

## MIGRATION, INTERNATIONAL TRADE, AND FINANCE

### Introduction

**Xavier Chojnicki, Cécily Defoort & Vincent Dupont<sup>1</sup>**

The papers in this special issue of *Économie internationale/International Economics* are a subset of selected papers presented at the XIII "Spring Meeting of Young Economists" (SMYE), which took place from April 17-19, 2008, at University of Lille2 ([www.smye2008.com](http://www.smye2008.com)). Since 1996, the SMYE is held each spring and is aimed at PhD students, postdoctoral students and young lecturers. It covers the whole spectrum of economic endeavor from game theory to finance, and from international trade to development economics.

The seven papers in this special issue demonstrate the range of issues and methodological approaches tackled during the SMYE conference. The first three papers deal with skilled migration, the first two one embracing the perspective of sending countries when the last one carries on the new European emigration to the US.

Luca MARCHIORI, Patrice PIERETTI and Benteng ZOU study how the brain drain and remittances can affect fertility and human capital formation in migrants' origin countries. For that purpose, they develop an overlapping generations (OLG) model with heterogeneous agents facing fertility and education decisions. Parents choose the number of children they want to raise and decide upon how many children obtain higher education. Only high skilled children migrate with a certain probability and remit to their parents. The paper shows that increased skilled emigration encourages both high and low skilled parents to finance higher education to a larger number of their children. However the effect on the number of children is ambiguous. Parents choose to raise more children if the perspective of receiving more remittances from their children dominates the increased education expenditures they have to face by sending more children to obtain higher education.

Elisabetta LODIGIANI contributes to the recent literature that showed the possible emergence of a "brain gain" in the "brain drain" through incentive effects (investment in education in sending countries) and feedback effects (remittances, return migration, business and scientific networks creation). The basic idea is that brain drain and skilled diaspora facilitate adoption of foreign technologies in the home country, therefore contributing to its economic growth. Based on a theoretical model that allows examining the contribution of human capital to economic growth, Elisabetta Lodigiani shows that a marginal rise in the stock of skilled human capital increasingly contributes to productivity growth as a state moves closer to the

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1. Xavier CHOJNICKI, Assistant Professor, University of Lille2 and CEPIL ([xavier.chojnicki@univ-lille2.fr](mailto:xavier.chojnicki@univ-lille2.fr)), Cécily DEFOORT, Assistant Professor, University of Lille2 ([cecily.defoort@univ-lille2.fr](mailto:cecily.defoort@univ-lille2.fr)), Vincent DUPONT, Assistant Professor, University of Lille2 ([vincent.dupont@univ-lille2.fr](mailto:vincent.dupont@univ-lille2.fr)).

technological frontier. On the contrary, skilled migration is likely to increase growth in areas far from the frontier. Evidence in favor of this prediction is confirmed by using a panel data set covering 92 (OECD and non-OECD) countries between 1980 and 2000.

Using census data from 1980 to 2006, Ahmed TRITAH studies the magnitude and nature of European human capital outflows to the United States. Even if the magnitude of these flows is small, moving across the knowledge ladder reveals a strong occupational selectivity operating within the group of tertiary educated. A negative relationship between skilled labor demand shifts in source countries and emigration selectivity is identified: countries with a more dynamic demand for skilled labor are also those whose migration selectivity has increased the least. Within a simple supply and demand framework, Ahmed Tritah shows that throughout the 1980s and 1990s, changes in skilled labor wage premia are strongly correlated with changes in skilled labor demand shifts and are uncorrelated with changes in skilled labor supply. Consequently, the technological changes triggered by human capital losses could make these outflows increasingly costly for Europe in terms of productivity.

The next two papers deal with the consequences of international trade. The paper of Branislav SAXA is built on the expectation that exporters from Central and Eastern Europe transition economies (CEEC) could gain substantially in terms of productivity. This paper employs firm-level panel data from the Czech Republic to investigate the empirical relevance of this learning-by-exporting theory. To disentangle learning-by-exporting from explained simultaneous changes in export and productivity induced by a new manager, Branislav Saxa uses the movements of exchange rates and producer prices as exogenous factors that can motivate a firm to start to export. Despite relatively important differences in productivity levels between the Czech Republic and most of its export destinations, the results provide only limited evidence of the learning-by-exporting effect in the case of Czech exporters.

Relying on a methodological approach of international trade, Boriss SILVERSTOVs and Dieter SCHUMACHER provide another solution for the missing globalization puzzle, typically observed in empirical gravity models for aggregate trade flows. The authors argue that the missing globalization puzzle — widely acknowledged failure of traditional gravity models to account for a declining role of distance on trade — largely disappears when one estimates a gravity model using disaggregated trade data at the level of individual industries. For this purpose, a generalized gravity equation using both aggregated and disaggregated trade flows among 22 OECD countries for the period 1970-2000 is estimated both in its traditional form as well as by taking into account multilateral resistance terms. The main conclusion is robust across different specifications of a gravity equation.

From a more theoretical point of view, Romain RESTOUT examines the implications of introducing imperfect competition in an intertemporal two-sector (traded and non-traded goods) small open economy model. The market structure in the non-traded sector includes monopolistic competition *à la* Dixit and Stiglitz and endogenous markups which depend on the composition of the aggregate demand for non-traded goods. Quantitative simulations are implemented to study effects of fiscal and technological shocks. First, unlike the perfectly competitive

framework, the present model is consistent with the saving-investment correlations found in the data. Second, the degree of competition observed in non-traded markets matters in determining the current account and investment responses to fiscal and technological shocks. Third, simulations show that the perfectly competitive two-sector model is too restrictive when investigating the relationship between the relative price of non-traded goods and real factors, like fiscal policies and productivity disturbances.

Finally, the last paper of this special issue investigates the area of international finance: Francis BISMANS and Olivier DAMETTE estimate the influence of a currency transaction tax on the foreign exchange market volume trading. More precisely, the main goal of this paper is to combine non stationary time series and panel data cointegration procedures in order to estimate the so called "Tobin tax elasticity". The econometric estimations suggest that the *forex* (Foreign Exchange) trading volume could be significantly reduced by the Tobin tax. Nevertheless, the values obtained for the elasticities are heterogeneous with respect to the currency pairs: the largest elasticities are given for the Euro/Dollar and Sterling/Dollar currency pairs that are also the most traded exchange parities.

X.C., C.D. & V.D.

