The authors present general data on the international migration of the very upper tail of the skill and education distribution and then concentrate on prominent cases of high-skill emigration: the African medical brain drain, the exodus of European researchers to the United States, and the contribution of the Indian diaspora to the rise of the IT sector in India. The choice of these case studies is highly persuasive since they illustrate the ambiguity of effects of a brain drain on source countries derived in theoretical studies: they find unambiguously negative effects in the case of European researchers, clearly positive effects in case of Indian diaspora, and mixed effects for the African medical brain drain.

Their findings document the difficulties to capture the effect of skilled emigration on source countries. Based on these results, any derivation of uniform policy recommendations seems highly illusory.

The paper of Hartmut Egger and Gabriel Felbermayr provides a valuable theoretical contribution that integrates the traditional and the new approach to skilled emigration. The authors emphasize the role of factor complementarities and associated wage-structure effects for the prospect of source countries gaining from emigration of skilled workers. These factor complementarities already played a central role in the traditional brain-drain literature that assumed exogenous skill supplies. The new literature endogenizes skill supplies and integrates externalities from educational decisions that are affected by emigration possibilities, but it typically abstracts from factor complementarities by restricting the analysis on linear technologies. The authors' integration of the old and the new approaches gives rise to ambiguous theoretical effects from increased labor-market integration. Applying a calibrated version of their model, the authors show for four prominent source countries (Mexico, Turkey, Morocco and Philippines) that a brain-gain scenario would require implausible high externalities. In the end, the paper nicely complements the new literature from the methodological perspective; from the perspective of application, however, it casts considerable doubts on the optimistic view of labor-market integration produced by the brain-gain hypothesis.

Three papers address the remittances problems each of them emphasizing different aspects. Thomas Bauer and Mathias Sinning examine the determinants of remittance behavior of immigrants living in Germany empirically. Differentiating between temporary and permanent migration they find that the probability to accumulate wealth in the home country as well as the amount of transfers to family members in the source countries are higher for temporary migrants. Applying a decomposition analysis, they find that the observed differences in remittance patterns are not due to differences in observable characteristics (such as the migrants' economic characteristics, the composition of households in home and host countries) between these two immigrant groups. Rather the various remittance patterns accrue from behavioral differences between the two types of migrants originating in type-specific preferences. Their result thus provides an incentive to better account for individual heterogeneity in analyses of migration. The paper by Thomas Ziesemer investigates the impact of remittances on economic growth of migrants' home countries via two channels: the accumulation of physical and of human capital. By accounting for human-capital accumulation the paper contributes to the existing literature that concentrated on the accumulation of physical capital and found ambiguous effects of remittances on GDP growth. The author estimates a system of seven equations by the general method of moments with heteroscedasticity and autocorrelation correction using a pooled data set of different samples of countries receiving remittances in 2003. He finds that the poorest countries in the sample show the highest effect of remittances on GDP per capita while the effect for richer countries is generally small. Additionally, he finds that savings react more strongly than investment implying that remittances contribute significantly to reduce the debt problem of home countries. The paper by Anna Lindley deals with the question how the inflow of remittances is related to violence and policy instability. Based on a field study in Somaliland, the paper addresses a set of economical (esp. distributional) and political questions regarding the dynamics and impact of remittances in conflict-affected settings. Based on this field study, the author works out that the implications of the violent causation of migration, the ongoing conditions in the migrants' home country and the post-migration situation of refugees are the key determinants of

how remittance dynamics in conflict situations differ from those in more peaceful settings.

The paper of Oliver Bakewell provides a critical overview of the link between migration, diasporas and development based on results from migration studies from the perspective of political science. He questions why governments and development organizations increasingly stress the role of diasporas in the development process, especially whether diasporas share a common set of interests with general development concept. He then focuses on the nature of development and on the problem of how can diasporas and migration play a role in the development process. The author ends up with a rather critical view on the idea of utilizing diasporas (and migration) as an important cornerstone of a development concept. He emphasizes several shortcomings of the spatial development concepts in the context of migration and formulates the need for new concepts in an increasingly integrated world.

