

THE REMITTANCES SENT BY MEXICAN IMMIGRANTS RETURN PROMPTLY TO THE AMERICAN ECONOMY.

*Rutilio Martinez, Monfort College of Business, University of Northern Colorado, Greeley, CO 80639,
970-351-1106, rutilio.martinez@unco.edu*

*Cris de la Torre, Monfort College of Business, University of Northern Colorado, Greeley, CO 80639,
970-351-1240, cris.delatorre@unco.edu*

ABSTRACT

In 2005 Mexican immigrants sent back home \$20.3 billion in remittances. Like in previous years, these remittances came back promptly to the American economy. Border exports, interest on the debt that Mexico has with American banks, and profits obtained by American corporations operating in Mexico assured and will continue to assure the return of the remittances.

In 2005, Mexico's central bank reported that the remittances that Mexicans working in the USA sent back home reached \$20.03 billion [1]. These outflows are barely noticeable in the \$12.5 trillion American economy. Nonetheless, for many Americans these remittances represent a net loss for the USA's economy. This view is mistaken for all the remittances sent to Mexico return to the American economy.

Two economic factors that have assured the rapid return to the American economy of the remittances sent by Mexican workers are: Mexico's \$136 billion debt with American banks and American investment in Mexico. The interest on this debt plus the profits on this investment have generated, since 1995, an average yearly outflow from Mexico to the USA of \$14 billion [1]

Up until 2003 the \$14 billion in interest and profits was larger than the outflow generated by the remittances sent to Mexico (Since 1997 Mexico has had a trade deficit, so Mexican exports have not contributed to the \$14 billion in profits and interest that returns to the USA). In 2004, however, the remittances reached \$16.6 billion. Thus, it might be thought that since 2004 the remittances sent to Mexico have caused, and will continue to cause, a net loss for the American economy. This would be true if American border exports to Mexico were not taken into account.

Border exports to Mexico are the goods and services that Mexicans buy in American cities located on the USA-Mexico border or few miles north of this border. These exports include consumer goods, used cars, few luxury cars like Jaguars, some capital goods like used agricultural machinery, and even firearms. These purchases could be registered as exports. Nonetheless, the US Department of Commerce does not register these purchases as exports. There is, therefore, no official estimation of the magnitude of these exports. However, in 1998 the US-Mexico Chamber of Commerce reported that the previous year USA border exports to Mexico reached \$20 billion.

REFERENCES

- [1] Banco de Mexico. Remesas Familiares Transferencias Electrónicas. <http://www.banxico.org.mx> . Accessed August 31, 2006