

**Remarks of Devesh Kapur on May 26, 2009 in Washington, DC at the conference
*Beyond the Fence: Research Lessons on How Immigration and Remittances Shape Global
Development***

Actually, I'll sort of speak on one broad area. What my talk is – it's the broad level of aggregation and it's based on work I've been doing for the past six years, a book I've just finished which is on the – which is the impact of international migration from India on India. So I'm interested in the impact of migration on sending country.

And while I want sort of the give you the causal evidence that the earlier have given you, it's based on three large sort of data sets, the empirical evidence and the sort of claims which I will give you, which I've collected over six years. One was as it regards who leaves. And this was the data set of a quarter million households, which I did – surveys sort of pan India.

And one of the things which I want to point out in there is – and this is the thing which Michael raised on sort of data on migration is that the effects which I'll show you, depend not just on the usual things we think about like education and agenda and so on and so forth, but much more fine-grained data on cast, on religion, on region because the political effects of migration on the sending country are very sensitive to these factors which are usually not easy to get in normal census.

The second is the data sense which I did on the Indian status quota based here which I collected for half a million households, which is virtually sort of 95 percent of the resident Indian-American population, and then I did the usual thing – sort of random survey – used a call center in India to do the survey et cetera. So we have a very good effect on the fine-grained things, on the links between this and the country of region.

And the third which links to the paper which Antonio sort of gave, is a dataset of Indian elites over the past 50 years. And where they studied not just where they studied but what they studied, but also where they worked sort of outside. And if we have time, these are three slightly different effects.

Of course the factors are just whether you study sort of abroad but how many go back. And when they go back, where do they go back. So, for instance, most Indians who study abroad until the early '60s mostly they went back. From the mid '60s to the late '90s, very few went back. From the late '90s onwards, more are going back but with a big difference. Those who went back until the late '60s, the reentry was almost entirely to the public sector. Now the reentry is almost entirely to the private sector.

Now, all of these have very different sort of effects on different parts of this sort of system. So to start with just thing on – (inaudible) – framework which I've used in my book is how do we think on the impact on sending country. So one is the absence, right. People who would have been there are no longer there. The second is the diaspora – you know, people

who are abroad and the links in different forms with the country of origin. And then a few or a certain fraction of this diaspora goes back. That's the sort of return channel.

Now, if you think of the absence channel, and here I'm going to focus a little more on something which we haven't sort of focused on, which is rather than just the economic effects, also the political effects, which we know are slightly to also have sort of an economic impact. One is this, you know, if you – some of you might remember the classic sort of thing of – (inaudible) – exit and voice. And one of the things I'm arguing is that exit actually does not necessarily drive out voice, at least when you look at international migration.

And one way, if you look at all of the Indian elites who have left the country and who have done very well in the U.S., in some ways they've exited but their voice actually has been amplified back in India, and partly it has to do with the fact of how well they have done your – and the certain legitimacy it gives them back in the country of origin. So exit and voice are not necessarily substitutes; they can be complements in this – if you think about it in this way.

The other thing about exist is on sort of regime stability, and it can have very different effects. I mean, one of the big points in my book is how it's stabilized India's democratic regime as old elites, which was the upper class, left the country. But of course we know this from 19th century Europe, Cuba, Zimbabwe. In some cases you find that actually when – and since Zimbabwe is a very good example now.

We have massive economic collapse and some repression. Lots of people have left, but the people who – but that means that that sort of opposition to (Sam ?) Mugabe has actually gone down because those who have opposed him have left. But also they are sending back foreign exchange of their relatives, and that actually has helped the survival of this regime. So you could argue that that threat to Mugabe regime would have fallen if it was a closed system because you will have seen the protests in, you know, much more – (inaudible).

And Cuba is also a good example, people have argued. But of course we have the example of East Germany in '89 and even had the opposite effects as people began to leave, it actually brought this regime down. Now, sorry, like, I did use the word "brain drain," but I put it in quotes.

MR. : You're halfway there.

MR. KAPUR: And I think one thing which I have sort of struggled with in my own work is something which is a more subtle effect which is the impact of skillful immigrants on the sending country's institutions. And the one which I'm looking at most and which I have a sort of better sense is higher education. And if you look at the quality of higher education institutions in developing countries because in that – in the sense that these are the very places that build the long-term human capital of that country.

And what is sort of interesting is that you see both a massive expansion of Indian higher education in the past 15 years, but a general of a massive deterioration in quality. And the quality has declined mostly because of the quality of faculty has declined very markedly. And a big part this has to do with the migration of the sort of human talent that would otherwise – or at least a fraction of that would have been in faculties in the country of origin.

To give you an example in the field of economics, you see Indian economists, you know, in so many places here. The Delhi School of Economics, which is about the only Indian economics school which has a standard which is comparable to sort of global standards now produces one Ph.D. in economics a year. Now this is for a country of one billion. So essentially India is producing about one reasonably world-class – an economist trained at world-class standards. Now – (inaudible) – now that is.

