Para Salvar la Economía Mexicana: La Trampa de las Remesas

por

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Versión preliminar (inglés), esbozo de un argumento en proceso
Favor de no citarla sin permiso
Comentarios y críticas bienvenidos

[Pido disculpas por no haber podido entregar una copia en castellano. Por el corto tiempo disponible, decidí enfocarme sobre el argumento y dejar la traducción para después, ya que las críticas seguramente apuntarán hacia debilidades que tendré que atender]

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I choose this title for this essay because, in large part, of the heightened public interest in remittances in Mexico over the last five to ten years. It should be obvious that this heightened profile has much to do both with the enormous growth in Mexico-US migration since 1995, as well as with an even more impressive rise in the officially recorded amount of remittances returned to Mexico by these migrants. According to the Consejo Nacional de Población, the number of Mexican households receiving remittances doubled between 1994 and 2000, from slightly over 665,000 to more than 1.3 million (CONAPO, 2002:10). Remittances themselves have increased at an even greater rate, from a mere 1.68 billion in 1989, to 6.28 billion ten years later in 1999, then to an estimated 16.6 billion dollars in 2004. Indeed, remittances seem to be increasing much more rapidly than the number of receiving households, a point that I will discuss at some length below. Whatever the absolute amounts, it is generally agreed that remittance incomes are exceeded only by those from petroleum sales. In the third trimester of 2001, to take one example, the foreign exchange generated by remittances were estimated by CONAPO to be 1.7 times those of tourism, 4 times agricultural exports and a whopping 25 greater than mineral sales (2002:8).

The entry into Mexico of such an enormous amount of hard currency—transferred via millions of small transactions by both documented and undocumented migrants working in cities, towns and rural areas throughout the United States—has raised hopes in many circles that a substantial portion of these monies might be invested productively so as to jumpstart stagnant rural, and in some cases urban, economies, reeling under the continued assault of government-sponsored neoliberal economic policies. Although noting that most remittances go to the satisfaction of basic necessities or are used for house construction, and that only 10-15 percent are invested productively, a recent CONAPO publication nonetheless expressed optimism regarding the role that remittances might play in economic development:

Si bien este patrón [referring to the low percentage of remittances that are productively invested] impone límites insoslayables al papel que puede desempeñar el flujo de remesas en el desarrollo, existe evidencia que indica que las remesas, particularmente los ahorros acumulados por los hogares y los migrantes, han aportado cuantiosos recursos para el desarrollo de las comunidades y microregiones con tradición migratoria, con importantes efectos multiplicadores en la actividad económica local y regional. (2002:11)

While many academics would agree with CONAPO’s assessment, there exists no overall consensus among them with respect to the actual or potential role of remittances in rural (and to a
lesser degree urban) development. Briefly we might situate academics along an axis defined by two extreme positions: those whom I call “structuralists” view the economic potential of remittances as largely constrained by the “structures of underdevelopment”; rather than reversing those structures, remittances serve to deepen them by exacerbating the gap between local haves and have-nots, and by introducing new needs (for automobiles, electronic equipment, clothing and so on) that can only be satisfied by means of the higher incomes available in the United States. Structuralist writers, often informed by some version of dependency or world systems theory, argue that migration often sets in motion social and economic forces that generate a vicious cycle whereby migration engenders more migration. Josua Reichart (1981) referred to this as the “migration syndrome.” Reichart and other structuralists, such as Weist (1984) and (Mines (1981), also claimed that, at least in the towns where they worked, the influx of US dollars into impoverished rural economies also gave rise to land price inflation, status competition, and class differentiation (see Binford, 2002, 2003 for detailed discussion). “Functionalist” approaches are more varied, for which reason they are more difficult to summarize. In general, though, they focus on the “positive” effects of remittances, whether such effects involve productive investments and economic development, or whether—as tends to be more commonly maintained today—they play roles in poverty alleviation, household and community integration and infrastructure development. I have recently been criticized for lumping a variety of very different positions together under the functionalist label (Cohen, Jones and Conway, 2005), and while the critique has merit, I must note in my defense that the structuralist/functionist division was taken from, among others, the work of Jones—who is among those who now criticizes me for having employed it in the first place! However, that structuralist-functionalist categorization was never intended to be more than a tentative or provisional classification that might assist us in isolating some features of fundamentally opposed positions (Binford, 2002:125). In any case, it seems clear that we need to take more care in our characterizations; I make an effort to do so below.

The Migration Trap
But first it is important to note that the rather than refine typologies, resolve differences or work towards building another, alternative model of how remittances function, the main object of this paper is suggest that the growing focus on remittances by academics, nongovernmental agencies and others risks trapping us within a discourse and practice that is uncritical, if not practically
supportive, of Mexican state neoliberal economic policy. Drawing upon the work of Liliana Vega in El Salvador, I want to suggest that in many areas of rural Mexico, there exists, as there seems to exist in El Salvador, “una especie de paradoja social”:

Por un lado, se expulsan salvadoreños [leer “mexicanos”] fuera del país—al no brindarles otra alternativa mejor para lograr niveles de vida aceptables—, pero, al mismo tiempo, se fomenta que mantengan el vínculo con el país que los ha expulsado para contribuir a mejorar los niveles de ingreso de la población, invertir en infraestructura, generar ahorro y, en última instancia, crecimiento económico y estabilidad social y macroeconómica. ...

