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MIGRATION

Edited by
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CRITICAL CONCEPTS IN
THE SOCIAL SCIENCES

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MIGRATION

Critical Concepts in the Social Sciences

Edited by Steven Vertovec

Volume I
Theories

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Given the diversity of methods and data sources used to derive these estimates, their compatibility is striking. Differences reflect the year to which the figures pertain and the inclusion or exclusion of certain components of the total flow. Among recent studies, only Lozano Ascencio (1993) puts the annual total of migradollars significantly higher at \$3.15 billion, a discrepancy that Massey and Parrado (1994) attribute to his overestimate of the propensity of certain classes of migrants to repatriate their U.S. earnings.

It seems safe to conclude, therefore, that at least \$2 billion enter Mexico each year as a result of labor migration to the United States, making it one of the country's leading sources of foreign exchange. At \$2 billion, migradollars would nearly equal Mexico's 1990 earnings from export agriculture; they would constitute 78 percent of its direct foreign investment, 59 percent of its tourist revenues, and 56 percent of its earnings from maquila production (Massey and Parrado, 1994). At this scale, the annual flow of migradollars into Mexico cannot help but have large effects on its rate and pattern of economic growth.

Despite the obvious potential of migradollars to serve as an engine of economic growth, the research literature is remarkably pessimistic about the economic consequences of labor migration. Numerous studies of sending communities have concluded that U.S. migration leads to a cycle of economic dependency that discourages autonomous development. A review of 37 community studies by Durand and Massey (1992:25) found that investigators were "remarkably unanimous in condemning international migration as a palliative that improves the material well-being of particular families but does not lead to sustained economic growth within sending communities."

This conclusion stems largely from the widely-replicated observation that U.S. earnings are spent overwhelmingly on current consumption - family maintenance, health, home construction, remodeling, and the purchase of consumer goods - a pattern of use that leaves few migradollars available for productive investment, e.g., the capitalization of a business or the purchase of tools, equipment, or machines that might enable or augment production.

Two-thirds of all remittances into the community studied by Dinerman (1982), for example, went to consumption; and in the town surveyed by González and Escobar (1990), the figure was 93 percent. López (1986) found that 83 percent of the remittances reported by migrants in his sample went to consumption; similar spending patterns were reported in studies carried out by Shadow (1979), Reichert (1981), Stuart and Kearney (1981), Mises (1981), Fernández (1988), and Wiest (1973, 1979, 1984), although these investigators did not report specific figures.

Several studies have compared spending patterns across multiple sending communities. Cornelius (1990) surveyed three communities and estimated that 92 percent of remittances and 66 percent of savings were spent on consumption. Massey *et al.* (1987) surveyed four communities and found the percentage of U.S. savings going to consumption ranged from 68 to 86 percent. Massey and Parrado (1994) drew on surveys of 22 communities to conclude that, on average, two-thirds of all migradollars were spent on consumption. About half (48%)

MIGRADOLLARS AND DEVELOPMENT

A reconsideration of the Mexican case

*Jorge Durand, Emilio A. Parrado and
Douglas S. Massey*

Source: *International Migration Review* 30(2) (1996): 423-444.

Abstract

Economic arguments, quantitative data, and ethnographic case studies are presented to counter popular misconceptions about international labor migration and its economic consequences in Mexico. The prevailing view is that Mexico-U.S. migration discourages autonomous economic growth within Mexico, at both the local and national levels, and that it promotes economic dependency. However, results estimated from a multiplier model suggest that the inflow of migradollars stimulates economic activity, both directly and indirectly, and that it leads to significantly higher levels of employment, investment, and income within specific communities and the nation as a whole. The annual arrival of around \$2 billion migradollars generates economic activity that accounts for 10 percent of Mexico's output and 3 percent of its Gross Domestic Product.

According to the best available evidence, Mexican migrants working in the United States annually send or bring back around \$2 billion. Despite the difficulty of counting a flow of money that enters Mexico through a variety of channels, both monitored and clandestine, estimates of the quantity of what Durand (1988) calls "migradollars" are remarkably consistent: According to the Bank of Mexico (1991), the annual flow is \$1.98 billion; Nolasco (1991) puts it at \$1.8 billion; García y Griego and Gimer de los Ríos (1985) estimate the annual flow of migradollars to be around \$1.8 billion; Keely and Tran (1989) put it at \$2.3 billion; Russell and Teitelbaum (1992) set it at \$2.28 billion; Massey and Parrado (1994) estimate it to be \$2.01 billion.

went to family maintenance (food, clothes, medicine, etc.); another 10 percent went to housing, and around 7 percent went to consumer goods and recreation.

Given the overwhelming use of migradollars for consumption rather than production, prior investigators have concluded that U.S. migration perpetuates a state of economic dependency that undermines the prospects for development at both the regional and national levels. The dim view that most researchers have of labor migration is clearly revealed in the language they use to describe it: Reichert (1981) refers to U.S. migration as a "syndrome," suggesting some kind of unhealthy medical condition; Wiest (1979) calls it an "addiction" that townspeople must satisfy to fulfill their need for consumer goods; Stuart and Kearney (1981) refer to it as a "dangerous dependence."

By focusing on the small share of migradollars devoted to productive investment, however, prior investigators have ignored the indirect effects that consumer spending has on economic production and income in Mexico. Even though migradollars may be spent largely on consumption, this spending augments the demand for goods and services produced in Mexico, leading ultimately to more production, higher employment, and increased national income. In short, migradollars have potentially strong multiplier effects throughout the Mexican economy.