The range of problems listed above is rounded out by Mathias Czaika's analysis of refugee migration. Although the migration decision per se is not primarily an economic but a political issue in cases of conflict and prosecution, refugees still have choices that are governed by economic forces: whether they apply for asylum in a Western country, whether they (legally or illegally) move to a neighboring country or whether they stay at home. The theoretical analysis of the paper shows that asylum seeking in Western countries is biased towards comparatively less prosecuted people. The subsequent political-economy analysis of asylum policies argues that host countries are likely to end up in a race to the bottom of respective asylum policies. Pro-active refugee-related aid transfers, however, are shown to have the potential of being an effective economic instrument to reduce asylum pressure of potential host countries.

Overall, the contributed papers provide a rather impressionistic picture of the problems stated above with emphasis on a considerable range of topics with many open questions. Particularly the implications for economic development of countries experiencing emigration of skilled people are far from being solved comprehensively and there is a lack of clear general policy recommendations. Although considerable progress has been achieved by the stimulus of the new brain-gain literature, applied research – especially research bridging the gap between economic, political and sociological analyses – in that field is still in its infancy. Hopefully, the papers in this special issue contribute to take us one step ahead in the field of migration and development.

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Jürgen Meckl

## **Documenting the Brain Drain of “La Crème de la Crème”**

### **Three Case-Studies on International Migration at the Upper Tail of the Education Distribution**

**By Frédéric Docquier, Louvain-La-Neuve, Belgium, and Hillel Rapoport, Ramat Gan, Israel\***

JEL F22, J24, O15

Brain drain, international migration, African medical brain drain, European brain drain, Indian diaspora.

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#### **Summary**

Most of the recent literature on the effects of the brain drain on source countries consists of theoretical papers and cross-country empirical studies. In this paper we complement the literature through three case studies on very different regional and professional contexts: the African medical brain drain, the exodus of European researchers to the United States, and the contribution of the Indian diaspora to the rise of the IT sector in India. While the three case studies concern the very upper tail of the skill and education distribution, their effects of source countries are contrasted: clearly negative in the case of the exodus of European researchers, clearly positive in the case of the Indian diaspora's contribution to putting India on the IT global map, and mixed in the case of the medical brain drain out of Africa.

## **Endogenous Skill Formation and the Source Country Effects of Skilled Labor Emigration from Developing Countries**

**By Hartmut Egger, Bayreuth, and Gabriel Felbermayr, Stuttgart\***

JEL F22, J24

Emigration, endogenous skill formation, source country effects.

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### **Summary**

In this paper we set up a simple theoretical framework to study the possible source country effects of skilled labor emigration from developing countries. We show that for given technologies, labor market integration necessarily lowers GDP per capita in a poor source country of emigration, because it distorts the education decision of individuals. As pointed out by our analysis, a negative source country effect also materializes if all agents face identical emigration probabilities, irrespective of their education levels. This is in sharp contrast to the case of exogenous skill supply. Allowing for human capital spillovers, we further show that with social returns to schooling there may be a counteracting positive source country effect if the prospect of emigration stimulates the incentives to acquire education. Since, in general, the source country effects are not clear, we calibrate our model for four major source countries – Mexico, Turkey, Morocco, and the Philippines – and show that an increase in emigration rates beyond those observed in the year 2000 is very likely to lower GDP per capita in poor economies.

## The Purpose of Remittances: Evidence from Germany

By Thomas K. Bauer, Essen, and Mathias G. Sinning, Canberra\*

JEL F22, D12, D91

International migration, savings, remittances.

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### Summary

This paper examines the purpose of remittances using individual data of migrants in Germany. Particular attention is paid to migrants' savings and transfers to family members in the home country. Our findings indicate that migrants who intend to stay in Germany only temporarily have a higher propensity to save and save larger amounts in their home country than permanent migrants. A similar picture emerges when considering migrants' payments to family members abroad. The results of a decomposition analysis indicate that temporary and permanent migrants seem to have different preferences towards sending transfers abroad, while economic characteristics and the composition of households in home and host countries are less relevant.