En el crecimiento que impulsan, la expulsión de trabajadores es parte integral y funcional del modelo existente. (Vega, 2002:902)

In other words, I will argue that, at least since the end of the Salinas administration, the State has moved toward a deliberate policy to expel migrants from rural areas and to sustain contacts with them in the United States the better to ensure a reverse flow of remittances. I also argue that the growing academic attention given to the positive effects of remittances (in their various and proliferating forms) has the effect of reinforcing this policy and the pro-migrant discourse (Greater Mexico, migrants as national “heroes,” etc.) that justifies it. I develop the argument—which, I emphasize, is currently in any early stage of development—as follows. First, I provide a discussion of the extreme functionalist position that remittances have the potential to serve as important motors of rural development. The exegesis and critique of this position was elaborated in more detail in an earlier paper (Binford, 2002, 2003), for which reason, they will be summarized here. Second, I suggest that the remittance debate has shifted ground in recent years away from the economic development potential of family remittances and toward: (1) collective remittances; (2) social remittances, i.e. noneconomic remittances as forms of social capital; and (3) the poverty reduction/alleviation roles of remittances. Following a critique of these positions, the paper moves to Lilian Vega’s analysis of the constituent role of remittances to the maintenance of El Salvador’s neoliberal economic model, and then reviews some evidence for the selective application of her approach to Mexico. Finally, I draw on Fernando Lozano’s recent (2004) critique of Banco de México estimates of remittances to suggest that government optimism may be based on conclusions resulting from a flawed methodology.
Remittances and Economic Development

Academic researchers, government officials and others are generally in agreement that only a small portion—somewhere between 5 and 15 percent—of remitted monies are invested in the purchase of land, agricultural equipment and inputs, machinery, transport vehicles and other capital purchases that contribute to employment creation and raise the gross national product. As I noted earlier, citing a 2002 CONAPO publication, 85-95 percent of remittance money is used to purchase food and clothing, pay for education and health expenses and, to a lesser degree, build or upgrade housing stock, none of which involve economically productive investments in the narrow sense. Even so, some “functionalist” writers have argued for the importance of productive investment nonetheless, and they have done so in three ways. Here I review and critique these arguments before moving on to more recent approaches.

First, they focus on documented cases in which remittance monies can be shown to have indeed contributed to the development of regional agriculture or industry. Among the best known of these cases are the peach orchards of Jerez, Zacatecas, developed by former California migrants who gained both knowledge of peach growing and investment funds which working for US farmers in rural California or the once vibrant furniture industry of San Francisco del Rincón, Jalisco, documented by Jorge Durand (1994). Similarly, Richard Jones (1995:119-125) argues that residents of Jerez, central Zacatecas, used money saved while working in Southern California peach orchards to establish the base for what became a vibrant peach industry in that Mexican municipality. Another group of U.S. migrants financed grape and broccoli production in nearby Luis Moya. In these cases, and others as well (Durand 1994: Chapter 6), successful migrants invest U.S. savings so as to transform themselves from proletarians or semi-proletarians in Mexico and migrant wage laborers in the United States into independent petty producers or petty capitalist farmers and industrialists. Indeed, most authors of empirical case studies of migration generally mention one or more stories of successful migrants, who parlayed money earned into the United Stated in to a successful business in the home community. We cannot deny that in particular times and in particular places remittance-based investments have had such “positive” economic effects, but the question, as Durand (1994) notes, is less whether or not remittances contribute to development (as opposed to mere consumption), but under what conditions such results might be obtained. Writing in the early 1990s, prior to the mid-decade peso collapse, Durand expressed optimism with respect to the “nuevo modelo de industrialización,” which began at the beginning of the 1970s and was characterized by the
expansion of small-scale industry in rural localities and small and medium cities in the interior of
the country, particularly in western Mexico:

La dinámica de la urbanización en el ámbito rural ha tomado muchos caminos. Pero lo
cierto es que el medio rural ha cambiado radicalmente en las últimas décadas. Han
empezado a surgir nuevos patrones de construcción, diferentes opciones de compraventa,
múltiples maneras de hacer negocio y nuevas oportunidades para invertir migradólares.”

(1994:272)

Durand distinguished between “remittances as salary” (a point to which we return below),
“remittances as investment” (channeled into previously existing enterprise, such as a small farm),
and “remittances as capital” used to finance productive enterprise. This has been “la esperanza de
muchos emigrantes” but has also been “lo más difícil de concretar,” depending on both “el
momento y el medio” (1994:288). As Durand makes clear, the question is not so much whether
such results have been obtained in the past, but the conditions that made them possible and the
likelihood that such conditions obtain in the present and future. And here contemporary evidence
is overwhelmingly weighted toward seeing these developments as the exception rather than the
rule. Most rural and periurban Mexico is poorly endowed with land and physical infrastructure,
educational levels are low, purchasing power limited and local markets are uncompetitive. This
especially goes for those (increasingly extensive) regions heavily incorporated into transnational
migrant circuits. Moreover, the situation in most places has turned markedly worse since the
1994-95 peso devaluation with poverty up, purchasing power down, and a growing proliferation
of cheap foreign goods from the United States, China and elsewhere displacing Mexican-made
products (Binford, ed., 2004)—not a favorable scenario for migrants seeking profitable
investments for hard-won remittances.

As a result, remittance-based investments, when they do occur, tend to be small scale and
complementary to the principal household income source: tiendas and other stores, transport
vehicles (taxis, pick-up trucks, combis), animal husbandry and agriculture. Lots of towns whose
residents are heavily involved in US migration now sport pizza restaurants, pharmacies and other
retailers and service providers, but local markets are limited and capable of sustaining only a
small number of such enterprises. Sooner or later—usually sooner—migrant financed enterprises
reach a saturation point, leading to unchecked competition, cost cutting and business collapse.
Finally, the low levels of capitalization and small scale of most of these businesses means that
they create little waged employment, and what employment they do create is usually provided by unwaged household workers (see Binford, 2004; Binford et al., 2004).

