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DECEM: FINANCIAL ALTERNATIVES FOR DEVELOPMENT AID (8)

*The brain drain: a capital drain*²

The brain drain is a phenomenon that has increased with the internationalization of migratory flows, involves that part of the immigrant population considered qualified labor, and has a severely negative, destabilizing, and demolishing impact in the societies of the developing world, that see how their best prepared professionals educated with public money, leave for other countries, hoping for a better future. In 1998 the then president of South Africa Thabo Mbeki opened his speech about the African renaissance with the following words:

In our world in which the generation of new knowledge and its application to change the human condition is the engine which moves human society further away from barbarism, do we not have need to recall Africa's hundreds of thousands of intellectuals back from their places of emigration in Western Europe and North America, to rejoin those who remain still within our shores. I dream of the day when these, the African mathematicians and computer specialists in Washington and New York, the African physicists, engineers, doctors, business managers and economists, will return from London and Manchester and Paris and Brussels to add to the African pool of brain power, to enquire into and find solutions to Africa's problems and challenges, to open the African door to the world of knowledge, to elevate Africa's place within the universe of research the information of new knowledge, education and information.

¹ About the author: Jaime Pozuelo-Monfort graduated from *Universidad Politécnica de Madrid* in 2000 with a master's and a bachelor's in telecommunications engineering, having also studied two years as an exchange student at *Telecom Paris* and *Universitat Stuttgart*. Subsequently he earned master's degrees in business administration from *College des Ingenieurs* in Paris, in financial economics from *Universidad Carlos III de Madrid*, in financial engineering from the *University of California at Berkeley*, and in economic development from the *London School of Economics*. He currently pursues a master's in public administration at *Columbia University*, and will start a master's in international law and politics at *Georgetown University* at this fall. He has worked in the technology sector in Madrid, Stuttgart and Paris, and in the financial industry in New York City and London. His interests lie in the interaction between financial economics and economic development. In addition he is a columnist in written and electronic press. He speaks English, French, German and Spanish fluently, and has a beginner's level in Arabic, Italian, Portuguese and Russian.

² This is the eighth article of the decem series, a series of ten articles fundamentally innovative that aim at the proposal of alternative financial mechanisms to considerably raise the amount of funds available for development in the third world. Throughout the series, the author will stress the implementation aspects of the suggested ideas and will propose arguments for and against.

In an unequal world, the brain drain stresses the disparity of human resources between the two hemispheres of the globe, penalizes societies in great need of qualified professionals, in expense of an unfair profit that fundamentally benefits the welfare society, that is proud of being able to attract the talent of the world, granting it an opportunity to move forward, without thinking of the collateral damage that such migration of talent has in the departure countries, that see and are incapable of stopping an unfair and unrewarded leak of talent and skills.

A PSEUDO POSITIVE DRAIN

The brain drain is typically considered positive from the point of view of the recipient countries hosting the qualified labor mainly coming from the developing world. Qualified labor made up of professionals that, aiming at improving their quality of life and dreaming of a better, more prosperous life, decides to leave behind the origin countries to take roots in North America and Europe, in societies that because of their population ageing coupled with the lack of personnel in certain areas such as technology or healthcare, welcome and salute these golden egg hens that come from the developing world, and are purchased at a bargain price.

A qualified labor has nothing to do with an unskilled labor. They are two distinct categories with a different impact on the economic development of a country. A country needs qualified professionals to move forward, a group typically underrepresented compared to that of unskilled workers. From this point of view, the brain drain removes qualified workers from a majority of developing countries, stealing their most valuable assets, expropriating, withdrawing a treasury, a vital resource, fundamental for a country's economic progress.

We say in the West that development aid of the past 30 years has not been effective in the fight against poverty in many countries, that are still trapped in per-capita income levels of half a century ago. We say in the industrialized world that corruption and dictatorial political regimes across the world are an obstacle for a country's normal economic development. We like to analyze from an ex post macroeconomic dimension the reasons behind the failure of many economies of Africa and Latin America. However we do not realize that some of the policies fostered from the Western world, such as the admission and attraction of the talent coming from poor countries, become a catalyst that accelerates the impoverishment processes of numerous economies, and stops them from making any progress, for an economy with no skilled human capital is an inoperating economy, for an economy incapable of retaining the self-generated talent, is an economy that invests and loses the investment, banishing for good the return on investment, a return that has a positive impact on a part of the world that does not need it.

We deceive ourselves thinking that, in the end, in the developed world, we are only opening the doors to those individuals willing to escape the nightmare of extreme poverty, in search for a better life, for we only open our doors to qualified individuals, that in any case would have an opportunity of working in their origin countries, and we completely forget a majority of people living in absolute misery, who lack education because they cannot pay for it, and are born condemned to live without hope.

