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REMITTANCES

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In the general conception, remittances are financial transfers usually sent by (national or international) migrants to support relatives back home (→ Transnational Migration, I/44). Beyond monetary transfers, there are also remittances in kind (in the form of goods or services) and so-called "social remittances" (ideas, identities, practices, social capital, see Levitt 1998). Monetary remittances have grown extraordinarily since the 1990s, both worldwide and in the Americas. Although remittances to Latin America temporarily declined as a result of the U.S. financial crises in 2007–08 (→ Crisis, II/4), they recovered after 2010 and reached a new height in 2014 (Ratha, Eigen-Zucchi and Plaza 2016). Whereas the United States are by far the world's largest sending-country since emigration from Mexico and Central America is largely concentrated there, Mexico was the fourth largest receiver of remittances (more than US$25 billion) in 2014, after India, China, and the Philippines (12). Concerning the economic relevance in relative terms, remittances in Mexico account for around 2.5 percent of the Gross Domestic Product (GDP), while in smaller countries with large diasporas, like Haiti, Honduras, and El Salvador, they summed up to more than 15 percent of the GDP in 2014 (ibid). Next to remittances from the U.S., many South American countries such as Bolivia, Ecuador or Peru receive remittances from sizable diasporas in Europe, with Spain being the most important destination country for Latin American emigrants in Europe (Ratha, Eigen-Zucchi and Plaza 2016). Globally, South-South remittances amount for a third of total remittances (11). Within Latin America, important South-South corridors of migration and remittances corridors exist between Nicaragua and Costa Rica, Haiti and the Dominican Republic, Central America and Mexico, Peru and Chile, and Paraguay and Argentina, among others (ibid). In view of the above, remittances have become an important topic in the flows of wealth from country to country. Research on remittances is often viewed from two perspectives, either by an "optimist" or "critical" view concerning their development potential.

The "optimists": remittances as a tool of bottom-up development finance

Motivated by their strong rise, remittances have increasingly been "discovered" as a potential source of capital for development (→ II/6) in the international policy discussion. Most of the leading international organizations have dedicated flagship reports to the nexus

between migration, remittances, and development raising the question whether remittances would become a new "mantra" (Kapur 2004) in the development discourse that responds to the search for a "third communitarian way" of development between pure market-liberalism and state-led development strategies (cp. de Haas 2010).

This shift in policy discourse has been accompanied by academic research that has highlighted several channels through which remittances can have positive effects on the home countries and contribute to poverty reduction. Many of these works build on insights of the New Economics of Labor Migration (Stark and Bloom 1985), where the transnational family – rather than the individual migrant – is put at the center of analysis (→ Family, I/26). In this perspective, remittances provide an insurance function for families staying behind through the diversification of household income and enable receiving households to undertake investments into human or physical capital. Studies have found empirical evidence that receivers of remittances spend a larger share of their income on education (→ I/24) (e.g. Hanson and Woodruff 2003), health (→ I/29) (Amueda-Dorantes, Pozo and Sainz 2007) and entrepreneurship (e.g. Woodruff and Zenteno 2007); and that remittances function as informal insurance in the case of economic crisis (→ II/4), natural disasters (→ II/33), or household shocks.

Beyond the direct effects of remittances at the household levels, other authors have emphasized indirect effects of remittances on the economies via consumption spillover (Durand, Parrado and Massey 1996), the stabilization of exchange rates (e.g. Singer 2010), and via the development of the financial sector (e.g. Ambrosius and Cuecuecha 2013; Ambrosius, Fritz and Stiegler 2014). Moreover, collective remittances sent by home town associations for community projects have been praised as an important mechanism through which migrants may generate positive development in the wider community (e.g. Duquette-Rury 2014). The most well-known initiative of this kind is the Mexican Three-for-One Program, where Mexican governments at the municipal, state and federal level match each dollar sent by migrants for community projects in their home towns. Although dwarfed by the amount of private remittances, social spending out of the program ranked second in terms of total size after the national anti-poverty program in Mexico (Duquette-Rury 2014).

Beyond its economic effects, a number of studies have emphasized that migrants are potentially important actors for processes of democratization in their home countries (→ Democracy, II/32), either via the transmission of social values and political beliefs (Barsbai, Rapoport, Steinmayr and Trebesch 2017), or by debilitating local clientelistic ties through an external source of revenue (Escribà-Folch, Meseguer and Wright 2015). In the case of Mexico, scholars have claimed that migration and remittances played a role in debilitating the dominance of the traditional Partido Revolucionario Institucional (PRI) party by undermining clientelism (→ II/29) (Pfutze 2012) and that remittances are associated with lower corruption (Tyburski 2012).

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"Critical" perspectives: do remittances sustain old and create new dependencies?

Whereas in Latin America many governments and social scientists have joined optimistic discourses about the development potential of remittances and there is an increasing number of initiatives to capitalize on that potential, there are also many critical voices in the region and beyond. Skeptics point toward the unfulfilled promises and the remittances' (potential) negative implications. On a macroeconomic level, it has been argued especially that remittances may lead to a loss in international competitiveness through the appreciation of the exchange rate (e.g. Amueda-Dorantes and Pozo 2004). On the micro level, expectations that remittances transform into so-called "productive" investments are often disappointed as large parts of remittances are

spent for daily consumption as they basically replace or complement other household incomes (Binford 2003; Canales 2006; Cortina, de la Garza and Ochoa-Reza 2005).

