

Globalization and Mobility in India



Kaivan Munshi

Brown University and NBER

Introduction

- The liberalization of the Indian economy has generated high growth rates since the 1990s
- The concern is that such growth could exacerbate existing inequality
 - Caste system restricted mobility historically
 - High castes took advantage of new opportunities afforded by colonial rule
- Could this pattern be repeated with globalization?

Introduction contd.

- Recent surveys with sub-caste/community information:
 - Parents of school children in Bombay
 - Diamond exporters in Bombay
 - Tea plantation workers in South India
 - Representative sample of rural Indian households
- Underlying networks shape mobility in each case

Schooling Choice in Bombay

- Schooling choice in Bombay maps into future occupations
 - Marathi -> working class jobs
 - English -> white-collar jobs
- Economic liberalization increased returns to English schooling in 1990s
- English schooling increased, but differentially by caste and gender

Figure 3: English Schooling - net parental education effect - Boys

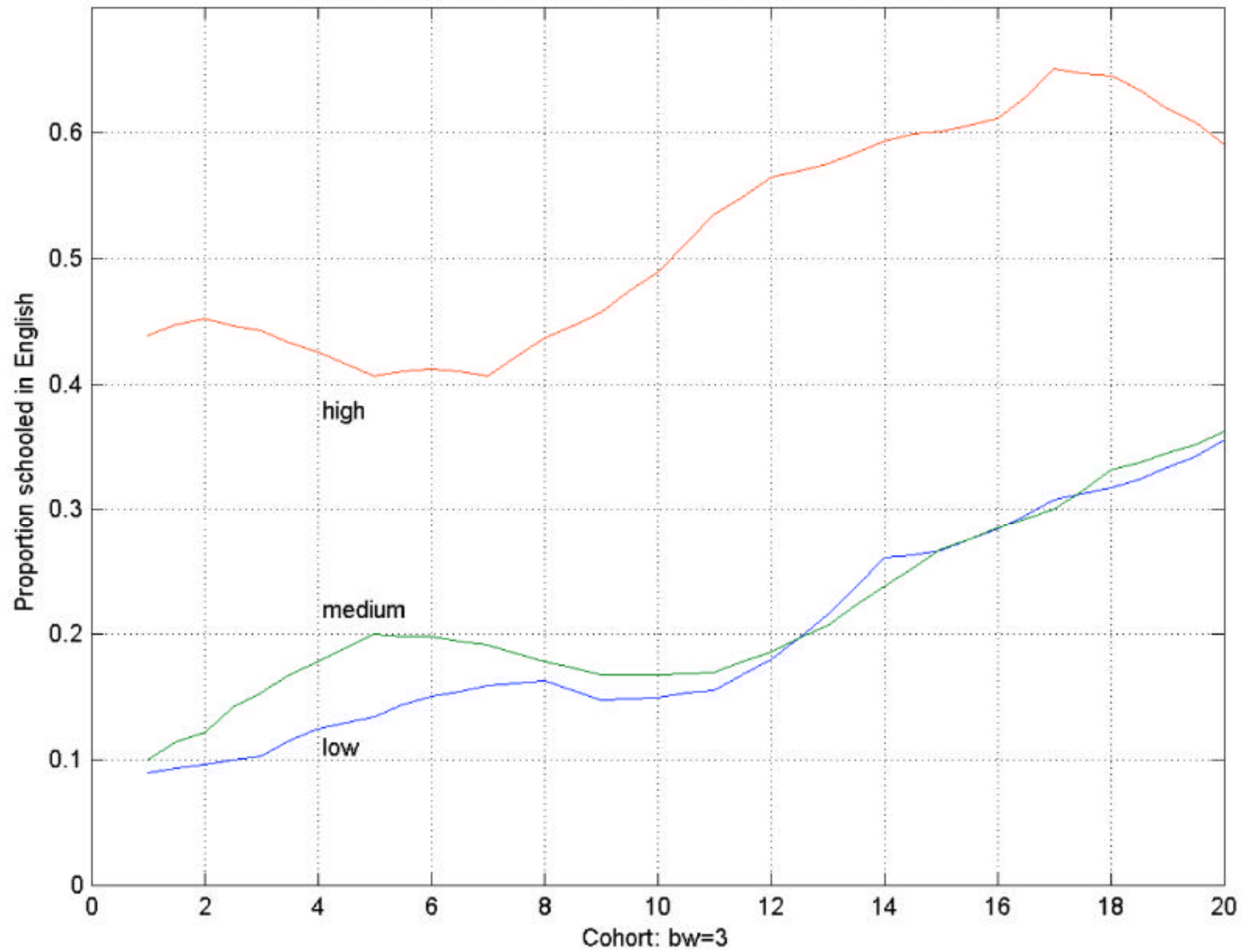
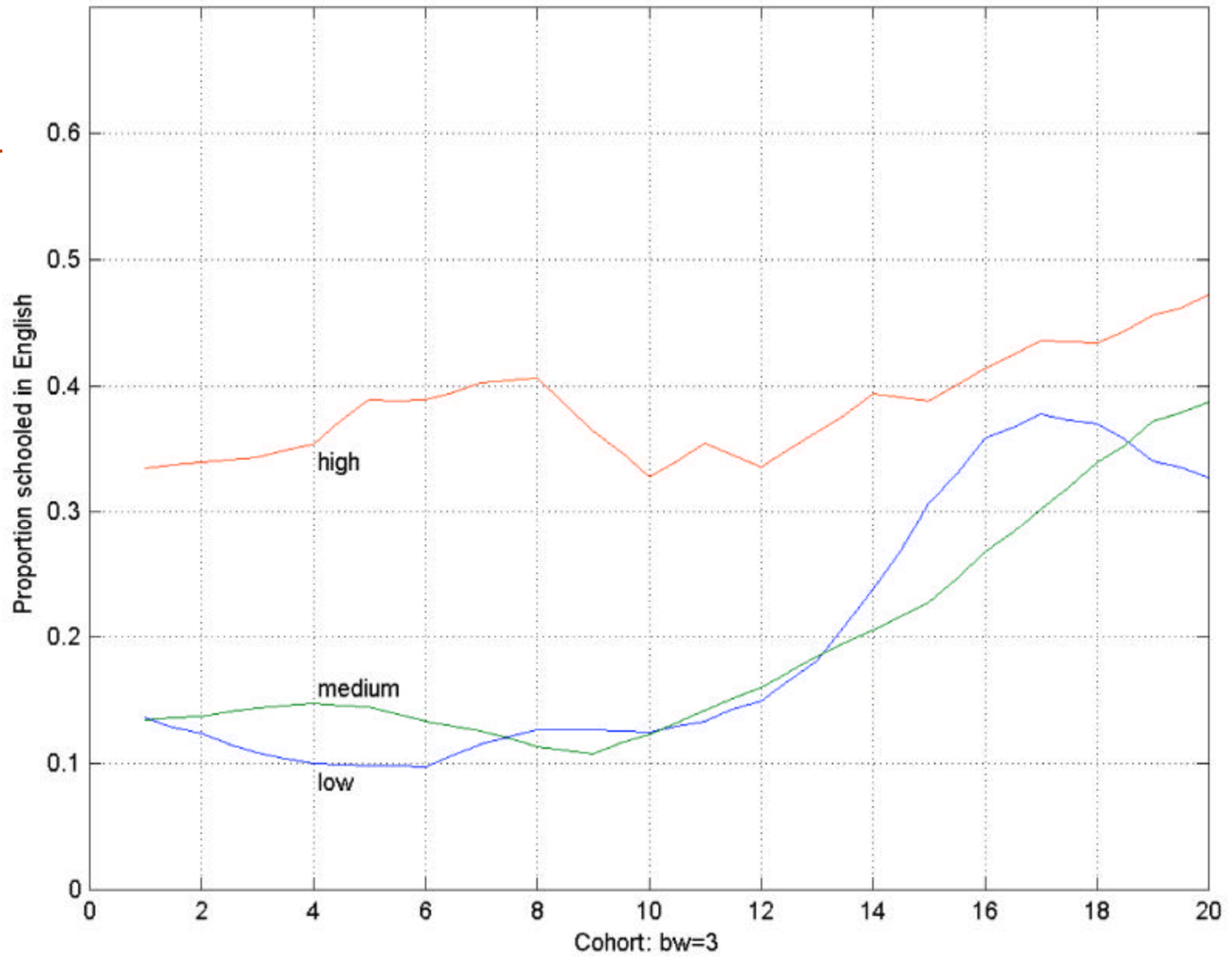