We deceive ourselves thinking that the individuals we host make a positive impact in their countries of origin, for we believe that remittances benefit those who stayed home. We should at this point distinguish between those unskilled or low-skilled immigrants who send remittances, from those skilled immigrants who send remittances. The first group causes a more positive impact than the first in the countries of origin.

In this line of reasoning and according to a recent study by Riccardo Faini³, there is no empirical evidence that skilled immigrants send more remittances than unskilled or low-skilled immigrants. On the contrary, skilled immigrants spend more time abroad than unskilled or low-skilled immigrants, and take in roots more easily in the destination countries. The survey concludes that skilled labor coming from the better off in the developing world, has a smaller incentive to send back remittances, at the same time that spends a longer time abroad and has the ability to attract family members to the destination country. All in all, the brain drain, argues the study, cannot be related to a higher amount of remittances, demystifying the popular belief that the import of skilled labor is more positive for the developing world than the import of unskilled labor, from a remittances point of view.

FIGURES BEHIND THE PHENOMENON

Professor Richard Devon at Penn State University estimates that the United States invests \$200,000 in each student that finishes an undergraduate degree, which points out the amount of money the industrialized world is saving when importing skilled professionals from other countries⁴.

It is not an easy world for the economies in the developing world. A survey⁵ conducted by the *Organisation for Economic Cooperation and Development* shows that among the Indians and Chinese receiving a doctorate in 1990-91, 79% of Indians and 88% of Chinese continued to work in the United States in 1995. These percentages contrast with 11% of Koreans and 15% of Japanese, that having earned a doctorate in the United States in 1990-91, still worked in the country in 1995.

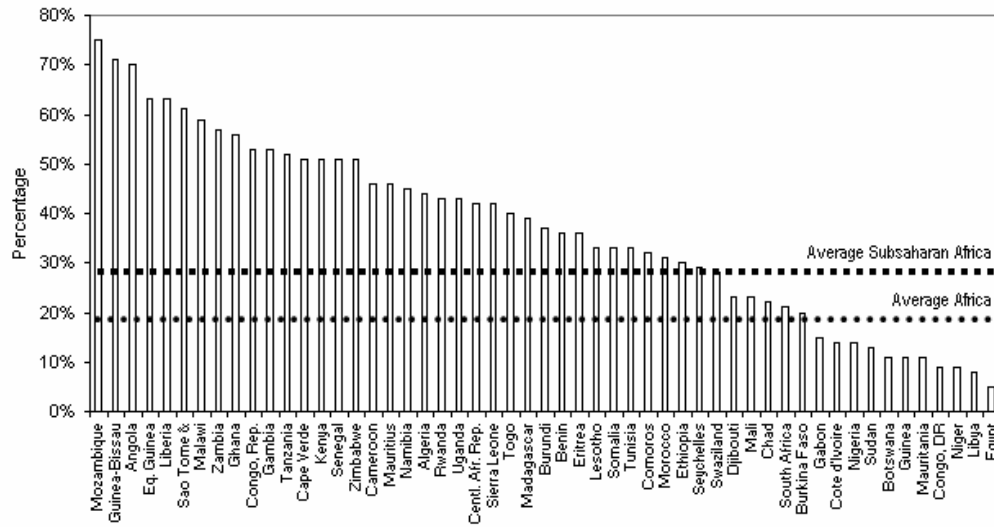
The following figure shows the nightmare that some African countries undergo in the healthcare sector. The average percentage of African physicians that decide to go abroad is as high as 29% in Subsaharan Africa, reaching peaks above 50% in countries like Liberia, Angola or Mozambique. As a result we can easily figure out why many of these African countries are stuck in poverty traps, for many of them have been hit by epidemics such as the malaria or the aids, and yet are incapable of treating its own population because of their lack of human resources. The case of nurses improves that of physicians, but it is not promising either.

