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THE VERY UNEASY CASE AGAINST REMITTANCES: AN EX ANTE PERSPECTIVE*

ADAM FEIBELMAN**

Money that individual migrants send back to their home countries has become a major source of foreign exchange for many developing and emerging economies. These remittances now represent a sizable percentage of the gross domestic product for many states; for some, remittance inflows are larger than all other sources of foreign capital. In recent years, scholars, policy makers, and international financial institutions have tended to view remittance inflows as a net benefit for recipient countries. Given the size of these transfers in the aggregate and their relationship to labor migration, it is essential for policy makers and scholars to continue to critically assess the effects of remittances and remittance policies on workers, the states that receive these remittances, and the states from which these remittances are sent.

This Article argues that the existing literature on remittances almost universally underestimates the overall costs and negative effects of remittances and remittance-driven migration by failing to include various costs and harms borne by migrating workers and their families. If these costs were included in efforts to measure the overall impact of remittance flows, it is at least possible that remittances and remittance-driven migration would represent a net loss for some states and their citizens. If the overall impact of remittances is not positive for any particular state, then policy makers in that state may want to consider adopting policies to reduce or limit remittance-driven migration. They might, for example, avoid or scale back managed labor-migration programs. Depending on the particular circumstances of their state, they might also consider policies that reduce workers' incentives to migrate for the purpose of earning money to remit home, including taxation of remittance flows, currency exchange controls, or liberalization of

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exchange rate policies. At the very least, if states’ current policies affecting capital inflows are based on a comfortable assumption that remittance inflows are broadly beneficial, this assumption should be reexamined to explicitly account for the costs and harms borne by workers and their families.

INTRODUCTION ........................................................................... 1772
I. BENEFITS RELATED TO REMITTANCES .......................... 1777
   A. Benefits to Workers and Their Households ............... 1777
   B. Benefits to Home/Recipient Countries ..................... 1778
   C. Benefits to Host/Destination Countries ...................... 1781
II. COSTS RELATED TO REMITTANCES ................................. 1781
   A. Costs to Home/Recipient Countries ......................... 1782
   B. Costs to Host/Destination Countries ................................. 1784
   C. Costs to Migrants and Families ................................. 1785
   D. Summary ............................................................... 1788
III. REDUCING THE EX ANTE EFFECTS OF REMITTANCES ...... 1789
   A. Reducing Costs ...................................................... 1790
   B. Reducing Remittances ............................................. 1792
   C. Plight of Existing Migrants ....................................... 1796
CONCLUSION ............................................................................... 1797

INTRODUCTION

In recent years, scholars and policy makers have become increasingly interested in remittances, the money that individual migrants send back to their home countries, usually to their families and relatives. Interest in this subject appears to have grown in rough proportion to the growth in remittance flows. Acknowledging challenges in measuring remittances, the World Bank has reported that global remittances totaled $328 billion in 2008, an increase of fifteen percent over the previous year; that amount is more than twice the estimated amount of total global remittances in 2003 and

1. See, e.g., WORLD BANK, GLOBAL ECONOMIC PROSPECTS: ECONOMIC IMPLICATIONS OF REMITTANCES AND MIGRATION 86 (2006) [hereinafter GLOBAL ECONOMIC PROSPECTS], available at http://go.worldbank.org/0ZRERMGA00 (noting, with understatement, “[t]he quality and coverage of data on remittances leave much to be desired”).
more than ten times the estimated amount of remittances in 1990. Remittances have dropped appreciably in the wake of the current global financial and economic crisis, but at least some current estimates forecast a rebound in 2010.

