

IMPACT OF IMMIGRATION ON JAPANESE ECONOMY: A MULTI-COUNTRY SIMULATION MODEL

Abstract

To quantify the impacts of immigration on the Japanese economy, we present a large-scale numerical dynamic equilibrium model with OLG and a total of 16 countries and regions, both those that are industrialized including Japan, the US, and the EU, and developing countries China, Brazil, the Philippines, and Peru.

Our simulation results show that immigration will improve the Japanese economy. Specifically, annual immigrant flows of 150,000 will dramatically improve the welfare of current and future generations. On the other hand, we can't expect a significant long-run improvement in welfare solely by implementing a policy increasing the consumption tax. The results indicate that substantially increased inflows of working-age immigrants would alleviate the need for future fiscal reform and also help to dramatically reduce the public pension burden on the working generations.

JEL classification: C68; D9; E62; H5; H6; H55

Keywords: Computable general equilibrium (CGE) model; overlapping generations (OLG); aging; immigration

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