Some authors have criticized that remittances reduce incentives for productive investment of resources in the countries of origin and do therefore not represent a source of capital for development (Chami, Fullenkamp and Jahjah 2003). Moreover, even if remittances contribute to lessen poverty, their effect on inequality can be ambiguous, depending on whether richer or poorer individuals migrate (Acosta, Calderón, Fajnzylber and Lopez 2008) (→ Social Inequality, II/20). Finally, social scientists with a critical perspective on globalization see migration and remittances as the negative outcome of neoliberalism (→ II/16). Authors like Delgado Wise and Covarrubias (2008) argue that remittances are mere results of strangled economic and social development rather than a tool for growth and well-being. In their view, these flows help sustain the fragile socioeconomic situation of the migrants' country of origin, expanding the asymmetries between north and south and exacerbating phenomena such as employment insecurity (→ Informality, II/13), poverty, and social marginalization. Instead of altering structural development constraints, remittances, according to that view, at best constitute a palliative against the deteriorating socioeconomic situation of the population caused by failed macroeconomic structural policies (Canales 2006, 2008). Moreover, remittances might accelerate the retreat of the welfare state by replacing public with private mechanisms of self-insurance (Doyle 2015; Ambrosius 2016) (→ State Transformation, II/21).

The financing of community projects in the spirit of the Three-for-One project has also been subject to critics. On the one hand, the program has been prone to political capture. Meseguer and Aparicio (2012) provide qualitative evidence for the strategic use of the program by elected officials. Municipalities that share partisanship with higher levels of government are more likely to benefit from the political bias of the program (Aparicio and Meseguer 2012). On the other hand, spending for the Three-for-One project could be cross-financed at the expense of spending on other items or for other regions (Ambrosius 2016; Simpser, Duquette-Rury, Hernández Company and Ibarra 2016). Whereas "optimists" have praised remittances as catalysts for democratization and political accountability, some political scientists have taken an opposite view. For example, Ahmed (2012) observes higher corruption in countries that receive remittances and draw parallels to other forms of unearned foreign income that provokes rent-seeking behavior by governments.

Critical perspectives on the effects of remittances in countries of origin also emphasize that monetary flows cannot be separated from the broader phenomenon of migration and its implications. For example, feminist theorists have analyzed how emigration affects the organization of social relations of reproduction in countries of origin along care chains (Hochschild 2000; see Herrera 2005 for an application to the Ecuadorian context) (→ Gender and Work, II/11). While women in the north employ the low-wage services of migrant domestic workers for their reproductive economy, migrants' absence at home is compensated either by other women who receive even lower wages or by remaining family members (→ Family, II/26) In this sense, international migration reproduces class-relations and global social inequalities (→ II/20) in which the value ascribed to the reproductive economy decreases and is often unpaid at the end of the chain.

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Conclusion: conceptual and methodological challenges in research on remittances

Empirical studies have amassed overwhelming evidence that remittances reduce poverty and provide an important mechanism of insurance for transnational households. Most of these studies depart from the observation that income from remittances tends to be more

stable than revenue earned at home. At the same time, the decline of remittances as a result of the U.S. financial crisis, and the restrictions on immigration together with the menace of taxing remittances by populist governments in the north (→ Populism, II/43; Taxation, II/22), exposes the vulnerabilities of a model that relies on remittances as a counter-cyclical insurance mechanism. A main research agenda for the years to come will be the consequences of stricter immigration rules and threats of deportation for Latin American countries that rely heavily on remittances (→ Transnational Migration, I/44), and where migration and remittances have functioned as an important social valve in the context of economic restructuring and market reforms (see Garcia Zamora 2017 for an assessment of the Mexican case).

While few question the beneficial effects of remittances on poverty indicators at the household level, no consensus exists on their macroeconomic, institutional, and social effects. On the one hand, polarized views on their outcomes reflect in differing models of economic development along the traditional cleavages of neoclassical/liberal versus heterodox or structuralist economic theories. On the other hand, grasping the broader effects of remittances in receiving countries poses several conceptual and methodological challenges to researchers. First, from a theoretical viewpoint, a distinction of the effects of migration from those of remittances is artificial, since decisions on migration and remittances are closely related. In particular, a discussion over the use of remittances – i.e. investment versus consumption – misses the point stated by the New Economics of Labor Migration that emigration of one or more families already constitutes an investment by the transnational family, whereas remittances can be seen as a return on this investment. Second, it is empirically challenging and often impossible to disentangle the effects of remittances and migration (Clemens and McKenzie 2014). Frequently, forces may operate in opposite directions. For example, migration might be motivated by poverty, whereas remittances tend to alleviate income constraints. Positive and negative effects may therefore cancel out in an aggregate view. Finally, wider economic effects are strongly dependent on country contexts. Accumulated research on migration and development both theoretically and empirically gives evidence for the fundamentally heterogeneous nature of migration and its financial counter face, the remittance flows. Their contingency on temporal and spatial analysis forbids any simplistic assertions on remittance-development interactions (see also de Haas 2010).

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Remittances may have positive effects on the standard of living of migrants' families and on the economy of the emigration country, depending on the circumstances. It is important to note that the "remittance euphoria," that goes along with the perception of self-development "from below" through transnational migrants and their money sent home, shifts attention away from the relevance of structural constraints and the important role governance by the state and other actors may play in shaping favorable conditions for economic and social development (→ II/6) in the Global South.

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