



Globalization, Migration, and (Under)Development? Mondialisation, migrations et (sous)développement?

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Abstract: This paper will provide a general overview of the effects of globalization on migration and analyze the role of remittances in Mexican development. Much of my research suggests that remittances have positive influences on development: for example, it makes up for inadequate government spending on infrastructure, increases investment capital and improves literacy rates. However, it is also possible that remittances negatively impact development because it can reduce the incentive to work, induce mass migration, and lead to a brain drain that produces labour shortages. Remittances have indeed played a key role in development; however, there is still disagreement on whether the effects of remittances are positive or negative. In the end, I am left to conclude remittances are a neutral tool that can result in both positive and negative consequences on development.

Résumé: Cet article présente les effets de la mondialisation sur les migrations ainsi qu'une analyse du rôle des remises d'argent dans le développement du Mexique. Mon travail de recherche suggère que les remises d'argent ont une influence positive sur le développement. Par exemple, elles compensent pour les dépenses publiques inadéquates dans les projets d'infrastructure, elles augmentent le capital d'investissement et elles améliorent le taux d'alphabétisation. Cependant, les remises d'argent peuvent également avoir un impact négatif sur le développement, car elles peuvent diminuer l'incitation au travail, induire des migrations massives et entraîner une fuite des cerveaux, ce qui a pour résultat des pénuries de travail. Les remises d'argent ont bien joué un rôle clé dans le développement, mais leurs effets ne sont pas toujours clair. En fait, les remises d'argent constituent un outil neutre utilisé par divers individus à des fins productives ou non productives et ce, avec des effets soit positifs, soit négatifs.



The movement of people around the world is deeply rooted in history; in fact, it took place even before the formation of the nation-state.¹ Migrating groups are classified under different categories, each of which has its own unique reasons for migration. *Why have people felt the need to migrate? Where do they go?* These questions are posed by scholars in their attempt to understand the causes and effects of migration. Through a wide-ranging analysis of migration trends, scholarship has demonstrated that the desire for economic benefits is a key factor that pushes people to migrate.² Globalization has had a profound impact on migration; these migrant workers, through remittances, have both positively and negatively influenced the development of their homeland. This essay will examine the effects of remittances by migrant workers on development in Mexico.

Globalization and Migration

Globalization is a buzz word that constitutes a multitude of meanings. However, for the purposes of this essay I will specifically use it as it relates to aspects of migration. For example, this may include but is not limited to: technological innovations such as cheaper transportation costs, flows of capital and labour, and the divide between the rich and the poor. Held's idea of globalization is comprised of "stretched social relations, an intensification of flows, increasing

¹ Stephen Castles. 2002. "Migration and Community Formation under Conditions of Globalization" *International Migration Review* 36(4): 1144.

² *Ibid.*, 1148.



interpenetration, and a global infrastructure.”³ Based on his different perspectives of globalization, we see that while there may be immense benefits, sometimes it can also be associated with unequal economic and power relations as well as a disproportionate distribution of its effects. Positive globalists emphasize how stretched social relations can “improve the quality of life [and] raise living standards”⁴ while pessimistic globalists focus on the negative aspects such as a hegemonic dominance of the most powerful states on the weaker ones leading to victimization of groups and individuals who are most vulnerable to its negative effects.

We can look at migration to demonstrate the realities of stretched social and economic relations. Patterns of capital flows have consequently resulted from these migrations, highlighting the change in economic interactions. Globalization also demonstrates a “complementary differentiation between different regions of the world due to their relationships to one another in terms of capital extraction. The movement of populations between them in response to labour markets [categorizes them] as either cores or peripheries of capital accumulation”.⁵

Castles identifies two assumptions of traditional migrations: 1) permanent settlement migration and 2) temporary labour migration. However, since the advent of globalization, these assumptions have been slowly eroded in the face

³ Cochrane Allan and Kathy Pain. 2004. "A Globalizing Society?" in David Held, ed. *A Globalizing World: Culture, Economics, Politics*. New York: Routledge, 17.

