MIGRATION, REMITTANCES AND MACROECONOMIC ENVIRONMENT

ALICIA GIRÓN[1]

INSTITUTE FOR ECONOMIC RESEARCH

NATIONAL AUTONOMOUS UNIVERSITY OF MEXICO

alicia@servidor.unam.mx

Abstract

The objective of this article is, first of all, to try to explain the importance of the financial circuits and of the working capital in a trans-border space in relation with the macroeconomic policies of the last 15 years. When we refer to financial circuits and to trans-border capital, we are specifically referring to the sending of remittances from migrant workers to their country of origin. The second objective is to relate capital flow stemming from the migrant workers with direct foreign investment, the service of the foreign debt and other economic variables. Finally, this study also aims to establish an academic debate regarding the effects that macroeconomic policies have had in the economic and social Human Rights of the population that participates in the trans-border financial circuits. The migrant workers have not only lost the Human Rights to a decent job in their country of origin, but also the fees and salaries that they earn when they migrate, are lower in the host country, and of course, they do not have access to services such as education, health and housing, to which resident workers do. In view of the above, we try to create an awareness regarding the urgent need for legal regulations concerning the capital flow based on the remittances, which have given the countries of origin financial stability in favor of those who export it. It is necessary to underscore the importance of basic legal regulation that guarantees the Human Rights to employment, in

order to put a stop to the exodus of the workforce. The statistical information presented, refers only to Mexico, so as to emphasize the previous statements.

1. Trans-border financial and labor circuits

The trans-border financial and working capital circuits in regional spaces are the result of the deep and accelerated migration process that comes with the remittances, which in turn reflect the transformation of the productive structures at a global level. The fast growth of the capital flow generated by the migrants answers to the organic changes of macroeconomic policies. Little in depth research has been carried out regarding the relationship between the financial and labor circuits and macroeconomic policies. Among the most important recent studies carried out by financial agencies, we must point out the ones done by the International Monetary Fund (IMF, 2003), the Interamerican Development Bank (IDB, 2005) and the Bank of Spain (2006). Authors such as García Zamora (2002) and Delgado Wise (2005) must also be mentioned among many others. More complex research has been carried out from an economic and sociological perspective, such as: Portes (1995); from an anthropological and historic perspective, such as Zuñiga and Hernández-León (2005); from an ethnic and racial perspective, such as Fox and Rivera-Salgado (2004), and from a gender and ethnic perspective, such as Browne (1999). In itself, migration is a subject in which different multidisciplinary and trans-disciplinary focuses intertwine. And in Mexico's case, we are not talking about a recent social fact, just as Durand (2005) has pointed out. Mexico started to participate in massive migration at the end of the 19th Century: "...Mexico is a country of immigrants, which is not acknowledged as such. Partly, the blame for this lack of a national consciousness has to do with two rationales: the context of being a neighboring country to the USA and the single direction pattern. [...] For the Mexicans, the

[1] This work is part of the *"Macroeonomy and stability in financial transitions"* project; the author wishes to thank the intern Vania López Toache, a student of the Finance Master's Degree of the Accounting and Business Administration Faculty of UNAM for her support regarding the charts.

alternative of returning to their country has always been present. The Mexican migrant returned to its village to spend the holidays, to bury a relative, to supervise business, and even to play a soccer match" Durand (2005:15).

Nowadays, Mexico is challenging the first spot regarding the exportation of its labor and the reception of abundant remittances (Global Development Finance, 2003:160). The causes for this immigration and for the sending of such abundant remittances, are to be found in the nature of macroeconomic policies; basically in the restrictive monetary policy, the restructuring of production and in the deregulation and liberalization processes that have taken place in Latin America. Considering this causative relationship between the trans-border financial and labor circuits and macroeconomic policy, it is prioritary and fair to take the evolution of the trans-border financial and labor circuits to the stage of academic debate and governmental economic policy.

Economic measures such as inflation goals, zero deficit and flexible exchange rates, accentuate the asymmetric relationship between the financial path and the unemployment rate. The hypothesis of the "employment of last resort" (ELR) set forth by Wray (1998), which came after the deregulation and liberalization processes and the financial crises, has brought about the decrease of investment and of Government spending. The autonomy of the central bank has increasingly resulted in direct foreign investment and in the pre-eminence of the main export industrial companies. Nevertheless, private spending has not been the motor behind the economic growth of the country. The lack of decent salaries and the growth of informal employment have increased the migratory process by at least a fifth of the population. Even if in this paper we will not carry out an analysis from the gender perspective in order to get to know the participation of women in the migratory process, we will at least deem it important to quote the Global Commission on International Migration (2005:15), which points out that at a worldwide level, women:

"...used to represent less than half of the international migrants, and more than half of them lived in developed areas. A growing number of women is being incorporated into the world labor market. Women increasingly migrate on their own. In fact, they are frequently the support of the families that remain in their country of origin".

It is important to mention that capital flow, a consequence of the salaries of workers abroad, has disproved the paradigm of foreign investment capital flow for the development of the economic path. If we review an extensive portion of the recent economic literature in countries on the rise, their economic development has been based on the opening to foreign direct investment. The financial deregulation and financial and commercial liberalization processes during the 80s and 90s were based on this opening, accompanied by the privatization and foreign ownership processes in the government owned companies.

2. The other side of globalization: beyond the monetary theory and the creation of money

The financial and working capital circuits go beyond the standard monetary theory and beyond the creation of money by the central bank. On the one hand, the monetary oriented theory has emphasized that money falls from helicopters, that is, money must only serve for the exchange of goods. On the other hand, the post-keynesian scholars emphasize that it is the central bank itself which creates money. Thus, the monetary authority rules over its own currency. How can we explain the financial circuit that the migrants establish regarding their country of origin? *This sole concept, the remittances, does not correspond to the cash flow stemming from foreign direct investment, or from indirect investment and privatizations. It isn't either the money created by the Central Bank of the country of origin. Consequently, how can we interpret this monetary circuit in the framework of conventional economic theory and of the neoclassical theory, when it does not answer to indirect foreign investment nor to the capital flow generated by institutional investors?*

In the framework of the financial and working capital circuits, two concepts intertwine as a result of the capital internationalization process, these are: migration and remittances. During the last three decades, both have increased very quickly in the framework of the structural change of the macroeconomic policies. Few studies have analyzed this process as another aspect of globalization. For the IBD (2005), one of the several sides of globalization is the continuous flow of people through the borders. We are talking about men and women that have made the difficult decision of leaving their homes in order to look for a job outside their country, so as to be able to send money – most of the time in small amounts – to their families. These money orders make up the remittance, the amount of which surpass the "official aid for development", and also exceeds foreign direct investment. On average, just in Latin America, the migrants send their relatives between 200 and 300 USD a month. Every year around 180 million transactions related to remittances are carried out worldwide. In Latin America, there are 18 million households that receive the remittances outside the official circuits of the financial system. These financial and labor capital circuits develop at a great speed thus making Latin America the most active area of the world.

Among many other things, the economic and financial crises have brought about the exodus of the workforce towards more profitable sectors, and the commercial opening has "displaced" traditional production sectors. Before the Washington Consensus, it was difficult for scholars to think that most of the capital flow that would reach certain rising economies would be made up of remittances. This subject was not included in the ten commandments of the Washington Consensus. But, the subject regarding the capital stream that would flow abundantly once the financial deregulation and liberalization started was included in said commandments. These last processes were supposed to accelerate the economic development of the countries in question, but this did not come to happen.

It is impossible to deny the enormous flow of foreign capital into developing countries before the Mexican and the Asiatic crises.

Nowadays, it is astounding to consider the amount of capital flow in connexion with remittances. We shall only mention some variables related with the remittances. Accordingly, in the time period which we are studying, 1990-2006, capital flow stemming from immigrants amounted to 137,709 million dollars. Indirect foreign investment added up to 118,043 million dollars, and payments concerning the service of the foreign debt reached 102,483 million dollars. Capital spending by the federal government amounted to 49,255 million dollars.

The remittances represent the savings that displaced citizens send their families[2] from abroad. According to Zárate Hoyos (2005:160), the remittances can be defined as the sum of the money resulting from savings related to current income generated by resident workers abroad. Obviously, remittances have always been part of migration processes. Notwithstanding, the amount reached by remittances in the last decade is surprising, as it exceeds the amount of official international aid, of direct foreign investment, and even that of the service of the foreign debt of the country of origin.

Even if the migration of Mexican workers to the USA is a part of our history, and authors such as Durand and Massey (1999) have been studying this phenomenon for several years, this paper aims to present remittances as a result of the changes in macroeconomic policies during recent administrations. That is why we are interested in considering the migration process as an exodus of the workforce process, which results in structural changes in the productive sphere of the countries which export labor. We shall also consider the remittances as the capital flow that is introduced in the domestic financial circuit and which allows for the improvement of the family income.