Second, they explain that, although the percentage of remittances productively invested is low, the absolute amount can be significant. For example, a mere 10 percent of one billion dollars invested productively equals one hundred million dollars. “Injected” into rural communities, such investment funds could have substantial local impacts. But even so, there would generally be such a high degree of diffusion that, even if such monies raise the productivity of hundreds or thousands of households, they would be unlikely to achieve the degree of concentration required to structurally modify local or regional economies (see . The study of any particular rural migrant community will surely offer cases of investments in house front stores, transport vehicles, petty commerce, etcetera, without these investments having affected, in any substantial manner, the local economic structure. And as in other cases of small scale investment (whether rural or urban), the majority of these businesses failure following a short and painful life.

Third and last, various investigators—including CONAPO—have argued that even money spent on the purchase of food, clothing and other basic consumer items generate a series of positive, indirect effects as they circulate through local, regional and national economies. Here the immediate destination of remittances—invested or consumed—matters less than the multiplier effects that result from increased demand (demand in excess of that which would exist in their absence) attendant upon their circulation. For example, Germán Zárate has stated that “en el escenario más optimista, cada entrada de remesas con valor de 4 mil 431 dólares podría crear potencialmente un empleo, principalmente en los sectores agrícola y de servicios, con un número significativo de fuentes de trabajo en los sectores de alimentos procesados y de textiles...” (cited en Balboa, 2004:47; see Zárate-Hoyos, 2004:157). However, there is no security that the optimistic scenario become reality. In particular circumstances, increases in global demand may raise employment, or it may merely result in longer working days for those currently employed. Multiplier effects of various kinds undoubtedly exist, but it is by no means certain that migrants—though who generate the remittances upon which such effects depend—are their principal beneficiaries. Elsewhere (Binford, 2002) I have reworked calculations provided by Duran, Massey and Parado (1996) and shown that 35 percent of the multiplier effects estimated for 1990 were captured by “agribusinesses” and “capitalists” who made no contribution to them. In like fashion, most migrant earnings—as much as 70 percent or more on average—are spent in the
United States and generate multiplier effects on that economy. This “deviation” of remittance multiplier effects toward highly privileged groups in the two countries limits the contribution of migration-based multipliers to reducing income gaps between Mexico and the United States, Mexican rural and urban areas, and rich and poor. In any case, the net positive effect of multipliers are generally overestimated, given that calculations generally overlook the opportunity cost of migration, i.e., the income that would have been realized by the migrant had he/she remained in Mexico. The real multiplier effect of remittances should be based on the net positive difference between remittances and the income foregone by the migrant. Unfortunately, most calculations estimating multiplier effects presume that the opportunity cost is zero, i.e., that the migrant would generate no income had he/she remained in Mexico, and treat remittances statistically as though they were a form of saving as opposed to salary. They “toman la forma de un ahorro,” according to Canales, but “en realidad tienen el papel de cualquier salario, asumiendo por tanto, el mismo efecto que puede atribuirse a los salarios de la población no migrante en el resto del país” (2004:99). The net multiplier effect has to be estimated, then, by comparing the hypothetical multiplier effect of salary forgone when one migrates with the (U.S.) estimated multiplier effect of the remittance. ³

Recent Approaches
Some recent studies have reached conclusions similar to my own with respect to the development potential of remittances. For instance, Alejandro Canales has carried out both regional surveys and, in collaboration with Israel Montiel, a detailed examination of Teocaltiche, Jalisco in which he has explored the hypothesis that remittances represent a “savings fund” as opposed to a “salary.” Conceptualized as “savings,” remittances—or at least a substantial portion of them—would presumably be available for productive investment. Viewed as “salary,” one would expect that the bulk of remittances would be expended in household economic reproduction. Canales argues that the “savings” position is conceptually flawed because it inappropriately recategorizes monies transferred transnationally within a dispersed household unit. Internationally transferred remittances are comparable to any domestic interhousehold monetary transfer or movement, the difference being that the principal wage earner (or one of them) resides and works outside the country. Canales concludes that “nuestra hipótesis es que el grueso de las remesas aunque toman la forma de un ahorro, en realidad tienen el papel de cualquier salario, asumiendo por tanto, el mismo efecto que puede atribuirse a los salarios de la población no migrante en el resto del país
sostenemos que las remesas constituyen una fuente de ingreso familiar que en la mayoría de los casos actúa como sustituto de otras fuentes de ingreso, particularmente, de las remuneraciones de trabajo” (2004:99-100). Si remittances represent anything, then, it is “la precariedad y carencia de fuentes de financiamiento interno del balance ingreso-gasto de los hogares en las comunidades de origen de la migración” (2004:108). Or, to put it another way, the opportunity cost of international migration tends currently to be extremely low, a point to which I will return below. As salary, then, the saving and investment potential of remittances will depend on their amount and periodicity. Other things being equal, remittances may actually go farther than (an equivalent) Mexican-earned salaries—a point overlooked by Canales (see 2004:115)—because the migrant’s cost of reproduction is “pre-paid” prior to their transfer, meaning that the remitted monies are channeled into a demographically smaller household. Canales notes that on the whole rural remitters (perhaps half the total) send home an average US $2,000 annually, urban remitters an additional US $500 (2004:106), not enough to lift an average sized Mexican household above the poverty line. Obviously, as Conway (2004) and others have pointed out, remittances represent only a portion of overall household income.

