THE DEVELOPMENT OF HOME TOWN ASSOCIATIONS IN THE UNITED STATES AND THE USE OF SOCIAL REMITTANCES IN MEXICO

Rafael Alarcón
Departamento de Estudios Sociales
El Colegio de la Frontera Norte

FINAL VERSION

1 I am greatly indebted to Lindsay Lowell, Luis Escala and Gaspar Rivera for their valuable comments and ideas. Without their assistance I would have not written this article.
ABSTRACT

Money remittances between the United States and Mexico are in the process of evolving from the province of individuals and households toward the increasing involvement of hometown associations (HTAs). These associations are based on the social networks established by community members of the same rural locality of origin in Mexico. The members of these associations, commonly known as “clubs,” seek to promote the well-being of their community in both the United States and Mexico by raising money to fund public works and social projects. These associations pay particular attention to the needs of low-income persons who live in Mexico.

The article examines three little studied aspects of HTAs: (1) the conditions that have led to their emergence, (2) the uses to which they put their collective remittances in Mexico, and (3) the methods they use to transfer their remittances home.

The rural origin of a community, a long migratory tradition and a strong settlement process in the United States are important factors that lead to the formation of HTAs. Other factors explain their initial emergence and development such as the participation of community leaders and the active role of Mexican state governments and consulates in the United States.

The associations spend monies on a wide range of activities, but investments are primarily made in “infrastructure.” However, when HTAs fund the construction of public infrastructure like roads and bridges, they improve local economies by facilitating economic transactions. Similarly, their financing of education and health infrastructure and projects is a direct investment in human capital. HTAs and their federations are sophisticated organizations that raise considerable collective remittances that they invest primarily in local economic development. Their activities strongly support an optimistic view of the role of remittances in hometown communities.

HTA members send money as individuals and as organizations, choosing among many transfer mechanisms. The most important finding of a study conducted by researchers at UCLA reveals that HTA members use the most traditional money remittance mechanisms, especially sending cash through relatives or friends. The second most important mechanism is sending money orders and other documents by mail. This reflects the general perception that banks and money-wiring companies are expensive and do not meet the Mexican migrants’ needs and expectations.

In sum, money remittances sent by individuals, households, and HTAs are an indirect engine of regional economic development and also function as a substitute for the lack of government welfare in Mexico. Money remittances function as such supplemental assistance for a large number of Mexican families. Probably, greater government involvement in welfare would free up some remittance funds for investment with productive investment implications. In this sense, governmental and non-governmental organizations can play an important role in fostering the expenditure of collective remittances on job generating ventures.
INTRODUCTION

Migrant remittances have caught the imagination of government agencies, non-governmental organizations and academics who wish these monies to play a pivotal role in economic development schemes in the migrants’ hometowns. This is not new. In the 1970s, the Arizona Farm Workers Union pushed for the establishment of a system whereby growers would deduct a portion of farm workers’ salaries to invest in agricultural improvements in the migrant’s communities of origin to prevent further undocumented migration. In the same vein, in the early 1990s, the Commission for the Study of International Migration and Cooperative Economic Development, created by U.S. Congress, recommended using migrant remittances to foster economic development as a way to diminish the pressures for undocumented migration in sending countries. The Commission recommended that individual migrant remittances be complemented by other financial resources from public and private institutions to support the development of the small business sector (Commission for the Study of International Migration, 1990). Interestingly, these proposals’ underlying assumption suggests that international undocumented migration is a problem that can be solved by the efforts of the migrants themselves.

In the academic realm, there is a debate between the “pessimistic” and the “optimistic” schools of migration and development about the economic impact of money remittances. The “pessimistic” school contends that remittances create a form of economic dependency since they are mostly spent on consumption with very little money going into productive investments. On the other hand, the “optimistic” front argues that the “pessimistic” view does not give sufficient credit to the productive investments of migrants, the indirect effect of savings, and the impact of remittances in promoting economic growth through consumer spending. According to the
optimistic school, remittances generate a multiplier effect on aggregate demand, employment and capital investment in excess of the original expenditure (see Appendix).

The money that migrants send home has long been understood to be part of an individual and household strategy. Remittances are typically defined as transfers in cash or kind from individual migrants working abroad to their families in their countries of origin. In spite of the abundant literature on remittances, researchers have paid little attention to the role played by hometown associations (HTAs). These organizations are formed by migrants from the same locality with the purpose of transferring money and other resources to their communities of origin.

Mexican migrants in the United States make substantial transfers of money to Mexico through HTAs. For example, HTAs from Zacatecas committed up to $600,000 for 56 public projects in 34 towns in 1995 (Goldring, 1998). Similarly, HTAs from the Federación de Clubes Michoacanos in Illinois have sent more than $650,000 to support public works in their localities of origin (Espinosa, 1999).

I explore here this form of collective remittances from HTAs for Mexico. This newer form of remittances, indeed an evolved form of transnational linkage, has varied features that deserve to be better understood. Altogether, the volume and channels that remittances take are no longer quite the same as they once were. These create new potentialities for economic development that have yet to be fully assessed. Three hitherto little studied aspects of HTAs are reviewed in this paper: (1) the conditions that have led to their emergence, (2) the uses to which they put their collective remittances in Mexico, and (3) the methods they use to transfer their remittances home. The concluding section offers observations on the status of HTAs and their role in economic development.
THE EMERGENCE OF HOMETOWN ASSOCIATIONS

In the late 1970s, Mines (1981) witnessed that returning Animeños showed a lack of interest in developing their community, located in Zacatecas, and for this reason the town was becoming a rest and retirement center for the successful migrants and a reproduction center for new migrants. Today, Animeños in Los Angeles are part of Club Fraternidad Las Animas, a hometown association (HTA) formed in 1997 that supports public works and social projects in their hometown. What changes instigated the creation of this new club and what are some of the implications for U.S. migrants and their hometowns?

In spite of the abundant literature on individual/family remittances and economic development, researchers have paid little attention to the more recent evolution of HTAs in the U.S. and the collective remittances they invest in migrant-sending communities. These associations, commonly known as “clubs,” are formed by migrants from the same rural locality with the purpose of transferring money and other resources to their shared community in Mexico. Money remittances between the United States and Mexico are in the process of evolving from the sole province of individuals toward the increasing involvement of HTAs. These associations try to promote the well-being of their community in Mexico by raising money in the United States for the construction of public infrastructure and the creation of social projects. The members of these associations pay particular attention to the needs of low-income persons (Alarcón, Runsten and Hinojosa, 1998).