Now, you could argue is that good or bad? I mean, I think most people would argue, you know, it is actually perhaps could have some problems. And this, mind you, is occurring at a time – and of course higher education, tertiary education is expanding hugely. But I think one of the things of course we often make is we just look at the quantity and numbers. And because quality – because it's so subtle, so hard to measure, we don't get into it. And what I'm finding in my work is this has been one of perhaps – as an example of a way you can have very negative long-term institutional effects.

Now, the diaspora channel, right, which is the one when people have left – and it's interesting. You know, in the '70s you always saw the word or the phrase "brain drain;" '90s always you begin to see words like "brain bank," "brain trust," and in some ways they sort of change in the sort of phrase itself shows that we've gone from a very negative attitude to at least one. I think it's now gone the other extreme. It's a little too positive. But at least you see that it's – that at least we are now more open to the idea that this can be an asset to the country of origin.

I think one of the things we sort of forget is that whether or not it's an asset depends a lot on the policies in the country of origin. And one thing is that – one of the things which I'll show you in the case of India is that these are legitimacy of ideas that flow from the diaspora. That depends a lot on the legitimacy of diasporas in the country of origin. So the Chinese and Indian diasporas had virtually no effect on the countries in the case of China prior to 1980, right, because it was actually seen in a very negative terms by the PRC, and same with the Indian diaspora prior to the early '90s.

But it's when the countries of origin change their own policies that suddenly they sort of discovered the words used of the diaspora. And one way that you see this manifestation of the legitimacy is a more – is a rapid increase in dual citizenship, right, which has increased. Sort of more than half the countries of the world now sort of recognize some form of dual nationality, dual citizenship. And part of this is the greater legitimacy of ideas.

People, countries are far more easily willing to accept cash in the form of sort of remittances without asking too many questions. But countries ask far more questions when it's about ideas, and for that you need much to create political legitimacy in the country of origin for the ideas of the diaspora to be accepted.

Now, you know, we've talked about remittances a lot. I'm just going to talk a bit on the more sort of political effects, both micro and macro which are also occurring. One is that unlike foreign aid, which sort of strengthen states because it goes through government, because the diaspora, because remittances go through her households, it shifts the balance of power towards society away from the state.

Second is, you know, work is shown – for instance, El Salvador is an example – that, you know, where part of the reason the elites there became more sort of receptive the civil war was that the civil war itself led to a huge amount of some migration of peasants in particular, or from the rulers in El Salvador. And when they went to – and when they began sending back this, like, money, the elites sort of found that, you know what, they could make the money – you know, land was no longer as important. So they shifted their own economic strategies to the financial sector so they could capture part of these sort of remittances. So they became more prone to settlement because their own economic interests also shifted, even though they were not directly part of the migrant stream.

Some of my own work, looking at internal migration is showing this is happening in the case of Bihar, which is one of India's poorest states, where we see how remittances are sort of reducing the par of the sort of big men, the big landlords, right, because now if you're poor, you no longer are as liquidity-squeezed in the – so post- – between the harvest when you didn't have cash and you had to go to your landlord, like, for a loan. Now your household members can send you. So you don't have – you have greater access to some liquidity.

The thing I think which – I think you're going to see this in a more long-term sense because we don't – we haven't seen that sort of enough, is it's having, especially in large countries like India, migration is very selective, right, and we know that. It comes from different social groups, different sort of regions. And what it does is it can either attenuate or amplify distribution of conflicts, so across social groups. And ex ante, it's very hard to say what's going to happen unless you know which groups are leaving.

So from the state of – (inaudible) – in India, Muslims migrated much more self-selectively to the Middle East. And because of that, the inter-groups sort of inequalities, which had been large began to actually decrease, right, and that, you could argue, sort of was a factor that attenuated intergroup conflict because the – (inaudible) – unlike other parts of India.

I think the point of Jeffrey's was – in his talk on this long-distance nationalism about civil wars – just to give you a sense on work that others have done, this is a huge number in the 1990s of a whole range of conflicts that people have argued is occurring because of financing that is done by diasporas. And diasporas are particularly prone to long-distance nationalism,

not just civil wars – so hard-line groups have been supported across a whole range of contexts. And that's something I think – of course as – sort of not surprising, it's very hard to follow this money trail into most of these. But at least, if you look at the literature in some security studies, you know, specific inter-movements you'll find this very well documented.

And sort of finally I think – that's the sort of return channel. And again you also have selection not just in who leaves but who comes back. Okay, just to give you a sense of who leaves in there, right, which sort of – so this is a survey where if you looked at the SEC, the social economic classification, HOE is opened in there – R1 to R4 – this is – (inaudible, off mike). R4 is India's sort of blue – (inaudible, off mike). It's about a third of India's population – 1.3 percent comes to the – (inaudible, off mike). Look at SECL, which is India's elites. It's about 2.8 percent, that's 35 percent. That's the selection effect that's occurring. Indian elites are – a huge selection affects some migrations, and most of that is concentrated in Anglo Saxon countries.