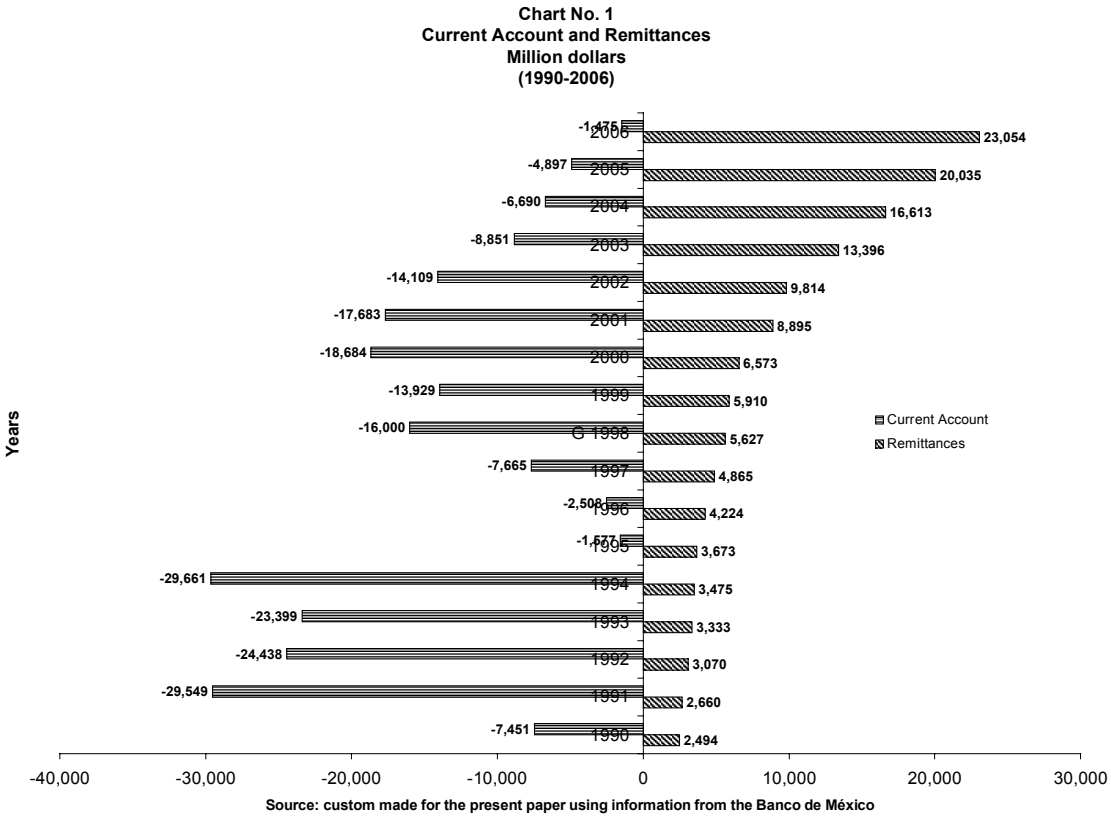
It is important to point out that one of the characteristics of Latin American migration is that two international migratory patterns coexist: migration out of the region and intra-regional migration. The first pattern is the dominant one and is preferably oriented towards the USA,

[2] This is not necessarily so. Remittances make up the financial capital flow from a developed country to an underdeveloped country. For example, in the Southern Hemisphere of the American Continent, many Bolivian citizens cross the borders to Chile, Argentina or Ecuador looking for better jobs.

where about 15 million people from Latin America and the Caribbean live. These people represent more than half of the immigrant population in the former country. Taking into account both patterns, it is estimated that around 20 million people from Latin America and the Caribbean reside abroad, which amounts to 13% of the migrants on a worldwide scale (Zamora García, 2005: 171).

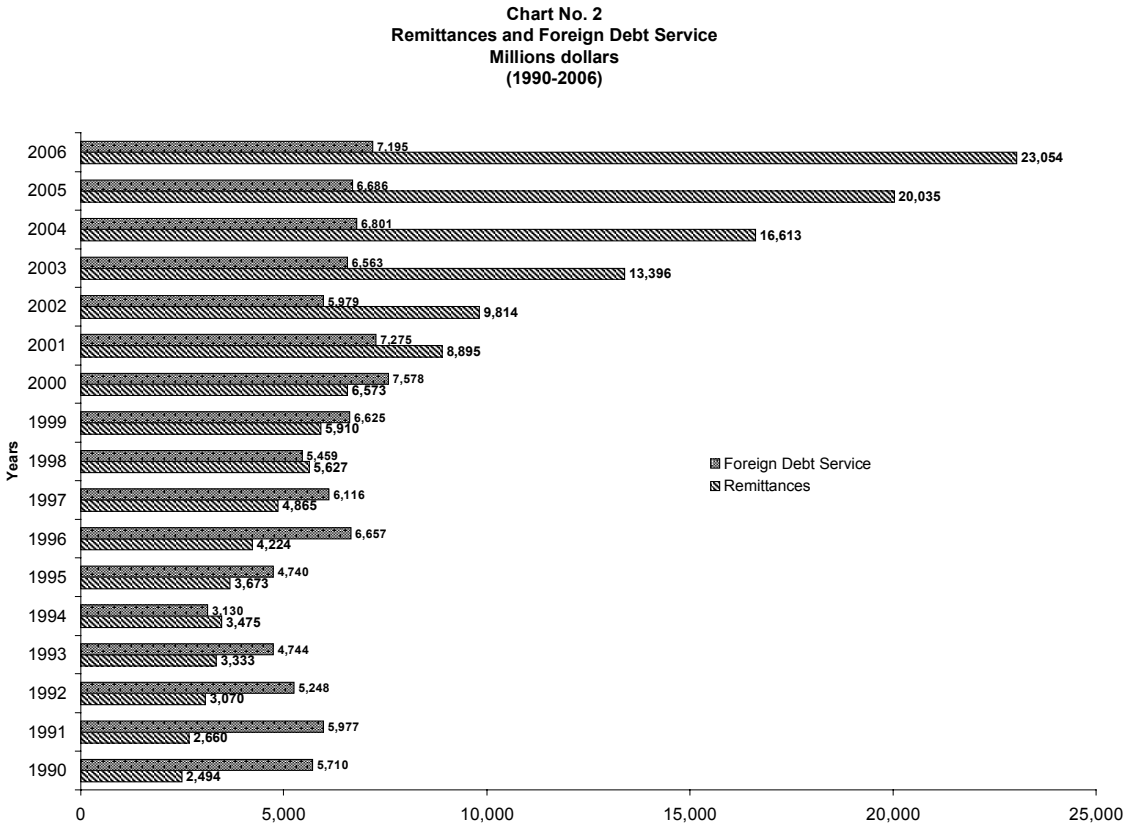
In order to render the relationship between the remittances and some economic variables more explicit, we now proceed to establish a comparison between the following variables: current account balance; foreign debt service; foreign direct investment; reserves in the Banco de México (Mexico's central bank); education spending; indirect foreign investment; capital spending and finally, oil revenues. Our analysis divides the last 16 years in three periods: a) 1990-1994, which corresponds to the years that preceded the financial crisis and the first year of NAFTA; b) 1995-2002, which comprises the impact of the worst financial crisis in the history of Mexico as an independent country, the implementing of restrictive monetary policy by the Banco de México, the growing commercial opening, and the fall of NASDAQ (2001) ; c) 2003-2006, a period in which the results of the loss of the "lender of last resort" (the central bank) and of the growing capital flow by way of remittances became evident.

Remittances and current account balance



It is interesting to observe that, during the 1990-1994 period, the current account balance averaged a negative balance of 22,900 million dollars. On the other hand, the remittances increased by an average of 3,006 million dollars, which amounts to 13% of the current account deficit. This situation changed in the following years. In 1995, the remittances exceeded by more than double the amount, that of the current account deficit, and starting in 2003, the remittances averaged 18,274 million dollars per year, more than triple the amount of the current account deficit (5,479 million dollars). In the 1996-2002 period, the remittances amounted to 6,198 million dollars, and the current account deficit reached 11,519 million dollars; that is, the remittances represented 54% of the current account deficit.

