

# Living in a Ghost Town: The Geography of Depopulation and Aging

Elisa Giannone, Yuhei Miyauchi, Nuno Paixão, Yuta Suzuki, and Xinle Pang

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## **Abstract**

We study how depopulation and aging progress across regions within a country and how this process affects economic welfare across regions and generations. Using spatially disaggregated data from Japan for the last 40 years, we document that youths' out-migration accelerated rural depopulation and aging, leading to a decline in rural economic activity. Motivated by this evidence, we develop a dynamic life-cycle spatial equilibrium model of migration decisions. Using the calibrated model, we find that endogenous decline in rural amenities plays a crucial role in the past and future youths' out-migration, and hence accelerates the regional disparity in depopulation and aging. Shutting down cross-regional migration comes at a substantial welfare loss for the youths, while generating limited benefits even for the elderly in rural areas.