

# To Stay or to Migrate? When Becker Meets Harris-Todaro

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This draft: January 13, 2022

Abstract: Allowing migration activity as an integral part of demographic transition and economic development, we construct a dynamic competitive migration equilibrium framework with rural agents heterogeneous in skills and fertility preferences to establish a locational quantity-quality trade-off of children and explore its macroeconomic consequences. We show and characterize a mixed migration equilibrium where high-skilled rural agents with low fertility preferences always migrate to cities, low-skilled with high fertility preferences always stay, and only an endogenously determined fraction of high-skilled/high fertility preferences or low-skilled/low fertility preferences ends up moving. By calibrating our model to fit the data from China whose migration and population control policies offer a rich array of issues for quantitative investigation, we find strong interactions – the locational quantity-quality trade-off – between fertility and migration decisions, as well as between these decision-makings and changes in migration and population control policies. We conclude that overlooking the locational quantity-quality trade-off may lead to nonnegligible biases in assessing the implications and effectiveness of government policies.

JEL Classification: E24, O15, R23.

Keywords: Rural-urban migration, fertility, urbanization, development.

Acknowledgments: This is a substantially revised paper from the AEA-ASSA conference paper in 2017 (different title) and the NBER working paper #27767 in 2020. Throughout the long research process, we are grateful for comments/suggestions from Douglas Almond, Carlos Garriga, Chang-Tai Hsieh, Wen-Tai Hsu, Rachel Ngai, Ray Riezman, Michael Song, a coeditor, three anonymous referees, as well as participants at the AEA-ASSA Annual Meetings, the Asian Meetings of the Econometric Society, the Society for Advanced Economic Theory Meeting, the Society for Economic Dynamics Meeting, the Regional Science Association International Meeting, and the Taiwan Economic Research Conference and various seminars. Travel support from Academia Sinica, the Research Grant Council of Hong Kong, the Center for Dynamic Economics of Washington University, and the Ministry of Science and Technology of Taiwan are gratefully acknowledged. Lei Ye, Hui-wen Chang and Chian-Yu Lin provided excellent research assistance. Needless to say, the usual disclaimer applies.

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