HTAs raise money in the United States through the organization of dances, beauty pageants, raffles, picnics, rodeos, membership dues and private donations. They contribute substantial transfers of money to Mexico. Some of the most important public works funded by HTAs include the construction or renovation of roads, bridges, parks, churches, schools, health
care clinics, sport facilities and streets. The social projects they fund benefit the poor in the community of origin through the support of health care clinics, childcare centers and convalescent homes for the elderly. HTAs also donate ambulances, medical goods, school supplies, and distribute educational grants among low-income students.

According to Zabin and Escala (1998), HTAs have three levels of institutionalization and complexity. In the first level, members of informal HTAs participate in the same social events and provide economic support in case of emergencies. In this sense, hypothetically there could be as many informal village networks as there are migrant communities in Mexico. The second level of organization appears when a formal leadership committee emerges and organizes the “daughter community” in the United States. Another path to the institutionalization of HTAs can be initiated by the specific efforts of Mexican consulates in the United States. In this regard, the creation of the Programa de Atención a Comunidades Mexicanas en el Extranjero or PACME (Program for Mexican Communities Abroad) in 1990 should be credited for the recent creation of a large number of formal HTAs. This office was created within the Foreign Ministry and operates through the consular network in the United States.

In 1998 there were 170 HTAs from 18 Mexican states registered with the Mexican General Consulate in Los Angeles. The states with the largest number of HTAs were in order of importance: Zacatecas (51 HTAs), Jalisco (49 HTAs), Michoacán (11 HTAs), Sinaloa (11 HTAs), Nayarit (9 HTAs), Oaxaca (8 HTAs), Puebla (5 HTAs) and Durango (4 HTAs) (Zabin and Escala, 1998: 9). There are at least 120 HTAs in Chicago that work with the Mexican consulate in that city (Espinosa, 1999: 12).

The third level of organization of HTAs is the federation. The federation is a coalition of HTAs from the same state in Mexico that work closely with the Program for Mexican Communities Abroad. There are currently eight statewide federations of HTAs, based in Los
Angeles. There is one federation for the states of Zacatecas, Jalisco, Sinaloa, Nayarit, and Durango; and three for the state of Oaxaca. The oldest and the best organized is the Federación de Clubes Zacatecanos del Sur de California (Zabin and Escala, 1998: 9). Mexican immigrants in Chicago have formed seven federations from the states of Zacatecas, Guerrero, Jalisco, Durango, San Luis Potosí, Guanajuato and Michoacán (Espinosa, 1999: 12).

The rural origin of a community, a long migratory tradition and a strong settlement process in the United States are important factors that lead to the formation of HTAs. However, there are other factors that explain their initial emergence and development. Some of these factors are the participation of community leaders and the active role of Mexican state governments and consulates in the United States. An analysis of the development of HTAs from Zacatecas, Jalisco, Michoacán and Oaxaca shows the interplay of these factors.

Zacatecas is a traditional migrant sending state that has had the most active state governments in establishing strong ties with migrants in the United States. Even though the Federación de Clubes Zacatecanos del Sur de California was established in 1965, it really became institutionalized in the mid-1980s thanks to the support of Genaro Borrego (1986-1992) then governor of Zacatecas. In 1986 the federation and the state government reached an agreement whereby HTAs and the state government would jointly fund public works. This was later known as the "two-for-one" program.

Very active Zacatecano leaders in Los Angeles have created HTAs for several decades and have maintained good working relationships with the General Mexican Consulate in Los Angeles. According to Goldring (1998) the federation established a special relationship with the Mexican federal government under the Salinas administration (1988-1994). Zacatecano HTAs were instrumental in the creation of a health program administered by the Ministry of Social Security in Mexico (Instituto Mexicano del Seguro Social) that provides coverage for relatives of
migrants residing in the United States for a fee. In addition, based on the experience with the Borrego administration, Zacatecano leaders promoted the establishment of the (now terminated) "two-for-one" federal program, in which the state and the federal governments each contribute a dollar for each dollar raised by the HTAs for community development projects. In 1993 the Mexican Ministry of Social Development created the program that was later extended to other states (Goldring, 1998; Smith, 1995).

The new administration under President Ernesto Zedillo cancelled the federally coordinated “two-for-one” program. In spite of this, the program continued in Zacatecas under a new arrangement. The new elected governor, Ricardo Monreal from the opposition party Partido de la Revolución Democrática, managed to create the “three-for-one” program with the participation of HTAs and the federal, state and municipal governments. As before, the three levels of government each contribute a dollar for each dollar raised by HTAs. According to the Program for Zacatecan Communities Abroad that administers the “three-for-one” program, this program began in 1997 with $300,000 dollars and one year later was managing nearly 5 million dollars to support 93 projects in 27 municipalities.

Some of the most important leaders of the Federación de Clubes Zacatecanos del Sur de California are successful entrepreneurs in Los Angeles. Attempting to capitalize on this, the state government created the Fondo de Inversión y Reinversión with the participation of the Fondo Nacional de Empresas de Solidaridad (FONAES), an investment and credit program of the Mexican federal government (Moctezuma, 1999). According to Zabin and Escala (1998), the Mexican government used this program in the past to court wealthy immigrants for investments
in tourist resorts or hotels. FONAES is now supporting Mexican immigrants who are interested in starting a small business in their hometowns.²

Currently the Federación de Clubes Zacatecanos del Sur de California is part of the Confederación de Clubes de Zacatecanos in addition to other federations located in Los Angeles and Oxnard in California; Chicago, Illinois; Denver, Colorado; Dallas and Houston in Texas; Las Vegas, Nevada; and Atlanta, Georgia. This confederation includes nearly 120 HTAs with approximately 40,000 members (Moctezuma, 1999).

Jalisco is also a traditional sending state with governments that ignored HTAs in the past. The formation of 49 HTAs and the consolidation of the Federación de Clubes Jaliscienses were the result of the active role of the consular staff in Los Angeles. In addition to the neglect of former state governments, Zabin and Escala (1998) believe that the federation has not been very successful in promoting public works because the leadership in Los Angeles maintains a centralized power structure.

