

Networks and Mobility

Past and Present

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Introduction

- Low mobility is the hallmark of a developing economy
 - Restricted geographical movement
 - Occupational traps
- Where mobility is observed, it is characterized by the movement of entire groups
- Under what conditions does such collective mobilization occur?
 - This is a central question for development economics

Introduction

- Two conditions for collective mobilization
 - New opportunities
 - Appropriate (predetermined) community characteristics
- Two Examples
 - Occupational mobility in urban India (*Review of Economic Studies*, 2011)
 - Black mobilization in the postbellum South (joint with Ken Chay)

Example 1: Occupational Mobility in Urban India

- Historically disadvantaged sub-caste
- New opportunities in the diamond industry
- Transition from agriculture to business with the support of a community network
 - Network substitutes for parental human capital

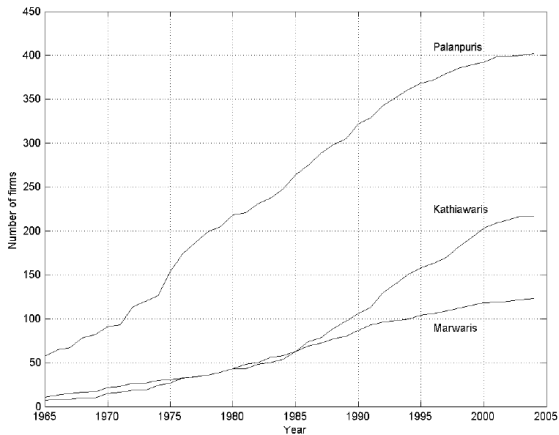
Indian Diamond Industry

- Organization of production
 - 85% of the world supply of rough diamonds (65% by value) cut and polished in India
 - Rough stones procured on the Antwerp market
 - Bought on supplier credit with support of community network
 - Branch in Antwerp
 - Cut and polished in India
 - Polished stones sold on the Mumbai market

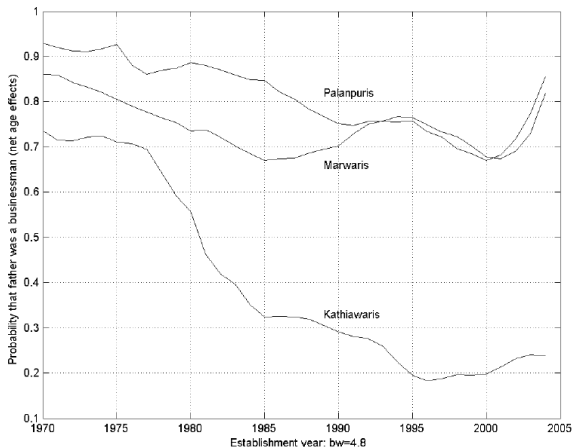
Networks and Mobility

- The communities
 - Trade dominated by two business communities - Marwaris and Palanpuris
 - Cutting and polishing by a lower caste of agricultural laborers - Kathiawaris
- Opportunity
 - Massive supply shock in 1979
- Response
 - Kathiawaris enter business
 - Network substitutes for parental human capital
 - Model shows that network should strengthen especially rapidly because outside options are weak
 - Implies greater inter-generational occupational mobility

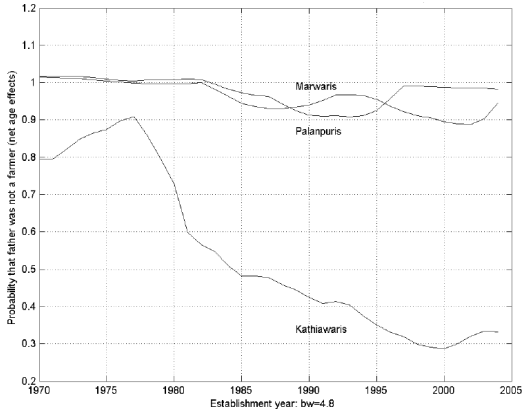
Number of Firms



Family Background of Entering Entrepreneurs (Business)



