Chapter 4
Remittances and Economic Development in India and Pakistan

Roger Ballard

Nowthat long distance movement by migrant workers in search of better wages has become such a salient feature of the global economy, re~o?nition is dawning that migrant remittances-amounting to many billions of dollars per year-eonstitute "an important and stable source of external development finance" (Ratha 2003). Just what sort of development do these flows actually finance? How much of the benefits of these capital inflows filter down to the rural areas from which the ~ast majority of labor migrants are drawn? Or is a significant proportion of their value "harvested" by the urban elite who control-and disproportionately benefit from-their country's financial infrastruc~re? To the ~x~entthat capital resources do indeed arrive in migrants' VIllages of ~rIgIn, how oft~n are they invested in such a way as to promote sustainable econorruc development? And if the opportunities thrown up as a result of this capital inflow are all too often frittered ~w~y in house construction and property speculation, what policy initiatives should be taken to nudge migrant workers into investing their savings in more profitable ways?

It is with such issues in mind that this chapter explores the scale on which migrant workers from the Punjab region of Northern India and Pakistan who have settled in the United Kingdom have set about sendin~ remittances to their villages of origin, as well the impact that the arrival of these funds have had on two small areas from which a large number of settlers have arrived in Britain: District [ullundur in Indian Punjab, and District Mirpur across the border in the Azad Kashmir region of Pakistan. As has been shown elsewhere (Ballard 1983, 1988, ;~89, 1991, 2003, 20~4a) there.hav~ been all manner of differences in the history and dynamics of emigration from the two areas. These differences have had, in turn, a far-reaching impact on patterns of remittance transmission back to settlers' villages of origin. While these funds have in both. case~ been ~armarked by their senders as investment capital, ~he projects Into which these funds have actually been invested have, In e~c~ case: been powerfully conditioned by a wide range of locally - specific environmental, infrastructural, and politico-economic factors. There is no way that the developmental potential of migrant remittan.ces, or the observed outcomes that have actually accompanied their arrival, can. be analyzed or understood in the absence of a thorough under~t~n~mg of the environmental, infrastructural, and politico-econorruc CIrcumstances affecting the migrants and their families.

That said, however, in neither area has the most been made of the potenti~l of the inflow of remittances, even if it is quite clear that the [ullundurIs. (who ~re mostly Sikh) appear to have done a better job of it than their Muslim counterparts from Mirpur. How is this broad pattern of underperformance best explained? This chapter's conclusion, based on careful ethnographic observation, is that the underutilization of the development potential of remittances has not been the outcome of a lack

:0£ entrepreneurial skills among migrants and their kin, nor of differing levels of entrepreneurial aptitude between Muslims and Sikhs. Rather, underperformance in general, as well as the different outcomes between the two areas is largely a consequence of the differing environmental, infrastructural, and politico-economic characteristics of the two districts, which have been further compounded by additional structural obstacles at regional, national, and international levels. Hence, it is largely such structural obstacles-which appear throughout the greater part of the developing world-that have caused entrepreneurial activities of the recipients of these capital inflows to be relatively limited in scope, so much so that often little or nothing has been made of an unprecedented opportunity to lay down more adequate foundations around which more sustainable patterns of economic development might be constructed. Indeed, in the worst-case scenario, in which the arrival of large volumes of migrant remittances leads to a local withdrawal from productive activities in favor of short-term opportunities available in an almost entirely remittance-driven service sector, a downward spiral of local "de-development" -powered by ever-greater levels of emigration to urban areas-ean all too easily occur.

It is with such considerations in mind that the chapter closes with a discussion of the way in which these downward spirals might be brought to a halt and, better still, reversed, through a variety of carefully tailored "smart aid" initiatives. Designed, funded, and implemented so as to overcome the most serious obstacles to productive forms of entrepreneurship, the goal of such initiatives would be to kick-start the productive potential of local economies in areas from which high levels of long distance migration have taken place.