Only recently, the current governor of Jalisco Alberto Cárdenas (who belongs to the opposition party Partido Acción Nacional) became interested in working with HTAs. Cárdenas has frequently visited HTAs in Los Angeles and has supported three different projects. First, the government of Jalisco supported the launching of two programs: Raza Express and the debit card Afinidad Jalisco Banamex to improve the transfer of remittances into the state. The two private financial institutions deposit a portion of each dollar sent to Jalisco into a fund (Fideicomiso de Inversión Fideraza) to improve public infrastructure and to support small entrepreneurs in the state (Valenzuela, 1999). Second, the Government of Jalisco in association with the Federación de Clubes de Jalisco recently obtained a credit line for $2 million dollars from the North

² Leaders of HTAs from Zacatecas complain that FONAES offers loans for less than $10,000 to potential entrepreneurs after they have met many requirements. In their words: “this is not an useful credit because in order to
American Development Bank (NADBANK) to encourage productive investments in Jalisco among entrepreneurs who belong to the federation.\(^3\) Finally, following the example of Zacatecas, the Jalisco government and the federation are in the process of instituting a “three-for-one” program.

Michoacán is also a traditional sending state with a strong federation of HTAs in Illinois. Victor Espinosa (1999) believes that the intervention of the Mexican consulate in 1996 was key for the formation of the Federación de Clubes Michoacanos in Illinois. In that year, the governor of Michoacán visited Chicago to meet with HTA leaders. These leaders realized that HTAs could unite to have more leverage to negotiate with the governor. As a result of this visit, many of the 14 HTAs that formed the federation have undertaken several public work projects. For instance, four HTAs have sent more than $650,000 dollars to pay for the construction of highways, sports facilities, day care centers, cultural centers, the reconstruction and renovation of churches and for road repairs. They have also donated money to build or improve sewage systems, to support schools, and to buy sound systems for churches and lighting for plazas (Espinosa, 1999). Even though there are several known HTAs in Los Angeles, they have not embarked in the formation of a federation. They seem to maintain an independent attitude towards the Mexican consulate. In an interview, one of the consulate functionaries in Los Angeles told me: "the Michoacanos do not want to work with us."

Since the early 1980s, Oaxaca has become a very important sending state. In spite of a relatively recent migration process and a more economically depressed region of origin, Oaxacan migrants have organized strong and independent grass-roots organizations in California. These

\(^3\) The project is being conducted with the technical assistance of researchers of the North American Integration and Development Center of the University of California, Los Angeles and the staff of the Fundación de Fomento a la Productividad en el Campo.
associations have been shaped to a great degree by the specific organization of indigenous communities from Oaxaca. According to Zabin and Escala (1998) there are three regional-based federations of Oaxacan associations in Los Angeles: Organización Regional de Oaxaca (ORO), Organización de Comunidades Serranas de Oaxaca (OCOSO), and Coalición de Comunidades Indígenas de Oaxaca (COCIO). These federations, with the exception of COCIO, are mostly Zapotec urban-based federations of HTAs. There are two other Oaxacan federations of mostly Mixtec rural-based grassroots organizations: The Frente Indígena Oaxaqueño Binacional (FIOB) and the Asociación Cívica Benito Juárez (ACBJ).

Rivera (1999) argues that Oaxacan organizations distinguish themselves from other mestizo migrant organizations because of the ideological formation of their leaders. A very important characteristic of these organizations is that in addition to supporting the construction of public infrastructure and social projects, they seek to defend the human, civil and labor rights of their members in both Mexico and the United States. This situation has led to a more complicated relationship with the government of Oaxaca. For instance while the Mixtec leadership (represented by el Frente Indígena Oaxaqueño Binacional) espoused a hard political line towards the previous governors, Heladio Ramirez (1986-1992) and Diodoro Carrasco (1992-1998) and argued that it was better to maintain some distance from the government in order to hold it accountable in case the demands of the communities were not fulfilled, the ORO’s leadership maintained that a more friendly relationship with the government would bring the fulfillment of the communities’ demands.

The formalization of the relationship between state and the federal governments on one side and HTAs on the other took place under the Salinas administration. The Mexican government began paying closer attention to the Mexican community in the United States for two main reasons. First, the presidential elections of 1988 when Carlos Salinas de Gortari
became president were considered fraudulent by a very large portion of the Mexican population living both in Mexico and the United States. Many supporters of the defeated candidate Cuauhtemoc Cardenas protested in front of Mexican consulates. Some of these protesters were from Michoacán, the state where Cardenas was governor. The second factor was the beginning of discussions leading to the establishment of NAFTA between the Mexican and United States’ governments. These situations prompted the Mexican government to create the Program for Mexican Communities Abroad within the Foreign Ministry and to be carried out by the consular network in the United States in 1990 (Alarcón y Martinez, 1995; Espinosa, 1999).

The main goal of this program has been to bring the Mexican government and the migrant Mexican population closer together by way of offering educational and cultural programs. The staff of the Program for Mexican Communities Abroad also began contacting already existing HTAs to promote the creation of statewide federations and facilitate communication between them and Mexican officials at the state and local government levels.

THE USES OF COLLECTIVE HTA REMITTANCES

Hometown associations tend to spend their monies first on infrastructure development, from roads to ambulances, as well as on social goods such as churches or bullrings, but expenditures on job generation appear to be less common. While no exhaustive listing of expenditures exist, a good sense of the use of collective remittances can be illustrated by reviewing the projects funded by some HTAs from Jalisco and Zacatecas in Los Angeles.4

---

4 The data on HTAs from Jalisco and Zacatecas residing in the Los Angeles Metropolitan area come from two research projects conducted by researchers at the North American Integration and Development Center at the University of California, Los Angeles (see Alarcón, Runsten and Hinojosa, 1998 and Alarcón and Iñiguez, 2000).
Peguerenses residing mostly in Santa Monica, California formed Club Pegueros from Jalisco in 1981. The HTA evolved from a soccer team supported by Peguerenses. They decided to do something when a person died in the town because there was no ambulance to transport him to a hospital. Their first donation was an ambulance and among many other things they provide scholarships to students in middle and high school in both the town and the United States. Club Pegueros also supports the education of 57 children with development problems in Pegueros. The club’s 100 active members are very successful in raising money by organizing rodeos, and selecting the Reina del Club Pegueros whereby the girl who has collected the most money for the club regardless of her beauty is selected as the HTA’s queen. Every year they also host the Baile de Gala that is attended by 500 people.