Remittances and Foreign Debt Service

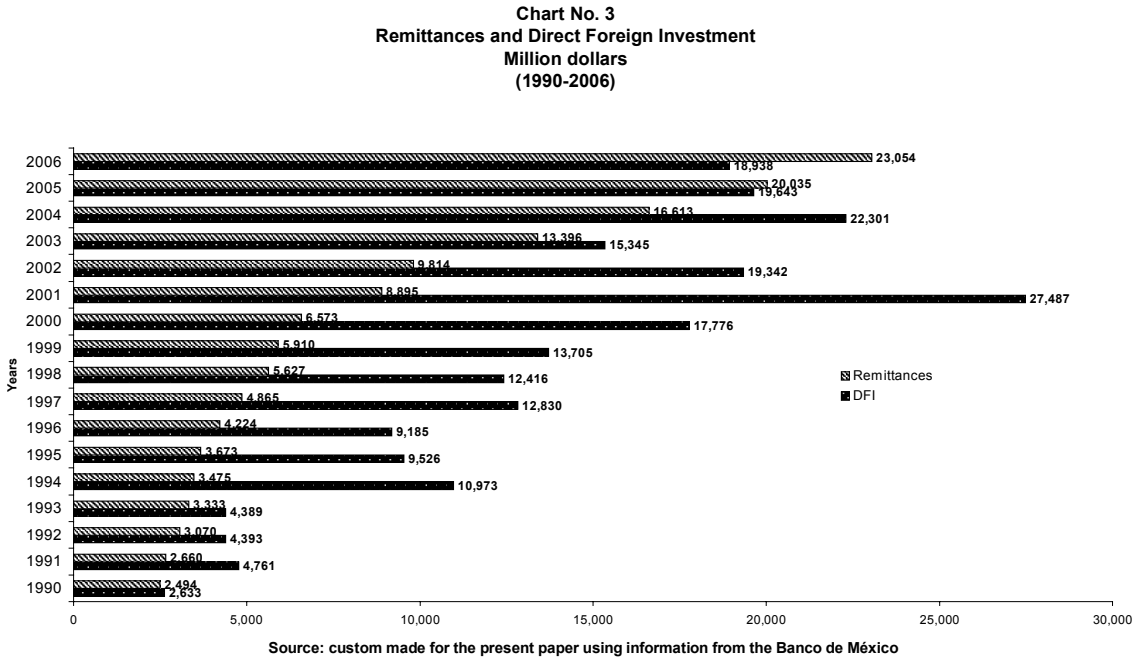


Source: custom made for the present paper using information from the Banco de México and an appendix taken from the fourth Mexican State of the Union Address, 2004

When establishing a relationship between the remittances and the foreign debt service, it was observed that in the 1990-1994 period, the average of the remittances reached 3,006 million dollars, less than the 4,962 million dollars corresponding to the foreign debt service. In the 1995-2002 period, the amount of the remittances averaged 6,198 million dollars, and the foreign debt service averaged 6,303 million dollars. That is, the remittances represented 98 per cent of the foreign debt service; in the 1990-1994 period, they represented 61 per cent.

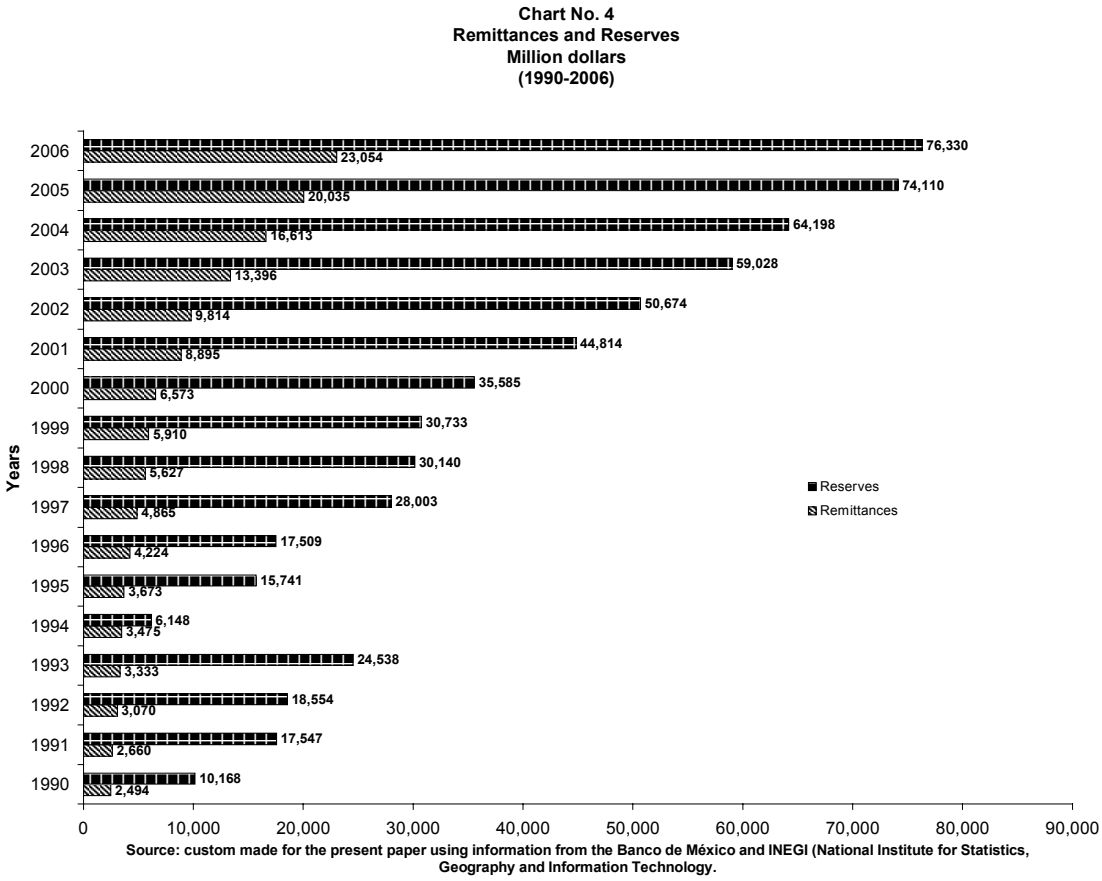
From 2003 to 2006, the remittances almost tripled the foreign debt service: 18,274 million dollars and 6,811 million dollars, respectively.

Remittances and direct foreign investment (DFI)



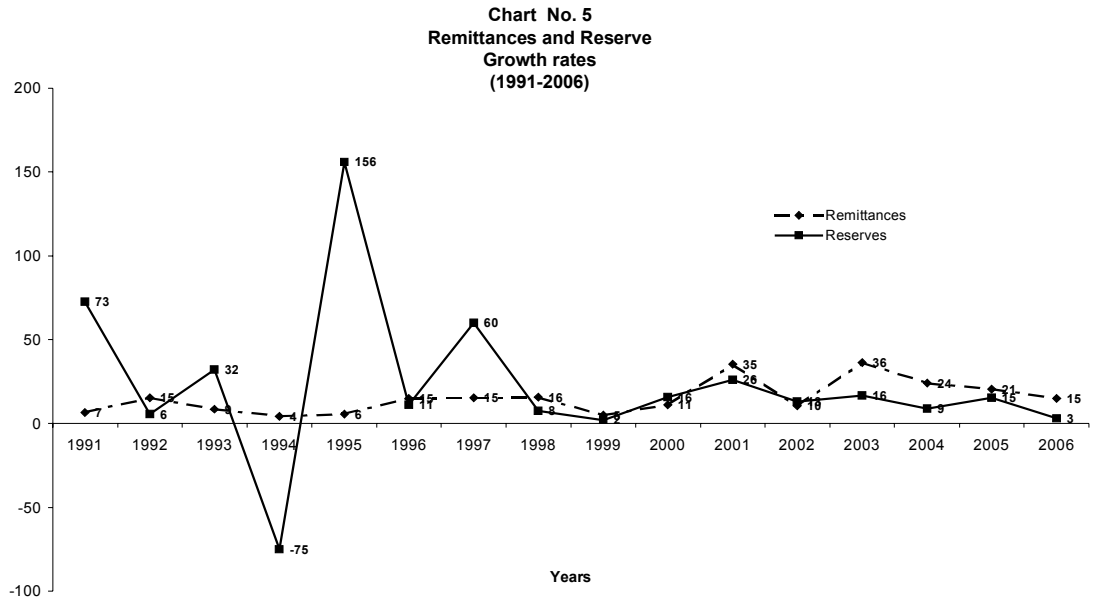
In relation with the FDI, one of the fundamental pillars of the discourse regarding the financing of development, the remittances increased from about 55 per cent in the first period, to 96 per cent in the last one. Indeed, between 1990 and 1994, the remittances had an average annual flow of 3,006 million dollars and the FDI trends had an average annual flow of 5,430 million dollars. In the next period, the FDI almost tripled, while the remittances only increased twofold; so, the latter represented only 41 per cent of the former. In the 2003-2006 period, the remittances tripled when compared to the preceding period, and the DFI's annual average only increased by 4 billion dollars. This means that in those three years, the remittances amounted to 96 per cent of the FDI.