Money sent from the United States for family maintenance, for example, creates additional demand for shirts, pants, shoes, coats, hats, belts, and boots — items that are widely manufactured in Mexico; it also increases the demand for domestically-produced corn, beans, beef, pork, milk, and other foodstuffs. Spending on housing generates additional demand for bricks, adobe, lumber, hardware, concrete, paint, and tools — a large portion of which are produced in Mexico. The influx of migradollars also generates demand for doctors, pharmacists, teachers, and architects who provide services to migrant families.

As migradollars work their way through the Mexican economy, therefore, they steadily multiply to increase income, production, and investment indirectly. In the end, the indirect effects of migradollars may equal or exceed their direct effects. Adelman and Taylor (1992) developed a social accounting matrix to assess the scale of such indirect effects in the Mexican economy. According to their estimates, each migradollar entering Mexico ultimately produced a \$2.90 increase in Mexico's Gross Domestic Product and raised output by a total of \$3.20.

Adelman, Taylor and Vogel (1988) found similar results at the village level. Using detailed economic data gathered in a small farming community near Pátzcuaro, Michoacán, they found that each migradollar raised village income by \$1.78 and increased its output by \$1.88. As a result, economic well-being in the community was increased by considerably more than the sum of the migradollars. Rather, the indirect effects of consumer spending had strong multiplier effects that raised income and production by almost two dollars for every dollar sent or brought back from the United States.

By focusing narrowly on the large share of migradollars spent on consumption, therefore, prior research has grossly undervalued the role of U.S. earnings in promoting economic development within Mexico. By ignoring the varied and

substantial multiplier effects of consumer spending, investigators have failed to appreciate how migradollars contribute to growth indirectly as they work their way through national, regional and local economies. As a result of these deficiencies, the prevailing picture of Mexico-U.S. labor migration is far too pessimistic.

The objective of this article is to show more precisely the size and nature of labor migration's likely effects on the Mexican economy by combining Massey and Parrado's (1994) estimates of migradollars with production and income multipliers developed by Adelman and Taylor (1992). After developing quantitative estimates at the national level, microlevel multipliers derived by Adelman, Taylor and Vogel (1988) are used to estimate indirect effects at the community level. Throughout the analysis, quantitative findings are illustrated with examples drawn from ethnographic fieldwork carried out in western Mexico.

Migradollars and production in the Mexican economy

Dollars sent or brought back to Mexico by migrants working in the United States can affect the level of national production in two ways. The first is obviously through direct investment itself. Although most migradollars are spent on consumption, some inevitably are channeled into productive enterprises of one sort or another. Even though the percentage spent on production may be small, when applied to a base of \$2 billion the aggregate amount invested each year may be substantial. According to Massey and Parrado (1994), at least \$84 million dollars per year are invested in Mexican business activities as a direct result of migration to the United States.

Fieldnotes reveal many examples of the productive use of savings and remittances by migrants returning from the United States. In San Francisco del Rincón, Guanajuato, for example, migrants invest in workshops that produce tennis shoes and footwear, the leading local products. In Ario de Rayón, Michoacán, U.S. earnings are channeled into farming, cattle raising, the production of handicrafts, and the manufacture of wedding decorations made of orange blossoms, some of which are exported to the United States as well as being distributed throughout Mexico. In the town of Santiago Tangamandapio, Michoacán, migrants purchase sewing machines and other tools with which to make and decorate knitted clothing. Meanwhile, in Nahuatzen, Michoacán, which is known for its woodwork, migrants purchase lathes and other wood-working machinery. In the dry, wind-swept region of Los Altos, U.S. earnings are devoted principally to cattle raising, but in the neighboring region of El Bajío, in Guanajuato — a valley of unusually fertile soil — intensive agriculture is the productive activity that attracts the most migradollars. Finally, in large cities such as Guadalajara, León and Morelia, migrant earnings are channeled into education, which allows family members to get better jobs, as well as into the expansion of dwellings, which provides extra rooms for commercial or productive use.

The second way that migradollars influence production is indirectly. Through consumer spending, migrants and their families increase the demand for goods

and services produced in Mexico, which causes Mexican entrepreneurs to increase their investments in plants, equipment, and labor in order to meet the additional demand. The added income accruing to workers in these plants is spent; this leads, in turn, to second-round increases in the demand for Mexican-produced goods and services, further stimulating production and income, and so on. As a result of such multiplier effects, what may appear to be very ephemeral consumption can have positive effects on the Mexican economy.

Numerous studies, for example, mention the tendency of migrants to embark on an exuberant round of carousing and celebration during periods of return residence in their home communities (Mines, 1981; Reichert, 1982; López, 1986; Massey *et al.*, 1987; Goldring, 1992, 1995; Rouse, 1991, 1992). This pattern of behavior is usually put forth to illustrate the perpetuation of dependency through the wasteful spending of money on food, drink, music, fireworks, parades, and other forms of conspicuous consumption, rather than on production. Even in the case of these "wasteful" activities, however, the infusion of migradollars has positive consequences for local, regional and national development.

Migrants generally return in large numbers twice during the year: for the Christmas holidays and for the day of their community's patron saint. The latter may occur at any time during the year, although some communities have changed saints in order to have a fiesta day in December or January, when migrants find it more convenient to return (*see Massey et al.*, 1987). Towns that were half-empty during most of the year suddenly spring to life during fiestas, and typically U.S. migrants generously support the celebrations.