La Comunidad Arandense also from Jalisco is composed of around 90 families that live mostly around Anaheim, California. The club was formed in 1994 when they left an older HTA from Arandas. They decided to start a new HTA because entrepreneurs and more settled families who in their view do not care much about the community in Mexico control the other organization. Working in conjunction with a group of professionals from the town, they help support a home for the elderly in Arandas. Every year during Christmas they organize a Posada (traditional Christmas party) in Arandas for low-income families and distribute presents to nearly 600 children. They also send donations for people in need. For instance, they helped a family when a child lost an eye due to a medical malpractice and gave financial support to a woman with cancer. In California, they support a soccer team Atlético Arandas to promote sports among the youth and they try to preserve an Arandense identity in the United States.

Club Temastian was formed by migrants from this town located in Northern Jalisco in 1981 and relies on the support of nearly 100 families from the town. This HTA focuses mainly on health projects. With the support of the Government of Jalisco they built a house for student
doctors who spend one year in the town as a part of their training. The club has also donated $3,000 in surgery equipment and $5,500 to install a water pump in the town. Their interest to support health projects stems from the fact that Temastian is the home of a popular sanctuary dedicated to El Señor de Los Rayos that is visited by many people from different regions in Mexico. People visit El Señor de Los Rayos because they are sick and request his assistance. As a result of this, many people experience health crises while they visit the town and in the past there was not any health infrastructure to care for them. Club Temastian participates actively in the organization of the celebration of El Señor de Los Rayos festivities and have also helped many low-income families.

In the case of Zacatecas, Club Tepechitlán, that was founded by the initiative of the local priest of Tepechitlán in 1991, sent $2,500 in food as a donation to families that were affected by a flood. Later, through the Federación de Clubes Zacatecanos del Sur de California and the "two-for-one" program they bought a school bus and a pick up truck for the municipal government. The Club Tepechitlán later helped build a church tower and provided improvements to the town plaza.

Families residing mainly in the San Fernando Valley in the Los Angeles area initiated the Club Mesillas in 1988. There are around 450 people from the town who participate in the events they organize such as dances, raffles and rodeos. In the beginning each member donated $100 per family to dig a well and they made an agreement with the state government. Later, working under the “two-for-one program” they have improved the sewage system and the streets in addition to renovating the hospital and the church. They also donated a van for the municipal government and are currently raising money to build an 8-kilometer section of a highway. The Club Mesillas inherits the philanthropic tradition of an Anglo engineer who among other things built a dam in Mesillas in the late 1950s using his own money. He was a researcher who went to
Mesillas to study water resources and later married a woman from the town. After his death, Club Mesillas built a monument in his honor.

In 1993 Club Jomulquillo was formed for the purpose of improving living conditions in the village. They initially compiled a list of 350 persons from Jomulquillo and asked them for a donation of $100. Through the "two-for-one" program they built a section of a highway and later raised money to build a bridge, to improve the sewage system and streets, to install public lighting, and to start a tortillería. They support the education of children in the town and started the Cocina Familiar project to help low income people in Jomulquillo.

The Club Social Hermandad Jalpense was founded in 1996 and has 30 active members. The club is currently raising $8,000 to build “La Casa de Artes y Oficios del Niño Jalpense” through the “three-for-one” program. This arts and trade school is designed to provide employment opportunities for low-income youth in the town.

Table 1 shows community development projects funded by the “three-for-one” program in Zacatecas and reveals that social remittances are spent on a wide range of activities. However, investments are primarily made in infrastructure. Column 5 contains the monetary contribution of HTAs in pesos and Column 6 describes the total cost of the project in pesos. This collection of cases about the use of collective remittances by HTAs reveals that these are primarily philanthropic rather than entrepreneurial endeavors. These HTAs have acquired experience in funding public works and social projects that benefit their community in Mexico.
Table 1
Description of Public Works Funded by the “Three-for-One” Program in Zacatecas (in pesos)

<table>
<thead>
<tr>
<th>MUNICIPALITY</th>
<th>LOCALITY</th>
<th>PROJECT</th>
<th>HTA FUNDS</th>
<th>TOTAL COST</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresnillo</td>
<td>El Tejúan</td>
<td>Bull Ring Improvements</td>
<td>17,506</td>
<td>70,025</td>
</tr>
<tr>
<td></td>
<td>B. Río Chico</td>
<td>Computing Equipment</td>
<td>29,750</td>
<td>119,000</td>
</tr>
<tr>
<td>Jalpa</td>
<td>Col. Aréchiga</td>
<td>Construction of Well</td>
<td>52,173</td>
<td>208,690</td>
</tr>
<tr>
<td>Jerez</td>
<td>Jomulquillo</td>
<td>Street Pavement</td>
<td>89,297</td>
<td>357,190</td>
</tr>
<tr>
<td></td>
<td>Los Murillo</td>
<td>Room for Meetings</td>
<td>25,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Juchipila</td>
<td>Juchipeña</td>
<td>Restrooms in Baseball field</td>
<td>25,000</td>
<td>100,000</td>
</tr>
<tr>
<td></td>
<td>Municipal</td>
<td>Sport Facilities Improvements</td>
<td>50,000</td>
<td>200,000</td>
</tr>
<tr>
<td></td>
<td>El Ranchito</td>
<td>Construction of Well</td>
<td>150,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Momax</td>
<td>Momax</td>
<td>Construction of Auditorium</td>
<td>100,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Nochistlán</td>
<td>Las Animas</td>
<td>Street Pavement</td>
<td>225,205</td>
<td>900,818</td>
</tr>
<tr>
<td>Ojocaliente</td>
<td>La Capilla</td>
<td>End Construction of Church</td>
<td>150,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Pinos</td>
<td>Espiritu Santo</td>
<td>Road Pavement</td>
<td>475,000</td>
<td>1'900,000</td>
</tr>
<tr>
<td>Río Grande</td>
<td>San Lorenzo</td>
<td>Road Pavement</td>
<td>276,485</td>
<td>1’105,940</td>
</tr>
<tr>
<td></td>
<td>Los Ramírez</td>
<td>Road Pavement</td>
<td>192,858</td>
<td>7771,429</td>
</tr>
<tr>
<td></td>
<td>Río Grande</td>
<td>Construction of Wall</td>
<td>30,805</td>
<td>123,222</td>
</tr>
<tr>
<td></td>
<td>Río Grande</td>
<td>Street Pavement</td>
<td>103,534</td>
<td>414,136</td>
</tr>
<tr>
<td>Sombrerete</td>
<td>Estanzuela</td>
<td>Construction of Well</td>
<td>207,000</td>
<td>828,000</td>
</tr>
<tr>
<td>Tepetongo</td>
<td>San Tadeo</td>
<td>Equipment for Well</td>
<td>40,000</td>
<td>160,000</td>
</tr>
<tr>
<td>Tlaltenango</td>
<td>Tlaltenango</td>
<td>Bull Ring Improvements</td>
<td>250,000</td>
<td>1'000,000</td>
</tr>
<tr>
<td>Valparaiso</td>
<td>Valparaiso</td>
<td>Renovation of Chapel</td>
<td>10,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Cruces</td>
<td>Street Pavement</td>
<td></td>
<td>18,300</td>
<td>73,200</td>
</tr>
<tr>
<td>San Vicente</td>
<td>Construction of Road</td>
<td></td>
<td>30,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Villanueva</td>
<td>Boca de Rivera</td>
<td>Provision of Electricity</td>
<td>70,989</td>
<td>283,959</td>
</tr>
<tr>
<td></td>
<td>Tayahua</td>
<td>Provision of Electricity</td>
<td>16,875</td>
<td>67,500</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Construction of Classroom</td>
<td>37,818</td>
<td>151,274</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>54,754</td>
<td>219,016</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>36,915</td>
<td>147,660</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>53,689</td>
<td>214,759</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>44,782</td>
<td>179,126</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>7,894</td>
<td>31,577</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>9,388</td>
<td>37,552</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>10,644</td>
<td>42,577</td>
</tr>
<tr>
<td></td>
<td>Villanueva</td>
<td>Street Pavement</td>
<td>39,208</td>
<td>156,830</td>
</tr>
<tr>
<td></td>
<td>Col. Díaz Ordaz</td>
<td>Construction of Well</td>
<td>50,000</td>
<td>200,000</td>
</tr>
</tbody>
</table>