India, China, and Mexico have been the largest recipients of remittances in recent years. In 2008, other top recipients included the Philippines, Poland, Nigeria, Romania, Egypt, Bangladesh, and Vietnam. Perhaps more significant than the overall amount of remittance inflows, there were at least sixteen countries for which remittances constituted more than ten percent of the country's gross domestic product ("GDP") in 2007. For eight of these countries, remittances were more than twenty percent of GDP; and for Moldova and Tajikistan, they were thirty-eight percent and forty-five percent of GDP, respectively. Furthermore, remittances are larger than all other sources of foreign capital in many states. On the outflow side, the United States is the single largest source of remittances, followed by other high-income economies. What may


4. See Outlook for Remittance Flows 2009-2011, supra note 2, at 4. Over the last year, during the current global crisis, there has emerged some evidence of "reverse remittances," money sent to migrants from their families back home. See infra note 45 and accompanying text.


6. See id.


9. Id.

10. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 88 ("Remittances were larger than public and private capital inflows in 36 developing countries in 2004.").

11. Id. at 89 ("The United States was the largest source country with nearly $39 billion in outward remittances in 2004."); WORLD BANK, REMITTANCE DATA: 2008, supra note 7 (reporting over $47 billion in outward remittance flows from the United States in 2008, an amount nearly double that of Russia, the second largest source of remittances).
be more surprising, however, is that many developing countries have become significant sources of “South-South” remittances as well, especially China, Malaysia, the Russian Federation, and Persian Gulf countries.

Generally speaking, commentators, scholars, and policy makers have viewed this growth in remittances as beneficial for migrants, their families, their home countries, and their host countries. As one writer recently described the commentary on this subject, remittances have been “elevated . . . to near celebrity status in the last ten years.” This literature emphasizes that remittances tend to increase and smooth individual and household consumption in receiving countries, thereby reducing levels and effects of poverty to some extent. Such transfers also provide relatively stable, countercyclical sources of foreign exchange. And the migration of laborers motivated to earn money to remit helps provide an important source of labor to higher-income countries.

This enthusiasm notwithstanding, various scholars and commentators have acknowledged some evident or potential costs related to remittances. As with any transfer of funds, there are direct costs of remitting money across borders, and there is concern that these costs are not robustly competitive. While remittances appear

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12. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 89–91. The top ten remittance-sending countries for 2008 are (in order of most outgoing remittance dollars): the United States, Russia, Switzerland, Saudi Arabia, Germany, Spain, Italy, Luxembourg, the Netherlands, and Malaysia. See WORLD BANK, REMITTANCE DATA 2008, supra note 7. Remittances are generally driven by the wage differential between high- and lower-income countries. As the World Bank has observed, “Wage levels (adjusted for purchasing power) in high-income countries are approximately five times those of low-income countries for similar occupations, generating an enormous incentive to emigrate.”

13. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 90.


15. See, e.g., GLOBAL ECONOMIC PROSPECTS, supra note 1, at xii–xiv; MACROECONOMIC CONSEQUENCES OF REMITTANCES, supra note 3, at 1.


17. See infra notes 31–33 and accompanying text.

18. See infra notes 34–37 and accompanying text.

19. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 99–100. Remittances are often countercyclical because migrants tend to send more money to family members in the wake of economic and other crises in their home countries. See id. Yet, there are also some early indications that remittance flows may not be as stable or countercyclical as the existing literature assumes. See infra notes 76–79 and accompanying text.

20. See infra notes 61–67 and accompanying text.

to improve consumption and alleviate poverty in recipient countries,\textsuperscript{22} the effect of remittances on other measures of development and broader economic growth in lower-income countries is much less clear. There is widespread concern that remittances used for consumption do not contribute as much as they might to economic growth or development.\textsuperscript{23} In fact, they may actually hinder domestic growth and development by easing pressure on policy makers to address structural challenges, reducing remittance recipients' incentives to work,\textsuperscript{24} undermining countries' resolve to raise domestic employment levels, contributing to "brain drain" in developing and emerging economies, and distorting monetary policy making.

