Migration with Costly Information

RÉSUMÉ

Information is critical for migration decisions. Yet, depending on where they reside and who they interact with, individuals may face different costs of accessing information about employment opportunities. How does this imperfect and heterogeneous information structure affect the spatial allocation of economic activity and welfare? I develop a quantitative dynamic model of migration with costly information acquisition and local information sharing. Rationally inattentive agents optimally acquire more information about nearby locations and learn about other locations from the migrants around them. I apply this model to internal migration in Brazil and estimate it using migration flows between regions. To illustrate its quantitative implications, I evaluate the counterfactual effects of the roll-out of broadband internet in Brazil. By allowing workers to make better mobility choices, expanding internet access increases average welfare by 1.6%, reduces migration flows by 1.2% and reduces the cross-sectional dispersion in earnings by 4%.

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