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## Remittances and Walls by Covadonga Meseguer

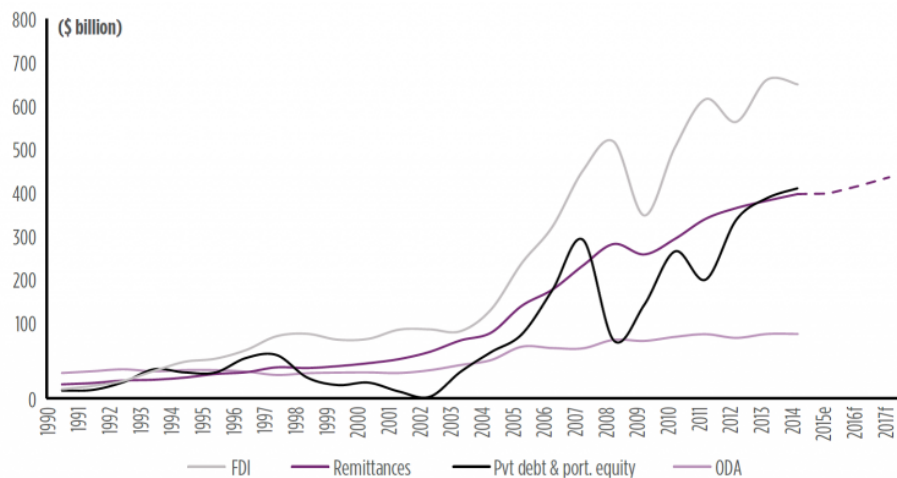
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In one of the many *boutades* that candidate Donald Trump has provided us with during his campaign, [he proposed to force Mexico to pay \\$5–\\$10bn for the construction of the border wall as a condition for the flow of remittances](#) (the money that emigrants send back to their families) to continue. Not only is the proposal ridiculous (remittances, being private earnings, are not a particularly easy flow of money to intercept) but it would also be unwise for multiple reasons.

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In Mexico, as well as in many developing countries, remittances constitute a vital source of foreign earnings. In absolute numbers, Mexico is among the largest remittance recipient in the world, amounting to \$25bn last year. Together with oil receipts, tourism and foreign direct investment, remittances help to sustain the country's economy. For developing countries, remittances represent their second largest source of foreign revenues after foreign direct investment. As the chart below shows, remittance flows to developing countries are larger than Official Development Assistance flows (ODA) and more stable than private capital flows.



Sources: World Bank Staff calculations, World Development Indicators, OECD. Private debt includes international bonds and borrowing through commercial banks.

(Taken from [Migration and Development Brief 26](#), p. 5).

During decades of research, economists have shown that remittances have positive economic consequences. In Mexico, remittances are fundamentally devoted to financing current consumption, helping reduce household poverty. Recipients' consumption has multiplier effects on growth, benefitting the communities that receive them and the country overall. More consumption implies more government revenues out of indirect taxation. Aside from consumption, remittances finance other important household spending and investments. They are a buffer for families against poor economic conditions, conflict, and natural catastrophes, all of which are circumstances in which remittances from those abroad to those at home increase. Families invest substantial amounts of remittance money in improving the education of their children, especially girls. Families also gain access to health care and often use the money to start their own businesses. Moreover, they often invest in housing and in improving their access to water and sanitation. Similar effects have been found in other Latin American and developing countries.

Of course, not all the economic consequences are positive; but I think that few would argue that the overall picture when exploring the economic consequences of remittances is very positive. Emigration happens for multiple reasons, certainly for economic ones. So, one wonders why a candidate who wishes to see emigration from Mexico go down would want to restrict the flow of remittances, which make such a contribution to development and poverty reduction in origin countries.

But what I want to emphasize here is that remittances have also political consequences in the countries that receive them. For instance, emigrants frequently organize themselves abroad in groups called hometown associations. These organizations raise money to finance public projects – such as infrastructure projects – in their communities of origin. Not only do these projects improve the living conditions in these communities, but they empower emigrants and their families at the local level. Research has shown that emigrants often become involved in local politics, keeping local politicians accountable, and demanding more transparency and less corruption as a condition for their investments.

Thanks to financial remittances, recipients increase their income and can become self-providers of public and social goods. Remittances increase recipients' autonomy with respect to the state, giving them access to goods and services previously outside their reach unless the state provided them, often in exchange for votes. This has important political consequences, in particular in countries where political clientelism is pervasive. In Mexico, research has shown that emigration and remittances favoured the transition to democracy in 2000. The money that emigrants sent to their families back home allowed those left behind to escape long-established clientelistic networks built by the Partido de la Revolución Institucional (PRI), which was in power for 70 years. Research has shown that remittances eroded electoral support for the PRI in those municipalities where the party was entrenched. Mexico does not seem to be an exception. [My research](#) (with Abel Escribà-Folch and Joe Wright) suggests that this same effect operates in other instances of single-party-dominated authoritarian regimes and that concerns about remittances being a curse rather than a blessing would be limited to the most restrictive authoritarian regimes.

Of course, the concern exists that with more resources and more autonomy from the state, remittance recipients may become too politically disengaged. While disengagement does seem to occur when it comes to voting, it also seems to be the case that remittance recipients and Mexicans with relatives abroad become more involved in non-electoral political activities, prominently at the local level. By becoming more involved in civic associations, attending local meetings, persuading others to vote, etc., those who have relatives abroad and who receive remittances become agents of political change.

Any American presidential candidate seriously interested in a good neighbour policy with Mexico should not be frivolous about the money that migrants send to their relatives back home with so much effort. Even if it is for purely self-interested reasons, this money helps the economic development of the country as well as its political development. In the mid to long term, the improvement of economic conditions and democratic governance in Mexico will be the best guarantor of diminishing immigration flows. Therefore, guaranteeing safe and cheap ways for migrants to send these overwhelmingly honest flows to their families should be a top development (and moral) priority of any U.S. administration.

By Dr. Covadonga Meseguer (LSE)

#### Read more:

Escribà-Folch, Abel, Covadonga Meseguer, and Joseph Wright. (2015) Remittances and Democratization. *International Studies Quarterly*, doi: [10.1111/isqu.12180](https://doi.org/10.1111/isqu.12180)

<http://onlinelibrary.wiley.com/doi/10.1111/isqu.12180/abstract>



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