Discussion of Prachi Mishra, Exchange Rates and Wages in an Integrated World

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Highlights

- Brings labor mobility into the study of exchange rates and wages
  - Exchange rates have an impact on wages through migration
  - Builds on earlier paper (Mishra 2007)

- Straightforward model; rigorous empirical tests
  - Multiple measures of wages
  - Multiple measures of labor integration
    - Including “Super integration” (language, border, colonial)

- An excellent contribution!
Comment 1: Consumption

- Unusual conceptualization of migrant consumption
  - According to the paper, a migrant can “consume” his foreign wages through remittances
  - Suggest more clarity about motivations for remitting
Comment 2: Causal Mechanism

- Causal mechanism gets short-shrift in empirical analysis

Exchange Rate depreciation

- Increase in emigration/
  decrease in labor supply

- Increase in wages at home
Key explanatory variable:
(Exchange rate$_{t-1}$ * Emigration rate$_{t-1}$)

Exchange Rate depreciation

Hold causal channel constant?

Increase in emigration/
decrease in labor supply

Increase in wages at home
Comment 3: Findings

- More interpretation of interaction terms – show how changes in the exchange rate affect wages at different levels of labor integration
Conclusion

Great paper, Prachi!