Source: Programa Tres por Uno, Secretaría de Planeación y Finanzas, Gobierno del Estado de Zacatecas, 1999
REMITTANCE TRANSFER MECHANISMS

An estimate of official remittance flows around the world based on balance of payment statistics reveals that migrants remitted about 71.1 billion in 1990. Indeed, official remittances have increased substantially since 1980, when they were estimated at 43.3 billion globally (Bilsborrow et al, 1997; Russell and Teitelbaum, 1992). Consider that, according to the United Nations Population Fund, there are 125 million people who are living in a country different from the one they were born in. The magnitude of remittances is directly related to the volume of new migrants. But if the official data do not capture the whole of the flow, imagine what the gross flow of remittances must be between the densest of transnational communities. It is estimated that Mexicans sent between $2 billion and $4 billion in 1990.

Remittance Transfer Preferences. Due to excessive fees or lower exchange rates applied by them, many migrants instead of using the services of banks, the post office, or money wiring companies, use informal mechanisms to send money home. Migrants also often distrust formal financial institutions, either because they fear theft or because gyrating economic conditions may undermine the value of their money placed with these institutions. Many prefer to carry money personally when they go to the home country, to send cash or documents through relatives or friends, or to send in-kind remittances of clothes and other consumer goods.

---

5 It is very difficult to estimate the actual volume of remittances. The main sources of official data on migrant remittances are the annual balance of payments records of countries that are compiled in the Balance of Payments Yearbook published by the International Monetary Fund. These sources have three important limitations: 1) it is very difficult to distinguish between individuals who are “residents” or “non residents” of an economy; 2) countries apply different criteria to classify the transactions involving international migrants; 3) a significant proportion of remittances are sent through “informal” channels. As a result, specialized surveys are necessary to gather more detailed information on migrants’ remittances (Bilsborrow et al 1997).

6 Lozano (1993) found that Mexican migrants sent 3.2 billion, Massey and Parrado (1994) estimated the flow at $2 billion for the same year.
In countries like Bangladesh, India, Pakistan and the Philippines many migrants use the Hundi system whereby the migrant delivers a sum in foreign currency to an agent in the destination country under the agreement that the equivalent amount in the currency of the country of origin would be given by the agent’s counterpart to the migrant’s family. (Bilsborrow et al 1997). Similarly, documented Mexican migrants living in U.S. border cities, exchange their dollars for pesos, cross the border and wire the money to relatives through banks or telegraph (Alarcón, Runsten and Hinojosa, 1998). According to Lozano (1998), Mexicans living in the United States sent $3,867 millions of dollars in 1995. From this amount, 80 percent was transferred while the migrants were in the United Stated and 20 percent was hand carried when they returned to Mexico.

Based on long experience many Mexicans do not trust in the security of Mexico’s Postal Service. Some of them also distrust the U.S. Postal Service. The frustration of Mexicans sending remittances is not limited to the postal service, as they also report that private money-wiring companies such as Western Union, MoneyGram or Orlandi Valuta charge “hidden fees.” As a result, several clients of Western Union and MoneyGram decided to file a class-action lawsuit in Los Angeles against these companies. The $1 billion suit contended that these companies provide false advertising because they do not inform their customers that they apply more disadvantageous exchange rates to money sent to Mexico than to other countries and that they make a profit on that exchange. Both companies argued that their exchange rates take into

---

7 It is estimated that in Asia remittances sent through unofficial channels are at least double or even triple the official figures. On average, almost 16 percent of total remittances by Pakistani workers are sent through informal methods but this figure could be as high as 48 percent for workers from some regions where banking facilities are not widely available (Puri and Ritzema 1999). In Tonga and Western Samoa in the South Pacific, only 43 percent of the remittances were sent through official channels in 1992. The rest (57 percent) arrived in the form of goods sent by mail, and goods and money carried personally by migrants in their visits (Brown, 1994).
account the volatility of the Mexican currency and that they are approved by California regulators (García et al. 1998; Iñigo, 1997).  

At the end of 1999, Western Union, MoneyGram and Orlandi Valuta announced an enhanced settlement to the federal class-action lawsuit that improved a national deal negotiated by plaintiffs’ lawyers in Chicago in May of that year. The new settlement included the offer of discount coupons on future transactions to customers who had wired money to Mexico during or after 1987. In addition, it proposed to double the amount of money the companies donate to Latino community causes to $4.6 million, and to create a nonprofit Latino community development fund to be financed by a percentage of the $4 billion wired to Mexico yearly.  

