CROSSING THE BORDER

Research from the Mexican Migration Project

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Editors

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CHAPTER 3

MIGRANTS' SOCIAL CAPITAL AND INVESTING REMITTANCES IN MEXICO

Margarita Mooney

STUDYING WHAT conditions lead migrants to invest their remittances is of great practical importance, given the enormous sums of money migrants send to their countries of origin, estimated at $75 billion worldwide in 1995 (Taylor et al. 1996). In 1999 migrants sent $6.8 billion in remittances to Mexico alone. This sum exceeds the value of all Mexican agricultural exports, almost equals the country's income from tourism, is more than two-thirds the value of oil exports, and represents more than half the foreign direct investment in Mexico (Multilateral Investment Fund 2001). How migrants and their families spend this money has practical implications for the local and national economy.

Alejandro Portes (1995) theorizes that social relations influence economic action both by defining the goals that actors pursue and by providing them the means to achieve their goals. This idea can be applied to migration and remittances in several ways. First, social networks facilitate the transfer of goods and information between Mexico and the United States, becoming social capital. Second, migrants invest their remittances to establish a solid basis for claiming membership in their communities of origin. Third, different kinds of social ties affect the way migrants spend monthly remittances compared with savings brought back at the end of a migration trip.

NETWORKS, COMMUNITIES, AND REMITTANCES

Numerous studies have shown that networks reduce the cost and risk of migration (Massey et al. 1987; Portes 1995). Migrant networks also

increase the likelihood that remittances will be invested in the community of origin. Networks reduce monitoring and transaction costs of sending remittances (Roberts and Morris 2003). In addition, migrants who wish to make an investment in their hometown can use social networks first to transfer the money and then to obtain information on how that investment is progressing.

Several studies have found that social and family networks among migrants are an important predictor of investment of remittances in a business (Lopez and Seligson 1991; Massey et al. 1987). Rubén Hernández-León (1997) finds that migrants who participate in networks with other migrants have greater information about investment opportunities centered precisely on the needs of migrants and their families. Portes and Luis Guarnizo (1991) also find that interethnic networks facilitate immigrant entrepreneurship in both places of settlement and origin. In a study of four Mexican communities, Douglas Massey and Lawrence Basem (1992) find that social ties increased migrants' likelihood of investing remittances and savings.

Migrants who are embedded in social networks of other migrants in the United States maintain their hometown as the source of their identity, and their remittances are used to signify continuing membership in the community of origin (Connell and Conway 2000; Goldring 1998; Levitt 1997; Massey et al. 1987; Roberts and Morris 2003). One way migrants maintain ties to other migrants is by living with family members or other townspeople (paisanos) while abroad, which reinforces norms about sending remittances. In addition, migrants who wish to invest in their hometowns draw on relations of kinship and friendship to supplement their own funds in making those investments. In other cases, migrants form voluntary associations with other migrants, such as hometown associations or social clubs. These clubs reinforce migrants' identification with their place of origin and provide them with an opportunity to exchange information about what is happening at home, encouraging them to channel money to their hometowns (Massey et al. 1987).

The central research question addressed in this chapter is how migrant networks influence the way migrants spend remittances. Some studies have found that migrants use remittances for conspicuous consumption, buying items such as televisions, cars, and parabolic television antennas (Cornelius 1991). Migrants often spend savings on social activities during their visits home, including religious Christmas festivals and celebration of the day of the community's patron saint (Cornelius 1991; Durand et al. 1996; Massey et al. 1987). This type of consumption has led some researchers to speak of a migrant syndrome (Reichert 1982) whereby returned migrants raise consumption norms in their places of origin, leading other community members to emulate those consumption patterns by migrating themselves.

Other migrants make short trips and live with family members or townspeople to save money to invest in a business or farm they already own (Durand et al. 1996; Massey and Basem 1992; Massey et al. 1993). Migrants who retain ties to their hometowns may use their foreign earnings to buy or repair a home, signifying a solid base of membership in their community of origin even if they continue to make migration trips (Goldring 1998; Grasmuck and Pessar 1991; Massey et al. 1987).

Under certain conditions, migrants use their remittances both to make a status claim and to make an investment. Migrant networks promote investment in a home or productive activity both because such investments constitute a more visible and durable status claim than consumption and because they are a way to improve a migrant family's economic condition.