MIGRATION AND ECONOMIC DEVELOPMENT IN JULLUNDUR AND ~HRPUR

Many villages in the Jullundur Doab have a long history of overseas migration, as the presence of now-crumbling stucco mansions built by returnees from British Columbia and California at the beginning of the twentieth century serve to testify. Emigration from this area rose sharply when Britain ran acutely short of labor during the long post-Second World War economic boom. When the flow of remittances from the United Kingdom peaked during the early 1970s, rural Punjab was by sheer happenstance enjoying the benefits of a green revolution. Thanks to the availability of new high-yielding seeds, the application of artificial fertilizer, intense irrigation, and the much more widespread use of agricultural machinery, crop yields were increasing by leaps and bounds. However, while these new techniques were primarily indigenously generated, their successful implementation required a fairly high level of capital investment, and in that respect local families whose kin had settled in the United Kingdom were well placed to take advantage of the new opportunities. Thus, while the initial collections of remittance funds were usually used to rebuild or extend the family home, most migrants were eager to remit funds for the purchase of tractors, the construction of tube-wells, and the acquisition of machinery to cope with dramatically higher agricultural yields. Such investments were extremely profitable. While remittance flows from overseas consequently added substantially to [ullundurs growing condition of prosperity, remittances did not *cause* Punjab's green revolution: rather they added welcome gilt to the locally devised gingerbread (Ballard 1983).

Although emigration from District Mirpur has even deeper historical roots, which can be traced back to the demand for stokers by British shipping companies when they switched from sail to steam in the 1880s, migration from this area to the United Kingdom did not peak untilthe late 1970s, and has continued on a substantial scale through the early years of the 21st century. However, while the scale of the remittance inflow into Mirpur has consequently been larger and longer-sustained than in Jullundur, investment in agriculture has been virtually nonexistent. Instead there has been a succession of massive booms in house construction and in the service sector in general, with the result that the landscape is now peppered with spectacular multi-;;toried houses, most of which are permanently locked up, but which stand as a public witness to their overseas owners' economic achievements. Despite the area's considerable agricultural potential-most particularly to supply fresh produce to the nearby cities of Islamabad and Rawalpindi-agricultural production is wasting away. Thus, in sharp contrast to [ullundurs productively grounded economic boom (which has manifested itself in small-scale industry as well as agriculture), the local economy in Mirpur has moved in precisely the opposite direction. To be sure it gives a superficial appearance of prosperity, but this is wholly confined to the remittance-driven service sector. Whenever remittance flows diminish, as has happened several times during the last few decades, the impact on the local economy is dramatic. Just as has happened in a range of other locations from which mass migration has taken place, Mirpur has become locked into dependency. Given the downturn in agricultural production, and the absence of any kind of manufacturing activity, its current wealth is built on a foundation that appears to be unsustainable in the long run. That is not simply the conclusion of a skeptical academic commentator. Most of the district's inhabitants are also well aware of the shallow foundations of the local economy, with the result that finding some way to move overseas remains the' central objective of most young Mirpuris (Ballard 1983, 1988, 1989, 2004b).

EXPLAINING DIFFERING OUTCOMES

Making sense of these differences required a dual agenda. The first task was to establish the varying ways that members of each group reacted to the specific environmental, historical, political, and administrative characteristics of their localities, together with ways in which their strategies of transnational migration had been further conditioned by the specific impact of the differing conventions of family organization, kinship reciprocity, and marriage rules within each community. The second task was to explore the ways in which the internal dynamics of the migrants' transnational networks have conditioned the diverse strategies they devised to circumvent the huge range of exclusionary obstacles-from immigration controls to racial discrimination-they encountered. As numerous studies have shown, the effectiveness and efficiency of these network-driven strategies are among the principal keys to the success of all those involved in processes of transnational migration "from below,"! no matter where in the developing world they may have originated from (Portes 2004; Smith and Guarnizo 1998).

The assets transferred by these networks are a major resource for economic development, from wherever such transnational migrants originate (Ratha 2003). The willingness of migrant workers to divert a significant part-often the greater part-of their overseas earnings back home can only be understood as the outcome of a deep-rooted commitment to investment. However, if this is development aid, it is aid of a very specific character. In sharp contrast to country-to-country or business-to-business assistance, it entails the channeling of resources that have been dispatched by workers living in highly localized ethnic colonies in metropolitan cities through networks of their own construction to family resident in equally specific localities overseas. Such migrant workers are not investing in such abstract concepts as "Pakistan," "the Philippines," or "Sri Lanka." Rather their commitment is to the families, the neighborhoods, and the immediate communities from which they came.