Critics of this settlement, like Fred Kumetz who represents plaintiffs in California, argued that coupons force victims to give repeat business to the companies and compensates community groups instead. According to him: "the enhancement is an effort to buy politicians with benefits that do not go to the victims but instead go to the politicians' favorite causes." (Lee, 1999).  

**HTA Transfer Preferences.** The HTA is a collection of several individuals: might issues of intra-group trust lead them to prefer formal mechanisms with greater accountability? Would the collective opportunity for learning lead individuals to opt for formal transfer mechanisms more frequently? A study of the remittance industry conducted by researchers at the North American Integration and Development Center at UCLA focused on the preferences of members of Mexican HTAs (Alarcón, Runsten and Hinojosa, 1998; Alarcón and Iñiguez, 2000). The UCLA study was based on focus group discussions with members of six HTAs from Zacatecas and five from Jalisco who reside in the Los Angeles Metropolitan area. The study also collected a

---

8 Bank transfers are not exempt from similar criticisms. The general perception is that banks delay the delivery of
personal questionnaire that was designed to obtain some quantitative data and a discussion about the experience in sending money to Mexico.\(^9\)

During the year prior to the focus group, while Jalisco HTA members sent an average of $1,000 per family in three separate remittances, HTA members from Zacatecas sent $1,200 dollars per family in 5 remittances of approximately $240. The decision of how to send money to Mexico is complicated and depends on factors such as the economic characteristics of the Mexican place of origin, the shared experience of the migrant group, and the availability of money transfer mechanisms that exist in the market. Between September 1996 and August 1998, the 93 participants in our focus groups made a total of 180 money remittances to Mexico. Table 2 shows the distribution of the remittance mechanisms used by the HTA members.

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Zacatecas</th>
<th>Jalisco</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Cash Remittances through Relatives and Friends</td>
<td>46.1</td>
<td>27.6</td>
</tr>
<tr>
<td>Money Orders and Checks Sent by Mail</td>
<td>25.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Bank to Bank Money Transfers</td>
<td>18.3</td>
<td>22.4</td>
</tr>
<tr>
<td>Remittances through Money-Wiring Companies</td>
<td>7.7</td>
<td>19.7</td>
</tr>
<tr>
<td>Other</td>
<td>2.9</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Number of Remittances

104

76

Source: Personal Questionnaire, UCLA Study

money because they use it for other purposes rather than giving it right away to the recipients.

\(^9\) The information collected in the questionnaires comes from a very small and non-random sample of Mexican migrants, therefore it is not representative of all Mexican migrants in Los Angeles. Indeed, the demographic characteristics of the persons who participated in the focus groups clearly reveal that HTAs members do not reflect the general Mexican population of the Los Angeles Metropolitan area since they tend to be older, have a higher educational attainment, and live in nuclear families. These immigrants also show a strong integration into the United States because they have lived in the United States for a long period of time and a significant percentage of them own their homes in this country. These characteristics are consistent with observation, discussed above with
The results of this study show that, in spite of living in the midst of a sophisticated information society, HTA members (especially those from Zacatecas) used the most traditional money remittance mechanisms, especially sending cash through relatives or friends. The use of this mechanism is based on trust and in the constant circulation of people between Mexico and the United States who have established strong social networks among relatives, friends and *paisanos*. The second most important mechanism is sending money orders and other documents by mail. This reflects the general perception that banks and money-wiring companies are expensive and do not meet the Mexican migrants’ needs and expectations.

HTAs even prefer to use informal mechanisms to send money for their projects in Mexico. On one occasion the members of Club Mesillas from Zacatecas sent $2,000 dollars to support a project in their town. Since they had to send the money quickly, they used the services offered by Western Union. The members of their parallel club in the town picked up the money in a store of Elektra in Sombrerete, Zacatecas. “Our friends told us that they got $7.50 pesos for each dollar, when the official exchange rate on that day was at $8.50 pesos per dollar. We lost one peso in each dollar, in addition to $64 dollars that Western Union charged for the service. We were very mad and since then we do not use Western Union. Now we send money using personal checks with friends from the community. After all, there is always someone who goes to Mesillas.’”(Club Mesillas Members’ Interview, 1998)

In the focus group discussions it became clear that transfers through relatives and friends are preferable. The discussants consistently reported that this is a very secure and reliable mechanism. This method has the great advantages of being free of charge, the recipients in Mexico receive the money in cash, and they consequently receive the highest exchange value for the emergence of HTAs, that these are well-established organizations in the LA area.
their dollars. It is obvious that this mechanism has its problems due to the incidence of accidents and robberies, but these are apparently few and are offset by the advantages.

The general perception is that sending money orders, cashier's checks and personal checks by mail are next in order of preference. However, this mechanism is viewed by many as insecure. Mexican migrants do not trust the Mexican Postal Service and the postal service is very slow. Because of this situation, many of the focus group informants are increasingly using express delivery services such as Federal Express and Mexico Express. Remittances by mail are the only option available for people who come from small towns that do not have banks or any other credit institutions. While bank-to-bank transfers and electronic wiring are gaining in acceptance, there are problems with the accessibility of these businesses in Mexico that, to date, works against their use.\textsuperscript{10}

The HTA focus groups reveal that there is an increasingly competitive market for money transfers to Mexico. Nonetheless, migrants in Los Angeles who are members of HTAs from Zacatecas and Jalisco send a relatively large amount of money, pay high transaction fees and receive poor service when they use formal mechanisms. The opinion in the focus groups of the companies that wire money to Mexico, such as Western Union, MoneyGram and Orlandi Valuta, is that these companies offer a fast service but for a very high price which includes an adverse exchange rate for the dollar. In general there was a negative attitude towards these companies, that was probably generated, in part, by the publicity surrounding the lawsuit against Western Union and MoneyGram.

\textsuperscript{10} Bank to bank transfers can only be made in places that have bank branches. There is an additional problem with this mechanism since many HTA members have limited experience with bank services and for this reason they do not use them to send money remittances. There appears to be a substantial difference between those who use ATMs
FINAL CONSIDERATIONS

Mexican HTAs and HTA federations are reasonably sophisticated organizations that raise considerable collective remittances to invest primarily in local economic development. Their activities strongly support an optimistic view of the role of remittances in sending communities. Nonetheless, there remains much that we do not know about HTAs and there are questions about their activities that deserve to be asked.