³ *Remittances and the Brain Drain*, Riccardo Faini, Junio 2006

⁴ http://www.businessweek.com/smallbiz/content/aug2007/sb20070821_920025.htm

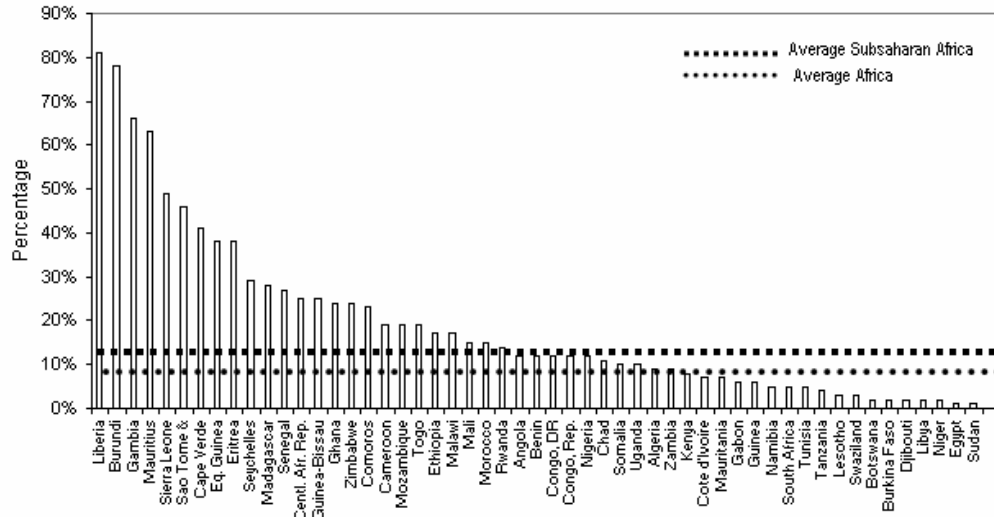
⁵ http://www.oecdobserver.org/news/fullstory.php/aid/673/The_brain_drain:_Old_myths,_new_realities.html

Percentage of African Physicians Abroad



Source: Clemens, A., and Petterson, G. (2006)

Percentage of African Nurses Abroad



Source: Clemens, A., and Petterson, G. (2006)

A phenomenon that is lagging behind the whole of Africa. According to Director General Ndioro Ndiaye at the *International Migration Organisation* of the United Nations, in order to compensate for the loss and scarcity of skilled labor due to brain drain, African

countries have to allocate \$4 billion to employ 100,000 non-African expatriates that substitute for the vacant positions left behind by the migrant skilled labor, which help diminish the devastating effects caused by the brain drain⁶.

But not everything is bad news for Africa. The fall of certain dictators is fostering the massive return of expatriates. That is the case of Kenya, where the recent election of president Mwai Kibaki has triggered expectations for the massive return of its citizens from abroad. According to Kibaki, Kenya needs “*the genius of its citizens wherever they are*”.

LET’S RETURN WHAT IS NOT OURS

Development aid is nothing else than the tip to the poor world for the services, a tip that does not compensate for the damage caused to societies that have been expropriated of their most valuable resources, the people, without whom this world cannot operate, without whom this world cannot move forward.

A globalized world is a world of mobility, in which migratory flows should ideally work independently from the individual’s level of skills. We admit African physicians but not the desperate who arrive to our coasts on a piece of wood. It is an ambivalent mechanism that does not reward societies for the caused damage.

There are ways to stop the skilled immigrant from staying an entire life in the destination country, and to foster the return to their country of origin. Physicians, for instance, could be required to stay for a period of several years working in their country of origin, so as to return the investment undertaken by the nation-state. The South African Ministry of Health⁷, for instance, delays the delivery of the medical doctor degree, to reassure that the certification is granted after, instead of before the period of public service.

The expatriate that flees from the poor world in search for a professional opportunity in the first world has the responsibility to compensate its country of origin for its services, for having provided an education and the opportunity to seek a better life abroad, whenever these occur. The expatriate should contribute so that in his or her country of origin the departure triggers the education of a similar professional profile, and the fostering of policies of retention of talent.

Both the destination country, typically a developed country, as well as the skilled immigrant, should compensate the poor country from which the skilled labor departs, a compensation in the form of a tax equally shared by the destination country and the expatriate.

The previous proposal is easy to implement and aims at the compensation for the theft of skilled human capital, educated in a developing country, that after having invested in education is incapable to retain the talent, before the ease with which Europe and North America attract the otherwise skilled immigrant population. A proposal that would imply that the destination country that attracts the skilled immigrant, pays the country of origin

⁶ <http://www.un.org/ecosocdev/geninfo/afrec/vol17no2/172brain.htm>

⁷ <http://www.queensu.ca/samp/transform/Cohen1.htm>

an amount adding up to a percentage of the immigrant's before-tax wages, an amount that would be matched by a similar contribution paid by the skilled immigrant, for both the destination country and the skilled immigrant take advantage of a situation that only harms the country of origin, that should be compensated for a damage that has been ignored so far, far from receiving a deserved attention from the media, that do not want, that should not denounce a migratory flow that mixes a clear favoritism with an acute convenience.

We are all free in a globalized world. We are free to emigrate or to stay. We are free to take risks and undertake efforts. But the rules built by the human being throughout decades, throughout centuries of history, make it difficult to set up a fair system, building barriers and stopping the flow when it is convenient. The human being of the twenty-first century, the societies of the twenty-first century, have to start paying back for the collateral damage caused by a set of selective immigration policies that expropriate the poor world of its most valuable assets.