To explain what conditions limit or facilitate investing remittances, previous studies have looked to family conditions, trip characteristics, access to productive resources before departure, and community and macroeconomic conditions. I hypothesize that, after controlling for these factors, those migrants with social ties to other migrants in the United States are more likely to invest their remittances and savings in their places of origin.

Previously Tested Theories of Migration

According to the new economics of labor migration, households use migration as a strategy for diversifying their labor resources to overcome the risks and constraints to production. For example, families lacking money for a productive activity may send a migrant abroad to obtain capital for investment. This proposition is supported by Massey and Basem (1992) and Jorge Durand and colleagues (1996), who find that migrants are more likely to invest remittances if they own a business, land, or a home before migrating.

The current stage in a migrant family's life cycle obviously influences its consumption needs and its ability to invest. Married migrants, particularly those with young children, have greater needs for family sustenance than unmarried migrants or those with few or older children. Migrants from these families are thus more likely to dedicate remittances and savings to current consumption than to productive investment (Massey and Basem 1992).

According to the new economics of labor migration, the circumstances of a particular trip also affect the likelihood of investing remittances and savings. Migrants whose immediate families are in Mexico have greater

consumption needs, while those who migrate with their families have more opportunities to save money for investment. Extended trips also allow migrants more time to accumulate money to send home. Many migrants who "settle" in the United States also build a house in their place of origin as part of an eventual plan to return (Goldring 1998; Grasmuck and Pessar 1991; Massey et al. 1987). The amount of money sent home also affects the way in which it is spent (Durand et al. 1996).

Similarly, some forms of human capital appear to predict remittance behavior. Migrants with higher levels of education are less likely to send remittances to their places of origin, though when they do remit, the amounts are greater (Funkhouser 1995; Itzigsohn 1995; Menjivar et al. 1998). Durand and colleagues (1996) also find that migrants with greater education are more likely to spend remittances and savings on both production and housing, and individuals with more work experience tend to have more opportunities for investment. Other kinds of human capital, such as occupational skill and proficiency in English, affect a migrant's economic success in the United States, but they do not appear to be significant predictors of remitting behavior (Durand et al. 1996).

When deciding how to spend remittances and savings, migrants must consider local economic conditions. Often, the same factors that lead to out-migration, such as a small and poorly educated workforce, limited transportation, poor communications, and restricted local markets, simultaneously discourage investment (Lindstrom 1996; Taylor et al. 1996). However, studies have found that in Mexican communities undergoing economic growth, U.S. earnings constitute an important source of funding for business enterprises (Lindstrom 1996; Massey et al. 1987).

Broader macroeconomic conditions also affect local business prospects and condition investment decisions. On the one hand, rising inflation translates into higher consumer prices, declining purchasing power, and increasing consumption costs (Cornelius 1991; Durand et al. 1996), hitting small-scale producers particularly hard (Taylor et al. 1996). On the other hand, inflation in Mexico creates investment opportunities for those with U.S. dollars, as it reduces the cost of capital goods and productive resources in dollar-denominated terms. For someone with liquid dollars, a sudden devaluation of Mexican currency may create a window of opportunity to acquire productive equipment at bargain prices.

Methods

The Mexican Migration Project gathered data from household heads who had migrated to the United States at least once, who were asked detailed

questions about their most recent trip (see chapter 16). For my analysis I used data gathered from 4,082 household heads living in the fifty-two communities surveyed through 1997 and focused on answers to questions about whether they had sent home monthly remittances or returned home with savings. Among those who reported savings or remittances, respondents were asked to select the top-five end uses for these funds from thirteen options listed in the survey. These data were supplemented with longitudinal data compiled for the migrant's community and the Mexican political economy.

While previous studies have generally constructed a single model to predict who remits, how much is remitted, and how remittances are spent, my theory focuses exclusively on what factors make certain migrants more likely than others to invest their remittances and savings. I consider variables that I take to influence how migrants spend remittances and savings, and my sample includes only those migrants who reported positive remittances or savings on their last U.S. trip, yielding subsamples of 1,750 migrants with remittances and 1,496 with savings. I dropped observations that were missing values on independent variables or were outliers, yielding final samples of 1,284 remitters and 968 savers. Although some studies (Durand et al. 1996; Massey and Basem 1992) combine monthly remittances and savings brought back at the end of a trip into a single dependent variable, my aim here is to determine how social networks influence the way savings and remittances are used, so I created two separate dependent variables.