On its face, such informal development aid appears comprehensively superior to that delivered by formal international agencies. Remittances arrive with no strings attached, incur no external debts, and deliver capital resources on a massive scale directly into the pockets of those who need them most. One of the most important reasons why economic development in such areas remains stalled is that peasant farmers lack access to investment capital. Yet one pattern is all too frequently observed: funds from overseas provide an immense boost to the service sector, most particularly in house construction, but the more productive sectors of the local economy, especially agriculture, begin to languish.

The short-term prosperity caused by the arrival of remittances in areas where many in the local population have become migrant workers is real enough and the consequences far-reaching-if far from straightforward. Therefore, however welcome the sharply increased levels of prosperity may be, the networks the migrants establish, and the ever-escalating flow of persons, ideas, and financial resources through those networks, invariably precipitate sociopolitical tensions and contradictions. Those contradictions are no less severe in national and international contexts than they are locally. It is precisely because such entrepreneurial networks so often emerge from and are driven by those who stand far out on the global periphery that their successes soon begin to "undermine the center" (Addleton 1992), and thereby destabilize the established (and usually profoundly unequal) socioeconomic order that precipitated migratory activity in the first place.

THE LOCAL CONSEQUENCES OF REMITTANCE INFLOWS

The arrival of remittances on a large scale soon begins to upset the local status hierarchy. The vast majority of those who made up the early waves of Indian and Pakistani emigrants were young males from households of middle socioeconomic rank within their villages. Returnees soon found that they had acquired a great deal more power not only with regard to their parents, but also their wives and siblings who stayed at home. While those who found themselves sidelined usually swiftly began to devise countermeasures, tensions invariably began to erupt within recipient families as a result of the massive new inflow of wealth (Gardner 1995).

Families with access to such transnational links soon become massively advantaged, disrupting established socioeconomic hierarchies in their villages of origin. Richer families who had disdained sending their sons to work as mere laborers overseas swiftly abandoned their previous inhibitions, while the poorest families drew on their links with more affluent patrons, who were often willing to facilitate their clients' sons' passage overseas. Thus the reconfigured patterns of wealth and status in the village caused by the arrival of remittances were themselves a powerful spur to further emigration and the resulting processes of chain migration were self-fueling.

A useful way of envisaging these processes is as self-constructed escalators that reach upward from specific localities in the developing world to equally localized ethnic colonies in specific cities in the metropolitan world. Migrants-no less than remittances-move around the globe through tightly personalized networks. Access to such networks confers real privilege: each network provides its members with easy access to an escalatory process that can transport them swiftly and smoothly from a position of relative poverty to one of relative wealth (Ballard 2003). By the same token, each network also facilitates

the transmission of a large volume of money back to the escalator's starting point. However, each such escalator is highly specific. Some merely stretch to the national capital, others to more distant destinations elsewhere in the developing world, while a select minority stretch into urban centers in one or another of the metropolitan economies of the developed world. While all these escalators offer those who stand on them access to entrepreneurial opportunities, it is those that reach right into the heart of the developed world that invariably offer migrant workers and their families the greatest range of opportunities.

NATIONAL CONSEQUENCES AND CONTRADICTIONS

Migrant remittances also precipitate contradiction at the national level, particularly when the inflow of funds grows sufficiently large to engage the attention of the national government. Given that virtually all governments in the developing world suffer from a severe deficiency of foreign exchange, the inflow of migrant remittances (once recognized) is invariably viewed as a godsend. Not only is the inflow of foreign exchange perceived as virtually cost-free, but because it appears to arrive with no strings attached it provides a wonderful opportunity to pursue all manner of national objectives. Several examples follow:

- *Boost national foreign exchange reserves* by encouraging further emigration in what are often explicitly described as programs of manpower export, and by reminding emigrants that they have a patriotic duty to invest their savings back home, often in specially designed government bonds and high-yielding savings accounts
- *Further enhance government revenue by taxing this income stream,* if not directly, at least by setting inflated rates for the issue of passports and visas, departure taxes, international telephone calls, and so forth, all of which are facilities used disproportionately by migrant workers
- *Draw the excess funds into deposits in the formal banking system,* thereby hugely improving its liquidity, because the volume of funds remitted in this way is often so large it cannot be soaked up in immediate expenditure by recipients

However, while all these measures can be expected to provide a major boost to national financial resources, they also pose a further set of questions: by whom, for what purposes, and to whose advantage is this inflow of financial resources actually deployed? Officials in the ministry of finance and the central bank make these decisions. What are their objectives, and what sorts of financial initiatives do they tend to favor? In exploring these complex issues it is worth distinguishing the domestic from the foreign exchange dimensions of the opportunities to which the inflow of remittances gives rise.