As of yet, however, the literature on remittances only glances at what may be an even greater set of costs and harms experienced by migrant workers and their families that are attributable to remittance-driven migration. In other fields of inquiry, there is a growing appreciation of the vulnerability of migrant workers to abuse and exploitation by recruitment agents, their employers, and other actors in their home and host countries.\textsuperscript{25} In addition to such abuse, migrants and their families back home, especially migrants' children, incur a variety of negative effects of separation.\textsuperscript{26} To a large extent, these are private costs and harms, borne directly by migrants and their families. But many of these costs are externalized upon host and, especially, recipient countries. While the literature on remittances occasionally acknowledges this broader set of costs and harms,\textsuperscript{27} it does not attempt to measure them against the benefits of remittance flows.

This Article argues that, when one combines the remittance-driven costs and harms incurred by migrant workers and their families with the other detrimental effects of large remittance flows, it is possible that the net effect of remittances for some countries may be only slightly positive or even negative.\textsuperscript{28} If so, this should alter the

\textsuperscript{22} See infra notes 31–37 and accompanying text.
\textsuperscript{23} See infra notes 69–72 and accompanying text.
\textsuperscript{24} See Rosser, supra note 16, at 24–27.
\textsuperscript{25} See infra note 100–06 and accompanying text.
\textsuperscript{26} See infra notes 107–13 and accompanying text.
\textsuperscript{27} See infra notes 96–97 and accompanying text.
\textsuperscript{28} This is, of course, a highly complex empirical question. This Article does not aim to establish that the net effect of remittances is in fact negative in any particular context. Rather, it argues that such a circumstance is at least possible and explores some of the consequences of that possibility.
landscape of relevant debates about remittance policy. It would certainly add urgency to efforts to reduce the various direct and indirect costs of remittances, and the existing literature tends to focus on strategies to do so. But the prospect that remittance flows do not provide net benefits also raises the possibility that, in some contexts, policy makers should consider attempting to reduce remittance inflows or to reduce the amount of remittance-driven outward migration or both.

If these goals are desirable, however, it may be difficult to reduce workers' incentives or ability to migrate and send remittances home. As discussed below, sovereign states may be able to limit remittance inflows by taxing remittances, imposing exchange controls, adjusting exchange rate policies, discouraging labor migration, or avoiding programs that facilitate migration. Recognizing the full costs of remittance-driven migration may have other, less obvious implications for policy makers in some countries. It may, for example, affect broader debates in these countries about capital controls. In general, the promise of growing remittances has tended to weigh in favor of liberalization in this context. If remittances do not—or would not—provide a net benefit to a particular country, however, then this might eliminate one reason to pursue liberalization and might even provide some weight in the opposite direction. In other words, the cost of remittances and remittance-driven migration may provide additional, if not independent, justification for capital controls, if such controls could effectively alter workers' incentives to migrate.

Yet all of these approaches to reducing remittance flows or remittance-driven migration can be circumvented to some extent. Thus, while some or all of these policies might meaningfully reduce remittance-driven migration and remittance flows, they will presumably require some enforcement costs and impose some costs on workers who evade them. An even greater concern, however, is that it may be difficult to alter workers' incentives to migrate without negatively affecting workers and family members who have already done so. For workers who are already abroad, policies that increase the cost or the difficulty of remitting funds will obviously not affect their decisions ex ante, but they will have a significant impact on their ability to make inter-family transfers. This could cause real hardship

29. See infra Part III.B.
30. See infra notes 117–25 and accompanying text.
and simply add to the costs and harms incurred by migrant workers and their families.

In sum, this Article argues narrowly that scholars and policy makers should consider the possibility that remittances might be worse than a mixed blessing for at least some countries. If so, and if such countries are currently pursuing or contemplating policies designed to increase remittance flows, they may want to stop or to avoid making such efforts. If a country in this situation can adopt policies to reduce remittance inflows that are consistent with other goals and without imposing greater harms on citizens who have already migrated, it should consider doing so. At the very least, it should be more amenable to otherwise desirable policies even if those policies have the effect of dampening remittance inflows. This Article proceeds as follows: Part I describes the primary benefits associated with remittance flows; Part II describes the costs thereof; and Part III discusses policy implications of the possibility that the net effect of remittances on a particular state is negative.