In the town of Juchipila, Zacatecas, for example, the patron saint is Santiago, whose fiesta day comes in July. Even though the fiesta occurs during the summer, a peak period of work in the United States, there is a massive return flow from the United States. The centerpiece of the fiesta is a ritual known as "The Dance of the *Tastuarnes*." In this dance, men cover their heads with heavy turbans and their bodies with long tunics or coats while wearing hand-carved wooden masks with long mustaches of real hair. The men gather in a tight circle and dance to traditional Mexican songs played by a poorly-tuned brass band, jostling and bumping each other as they bounce up and down in rhythm to the music.

Migrants are easily spotted among the *tastuarnes* because instead of traditional tunics or coats, they have taken to wearing beach towels that bear the emblems of their diaspora: the stars and stripes of the U.S. flag or the insignia of different cities where they have lived or work, such as Chicago, Dallas, or Los Angeles.

In addition to dominating the boisterous dancing, migrants also play prominent roles in other celebratory activities. Juchipila's fiesta lasts for three days, a time when all of the town's businesses, restaurants, hotels, inns, and transport services are strained to capacity. Each day the plaza fills with three or four bands playing simultaneously, while smaller groups of musicians stroll among the townspeople hawking their talents to clients who sit on benches drinking and talking; other musicians work the river of people circling the plaza in traditional fashion. In the course of the festivities, massive quantities of food, drink, music

and fireworks are consumed, and the expenses are borne in large part by U.S. migrants, who draw upon their savings to finance the activities.

When all is said and done, the fiesta provides a significant mechanism for channeling U.S. earnings into the regional economy. A substantial portion of the goods and services consumed in the course of the fiesta are produced within western Mexico. The musicians are mostly local, although at times popular bands are imported from Mexico City, Guadalajara, or other urban areas; and the food, drink, and fireworks are almost exclusively produced within the western region. As a result of migrant spending on fiestas, therefore, levels of regional production and income are raised.

Even activities such as the extravagant consumption of beer, often cited as a particularly egregious example of migrant earnings being frittered away, can have positive effects on regional growth. Because of the infusion of migradollars, the demand for beer is larger than it would otherwise be, particularly during the months of December and January when most communities have fiestas. The increased demand for beer leads to the addition of labor and equipment to factories owned by *Cervecería Cuauhtémoc* and *Cervecería Modelo*, Mexico's two largest brewers. Production is increased at factories located in the neighboring cities of Guadalajara and León, producing more income for brewery workers and more profits for company owners, which are subsequently spent to produce an additional round of effects on production and income.

The conspicuous consumption that occurs during Mexican fiestas also represents a traditional and widely-sanctioned mechanism for the redistribution of wealth and income. In the fiesta, those who have money are expected to spend for the benefit of those who do not. Returning U.S. migrants with substantial savings feel obligated to spend a share of their funds for the general welfare, covering the lion's share of the costs of the music, fireworks, dances, parades, and religious celebrations – all of which are presented publicly and enjoyed by all, rich or poor.

Although these anecdotes and case studies illustrate the principle of production multipliers, they do not reveal the magnitude or extent of the effects. Table 1 reports estimates of the aggregate size of these effects using multipliers estimated for the Mexican economy as a whole and applying them to an estimated annual flow of migradollars. The multipliers are taken from the Social Accounting Multiplier (SAM) matrix estimated by Adelman and Taylor (1992) for Mexico circa 1980. The multipliers are, in essence, elasticity coefficients that give the change in output stemming from the entry of one migradollar into Mexico. Following Adelman and Taylor, separate multipliers are shown for different sectors of the economy and for different social groups.

The flow of migradollars was estimated by Massey and Parrado (1994) using representative data from 22 Mexican communities located in the states of Guanajuato, Jalisco, Michoacán, and Nayarit. The surveys were undertaken during December and January of 1982–1983 and 1987–1991. The community samples were supplemented with snowball samples of settled outmigrants interviewed in the United States during July and August of the following summer.

Although the U.S. samples are not strictly representative, the size of the outmigrant population was estimated using multiplicity sampling methods (Hill, 1981; Kalton and Anderson, 1986). Given population sizes, both the Mexico and U.S. samples could be weighted by the inverse of the sampling fraction to yield a fairly accurate portrait of the combined binational population of the 22 communities.

The dataset contains sending communities that range in size from large metropolitan areas (Guadalupe, Jalisco and León, Guanajuato) to tiny rural villages (Mineral de Pozos, Guanajuato and La Yerbabuena, Michoacán - the rural village studied by Reichert, 1981, 1982). The sample thus captures a wide variety of migratory experiences at all levels of the urban hierarchy. Full details about the methodology and nature of the sample are available from Massey and Parrado (1994) or Massey, Goldring and Durand (1994).

Massey and Parrado (1994) derived the figure of \$2 billion migradollars by estimating the percentage of migrants who repatriated their earnings, as well as the average amounts they sent or brought back to Mexico, and then inserted these figures into an estimation algorithm developed by Lozano Ascencio (1993). Their estimate of the total flow of migradollars includes all funds brought or sent into Mexico by documented and undocumented migrants working in the United States during the twelve months prior to the survey, expressed in 1990 U.S. dollars. Although Massey and Parrado (1994) did not disaggregate the total of \$2 billion into amounts attributable to different occupational groups, their data was used here to accomplish that task.

