

# **The Impact of Remittances on Development in Mexico**

IR 337 USC/Mexico

May-June 2008

Professor Pamela K. Starr

## **Course Description and Content:**

The flow of capital from migrants living and working in foreign countries to their home country has exploded in recent years. This dynamic has been particularly pronounced in the northern tier of the Americas where the north-south flow remittances is the largest in the world. These flows dwarf foreign aid and often are the country's largest single source of foreign exchange in an economy. The size and sudden growth in these capital flows has led researchers and policymakers to ponder how they might be used to promote economic development. Initially this focused on increasing the flow of dollars by lowering the cost to migrant workers of sending money home but attention quickly turned to the use of these funds.

Research shows that the vast majority of remittances is used for consumption and has helped to reduce immediate poverty among recipient families. A much smaller sum is used to finance investment and savings, however, making their impact on broader poverty measures much less pronounced. Given this, the puzzle for policymakers is how to encourage the owners of these private capital flows to employ their money more efficiently to promote investment and thus development.

Students in this course will try to help resolve this complex policy problem in a country that is not only the world's largest recipient of remittances but also our southern neighbor--Mexico. To prepare students for this challenge, the course includes two weeks of study at USC followed by two intensive weeks of field work in Mexico. At USC, the course begins with an introduction to questions of development and the dynamic of migration, without which remittances would not exist. It then turns its attention to remittances themselves—their nature, their effect in recipient countries, their impact on development, the particular nature of collective remittances, and initial research on how remittances might be better exploited to promote development—with particular attention paid throughout to the Mexican case. The final section of the course at USC will consider the political obstacles to policymaking in Mexico that could impinge on the viability of possible policy solutions to the “remittance challenge”.

During their two weeks in Mexico students, with guidance from the instructor, will undertake interviews and primary research in Mexico City and Zacatecas. Mexico City is the seat of politics and government, the heart of Mexico's academic community, and home base for the international development organizations working on migration and remittances. Zacatecas is one of Mexico's oldest migrant sending regions and thus recipient of remittances. As such, its economy offers clear evidence of the economic effect of remittance and some of the experiments in improving the quality of remittance expenditures. It is also home to the country's premier research institute on migration and remittances at the University of Zacatecas. After completing primary research in these two resource rich locations, students will present their findings to Mexican analysts and/or policymakers in Zacatecas.

## Course Requirements:

A working ability with Spanish is highly recommended for this course. Although most academics and high-level politicians speak English, the capacity of students to carry out research in Mexico will be enhanced with a working knowledge of Spanish.

The readings and lectures during the first half of the course are essential to successful completion of field research portion of the class. Students are thus required to complete all assigned readings prior to class and to attend all class sessions. For the first two weeks, class will meet four times each week for three hours each session. To encourage students to read these essays carefully and to think about their relevance to their research in Mexico, each class participant will write two short essays synthesizing and analyzing several of the assigned readings. These essays will be posted on blackboard so students have a summary/analysis of the readings to which they can refer to while undertaking research in Mexico. Students will also take a mid-term exam on the readings prior to their departure for Mexico.

Similarly, students must participate in all the meetings and class discussions during their stay in Mexico. They will also be required to post a daily blog on blackboard reviewing and analyzing each day's activities.

At the conclusion of the course, students should have a solid policy proposal to improve the development potential of remittances. Students will present this proposal, its rationale, and its political and economic viability to Mexican academics and/or policymakers in Zacatecas and, after leaving Mexico, will synthesize this into a concise yet clear 2500 word policy essay.

## Grading

Short essays	20%
Mid-term exam	30%
Blog	10%
Class participation	10%
Final project	30%

## Books required for purchase:

World Bank. *Global Economic Prospects 2006*. (PDF version available on the World Bank web page)

Inter-American Dialogue. *Making the Most of Family Remittances*. Second Report of the Inter-American Dialogue Task Force on Remittances, May 2007. (PDF version available on the IAD web page)

Barbara J. Merz. *New Patterns for Mexico, Observations on Remittances, Philanthropic Giving, and Equitable Development*, Harvard University Press, 2006.