Perhaps influenced by these and other criticisms—which entails a partial vindication of those produced in the 1980s—recent academic work is in the process of reconfiguring the remittance debate along three lines. One current divides remittances into family remittances and collective remittances, and claims the development potential of remittances rests principally with the latter form. A second line of research moves away from economic remittances all together in order to focus on the progressive (and at times developmental) potential of social remittances, loosely defined as useful knowledges, skills, networks and worldviews that returning or visiting migrants “remit” to their communities of origin. (Rivera-Sánchez, 2004). A third approach eschews the development role of remittances for a focus on their role in poverty alleviation.4

Collective remittances
Changing state policy and acknowledgment of the increasingly dismal prospects for investing in migrant sending communities have led some researchers to differentiate between the “family remittances” of the type that I have been discussing, and the “collective remittances” of hometown clubs and associations based in the United States and sent back to the Mexican communities from which their members originated. The argument here is that we should not expect much in the way of investment on the part of family remittances, given their small amounts, irregular delivery and maintenance-oriented expenditure. By contrast, hometown clubs
and associations “pool” small contributions from numerous migrants so as to be able to finance social or infra-structural projects, and occasionally productive ones, far beyond the capacity of individual remitters. The geographic spread of “Two for One” and “Three for One” programs, which originated in Zacatecas, and the growing official interest in establishing stronger linkages with US-based migrant organizations is partly shaped by the desire to see a larger share of remittances channeled into productive, infrastructural or, at least, poverty alleviation programs. Thus the Three for One Program, now widely available, provides a federal, state and municipal dollar for every migrant dollar for the realization of projects that fall within the program’s parameters. Social and infrastructural projects and poverty alleviation programs create, at best, temporary jobs (road building, school construction, etc.). Few US-based hometown clubs or migrants associations are interested in financing productive projects, in part as a consequence of fears and suspicions of becoming victims of corruption on the part of officials controlling and charged with managing substantial money and collective resources (Bada, 2004, see Alarcón, 2004). Programs to encourage them to do so, such as “Mi Comunidad” en Guanajuato, have enjoyed little success (Alarcón, 2004:172).

In any case collective remittances represent a small percentage of all remittances. For instance, in Michoacán in 2001 a mere 10.1 million dollars, less than 1 percent of the estimated 1.4 billion remitted dollars were channeled through the Three for One Program (Bada, 2004:85). Alarcón reports that in 1999 in Zacatecas, the total Three for One program developed 93 public works in 27 municipalities at a total cost of about 48 million pesos, a quarter of which was contributed by hometown associations. The 12 million pesos contribution (about 1.3 million dollars) was, as in the case of Michoacán, less than 1 percent of total remittances. Hometown clubs and associations do finance innumerable projects—from schools and road construction to park and church renovation—that upgrade the physical and social infrastructure of Mexican communities and improve life for those local residents. But it would be an error to think that such collective remittances, even when added to matching local, state and federal contributions, can alter the structural conditions that promote migration. On the contrary, many official programs oriented to migrants have come to be inscribed within the New Federalism policy that decentralized central government institutions—a good thing—but that simultaneously reduced or eliminated many entitlement programs in favor of others oriented toward targeted poverty alleviation. One of those programs was Ramo 26 (now Ramo 33), and, according to Luin Goldring (2002), migrant sending communities can obtain access to federal and state matching
funds only if they channel collective remittances into “approved” projects consistent with poverty reduction strategies developed by the World Bank to undermine resistance to tariff reduction, privatization, the elimination of production, crop subsidies to small farmers and other neoliberal policies that have been shown to contribute to poverty and income concentration in Mexico and elsewhere in Latin America (see Portes and Hoffman, 2003; González de la Rocha, 2004).

Projects carried out through Mexico’s Programa Nacional de Solidaridad (PRONASOL), Solidaridad Internacional, and the Dos por Uno program all exemplify decentralization and devolution strategies that transfer costs to participants. These initiatives should be understood as part of a broader agenda of neoliberal restructuring generally couched in rhetoric and policies aimed at reducing the national state sector (as in price supports and subsidies) and expanding the scope of market forces. (2002:83)

Goldring believes that the political impacts of home town associations and migrant federations cannot is probably more important in the medium and long term than their economic impact, although the two cannot be divorced (2002:75); however, conjunctural molding of the “contemporary period of active transnational outreach by the Mexican state” (2002:68) has led to what she refers to (critically) as “market membership”…based on a neoliberal model of state-society relations in which individuals obtain goods and services through the market, presumably with little state intervention… Political membership is defined in terms of market-readiness, that is, remittances, investment, and consumption. This offer of membership depends on transmigrants’ affective ties and nationalist sentiments to mobilize and maintain financial mechanisms for political participation or representation. (2002:69)

**Social Remittances**

Other researchers focus less on economic remittances than on social ones. Unlike economic remittances, social remittances require the physical presence of a migrant, whose social contacts and newly acquired skills and knowledges are returned to the community where they can be both applied and passed to others, in some cases altering the social/cultural and even economic environment. Writing on migration from the Pueblan Mixtec region, Rivera described “remesas socioculturales” as

el proceso de acumulación de capital social (como experiencia, contactos, conocimiento sobre los mercados de trabajo, los ‘coyotes’ y los pasos apropiados en la frontera, por
ejemplo) produce, con el tiempo y en las diversas comunidades, la confrontación de nuevas estrategias de desplazamiento, seguido de otros patrones migratorios. (2004:75)

In this case, however, social—for Rivera social-cultural—remittances have less to do with local social and economic development than with the formation and consolidation of networks that diminish the selectivity of the process, reduce the risks of crossing the border and ease new migrants’ transition to U.S. society. These types of remittances have little or no impact on the community in the short run, although they may have medium to long term influence through the more stable and better paying U.S. employment they make possible, which can result in higher remittance levels.