After estimating the total amount remitted by migrants in the sample, an estimate of the amounts remitted and saved by migrants in four occupational categories identified by Adelman and Taylor (1992) was prepared: rural workers, small farmers, marginal urban workers, and urban workers. For our purposes, rural workers were defined as landless agricultural laborers, small farmers as landowning agricultural workers, marginal urban workers as unskilled manual and service workers, and urban workers as skilled manual, professional and managerial workers. The \$2 billion was divided into the proportionate distribution of migradollars across the four occupational categories so defined.

The result of this exercise is shown in Table 1. Of the \$2 billion in migradollars sent or brought into Mexico each year, it is estimated that \$718 million came from skilled urban workers, \$666 million from unskilled urban workers, \$554 million from landless rural workers, and \$62 million from small farmers. The low figure for small farmers reflects the relative paucity of landowners in Mexico, not their low propensity to remit or save. Indeed, small farmers are characterized by relatively high remittance and savings rates, as well as large average amounts repatriated; but landowners comprise only about 2 percent of the migrants in our sample.

The data in the table show that migradollars remitted by all four occupational groups have substantial multiplier effects on agricultural output. This multiplication occurs because the arrival of money from the United States allows families to increase the quantity and quality of food they consume, generating additional

Table 1 Estimated effects of \$2 billion migradollars on level of production in the Mexican economy

	Group remitting				Total
	Landless rural workers	Small farmers	Unskilled urban workers	Skilled urban workers	
Millions of 1990 US\$ remitted	554	62	666	718	2,000
Effect on production in agriculture	567	65	622	485	1,739
Basic grains	61	9	56	32	158
Livestock	97	11	109	87	304
Fertilizer	3	1	4	3	11
Food processing	325	35	361	289	1,010
Other agriculture	81	9	92	74	256
Petroleum	30	3	31	31	95
Manufacturing	468	53	499	491	1,511
Services	591	58	610	639	1,898
Commerce	403	43	428	404	1,278
Total	\$2,059	\$222	\$2,190	\$2,050	\$6,521

Sources: Model - Adelman and Taylor (1992); Data - Massey and Parrado (1994).

demand for staples such as corn and beans, as well as meat, milk, eggs, and processed foods. To meet the additional demand for food, Mexican farmers and processed food producers increase their production.

Money sent by migrants from the two rural groups has particularly large multiplier effects in agriculture. Among both landless laborers and small farmers, agricultural output is increased by more than the value of the remittances themselves. The \$554 million repatriated by landless rural workers increases output in the agricultural sector by \$667 million, and the \$62 million sent or brought by small farmers raises agricultural production by \$65 million.

This effect occurs because migradollars not only enable rural families to purchase and consume more food, the extra money also eases liquidity constraints and permits agrarian households to invest directly in farm production. Remittances and savings provided by migrant family members enable farm families to purchase tools, fertilizers, equipment, seeds, and livestock that would otherwise be difficult or impossible to acquire (see Taylor, 1987, 1992; Massey *et al.*, 1987; Taylor and Wyatt, 1993). As a result of these additional capital inputs, production increases.

In short, labor migration allows poor agrarian families to overcome failures in Mexican credit markets to gain access to scarce investment capital and thereby augment their productive capacities. At times a good investment can completely change the conditions of rural life, as we observed in the case of one family who invested their earnings in the drilling of a well and the purchase of a pump.

Access to water transformed their marginal rainfed plot into a fertile field of high and reliable yields, bringing a range of benefits that multiplied over time. No longer dependent on the vagaries of the weather, the family could reap two harvests per year. Irrigation also made it possible to grow more lucrative cash crops that fetched higher prices on national and international markets, rather than only producing staple crops for self-consumption or local sale.

Migradollars also have substantial effects on output in the manufacturing and service sectors. Among landless rural workers, for example, the \$554 million in remittances generates \$468 million worth of extra output in manufacturing and \$591 million in additional services produced, and the \$666 million repatriated by unskilled urban workers turns into \$499 million worth of industrial production and \$610 worth of services before all is said and done. Likewise, the \$718 million migradollars contributed by skilled urban workers turns into \$491 million in additional manufacturing and \$639 million in extra services.

One of the most important services demanded by migrants is transportation – specifically to and from the border – and migradollars have played a large role in promoting economic growth in Mexico's transportation industry. Between Guadalajara and the border-cities of Baja California (Tijuana, Tecate, and Mexicali), 162 separate buses leave each day, along with 21 commercial flights and four trains. In response to a rising demand from migrants, new airlines have sprung up to offer service between U.S. destinations and smaller cities of western Mexico, such as Irapuato, Zacatecas, and San Luis Potosi. The new flight between Chicago and Zacatecas, for example, is used primarily by migrants, not tourists or businessmen. Transportation executives report that U.S. migrants represent a large and growing segment of their market, and in many cases they provide the profit margin that permits them to stay in business (Durand, 1995).

The additional demand induced by migradollars not only stimulates manufacturing and services in Mexico; someone must also market and distribute the goods consumed by migrants and their families. It is not surprising, therefore, to observe that migradollars have substantial effects on output in commerce. Across all occupational groups, the arrival of migradollars from the United States significantly increases the level of commercial activity. The \$554 million repatriated by landless rural workers yields \$493 million in additional commercial activity, and the \$666 million provided by unskilled urban workers turns into \$428 million worth of commerce. Likewise, the \$718 million in migradollars contributed by skilled urban workers yields \$404 million in additional commercial activity.

