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**Migration, Markets, Clusters and Cooperation**

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## INTRODUCTION: MIGRATION, MARKETS, CLUSTERS AND COOPERATION

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There are obvious dangers in making broad generalizations pertaining to social science phenomena. But the temptation is there and, at times, the cumulative weight of the stylized facts does not help in resisting the temptation. Consider recent migration to the United States. In spite of discernible variance with regard to many variables, several features stand out. First, migrants from a given origin are not randomly or evenly spread across the absorbing economy nor are they all concentrated in one single labor market or location. Migrants tend to form clusters. Second, in comparison with the absorbing population, migrants constitute a relatively small group. Third, recent migrants are assisted by established migrants; there is heavy reliance upon and usage by the

new migrants of "network and kinship capital." Fourth, migrants have traits distinguishing them from members of the economy they join. Quite often this is concurrent with a statistical or economic discrimination against the migrants. Fifth, some time after their arrival at the receiving economy, migrants out-perform the native born. This is manifested when the wage curve of migrants intersects that of the non-migrants—a relation that tends to hold even after allowance is made for the standard controls.

Although with greater or lesser ease each of these stylized facts may be explained separately, no explanation which causally links all of them appears to exist. It might be useful to attempt to sketch the outline of a possible explanation. We begin by explaining the clustering of migrants through an application of a random walk rule in conjunction with scale economies to trade. Suppose that initially migrants choose the labor markets they join randomly. Successive migrants arrive and each chooses a labor market, taking into consideration several factors one of which may be the presence of migrants who have arrived in the preceding period(s). Even if each new migrant were to choose randomly among the labor markets, after several waves of migration, say at time  $t$ , a specific market will likely have more migrants than others. When each of several players repeatedly tosses a die, at some point one player will have scored more odd numbers than the other players even though after many rounds all would score odd numbers exactly the same number of times.

Suppose the concentration of migrants is subject to scale economies which are quite sensitive to changes in the number of migrants when the number of migrants is small. The scale economies (and diseconomies) arise from the trade considerations as explained below. Consequently, from some point in time, a particular market will become more attractive to all subsequent migrants, and clustering will evolve. Suppose that in contrast, the native population which is much larger in numbers is subject to decreasing returns to scale. Then, from some point in time, the migrants may obtain an edge and outperform the natives. To the extent that migrants of an early vintage are aware of the sensitivity of the onslaught of scale economies to the overall number of migrants in their particular location they may well undertake steps to support and induce new migrants to join them. Consequently, the choice of destination by the new migrants is less likely then to be random. This process will not continue if increasing returns at a specific

location prevail no more while they do in another location. The intensity of the pull exerted by that other location will then transform it into the more attractive destination and hence the pattern of clusters. So long as migrants constitute a distinct group from the natives in the sense that there is no cross over between "their" increasing returns and "the natives'" decreasing returns, the explanation as outlined above can account for all five stylized facts.

Scale economies leading to differences in the returns to trade (exchange activities) may arise from differences in the structure of interactions viz., in the manner in which trades are being conducted. This manner, in turn, is largely determined by the likelihood of trades being repeated. This likelihood affects the incentive to invest in reputation and the choice whether to execute trade cooperatively or not. When the number of migrants is very small the likelihood of repeated trades with fellow migrants is low since by necessity many trades will be conducted with members of the host community. When the number of migrants becomes very large, the need for a repeated trade with any given agent or sub-set of agents dwindles and even among migrants trades are conducted in an environment of anonymity. With a negligible likelihood of trades being repeated, tomorrow's reaction by a partner to today's trade will not matter and hence there will be no inducement to undertake steps either to build and sustain reputation or to protect against retaliation. If, however, the number of migrants is neither too small nor too large and the likelihood of repeated trades amongst them is reasonably high, short term gains from non-cooperation will be more than offset by losses from adverse reputational effects and a pattern of cooperative trades could ensue. Variables tending to raise the likelihood of a repeat meeting among migrants, e.g., barriers of various types to trades with outsiders, somewhat paradoxically, may be to the migrants' advantage in inducing a pattern of cooperative trade amongst them which accounts for or contributes to migrants' superior performance. Whereas for a relatively small migrant population being distinct from the absorbing population is cost-free, forming a distinct group might be quite costly for a sub-group of agents of the absorbing population who recognize the advantages associated with cooperative trades. This is so especially because of the incentive for members of the complementary portion of the absorbing population to "raid" the sub-group with non-cooperative trades, hoping not to be recognized for what they are.

Clearly, for an approach of this type to become credible a systematic and formal development of a theory is required; this task will be pursued at a later point in time. But even in its rudimentary form the approach seems to lead to several interesting hypotheses and explanations. By undermining the incentive for cooperative trades, efforts to hasten the integration of migrants into the absorbing economy and render the integration more complete (along with similar acculturation and socialization efforts) may not be in the migrants' best interest. Efforts to disperse migrants across a large number of receiving communities will fail in as much as migrants recognize the advantage associated with regrouping and the formation of optimal size clusters. And new migrants may not necessarily receive the greatest degree of help from an established community of migrants when such a community is large since the advantage accruing to the latter from a marginal increase in its size might be much smaller than the advantage accruing to a smaller community from a similar increase.

The contributors to this volume share several common attributes. First, papers they have prepared neatly fit the above tale. Thus, for example, Taylor's study addresses the utilization of network capital and Chiswick's study deals with the change in the relative performance of migrants over time. Second, all authors have more than a transitory interest in labor migration. Nearly all have written on the subject prior to contributing to this volume and all have continued working on migration issues subsequent to making the current contributions. This provides the papers assembled here with a special depth. Third, authors of papers included in this volume have been associated with the Migration and Development Program at Harvard University either by spending periods of residence here and/or by presenting papers in the Research Seminar on Migration and Development. Finally, all authors share the common attribute of extraordinary patience with the lengthy process of transforming their contributions into volume papers. To them as well as to several colleagues who graciously refereed papers for this volume I am most grateful.

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*Guest Editor*