⁴ Ibid., 22.

⁵ Donald M. Nonini. 2005. "Diasporas and Globalization" in M. Ember, C. Ember and I. Skoggard, eds. *Encyclopedia of Diasporas: Immigrant and Refugee Cultures around the World*, Part II. New York: Springer, 566.



of new types of migrations. His description of low-skilled migrants that migrate in search of relatively better economic opportunities, usually coming under guest worker systems or illegally across borders,⁶ who send remittances back to help support their families, serves as the focus of this essay to examine the impact on development in Mexico.

There has been much research done into the reasons why people migrate. Nonini attributes globalizations impact on migration to capital acquisition. By observing the uneven distribution of the effects of globalization he concludes that “contemporary labour and trade diasporas” migrate “from the peripheral regions of the world economy to its core regions of capital accumulation...”⁷ and initiate the flow of capital in the form of remittances back home. Remittances are one of many methods that migrants use to reap the benefits of migration and “reaffirm the membership of the migrants in their homeland locals, and make possible the economic survival of poor families.”⁸ The remittances have both microeconomic and macroeconomic effects on the home economy. For example, Nonini uses the example of microeconomic implications in the forms of increased construction of buildings and homes, increases in small businesses, and education funding. He supports his theory by showing the increased movement of people and commodities, and points to

⁶ Castles, op. cit., 1152.

⁷ Nonini. op. cit., 566.

⁸ Ibid., 568.



instances of goods remitted instead of money, including cultural items that help preserve migrants' cultural roots.⁹

Citing Hugo, Castles explains the main reason behind migration is due to the wealth of a state versus its population. Essentially, the countries with stable economies but low birth rates experience labour shortages, especially in the unskilled sector, that are met by migrant labour from countries with high birth rates and not enough jobs.¹⁰ Neo-classical economic theory points to better economic opportunities in host countries that draw in migrants from economically poor countries.¹¹ The economics of migration theory sees migration as part of a collective strategy on the part of the family and community; they consider security, sustainability, remittances, and investment opportunities.¹² Historical-institutional approaches show how institutions such as corporations and states initiate recruitment of contract labour to meet their labour demands under guest worker systems.¹³ All of these theoretical approaches can help to explain the case study of Mexican migrant workers in the United States of America.

Impact of Migrant Remittances on Development in Mexico

Now that we have demonstrated that individuals and groups temporarily migrate to work and send remittances home to help their families, some may wonder at the effects of those remittances. It is obvious that remittances have affected

⁹ Ibid.

¹⁰ Castles, op. cit., 1148.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid., 1150.



development; the question is whether that has been positive or negative. There is much support for both sides of the argument, depending on what is being measured and how the situation is perceived.

Much of my research suggests that remittances have positive influences on development, making up for inadequate government infrastructure. Migrant workers send home remittances so that their families can provide for themselves.¹⁴

Migrants have been sending money to their hometowns for decades... In 2005, remittances constituted...3% of GDP in Mexico...surpass[ing] even government spending in some localities. In the Mexican state of Guanajuato, which received \$652.30 million in remittances in 1996...remittance income was 14 times greater than federal social spending.¹⁵

Adida and Girod conducted a detailed micro and macro economic analysis of the impacts in Mexico and they found “that remittances increase investment, reduce poverty, improve school enrolment, reduce illiteracy ...reduce infant mortality, [and] develop local infrastructure.”¹⁶ The authors analyzed 2,438 municipalities in Mexico and found that citizens had to take matters into their own hands in order to improve their living standards because oftentimes in developing countries the state is unable to provide adequate public services.¹⁷ The majority of Mexican households gained access to clean water through indoor pipes or a communal tap and drained sewerage into “septic tanks, the public sewerage

¹⁴ Claire L. Adida and Desha M. Girod. 2001. “Do Migrants Improve Their Hometowns? Remittances and Access to Public Services in Mexico, 1995-2000” *Comparative Political Studies* 44(1): 3.

