

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

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*March 30, 2009
BSP International Research Conference
on Remittances*

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

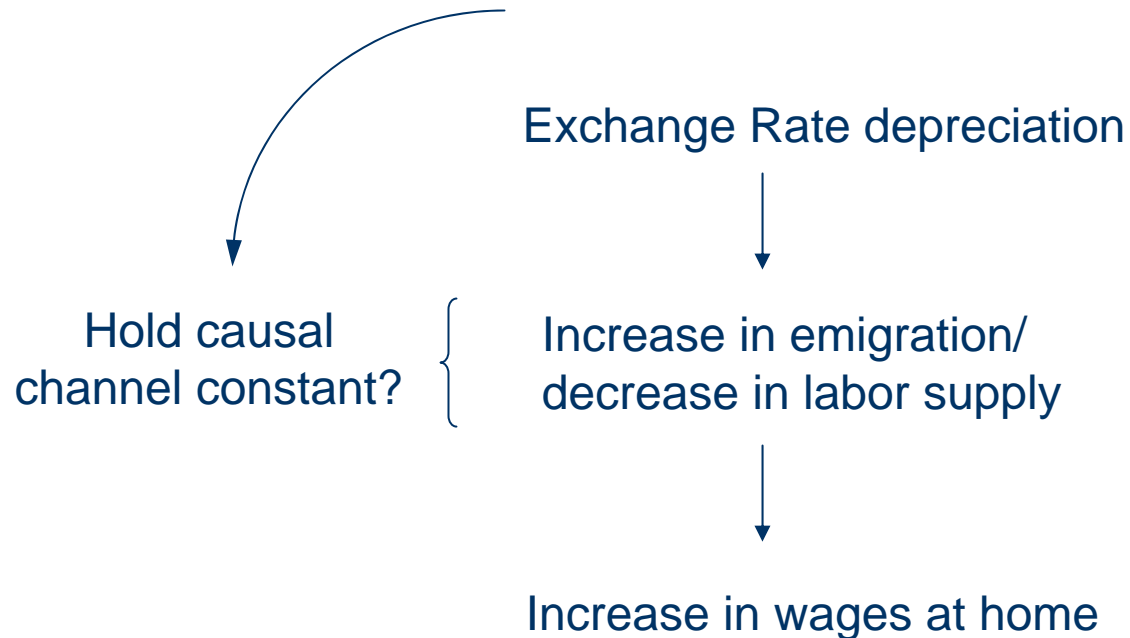


Increase in emigration/
decrease in labor supply



Increase in wages at home

- Key explanatory variable:
(Exchange rate_{t-1} * Emigration rate_{t-1})



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!