**Case Study 1**

**IMPACT OF RETURN MIGRATION ON ENTREPRENEURSHIP IN MOZAMBIQUE**

(based on Batista, McIndoe-Calder and Vicente, 2011)

Sample: 1766 households in 4 provinces of Mozambique. Sample is restricted to households with cellphones.

Context: High migration setting – 23% of households have at least one return migrant, 15% currently receive remittances, 33% have either current or return migrant.

Main destinations: South Africa, Tanzania, and Malawi.

Motivating question: “Whether and how return migrants contribute to business creation in their origin country”.

Key equation estimated:

Whether Household owns business = a + b\*Return Migrant + c\*Household Size + d\*Expenditure + d\*Remittances Received + e\*Car ownership + f\*Home ownership + error

Where Return migrant is instrumented with violence and instability in host country, death or illness in the family, deportation, changes in marital status.

What do they find? b = 0.542 (p<0.01)

*Questions:*

1. What does this finding tell you if you believe their specification?
2. Ignore the instrumenting for a moment, and suppose they just regressed business ownership on whether or not a household has a return migrant.
   1. Why might we find b>0 even if there is no real effect of return migration on business ownership?
   2. Why might we find b<0 even if there is no real effect of return migration on business ownership?
3. Does the motivating question state a proper counterfactual?
4. Consider now the instruments:
   1. Explain why death or illness in the family might satisfy the instrument relevance condition.
   2. What is the exclusion restriction these instruments have to satisfy, and why might death or illness in the family fail this condition?