Remittances and Reserves



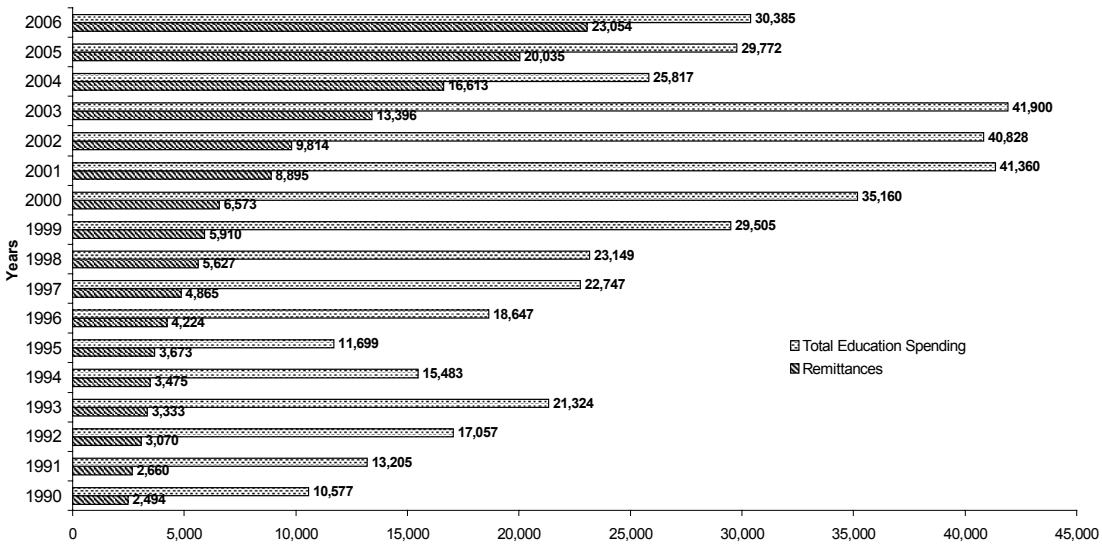
In relation with the monetary reserves of the country, the remittances amounted to almost twenty per cent, both in the first and in the second period (19.46 and 19.58 per cent, respectively). But, in the 2003-2006 period, the capital flow stemming from the immigrants represented 27 per cent of the total of the reserves; that is, more than 25 per cent of the total reserves. It is interesting to observe how the growth rates of the remittances increased, both in the first and in the second period, while the reserves – not taking into account 1994, a year in which the reserves dropped by 75 per cent – experienced annual average growth rates of 37 and 36 per cent in the first and second period, respectively. Whereas, in the 2003-2006 period, said rates dropped to an annual 11 per cent. Regarding the remittances, these experienced annual average growth rates of 9 per cent during the first period; of 14 per cent from 1995 to 2002, and of 24 per cent in the last period. These increases

may be ascribed to various factors: one of them is the drop in the public spending growth rate, so as to preserve a stable monetary policy.



Source: custom made for the present paper using information from the Banco de México.

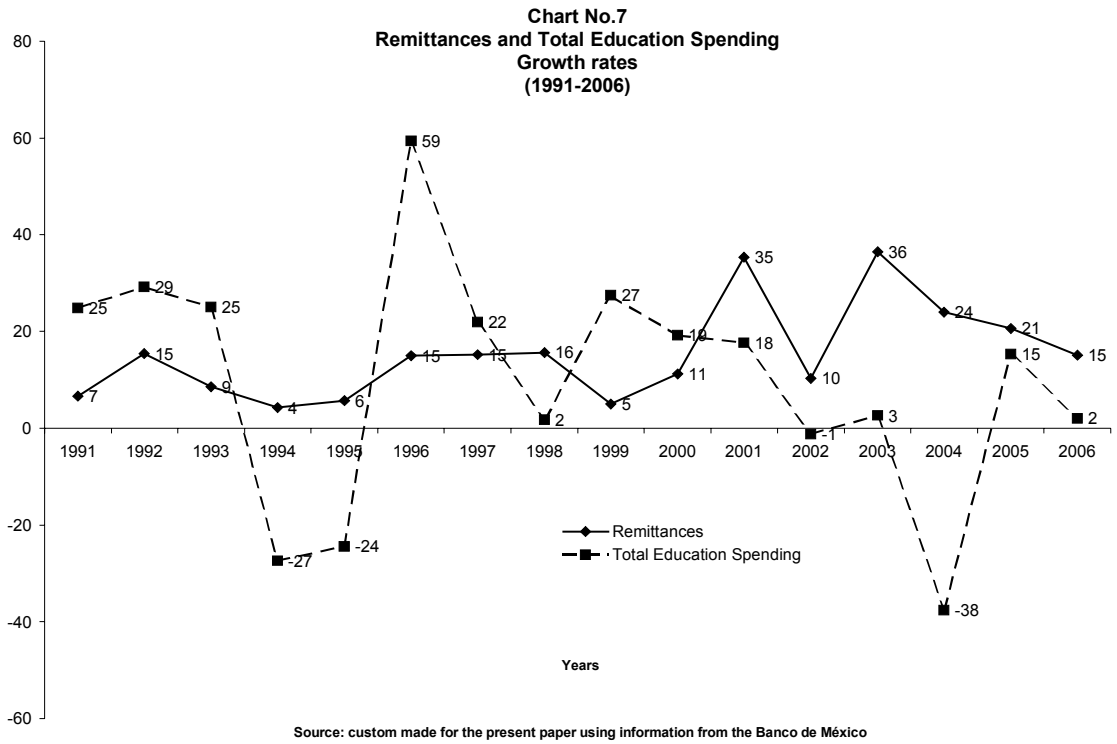
Remittances and Education Spending



When establishing a relationship between the remittances and education spending, it became apparent that the former went from 19 per cent of education spending in the first period, to 22 per cent in the second one, and to 57 per cent in the 2003-2006 period.

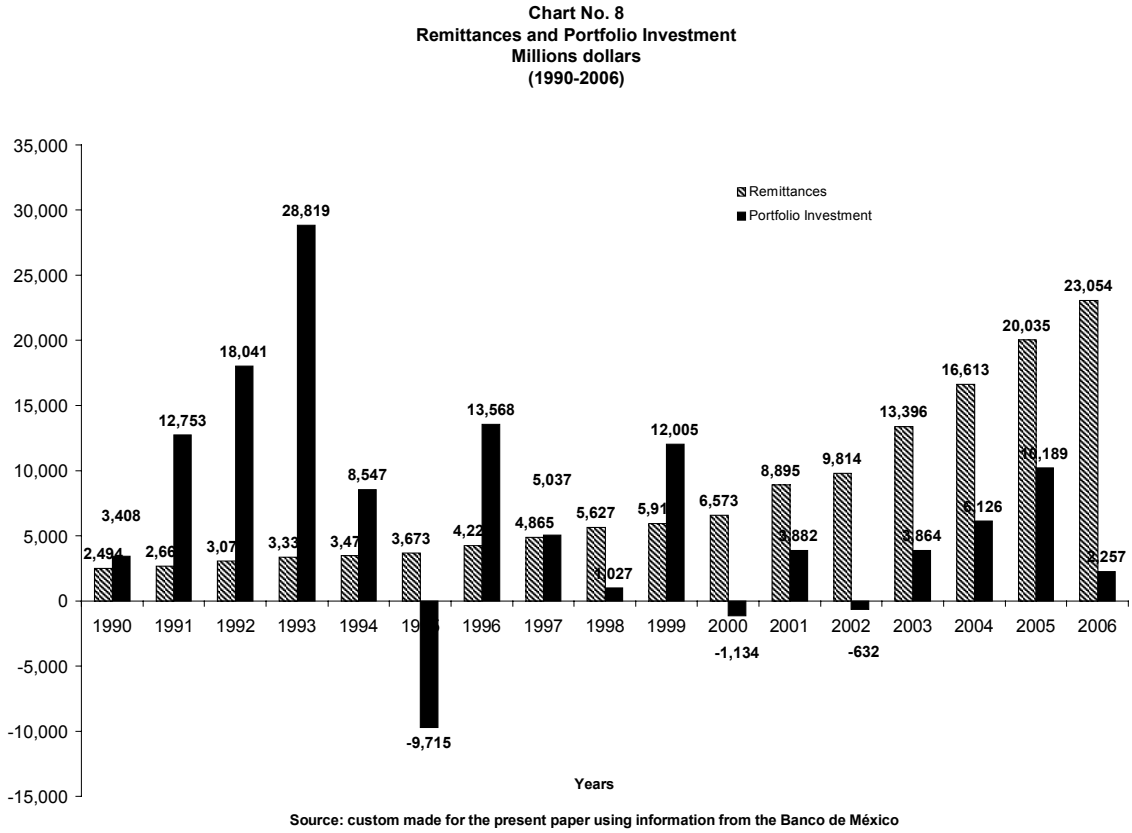
The growth rates regarding education spending are dramatic, as they significantly dropped in the last sixteen years. Even if it is easy to understand that the financial crisis had caused a decrease in education spending, it was expected that during the last period education spending would have recovered. In 1995, education spending dropped by 24 per cent, as in 1994 said item reached 15,483 million dollars, and in 1995 it only amounted to 11,699 million dollars. Education spending reached its maximum in 2003 (41,900 million dollars), and in 2004 it had dropped to 25,817 million dollars.