Other social remittances may be more important in developmental terms. Some migrants, for example, develop new skills and abilities on the basis of formal training or practical experience in the United States; these may include organizational skills, accounts handling, time management, product innovation and the importance of customer service that give them advantages in local marketplace competition. For example, former restaurant workers have introduced pizza, properly modified for local palettes (pizza with mole sauce or strips of poblano chile) into rural Mexican communities, replete with home delivery. But the potential to put these social remittances to work will often depend on the availability of local financing (from remittances or otherwise) and the structure of local markets. Finally, social remittances are not always “socially innocent.” By definition they involve the transculturation of

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Other investigators concede that productive investments are uncommon (even if they do occur in some circumstances) but that remittances “often act as an effective safety net for people who exist outside of the scope and purview of the state, who lack local wage work, and who are ignored by the international movement of capital and commerce” (Cohen, 2004:102-103, summarizing the 1998 work of Richard Jones). Even when migrants are not formally organized, community pressures for “cooperations” in local infrastructure development projects, though more commonly for religious and other ritual expenses (mayordomías, etc.), both depend on and maintain or strengthen affective bonds. Cohen (2004) makes the point that cooperación and tequio have long histories in the Oaxaca valley communities in which he conducted survey work, and that most migrants are held responsible for meeting their local work and ritual commitments even when absent, through family substitutes, payment of fines or payment to others who serve on their behalf. Such control of portions of migrant remittances depends on the migrant’s
intention to ultimate return and live in the community and his/her fear that failure to meet ongoing community obligations will lead to the deprivation of local “citizenship” rights. Like others Cohen makes a case for—though he provides no systematic analysis of—a dialectic of struggle over rights and obligations between the holders of local political power and absent income earners (2004:119-122; see Smith, forthcoming, 1998; VenWey et al., 2005). The undocumented status of most migrants arriving in the United States after 1989 (Passel, 2005) ensures that even as stricter security leads to the prolongation of trips, many if not most migrants will retain the expectation of returning to the only country in which they retain tacit, if not effective, citizenship rights.

Remittances and Political Economy: the Salvadorianization of Mexico?
There is another way to “think” migration and remittances, but we will have to travel to El Salvador (and perhaps other Central American countries) in order to discover it. In absolute terms, Mario Lungo reported that in 2001 Salvadoran migrants remitted home about 1.92 billion dollars, a small amount compared to Mexico, yet equal to 17 percent of gross national product as a result of the proportionately even smaller size of the economy (2002:874). Remittances provide more than twice the foreign exchange of coffee, El Salvador’s principal export, underpin a fixed exchange rate (8.75 colones to the dollar) which has resulted in the economy’s dollarization, and serve as a form of repayment guarantee for bonds issued by some Salvadoran banks. El Salvador’s principal export is no longer coffee, but human labor power.

Examining these and other developments led Lilian Vega to ask whether remittances had become a “parte integral y funcional del modelo existente” (2002:902). U.S. migration and remittances have become so deeply “embedded” in El Salvador’s economic structure since the end of the civil war in 1992, that the entire economy and not merely hundreds of rural cantones and aldeas would enter into even more severe social and economic crisis were a substantial number of Salvadoran migrants to voluntarily repatriate or to be expelled from the United States. Moreover, current levels of remittances can only be maintained or increased if a gradually aging and increasingly settled Salvadoran migrant population is constantly supplemented by new waves of migrants economically obligated to provide full or partial support for one or more nonmigrants. In summary, Vega maintains that the maintenance of El Salvador’s neoliberal economic requires both that large numbers of domestically expendable workers and peasants be separated from their communities and expelled northward, and that they retain affective ties that
ensure that they meet familial and community economic obligations (through family and, where migrants have organized, collective remittances). Vega suggests that government policy is deliberately directed toward this end:

La explusión de personas no solo es el pobre resultado del modelo económico actual, sino un aspecto funcional del mismo, se necesita exportar salvadoreños para que éste sea viable. De lo contrario, habría escasez de divisas, imposibilidad para importar no solo bienes de consumo, sino también intermedios y de capital, lo cual a su vez llevaría a una recesión, al desempleo y a la crisis social, lo cual haría inviable su funcionamiento.

(2002:905)

There is, of course, a danger of analyzing this process in strictly functionist terms or as a vast conspiracy of a small group of politicians in concert, perhaps, with international planners. But I think the above quote from Vega makes it quite clear that we are talking about one effect of the deepening of neoliberal capitalism in El Salvador. Almost two decades of privatization of state enterprise, market opening, austerity budgets, regressive taxation and shrinking of social programs have both sent growing numbers of people northward and have increased macroeconomic dependency on remittances. In order to maintain the model, the state now finds itself moved to reinforce migrants’ social and affective ties with El Salvador, and to develop co-investment programs (Fondo de Inversión Social para el Desarrollo), encourage home town association formation, and create mechanisms designed to reduce transfer costs in order to facilitate the movement of remittances and channel a portion of them, where possible, into World Bank style targeted anti-poverty programs (see Vega 2002).