Within most migrant-sending communities, commercial activities closely follow the ebbs and flows of the migration cycle. In some cases, variety stores are shuttered most of the year and only reopen during the winter months when migrants return and cash is circulating freely. Other storekeepers and shop owners stock up on goods in anticipation of the surge in demand that will accompany the migrants' return. One commercial activity that has become increasingly visible in smaller towns and cities is the selling of transportation through travel

agents, again responding to a demand for tickets and reservations from U.S. migrants.

When the various multiplier effects are taken into account, the aggregate effect of migradollars on the Mexican economy is truly remarkable. Depending on which occupational group one considers, the value of migradollars is multiplied a factor of three to four. Summing across all groups, the \$2 billion in migradollars that are conservatively estimated to enter Mexico each year ultimately raise national output by a total of \$6.5 billion.

Thus, the indirect effects of consumer spending plus the direct effects of productive investment ultimately raise economic production in Mexico by 3.25 times the original value of the migradollars. Rather than providing a one-shot infusion of cash into the Mexican economy, over time migradollars multiply to yield a substantially larger increment to economic production. The relative importance of migradollars to the Mexican economy is brought into sharp relief by carrying out a hypothetical exercise: if Mexican migrants were suddenly barred from entering the United States and repatriating their earnings, manufacturing output would immediately shrink by about 9 percent (dividing the \$1.5 billion effect estimated in Table 1 by the 1990 value of Mexican manufacturing reported in Pick and Butler, 1994).

Migradollars and Mexican household income

Accompanying the effect of migradollars on production is a concomitant effect on income. In addition to raising the incomes of migrant households directly, migradollars also generate a demand for workers to produce the goods and services sought by migrants and their families, and the salaries earned by these additional workers, in turn, raise Mexico's national income. Income is also increased because migrant households invest some of their migradollars in productive enterprises that augment the family's ability to generate income. As with production, the net result is an expansion of income well beyond the original value of the migradollars themselves.

In Table 2, the flow of migradollars estimated by Massey and Parrado (1994) are applied to income multipliers developed by Adelman and Taylor (1992). Once again the coefficients represent elasticities that give gains stemming from the arrival of one migradollar. As the table shows, no matter which occupational group repatriates the money, the total effect of migradollars on income is greater than the original value of the migradollars themselves. Among landless rural workers, for example, \$554 million in U.S. earnings turns into \$592 million in income, while among small farmers \$62 million migradollars become \$73 million worth of income. Similar effects are observed among urban workers, where \$666 million repatriated by the unskilled becomes \$741 million, and \$718 million repatriated by the skilled become \$1.1 billion in total income.

In each case, income is raised by more than the value of the cash transfer because some of the money is invested in productive activities that create new

Table 2 Estimated effects of \$2 billion migradollars on income in the Mexican economy

	Group remitting				Total
	Landless urban workers	Small farmers	Unskilled rural workers	Skilled urban workers	
Millions of 1990 dollars remitted	554	62	666	718	2,000
Effects on income of					
Landless rural workers	592	1	51	38	682
Small farmers	88	73	99	66	326
Unskilled urban workers	71	7	741	73	892
Skilled urban workers	370	39	390	1,105	1,904
Agribusiness	56	6	63	50	175
Capitalists	582	61	616	600	1,859
Total (GDP)	\$1,759	\$187	\$1,960	\$1,932	\$5,838

Sources: - Model: Adelman and Taylor (1992); Data - Marscy and Parrado (1994).

sources of income for the household. Among the four social groups considered here, the multiplier effects are particularly strong for skilled urban workers, who increase their migradollars by a factor of 1.5 through investment. The other categories augment their incomes by factors ranging from 1.1 to 1.2 (see Adelman and Taylor, 1992).

The investment of migradollars in income-producing activities takes different forms in different sectors of the Mexican political economy. In rural areas with poor land, limited infrastructure (few roads, schools, sewage plants, electricity, phones, etc.), and poor access to consumer markets, it does not make sense to invest heavily in commerce or manufacturing. Rather, a more common strategy of supplementing household income is through the purchase and raising of livestock (Reichert, 1981; Taylor, 1992).

In the towns of Santa María del Valle and Unión de San Antonio, for example, migradollars are invested in the purchase of dairy cows. Both communities lie in the cattle-raising region of Los Altos, in the state of Jalisco, where the Nestle Company has built a milk processing plant that buys virtually all the milk that local farmers can produce. However, families in these two communities have discovered a more profitable alternative to selling their milk to a national corporation; they use unpaid family labor to produce cheeses, yogurt, candies, and caramelized milk within the household. These items are in steady demand in urban centers such as Guadalupe and León, and rather than letting the Nestle Corporation reap the value added to their raw product, the family reaps the higher profits to be had on the finished goods.

The region located near the border of Michoacán and Guanajuato around the city of La Piedad, Michoacán, is the center of Mexico's pork industry, and

among communities in this area migrants have invested their earnings in the raising of pigs. The raising of pigs, cattle, and other livestock carries important advantages for migrant families. First, livestock represents an asset whose value can be increased through the use of family labor. Second, it improves family nutrition by allowing the more frequent consumption of meat and, in the case of cattle, milk. Third, it provides a means of supplementing income through the sale of meat, milk, and other animal products. Fourth, the natural reproduction of animals allows for the steady expansion of assets over time. Finally, when migrants leave animals in the care of their families, they leave secure in the knowledge that their families have a financial cushion because the animals represent a form of in-kind savings that can be converted to cash whenever the need should arise.