REMITTANCES AND THE NATIONAL FOREIGN EXCHANGE ACCOUNT

In many of the world's poorest developing countries, migrant remittances are emerging as a major source of foreign exchange, often so great that it substantially exceeds the income generated by the export of goods and other services. When this is so, remittances playa major role in national finances and are often the only bastion against a radical devaluation of the local currency. Most governments take it for granted that protecting the value of the national currency is a vital policy objective, but it is worth asking just which segments of the national population reap the greatest benefits from the fulfillment of that objective. A fall in the international value of the local currency tends to have relatively little impact on most members of the rural population. Living in near-subsistence conditions, peasant farmers' propensity to purchase imported goods and services is minimal; to be sure, they might find that prices for their agricultural products would rise if the price of imported grain rose as a result of a fall in the external value of the local currency-provided that grain prices were not held down by the authorities in the name of "social [ustice." By contrast, elite lifestyles are heavily dependent on goods and services that must ultimately be paid for in foreign exchange-whether in the form of cars, televisions, health care for themselves, or education for their offspring. It is these interests, rather than those of the rural peasantry, that are disproportionately favored when migrant remittances are used by elitist national governments as a convenient means of maintaining their local currencies at radically overvalued levels.

That said, there is yet another crucial subtext to the role that migrant remittances play in such contexts. In an effort to conserve the outflow of foreign exchange, many developing countries impose strict exchange controls, so strict that local residents who lack political and official connections find it virtually impossible to gain access to foreign exchange. A black market soon develops, because' migrants are keen to get a better rate of exchange on their remittances than that offered by institutions directly controlled by the national government. However, in assessing the significance of such markets it is worth remembering that they only exist-and are only designated as "black" -because they operate outside the formal procedures of the state, and they do so in countries where the greater part of commercial activity also takes placff

within the informal sector. There are few indications that the growth of the informal sector does much harm to the migrants themselves, or to the local economies of geographically and politically peripheral regions from which most of them are drawn. Indeed, in those parts of the world in which the center has disappeared-because the state has effectively collapsed (as is the case in both Somalia and Afghanistan in the early years of the 21st century)-the entire national economy now operates within the informal sector. In both cases migrant remittances provide a substantial part of system liquidity (Maimbo 2003).

REMITTANCES AND THE LOCAL DIMENSIONS OF THE NATIONAL ECONOMY

While contemporary Somalia appears to be unique in the sense that remittances now form the national economy's sole source of foreign exchange, there are many other parts of the developing world in which the inflow of value from remittances is substantially greater than that accruing from the export of goods. Just where does all the money actually go? Who benefits most from its arrival?

At one level the answer to the first question is clear: it goes straight to the rural areas from which the majority of transnational labor migrants are almost invariably drawn. District Mirpur is one such area. To non-Mirpuri Pakistanis, the prosperity of such areas is evident, so much so that the emigrants' success elicits active feelings of jealousy, even among members of the urban elite. Returning migrants may be mocked for their bizarre behavior, such as importing wide-screen televisions and enormous refrigerators to villages that are hardly yet served with electricity connections. From the perspective of the urban elite, returning migrants have more money than they know what to do with. Overseas development specialists, who socialize primarily with members of the urban elite, may be tempted to incorporate these arguments into their professional judgments.