Obviously, the growth rates regarding education spending were much lower than the growth rates concerning remittances.



Source: custom made for the present paper using information from the Banco de México

Remittances and portfolio investment

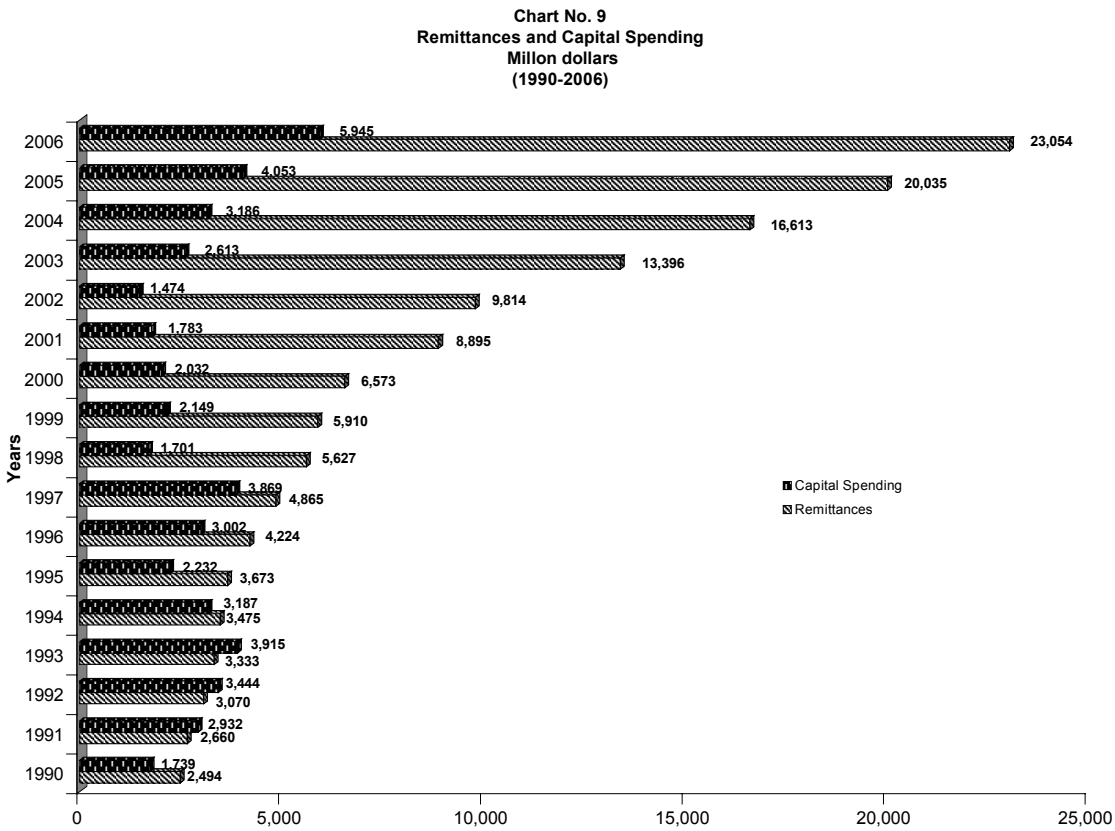


Regarding the relationship between remittances and portfolio investment in the period preceding the crisis, the former represented a

fifth of the portfolio investment. Later on, the latter went from 28,819 million dollars in 1993 to 8,547 million dollars in 1994, and to 9,715 million dollars in 1995. 1996 showed a recovery, when the portfolio investment reached 13,568 million dollars before dropping. In the following years, portfolio investment became very unstable while the remittances steadily grew.

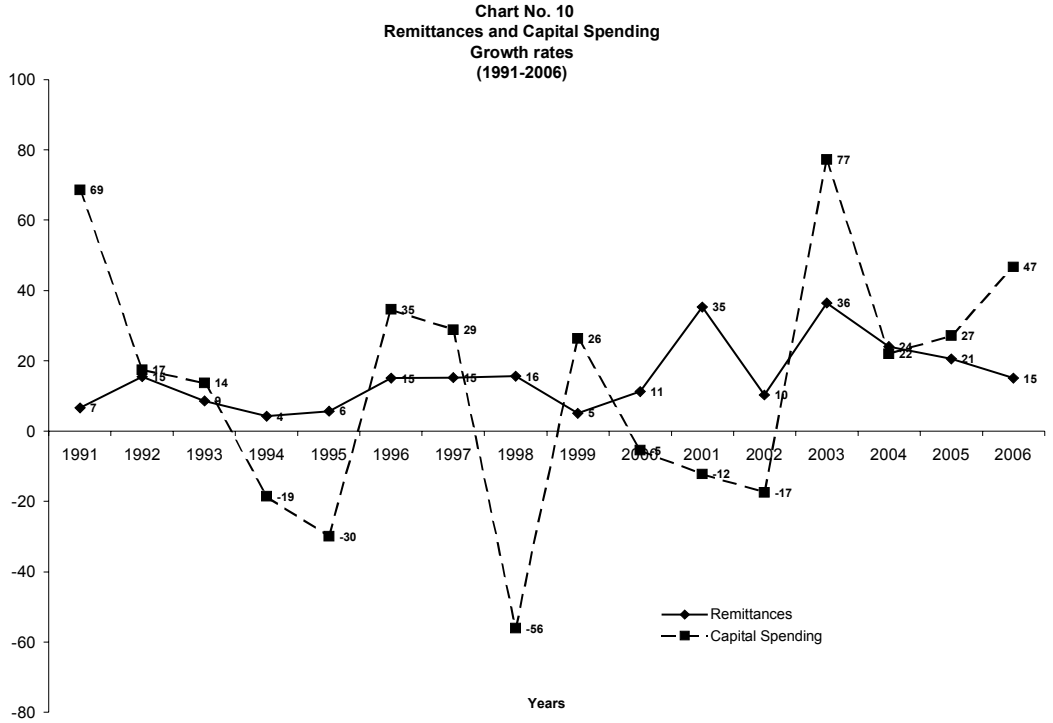
On average, from 1995 to 2002, portfolio investment amounted to 3,005 million dollars, while the remittances represented a little more than double that amount, and in the 2003-2006 period, remittances were 3.3 times higher than portfolio investment, whose annual average flow reached only 5,609 million dollars.

Remittances and Capital Spending



Source: custom made for the present paper using information from the Banco de México

