

BRAIN DRAIN, INDIVIDUAL PREFERENCES AND WAGE DIFFERENTIALS: A GENERAL MODEL OF RATIONAL MIGRATION

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Abstract

The largest part of available literature on international migration tends to consider migration decision either as permanent or temporary. In this paper we develop a fairly general dynamic model of rational migration, where both the decision to return in the home country and to remain abroad, as well as the choice to not migrate at all, are fully rationalized. In this framework, the optimal migration policy is essentially driven by two often counteracting forces, the individual preference for local consumption and the wage differential. Despite we analyze many different cases, we focus on the non-trivial settings where there is a trade-off between preferences and wages and, in particular, we study how these two economic forces interact. On one hand, our results suggest new insights on the literature about brain drain; on the other hand, this general model of migration decision allows to reconcile different polar positions found in previous contributions within a unique theoretical framework. Moreover, numerical simulations are conducted to show the different economic forces at work.

Keywords: Migration decisions, individual preferences, wage differentials, brain drain.

JEL Classification: F22, J24.