There is, of course, a substantial degree of common sense logic to such arguments: the living standards of the inhabitants of areas from which mass overseas emigration has taken place are significantly higher than those in areas from which emigration has not occurred. However, in assessing the significance of that condition of relative wealth, it should not be forgotten that emigration from such areas began and continues because of local poverty, and even more specifically the absence of resources such as roads, schools, hospitals, markets, and so forth. While remittances can provide high-tech solutions for some of these deficiencies-because four-wheel drive vehicles can Cope with the absence of paved roads, generators .with the absence of electrical mains, and mobile phones with the absence of land linessuch remedies merely circumvent, but do nothing to resolve, the underlying deficiencies in the local infrastructure. Moreover, as long as such deficiencies are left unremedied, as is invariably the case as long as national government priorities are focused elsewhere, the prospect of returnees being able to make profitable investments in any sector of the local economy other than that driven by the arrival of further rer:'it-tances will remain remote. The result in Mirpur-as in many other SIm-ilarly placed localities around the globe~is a. sharp decli~e in agricultural production (which has becom: Increas.lngly unprofitable) in an area with an excess of investment capital looking for a home.

Although members of the urban elite may routine!~ describe la~or migrants as illiterate, and the social and cultural milieu from whl~h they are drawn as backward, emigrants fr~m s~~h ~reas have dIS-played extremely high levels of entrepreneunal ablht'y'ln ~he course of gaining entry to, and making the most of, ~pportunlhes In ~~~ glo~al labor market. Set in that context, the suggeshon that those abilities SIm-ply evaporated the moment migr~nts. returned ~o their ~ome base makes little sense. A better explanahon IS that despite all their efforts to deploy their entrepreneurial skills on a mo~e sus~ain.able basis, they were largely stymied by local obstacles. An investigation of the struc-tural constraints that the inhabitants of these areas continue to encounter-rather than allegations that migrants and their families lack the necessary entrepreneurial abilities to do any better-is more likely to provide meaningful explanations of observed outcomes. .

If infrastructure development programs bypass areas from which high levels of overseas emigration has take~ pl~ce on the ground~ ~hat they are "not poor," remedies to the underlying infrastructural deficien-cies that caused migration in the first place will be further postponed. Because such areas host their own self-funded programs of manpower export and are consequently highly efficient producers of foreign exchange, there is little incentive for government intervention.

Such areas also provide a vital prop to the national banking system. Having invested heavily in new houses and other status symbols, the inhabitants of such capital-rich areas place their surplus funds on deposit in the local banks. Hence, while bank branches in capital-rich areas usually have huge sums on deposit, their loan portfolios are almost always insignificant-at least locally. Migrants' savings consequently serve as a means of financing loans to customers living elsewhere-most usually to members of the elite in distant cities. From this perspective, such banking structures emerge as engines of financial redistribution, drawing in deposits from the relatively poor and redistributing their developmental potential to members of the urban elite. Where the banks in question are nationalized, as is frequently the case, politically well-connected borrowers are not only the most frequent recipients of such bank loans, but their connections often enable them to avoid ever having

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to repay them. In such circumstances a temporary redistribution of wealth from the poor to the rich can often prove permanent.

If and when such mechanisms become established, they can divert a significant portion of the value transfers set off by migrant remittances into reinforcing the wealth and living standards of distant urban elites. The more extensive this process of diversion becomes, the more resources to improve local infrastucture in areas of high migration will decrease, and the greater the prospect that local cycles of capital rich underdevelopment will emerge. This trend can be expected to reinforce the local propensity to migrate.

This paradoxical outcome is grounded in two wholly unexpected developments, at least from an elite perspective. The first development is the dramatic success of members of an otherwise peripheral group in exploiting overlooked niches in the global labor market, and the sec-ond is their equally dramatic success in shipping their savings home on their own terms. Because all these initiatives have been conducted on an informal basis, the custodians of the formal sector tend to view the growing scale and vitality of these developments with suspicion and alarm. In much of the developing world, efforts to suppress the initia-tives remain vigorous-the more so because migrant remittances have become a principal source of liquidity. In these circumstances, it is easy to see why efforts to divert remittances back into formal channels have come to be regarded as an urgent priority. Quite apart from fears about drug smuggling and terrorist finance, the informal economy quite directly "undermines the center," as Addleton (1992) puts it. However, to the extent that the center undemines the potential wealth of the periphery, it is invariably in migrants' interest to devise strategies with which to resist such tendencies.

