multiple tax jurisdictions and tax havens.

This book does not directly address proposed income or corporate tax reforms though optimal tax models certainly have value to add to the discussion of what tax reform should look like. Issues such as an income tax versus a value-added tax, whether deductions such as the mortgage interest deduction are worthwhile, corporate tax reform, and the economics of related issues such as the border adjustment tax are not directly dealt with. However, this book would give the reader a sound foundation on which to further examine taxation issues such as these. Economists who want to be up-to-date on the state of the research on optimal tax theory from the leading researcher in the field should check out *Tax Systems*.

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The Mobility of Students and the Highly Skilled. Ed. MARCEL GERARD AND SILKE UEBELMESSER. Cambridge, MA: The MIT Press. 2014. Pp. vi, 346. $ 35.00.

This collection of essays is quite timely, given recent political events and policy changes in both the European Union (EU) and the United States. Several papers delve into the "brain gain/brain drain" debate. Other papers discuss how the gain/drain phenomenon might impact a country's decision to fund higher education. While the essays as a group focus on the EU, there is some mention of labor mobility and immigration issues in regard to the United States, as well as other non-EU countries. Marcel Gerard is at the Catholic University of Louvain, while Silke Uebelmesser is at the University of Jena.

After Chapter 1's introduction, summarizing some of the book's results, Chapter 2, written by Gabril J. Felbermayr and Isabella Reczkwoski, employs a gravity-type model to investigate the extent to which the number of international students in a host country determines the number of highly-skilled (university-educated) migrants in the host country. Using a data set based largely on UNESCO numbers, the coauthors find that the elasticity of the "stock of highly educated migrants with respect to the international student body" (p. 45) is about 0.09. However, it is higher for Anglo-Saxon countries, in part because of easier work visa policies in some cases (e.g., Canada), and in part because English has become the "lingua franca" of international business, among other reasons. The coauthors' results also indicate that migration of highly skilled workers may induce the migration of lower-skilled individuals (e.g., family members).

Chapter 3 focuses on a particular labor market, namely the United States Ph.D. market for economists, written by Linda Bouwel and Reinhilde Veugelers. The study's data base contains information on 375 European students who obtained their doctorates at United States universities between 1992 and 2006. Seventy percent of these stayed in the US after graduation; those whose education was funded by EU sources were more likely to return to the EU, however. Graduates of "top" US economics programs (as listed in the paper) were more likely to stay in the US compared to others. The researchers note, however, that economics PhDs are more likely to stay in the US compared to other disciplines.

The fourth chapter, penned by Elisabetta Marinelli, Ana Fernandez-Zubieta and Susana Elena-Perez, looks at the EU market for academic researchers in five EU countries: France, Germany, Italy, the Netherlands and the United Kingdom. The coauthors note that "inbreeding" is a problem with European institutions that hinders mobility. Analyzing SIM-ReC project data, they determined that "stayers" – those that received in PhD in one country and stayed in that country, and "returners"—those that took a job in a country different from where they were educated, but subsequently returned to their PhD-granting country--are most likely to find permanent positions compared to others. German researchers are the least likely to find permanent positions. Of the 1548 cases, 59 percent were stayers and 20 percent returners. Natural science PhDs are more mobile than those of other disciplines.

David E. Wildasin's contribution (Chapter 5) starts to shift the focus to higher education funding. He notes that aging populations in OECD countries are putting considerable fiscal stress on their governments, impacting education funding. Because people carry their human capital with them, the country educating them might lose them due to emigration. Because better educated persons usually have higher incomes, and therefore pay more in taxes, emigration can have negative fiscal consequences. However, declining birth rates in developed countries mean that these countries need immigrants to maintain their (tax paying) work forces.

Wildasin outlines the "standard" neoclassical model of migration (labor flows between countries or regions until values of marginal products are equalized). He notes that this model is a long run, comparative static model, while in "real life" migration is a very gradual process. He develops a model consisting of perfectly mobile (and complementary) capital and skilled labor, and immobile unskilled labor. Imposing a tax on skilled labor gradually induces labor emigration and capital outflow, and eventually declining returns to unskilled labor. Wildasin graphs how this plays out over time, namely over a considerable number of years.

Gerard and Ubelmesser's Chapter 6 examines how higher education is financed when university students and graduates are internationally mobile. They look at the EU's Erasmus program that allows EU students to study in another EU country, in many cases (excluding the United Kingdom (UK), which charges tuition) for "free." However, these exchanges are not "balanced," creating externalities: for example, a German student who could not gain admittance to a German medical school could opt to attend (say) an Austrian one, even though he intends to practice medicine in Germany. Gerard and Ubelmesser note that while this "unbalancing" might call for centralized (EU-level) education financing, the reality is that education is funded at the national (decentralized) level; the challenge is then to find decentralized financing schemes that mimic a centralized one. Since most benefits to higher education are private benefits to educated individuals, using a game-theoretic context, the coauthors discuss how combinations of tuition fees and taxes might accomplish such. This can include having a "originating country" principle (the country of the student's citizenship pays, regardless of where the student studies, with possible limits on the number of students so supported), having income-contingent loans to cover tuition, as well as other policies. Financing issues are further discussed by Nicholas Barr in Chapter 7.

Income-contingent loans (ICL) to finance higher education are covered in Chapter 8 by Elena Del Ray and Maria Racionero. ICLs reflect (as noted above) that most benefits of higher education accrue privately; at the same time, ICLs provide some insurance to individuals who eventually work in relatively low paying occupations. Australia, New Zealand, the UK, the Netherlands and Sweden have variations of such. Risk-pooling ICLs are entirely financed by students (where repayments are calculated to cover those students with low incomes), while risk-sharing ICLs involve some amount of taxpayer subsidy. Using a game-theoretic perspective, the coauthors conclude that in almost all cases electorates will prefer the former. Emigration can create problems for ICLs, unless repayment can be enforced abroad.

Richard Murphy (Chapter 9) examines higher education in the UK. Under EU regulations, UK institutions must charge the same tuition to both UK and EU students (which might change under Brexit). However, UK schools can charge higher tuition to non-EU students, which might give these institutions additional funds to expand.

Chapter 10 (by Alexander Haupt, Tim Krieger and Thomas Lange) examines brain gain/brain drain issues. They argue that the host country can benefit from educating international students if some of those remain in the host country (brain gain); originating countries can also benefit from sending (and financing) their students' foreign education if enough of their students return to the originating country. However, if the "permanent migration probability" is too high, the originating country suffers a brain drain.

The last chapter (written by Luisa Gagliari) looks at how immigration of highly skilled workers impacts innovation in the United Kingdom, where the fraction of firms that are "innovative" in so-called "travel to work areas" (local labor markets) is related to immigration to those areas; the author finds a statistically significant relationship.

Overall, this book is an interesting read. Reference is made occasionally to the United States experience (say with interstate migration). Several issues raised in this tome are applicable to debates over US college financing, especially concerning ICLs (maybe as replacements for current college lending). Besides being a good reference for economists interested in education and labor markets, the book should also be of value to others concerned with education policy.

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