Workers' Remittances, Capital Accumulation and Efficiency in Developing Countries

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Abstract

This paper studies the impact of workers' remittances on capital accumulation. We consider two overlapping generations economies: a recipient country - in which labor is endogenous and children education is paid by parents - and an emitter country - in which migrants supply labor inelastically and send altruistically remittances to family. In the recipient country, remittances reduce labor supply, domestic savings and capital accumulation with mixed and country-specific impacts on efficiency. Appropriate lump-sump taxes and subsidies allows to bring economies to the optimal steady-state in term of saving, education and labor supply. We calibrate the model for 11 recipient countries to quantify impacts and policy recommendation.

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