To the extent that other groups go to some – (inaudible) – you see that they are presented from more – most groups that have fewer skills but less, like, from India's sort of elite population. And this is the beginning of the sort or argument which I have. It has very different types of effects.

Now, of course a lot of countries, you could get very different figures. One effect is, if you look at households with global networks, this is India's sort of elites – this is A1 over there. That's – (inaudible, off mike). So more than one out of three – this is sort of households among this group as family members. And conditional on being an elite and having a family member outside, the likelihood is very high that he or she is in the sort of United States. Now, that has – and in fact, the more elite you are, the more likely you are the person will be here. So for instance, I did a wide survey of all of India's retired four-star generals. Half of their children are abroad. So then it rises to 50 percent, and 60 percent of those are in the U.S.

Now, the thing is of course it's not surprising once you begin with the integration of India's elites to the U.S. that that is likely to have what we are witnessing is of course the links between India and the U.S. on strategic and foreign policy. You know, it is another sort of effect.

One financial remittances, which ties into the morning's discussions, one thing which is very distinct about India, is that half of the remittances flow to the capital account, which is – in our – (inaudible) – deposits, and when they're drawn, of course it shows up in the current account as remittances. So India actually didn't do any of the fancy stuff of randomized trials and all of that. It has very high savings rates from its remittances because it created two very simple things, which is accounts which offer higher interest rates and protect you against exchange rate devaluations. And that has a result of 50 to 60 percent of all remittances go through savings accounts, vastly greater than anything we see in Central America.

The impact of this on migration in fact has been – has intensified skilled-based-growth pattern, which is it's much more – (inaudible) – than – the IT and pharma are two sectors which I look at. A notable exception is the diamond sector. Some of you might know that 80 percent of the world's diamonds are cut and polished in India. And I have a whole chapter on why that happened, but also had to do with very much the diaspora, which basically captured the – (inaudible, off mike) – trading market throughout these – from the particular sector who replaced the Hassidic Jews. In fact they are characteristics are very similar to Hassidic Jews. And the Jews, the Hassidic Jews were of course sending the diamonds to Haifa, but as the labor rates began to rise, this began to shift and this group came in. And that's the way that the – (inaudible, off mike) – creating networks.

The – I'll sort of end with this – (inaudible) – like, which is I think the more subtle effects of migration from India. One is I think, which is – you know, one of the puzzles about India's growth, which has been – (inaudible, off mike) – that about everything that's messy or wrong from the usual – (inaudible, off mike) – is wrong with India. (Inaudible) – deficits, corruption, and instability. Name it and India has it, yet it's been one of the fastest-growing economies. And we know people struggle to understand why.

And one thing which is you see is some data which I have been looking at firm creation, is India has had actually an absolute flowering of sort of entrepreneurships. A number of new firms are created. It's vastly greater than anything you see in Brazil or Mexico. Now, this is in a country where the elites and the caste system actually frown on entrepreneurship. And one way to think is of course – it goes back in the mid-1970s when an Indian parliamentary who was very well-known, he asked, you know, in sort of this question or in parliament, he asked sort of Mrs. Gandhi – Madame Prime Minister, why is it that Indians do well in every country other than yours? (Laughter.)

And in a sense, right, I mean, that part – the fact that Indians from the upper class never got into entrepreneurship in India but when they came to the U.S. have done extremely well in – in this area actually has had a very, very strong effect on legitimizing this amongst India's elites, which normally would join the bureaucracy or the state or want to be an executive in a firm, but they wanted salary jobs, not the risk-taking part because of the believe in India till very recently you could either be rich – that if you wanted to be rich you had to be a crook. You couldn't be rich only on the basis of skills. This I think has had a huge effect in creating that sort of – (inaudible, off mike).

And the other thing is because of the link of India's elites with the U.S. – and one way I've followed it in my work is to follow their children, is follow their kids. So one of the things you begin to see when you begin to interview all of these key – some bureaucrats in 1980 – some of you who have encountered India's bureaucracy know that they can argue for virtually any role, any position. They are very good in argument.

But what began to happen was while they were defending India's old policies, their children were all – in – (inaudible) – and BCG arguing exactly the opposite, right. And you begin

to see sort of a schizophrenia where your children are saying exactly the opposite to you of what you are saying is good for India. And you see how many of these bureaucrats begin to talk about how this has began to impact on their thinking and then they were waiting for a political moment. That part I think – that's the sort of types of channels through which you can have far more subtle long-term impact of the country of origin, where money is I think an important part, but it's just one part. Thanks.