I. BENEFITS RELATED TO REMITTANCES

The literature on remittances emphasizes a variety of benefits that workers, their families, home countries, and host countries derive from remittance flows. This Part describes such benefits. The following Part describes significant costs related to remittances.

A. Benefits to Workers and Their Households

The most obvious and direct benefit of remitted money is the effect it has on recipients. Most remittances flow to workers’ family members, increasing those individuals’ ability to consume goods and services. In many cases, it also enables them to accrue savings, make investments, and accumulate capital, especially human capital. These flows also enable recipient families to diversify their sources of income and smooth consumption across periods of other income loss. Furthermore, as remittance recipients consume domestic goods and services, the beneficial effect of such transfers flows beyond them. In this way, remittances appear to help reduce poverty among

32. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at xiii; MACROECONOMIC CONSEQUENCES OF REMITTANCES, supra note 3, at 22–30.
33. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at xiii.
some nonrecipients. The World Bank reported in 2006, for example, that remittances reduced the number of people in poverty in Guatemala by twenty percent, in Uganda by eleven percent, in Bangladesh by six percent, and in Ghana by five percent. As Ezra Rosser notes, "Remittances have cut extreme poverty in three countries—Mexico, the Dominican Republic, and El Salvador—by more than thirty-five percent and moderate poverty by an average of nineteen percent, according to a World Bank estimate." All of these effects appear to vary, however, depending on the economic conditions of migrants' home countries, on the wage-earning capacities of the individuals who migrate and send remittances home, and on the initial financial position of remittance recipients.

B. Benefits to Home/Recipient Countries

In addition to their potential poverty-reducing effects, countries that receive significant remittance inflows appear to obtain some benefits from the sizable inflow of foreign exchange. This boost in foreign exchange improves the country's balance of payments, buoying its domestic currency and improving the country's credit-worthiness for external borrowing. Significant remittance inflows appear to have a discernable effect on some countries' exchange rates and exchange rate policies. Compared to other sources of

34. See Rosser, supra note 16, at 14–20. Furthermore, some communities purposefully channel remittances to civic ventures through "collective remittances," perhaps most notably through hometown associations. See id. at 17–18.

35. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at xiii.


40. See FAJNZYLBER & LOPEZ, supra note 37, at 12; see also Catalina Ameudo-Dorantes & Susan Pozo, Workers' Remittances and the Real Exchange Rate: A Paradox of Gifts, 32 WORLD DEV. 1407, 1413 (2004) (finding that a doubling of per-capita workers' remittances raises the real exchange rate by twenty-three percent).

41. See, e.g., David Andrew Singer, Migrant Remittances and Exchange Rate Regimes in the Developing World 3 (Mass. Inst. of Tech., Working Paper No. 3.1, 2008), available at
capital, remittances are conventionally thought to be relatively stable. Many other forms of foreign investment are susceptible to being precipitously withdrawn from an economy, and most developing economies are vulnerable to rapid capital outflows in the event of domestic economic downturn or broader, global economic shocks. Until recently, remittance inflows were thought to be relatively immune to reversal. There is evidence, however, that there have been some reverse remittances during the current global economic crisis as money has flowed to unemployed or indebted family members in high-income countries.

Furthermore, remittances tend to be countercyclical; inflows often increase during domestic economic crises or in the wake of natural disasters. Finally, remittances are generally “unrequited” because they do not require domestic recipients to provide anything of value in exchange. These aspects of remittances can be crucially important for countries that are struggling with internal economic stability, reducing the likelihood and the extent of financial crises and diminishing the need for foreign aid. For these reasons, international financial institutions and development institutions have been among the most enthusiastic advocates for expanding the global flow of remittances.

Recipient states and communities have adopted various strategies to increase these benefits or to derive additional ones by drawing remittance flows into productive channels. These strategies include securitizing remittances, taxing remittance flows,


42. See MACROECONOMIC CONSEQUENCES OF REMITTANCES, supra note 3, at 44.


44. See id.


46. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 99.