INTERNATIONAL CONSEQUENCES

The global contradictions unleashed by migrant remittances are no less complex, partly because remittances are such a big business. Commis-sions on international money transfers through the formal banking sys-tem range between 8 percent and 20 percent, depending on the sum transmitted and its destination.

Because of the high commissions charged by the banks, the slow pace with which they transfer funds to their destination, and the difficulties that relatives so often experience in retrieving funds when they eventu-ally arrive, migrants throughout the world have developed their own informal modes of money transmission (El-Qorchi, Maimbo, and Wil-son 2003). The *hawala* system used by South Asian migrants-which has its roots in the banking system used by long-distance traders in the Indian Ocean region before colonization-is one of the largest and most sophisticated. From its hub in Dubai, the contemporary hawala system of informal value consolidation, settlement, and deconsolidation handles many millions of dollars worth of migrant remittances every day, providing its customers with cash payouts in the most remote destinations far more swiftly and reliably than does the formal banking system. Moreover, its commissions-normally little more than 1 percent-are far lower than those charged by any bank (Ballard 2004c).

Although a number of banks have begun to break into the remittance market, many have run into competition from less formally constituted value transmission agencies. In addition, they have encountered considerable logistical challenges because they often find the cost of making cash deliveries to remote rural areas using formal techniques. to be prohibitive.

The ultimate outcome of the intensifying competition between formal and informal value transmission systems remains unclear. At present, *hawaladars* occupy a position of clear competitive advantage: they can fulfill the task more cheaply, expeditiously, and reliably than can the formal sector. The migrants' self-constructed networks challenge the established order. If the Ll.S.Treasury manages to enforce its regulatory objectives, informal value transfer systems may be eliminated, and migrants will have to bear the additional transmission costs. However, the success of migrants' strategies of transnational entrepreneurship in so many other contexts makes this unlikely.

REMEDIES: MAKING MORE OF THE DEVELOPMENT POTENTIAL OF MIGRANTS' REMITTANCES

Remittances clearly have the capacity to transform economic conditions in migrants' villages of origin. Migrants have devised strategies to circumvent the many obstacles they encounter in the course of their travels. In doing so, it is their self-constructed networks---eomposed of and devised by peers and ordered in terms of specific values, assumptions, and patterns of reciprocity-that have proved to be their' greatest asset. Efforts by members of more formally constituted agencies to provide aid or assistance in such circumstances tend to meet with suspicion and resistance. Migrants' initial reactions to such schemes are often to subvert them to their own purposes.

A major part of the secret of success of migrant networks is that their members are constantly on the lookout for better, but overlooked or unrecognized, opportunities. Hence, while members of such networks are invariably wary of the good faith of outsiders, and sensibly skeptical of proffered advice, they rarely reject it out of hand: their principal criterion is whether and how it will work for them in their own particular circumstances.

Viable initiatives must not only recognize and respect, but actively seek to build on, the resources and strategic solutions that members of local networks have already devised and implemented. To have any chance of taking hold, all such initiatives must at the very least include three components:

- A comprehensive appreciation of the precise character of the constraints and opportunities within which members of the local population find themselves operating, given the historical, social, economic, political, cultural, and religious features of their immediate environment
- An equally rich appreciation of the strategic initiatives that members of the local population have *already* devised in the course of circumventing the worst of the obstacles confronting them, and of making the most of whatever opportunities they have so far been able to identify
- A willingness, and the ability, to assist local populations identify additional options that could supplement those already in place, while adding entrepreneurially valuable skills, insights, and understandings to those already in evidence

STRUCTURAL CONSTRAINTS ON THE USE OF MIGRANT REMITTANCES

Several issues must be addressed at a global level. Most saliently, obstacles placed in the way of the speedy, reliable, and economically efficient delivery of migrant remittances to their destinations can only be regarded as unhelpful. Money laundering and terrorist financing cannot be ignored, but migrants and their remittances should not be penalized by efforts to contain terrorism and drug trafficking.

The fact that migrants have found it necessary to move elsewhere in search of a better future underlines a crucial dimension of their predicament. No matter how strongly they may be committed to the betterment of conditions in their home base, the obstacles that cluster around them there are invariably far more deeply entrenched than those they encounter overseas-otherwise there would be no need for mass migration. It is also worth noting that migrants' overseas-born offspring are much less interested in stimulating home-based development initiatives. Thus, the window of opportunity within which remittance-financed initiatives might be implemented is sharply time-limited.