Is future remittance growth viewed in Mexico, as it seems to be in El Salvador, as key to the sustenance of the neoliberal economic model? Mexico is not El Salvador. It has an immensely more diversified economy, petroleum resources and a privileged relationship with the leviathan to the north. And remittances represent only 2.4 percent of gross national product. And yet, I believe that the Mexican government, convinced both of the high benefits and low economic cost represented by remittance incomes, is becoming increasingly committed to a local version of the Salvadoran model, especially in rural, rainfed agricultural areas that have only limited potential of being productively incorporated into global capital markets. Like in El Salvador the most desirable product of these zones (from the point of view of Mexico City-based technocrats) may be human labor power, especially in its guise as an international/transnational proletariat generating remittances for a post TLCAN economy confronted with chronic balance
of payments problems. Lozano notes that “[L]a política de cortejo a la diáspora, que supone el reconocimiento de la voz y el poder de los migrantes en el escenario económico y político del país de origen, es al mismo tiempo parte de una política que considera a la migración y a las remesas como un sector más de la economía” (2004:16). Remittances are now included in official government statistics, and, as noted above, their amounts are compared with incomes generated by tourism, petroleum sales, agricultural exports and other sources of foreign exchange. The president refers to those who generate them as “heroes” (2004:4)—a word now so overused that it risks losing all specificity, views the productive investment of remittances “como estrategia de combate a la pobreza y el rezago social” (2004:3), and official discourse treats their increase as “parte de los logros de la actual administración federal” (2004:5). Finally, from an unpredictable resource subject to variations in the labor demand of destination countries “ha sido paulatinamente sustituida por la noción de que se trata de recursos con una dinámica estable, incluso mayor que la de los flujos de capital” (2004:5). Presuming that functionaries, bureaucrats, politicians, businesspeople and others in positions of power actual believe what they say, why would they be interested in renegotiating the TLCAN, shifting more resources toward small rainfed farmers, or undertaking any measure that could have the effect of reducing international migration and, consequently, reduce as well the amount of future remittances?

I want to be clear that I am not presenting this policy of expulsion as the product of a conspiracy hatched in the high eschleons of state power. Rather, policy evolved over the course of more than two decades of state commitment to structural adjustment and neoliberal social and economic policy that has converted millions of rural Mexicans into a disposable population. Relative to Fox, the Salinas administration paid relative little attention to migration and remittances. Both Salinas and most people in his administration believed that Mexico’s entry into free trade with Canada and, more importantly, the United States would be followed by a significant rise in domestic exports, foreign capital investment, and job creation with a subsequent reduction in international migration. International migration did, indeed, decline, though during the early 1990s and prior to the free trade treaty. Domestic wages recovered some of the value they had lost during the first decade of the crisis, and, though they remained well below their U.S. counterparts, the economic incentives to migrate internationally were significantly reduced. Jorge Durand was able to write around 1991 that “la migración ha empezado a dejar de ser una alternativa generalizada y se ha convertido en una opción atractiva sólo para aquellos que cuentan con documentación y apoyo familiar en los Estados Unidos”
I, too, found that the number of new migrants declined from rural Pueblan communities sampled between 1998 and 2002 (Binford, próxima aparición).

The 1994-95 peso crisis followed shortly after Mexico’s formal entry into the TLCAN and put the lie to the Salinas administration’s optimism regarding domestic job creation. Agricultural production plummeted, real wages suffered a steep decline, unemployment rose, and, not suprisingly, international migration reached historically unprecedented highs. Between 1993 and 1998, the Mexican economy generated only 120,000 new jobs annually for between 1-1.3 million new entrants into the labor force; and by 2001, the U.S. wage earners received an average of 12.2 times their Mexican counterparts (U.S. $20.67 to $1.72) (Zárate-Hoyos y Spencer, 2004:1125). With accelerating force international migration moved outside the “historic sending area” of West Central Mexico—the states of Michoacán, Guanajuato, Jalisco, Zacatecas and others—to engulf most areas of Puebla, Oaxaca, Guerrero, Veracruz and even Chiapas (Binford, ed, 2004; Binford, próxima aparición; Hernández, 2004; Mestries, 2004; Conway, 2005). As noted earlier, the approximate number of people of Mexican birth residing in the United States increased 43 percent between 1995 and 2002, from 6.7 to 9.6 million. By march 2004 the Mexican born population resident in the United States had increased another 16.7 percent to 11.2 million (Passel, 2005). According to a recent Pew Hispanic Center study, new migration flows from Mexico increased from 220,000 annually between 1980-84 to 370,000 annually between 1990-94 and 575,000 annually between 2000-04 (Passel, 2005). Of course, Other things remaining equal, more migrants mean more remittances, although the increase may be substantially less than Banco de México figures indicate (see below).

Whatever the actual rate or magnitude of increase, remittances have are becoming increasingly important to continued viability of a neoliberal model of “disarticulated accumulation” based on “[e]xports as the engine of growth, international financial markets as the source of financing, increased reliance on oil exports to deal with the current-account deficit… full support of the maquiladora sector [and] suppression of domestic wages—all this and more constitute a new profile of dependence” (Cypher, 2001:28-29). But the model “has no real basis in economic theory…. in an average year the trade deficit in manufacturing (excluding maquiladoras) will be strongly negative, so much so that even with booming oil prices and strong growth in maquiladora exports, as in 2000, Mexico will nonetheless suffer a serious current-account deficit of 3 to 4 percent” (2001:17). Since Cypher’s observations, a “double whammy” of intensified Chinese competition and post 9/11 recession in the United States (2001-04) have
depressed the maquiladora sector, thereby increasing the importance of international petroleum sales and migrant remittances as sources of foreign exchange.9

The foregoing provides a sketch of the macroeconomic context necessary to grasp the Fox administration’s interest in migrants and migrant remittances: why the government represents migrants publicly as “heroes” at the same time that it displays absolutely no commitment to reversing current policy, which places small scale Mexican farmers working poor, rainfed lands with little or no technical assistance in direct competition with heavily-subsidized U.S. agriculturalists who enjoy overwhelming advantages with regard to soil quality, rainfall amount and predictability, price supports, extension services and technology access (Salinas, 2004; Calva, 2004).10 With the exception of Procampo, which will soon expire, the government’s rural social and economic policy is either biased toward commercial farmers with demonstrated market potential or of the World Bank targeted assistance type, such as Ramo 33, which is supposed to provide a more efficient, “laser-style” intervention among the poor. It should not be surprising, then, that in its negotiations with the rural groups organized under the rubric of “¡El campo no aguanta más,” the government rejected practically organization demands that would reverse neoliberal policies or delay their future advance—definitive exclusion of corn and beans from TLCAN, a moratorium on the introduction of transgenic varieties, the modification of Article 27 of the Mexican Constitution, etc.—and signed on to an Acuerdo Nacional para el Campo that provided little more than stop-gap measures with the potential to soften the impact of neoliberal policy (Rubio, 2004:34).