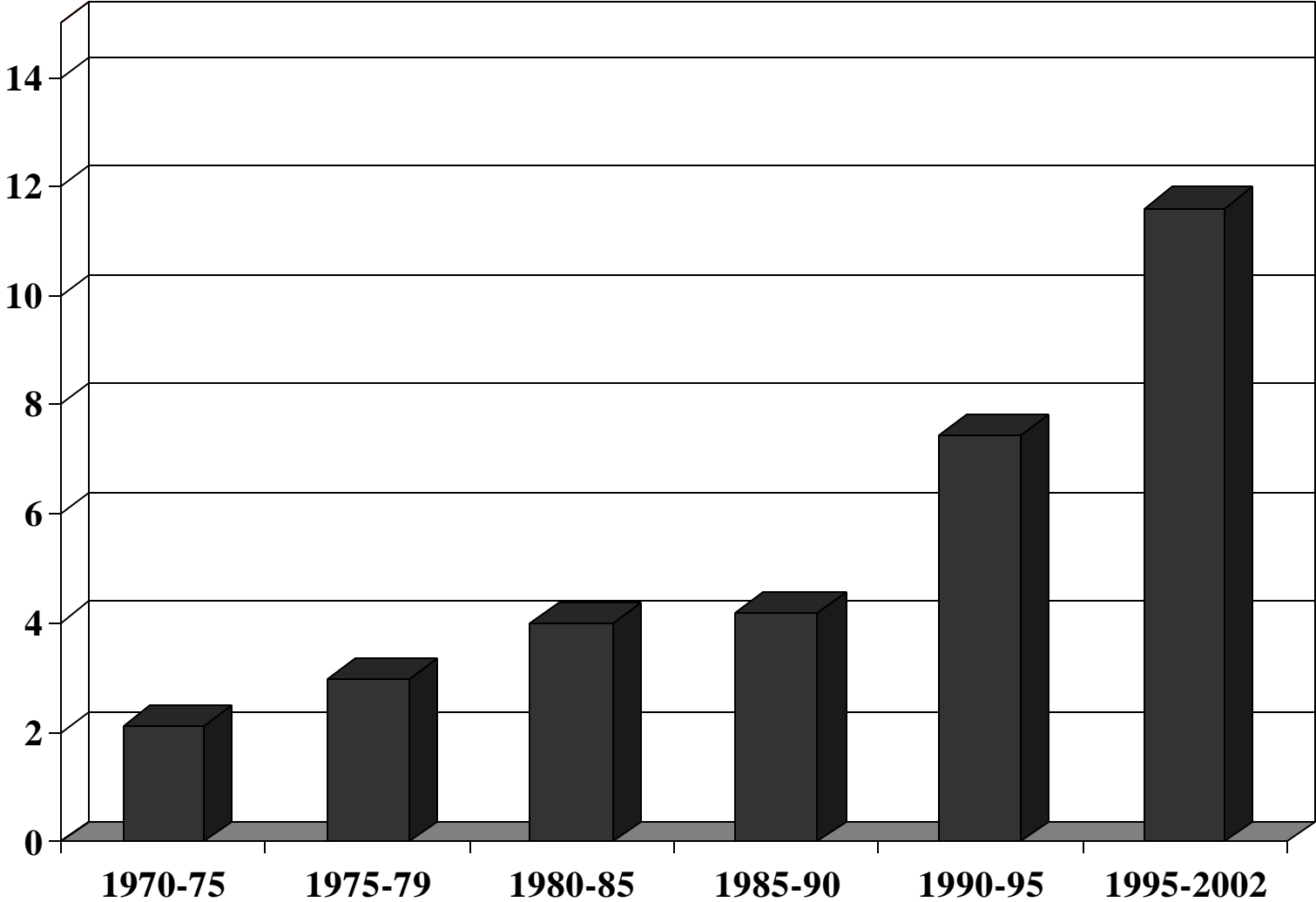
Figure 4: English Schooling - net parental education effect - Girls



