

Comments on “Migration, Trade and Unemployment”, by Heid und Larch

This is an interesting extension of the existing work on the impact of trade openness and immigration on aggregate cross-country unemployment rates, and of the work of Felbermayr, Prat, and Schmerer (2011, cited in the paper), in particular. I find the topic interesting and, taking into account the usual limitations of cross-country work, the empirical analysis is very carefully done. Thus, I believe that this paper is publishable with only minor modifications. More specific comments follow below.

1. The paper’s exposition feels rather lengthy in places and could be streamlined without weakening the paper’s core message. In particular, the theoretical discussion in Section 2 could be integrated into the introduction. The theories discussed there are inherently non-nested and often do not seem to be compatible with each other. Thus, I find it hard to derive actual testable hypothesis from this literature review in the way the authors do. In any case, the main conclusion drawn from the discussion seems to be that the theoretical predictions are unclear and that empirical work is needed. This conclusion could certainly have also been reached after quickly mentioning the relevant literature in the introduction. Secondly, I would substantially shorten the detailed exposition of the relatively standard econometric techniques used in the paper. Most readers will be familiar with these techniques and for those who are not, referencing the relevant papers should be sufficient.
2. I did not find the argument that the use of aggregate data is justified by the interest of policymakers in the impact of aggregate migration flows very convincing. Surely, using more disaggregated data would help to understand the underlying mechanisms and would make the identification much more credible. If desired, one could always back out an average overall effect from more disaggregated data. It would be more honest to admit that data limitations are the true determinant of the choice of aggregation level in this paper.
3. I would like to see more discussion of the validity of the gravity instrument used. In essence, this instrument is (among other things) a proxy for the remoteness of a country, since bilateral predictions are aggregated into one unilateral value. As is well-known, remoteness or proximity to foreign markets is an important determinant of a large number of aggregate variables such as per-capita income (e.g., Redding and Venables, 2004). So it is at least imaginable that it might also have a direct impact on unemployment rates, thus invalidating the underlying identification assumption.
4. It would have been nice to use more direct policy measures for openness. For example, average levels of tariff barriers or measures for non-tariff barriers should be available for the countries in the sample. Such proxy variables are arguably less endogenous than the proxies currently used, which will be jointly determined with the dependent variable in general equilibrium. Alternatively, the authors could use the gravity

approach used for migration flows to also instrument for trade flows, following Frankel and Romer (1999, cited in the paper).

5. The authors should cite the paper by Ottaviano, Peri and Wright (2010) which is also interested in the nexus between employment, trade and migration from a trade perspective.

Literature

Redding, Stephen & Venables, Anthony J., 2004. "Economic geography and international inequality," *Journal of International Economics*, Elsevier, vol. 62(1), pages 53-82, January.

Gianmarco I.P. Ottaviano & Giovanni Peri & Greg C. Wright, 2010. "Immigration, Offshoring and American Jobs," NBER Working Papers 16439, National Bureau of Economic Research.