[Access this article at Elsevier]

[Access this article at REPOSITORIO BANREP]

Keep in mind

En la revista Ensayos sobre Política Económica (ESPE) divulgamos los resultados y las propuestas de política que surgen de investigaciones académicas realizadas en el Banco de la República. Cuando nos lea, tenga siempre presente que el contenido de nuestros artículos, así como los análisis y conclusiones que de ellos se derivan, son exclusiva responsabilidad de sus autores. El material divulgado en nuestra revista ESPE no compromete ni representa la opinión del Banco de la República ni la de su Junta Directiva.

AUTHOR OR EDITOR

Mauricio Rodríguez

AUTHORS AND/OR EDITORS

Ávila-Montealegre, Oscar Iván

Zuleta-González, Hernando

Publication Date:

Sunday, 01 June 2014

Abstract

We present a model with two Overlapping Generations (young and old) and two final goods: a) a tradable good that is produced using capital and labor, and b) a non-tradable good that is produced using labor as unique input. We maintain the fundamental assumption of perfect factor mobility between sectors so the model is consistent with the Balassa-Samuelson hypothesis. On top of this, we allow for one of the two generations (the elderly) to migrate between economies. Given the general equilibrium structure of our model, we can examine the effect of the propensity to save on migration and the relative price of the non-tradable good. In this setting, we find that the elderly have incentives to migrate from economies where productivity is high to economies with low productivity because of the lower cost of living (in more general terms, the elderly migrate from wealthy countries to countries with lower incomes). We also find that, for countries with lower incomes, elderly migration has a positive effect on wages and capital accumulation.