Family Background of Entering Entrepreneurs (Non-Agriculture)



Firm Performance

Dependent variable:	exports			
	all firms		father non-business	
Sample:	(1)	(2)	(3)	(4)
Year-Kathiawari	1.874 (3.938)	7.419 (2.223)	10.076 (4.758)	16.752 (5.242)
Year-Marwari	-7.514 (2.332)	-6.626 (2.153)	-8.018 (2.130)	-9.374 (2.432)
Year	12.940 (2.093)	14.272 (1.906)	7.941 (1.658)	9.784 (2.137)
Firm fixed effects	No	Yes	No	Yes
Number of observations	6,114	6,114	2,034	2,034

Example 2: Black Mobilization in the Postbellum South

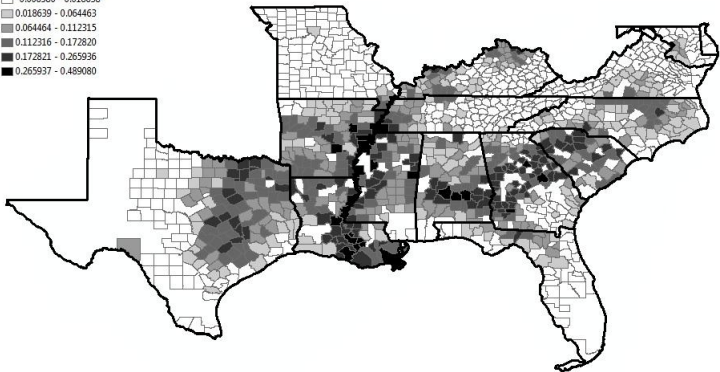
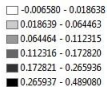
- Slaves had little opportunity to create social capital and develop viable communities
- We nevertheless uncover a strong collective response to economic and political opportunities shortly after emancipation
 - But only in counties where black social cohesion was sufficiently strong

Black Social Cohesion During and After Slavery

- Larger plantations and more frequent social interactions in counties where labor intensive plantation crops were grown
- This variation across counties persisted after emancipation
 - Correlation in black population between 1860 and 1890 is 0.85
- Black social cohesion determined by the fraction of land allocated to plantation crops: the “plantation share”
 - Acreage decisions made by white landowners in the antebellum period
 - Black social cohesion before and after emancipation was an unintended consequence of those decisions

Figure 1: Cropping Patterns Across Southern Counties in 1890

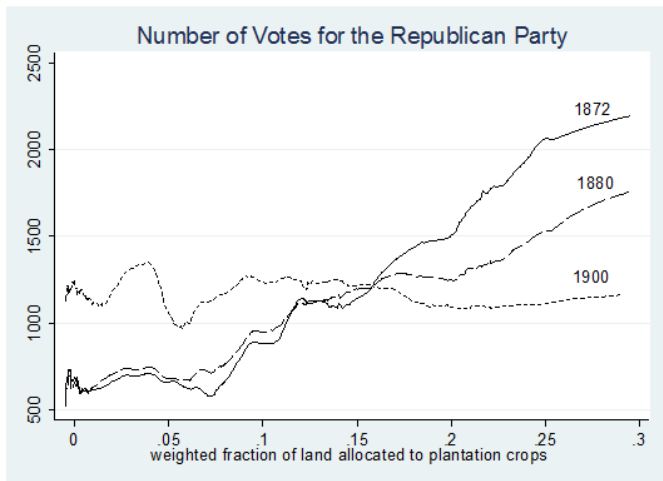
Weighted Fraction of Land
Allocated to Plantation Crops