In rural areas with high quality land, better infrastructure, and greater access to markets, farm households are more apt to use migradollars to finance agricultural production. The case of Copándaro, Michoacán, is a good example of the channeling of migradollars into capital inputs that boost production (see Rionda, 1992). Through investment in wells, pumps, and farm machinery, households were able to extract two harvests per year from the earth - one of corn, a traditional crop, and the other of lentils, a commercial group. The purchase of farm machinery not only augments the agricultural productivity of the household, it also provides a business opportunity. Migrant families rent machinery to other households to use in the clearing and plowing of farmland; or they hire out their services to perform these activities.

In urban areas, families of skilled and unskilled workers are likely to use migradollars to finance commercial activities or to purchase capital goods that enable them to enter small-scale production. Workshops producing shoes, tennis shoes, accessories, furniture, and clothes have diffused widely throughout western Mexico, often financed with cash from the United States. The case of San Francisco del Rincón, Guanajuato, is perhaps the most significant example of migrant-financed development. In this city, financial capital provided by international migrants is combined with human capital offered by internal migrants to produce a dynamic and highly profitable industry for the production of hats and shoes (Arias, 1992; Durand, 1994).

Urban dwellers also tend to channel a portion of their migradollars into the education and training of family members, particularly their children. Frequent targets of human capital investment are computing and English language training, two skills that have grown especially valuable with the advent of more open trading with the United States. Other training programs financed with migradollars include secretarial skills, accounting, cooking, cosmetology, mechanics, and electronics.

In large cities, particularly, there has been a boom in English language academies. Until recently, these academies were attended by people from the middle and upper classes, but now all social classes participate. Migrants, in particular, often pay for their own studies in order to return to the United States and secure

better jobs, a pattern of investment by no means confined to large cities. In the small town of Cerritos, San Luis Potosí, an English academy opened recently to tremendous success. Young people who wish to go to the United States increasingly enroll in the academy in order to gain a foundation in the English language that will later permit them to acquire the language more quickly and effectively as migrants.

Migradollars not only augment the income of the occupational groups receiving them, consumer spending by migrants and their families also raises the incomes of other categories of workers indirectly. As shown in Table 2, earnings repatriated by landless rural workers increase the incomes of small farmers, unskilled urban workers, and agribusiness owners. These effects are modest, however, compared with the large effect that migradollars repatriated by rural workers has on the incomes of skilled workers and capitalists in Mexican urban areas. According to Table 2, the \$554 million migradollars repatriated by landless rural workers raises the incomes of the former by \$370 million and the latter by \$582 million.

These large effects suggest that migradollars repatriated by landless families are used, to a significant degree, to buy goods and services produced in urban areas, leading to higher incomes for workers and business owners in Mexican cities. Migradollars repatriated by other categories of labor have similar effects on the incomes of urban capitalists and workers. Thus, migration-induced consumption is an important stimulus for the growth of Mexican industry, yielding important benefits for nonmigrant workers in Mexico City, Monterrey, Guadalajara, and other urban areas.

As with production, the direct and indirect effects combine to increase Mexican incomes well above the value of the migradollars themselves. By multiplying as they circulate throughout the Mexican economy, the \$2 billion migradollars entering Mexico each year ultimately generates \$5.8 billion in additional income for Mexicans. This figure represents 3 percent of Mexico's 1989 Gross Domestic Product. The largest beneficiaries of this circulation appear to be skilled urban workers and capitalists, who reap annual gains of about \$1.9 billion each from repatriated migradollars. Were Mexico-U.S. migration and its associated return flow of capital suddenly to cease, the effects on Mexico's economy — not to mention its politics and society — would clearly be immense.

Multiplier effects in three Mexican communities

From the forgoing estimates and discussion, it is clear that Mexico as a whole benefits enormously from labor migration to the United States. Associated with the outflow of workers northward is a return flow of capital that acts directly and indirectly to increase national income and production. By failing to appreciate the significant indirect effect that migradollars have in increasing economic activity through consumer spending, and by failing to account for the associated income and production multipliers, prior researchers have painted a far too

pessimistic picture of labor migration's net effect on economic growth and development in Mexico.

The critics of labor migration may have a point, however, if the benefits of international migration are unevenly distributed. Indeed, our estimates suggest that skilled workers and capitalists in Mexican cities — in other words, the more privileged segments of Mexican society — are disproportionately the beneficiaries of labor migration and its associated capital flows. Although national income and production may be enhanced as a result of the \$2 billion migradollars that arrives each year, the development of specific communities may still languish, yielding the "migrant syndrome" described by Reichert (1981) and others.

In rhetorical terms, what good is it for a poor migrant from La Yerbabuena, Michoacán, to know that workers and capitalists in Mexico City, Monterrey, and Guadalajara benefit from the U.S. money that he and his fellow towns-people spend on consumption each year? If migradollars arrive in rural communities only to flow out again, and go largely to the pockets of workers and owners in wealthier Mexican cities, then the criticisms of dependency theorists may have some merit.

In order to address this issue, the effects of migradollars on production, value added, investment, and income were estimated in three rural communities using the SAM multipliers developed by Adelman, Taylor and Vogel (1988). These coefficients were estimated using detailed economic data that Taylor gathered in a small agrarian village located near Pátzcuaro, Michoacán. These multipliers were applied to annual flows of migradollars estimated for three similar agrarian communities by Massey and Parrado (1994). Each of these communities is located in the state of Michoacán and, as in the Pátzcuaro community, a majority of the labor force is employed in agriculture. In Chavinda, Michoacán (population 7,437), two-thirds of the workforce is employed in agriculture, and in Arto de Rayón (population 6,429), the figure is 51 percent.