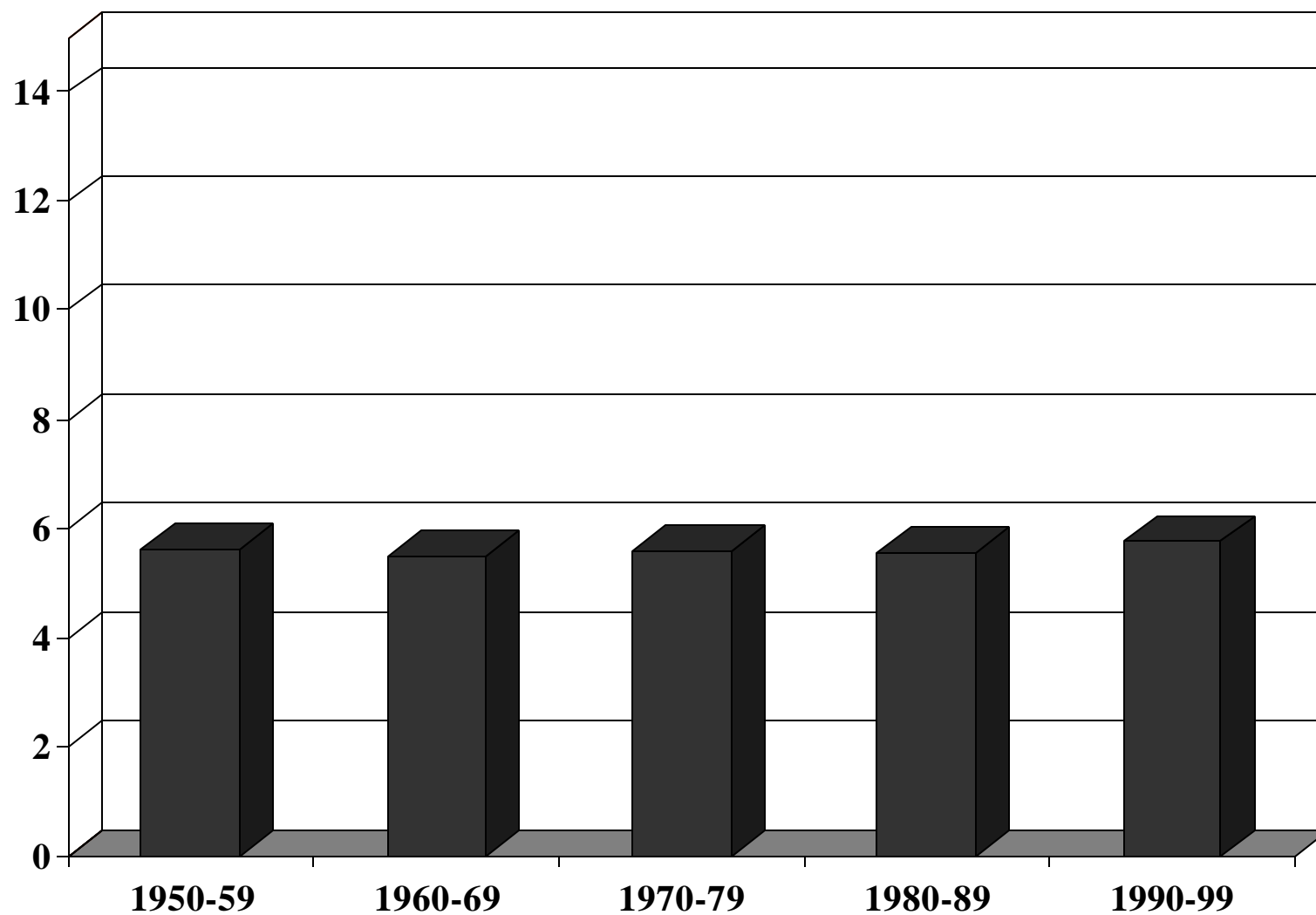
Why is there no convergence for the boys?

- Bombay's labor market historically organized along caste lines
- Recruitment networks most active in (low caste male) working class jobs
- Networks hold low caste boys back
 - Occupational persistence across generations at the level of the *jati* for the boys but not the girls

Rates of Out-Marriage (Hindus), by Quinquennia, Mumbai 1970-2002 (N=5,406)



Rates of Out-Marriage (Hindus), by Decade, Rural India 1950-1999 (N=31,529)