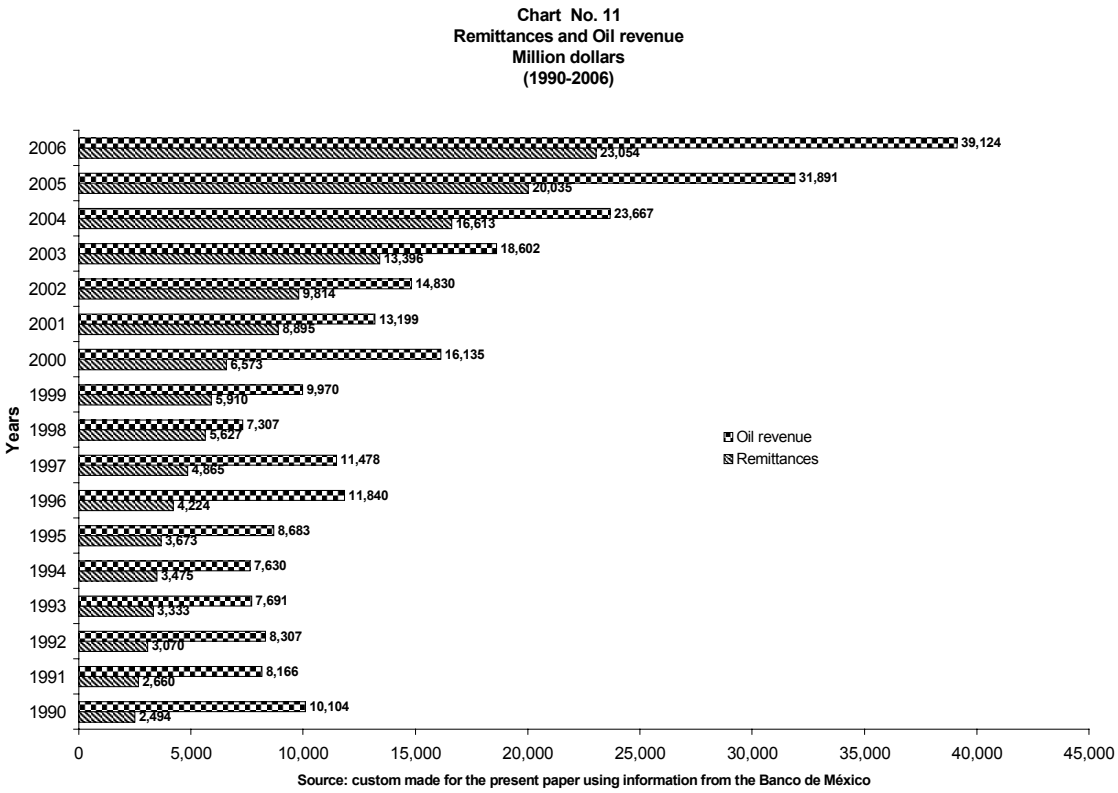
When comparing the remittances to the government's capital spending in the years that preceded the crisis, a very deplorable situation becomes evident, as capital spending remained at a yearly average of 3,043 million dollars, almost the same level as the capital flow regarding remittances (3,006 million dollars). From then on, the tendency of the remittances and of the capital spending becomes asymmetric. In the second period, the figure regarding remittances doubled (6,198 million dollars), and the one regarding capital spending dropped to 2,280 million dollars. The 2003-2006 period is even more significant, as the remittances averaged 18,274 million dollars, and capital spending averaged 3,949 million dollars per year. If the comparison is made based on percentage terms, the result is that during the first period, remittances represented 99 per cent of capital spending. Nevertheless, during the second period, remittances amounted to 2.72 times the capital spending,



Source: custom made for the present paper using information from the Banco de México

and in the last period to 4.63 times, regarding the same.

Remittances and Oil revenue



Source: custom made for the present paper using information from the Banco de México

During the first period of our analysis (1990-1994), oil revenue amounted to 8,380 million dollars, while remittances represented only 36 per cent of this figure. For the second period, remittances already represented 53 per cent of the total oil revenue (11,680 million dollars), and for the 2003-2006 period, they amounted to 65 per cent of the same: that is, remittances reached 18,274 million dollars, and oil revenue reached 28,321 million dollars. In the two following periods, the growth rates regarding both oil revenue and remittances were similar: the growth rate of the former amounted to 28 per cent and that of the remittances amounted to 24 per cent. Accordingly, the relationship between remittances and oil revenue is symmetrical.

3. Job displacement and family income increase

In terms of classic economy, explaining the increase of family income in an economy where job opportunities have been lost is a paradox. From an unconventional point of view, it could be stated that there is an asymmetrical relationship between restrictive monetary policy and employment. On the one hand, inflation remains below one digit, but employment and the growth of the GNP remain stable. Additionally, during the last decade, foreign investment, financing from abroad and credits granted by the commercial banks in Mexico have decreased. Besides, foreign debt service payments must also be taken into account. All of the above explain the increase in migration and remittances. The exoduses of labor, along with an accelerated process of remittance reception, have an impact which increases the family income in certain sectors of the population.

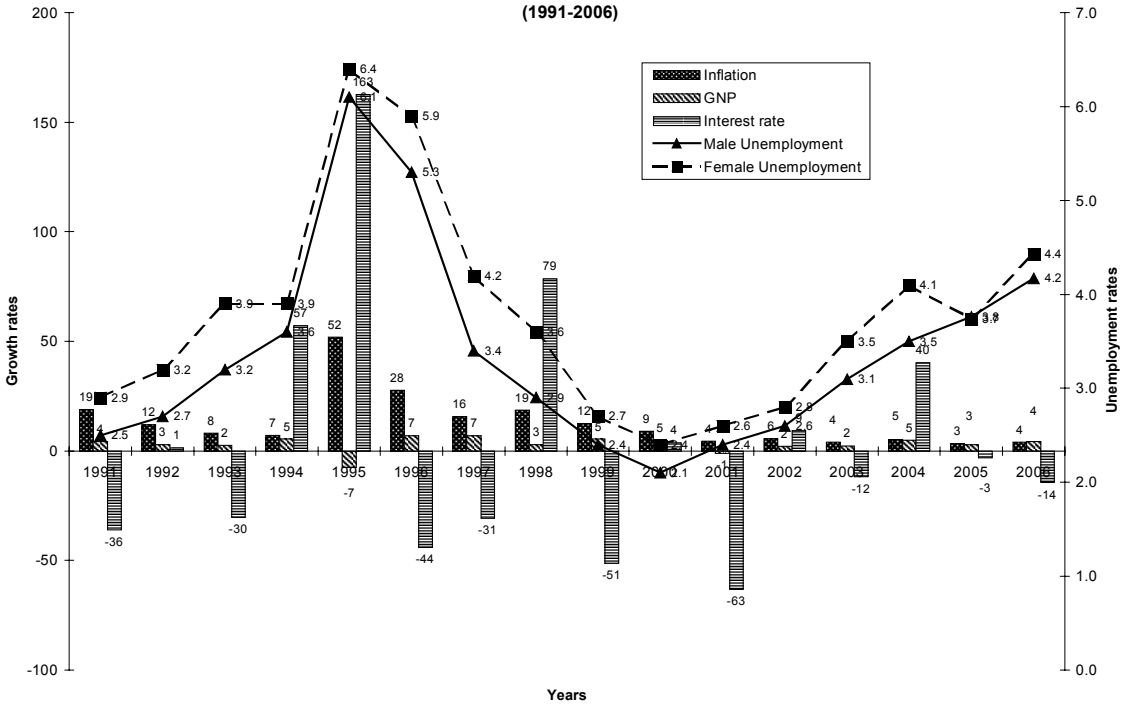
According to Favela Gavia and Delgado Wise (2004: 5):

> "During the last decades, the migration of Mexican citizens to the USA, has acquired a growing importance and developed a great complexity. The most recent estimates regarding the scope of this phenomenon reveal that at the present time, more than 22 million people of Mexican descent live in the USA. This figure takes into account American citizens of Mexican descent, resident migrants, and legal and illegal aliens. Out of that figure, 8.2 million were born in Mexico and slightly more than a third are illegal migrants, while the flow of temporary migrants ranges between 800,000 and one million displacements per year. Additionally, every year around 300,000 Mexican citizens set up their permanent address in the USA. Likewise, the flow of Mexican citizens that migrated to the USA in the last decade, measured by the annual net flow, is 10 times greater than that registered twenty years ago. This has resulted in an average annual exodus of 480,000 individuals if we take into account the figures presented by the 1990 and 2000 census

in the USA. The preceding fact ranks Mexico as the first immigrant producer in the world."

It is undeniable that the preceding figures prove that the functions of the central bank cannot be duly carried out in the monetary space regarding circulation that corresponds to the territory in question. The function of said bank as an employer of last resort (ELR) disappears, and inflation control becomes its main objective. There is an exodus of job opportunities to the USA, mainly due to the contractionist monetary policy applied by the Banco de México. The priority of said policy is to meet the inflationary goal, but it does nothing to foster a sustainable growth regarding public spending, which is the motor of private spending.

Chart No. 12
Inflation, GNP, Interest rate and Unemployment
Growth rates and Unemployment rates
(1991-2006)



Source: custom made for the present paper using information from the Banco de México and INEGI (National Institute for Statistics, Geography and Information Technology.

The lender of last resort or the employer of last resort, guide the monetary policy through the interest rates, they also guide the capital efficiency margin of the companies, as the objective of the central bank is inflation control and economic stability. Inflation, which in the 1990-1994 period, registered a yearly average of 15.1%, and in the 1995-2002 period, reached 18.2 per cent, dropped to 4.1 per cent in the 2003-2006 period; this resulted from the fact that in 2001, the Banco de México formally adopted an explicit inflation goal system as a plan to guide its monetary policy. Even if the average interest rates decreased from 18.1 to 7.5 per cent between the first and last periods, the unemployment rate remained unchanged in the first and second periods, and increased in the last one, even though there was a decrease in inflation, and that the interest rate diminished, and that the GNP grew by 3.6 per cent.

