

CHAPTER-VI

SUMMARY AND CONCLUSIONS

6.1 INTRODUCTION :-

Following is a brief review of the main content of this study report, along with the statements relating to the findings and conclusions of the study.

6.2 BRAIN-DRAIN : THE THEORETICAL APPROACHES :-

There are two theoretical models which have been developed and used by various economists in connecting with the implications of brain-drain for the less developed countries.

The Nationalists model states that Brain-Drain involves all kinds of losses for the less developed countries. There are financial losses, since the large amounts of investment in education of the emigrants go unrewarded and there are losses in the form of potential tax revenue from the emigrant. Other than these financial losses, are the non-economic losses inclusive of the loss of externalities associated with the emigrant, the benefits of his scholarship and research etc.

The Internationalists model on the other hand, States that the brain-drain involves only fictional losses to the sending country and that they likely to disappear in the long run. This model also contends that the world welfare would increase in the process of brain-drain. Underlying this model, is the theory of

international trade of commodities which asserts that world production would increase in the event of geographical specialisation and international trade of the commodities.

Both these approaches have certain limitations and shortcomings and hence a new model which would help in actually quantifying the gains and losses from brain-drain to the sending country has been suggested in the Second chapter of this study.

6.3 BRAIN-DRAIN CONCEPT, EXTENT, CAUSES AND IMPLICATIONS :

Brain-Drain is normally understood as emigration of highly qualified manpower from less developed countries to the more developed ones.

There are four categories of Brain-Drain migration.

Brain-overflow implies migration of the unabsorbed or under utilised brains from less developed countries to the more developed ones.

Brain export implies export of brain by a country in exchange of the compensatory payments in the form of remittances.

Brain exchanges implies the agreed exchange of scholars, scientists etc. between the two countries for a specific period of time.

Brain-Drain proper implies the permanent or long period

migration of skilled manpower from less developed countries to the more developed ones.

However, the line of demarcation between brain overflow and brain drain is very thin indeed.

The calculation of the extent of brain-drain is very difficult particularly because of the non-availability of concrete data relating to the actual migrants, returnees and stay-ons for specific periods. Similarly, whatever data is available, it is not pertaining to the recent years. It obviated the projection of the figures relating to brain-drain by following a statistical technique of least squares method.

The main objective of the study being only of attempting a model for brain-drain tax, the brain-drain from India to the United States, which off course constitutes the largest bulk, has been taken into account.

The estimated number of India's emigrants to the United States upto the year 1981, comes to be 73,989.

The causes of brain-drain have also been reviewed and it is concluded that there are mainly two factors responsible for brain-drain viz. difference in the earnings of skilled person in the two nations and difference in the environmental conditions in the two nations.

Brain-Drain has several serious implications for the country that suffers from this problem. Foremost among them include, loss of investment in human capital, loss of potential income and the loss of potential tax revenue.

6.4 ESTIMATION OF GAINS AND LOSSES :-

The equation that has been suggested for estimating the gains and losses from brain-drain has been stated as :

$$PIA + CEA + PTA = RA$$

where the left side represents the losses from brain-drain and the right side, the gains from it.

The variables used in this equation have been quantified by making some assumptions regarding each of them. The assumptions had to be made particularly because of the non-availability of concrete and specific data relating to them.

The entire statistical exercise assumes that the emigrant from India to the United States, migrates in the year 1981 and then would stay there for a period of twenty five years. Before migrating, he has received some kind of higher education either in the medical stream or in the engineering stream.

For calculating the potential income of the emigrant, the per capita income figure has been taken as a basis and then it has been given a multiplier (20) on the basis of the actual approximate incomes of engineers or doctors in the year 1981.

The income figures are then projected for the subsequent period of twentyfive years by applying the least squares equation.

Similarly projected figures have been calculated in respect of cost on education and potential tax revenue from the emigrant.

The actual figures of remittances from Indian nationals abroad have been used to give us the figure of the likely amount of total remittances by the emigrant.

We are aware of the fact that the actual figures relating to the gains and losses would be fore more than what have been calculated but any case it is always safe and sound to presume what is minimum.

Thus the final values of the variable in the equation are calculated to be :

$$\text{Rs. } 1320790 + 58496 + 48314.8 \neq 9,20,000.0$$

The difference between the two sides is of Rs. 5,07,540.5 which represents the net loss per emigrant, for the sending country.

6.5 BRAIN DRAIN TAX :

The finding that there is a significant amount of net loss per emigrant for the sending country provided the ground for



suggesting a brain-drain tax.

The brain-drain tax would cover all such emigrants who migrate to the developed country for a considerably long period or permanently but would exempt those who migrate only for a temporary period. Certain other situations for exempting the emigrants from the tax have also been suggested.

It is suggested that the concept of net additional income earned by the emigrant by migration may be taken as tax base.

The tax rate, it is suggested, would be such as would compensate the net loss per emigrant in the long run and the tax credit has also been suggested to be given to the emigrant by the Government of his immigration.

The actual tax cost of emigrants from India to the United States has also been calculated and it is concluded finally that a flat rate of 15% be taken as a rate for brain-drain tax and such a rate would certainly recover the amount of net loss caused by the emigration of highly qualified and skilled personnel.

6.6 CONCLUSION :

We therefore finally conclude that if further research is made in the actual quantification of the gains and losses from Brain-Drain on the lines of this study. It will be certainly

evident that a strong case can be made for a Brain-Drain tax, which would not only help solve the problem of Brain-Drain in the long run but would also enable the Government to collect a sizable amount of tax revenue.