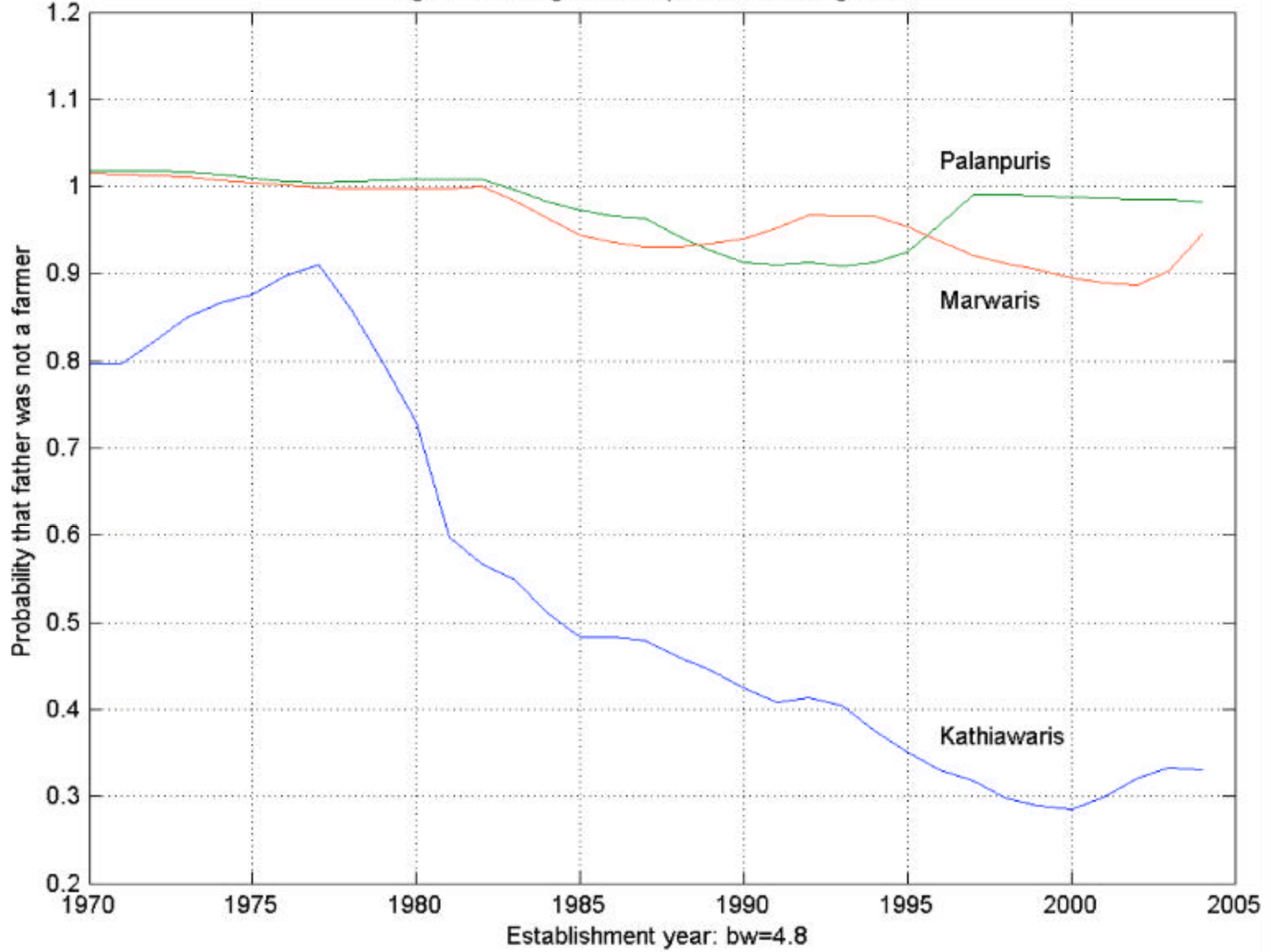


Entrepreneurship in the Diamond Industry

- Business success depends on:
 - Family background
 - Community networks
- Business communities cannot satisfy additional demand for entrepreneurs
- Entrepreneurs without business background will fill the gap
- Test this hypothesis with new data from the diamond industry

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- The Indian diamond industry accounts for 14% of India's merchandise exports and 85% of the rough diamonds cut and polished worldwide
 - Based on a survey of nearly 800 firms, 97% of diamond exporters belong to three communities: Marwaris, Palanpuris, Kathiawaris
 - Kathiawaris have weaker business backgrounds than their rivals