Probably the community that most closely replicates Taylor's village, however, is the nearby community of La Yerbabuena, Michoacán (population 2,240), where 77 percent of the labor force works in agriculture. This village also happens to be the same one studied by Reichert (1981) in 1977-1978, whose pattern of recurrent migration and high consumption led him to identify a "migrant syndrome" of dependency and stunted economic development. According to Reichert, in La Yerbabuena:

out-migration has generated higher per capita income and increased rates of consumption among migrant families, [but] it has not led to the development of the town economy in ways that have stimulated production or created new employment opportunities. In effect, money earned in the United States has enabled migrants to raise their standard of living to a level that can only be maintained through recurrent migration.

(p. 63)

Reichert's claim that migration produced no additional production or employment opportunities was largely impressionistic, however, based on his experience living in the community for a year. In order to gather more systematic evidence on migradollars and their effects, a follow-up survey was conducted in 1989. Results suggest that during the year prior to the survey, migrants from La Yerbabuena repatriated nearly a half million dollars into the community (\$499,000), constituting \$222 for every man, woman, and child in the small town (see Massey and Parrado, 1994). Migradollars represented 29 percent of all income earned by townspeople during the survey year.

However, considering only the direct effect of migradollars on local income understates the total effect because it does not account for the indirect effects of consumer spending. These indirect effects are estimated in the first two columns of Table 3 by assuming that La Yerbabuena displays the same pattern of income multiplication as observed in the Patzcuaro community studied by Adelman, Taylor and Vogel (1988). Once the multipliers are applied, we find that the \$499,000 transferred from the United States actually raises village income by

Table 3 Estimated economic effects of migradollars in three communities of Michoacán, Mexico

	La Yerbabuena		Chavinda		Ario de Rayón	
	Total (\$000)	Per capita	Total (\$000)	Per capita	Total (\$000)	Per capita
1990 dollars remitted	499	222	1,841	247	2,091	325
Effects on production						
Agriculture	208	93	768	103	872	136
Livestock	117	52	431	58	489	76
Other primary	61	27	226	30	257	40
Construction	62	28	228	31	259	40
Commerce	488	217	1,802	242	2,047	318
Total	936	417	3,455	464	3,924	610
Effects on value added						
Family labor	191	85	703	94	799	124
Hired labor	20	9	75	10	86	13
Capital	177	79	652	87	740	115
Total	388	173	1,430	191	1,625	252
Effects on investment						
Physical capital	127	57	469	63	533	83
Human capital	64	29	237	32	270	42
Total	191	86	706	95	803	125
Effects on income	887	394	3,271	439	3,716	578
Locally earned income	1,234	551	1,658	223	3,920	610

Source: Model - Adelman, Taylor and Vogel (1988); Data - Massey and Parrado (1994).

\$877,000, compared to a locally earned income of \$1,234,000 as reported in the 1990 census. Once the multiplier effects of migradollars are factored in, therefore, 51 percent of La Yerbabuena's income can be seen to stem, directly or indirectly, from U.S. migration.

In their 1988 article, Adelman and colleagues did not show increments to income reaped by different social groups, but they did estimate increases to production in different sectors of the village economy. According to their production multipliers, \$499,000 in migradollars led to \$208,000 in extra agricultural output; an increment of \$117,000 in livestock production; and a gain of \$61,000 in other primary activities. In addition, it is estimated to have generated a \$62,000 increase in construction and \$488,000 worth of extra commercial activity.

Although these boosts to local production appear to contradict Reichert's (1982) pessimistic conclusions, they are consistent with other information he presents, which indicates substantial spending by migrants on land, livestock, home construction, and commerce as a result of their access to migradollars. His data show that migrant households were: 2.6 times more likely than nonmigrant households to own homes made of brick and cement (as opposed to adobe); 3.3 times more likely to have indoor plumbing; 2 to 7 times more likely to own amenities such as gas stoves, refrigerators, and washing machines (usually produced in Mexico and sold locally); 2 to 3 times more likely to own televisions and stereos (often imported but also of local manufacture); and 1.4 times more likely to own land. Together, U.S. migrants owned two-thirds of the town's businesses and comprised 72 percent of all cattle owners.

Thus, Reichert's conclusion of a "migrant syndrome" followed only partly from his failure to account for the indirect effects of consumer spending; it also stemmed from a selective reading of the data and the theoretical lens through which he filtered the information. The strong estimated multiplier effects are entirely consistent with the pattern of consumer spending reported in his article.

Migradollars can also be expected to have strong effects on value added and investment in La Yerbabuena. According to our estimates, the arrival of nearly a half million dollars should have added some \$191,000 worth of family labor to local production, as well as \$20,000 in hired labor and \$177,000 in capital, for a total value added of \$388,000. We also predict an additional \$191,000 in investment: \$127,000 in the form of fiscal capital; \$64,000 in the form of human capital. This investment in productive capacity (through the purchase of land, tools, education, livestock and other things) would not have occurred in the absence of migration.