In a study carried out by the IBD (2004a), it is pointed out that the dramatic growth of the remittances at an international level is a result of the work and commitment of migrant workers who look for a better life standard for themselves and their families. At the same time, this reflects the integration of the labor markets beyond the national borders. The largest remittances market worldwide is the result of the relationship between Latin America and the USA. Only in 2004, the remittances amounted to almost 50 billion dollars. Nevertheless, outside the formal banking circuits, another 50 billion dollars were transferred. The same study points out that more than 60% of the 16.5 million adults migrating from Latin America that now live in the USA, send remittances in a continuous manner on an average of 12.6 times every year. These remittances may amount to $150, $200 and $250 USD each time. For the year in which the study was carried out, it must be understood that the combined average income of the immigrants in the USA represents close to 450 billion dollars.

It is important to mention the alternative economic policy for the proper use of the remittances. On the one hand, the cost of remittance transfers has been decreasing according to several studies (Suki, 2004). But, on the other hand, the banking sector has also been influenced by

the regulations in force, both in the USA and in the recipient countries, in order to avoid money laundering. Notwithstanding, the cost of the transfer is still very high for the people that receive the remittances. From the preceding facts, we can infer that the governments which receive the remittances have chosen to take no action regarding the avalanche of capital flow that finances the improvement of family income. In other words, the recipient governments have not been able to channel the remittances to productive projects that would result in decent jobs. The increase in spending through these capital flows has resulted in a stable macroeconomic policy, and has helped the inflationary goal policy to succeed. Remittances constitute a no return flow regarding possible events such as devaluation.

Beyond the relationship between macroeconomic policies and the fast and growing migration process, and the exponential growth rate of the remittances, there is a fundamental human connexion that involves more than 100 million families worldwide. These families have become desperate due to their lack of resources (IBD, 2004b). Nevertheless, this process could be seen as a natural one when faced by a world migration wave at the end of the 20th Century and the beginning of the 21st Century. It is impossible to deny the close relationship between the policies of the Washington Consensus which are implemented in Latin America.

One of the pillars of economic development resulting from the Washington Consensus was the privatization of public companies. It was said that selling State assets would bring about a better efficiency and would promote economic growth. Even if the 90s constituted a decade of privatizations in Latin America and consequently, the private sector should have guided economic growth, this did not come to happen. The statements of Pablo Kuczynski and John Williamson (2003) have not solved the paradox regarding development and economic growth, in spite of the deregulation, liberalization and privatization processes that took place in Latin America. The most important privatization processes showed very clearly that multinational conglomerates were interested in their implementation. Their main objective was to use the countries that

experience an exodus of the workforce as profitable platforms for the conglomerates in the process of international financial accumulation.

Thus, the central bank has lost the power and the exercise of its monetary sovereignty in order to build a nation offering total employment. Job opportunities have been created by the FDI, the maquila factories, and the producers whose destiny is to satisfy the external sector. Lack of well paid jobs and the increase in job demand in the informal market, have led more than a fifth of the population to migrate. The transparency of the information proves that employment has been displaced beyond the national borders towards alternative spaces; in the case of our study, mainly to the USA and to a lesser degree to Canada.

4. Macroeconomic, mesoeconomic policies and Human Rights

Macroeconomic policies have specifically referred to tax, monetary and financial policies all along the study of the financial circuits. In order to interact between these policies and their particular relationship with social results, it is important to consider the scope of public spending, taxes and the regulations that impact on the social and economic welfare of certain groups of the population. We must not forget to include gender oriented budget items.

In order to establish human, economic and social rights, a non minimalist State is required. Macroeconomic policies should be taken into account by a State committed to the welfare of its citizens. Accordingly, a State that endeavours to grant human, economic and social rights to its citizens, must interfere in market decisions through its macroeconomic policies and regulate the income of exporting and importing economic agents. These interference should go from the guarantees regarding the quality of imported products, up to the production of the necessary goods in the circulation and distribution process.

In this framework, the monetary policy and the tax policy are strongly linked to the employment and migration relationship. Financial policy and migration are also closely related, if we take into account the

service of the foreign debt and the fact that no job opportunities are created.

In the history of mankind there have been periods showing great migration waves. The report carried out by the Global Commission for International Migration, United Nations, (2005) mentions that migrations are:

> "A constant and decisive characteristic in the history of mankind. Migrations have facilitated the process of world economic development, they have contributed to the evolution of States and societies, and have enhanced many cultures and civilizations. Migrants are frequently the most dynamic and entrepreneurial members of society, people who are willing to go beyond the limits of their community and country in order to create new opportunities for themselves and their offspring."

Nevertheless, the fact that the recent migration process has become more pronounced, is the result of the changes in the production structures and of the articulation of the concentration and centralization processes in the international division of labor. The other aspect of migration has to do with those who don't migrate, those who remain in their country.

A study carried out by Ertürk and Cagatay (1995), shows the close relationship existing between the monetary stabilization and restriction periods, along with the increase of the female workforce, which indicates that women join the workforce in order to keep the spending level of their households. That is, the gender composition in the workforce becomes wider, nevertheless, poverty increases. Besides, the monetary and financial policy has used the interest rate in order to control the inflation rate, to such a degree that when the institutional framework deregulated financial policy, it prioritized an increase of the financial profit margin of the banks, without granting credits that would result in new investment. The re-orientation of the tax policy, which has restricted public spending, has resulted in a decrease in social spending regarding housing, health and education.

In the Zacatecas area, the migratory flow of Mexican citizens to the USA has been a permanent process that became more important in the last decade. "Several issues have influenced this process, but maybe the most relevant and self-explanatory could be the lack of stability and the excluding character of the productive structure in Zacatecas, which is characterized, among many other things, by a limited industrial sector, a traditional farming activity, a land oriented cattle farming and a mining sector which do not have an impact in the job opportunities and the development of the region. All the preceding facts result in unstable formal job opportunities, to such a degree that Zacatecas is ranked as one of the states having less capacity to generate jobs in the country (Zamora García, 2005:181).

Job offers, as well as the lack of public and private investment in the farming and industrial sectors, have turned Zacatecas into the most important State regarding remittance reception. This has fostered the implementation of programs in which the government has taken advantage of the remittances for public policies[3]."

5. Human Rights and economic and social welfare policies

Capital flow stemming from the remittances resulting from the migration process, have brought about economic, political and social changes that determine the need to regulate international migration, the remittances and the macroeconomic policies. Basically, if the receiving country is to grant public safety rights to the migrants, it is necessary that minimum Human Rights be guaranteed by the countries in question.

Accordingly, the countries experiencing an exodus of the workforce must guarantee Human Rights regarding employment, based on macroeconomic policies that foster economic growth and that better re-distribute income.

In a recent study regarding Mexican migration to the USA and the transformation of Los Haro, Zacatecas and Napa, California, Sandra

[3] Rodolfo García Zamora explains the creation of Clubes de Zacatecanos en Estados Unidos (Zacatecas citizens' Hometown Associations in the USA), their programs and the programs of the State of Zacatecas, (2005: 181). The Iniciativa Ciudadana (Citizens' Initiative) program, better known as Tres por Uno (Three times One), allows for the channelling of the collective remittances of the migrants to productive

Nichols (2006) proves that even before the Mexican Revolution, a process of mobility had existed among the migrants between the USA and Mexico due to different causes: first of all, the Mexican Revolution itself, and later on, water shortages, droughts, and the lack of technology in the farming industry for more than a century. The fact that labor is needed to expand industrial capitalism in the USA is another reason for the demand of a workforce perceiving better salaries. In any case, just to give an example, what we are trying to point out in this essay is the result of the submission of the food/agricultural policy to the opening and deregulation environment of the primary sector in the last decades.

The opening process of the Mexican economy and NAFTA have been permeating the Mexican farming system in a circle that has no virtues. Products not only subsidized by the USA themselves, but even made cheaper by the financial policy have been indiscriminately entering the country in an endeavour to foster competitiveness and productivity. These products have made it impossible for the Mexican producers to compete with imported products. Side by side with the deregulation and liberalization of the productive sector, and step by step, a foreign oriented process in the distribution of said products has been taking place. This allows for the circulation of food products that facilitate the sale of imported products. It has been forgotten that every country has the right to food sovereignty regarding its citizens, and that the associations of farm workers have a right to define policies regarding agricultural products without any interference from other countries, or the usual "dumping" practice which countries acting as third parties carry out.

In a study concerning Human Rights, Patel, Balakrishnan and Narayan, (2007: 90) have pointed out that food sovereignty is a prioritary rationale of the economic policy of any country. Food policy, as part of macroeconomic policy, must include several items, among which, the most important are: to give priority to domestic products and to avoid land reform in order to avoid the use of genetically modified

---

investment in their communities, having a matching investment carried out by the three different levels of the government in Mexico, that is the municipal, the state, and the federal one.

seeds; to acknowledge the right to water resources as a public good; the right of farmers, consumers and producers to decide how to produce and choose freely the use of food products; the right of the countries to protect themselves against imports regarding food and subsidized agricultural products, not only by the exporting governments but also by exchange rate policies that sometimes raise the prices of export products and facilitate imports; the need for tax and financial policies that protect exports and imports regarding products of the primary sector, and the acknowledgement of Human Rights for women that participate to a great extent in food production and agricultural activities.