¹⁵ *Ibid.*, 4.

¹⁶ *Ibid.*, 5.

¹⁷ *Ibid.*, 3.



system, or bodies of water or by dumping it on public lands.”¹⁸ If citizens forego government provisions, they can pay and build pipes to connect their homes to the government's public system to get water and also access adequate sanitation through the purchase of septic tanks.¹⁹

While noting that remittances could have positive, neutral or negative effects on development, Adida and Girod argue that it is likely to have positive effects “because citizens use remittances to develop the infrastructure privately in their homes.”²⁰ They used literacy rates as a measure of development, hypothesizing that wealthier municipalities' access to basic household needs would mean that an increase in literacy rates to positively affect the change in household access to clean water and sanitation.²¹ Despite the seemingly positive effects of remittances on development in Mexico, I cannot completely agree with Adida and Girod that an increase in literacy rates would imply better access to clean water and sanitation until a more direct link between wealth, literacy rates, and access to household necessities were causally established.

A sceptical person would ask, is it possible that remittances negatively impact development because it reduces the incentive to work? I was intrigued by this argument and initial research supported this argument, including Airola's work on distinguishing the degree to which remittances affected household consumption through an analysis of expenditure patterns. He looked at what households spent their income on to infer whether or not people invested

¹⁸ Ibid., 8.

¹⁹ Ibid.

²⁰ Ibid., 9.

²¹ Ibid., 12.



remittances into their households or squandered it on leisure activities or alcohol due to their reduced incentives to work.²² Previous scholarship on remittances and development highlighted the negative impacts of remittances; the overwhelming conclusion was that households relying on remittances used their income for non-productive consumption and increased leisure.²³

However, Airola then contrasted previous scholarship with his more current research, supporting himself with the work of Adams and Page that demonstrates “evidence that remittance income reduces poverty in developing countries.”²⁴ But this leads one to question whether reducing poverty equals to using remittance income productively? It is safe to assume that there would be a clear difference between spending patterns of households that receive remittance income versus ones that do not. Airola’s research demonstrates that remittance income received is used in productive ways,²⁵ further supported by Woodruff and Zenteno who found that “remittances are responsible for almost 20% of the capital invested in microenterprises in urban Mexico.”²⁶

Through a detailed in-depth analysis, Massey and Parrado identify the significant investment in productive activities and underscore the importance of migrant remittances supporting Mexican economic development. Using Durand's term “migradollars,” they estimated that approximately \$1.95 billion US were sent

²² Jim Airola. 2007. “The Use of Remittance Income in Mexico” *International Migration Review* 41(4): 850.

²³ *Ibid.*, 852.

²⁴ *Ibid.*, 853.

²⁵ *Ibid.*, 852.

²⁶ *Ibid.*, 853.



back to Mexico in the form of remittances in 1988, the mean year of their study.²⁷ Alternatively, Massey and Parrado state that “the precise nature of that influence depends on how the dollars are spent.”²⁸ However, we can conclude through their research on migradollars that they have had a positive influence on the Mexican economy, “representing one of the country's largest sources of foreign exchange and an important source of its investment capital.”²⁹

There are also many authors who argue that migrant remittances have had a considerably negative impact on development in Mexico. A huge issue is “the brain drain” that produces labour shortages, negatively impacting family and community life.³⁰ As well, “remittances could decrease access to water and sanitation because their appeal induces mass migration. In this case, remittances would be creating ghost towns where citizens and governments lack incentives to invest in local infrastructure.”³¹

I found Binford's use of both the structuralist and functionalist positions to contrast the difference in opinion regarding the relationship between migration and rural economic development in Mexico to be quite fascinating. The structuralists believe that remittances do not result in rural economic development while the functionalists argue the opposite. Initial structuralist scholarship was mainly oriented around dependency and world systems theory both of which highlighted the scepticism that remittances could lead to positive

²⁷ Douglas S. Massey and Emilio Parrado. 1994. “Migradollars: The remittances and savings of Mexican migrants to the USA” *Population Research and Policy Review* 13: 23.