The Role of HTAs in the United States. Hometown associations are philanthropic organizations that raise money in the United States to benefit their communities in Mexico, but is altruism the only motivation behind migrants’ creation of HTAs? Berry (1985) argues that internal migrants in Nigeria invest in their communities of origin by contributing to family ceremonies and community projects in part to prepare the ground for their retirement. Goldring (1998) contends that the leaders of HTAs who successfully manage community projects and mobilize government funds find their leadership reinforced. In this sense, the HTAs serve as a future investment and as a vehicle for some migrants to realize positions of leadership that might otherwise not be available to them.

The UCLA focus group study reveals that HTA leadership often belongs to an older immigrant cohort who live in the company of immediate relatives and are long-term residents of the United States. In this sense, the emergence of a more settled Mexican population in the United States, at the same time that it creates the conditions for more potential HTA members, leads to an important decline in the amount of money migrants send to their relatives in Mexico.

and those who do not use them. ATM users are younger, have at least a high school education, and send more money.
A more settled immigrant population shifts investments to the United States, putting their resources into housing, education, and the formation of small business.

HTAs’ activities reveal the difficulties that first generation Mexican immigrants face when trying to integrate into the social and political institutions of the United States. HTA members find it easier to focus on the welfare of their community of origin in Mexico rather than working to create better conditions in the United States. This is an important factor in the transnationalization of these communities. However, a few HTAs, especially those from Oaxaca, carry out some activities to facilitate the integration of immigrants into the host society. Some other HTAs were involved in the fight against Proposition 187 in Los Angeles (Zabin and Escala, 1998). Only recently, local politicos in Los Angeles and some Chicano organizations have begun to court these organizations.

A Quandary Over the Productive Use of Remittances. There has long been a debate over whether or not individual and family remittances are “productive,” e.g., do they foster economic development? Appendix One discusses that debate which is core to the entire phenomenon of remittances and deserves to be presented at some length. Pessimists appear to be right in that individual and family remittances are often spent on immediate household needs and consumer goods, and not on savings or investments that generate economic returns. Optimists appear to have a counterpoint when they measure the indirect economic benefits that consumption generates by stimulating the economic supply chain and GDP growth.

Turning to HTAs, those from Jalisco and Zacatecas as described in this paper, send money first to meet basic needs. For this reason, investments with “direct” economic development outcomes are rare. However, when HTAs fund the construction of public infrastructure like roads and bridges, they improve local economies by facilitating economic
transactions. Similarly, their financing of education and health infrastructure and projects is a direct investment in human capital. These are outcomes that are typically thought to characterize economic development. That they do not directly generate jobs seems beside the point, albeit this raises a parallel to the pessimist versus optimist debate. As noted in the conclusions reached in Appendix One, the nature of these HTA investments may not offset the “migrant syndrome,” (Reichter, 1981) e.g., they may not create the kind of economic condition (sic jobs) that keep migrants from moving to the United States.

It does not make sense to expect that migrants put their savings into productive investments in their hometowns because in many cases the economic regional context do not make it economically viable. Zarate-Hoyos (1999: 19) contends that migrants are not financial intermediaries. It is the role of banks and other financial institutions to increase the money supply and expand credit by collecting savings and channeling them into the most productive uses. Further, productive investments tend to be the preserve of individual entrepreneurs.

For this reason, it is very important to examine the formal and informal mechanisms that migrants use to transfer money to Mexico. Informal transfers bypass the formal businesses that transact remittances and the banking system. Informal transfers add nothing to the development of financial systems that, in turn, can provide interest-bearing savings accounts or loans that are key to driving local development.

In sum, money remittances sent by individuals, households, and HTAs are an indirect engine of regional economic development and also function as a substitute for the lack of government welfare in Mexico. Money remittances function as such supplemental assistance for a large number of Mexican families. Probably, greater government involvement in welfare would free up some remittance funds for investment with productive investment implications. In this sense, state governments and non-governmental organizations can play an important role
in fostering the expenditure of collective remittances on job generating venture.
BIBLIOGRAPHY


APPENDIX ONE: THE DEVELOPMENTAL ROLE OF INDIVIDUAL REMITTANCES

There is a debate between the “pessimistic” and the “optimistic” schools of migration and development that have opposing views about the impact of money remittances in Mexico. On the one hand, researchers note that much of remittances are spent on household consumption and are not put into savings or investments. On the other hand, researchers argue that these expenditures help the household and may indirectly spur development. There are important differences between the pessimistic and the optimistic camps. Up to now there are more studies that embrace the pessimistic view. There is also an interesting disciplinary division between the optimists and the pessimists. While scholars who use ethnographic methods overwhelmingly sustain the pessimistic view, the optimists use quantitative methods.

**The Pessimistic View of Remittances.** The “pessimistic” school has been dominant and is mostly composed of researchers who conducted community-based studies in the late 1970s and early 1980s. Their main contention is that remittances create a form of economic dependency since they are mostly spent on consumption with very little money going into productive investments. Durand, Parrado and Massey (1996) claim that a review of 37 community studies in Mexico reveal that the researchers were remarkably unanimous in condemning international migration as a palliative that does not lead to sustained economic growth.

Mines (1981) found that migration to the United States distorts the local economy in Las Animas, Zacatecas by generating a dependency on remittances. In his view, once young men work in the United States they are unwilling to work in Mexico. In addition, the scarcity of economic opportunities, as well as the returning migrants’ lack of interest in developing their community, produced further declines in the local economy. In the same vein, Reichert (1981) who conducted research in La Yerbabuena, Michoacán characterizes this situation as a
“migration syndrome”. He observed that income from seasonal migration was not used for strengthening the local economy. Instead, this income encourages more people to migrate to the United States, increasing the community’s dependence on remittances. In Gómez Farías, Michoacán, Lopez (1986) found that 83 percent of the remittances went to consumption and that nearly, half of migrants’ earnings were spent on consumer goods and services in nearby towns. He also observed that the investment of remittances in housing improvements seriously inflates land values in the town.

In a study of nine communities in Los Altos de Jalisco, Cornelius (1976) found a more positive situation. Although some migrants purchased entertainment and consumer goods with their earnings, most made some investment in houses or land and in the means of production. Among the successful migrants who started small businesses, Cornelius reviews the case of Villa Hidalgo, Jalisco that achieved significant economic development thanks to the establishment of 200 small, family-owned textile and garment workshops in the late 1960s. In many cases these business were started with savings accumulated through employment in the United States.