Roderic Ai Camp, *Politics in Mexico: The Democratic Consolidation*, 5<sup>th</sup> ed., Oxford University Press, 2007.

## Course Topics, Readings, and Activities: USC

### May 27: Introduction and Overview

Roderic Ai Camp, *Politics In Mexico: The Democratic Consolidation*, 5<sup>th</sup> ed. Oxford University Press, 2007: chapters 1 & 10.

Economic History of Mexico. [http://en.wikipedia.org/wiki/Economic\\_history\\_of\\_Mexico](http://en.wikipedia.org/wiki/Economic_history_of_Mexico)

### Development and Poverty

Amartya Sen, "Introduction: Development as Freedom", in *Development as Freedom*, Anchor Books, 1999: 3-11.

World Bank. "Causes of Poverty and a Framework for Action", Chapter 2 of the World Development Report, 2000/01: 31-41.

Stanley Engerman and Kenneth Sokoloff, "Factor Endowments, Institutions, and Differential Paths of Growth Among New World Economies", in Jeffrey Frieden, Manuel Pastor Jr, and Michael Tomz, eds. *Modern Political Economy and Latin America*, Westview, 2000: 122-133.

InterAmerican Development Bank, "Latin America at the Turn of a New Century", in *Economic and Social Progress 2000/01 Report*, IDB: Washington, DC, 2001: chapter 1. [http://www.iadb.org/res/publications/pubfiles/pubB-2000\\_3634.pdf](http://www.iadb.org/res/publications/pubfiles/pubB-2000_3634.pdf)

### May 28: Migration: The core driver of remittance flows

Guest Lecture: Roberto Suro

*Economist*, "Special Report: Migration," (3 Jan 2008).

World Bank, "The Policy Challenges of Migration: The Origin Countries' Perspective", chapter 3 in *Global Economic Prospects 2006*: 57-83.

Jeffrey Passel and Roberto Suro, "Rise, Peak, and Decline: Trends in U.S. Immigration 1994-2004", Pew Hispanic Center Report, September 2006: i-iv & 1-12.

Jeanne Batalova, PhD, "Mexican Immigrants in the United States", Migration Policy Institute Report, April 2008. <http://www.migrationinformation.org/USfocus/display.cfm?id=679>

### May 29: The nature of remittances

Guest Lecture: Roberto Suro

World Bank, "Trends, Determinants, and Macroeconomic Effects of Remittances", chapter 4 in *Global Economic Prospects 2006*: 85-115.

Roberto Suro, *Remittance Senders and Receivers: Tracking the Transnational Channels*, Pew Hispanic Center and Inter-American Development Bank, November 2003.

Inter-American Development Bank, *The Changing Pattern of Remittances: 2008 Survey of Remittances from the United States to Latin America*, April 2008.

Elisabeth Malkin, "Mexicans Miss Money From Workers Up North", *New York Times*, October 26, 2007.

### **May 30: Impact of remittances on poverty, inequality, and social welfare**

World Bank, "Remittances, Households, and Poverty", chapter 5 in *Global Economic Prospects 2006*: 117-133.

Esquivel, G. and A. Huerta-Pineda, "Remittances and Poverty in Mexico," *Integration and Trade* 27 (July-December 2007): 45-71.

Elisabeth Malkin, "Study Challenges Assumptions About Money Being Remitted to Mexico", *New York Times*, July 7, 2005.

Rodolfo García Zamora, The Impact of Remittances in Jerez, Zacatecas. In Barbara J. Merz, ed. *New Patterns for Mexico, Observations on Remittances, Philanthropic Giving, and Equitable Development*, Harvard University Press, 2006: 19-32.

### **June 2 (part I): Microfinance**

*Economist*, Survey: Microfinance "The Hidden Wealth of the Poor" (3 Nov 2005).

Elisabeth Malkin, "Microfinance's Success Sets off a Debate in Mexico" *New York Times* (5 April 2008).