²⁸ *Ibid.*, 24.

²⁹ *Ibid.*, 25.

³⁰ Castles, *op. cit.*, 1148.

³¹ Adida and Girod, *op. cit.*, 9.



development, arguing that they instead “distorted rather than developed rural economies, exacerbating social conflict, economic differentiation and price inflation, and contributing to a vicious cycle in which migration begot more migration.”³² For example, because the majority of Guadalupe's households were dependent on remittances, they became trapped “in a vicious cycle in which only migration provided the means for sustaining the very materially improved lifestyles that the remittances had made possible”.³³ Mines' Las Animas serves as an example to demonstrate how “international migration should be seen as a double edged sword - it allows Mexicans to achieve higher living standards, but also makes them dependent on continual access to the US for the maintenance of these standards.” Consequently, Mexican youth perceived migrant labour in the US as something that could elevate their family's economic status and so preferred to migrate there and work instead of going to school and planning for a future in Mexico, resulting in possible brain drain and labour shortages.³⁴

There exist alternate interpretations of some of the data used to support positive remittance-on-development arguments. For example, Binford's critique of the functionalist position stems from his focus not on whether remittance income is productively invested into the local Mexican economy but rather looks at their frequency and duration of success.³⁵ He even gives an alternative interpretation of the data used in the article by Massey and Parrado. He agrees

³² Leigh Binford. 2003. “Migrant Remittances and (Under)Development in Mexico” *Critique of Anthropology* 23(3): 305.

³³ *Ibid.*, 308.

³⁴ *Ibid.*, 309.

³⁵ *Ibid.*, 311.

that while they were correct in determining that remittances were being invested in productive activities, they weren't very exclusive in their qualifications of types of productive activities. He states that "about half the businesses...were in the retail sector, and most were small and generated little employment."³⁶

Binford highlights the discrepancy between definitions of investment that lead researchers Massey and Parrado to conclude that remittances can help development. He himself stressed a narrower definition, "...to distinguish between investment with the potential to yield some benefit - whether social, economic or even psychological - and a narrower conception of 'productive investment' that restricts investment to the purchase of means of production, raw materials and labour power, regardless of whether these are put to work producing use values... or commodities."³⁷ Through his narrower definition, we can see that remittances do not contribute positively to Mexican development and only serves to produce a vicious cycle of migrant labour and minimal investment where relying on remittances is the only way to survive.

I found Latapi's argument compelling in that he takes a comprehensive approach, looking at the social, political, and economic context of migration before deciding whether or not it positively or negatively impacts development.³⁸ It is clear that there is a case of brain drain happening, fuelled by the lure of the lifestyle that remittances support.

³⁶ Ibid., 312.

³⁷ Ibid., 313.

³⁸ Agustin Escobar Latapi. 2009. "Can Migration Foster Development in Mexico? The Case of Poverty and Inequality" *International Migration* 47(5): 76.



Remittances are usually analysed as a positive financial flow akin to those derived from exports. They differ from these for three reasons, however. Most remittances are sent to families, not firms, are mostly used for subsistence, not production, and they imply the export of labour, as opposed to goods and services.³⁹

Latapi looks at Mexican migrant-oriented policies and makes recommendations to lessen emigration and make efforts to increase the Mexican economy through returning migrants. This demonstrates that remittances do not, in fact, help to positively promote development.

Conclusion

This essay has provided a general overview of the effects of globalization on migration and the role of remittances in Mexican development. Both Held's positive and negative globalists agree that globalization is something new that has significantly influenced the flow, intensity and reasons for migration. Through my research, we can see that there is consensus that something is indeed happening; remittances have played a key role in development. However, there is still disagreement on whether the effects of remittances are positive or negative. I am left to conclude remittances are a neutral tool that individuals can use towards productive or non-productive activities resulting in positive and negative effects on development.

³⁹ Ibid., 77.