The Macroeconomic Consequences of Remittances*

Berrak Bahadir†️
University of North Carolina-Greensboro

Santanu Chatterjee‡️
University of Georgia

Thomas Lebesmuelbacher§️
Xavier University

Abstract

This paper analyzes the dynamic absorption of remittances at the macroeconomic level, contrasting two possible effects on economic activity, depending on whether these accrue to hand-to-mouth wage earners or credit-constrained entrepreneurs. Using an open economy DSGE model with heterogeneous households, we show that the effects of remittances are inherently contractionary if they accrue to the first group, and expansionary when they accrue to the second group. Calibrating the model to Philippines using both aggregate data as well as micro-evidence from the Family Income and Expenditure Survey (FIES), we show that accounting for both binding credit constraints and the internal distribution of remittances improves the model’s fit to the data. Welfare gains result when the distribution of remittances is skewed towards entrepreneurs.

Keywords: Remittances, credit constraints, labor supply, output, investment, consumption, welfare.

JEL Classification: F24, F41, O11

*We are grateful to Pablo Acosta, Phil Brock, Julio Garin, Bill Lastrapes, Bento Lobo, Federico Mandelman, Caroline Theoharides, Stephen Turnovsky, and Laura Zimmermann for constructive comments on an earlier draft. Comments from two anonymous referees and the Editor, Giancarlo Corsetti, helped improve the paper significantly. The paper has also benefited from presentations at the CEF conference in Oslo, the Econometric Society European Meetings in Toulouse, the Annual SEA meeting in Atlanta, the SIDE Workshop at the Federal Reserve Bank of Atlanta, the Free University of Bozen-Bolzano, Bogazici University, the Indian Statistical Institute, University of Alabama, Florida Atlantic University, UNC-Greensboro, Babson College, and University of Georgia. Chatterjee acknowledges financial support from the James C. Bonbright Center for the Study of Regulation, the Terry-Sanford Research Award, and the Office of the Provost at the University of Georgia. A part of this paper was completed while Chatterjee was visiting the University of Hamburg, whose hospitality is gratefully acknowledged.

†Department of Economics, University of North Carolina, Greensboro, NC 27402 USA. Email:b_bahadi@uncg.edu.

‡Corresponding author. Department of Economics, University of Georgia, Athens, GA 30602 USA. Email: schatt@uga.edu

§Department of Economics, Xavier University, Cincinnati, OH 45207 USA. Email:lebesmuelbacht@xavier.edu
دریافت فوری

متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات