CHAPTER 6

# REMITTANCES DO NOT DRAIN HOST COUNTRIES' ECONOMIES AND ARE NOT LIKE FOREIGN AID

The term *remittances* refers to the money transfers migrants make to loved ones living in their countries of origin.[1] They are commonly "intra-household transfers from members of a family who have emigrated to those who have remained behind," although they are sometimes also sent to friends and neighbors.[2] The ability to provide remittances is a key component in many people's decisions to migrate to a new country. In 2019 alone, one in seven people in the world was either sending or receiving remittances, amounting to approximately one billion people.[3] Remittances are the result of the international migration of workers who leave all or part of their nuclear family in order to supply them with a higher income.[4] They are relatively small amounts of money sent on a regular basis that are spent on valuable items and experiences; for example, they may be used to (1) cover main expenses of the nuclear family left behind, food and groceries, housing costs, clothing, and other common household expenses; (2) provide financial support for elders and the rest of the family; (3) repay debts or educational fees; (4) reimburse migration costs; (5) assist those facing economic turmoil and disruption; (6) buy gifts for relatives or friends; and (7) pay for health care, surgeries, and medicine.[5] On a macro level, poor local economies with limited job markets and low wages are fortified by remittances—but at the cost of widespread family separation.[6]

During his presidency, Donald Trump often complained that remittances are a burden on the U.S. economy, insisting that senders pay a tax that would contribute to the construction of a wall or physical barrier on the southern border. He was backed by anti-immigrant groups and individuals who believe that the country loses money because immigrants give part of their wages to their families and friends abroad instead of spending them in the U.S. economy.[7]

Others proposed a fine for each remittance sent by undocumented workers.[8] Although remittances are partially expatriated wages, immigrant-receiving societies need not worry about remittances hurting their local economies. Normally, remittances are relatively small amounts of money in relation to workers' income and their output, and most of the immigrants' wages are spent on housing, food, and other basic expenses in the country where they work, not to mention that U.S.-based employers financially benefit from immigrant labor. Migrant workers typically remit between $200 and $300 home every month, which represents between 15 percent and 30 percent of their monthly wages, and around 4 percent of their contributions to the firms that hire them.[9] A crucial point to highlight in the international conversation concerning remittances is that immigrants remit wages that have already been taxed by the national government. On top of taxes, they pay fees to often U.S.-based banks and remittance businesses in order to send payments abroad.

In this chapter, we provide evidence to disprove the myth that remittances drain and burden host countries' economies. We begin by outlining common arguments against remittances, particularly those from political speech, and subsequently contextualize important trends and demographic information regarding the characteristics of remitters, their reasons for remitting, and the share of wages they remit. We then review remittance policies and taxes proposed in the United States and consider the effectiveness and ethics of imposing further taxation on remittances, referencing international examples, studies, and statistical evidence to support our assertions.

## GLOBAL REMITTANCE RELATIONSHIPS

Remitting is common in countries with abundant job opportunities and a moderate to high annual GDP.[10] The United States, the United Arab Emirates, and Saudi Arabia are among the top sources of remittances worldwide because their high-income economies attract immigrant workers from struggling countries. In 2020, India received the most remittance transfers, followed by China, Mexico, the Philippines, and Egypt.[11] Large sums of remittances are also sent from Hong Kong and Japan to mainland China, Spain to Morocco, Kuwait to Egypt, and Australia to multiple nations in Asia.[12] In the aggregate, millions of migrants sent an estimated $625 billion in 2017, $148 billion of which came from workers in the United States.[13] In 2023, global remittance flows are estimated to have reached $860 billions.[14] International students, foreign investors, and wealthy people living in the Global North for long periods may also receive remittances from abroad, thus bringing foreign income to wealthy countries.

### *Who Remits?*

Immigrants with many backgrounds, education levels, jobs, identities, and national origins send money across national borders. Migrant workers, embassy employees, and people working for foreign companies remit internationally. In fact, some of the compensation provided for diplomats, embassy workers, expats, and the Social Security payments sent to U.S. retirees living abroad can be considered remittances in international accounting and may be included in official figures from national central banks.[15] Migrants have mixed success in the labor markets of receiving countries, as some get hired almost immediately, others eventually become highly successful, while others remain unemployed for extended periods while adjusting.[16] These financial outcomes are largely shaped by migrant workers' educational attainment, host language fluency, and legal status, among other things. Undocumented individuals, especially recent arrivals, are most likely to remit consistently, especially when their immediate family members stay in the former country of residence.[17] In contrast, immigrants with higher levels of education and income typically remit less often because they do not have their own families yet or they live with them.[18]

Differences in remittance rates among immigrant communities are dictated by elements of the receiving and sending communities. For example, Jorge Duany compared the ripple effects of remittances in Puerto Rico, the Dominican Republic, and Mexico. After analyzing data from the Latin American Migration Project and the Mexican Migration Project, Duany found that 34.8 percent of Puerto Ricans living in the United States sent remittances to relatives and friends compared to 66.5 percent of Dominicans and 76 percent of Mexicans. Puerto Ricans also sent less money: their monthly remittances averaged $84.80, whereas Dominicans and Mexicans remitted $192.00 and $376.00, respectively. Food and maintenance were the primary purposes for remittances in all three countries, but Puerto Rico was where the money was more often used to purchase consumer goods. In Mexico, the largest fraction of remitted money was spent for health purposes when compared to the other two countries.[19]

The variance in remittance rates depends on each country's welfare system, economic and social conditions, and migration rates. Puerto Rico has a more robust social safety net and higher levels of development than the rural parts of the Dominican Republic and Mexico.[20] Workers often look for employment in places with strong currencies that will go a long way in places with weaker currencies and a lower cost of living. As Puerto Rico is a U.S. territory, its economy is fully dollarized; this makes Puerto Rico a less appealing place to remit dollars than, say, Mexico, which, in 2023, had an exchange rate of around seventeen pesos to one U.S. dollar. U.S. borders are open for Puerto Ricans to come and go, making migration less risky than for Mexicans or Dominicans, and as U.S. citizens, Puerto Ricans have permission to settle and work freely in the mainland.

### *Reasons to Remit*

Immigrants might have one or multiple reasons to send remittances. Many do this to continue their paternal, maternal, or filial duties, mainly as evidence of care for their loved ones and their belief that it is the moral course of action, particularly if their relatives might be experiencing hardships with work or illness. There are also instances where immigrants remit to their families or friends in exchange for a favor that had to be done in their home country, like taking care of a relative. In this case, the receiver is technically earning the remitted money as wages for a service provided. Immigrants commonly use remittances to repay people in their home communities for sponsoring their migration journey, to pay off loans, microcredits, or other debts, or to make loans to relatives or friends.[21] Remittances can also operate as a form of insurance for an individual or their family. Migrants might remit to prepare for emergencies or deportation.[22] They can also operate the other way around when the remitted money provides relatives with an insurance fund to protect them against income shocks or eventually to pay for their collective migration.[23]

### *Remittance Businesses*

Migrants have traditionally been constrained in sending money from the country they work in to the country their family lives in for several reasons. First, small immigrant-sending hometowns, especially those in developing countries, might

In 2011–2012, about 11 percent of Hispanics living in El Paso remitted money to their communities of origin, as shown in table 6.1. Although their reasons varied, all were directly related to survival: just over half (55.5 percent) of remitters financially provided for food and basic necessities, while another 27.3 percent paid for health care and medicine. Similarly, almost 22 percent of Hispanics were part of families that remitted. Existing literature and the research conducted in El Paso suggest that remittances are crucial tools in ensuring the survival of migrant workers' families.

This survey also revealed who remits the most in the El Paso Hispanic community (table 6.2). Undocumented and resident-status men were most likely to send remittances at the time of the survey, and only 8.7 percent of remitters had been born in the United States. Remitters were more often first- and 1.5-generation immigrants, given that later-generation immigrants grow up in the United States and have fewer connections to their families' countries of origin.[24]

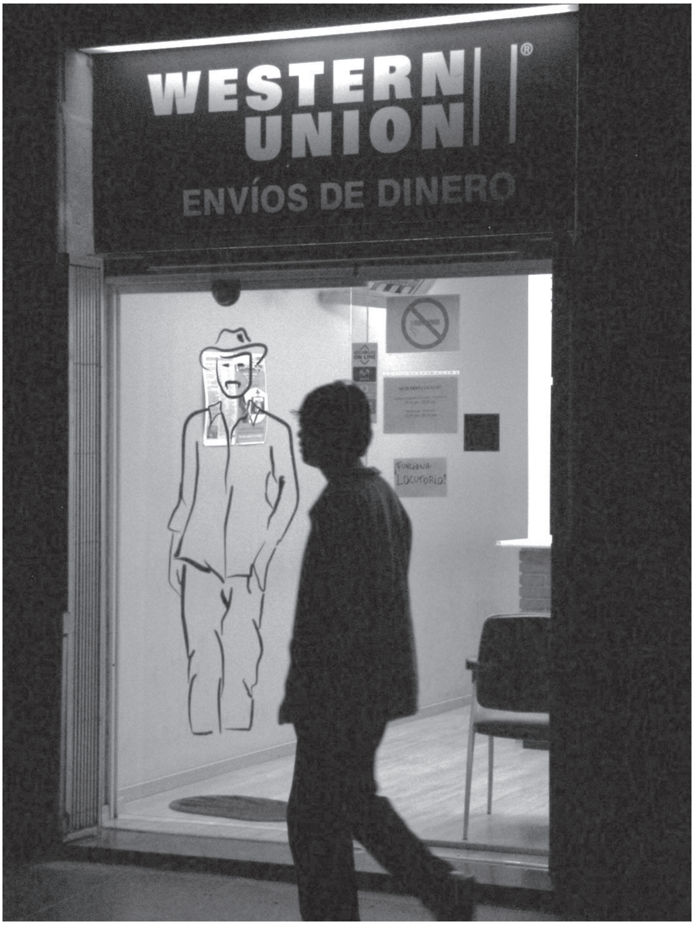
**TABLE 6.1** Remitting behavior

| | |
|---|---|
| *Do you send money abroad?* | |
| Yes | 11.1% |
| *Does your family send money back home?* | |
| Yes | 21.7% |
| *For what purpose?* | |
| Food and basic necessities | 55.5% |
| Health care and medicines | 27.3% |
| Education | 6.2% |
| Birthdays | 3.4% |
| Sporadic cash | 2.1% |
| Holidays | 1.4% |
| Emergencies | 1.4% |
| House construction | 0.7% |
| Church | 0.7% |
| Business | 0.7% |
| Other | 0.6% |

**TABLE 6.2** Demographics of those who remit*

| | |
|---|---|
| Undocumented | 42.5% |
| Resident | 24.4% |
| Citizen | 7.3% |
| Visa | 4.9% |
| *Generation* | |
| First | 22.2% |
| 1.5 | 17.6% |
| Second | 6.9% |
| Third | 1.5% |
| More than third | 0% |
| *Education* | |
| Less than high school | 23.3% |
| High school/GED | 11.3% |
| 4-year College degree or higher | 8.2% |
| Technical school/Some college | 7.8% |

not have bank branches that process remittances or that are linked to the major money transfer businesses in the sending country. For example, a migrant worker can send money via Western Union (figure 6.1), but their family might not have a local bank that partners with that company. Second, some governments and




**6.1** Migrant passing in front of a Western Union office in an immigrant neighborhood in Barcelona

*Source*: © Ernesto Castañeda 2008.

banks in cities that attract migrant workers have fees and/or strict requirements to open bank accounts. For instance, banks in Paris require many documents, including immigration papers, work permits, and letters documenting minimum guaranteed salaries. There has been a demand for personal couriers to travel back and forth between home and host countries for decades, all the while delivering cash, photos, gifts, and food.[25]

Multiple business models have appeared that help broker these transactions, moving money and sometimes packages from one place to another. Businesses through which people can send remittances often pop up in immigrant neighborhoods and become markers of immigration and ethno-racial diversity in urban spaces. While Ria, Western Union, and multinational banks are strong competitors, community-based businesses and remittance kiosks also constitute a portion of the market. These small family-owned businesses are more ingrained in their communities and have offices in immigrant-sending towns. Thus, they share local knowledge and social connections with people on both sides of a remittance transaction. The remittance market is also supported by chain migration, which we see play out when families reunify, immigrant enclaves blossom in the Global North, and neighborhoods adopt a particular ethnic character. People within the same social networks will likely share some information, resources, and opportunities that attract other immigrants to their community and its local economy.[26]

## EFFORTS TO PENALIZE REMITTERS

### *Proposed U.S. Remittance Tax Policies*

Two bills were proposed in Congress to tax remittances, one of which was the Border Wall Funding Act of 2017. This legislation, introduced in the House of Representatives, would have placed a 2 percent tax on all wire transfers of money to Mexico, all of Latin America, and the Caribbean. In turn, the funds collected from the tax would be funneled toward building a wall at the U.S.-Mexico border.[27] The other bill, the Remittance Status Verification Act of 2015, was proposed in the Senate and called for a 7 percent "penalty tax" on remittances for senders who cannot provide immigration documents demonstrating that they are in the United States legally. Neither bill was successful. As Jason Beaubien of NPR explains, taxes like these are a significant financial burden that would hurt those who are *receiving* money and not particularly those who are sending it.[28] They target immigrants who are undocumented but legally residing immigrants, as well as U.S. citizens who have family, friends, or loved ones living in foreign countries.

Furthermore, a tax on remittances would result in remitters being taxed twice and would therefore qualify as a double taxation of their wages.[29] Migrant workers and anyone who wants to remit would pay more taxes than a nonremitter. This is especially ironic, given that immigrants, especially undocumented immigrants and DREAMers, already contribute to a welfare system that they cannot fully access. In addition, remitters are required to pay the transmitting business a fee on most remittance transactions, the exception being online wire transfers.[30] Western Union and other services charge fees to send the money, make money on currency transactions, and pay taxes on their profits. Ultimately, any remittance tax is unnecessary and cruel because it intends to dissuade and punish migration and push undocumented immigrants out.

The United States is not the only country that has proposed additional remittance taxes. Similar debates and policies have been raised by the governments of Kuwait, Oman, the UAE, Bahrain, and Saudi Arabia, among others.[31] On the first day of 2018, the UAE introduced a value-added tax that aims to diversify the country's revenue and curb its dependence on oil. It levies an additional 5 percent general consumption fee on all goods and services, including remittances.[32] Saudi Arabia is another nation that has imposed a 5 percent remittance tax.[33]

### *Criminalization of Mexican Migrant Workers*

Proponents of remittance taxes tend to demonize a subset of the remitting community: undocumented temporary Mexican laborers.[34] Mexico has received large amounts of remittances from the United States over the past decades. In 2017, over $50 billion in remittances was sent to Latin America from the United States, $30 billion of which went directly to Mexico.[35] Under the contemporary "crimmigration" regime, undocumented immigrants are considered illegal in all spaces, and their very existence in the United States is considered criminal by the justice system. Therefore, it is unsurprising that politicians and the public use Mexicans' remitting behavior as further justification for anti-immigrant policies. Some have proposed a fine for remitting while being undocumented.[36]

Although remitting is common, not all Mexican immigrants do so. Catalina Amuedo-Dorantes and Susan Pozo analyzed surveys of labor migrants who were voluntarily returning to Mexico from the United States between 1993 and 2000. They found, for example, that 34 percent of authorized immigrants and 37 percent of undocumented immigrants had sent remittances during their time in the United States. On average, documented migrant workers remitted 49 percent of their monthly earnings, leaving about half to use for themselves or save.[37] Even so, the criminalization of any Mexican migrant workers for remitting is unwarranted, as is the call for a formal remittance tax.

## WHY REMITTANCES SHOULD NOT BE TAXED

### *Remittances Strengthen the U.S. Economy*

The belief that remittances drain the U.S. economy ignores complex economic factors that are intertwined with remittances. Remitted funds boost U.S. exports by increasing foreigners' ability to purchase American goods.[38] In Mexico, "increases in per capita spending on individual resident household goods and services correspond closely to the pattern of remittance flows."[39] When people have more money, they purchase more electronics and other luxury goods that American companies manufacture or sell. Further, Texas, Arizona, and California are the states that export the most goods to Mexico, and the value of these exports increases with rising demand. Remittances may also impact exchange rates and facilitate international commerce.[40]

Remittances not only increase the ability to purchase U.S. products abroad, but they also serve as a key indicator of the contributions that remitters make directly to the U.S. economy. Most remitters, who are predominantly immigrants, enhance productivity and fill labor gaps in the United States. A report by the Center for Latin America and Latino Studies (CLALS) and the immigration lab at American University estimated that in 2022 alone, migrants who remit contributed at least $2.2 trillion to the U.S. economy, which is around 8% of the country's GDP.[41]

Immigrants who remit provide short-term support to the U.S. economy, helping to keep inflation low. They contribute to maintaining more youthful and economically active demographics in an aging population. Additionally, they fill labor gaps in key industries such as construction. The CLALS report also indicates that migrant workers are more responsive to changes in labor demands than native-born workers.

While CLALS's estimate of the contributions of immigrants is a good starting point, it doesn't fully encapsulate the substantial contributions of remitters. This estimate doesn't consider the economic growth stimulated by immigrants through their spending in the U.S., which creates demand and generates jobs. Moreover, it overlooks their human, cultural, culinary, and creative contributions. Despite these limitations, the estimate represents a step forward in painting a comprehensive picture of the significant contributions made by remitters to the U.S. economy and society. It reminds us that remittances are evidence of the important economic participation that migrants have in their new societies and they benefit more than the countries that receive remittances.

### *Taxing Remittances Is Ineffective*

Taxing remittances has not been effective in reducing the amount of money transferred overseas and would not bring in significant amounts of money. In countries that have placed a tax on outgoing monetary transfers, like Gabon in 2008 and Palau in 2013, overall remittance amounts did not change significantly.[42] According to the IMF, "the revenue raised from a tax on remittances will be small relative to the revenue base of the country."[43] For example, a 5 percent tax levied on remittances sent from the Gulf Cooperation Council countries would bring in only an extra $4 billion, which is equivalent to 0.3 percent of their combined GDP.[44]

The 7 percent fee on remittances by undocumented immigrants that was proposed in the U.S. Senate would have generated an estimated maximum of $1 billion in tax revenue. The plan was to use that tax revenue to pay for a border wall, but estimates of the cost of a wall along the southern border range between $21 billion and $30 billion. A 7 percent tax would not begin to cover such astronomical costs and would ultimately prove to be inconsequential to the state of the economy. Because of this, the cost of imposing, administering, and enforcing this tax would likely exceed its expected revenue, rendering the entire situation incredibly impractical.[45]

While an extra remittance tax may seem like a minor change, it would have a greater impact than people may initially predict. It would place undue financial burdens on the family members to whom the money is sent.[46] Clearly, taxing remittances would raise the cost of remitting, reducing the amount that people in the home country ultimately receive with each transaction. Even a small tax can have a significant accumulated effect on the ability of families to support themselves. Imposing taxes on remittances not only violates workers' rights, as their wages have already been taxed, but it can also jeopardize the lives of those receiving remittances.[47]

### *Low-Income Remitters Would Pay More in Taxes*

As countries around the world curate immigration policies that favor highly skilled immigrants, those who are less educated are more threatened by government proposals to tax remittances. Immigrants with little to no formal education remit proportionally more funds to their home countries than those who are more educated. On average, those who do not complete more than primary or secondary education send the most remittances, and those with lower incomes send larger portions of their weekly wages to families abroad.[48] Thus, any tax levied on remittances would have a greater impact on immigrants of low socioeconomic status and potentially harm their transnational families. In 2007, Riccardo Faini questioned whether low-, middle-, and high-earning migrant workers remitted different sums to their home countries. He challenged the belief that higher-skilled immigrants remitted more than those with fewer skills, arguing that while skilled laborers earn more, they use their funds to spend time in their home country and relocate their families to their host country. Faini developed a model using data from the World Bank to corroborate his hypothesis that skilled immigrant workers exhibited a smaller propensity to remit than low-skilled immigrant workers. Our data from El Paso, and comparable data from Paris and New York showed similar findings.[49] These findings debunk arguments that a remittance tax would mainly impact high-income workers who could afford the extra fee.[50]

### *A Remittance Tax Would Strengthen the Unregulated Informal Economy*

Taxing the money that immigrants send to loved ones will not stop them from remitting, especially considering that families depend on their wages for survival. Instead, it may cause immigrants to turn to underground or newly created illegal avenues of money transfer and increase the global necessity of black markets. Previous research on migration has repeatedly asserted that informal pathways of money transfer would replace more formal methods of sending remittances if a tax was imposed.[51] It was further shown that regardless of the socioeconomic status of migrant workers, they will find more practical ways to remit if they are forced away from traditional mechanisms. A study conducted by Ariel Stevenson verified that a tax on migratory workers would bring in more government revenue without seriously impacting the economic positions of migrant workers. However, the conclusions of the study are incomplete because it failed to consider informal remittance channels, which only a couple decades ago dominated the distribution of remittances worldwide.[52]

Furthermore, demands for the government to closely monitor remittances are hard to fulfill. In the past, regulation of "informal" channels has led to certain unintended consequences, like denying people access to remitted funds.[53] An example of a historical remittance system is the *hawala*, which is used in the Muslim world to make transfers based on traditional accounting and bookkeeping methods in which the money does not actually move. Interest is not charged on the money in order to comply with Islamic practice. The United States and international bodies cracked down on the use of the hawala system after September 11, 2001, alleging that it could be used to finance terrorism. Instead, the World Bank, IMF, Inter-American Development Bank, and other regional banking bodies now push to "bankarize" immigrants. They encourage migrants to open bank accounts and remit through large transnational banks with headquarters in immigrant-receiving regions. Interestingly though, similar to hawala, banks and remittance businesses do not physically send money. Instead, they transmit information about the money received at point A to match a withdrawal at point B.[54]

People have always migrated and will continue to do so, sending remittances all the while. As is common throughout history, adding barriers to financial activities like sending remittances will result only in more unregulated transactions. Now and before, community members traveling back and forth bring money and gifts; some even make a living as personal couriers for many immigrant families in the same communities.

While statisticians try to account for remittance undercounts, it may be impossible to accurately measure the amount of remitted money and the frequency with which it circulates worldwide. Intermediary organizations and informal channels are sometimes utilized to send money abroad.[55] In fact, unregulated transfer mechanisms are oftentimes more "efficient and attentive" than official bank channels.[56] An immigrant's preferred remittance system depends on whether they have a bank account, their trust in banks and businesses, remittance fees, and the convenience and speed of delivery.[57]

### *Remittances Can Reduce Poverty*

The contemporary interest in remittances is partially due to global policy efforts that aim to reduce poverty within neoliberal premises without making large commitments for foreign aid. Thus, framing remittances as development tools is central to showing that rich countries are providing financial assistance to developing countries and mitigating global poverty without committing significantly larger amounts of state funds.[58] Remittances to low- and middle-income countries have risen from around $75 billion in 1989, to $125 billion by the mid-2000s, and to more than $350 billion in 2011.[59] These are underestimations, given that unrecorded remittances also flow through informal pathways.[60]

In 2018, remittances were essential to the livelihoods of over 800 million individuals.[61] Dennis Conway and Jeffrey Cohen consider remittances, or "migradollars," as positive contributions toward home communities in Latin America.[62] Some Mexican families and households depend on global migration to produce remittances as a type of economic "survival strategy."[63] For lower-income families, remittances are a critical resource that ensures stability in the long run, and with the benefits they provide to those who receive them, they serve as a symbol of heightened social status and thus, as a local creator of inequality. Sometimes, their investments allow young migrant families to be able to afford much more than they could previously, therefore heightening status through a partial transfer of money from the Global North to the Global South[64]—but not without the frequent cost of family separation for long periods.

### *Remittances Contribute Foreign Currency*

According to the World Bank, an estimated 270 million migrants worldwide remitted a combined total of $689 billion in 2019.[65] These funds are a lifeline for smaller economies because they are the most reliable assistance that people have during economic crashes, natural disasters, and political upheavals.[66] Remittances can aid entrepreneurship in countries where people struggle financially, acting as crucial initial capital for microbusinesses.[67] Remittance inflows benefit central banks by bringing borrowing costs in foreign currencies down. They also improve a country's credit rating. Some nations, such as Egypt, Nigeria, and the Philippines, would have very weak credit ratings if they did not receive remittances.[68] While risky to do so, some countries have used remittance projections as the basis for borrowing foreign currency abroad.

The agricultural labor force in many Latin American nations decreased during a wave of migration to the United States in the 1970s and 1980s, leading to a massive drop in their agricultural GDP. These countries changed from "agroexporting economies" to "labor-exporting nations."[69] During this time, remittances skyrocketed and became many families' primary source of stable income. Between 1980 and 2000, the remittances sent to Colombia alone increased by over $5 billion. Similarly, the Dominican Republic's GDP grew by about 12.5 percent from remittances alone.[70] At the macro level, remittances strengthen the national economy and lower the rate of poverty in some countries. However, those who frame remittances as a panacea often overstate the case or measure impacts mainly in the short term.[71]

Some researchers argue that although large remittance inflows into a country may appear to be beneficial, they may place that country at a long-term disadvantage.[72] From this perspective, some countries are ultimately more crippled than assisted by remittances. For example, many people in Jordan depend on remittances as a major source of income. At multiple points between 1972 and 2009, remittances accounted for over 20 percent of Jordan's GDP and reached around $2.8 billion in 2009. Remittances from Jordanian expatriates, three-fourths of whom reside in Saudi Arabia and the UAE, have been steadily increasing since the early 1990s. Rises in remittance inflows typically do not mean that migrants are earning higher incomes than before but rather that there are more workers living abroad.[73] As immigrant families reunite abroad or move back remittance flows decrease so emigration and remittances cannot continue to increase indefinitely.

## DECEPTIVE PORTRAYALS OF REMITTANCES

*Remittances Do Not Function Like Foreign Aid*

Some economists and development workers deceivingly frame remittances as a new type of foreign aid. Clearly, remittances are more resilient and reliable forms of income for transnational families than international development aid or loans.[74] Throughout the financial instability of 2008 and 2009, remittance rates dipped no more than 5.2 percent.[75] At the same time, foreign direct investment (FDI) plummeted by 39.7 percent.[76] Foreign aid is important in supporting struggling economies and migrants should not be held responsible for creating economic development in their places of origin.

Researchers projected in 2020 that the global economy would experience the sharpest and most rapid decline in remittances the world had ever seen as a result of the COVID-19 pandemic.[77] The prediction did not come true, as remittances fell by only 1.6 percent.[78] Again, foreign investments and international development aid funds did not remain nearly as stable in the face of crisis. Remittances in 2020 outpaced FDI by $281 billion and development assistance by $361 billion.[79] Immigrants also remit their wages for extended periods. According to Robert Suro, 23 percent of migrant workers who have lived in the United States for more than twenty years still remit[80]—although this does not mean they will remit forever. Remittances end after families reunify at either location of the transnational household, and extended family members and friends either move or die. United Nations' reports point out that remittances make up "over three times the amount of official development assistance (ODA) and foreign direct investment (FDI) combined."[81] An estimated 50 percent of global remittances are sent to rural regions of the world, many of which are in the most need of aid.[82] For countries like Haiti, remittances are their largest source of foreign capital.[83] The GDPs of places with smaller economies, such as Moldova, Tonga, Guyana, and Haiti, depend heavily on remittances.[84]

In addition to providing for typical daily needs, remitted money can mean extra relief for victims of natural disasters. Haitian families receiving remittances from relatives working in the United States recovered much more quickly from a major earthquake in 2010 than those who did not. In the aftermath of the disaster, remittances surged 20 percent, totaling $360 million more than the usual annual average.[85] Remittances can cushion the tragic consequences of environmental disasters and provide direct support to those who are affected. David Henderson, a former economic adviser in the Reagan administration, argues that remittances are substantially more effective than foreign aid because corrupt governments cannot disrupt them.[86] He cites the example of the Congo, where President Mobutu used developmental aid in a way that Henderson describes as "yet another means to accumulate personal wealth."[87] Dilip Ratha and Sanket Mohapatra agree that people receiving remittances do not experience the bureaucratic barriers or problems that are associated with official aid.[88]

Some argue that remittances are a global transfer of wages that contribute to the 2030 United Nations Sustainable Development Goals, which include helping to eradicate poverty and hunger, establishing good health and well-being, supporting quality education, providing clean water and sanitation, bolstering economic growth and employment, and reducing inequality worldwide.[89] Thus, remittances have been wrongly called the "most significant and effective source of global development aid."[90] This is equivalent to saying that having a high-paying job is the best way to combat poverty, even if many people are barred from applying for these jobs. If policymakers and development experts truly believed in migration and the resulting decrease in global inequality, they would advocate for open borders for workers. What further goes unmentioned is the role that taxation and the public funding of universal programs and public goods have in decreasing inequality in welfare states.

Many researchers who have analyzed the links between remittances and economic growth believe remittances are a more stable source of income and benefits than development aid and loans.[91] But as we have established, remittances are sent to family and loved ones as support for basic needs and living expenses. Remittances should not be conflated with international aid. Remittances are private funds, and foreign aid consists of large monetary gifts from rich to poor countries to be used, for example, to alleviate poverty, fight pandemics, address humanitarian crises, or support public projects.[92] Migrant workers have worked to earn remittances before distributing them—the sacrifice represented by remittances furthers the economic precarity of the workers who send them, quite in contrast to money sent by the wealthiest countries and individuals in the world. Furthermore, immigrants who send these funds are doing so despite often being underpaid and suffering social exclusion, hate crimes, and deportation in the countries where they work. This money goes straight into the pockets of the intended recipients and not into the hands of a government entity that redistributes the funds. Also, remittance behaviors and uses are uniquely shaped by the human relationships that precede them.[93] It is difficult to argue that charities, nonprofit organizations, and government agencies share the same deep personal motivations to send money as individuals.

### *Remittances Help Children Attain Basic Education but Not Always Higher Education*

Pakistan and El Salvador and other Latin American countries may experience higher long-term school retention rates and lower child labor rates as a result of labor migration and remittances.[94] The 2008 and 2009 Mexican National Occupation and Employment Survey, which tracks the employment of Mexicans who are twelve and older, revealed that rural Mexican families who received remittances generally lived in towns with less than 2,500 people, had poor health care, and experienced an overall lack of resources. The probability of a child going to school was significantly reduced during the remittance shortage caused by the 2008–2009 recession.[95] Children are pushed to work and therefore don't attend school when their families struggle financially. Remittances are a major source of income and enable children to get an education instead of earning money to survive. Nonetheless, most of these studies measure enrollment in basic education; remittances do not necessarily mean that children of immigrants who are left behind will go to college in their home country. While remittances help with basic education, they do not necessarily contribute to generalized upward social mobility through access to higher education and professional jobs locally, as many children of migrants drop out of school or reunite with family members abroad and thus cannot directly contribute to development in their place of birth.

### *Remittances Do Not Necessarily Promote Democracy*

Many migrants do not sever their connections to their home countries. They participate in transnational communities and ultimately in a broader cultural exchange. Peggy Levitt proposed the term *social remittances* in 1998, defining it as "the ideas, behaviors, identities, and social capital that flow from receiving to sending country communities."[96] She identified three main types of social remittances: normative structures, systems of practice, and social capital.[97] Normative structures are the ideas, values, and belief systems of a culture that are exchanged, while systems of practice are the individual or group actions subsequently shaped by such norms. Remittance-led migration may also be driven by the desire to increase one's family esteem and social standing, or their social capital, in their community. Levitt's conclusions are based on her fieldwork with transnational communities in the Dominican Republic and in Boston's Jamaica Plain neighborhood.[98] Social remittances were exchanged when migrants returned to live in or visit their communities of origin, when family members visited migrants in their host communities, and when letters, videos, cassettes, and telephone calls were shared between migrants and family members.[99] Levitt and others argue that through these interactions, immigrants living in democratic and diverse societies may spread some of these ideas to less democratic and supposedly homogenous or race-blind contexts.[100]

We can think of examples of social remittances that immigrants send to their communities of orgin, but many cases show that this does not necessarily applied to democratic values. Many authoritarian countries have important diasporas and this has not always produced dedemocratization in their countries of origin.

Some argue that remittances raise the incomes of individual households and therefore undermine autocratic regimes, which can no longer easily garner support by providing goods for those in need. This can lead to the disintegration of electoral support for one-party dictatorships and to the promotion of democratization.[101] More remittances have been linked to greater government accountability in Mexico, but they have also been linked to government deterioration in parts of the low-income Muslim world with weak democratic institutions.[102] Aware that families are receiving migrant wages, governments can become increasingly corrupt and disincentivized to spend money on providing public services.[103] Remittances to low-income people can cause delays in the formation of a welfare state and lessen the pressure on authorities to provide services, infrastructure, and social programs to remote rural areas. Remittances delay the negotiations between rulers and the ruled and thus also delay democratization in the sense of expanding the rights and political voice of groups previously excluded.[104]

Recent developments show that remittances—or high income—do not protect against autocracy. Cubans and those living under other authoritarian regimes have received remittances for decades, and democratization has not occurred. Furthermore, there has been much dedemocratization in many countries in the Global North in recent decades.[105]

## CONCLUSION

The dynamics around remittances are complex and require a multifaceted approach to be understood. Some researchers have discovered downfalls to remittances: for example, they may create a cycle of financial dependence for low-income nations that is unsustainable and ultimately harmful to those countries' intrinsic development. However, it is important to recall that remittances are necessary in the first place only when a nation is not financially providing for its people. The pressure to feed one's family is too great to wait until unemployment and inflation rates fall. Remittances are a portion of a transnational family's wage income sent across borders instead of being spent locally. It is not equal at all to foreign aid and most often is not like charity either. Some people remit to help those in need or to support local churches and organizations. Yet, the bulk of remittances goes to food, housing, and other basic needs of the rest of the nuclear family or other close relatives. Migrants' home communities may also experience the long-term effects of some "brain drain," or the emigration of part of a country's highly skilled workforce. It is difficult for economies to recover from hard times when many highly trained and educated young people find work elsewhere. Although migrant workers help to improve conditions in their home country by sending remittances to loved ones, some remit less money over time because they eventually allocate funds toward relocating their family to their host country.[106] They are also engaging in and contributing to a local economy different than that of their home country. Their new homes are often places with more opportunities where they can contribute and develop professionally than in their places of birth, so their move represents an overall personal and global gain.

Issuing a tax on remittances operates on the assumption that immigrant income will never be recycled back into the U.S. economy, but research shows that such recycling *does* happen already.[107] This tax would be regressive, as low-income workers are more likely to remit an important part of their wages to families abroad, while wealthier immigrants who move their families to their host country send less in remittances. These are major gaps that separate policy decisions and declarations from real-world processes.

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