Because they are based on the same income multipliers, the other two communities display a similar pattern of results. However, the different totals of migradollars yield different amounts when applied to the elasticity coefficients. In Chavinda, it is estimated that \$1.8 million in migradollars ultimately yields \$3.5 million in additional production, \$1.4 million in extra value added,

\$706,000 in additional investment, and \$3.3 million in extra income. In Arrio, \$2.1 million migradollars is predicted to increase production by \$3.9 million, value added by \$1.6 million, investment by \$803,000, and income by \$3.7 million. Once the indirect effects of migradollars are considered, U.S. migration is seen to account for 93 percent of total income in Chavinda and 62 percent of that in Arrio. U.S. migration thus provides a very large and significant economic stimulus to these two communities as well.

Summary and implications

In this article, economic arguments, quantitative data, and ethnographic case studies have been presented to counter popular misconceptions about international labor migration and its economic consequences in Mexico. The prevailing view is that Mexico-U.S. migration discourages autonomous economic growth within Mexico, at both the local and national levels, and that it promotes a state of economic dependency.

This view follows, in part, from the observation that money earned in the United States and returned to Mexico as savings or remittances — migradollars — is spent overwhelmingly on consumption. As a result, little money is left over for investment in productive ends that might promote economic expansion within Mexico. However, this pessimistic view does not give sufficient credit to the productive investments of migrants, and it does not take sufficient account of the indirect effect of migradollars in promoting economic growth through consumer spending.

Although the share of U.S. earnings devoted to productive ends may be small, when applied to a total flow of migradollars estimated at around \$2 billion per year, the aggregate amount of capital flowing into production becomes substantial, at least \$84 million per year. Evidence of this productive investment was found in the fact that, at both the national and community levels, the arrival of migradollars raised the aggregate income of occupational groups by more than their face value. This multiplicative effect can only occur if some of the funds are channeled into income-producing activities that raise total income above the amount of the original transfer. Consistent with this quantitative finding, fieldwork uncovered many examples where U.S. funds were crucial to the formation or expansion of household businesses that generated supplemental income for households in Mexico — from farming to commerce to small-scale manufacturing.

As important as the direct effects are, however, they are overshadowed by the indirect effects of consumer spending. At least two-thirds of migradollars appear to be spent on current consumption, representing an annual increment of around \$1.3 billion to Mexico's economy. Money sent or brought back for purposes of consumption does not just represent a transfer of funds, however; it plays a dynamic role by raising the demand for goods and services produced in Mexico.

By easing household budget constraints, migradollars enable the purchase of products that would be difficult to acquire in the absence of U.S. migration. Mexican producers respond to the added demand by hiring new workers and putting

additional equipment into production. The salaries paid to the additional workers and the profits accruing to the owners lead, in turn, to a second round of hiring and investment, which produces still more economic growth. Through such indirect means, migradollars multiply as they circulate through the Mexican economy.

At the national level, the arrival of \$2 billion migradollars is estimated to generate \$6.5 billion worth of additional production in Mexico, with particularly strong multiplier effects in manufacturing and services. Associated with this increase in production are significant increments to Mexican income. As workers are hired to respond to the additional demand created by migradollars, their salaries raise national income about \$5.8 billion overall, with notably large shares of income accruing to skilled workers and capitalists in Mexican cities (about \$1.9 billion each).

At the community level, the arrival of nearly one-half million migradollars per year in the village of La Yerbabuena is projected to increase production by a total of \$936,000, with notably strong effects in commerce, agriculture, and livestock production. Through the flow of migradollars into the community, \$388,000 in value was added to the community's assets and investment grew by \$191,000. As a result of these boosts to economic activity, community income was increased by considerably more than the original half million migradollars. In the end, incomes rose by a total of \$887,000.

As a result of the massive outflow of migrants and the massive return flow of capital, therefore, considerable economic activity is stimulated in Mexico, both directly and indirectly, leading to significantly higher levels of employment, investment, and income within specific communities and the nation as a whole. We estimate that the annual arrival of around \$2 billion migradollars generates economic activity that accounts for 10 percent of Mexico's output and 3 percent of its Gross Domestic Product.

Rather than being a vehicle of economic stagnation, therefore, migradollars appear to function as an important stimulus for economic development. The circulation and consequent multiplication of migradollars is especially pronounced compared to other sources of foreign exchange because they go directly to the lowest strata of Mexican society. Poor families spend their income quickly, thereby increasing the velocity of money and enhancing its multiplier effects.

Moreover, money coming into the hands of poor households is likely to be spent on basic goods and services that are produced in Mexico. Increments in the incomes of middle-class families, in contrast, are more likely to be spent on imported goods. To the extent that migradollars are spent on food, clothing, and basic household items, they are likely to circulate regionally because these things are typically produced and distributed within western Mexico, the source of most migrants to the United States.

Finally, unlike other sources of foreign exchange, migradollars flow directly to the people who need them the most, without being filtered through intervening social and economic structures. Little of the funds is siphoned off by higher-income workers occupying positions of authority in intervening structures,

and virtually all of money goes to the poorest segments of Mexican society. The \$2 billion sent each year by poor migrants working in the United States goes directly to households at the bottom of Mexico's economic pyramid.

Because this money is earned rather than transferred, it confers honor and prestige on the recipients (see Reichert, 1982; López, 1986) and is likely to give them a sense of self-respect, satisfaction, and autonomy. Rather than being an agent of stagnation and dependency, therefore, labor migration appears to represent a strategy of economic advancement and independence for millions of people. Given the large outflow of workers and the corresponding massive inflow of capital, Mexico-U.S. migration must be regarded as one of the most important agents of social change in contemporary Mexico and a powerful catalyst of economic development.

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