

Market Potential and the Location Choice of Mexican Immigrants in The United States

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Two types of location choices can be studied, location choice of production units by firms and location choice of individuals through migrations. We investigate the hypothesis that consumer-workers prefer places with high industrial production. We link the optimal location choice of Mexican Immigrants to a theoretical model of imperfect competition in a multi-location setting. The model yields a profit function incorporating a term closely connected to the market potential index introduced by Harris in 1954. We then implement the model empirically, comparing our measure of market potential with Harris' term. In order to estimate the worker's motion law, we use a Mexican Migration Project data (micro data).

Our results show that market potential does matter for location choice. Moreover individual characteristics (like gender, level of education, marital status and others) have a robust influence. This results suggests that the forward linkages emphasized in Krugman (1991) are not the only main cause of agglomeration.

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