Specifically, I created separate, mutually exclusive categories for spending on housing, production, and consumption and then used a multinomial logit regression to relate these dependent variables to a set of independent variables (described later in this chapter). The baseline category was always spending on consumption. Although migrants were asked to list the top-five ways they used their savings and remittances, they were not asked how much was spent on each end use. To classify each migrant into one of three mutually exclusive spending categories, I used the top-reported end use.

Following Durand and colleagues (1996), I reduced the thirteen reported end uses to three categories as follows: the consumption category comprises reported spending on consumer goods, recreation, family maintenance, and debts; housing includes money dedicated to the purchase, construction, or repair of a home; and production includes money spent to purchase farmland, livestock, or tools, to help finance a business enterprise, or to acquire a motor vehicle. Although it is impossible to know whether vehicles were used as items of consumption (for pleasure and

recreation) or production (launching a taxi or hauling service), the results of my analysis were robust whether vehicles were counted as consumption or production, so I included them in production, as acquisition of a car for business purposes is quite common in migrant-sending regions (Massey et al. 1987).

Exponentiation of the odds of a multinomial regression produces a relative risk ratio, which represents the odds that an observation falls into the comparison category versus the baseline category. Thus my models predict the relative risk that migrants spent remittances or savings on housing and production rather than consumption. A ratio of 1.0 indicates a risk equal to that of the baseline or comparison category. A ratio greater than 1.0 represents an increased likelihood of falling into the comparison category, and a ratio less than 1.0 represents the converse—a decreased likelihood of falling into the comparison category versus the baseline. I also correct for community clustering in my models because regressions that assume a simple random sample tend to underestimate standard errors, thereby inflating significance levels.

I use Durand and colleagues (1996) as a reference to create a nested model (model 1) predicting how migrants spend their remittances and savings. I include only variables from their model that are theorized to affect how migrants spend remittances or savings, not those that affect which migrants are more likely to remit or how much they send. In model 2, I add variables that measure social networks to test the hypothesis that migrants who have social ties with other migrants in their place of settlement are more likely to invest remittances and savings at home.

All independent variables are defined as of the year of the most recent U.S. trip or, in the case of property owned, as of the year before the last trip. Table 3.1 presents operational definitions for the theoretical and control variables employed in the analysis. To measure social ties in the United States, my leading theoretical variable, I chose what I considered to be the best indicators of regular social contact with other migrants at places of destination: whether the respondent belonged to a U.S. social club, lived with relatives, or lived with paisanos on the last U.S. trip. Although Massey and colleagues (1987) translate the word "paisano" to mean a person from the same origin community, a looser translation would be a person from the same country (in this case, any Mexican), but this nuance in meaning does not significantly affect my interpretation of results.

Means and standard deviations for all variables are presented in table 3.2. Whereas the numbers presented in this table were computed using sample weights to represent the collective population of all communities sampled, the multinomial regression analyses were unweighted (see Durand et al.

TABLE 3.1 Independent Variables Included in Model Predicting Migrant Remittances and Savings

Independent Variable	Definition
Social networks	
Lived with relatives	1 if lived with relatives on last U.S. trip, 0 otherwise
Lived with townspeople	1 if lived with townspeople on last U.S. trip, 0 otherwise
Belonged to social club	1 if member of U.S. social club on last trip, 0 otherwise
Household resources	
Owns farmland	1 if household owned farmland before last U.S. trip, 0 otherwise
Owns business	1 if household owned business before last U.S. trip, 0 otherwise
Owns home	1 if household owned home before last U.S. trip, 0 otherwise
Family life cycle	
Married	1 if married at time of last U.S. trip, 0 otherwise
Number of minors	Number of minor children in household at time of last U.S. trip
Trip characteristics	
Previous U.S. experience	Months of U.S. experience before last trip
Total number of trips	Number of prior trips to the United States
Wages earned	Final wage earned on last U.S. trip
Settled in United States	1 if migrant surveyed in U.S. out-migrant community, 0 otherwise
Duration of trip	Length in years of last U.S. trip
Spouse on trip	1 if spouse present on last U.S. trip, 0 otherwise
Children on trip	1 if son or daughter present on last U.S. trip, 0 otherwise
Total amount of remittances or savings	Amount of monthly remittances or savings brought back at the end of last migration trip, measured in dollars (thousands)
Human capital	
Work experience	Migrant's age at last U.S. trip minus education minus six
Education	Years of schooling completed at time of last U.S. trip

(*Table continues on p. 52.*)

TABLE 3.1 Independent Variables Included in Model Predicting Migrant Remittances and Savings (*Continued*)

Independent Variable	Definition
Community characteristics	
Percentage twice minimum wage	Percentage of workers earning more than twice the minimum wage in migrant's community of origin at time of last migration trip
Percentage females in manufacturing	Percentage of female workers employed in manufacturing in migrant's community of origin at time of last migration trip
Percentage males in agriculture	Percentage of male workers employed in agriculture in migrant's community of origin at time of last migration trip
Macroeconomic context	
Mexican inflation rate	Percentage change in interest rate during year of last U.S. trip

Source: Data from Mexican Migration Project.

1996 for a description of the sample weights). As can be seen in table 3.2, around 7 percent of migrants who sent remittances and 2 percent of migrants who sent savings belonged to a social club. To see whether people who belong to social clubs differ from the rest of the sample, I computed a t-test on the difference in the means for various characteristics of migrants who belonged to social clubs compared with those who did not. I found that migrants who were in social clubs had significantly more U.S. experience and total trips than those who were not. However, social club membership was not clustered at the community level.

To gauge a household's access to productive resources, I included dummy variables indicating whether the migrant's household owned farmland, a business, or a house or lot before the head of household's most recent migration trip. In some cases, a migrant bought a home or land or started a business during the same year as his last migration trip. As it is impossible to determine whether he made the trip before or after the purchase, for these observations I coded this variable as missing. In the analysis of remittances, about 10 percent of the households owned farmland, 15 percent owned a business, and 39 percent owned a home before going to the United States. In the analysis of savings, the respective figures were 11, 12, and 51 percent.

TABLE 3.2 Means and Standard Deviations of Variables Used in Analysis of Remittances and Savings (Percentage)

	Analysis of Remittances		Analysis of Savings	
Variable	Mean	Standard Deviation	Mean	Standard Deviation
Social networks				
Lived with relatives	0.627	0.484	0.579	0.494
Lived with townspeople	0.662	0.473	0.713	0.453
Belonged to social club	0.066	0.248	0.019	0.135
Household resources				
Owns farmland	0.101	0.301	0.113	0.317
Owns business	0.145	0.352	0.116	0.320
Owns home	0.388	0.487	0.511	0.500
Family life cycle				
Married	0.806	0.396	0.850	0.358
Number of minors	2.471	2.245	2.748	2.251
Trip characteristics				
Previous U.S. experience	88.983	87.252	57.968	71.000
Total number of trips	4.697	4.897	4.938	5.560
Wages earned	5.861	4.296	4.869	3.938
Settled in United States	0.331	0.471	0.025	0.157
Duration of trip	2.678	4.363	1.223	2.464
Spouse on trip	0.282	0.450	0.090	0.287
Children on trip	0.315	0.465	0.132	0.338
Total remittances (in thousands)	5.472	8.812		
Total savings (in thousands)			1.005	1.183
Human capital				
Work experience	22.298	12.994	24.128	13.101
Education	5.774	4.219	5.172	3.967
Community characteristics				
Percentage twice minimum wage	29.029	10.723	27.409	10.785
Percentage females in manufacturing	15.898	10.438	16.243	10.840
Percentage males in agriculture	46.300	17.000	46.800	18.000
Macroeconomic context				
Mexican inflation rate	31.949	22.676	31.665	23.315

Source: Data from Mexican Migration Project.

I measured family life cycle in two ways: marital status and the number of children in the household under the age of eighteen. Migrants in a religious, civil, or common-law marriage at the time of their most recent migration trip were coded as being married. The vast majority of the respondents (81 percent in the remittance analysis, 85 percent in the savings analysis) were married at the time of their last U.S. trip. The number of minors in the household was a continuous variable that averaged 2.5 in the remittance model and 2.7 in that for savings.

The amount of prior U.S. experience was measured in months. Whereas in the remittance analysis the average migrant had 89 months (7.4 years) of accumulated experience, in the savings analysis the figure was only 58 months (4.8 years). This experience was accumulated over 4.7 trips in the former case and 4.9 trips in the latter. Wages earned in the United States ranged from an average $5.86 per hour for remitters to $4.87 for savers. The duration of the migrant's last trip was measured in years, yielding respective averages of 2.7 and 1.2 years. Migrants interviewed in the United States were coded as being settled abroad. According to this definition, a third of remitters were settled migrants, compared with just 2.5 percent of savers. Dummy variables were used to indicate whether a migrant's spouse and children accompanied him on his most recent trip. Whereas 28 percent of the migrants who remitted had spouses present and 32 percent had children present, among those who saved the respective figures were only 9 and 13 percent. The means of the total amount of remittances and savings are not comparable because the length of time over which the money was earned is different for each observation.

In general, these differences between the two samples suggest that migrants who send remittances are more likely than those who return with savings to be settled in the United States, to make longer migration trips, and to be accompanied by immediate family members. In general, those who bring home savings are staying in the United States only temporarily, make shorter trips, and more often migrate alone. This contrast suggests that sending remittances and returning with savings represent two related, but slightly different, strategies for migrating to obtain money for an investment.

I measured years of education as a continuous variable (yielding respective averages of 5.8 and 5.2 years), and I calculated migrants' work experience as their age minus their years of schooling minus six (to represent the years before they would have entered school). On average, respondents had around twenty-two to twenty-four years of labor market experience. Local economic conditions were measured using the characteristics and earnings of the workforce. More developed areas in Mexico typically have a high percentage of women in manufacturing, while areas with low numbers of working women are usually rural, subsistence economies (Durand et al. 1996; Lindstrom 1996). In both analyses, roughly 16 percent of women were employed in manufacturing. The percentage of the economically active population earning twice the minimum wage indicates the potential purchasing power of community residents, which in turn affects the viability of investments. This figure was 29 percent in the analysis of remittances and 27 percent in the analysis of savings. Finally, the percentage of men working in agriculture indicates the extent of the rural basis of the economy, and rural economies generally offer fewer opportunities for investment. The typical respondent came from a community in which nearly half of all men (46 to 47 percent) worked in agriculture.

I did not include measures of access to land used in Durand and colleagues (1996) because they are only available for the time of the survey and not for the year corresponding to the migrant's most recent trip. Nonetheless, I did incorporate one indicator of the condition of the Mexican economy at the time of the migrant's last trip. Reflecting the instability of recent years, the average migrant left during a year in which inflation ran at an annual rate of 32 percent, but the standard deviation of around 23 indicates wide fluctuations over time.

Use of Savings and Remittances

Table 3.3 presents odds ratios corresponding to multinomial logit models estimated to predict whether migrants channeled their savings into housing or production rather than consumption (the reference category). Model 1 includes the controls for household resources, family life cycle, trip characteristics, human capital, community characteristics, and the macroeconomic context; model 2 adds the three social network indicators. The addition of these explanatory variables significantly increases explanatory power ($p < .001$ for a chi squared of difference) and indicates that social connections are indeed important in determining the spending behavior of Mexican migrants to the United States.

The coefficients for social networks generally support my hypothesis that social ties in the United States increase a migrant's likelihood of investing earnings in housing and production rather than spending them on current consumption. For example, migrants who lived with relatives on their most recent trip to the United States were 1.4 times more likely to channel their savings into housing than into consumption and 1.8 times more likely to allocate savings to production than to consumption. Similarly, migrants who lived with townspeople while in the United States were 2.2 times more likely to invest their savings in production than to spend them on consumption.

TABLE 3.3 Multinomial Logit Regression Predicting Top-End Use of Savings

Variable	Invested in Housing		Invested in Production	
	Model 1 Risk Ratio	Model 2 Risk Ratio	Model 1 Risk Ratio	Model 2 Risk Ratio
Social networks				
Lived with relatives	—	1.353*	—	1.825*
Lived with townspeople	—	1.406	—	2.179*
Belonged to social club	—	1.279	—	1.056
Household resources				
Owns farmland	0.951	0.942	3.725***	3.633***
Owns business	1.032	1.020	1.956	1.904*
Owns home	2.895***	2.982***	0.271	0.871
Family life cycle				
Married	0.767	0.730	0.511*	0.446**
Number of minors	1.000	0.999	1.051	1.051
Trip characteristics				
Months of U.S. experience	0.999	0.999	1.001	1.002
Total number of U.S. trips	0.994	0.992	0.999	0.994
Wages on last U.S. trip	1.029	1.030	1.014	1.017
Settled in United States	2.768*	2.980*	1.225	1.477
Trip duration	0.976	0.977	0.987	0.985
Spouse on trip	1.880	1.935	0.899	0.945
Kids on trip	0.682	0.661	1.633	1.527
Total savings	1.519***	1.524***	1.468***	1.503***
Human capital				
Work experience	0.992	0.996	0.997	1.005
Education	0.953	0.956	0.970	0.978
Community characteristics				
Percentage twice minimum wage	0.995	0.994	0.979	0.977

(*continued*)

TABLE 3.3 Multinomial Logit Regression Predicting Top-End Use of Savings (*Continued*)

Variable	Invested in Housing		Invested in Production	
	Model 1 Risk Ratio	Model 2 Risk Ratio	Model 1 Risk Ratio	Model 2 Risk Ratio
Percentage females in manufacturing	0.999	0.999	0.991	0.993
Percentage males in agriculture	0.944	0.873	0.156	0.124
Macroeconomic context				
Mexican inflation rate	1.006*	1.006*	0.998	0.998
N		865		865
Pseudo R-squared		0.085		0.096
Log likelihood		-747.062***		-737.831***

Source: Data from Mexican Migration Project.
*p < .05 **p < .01 ***p < .001

Table 3.4 repeats the foregoing analysis focusing on remittances rather than savings. As before, addition of the social network variables significantly increases explanatory power ($p < .05$). According to the estimates of model 2, migrants who belonged to a social club while in the United States were 3.1 times more likely to spend remittances on housing than on consumption, and they were 4.5 more likely to channel them into production ($p = .06$). Taken together, these variables demonstrate that social ties to other migrants increase a migrant's relative propensity to invest remittances and savings.

In addition to corroborating my own hypotheses about social networks, the estimates in tables 3.3 and 3.4 support several propositions derived from the new economics of labor migration. For example, migrants who owned productive resources before leaving for the United States were more likely to invest. Migrants who owned a home before departing were 3.0 times more likely to invest savings in housing and 2.9 times more likely to channel remittances toward this end. Similarly, owning a business increased the odds of productively investing savings by a factor of 1.9, and ownership of farmland raised the odds by a factor of 3.6. In other words,

TABLE 3.4 Multinomial Logit Regression Predicting Top-End Use of Remittances

Variable	Invested in Housing		Invested in Production	
	Model 1 Risk Ratio	Model 2 Risk Ratio	Model 1 Risk Ratio	Model 2 Risk Ratio
Social networks				
Lived with relatives	—	0.943	—	1.675
Lived with townspeople	—	0.980	—	1.105
Belonged to social club	—	3.124*	—	4.464+
Household resources				
Owns farmland	0.999	1.014	1.927	1.975
Owns business	0.900	0.915	1.086	1.040
Owns home	2.879***	2.933***	1.195	1.261
Family life cycle				
Married	0.722	0.751	0.211***	0.202***
Number of minors	0.978	0.974	0.997	0.993
Trip characteristics				
Months of U.S. experience	0.998	0.998	0.998	0.997
Total number of U.S. trips	1.018	1.015	1.024	1.010
Wages on last U.S. trip	1.050**	1.050*	0.868**	0.867**
Settled in United States	1.760	1.758	2.592*	2.294+
Trip duration	0.760**	0.744***	0.585***	0.573**
Spouse on trip	0.711	0.645	1.144	1.022
Children on trip	2.143**	2.224**	2.713*	2.663*
Total remittances	1.068***	1.072***	1.090***	1.101***
Human capital				
Work experience	0.972*	0.970*	0.993	0.998
Education	0.970	0.966	1.159	1.165
Community characteristics				
Percentage twice minimum wage	1.020	1.021	1.033	1.033

(continued)

TABLE 3.4 Multinomial Logit Regression Predicting Top-End Use of Remittances (*Continued*)

Variable	Invested in Housing		Invested in Production	
	Model 1 Risk Ratio	Model 2 Risk Ratio	Model 1 Risk Ratio	Model 2 Risk Ratio
Percentage females in manufacturing	1.003	1.003	1.020*	1.025*
Percentage males in agriculture	1.951	1.994	7.230	7.095
Macroeconomic context				
Mexican inflation rate	1.008	1.008	1.005	1.004
N		1,112		1,112
Pseudo R-squared		0.110		0.100
Log likelihood		-460.233***		-455.220***

Source: Data from Mexican Migration Project.
+p < .1 *p < .05 **p < .01 ***p < .001

when migrants have a tangible target in which to invest their earnings in the United States, they are very likely to do so.

