

Economics Seminar, Indian Statistical Institute, New Delhi.

SPEAKER: **Puja Guha**, Indian Statistical Institute, Bangalore

TITLE: **Macroeconomic Effects of International Remittances: The Case of Developing Economies**

TIME: 11:30 AM - 1:00 PM.

DAY & DATE: Friday, 17th August, 2012

PLACE: Seminar Room 2

Abstract:

Over the past few decades International workers' Remittances have significantly contributed to the foreign exchange reserves of the developing countries. While these household level remittance flows have often been associated with poverty alleviation, positive welfare gains and even as an alternate source of development finance, a detailed study of the effects of these flows on a remittance dependent , small developing economy, however shows counterintuitive results. The paper applies the Dutch Disease theory to explain the effects of remittances on the economy and introduces a micro-macro framework to establish channels of transmission of remittances through the economy. The paper shows that international remittances, by altering the household budget constraint, have a direct impact on the micro level household decision making, primarily with respect to the consumption and labor supply decisions. These when aggregated give rise to significant adjustments in the macro level production functions and consumption behaviors, leading to a decline in the output, particularly of the trading sector and an adverse impact on the external sector of the economy.

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