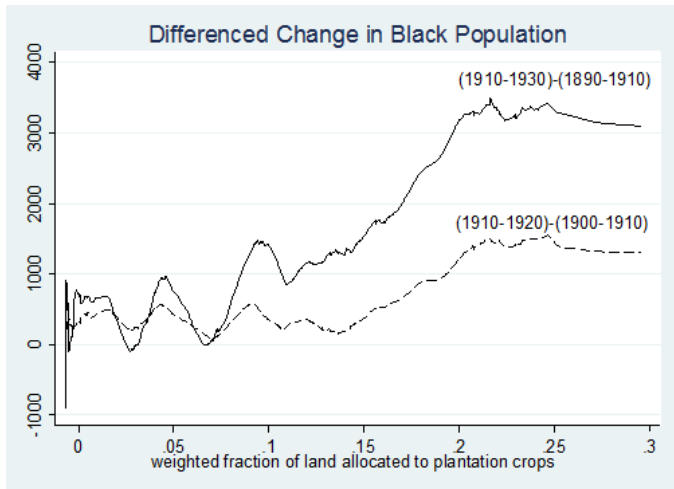
Networks and Mobility

- Opportunities
 - **Political:** blacks were free to vote and elect their own leaders during and just after Reconstruction, 1870-1890
 - **Economic:** employment opportunities in northern cities during the Great Migration, 1916-1930
- Response
 - Highly nonlinear response
 - Consistent with a model in which cooperation cannot be supported below a threshold level of social cohesion but the size of the largest stable group is increasing thereafter
 - Model predicts in addition that level of migration and concentration of migrants at the destination should track together
 - Useful in ruling out alternative explanations

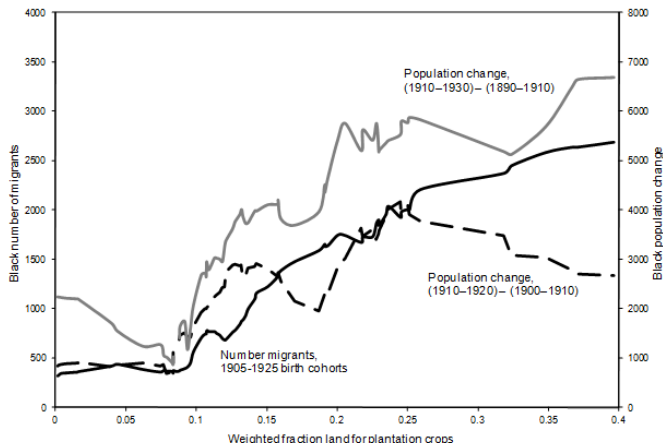
Number of Republican Votes



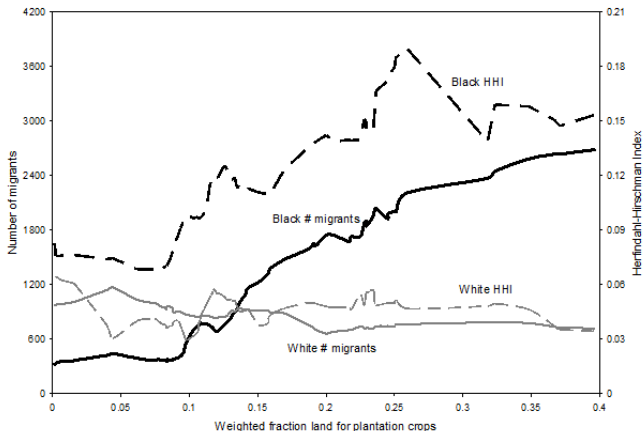
Differenced Change in Black Population



Mississippi - Alternative Measures of Migration



Mississippi - Level and Distribution of Migrants



Conclusion

- Response to opportunities across groups varies with historical preconditions
 - In both examples, historically disadvantaged groups are most responsive to new opportunities
- Development process at the group level is a sequence of interactions between existing conditions and new shocks
 - Movement of Kathiawaris into business, 1966-2005
 - Evolution of black community, 1870-2000