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Effect of Internal Migration on Prices: A Case Study for Istanbul

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ABSTRACT

This study analyzes the effect of internal migration into Istanbul on the price levels of goods and services. Immigration would both affect the price levels for the supply and the demand sides. On the supply side immigration plays an important role on the population increase, and within the districts of high population, due to a more crowded workforce, wages would be lower. It would be expected that this situation lower the prices of goods and services alike. Moreover, as the population of the districts increase, within markets that exhibit monopolistic competition, prices go down as the competition stiffens. On the other hand, a more crowded population at the same time translates into more demand and this creates a pressure for higher prices. Alongside these, as the search costs between the native and immigrant populations differ this in turn yields to a differentiation of prices. In the literature very few studies examine the relationship between immigration and final prices. Researches on international immigration conclude that immigration lowers the price levels of affected areas. Our results conclude, parallel to such international studies, that the ratio of immigrant population to native population correlates negatively with prices. This observation is justified by the assumption that the search cost of the immigrant population would be lower and hence a decrease in prices would occur.

KEYWORDS Internal Migration; Price Dispersion; Istanbul

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