Such reservations aside, just what shape might initiatives of this kind be expected to have? Insofar as infrastructural deficiencies are a major obstacle to progress, it is worth remembering that migrants have already begun to address these issues on their own accord (Ballard 2004b). Collective efforts to construct shrines and temples, to pave the streets of villages, and to build schools, clinics, and even hospitals can be observed in every locality from which large-scale overseas migration has taken place. However, the prospect that more substantial infrastructural projects-such as highways, bridges, dams, electricity grids, and so forth-might be funded through such network-based voluntary initiatives appears to be remote. No matter how great the collective benefits such initiatives might be expected to bring, they are of such a scale as to be unlikely to be funded by any agency other than the state. If national governments in the developing world continue to set their priorities elsewhere, other stakeholders such as private business may well intervene.

THE PROSPECTS FOR SMART AID

Deployed in and around the capital-rich islands created by migrant remittances from the developed world, so-called smart aid initiatives would have two complementary objectives: first, to remedy specific deficiencies in the local infrastructure, thereby removing key blockages to the area's inherent developmental potential; and second, to promote and support more sustainable-but network-friendly-local entrepreneurial initiatives.

It is unrealistic to expect that the removal of infrastructural blockages would be sufficient, in and of itself, to stimulate sustainable growth in an otherwise stagnant local economy. There is thus a need to complement such initiatives with efforts to identify novel, but more profitable, forms of income generation that make the most of local resources. For example, it might be that incomes could be radically improved if farmers abandoned the largely unprofitable cultivation of food grains in favor of higher value crops such as vegetables and fruit; however, such profits could only be realized if there was a ready market in neighboring urban centers, together with a transport infrastructure to ensure timely delivery.

It would not be practical for smart aid initiatives to run such fruit and vegetable farms, marketing agencies, and their associated distribution networks; instead, the objectives of the initiative would be to establish-largely on the basis of locality-specific empirical research-just which crops might best fill high-value slots in accessible markets and how those crops might best be cultivated, marketed, and distributed. From this perspective, the central aim of the initiative would be to research potential solutions and to test their economic viability, leaving implementation to local entrepreneurs.

CONCLUSION

Ratha (2003) has rightly insisted that migrant remittances are "an important and stable source of external development finance," and one whose potential for stimulating economic growth has been largely neglected by those who explore such issues from the top down. By contrast, millions of migrant workers working from the bottom up, who have for many years been sending billions of dollars of investment funds back to their home villages have not been so negligent. Even if only a small part of the developmental potential of these funds has yet been liberated, that is not for want of efforts by the migrants themselves, by their overseas-born offspring, or even by their relatives back home. Absolute poverty, lack of capital, and lack of entrepreneurial ability have not been the central obstacles to the generation of more sustained patterns of economic growth from these inflows. Rather, institutional, structural, and infrastructural constraints-in many cases the same constraints that provoked migration-account for the poor development results of these opportunities.

Few parts of the developing world-including its most economically and spatially peripheral regions-are still untouched by long-distance migration. At the same time, vicious cycles of de-development are emerging throughout the developing world, as evidenced by explosive patterns of urban growth, especially in the very poorest of countries. We are all stakeholders in the negative consequences of such outcomes, which further disadvantage those unfortunate enough to find themselves confined to the underdeveloped periphery, and so reinforce their propensity to migrate. If such migration proves unstoppable not only will metropolitan centers-in the developed and the developing world-become increasingly overcrowded, but as their rural peripheries are drained of their populations, their productive potential will steadily decline, further fueling the drive to migrate. As long as policy initiatives and institutional structures favor the metropolis over the periphery, the urban over the rural, and the formal over the informal, a vicious cycle of ever-greater concentration of people and resources in metropolitan areas, and a parallel process of de-development in the countryside, seems set to continue.

NOTE

1. Migration "from below" is brought about by local communities, the informal economy, ethnic nationalism, and grassroots activism, as opposed to transnational migration "from above," which is spurred on by transnational capital, global media, and emergent supra-national political institutions.

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