Life cycle and trip characteristics also affect how migrants spend remittances and savings. Married migrants have a lower propensity to spend remittances and savings on production relative to consumption. Contrary to my expectations, however, each additional year of trip duration decreased the likelihood of spending remittances on housing or production, though this effect does not appear in the savings equation. Migrants settled in the United States were also 3.0 times more likely to spend savings on housing and 2.3 times more likely to spend remittances on production (though the latter effect is significant only at p = .08). Finally, an increase in the amount of remittances and savings raised the risk that migrants spend them on production and housing rather than consumption, indicating that greater sums of money are more likely to be invested.

Human capital variables had relatively small effects in the models. The only significant relationship was work experience: each year of experience lowered the odds of investing remittances by 0.3. Similarly, macroeconomic conditions were significant only in the savings equation, where a percentage point increase in the Mexican inflation rate raised the odds of investing in housing by 0.6. Hyperinflation decreases the dollar-denominated cost of

real property in Mexico, apparently causing migrants to invest their U.S. savings in housing.

Conclusion

The three indicators of migrants' social ties while living in the United States—whether they lived with family, whether they lived with other townspeople, and whether they belonged to a social club while in the United States—appear to influence the way migrants chose to allocate their remittances and savings. These ties suggest that a stronger identification with place of origin tends to enforce social norms to repatriate U.S. earnings.

However, different kinds of social ties were found to have different effects on the use of remittances versus savings. Belonging to a social club in the United States increased the likelihood of investing remittances in both housing and production, compared with consumption; but had no effect on the allocation of savings. Living with relatives or townspeople had no effect on the allocation of remittances but worked to channel savings toward production and housing. Such differences highlight the fact that migrant networks do not function equally under all circumstances.

In general, I found that migrants who bring savings home tend to make trips of relatively short duration and to migrate alone. They live with friends and kin in order to save money to invest in a productive activity or a dwelling at home. In contrast, migrants who send remittances tend to make longer trips and are more likely to be settled in the United States. They appear to join migrant social clubs to secure a reliable avenue for channeling resources back to the home community and to monitor their investments indirectly by means of information transmitted through social networks. Migrants who spend long periods of time away from their hometowns seem to join social clubs with other migrants and invest their remittances in a home or a business to create a stable basis for claiming continuing membership and status in their hometown.

Previous studies have claimed that competition for social status among migrants led them to spend their remittances and savings on conspicuous consumption. I offer an alternative explanation. While most remittances and savings may indeed be channeled into consumption, my data indicate that migrants possessing adequate economic resources and appropriate family circumstances seek to demonstrate the economic gain they have achieved through migration by investing their remittances and savings. In other words, migrants with prior access to productive resources and low family consumption needs can be expected to spend more of their

remittances and savings on durable and visible assets, such as a home, land, or an economically productive activity.

Such assets offer a greater claim on social status than does spending on short-term consumption, such as recreation. In addition, investing remittances in their hometowns gives migrants a basis for claiming continued membership in their community of origin. Finally, migrants use social ties to get information and to monitor their investments, thereby transforming those ties into social capital. Both of these explanations support my argument that researchers should view migrants' savings and remittances as a socially organized practice that has a collective meaning within migrant communities. Future studies should explore the mechanisms through which social ties promote investment.

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Chapter 4

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U.S. Migration, Home Ownership, and Housing Quality

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OWNING A HOME is highly valued for its connection to personal development, family formation, and economic independence. In Mexico, unfortunately, high interest rates and a lack of access to credit have prevented home acquisition by families of modest means (Centro de Información para el Desarrollo 1991). The economic effects of these constraints are long lasting, as owning a home is the primary means by which families build long-term assets, protect against economic instability, and accumulate financial worth. Through its effect on inheritance and family support, home ownership also influences the intergenerational transmission of wealth. The acquisition of a home thus represents a crucial life-course transition, potentially breaking the cycle of poverty and inequality that now traps so many low-income families.

Little is known about the economic strategies that households employ to cope with financial constraints in Mexico. Given the significance of home ownership for both personal development and social mobility, one might expect a wide range of adaptive strategies to be employed in an effort to overcome the lack of access to capital markets and persistent wage inequality in Mexico (Fletcher 1999). One such strategy is "la tanda," a popular form of collective saving and financing widely used in urban Mexico (Arias 1997); but a more popular strategy, especially in rural areas, is international migration.

Remittances and savings repatriated by Mexicans working in the United States constitute a major source of income for migrant-sending communities and households, often more than doubling locally earned incomes