Research conducted by Massey and his associates (1987) in two urban and two rural localities in Jalisco and Michoacán in 1982 reveal that remittances did not play a significant role in the development of local economies. The money that migrants to the United States saved on their last trip was used primarily on current consumption with percentages ranging from 86 percent to 68 percent.¹¹ Migrants to the United States displayed a preference for investing their savings in housing, therefore, a significant share of their homes were bought with money earned in the United States. In the rural localities of Chamitlan and Altamira 41 percent of homes purchased by international migrants were bought with money earned in the United States. In the

¹¹ Current consumption includes support of family, the building or repair of a house, the purchase of a house or lot, and the purchase of consumer goods and recreation.
urban localities of San Marcos and Santiago, the figures were 26 percent and 20 percent respectively.

In those towns, relatively few savings went to productive investment that includes the acquisition of land, livestock, tools or buying or starting a business. Among the four communities, the percentage of migrants spending in a potentially productive way varied from only 9 percent in Chamitlan to 21 percent in San Marcos. In the two rural towns, most business activity consists of small operations employing one or two family members and few outside workers. The most common business activities were street vending (typically food products), retail sales (usually small grocery stores), wholesaling (primarily local farm products) and small workshops (shoemaking, carpentry, sewing, etc). In Chamitlan 16 percent of these businesses were started with U.S. money. The respective figure for Altamira is 9 percent. The business sectors in Santiago and San Marcos are also dominated by small commercial ventures dedicated to the sale of food; however, they employ more workers than in the rural areas. Sixteen percent of business in San Marcos and 11 percent in Santiago were started with money earned in the United States (Massey et al, 1987).

Later research again supports the observation that remittances tend not to be spent on productive or job-generating activities, but rather on immediate consumption. Massey and Parrado (1994) found that two thirds of households spent “migradollars” on consumption in the 22 localities they surveyed in Western Mexico. Forty-eight percent of households used the money for family maintenance, 10 percent went to housing and 7 percent to consumer goods and recreation. Vega (1994) reported that 92 percent of remittances are spent in family maintenance in San Gaspar de los Reyes, a highly “dollarized” locality in Los Altos de Jalisco region.
An Optimistic View of Remittances. The optimistic front undertakes a different type of analysis to reach a more positive view of the economic impact of remittances. Durand, Parrado and Massey (1996) contend that the pessimistic view does not give sufficient credit to the productive investments of migrants nor does it take sufficient account of the indirect effect of savings and remittances in promoting economic growth through consumer spending. Similarly, Zarate-Hoyos (1999) believes that pessimistic researchers ignore the potential stimulus of remittances to indigenous industries, which in turn generate a multiplier effect on aggregate demand, employment and capital investment in excess of the original expenditure.

Durand et al. (1996) contend that although the share of U.S. earnings devoted to productive ends is small, when applied to a total flow of savings and remittances (estimated at about $2 billion per year at the time) the aggregate amount of capital flowing into production becomes at least $84 million per year. In addition, the $1.3 billion that migrants send or bring back for consumption does not just represent a transfer of funds. This money plays a dynamic role by raising the demand for goods and services produced in Mexico. Using a Social Accounting Multiplier matrix they estimate that at the national level, the arrival of $2 billion is estimated to generate $6.5 billion worth of additional production in Mexico with strong multiplier effects in manufacturing and services. The additional demand raises national income to about $5.8 billion overall, with notably large shares of income accruing to skilled workers and capitalists in Mexican cities.

Durand et al. (1996) also provide anecdotal data to illustrate the productive use of savings and remittances in several places of Western Mexico. In San Francisco del Rincón, Guanajuato migrants invest in workshops that produce footwear and in Ario de Rayón, Michoacán their earnings are channeled into farming, cattle raising, the production of handicrafts and the manufacture of wedding decorations. In Santiago Tangamandapio, Michoacán migrants invest
in the production of knitted clothing. In Nahuatzen, Michoacán migrants invest in woodworking machinery. In the region of Los Altos de Jalisco, U.S. earnings are devoted principally to cattle husbandry and in the region of El Bajío Guanajuatense in intensive agriculture. In cities like Guadalajara, León and Morelia migrant earnings are channeled into education and into the expansion of dwellings.

Zarate-Hoyos (1999) analyzes the macroeconomic impact of remittances on the Mexican economy by also using a Social Accounting Multiplier matrix for Mexico in 1989. The results of the analysis show that the indirect or spillover effects of remittances have an overall positive effect on the Mexican economy. These effects are significant in terms of output, income and employment and Zarate-Hoyos finds that his data yield a production multiplier and an income multiplier of around 2. This study shows that the injection of $2,058 million into the Mexican economy as a result of remittances sent by Mexican migrants in the United States in 1989, induced an increase of $4,418 million in output (1.4 percent of total Mexican output). Total income increased by $4,050 million, which is approximately 2.2 percent of total income. The results of the potential employment effects from remittances reveal that 325,225 potential jobs (1.5 percent of total employment) could be created as a result of the increased demand in output generated by remittance expenditures. In this sense, one potential job in Mexico can be created for every $4,431 of remittances.

**Economic Multipliers and Reducing Migration.** Of course, while the new methodologies do indicate real economic growth indirectly induced by remittances, and these indirect effects are indeed impressive, they do not completely dispel concerns. The economic multiplier effect of remittances does not immediately eliminate dependence on money earned in the United States. In La Yerbabuena, the village that Reichter had earlier observed when coining the term
“migration syndrome,” Durand et al. (1996) estimate that the arrival of nearly one-half million dollars per year increased production by $936,000 in 1989, and incomes rose by a total of $887,000. Yet, large-scale migration to the United States continues.

Remittances clearly lead to a better standard of living thanks to the availability of monies for basic necessities and improved housing. But this process in turn creates the “migration syndrome” because the improved standard of living generates a demand for maintaining such a living standard. Lacking local infrastructure, amenities, sources of capital, and well-paying jobs, workers turn once again to international migration perpetuating the cycle. Of course, this accents the fact that the economic underpinnings of migration are complex, and that increased income and wealth in migrant-sending communities need not directly reduce incentives to migrate. For migration to decrease, there must be local economic development, i.e., infrastructure investments and job generation.

---

12 Further, estimates by Durand et al. (1996) suggests that it is the skilled workers and capitalists in Mexican cities “the more privileged segments of Mexican society,” who are the real beneficiaries of labor migration and its associated capital flows. Therefore, the multiplier effects of savings and remittances from the United States are mostly reaped outside the sending localities.