

# Among the Best Guys Overseas: Who will stay and who will return?

## Economic Growth, Risk Aversion, and Brain Circulation

Nguyen Duc Thanh

[d0311@stu.grips.ac.jp](mailto:d0311@stu.grips.ac.jp)

National Graduate Institute for Policy Studies, Tokyo, Japan

### Abstract

This paper studies the behavior of the Brain Circulation, or the return of skilled workers to their home country after sometime migrating to a more advanced country to work.

In the first section, we develop a basic model to show that, under a life-cycle income maximizing model, the economic growth and risk in the source country are important factors influencing the return decision of the person. We identify the conditions in which: (i) the worker will stay and work permanently overseas; (ii) the worker will return immediately, and (iii) he will choose to stay for an optimal period of time and then return. It is suggested that when a source country could not offer a wage rate as high as that of more advanced countries, she should try to guarantee a relatively stable working condition to bring her skilled workers back. This requires macro stability (such as good business environment and market-friendly politics) as well as special human resource policies.

In the later parts of the paper, we introduce assimilation costs and skill transferability into the model to explain the stylized fact that the bigger the difference between the source country and receiving country's cultures, the higher the possibility of return.

Finally, based on the differences in the human capital distribution of the two countries, we point out the patterns of migration flows, of which the less skilled workers seem to try to migrate as long as possible, whereas some of highly skilled may choose to return.

*JEL Classification:* F22, J2, J4, J6, O19, D81, D91

*Key words:* Brain Drain, Brain Circulation, Migration, Factor Mobility, Economic Growth, Risk Aversion, Intertemporal Choice