The deregulation and liberalization processes have resulted in the loss of jobs. Employment, as a human right pertaining to any individual of legal working age, is cancelled by subsidized products through the exchange rate; a situation that lowers the prices of imported goods. Besides, in the case of imports regarding agricultural products, many of these are already subsidized by economic policies in their countries of origin. Consequently, the workforce that has been displaced from the farming system and the industrial sector, are inserted in the adopting country as second class workers, perceiving lower salaries than those granted to its citizens, and having no social security benefits. Furthermore, the savings of immigrants due to their informal origin, are attracted by profiteering businesses that act as financial intermediaries regarding the remittances, and which charge very steep commissions. Finally, in the receiving countries, remittances are not used in productive projects, but are oriented to family spending.

Economic and social rights are Human Rights that must be considered by the countries that foster the exodus of the workforce as unfulfilled Human Rights due to their economic policies. We must keep in mind that the Constitution of every country guarantees the Human Rights of its citizens and one of these rights is the right to employment. The right to employment is a human right that must be respected by the country that hosts the migrant workers. The country that receives the workforce that is used in the growth process of its domestic economy must have the obligation to guarantee the right to employment and to

freely choose a job in favorable conditions, just as it does for its citizens. We are talking about equal salaries and remuneration, and the right to participate in unions, as well as the right to public health services and the right to education. The Human Rights of the migrants were pointed out in the Conference for the Human Rights of Migrant Workers and Members of their Families, which took place in 1990 and was organized by the UN[4].

6. Considerations and Research Agenda

When we started the present paper by relating the financial capital circuits and the work circuits that are represented by the remittances of migrant workers, we faced several research options. We emphasized the influence of capital flow stemming from workers outside their country of origin. On the one hand, capital flow increases the family income, when faced by the lack of a full employment policy in the country of origin. On the other hand, the capital flow concerning remittances is of no consequence regarding productive projects. For the most part, remittances become part of the family income and improve family spending.

A very important fact from a theoretical point of view is the insertion of a foreign currency that rules over the domestic currency. This situation fosters economic and political stability in the country perceiving the remittances when faced by the continual loss of jobs in the domestic market, upholding family income. It is obvious that capital flow concerning remittances exceeds that of the FDI and that of portfolio investment. But it is also very sad to witness how part of these remittances guarantee the payment of the external debt service. The importance of remittances in the monetary circuit casts a doubt on the sovereignty of the national currency and on the ability of the central bank regarding the creation of money, and also on the difficult role of democratic institutions in the country when dealing with a State that has

[4] The Convention on the Protection of the Rights of All Migrant Workers and Members of their Families ("Migrant Rights Convention") was adopted by the U.N. General Assembly in 1990, and became effective on July 1, 2003.

proved to be weak concerning the creation of jobs. The macroeconomic policies imposed in the post Bretton Woods Era, such as the opening of economies, the reduction of the tax deficit, the one digit inflationary goal, and stable exchange rates, have led to critical situations, the most important effect of which is the exodus of labor.

The minimalist State is delighted to get the remittances, which are added to other income stemming from extraordinary reserves. This cancels the future of the country as remittances are not channelled to investment through public spending. The country that receives the workforce is interested in the profitability of illegal labor having no social guarantees such as: the right to health services and public housing, and the right to food and education. The labor force that has been driven out of the country of origin is castrated by the Welfare State of the recipient country. Remittances make up a capital flow that increases family income, but that does not guarantee economic development nor is it a credit to society.

We can't finish this research without presenting the urgent necessity of laws to regulate the human right of migrant people not only in a country as Mexico or India which are the ones that are disputing the first place in remittances around the world but in the minimal human economic rights that people deserves. Our migrants' human rights around the world are increasing as a result not only of the Washington Consensus measures but by the monetary and fiscal policies that restrict liquidity for employment and reduces in a dramatic way public investment and expenditure to save money to pay external debt. The decisions of the Central Bank's high interest rates to attract external saving and not a flexible rate are inducing a new wave of migration as a Century ago. The law regulation of human economic rights for migrants is a human right demand.

7. Bibliografía

Banco de España (2006), Boletín Económico No. 131, octubre.

BID (2004a) “Sending Money Home: Remittances to Latin America from the US”, Washington, D.C.

BID (2004b) *Sending Money Home: Remittance to Latin America and the Caribbean*, Washington, D. C.

BID (2005), *Beyond Small Change: Making Migrant Remittances Count,* Washington, D. C.

Browne, Irene (1999), *Latinas and African American Women at Work: Race, Gender and Economic Inequality,* Russel Sage Foundation, New York.

Delgado Wise, Raúl y Beatrice Knerr (2005), *Contribuciones al análisis de la migración internacional y el desarrollo regional en México,* LIX Legislatura de la H. Cámara de Diputados, Universidad Autónoma de Zacatecas y Miguel Angel Porrúa, México, D. F.

Delgado Wise, Raúl y Margarita Favela (2004), *Nuevas tendencias y desafíos de la migración internacional México-Estados Unidos,* LIX Legislatura de la H. Cámara de Diputados, Universidad de Zacatecas, Universidad Nacional Autónoma de México y Miguel Ántel Porrúa, librero-editor, México, D. F.

Durand, Jorge (2005), “De traidores a Héroes. Políticas emigratorias en un contexto de asimetría de poder” en Delgado Wise, Raúl y Beatrice Knerr, Universidad Autónoma de Zacatecas, Miguel Angel Porrúa y LIX Legislatura, México, D. F.

Ertürk, Korkut and Nilüfer Cagatay (1995) “Macroeconomic Consequences of Cyclical and Secular Changes in Feminization: An Experiment at Gendered Macromodeling” *World Development,* Vol. 23, No. 11, pp. 1969-1977, Elsevier Science Ltd, Great Britain.

Fondo Monetario Internacional (2003), *Global Development Finance*, Washington, D. C.

Fox, Jonathan y Gaspar Rivera-Salgado (2004), *Indígeneas Mexicanos Migrantes en los Estados Unidos,* LIX Legislatura, Universidad Autónoma de Zacatecas y Miguel Angel Porrúa, México, D. F.

García Zamora, Rodolfo (2002), “Los proyectos productivos con migrantes en Mëxico hoy”, ponencia presentada en el Segundo Coloquio sobre Migración Internacional: México-California, Universidad de Berkeley, California, 28-30 de marzo (folleto).

García Zamora, Rodolfo (2004) “Migración internacional y desarrollo local: una propuesta binacional para el desarrollo regional del sur de Zacatcas” en Delgado Wise, Raúl y Margarita Favela, *Nuevas tendencias y desafíos de la migración internacional México-Estados Unidos,* LIX Legislatura de la H. Cámara de Diputados, Universidad de Zacatecas,

Universidad Nacional Autónoma de México y Miguel Ántel Porrúa, librero-editor, México, D. F.

Kuczyinski, Pablo y John Williamson (2003), *After the Washington Consensus: restarting growth and reform in Latina America,* Institute for International Economics, Washington, D. C.

Nichols, Sandra L. (2006), *Santos, Duraznos y Vino: Migrantes mexicanos y la transformación de Los Haro, Zacatecas y Napa, California,* Universidad Autónoma de Zacatecas y Miguel ängel Porrúa, México, D. F.

Patel, Rajeev, Radhika Balakrishnan and Uma Narayan (2007) "Explorations on Human Rights", *Feminist Economics* 13(1), January, 87-116.

Portes, Alejandro (1995), *The Economic sociology of Immigration: Essays on Networks, Ethnicity, and Entreprenership,* Russel Sage Foundation, New York.

Suki, Lenora (2004) "Financial Institutions and the Remittances Market in the Dominican Republic" del Center on Globalization and Sustainable Development, The Earth Institute at Columbia University, New York, NY.

United Nations, (2005) The Global Commission On International Migration (GCM) "Las migraciones en un mundo interdependiente: nuevas orientaciones para actuar"; http://www.gcim.org/mm/File/Spanish(1).pdf

Wray, L. Randall (1998), *Understanding Modern Money (The Key to Full Employment and Price Stability),* Great Britain, Edward Elgar.

Zárate-Hoyos, Germán A. (2005) "The Development Impact of Migrant

Remittance in Mexico".

Zuñiga, Víctor and Rubén Hernández-León (2005), *New Destinations: Mexican Immigration in the United Status,* Russell Sage Foundation, New York.