**Questioning the measurements**

Is future remittance growth viewed in Mexico, as it seems to be in El Salvador, as key to the sustenance of the neoliberal economic model? Obviously this is a pressing research and public policy issue that cries out for investigation. Here I merely want to point out that the discussion of remittances’ current and future role may be founded on grossly inflated, though widely repeated, estimates of remittances made by the Banco de México. Fernando Lozano (2004) states that the U.S. Census Bureau’s Continuous Population Survey indicates that the population of Mexican birth grew 43 percent (from 6.7 million to 9.6 million) between 1995 and 2002, a period during which the Banco de México reported a 167.2 percent increase in remittance incomes (from US $3,672.7 million to US $9,814.5 million). If the 43 percent increase in Mexican origin migrants can be taken as an accurate measure of remitters, each remitting migrant worker would have had
to have increased the amount remitted by 86 percent by 2002 in order to account for the
difference in total remittances in 1995—assuming, of course, that there occurred no substantial
increase in the percentage of remitters over the period.

The Banco de México stands by its figures, but the fact is that since 1994, it enters into its
estimates of remittances all small electronic transactions (under US $1,000) reported by
companies dedicated to this activity. Whereas the average electronic transfer has changed little
(varying from a low of US $282 in 1999 to a high of 365 in 2002), the number of transactions
rose 166 percent—from 11.26 million in 1995 to 29.9 million—which is to say that they rose at
the same rate as reported remittances. Rodolfo Corona’s view (reported in Lozano 2004:15) is
that the bank is capturing many small commercial transactions unrelated to remittances.
According to Corona, this money “‘puede ser dinero de cualquier cosa, de pequeños exportadores
de aguacate, de pequeños comercios. El Banco registra las transferencias, pero no todas son
remesas familiares,’” a point with which Lozano is in full agreement.

If the US $9,814.5 million reported by the Banco de México seriously overestimated 2002
remittances, then the US $13,265.6 million reported for 2003 and the preliminary figure of US
$16,600 recently released for 2004 must be farther off the mark. Even so, numerous journalists,
academics and representatives of state institutions reproduce the bank’s figures, organizing them
in easy to read charts, graphs and tables that provide visual documentation of how remittances
have overtaken agricultural exports, tourism and other traditional hard currency sources, and how
they continue to gain on petroleum sales (see Goldring 2002:62, n.15; CONAPO, 2004; Canales,
2004:102-103). One upshot of this procedure has been to reinforce the perception on the part of
policy makers that remittances represent a massive and growing potential social and economic
investment fund that can be harnessed (or tapped) by the state—if only the proper policies can be
devised and put into place. In other words, migrants and remittances have come to play a
growing role in state policy, including economic policy.

In his “Final Considerations” Lozano notes that “[L]a política de cortejo a la diáspora,
que supone el reconocimiento de la voz y el poder de los migrantes en el escenario económico y
político del país de origen, es al mismo tiempo parte de una política que considera a la migración
y a las remesas como un sector más de la economía” (2004:16). Thus remittances are now
included in official government statistics, and they are regularly quantitatively measured against
the incomes from tourism, petroleum sales, agricultural exports and other sources of foreign
exchange. The president refers to those who generate them as “heroes”—a word now so
overused that it risks losing all specificity, views the productive investment of remittances “como estrategia de combate a la pobreza y el rezago social” and official discourse treats their increase as “parte de los logros de la actual administración federal.” Finally, from an unpredictable resource subject to variations in the labor demand in destination countries, remittances have come to be viewed in official circles as “recursos con una dinámica estable, incluso mayor que la de los flujos de capital” (2004:3-5). It should be obvious that the (probably) flawed Banco de México figures showing something on the order of a fivefold increase in remittances entering Mexico over the course of the last ten years (1995-2004) plays an important ideological role in promoting this optimistic scenario.

