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International Migration and Economic Development

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It is clear that labor migration has considerable potential to contribute to capital accumulation and foment economic development within less developed sending countries. In the case of Mexico, for example, García y Griego and Giner de los Ríos (1985) estimate that $1.8 billion was remitted home by U.S. migrants in 1984. During the same year, IMF data on unrequited private transfers between the two countries, which Keely and Tran (1989) take as a lower bound on migrant remittances, totalled $2.3 billion. At the local level, Massey et al. (1987) estimated that migrants from four Mexican communities earned a net sum (deducting costs of food and lodging) of $2.6 million while working in the United States during 1982.

Whenever international labor migration develops on a mass scale, therefore, substantial sums of hard currency can be expected to flow into developing regions of the world from core industrial nations. Although there is a vigorous ongoing debate about the exact size of the capital flows (see Keely and Tran, 1989), there is little doubt that the total is large or that it constitutes a significant share of foreign earnings among countries with well-developed migratory traditions. The principle academic debate concerns whether or not the latent potential for development contained in migrant remittances is, in fact, being realized.

The prevailing sentiment in the research literature is pessimistic (Papademetriiou, 1991). From field surveys, it is quite clear that most of the money that migrants earn abroad and save or remit back home is spent on current consumption (Durand and Massey, 1992). Aside from family maintenance, favored spending targets include housing, electronic goods, household appliances, clothes, and festivities surrounding rites of passage such as weddings, baptisms, and communions. Among these forms of consumption, housing stands out for its high priority in the minds of migrants and for the large share of earnings it consumes.

When investment does take place, it most often occurs in marginal, unproductive sectors, such as petty retail trade or traditional agriculture, which generate little employment and lead to little capital accumulation.

Sometimes investments actually leave a local community less productive, as when migrants buy agricultural land for its prestige value and then let it lie fallow while they continue to work abroad, thereby reducing both local employment opportunities and food production.

Critics argue that these spending and investment patterns do not lead to local economic growth and in fact leave many communities more dependent than when they began sending migrants abroad. Through their conspicuous consumption, migrants inflate local tastes, monetize the community economy, drive up prices of land and housing, and provide a model of successful mobility through foreign wage labor. Meanwhile the consolidation of landholding in the hands of migrants and the proliferation of petty retail trade reduce opportunities for non-migrants. The end result is a community where elevated consumer tastes cannot be satisfied through local labor, where community members must migrate in order to sustain a standard of living that cannot be supported locally.

The field studies from which these conclusions were derived, however, were conducted in places that exhibit a geographic location and structural position in the political economy that are unsuitable for productive investment. Most are isolated rural villages that are removed from natural markets; they frequently lack basic infrastructure like paved roads, electricity, telephones, running water, and sewage, and they typically do not have access to an appropriate labor force. Even in the realm of agriculture, many communities are poorly suited for investment because of poor land quality, a lack of water, a fragmented land tenure system, or a highly unequal property distribution. Under these circumstances, productive investment is not only unlikely, it is unwise since the chances of business failure are extremely high.

Studies of migration and development based on isolated rural communities carry a serious design flaw. Even if a migrant is disposed to make productive investments, he may be unwilling to do so because the chances for return in his home community are scant and the probabilities of failure are high. The

same migrant, however, may be quite willing to undertake investments in more suitable locations and may, in fact, do so to a significant degree. But if the study is confined only to the isolated rural community, this migration-induced development and growth will be overlooked.

When studies have been carried out in areas that offer a supportive environment for productive investments, typically urban areas, higher levels of investment have been found. Of 19 enterprises that Escobar and Martínez (1990) studied in Guadalajara, Mexico's second largest city, 32% were owned by migrants and 10% were capitalized with U.S. earnings. In their survey of one Guadalajara neighborhood and a nearby industrial suburb, Massey et al. (1987) uncovered 83 businesses, of which 36% were migrant owned and 13% were capitalized by U.S. earnings.

Rather than concluding that migration leads inevitably leads to dependency and a lack of development, it is more appropriate to ask why productive investment occurs in some communities and not others. In general, the highest levels of business formation and investment can be expected to occur in urban communities, in rural communities with access to urban markets, or in rural communities with favorable agricultural conditions (Durand and Massey, 1992). The effect of such structural factors cannot be studied in the isolated case, but can only be examined across a range of different communities.

In addition to neglecting the effect of structural factors operating at the community level, studies of spending patterns generally do not take into account the life cycle stage of the households involved. International migrants are heavily concentrated in the age range 20-34, a time when most people are marrying, forming families, and raising children. During this phase of the life cycle, demands for family maintenance, housing, and medical care are greatest and it is not surprising that migrants channel most of their earnings into current consumption. As migrants progress through the life cycle, however, spending on consumer goods falls off sharply and productive investment rises. Moreover, as families age and their migrant experience

grows, they become increasingly likely to invest in agricultural inputs that raise productivity (Massey et al. 1987).

Thus, although most observers have concluded from field studies that international migration leads to dependency and a lack of development, this conclusion does not take adequate account of the structural and life cycle factors that operate to constrain individual patterns of spending and investment. It may be that under structural circumstances where productive investments are likely to be met with success, and during phases of the life cycle when current needs are at a minimum, spending for production is quite likely.

The literature on migration and development displays a remarkable lack of information about the determinants of migrant investment patterns. Much of the evidence borders on the anecdotal and most of it is in the form of community case studies. Very few researchers have even undertaken a comparative analysis of investment patterns across a small number of communities, and only one or two have estimated quantitative models of migrant decision-making. No study has undertaken a systematic, multi-level analysis of migrant investments based on large samples that include a variety of different communities.

Thus, it is important for population scientists prepare reliable, multi-level databases on migrant savings and remittances that contain information tabulated at the individual, household, and community levels, and which contain a representative array of community types. Before we can develop policies and programs designed to encourage the productive investment of migrant earnings, we need to understand where, and under what conditions, migrants and their families are likely to spend productively. A key task of future research must be to identify the community and household characteristics that are conducive to the productive use of income earned abroad. Despite the plethora of field studies, the easy theorizing from many quarters, and the self-righteous moralizing about dependency, we have not yet begun this effort.

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