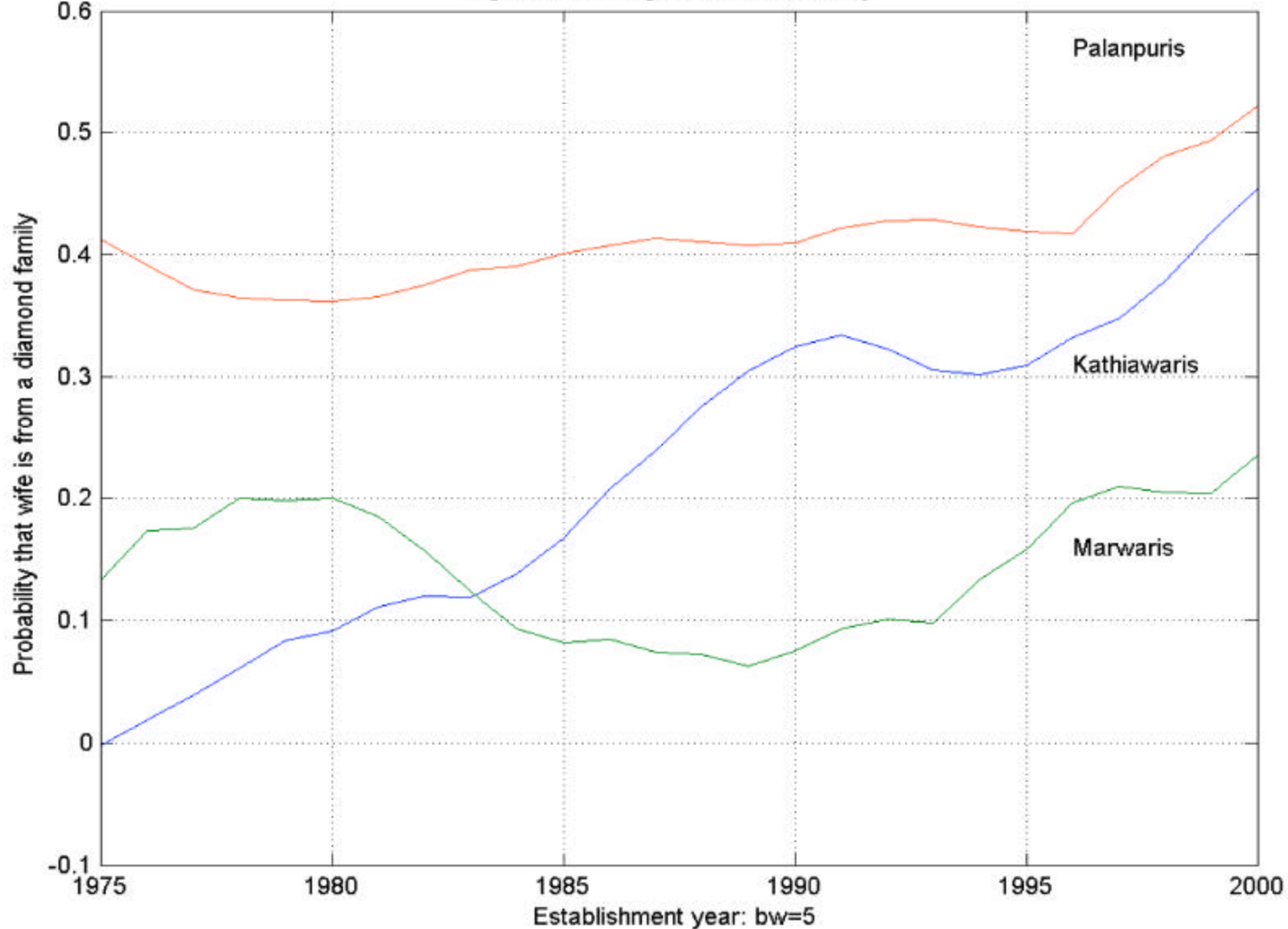
Figure 1: Change in Entrepreneurial Background



How do entrepreneurs with different backgrounds coexist?

- Community networks provide access to supplier credit
- Networks strengthen most rapidly in communities with worse outside options
 - Export trajectory equally steep for Kathiawaris and Palanpuris, steeper for the Kathiawaris with firm fixed effects

Figure 5: Marriage within the Industry



Conclusion

- Implications for policy
 - Cannot predict the response to new opportunities without an understanding of the underlying networks
 - Infusion of bank credit can increase mobility in some cases but destroy networks in others