Conclusions

Growing efforts to “capture” remittances and channel them into approved programs manifests the heightened public role that remittances have come to assume in Mexico, where official figures suggests 20-30 percent annual growth over the last several years. As I have attempted to show, much of the discourse around remittances and development is misinformed. Most remittance receiving households are poor, and remittances constitute the principal if not the sole source of income, for which reason few are in a position to even contemplate investing them, even presuming a more propitious local investment climate. Alejandro Canales has gone so far as to argue that remittances are better thought of as a form of salary as opposed to, say, savings, given that they represent earnings that absent income earners contribute to the household reproduction fund; they are not different conceptually from the household contributions made by resident Mexican (and thus nonmigrant) wage earners (Canales, 2004; Canales and Montiel, 2004). The discussions around collective remittances, social remittances, the role of remittances in sustaining community integration are too often divorced from discussion of state policy and the historical and current socio-economic context. Analyses of migration and remittances that assume or background neoliberal capitalism, rather than analyzing it historically and contemporarily as a hegemonic project rife with social tension, can easily provide support for the “Salvadorianization” that seems well advanced in large areas of rural Mexico. The “practical” and “realist” orientation of much contemporary anthropology and sociology reinforces these tendencies. What should the government do vis-à-vis home town associations and migrant federations in order to “capture” larger amounts of migrant remittances and assure that they are channeled to productive and infrastructure projects as opposed to expended on individual and
household consumption? What can/should communities do in order to remain integrated social units in the context of the potentially disruptive effects of international migration? Or perhaps more precisely (but more critically) stated, how might rural communities maintain the local social peace (“remain integrated”)—and what role remittances might play in this—at the same time as they serve as criaderas for future generations of cheap migrant labor? How do (or might) remittances mitigate or alleviate poverty in rural grain-producing areas deprived of access to extension services, credit on reasonable terms, reasonable prices, etc. Shorn of a critical orientation, work that addresses these practical (and generally functionalist oriented) issues often falls into the “remittance trap”—a constituent aspect of a neoliberal project—whereby migrants both contribute to macroeconomic stability (foreign exchange) and the social maintenance and political stability (family and collective remittances) in this “enorme laboratorio de experimentación neoliberal” (Calva, 2004:17, author’s emphasis) from which they have been expelled but with which they nonetheless maintain affective ties. Few statements illustrate so clearly the limits of functionalist analysis—and its complicity with the state project—than the following defense of the New Labor Economics of Migration model, which praises the collective (here meaning household and family) strategies undertaken “not only to maximize income, but also to minimize risks and loosen constraints created by a variety of market failures…Even if the loss of family labor to migration reduces rural output, migrant remittances may compensate for this production loss, both by adding directly to household income and by enabling households with migrants to invest in their production activities” (Edwards and Fletcher, s/f:7, my emphasis).

Notes
transfers into its calculations; it also provided a factor estimate of pocket transfers (Lozano, 2003, 2004:7).

Conveniently forgetting its earlier reservations, the bank revised its methodology a year later by incorporating electronic

estas operaciones incluían transferencias para el pago de servicios o mercancias” (Lozano, 2004:6; ver Lozano 2003:30).

bank “mantenía la idea de que las transferencias electrónicas no debían ser consideradas como remesas, ya que muchas de

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system has no way of knowing how long the individual has been abroad, or even if s/he is really a migrant from Mexico.


My examination of these positions is preliminary and all statements of evaluation should be taken as preliminary and subject to revision.

Collective remittances also appear to be small in Central America (Serrano, 2004:224).

The degree to which “new sending areas” have eroded the historic areas’ domination of migrant streams has recently been debated in the pages of the Latin American Research Review (see Durand et al., 2001; Marcelli et al., 2001).

According to Passel, 80-85 percent of migrants arriving from Mexico over the last decade have been undocumented; the undocumented Mexican population accounts for 53 percent of all Mexicans living in the United States (2005:2).

Cypher makes the important point that “the simple opening of an economy does not provide the internal mechanisms for economic development. In short, reliance on the market, particularly open international markets, and abandonment of the dynamic role of the state—the essence of neoliberalism—is no prescription whatever for economic development” (2001:17).


Salinas describes “[t]res grandes tendencias [that] dominan el sector agropecuario en esta transición neomodernizadora: la primer tendencia es la económicamente dominante, la diversificación de las exportaciones agrícolas hortícolas y frutícolas como pivote del crecimiento del sector con la importación creciente de granos básicos y alimentos agroindustrializados; el estancamiento de la producción de granos básicos y otros productos alimentarios y forrajeros con la lenta descomposición del sistema campesino; la desarticulación del subsistema minifundista a los mercados regionales y nacionales de trabajo y su articulación al mercado internacional laboral” (2004:11).

Ricardo Macip makes a similar point: “La heroídad conferida a la migración a los Estados Unidos es un cambio importante en las sensibilidades del discurso público y discusión intelectual y política sobre la proasexa ubicuidad de esta estrategia de sobrevivencia y reproducción. Si bien la migración no es nueva y tiene presencia bien documentada durante todo el siglo XX, en la mitad de los mil novecientos se radicalmente re-imaginada y articulada” (2005:1).

It is, of course, remotely possible that the figures are not as far off as they appear. Taylor y Fletcher state that, “When a cashiers check or postal money order is sent from an individual in the U.S. to someone in Mexico, the Mexican banking system has no way of knowing how long the figures have been abroad, or even if s/he is really a migrant from Mexico. Estimation of international migrant remittance flows is complicated further by the fact that an unknown but probably large share of remittances are not channeled through the formal banking system.” Finally, “Micro-level field studies indicate that clandestine or in-kind transfers are substantial; however, remittance studies generally do not attempt to put a value on in-kind transfers” (s/f.3). The first point speaks to a tendency to overestimate remittances, the second and third to underestimate them.

Until 1994, the Banco de Mexico estimated remittances on the basis of wire transfers, which at the time were thought to constitute the principal means of transfer; the bank took no account of electronic movements—then thought to be rather insignificant—or pocket transfers, which Lozano (1993) estimated at 29 percent of total remittances. At the time the bank “mantenía la idea de que las transferencias electrónicas no debían ser consideradas como remesas, ya que muchas de estas operaciones incluían transferencias para el pago de servicios o mercancias” (Lozano, 2004:6; ver Lozano 2003:30). Conveniently forgetting its earlier reservations, the bank revised its methodology a year later by incorporating electronic transfers into its calculations; it also provided a factor estimate of pocket transfers (Lozano, 2003, 2004:7).
It is important to point out, finally, that even if overestimated, remittances increased substantially during the decade of the 1990s, and continued to increase during the first five years of the new millennium. The basic argument in this paper regarding the “Salvadoranization” of Mexico, i.e., the constituent role of remittances in State-sponsored economic policy, does not rise or fall with Lozano’s critique of official calculations of remittances.

Referencias


