Workers’ Remittances and Borrowing Constraints in Recipient Countries

Nicolas Destrée∗1

1Aix-Marseille School of Economics (AMSE) – Ecole des Hautes Etudes en Sciences Sociales (EHESS), Centre national de la recherche scientifique (CNRS) – GREQAM, Centre de la Charité, 2 rue de la Charité, 13236 Marseille Cedex 02, France

Abstract

This paper focuses on the role played by remittances in constrained economies. We consider an overlapping generations economy in which households have access to International Capital Market and the possibility to borrow to finance children education in order to receive remittances. Following the literature, we assume that remittances relax borrowing constraints. These inflows may reduce or increase domestic savings and capital accumulation, according to the level of capital inflows constraint. Because of the OLG structure, the country may either be constrained or unconstrained in the long run. Remittances may make the initially constrained economy converging to the unconstrained steady state.

Keywords: Theory

∗Speaker

sciencesconf.org:lagv2017:136792