

Accepted Manuscript

Fiscal Policy in a Small Open Economy with Cross-Border Labor Mobility

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PII: S0164-0704(17)30130-1
DOI: [10.1016/j.jmacro.2017.04.001](https://doi.org/10.1016/j.jmacro.2017.04.001)
Reference: JMACRO 2936



To appear in: *Journal of Macroeconomics*

Received date: 24 May 2016
Revised date: 31 March 2017
Accepted date: 2 April 2017

Please cite this article as: Sokchea Lim, A.K.M. Mahbub Morshed, Fiscal Policy in a Small Open Economy with Cross-Border Labor Mobility, *Journal of Macroeconomics* (2017), doi: [10.1016/j.jmacro.2017.04.001](https://doi.org/10.1016/j.jmacro.2017.04.001)

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Highlights

- Endogenous remittances are introduced in a two-small open economies model with emphasis on fiscal policy.
- Economy is more resilient to income shocks in an economy with cross-border labor mobility.
- Tax on consumption and government purchases have no long-run effect on migration.
- A tax on remittances can be welfare improving as it can reduce over-migration.

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