## **Worker Remittances and Growth: The Physical and Human Capital Channels**

**By Thomas H.W. Zieseimer, Maastricht\***

JEL O15, J61

Remittances, growth.

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### **Summary**

Remittances may have an impact on economic growth through channels to physical and human capital. We estimate an open economy model of these two channels consisting of seven equations using the general method of moments with heteroscedasticity and autocorrelation correction (GMM-HAC) with pooled data for four different samples of countries receiving remittances in 2003. The countries with per capita income below \$ 1200 benefit most from remittances in the long run because they have the largest impact of remittances on savings. Their changes in remittances account for about 2 % of the steady-state level of GDP per capita when compared to the counterfactual of having no changes of remittances. Their ratio of the steady-state growth rates with and without changes of remittances is 1.39. Transitional gains are higher than the steady-state gains only for the human capital variables of this sample. As savings react much more strongly than investment an important benefit of remittances is that less debt is incurred and less debt service is paid than without remittances. All effects are much weaker for the richer countries.



## Remittances and Conflict: Some Conceptual Considerations

By Anna Lindley, London, UK\*

JEL D13, J61

Migration, remittances, conflict, refugees.

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### Summary

The relationship between migration and development processes in migrants' countries of origin has been subject to extensive scrutiny in the last decade by researchers and policy-makers. Migrants' remittances have been fore-grounded as a key aspect in this relationship and have increasingly been seen as a potential source of 'development capital'. Yet the fact that migration and remitting are often entangled in processes of violent conflict and political upheaval is often overlooked. This paper uses the Somali case to raise a set of conceptual issues regarding the dynamics and impact of remittances in conflict-affected settings. The implications of the violent causation of migration, the on-going conditions in the country of origin, and the post-migration situation of refugees are advanced as key ways in which remittance dynamics in conflict situations may differ from those in more peaceful settings.

## **Migration, Diasporas and Development: Some Critical Perspectives**

**By Oliver Bakewell, Oxford, UK\***

JEL O15

Migration, development, diasporas, Africa, remittances, transnationalism.

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### **Summary**

This article poses three questions about the recent resurgence of academic and policy interest in migration, development and diasporas. First, over many years the connection between migration and development has been of marginal interest for many of those involved in the field of development studies; in many cases, where it has been considered, migration has been seen as a symptom of a development failure and cause of further underdevelopment. What has changed to bring about the dramatic turnaround in views in the last decade? Second, governments and development organisations are increasingly focusing on the role of 'diasporas' in the process of development. The attempts to co-opt diasporas into existing development practice tend to assume that they share a common set of interests and aspirations with the development industry. Here, we ask who is included within these diasporas and why should they be expected to contribute to development? This leads to the third question: what is the nature of development in which we are anticipating that the migration process and diasporas should play a role? This article argues that existing models of development are inherently sedentary and struggle to incorporate migration. In the increasingly mobile world new concepts of development are required. An open and critical dialogue between diaspora members and the development industry may help to achieve this.

## The Political Economy of Refugee Migration

By Mathias Czaika, Freiburg

JEL F35, J61, P16

Refugee movements, asylum policy, foreign aid.

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### Summary

This article examines the driving forces of the magnitude, composition and duration of refugee movements caused by conflict and persecution. The decision to seek temporary or permanent refuge in the region of origin or in a more distant asylum destination is based on inter-temporal optimization. We find that asylum seeking in Western countries is rather a phenomenon of comparatively less persecuted people. In an attempt to reduce their respective asylum burdens, Western countries and host countries in the region of origin are likely to end up in a race to the bottom of restrictive asylum policies. Alternatively, this study shows that, under certain circumstances, proactive refugee-related aid transfers are an effective instrument to relieve Western countries from asylum pressure.