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Migration, Congestion and Growth

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ABSTRACT

This article analyzes the effect of migration from a less advanced economy to a more advanced economy on economic growth. The analysis is performed in a two-country growth model with endogenous fertility, in which congestion diseconomies are incorporated. The model shows that out-migration increases fertility and reduces human capital in the source economy. At the same time, in-migration reduces fertility and can increase or decrease the average level of human capital in the host economy. I show how migration affects the inter-temporal evolution of human capital in the world economy. I also demonstrate that a tax imposed on immigrants in the host economy can increase human capital accumulation in the receiving and sending economies and the world as a whole.

KEYWORDS Migration; congestion diseconomies; fertility; human capital; growth; brain drain; brain dilution tax
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