Review the Inter-American Development Bank's Multilateral Investment Fund's current Microfinance projects, such as:

"IDB fund grants \$1 million to expand innovative microfinance model in Mexico", December 2007. <http://www.iadb.org/news/articledetail.cfm?language=EN&artid=4170>

<http://www.iadb.org/topics/subtopics.cfm?subtopicID=CRE&language=English&topicID=PS&parid=2&itemlid=6>

### **June 2 (part II): The diaspora and development**

Barbara Merz, "New Patterns for Mexico", in Merz, ed., pp. 2-7.

Manuel Orozco and Katherine Welle. "Hometown Associations and Development: Ownership, Correspondence, Sustainability, and Replicability", in Merz, ed., pp. 157-179.

Katrina Burgess , “Migrant Philanthropy and Local Governance”, in Merz. ed., pp. 99-123.

Newland, Kathleen with Erin Patrick, “Beyond Remittances: The Role of Diaspora in Poverty Reduction in their Countries of Origin,” A Scoping Study by the Migration Policy Institute for the Department of International Development, July 2004 (skim).

### **June 3: Midterm exam**

### **June 4: Using remittances “better”**

World Bank, *Global Economic Prospects 2006*, chapter 6.

*Emmanuelle Bouquet* , Remittances and Financial Services. In Barbara J. Merz, ed. *New Patterns for Mexico, Observations on Remittances, Philanthropic Giving, and Equitable Development*, Harvard University Press, 2006.

Inter-American Dialogue. *Making the Most of Family Remittances. Second Report of the Inter-American Dialogue Task Force on Remittances*, May 2007.

Goldring, Luin, “Rethinking Remittances: Social and Political Dimensions of Individual and Collective Remittances,” Center for Research on Latin America and the Caribbean, York University, Feb. 2003.

World Bank, “Mexico’s Oportunidades Program”, Case study presented at WB’s May 2004 Shanghai conference on its Reducing Poverty: Sustaining Growth initiative.  
<http://info.worldbank.org/etools/reducingpoverty/docs/newpdfs/case-summ-Mexico-Oportunidades.pdf>

### **June 5: Politics and policymaking in Mexico**

Roderic Ai Camp, *Politics in Mexico: The Democratic Transformation*, 5<sup>th</sup> ed., Oxford University Press, 2007: chapters 2-3, pp. 79-88 (first two sections of chapter 4), and chapters 7-9.

Pamela K. Starr, “The Politics of Social Policy in Mexico”, Report prepared for the Inter-American Development Bank, September 2006.

### **June 6: Review/Prepare Interview Questions**

## **Course Activities: Mexico**

### **Mexico City**

June 9:

Morning: Meet with professor to discuss activities for the week.

Late Morning/Afternoon: Elizabeth Malkin, New York Times

5:30-6:30 Carlos Heredia, ex-federal liaison, Michoacan state government

June 10:

10:00-11:00 Antonio Carrasco, Director de La Red de la Gente, Bansefi

Afternoon:

June 11:

9:00-10:00 Finsol

11:00: Gustavo Merino, Subsecretario de Desarrollo Social y Humano, SEDESOL

15:30-16:30: Maria O'Keefe, Pro Mujer

17:00-18:00: Javier Gavito, Director, Sociedad Hipotecaria Financiera

June 12:

9-11: Miguel Almeyda, Inter-American Development Bank, FOMIN

12:00-2:00: Elisa Díaz, IME

Afternoon: Free

June 13:

Free

### **Zacatecas**

June 16:

Morning: Meet with professor to discuss activities for the week

Late Morning: Meeting with Prof. Raúl Delgado Wise, Director, Estudios del Desarrollo, Universidad Autónoma de Zacatecas

Afternoon: Free

June 17:

11-2: Visit to Pánuco

6-8pm: Luis Rigoberto Castaneda, Diputado Migrante

June 18:

11-2: Visit to Jeréz

6-8pm: Blanca Peña Chavez, Director, 3x1Program

June 19:

11-2: Visit to Guadalupe

2-3: Fernando Robledo Martinez, Director General, State Migration Institute

June 20:

Morning: Formal presentation of findings to panel of UAZ professors

15:00 Return to Mexico City