47. See MACROECONOMIC CONSEQUENCES OF REMITTANCES, supra note 3, at 3. As discussed below, however, this is a bit misleading because remittances do require the recipient country to give up the productive time and energy of its workers, citizens, and family members. See infra note 70 and accompanying text.

48. See Gabilondo, supra note 16, at 663. Gabilondo discusses the International Monetary Fund in particular. See id. at 664-66.

promoting savings accounts for remittance inflows, coordinating "collective remittances," and issuing "diaspora bonds." To date, such strategies are either nascent or sporadic, and most remittances continue to flow directly to family members. But the domestic fiscal and macroeconomic effects of such flows are still significant in recipient countries. Even if countries do not tax inflows directly, for example, they can presumably receive some tax revenue from transactions that inflows make possible.

Remittance-driven labor migration can also help alleviate the effects of underemployment in labor-exporting countries. In this way, "low-skilled emigration can offer a valuable safety valve for insufficient employment at home." Thus, and for the reasons noted above, the World Bank generally advocates increasing migration of low-skilled workers and favors "managed migration programs." According to the Bank, there are "several hundred" bilateral agreements to facilitate migration of labor. These programs potentially help ensure that labor from supplying countries has stable access to host countries' labor markets and that host countries will endeavor to provide some basic assistance or protection to migrant workers.

Migration of high-skilled labor has different potential benefits. In addition to any remittances they send, such workers can provide their

50. See infra Part III.B.
52. See Rosser, supra note 16, at 17–18.
53. See Anupam Chander, Diaspora Bonds, 76 N.Y.U. L. REV. 1005, 1013–14, 1060–62 (2001); Posting of Dilip Ratha to People Move, http://blogs.worldbank.org/peoplemove/nepal-announces-a-diaspora-bond (July 30, 2009, 18:33). These are a different kind of remittance—most significantly, they are not interfamily transfers. They appear to target higher-skilled workers as well as those who have settled permanently or for longer periods. As such, diaspora is connected to the "brain drain" problem. See Chander, supra, at 1061–62; infra note 84 and accompanying text.
54. See MACROECONOMIC CONSEQUENCES OF REMITTANCES, supra note 3, at 28–29.
56. GLOBAL ECONOMIC PROSPECTS, supra note 1, at xiv.
57. See id. at xiv–xv. This may not be as appealing to destination countries as a more permanent labor supply. And it may make migration and remittance income subject to uncertainty, because destination countries can stop the program.
58. See id. at 73.
59. See id. at 73–74.
home countries with access to capital, technology, and knowledge. These effects are presumably heightened where high-skilled workers return to their home countries. Yet these benefits are not dependent upon these workers' return—these workers can provide a bridge of access between interests in their home countries and resources abroad.

C. Benefits to Host/Destination Countries

Host countries derive some significant benefits from the availability of migrant labor seeking income to remit homeward. Most obviously, these destination countries receive a source of labor, reducing the direct cost of labor. While this may result in lower wages for native workers in host countries, the lower cost of labor may also result in higher returns to providers of capital. This explains, in large part, why commercial interests in developing countries tend to favor liberal immigration policies. Furthermore, it appears that native workers obtain indirect benefits from the higher returns to capital. There is evidence that the presence of migrant labor in a host country actually raises the overall income of native workers to some extent. It is also possible that increased inward labor migration may decrease the cost of services such as childcare, thereby enabling more native workers to enter the workforce. As a result of these various factors, the World Bank has found that inward labor migration appears to provide a net beneficial effect to native workers. Furthermore, the presence of high-skilled migrant labor also provides valuable talent and high-demand skills to host countries. These workers also provide important connections for the host country back to the workers' homes that can potentially facilitate trade and cross-border investment.

II. Costs Related to Remittances

Despite the benefits of remittances and remittance-driven migration described above, there are potential direct and indirect

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60. See id. at xiv.
61. See id. at 44.
62. See id. at 43–45.
63. See id. at 45.
64. See id. at xii.
65. See id.
66. See id. at 44–45.
costs associated with both phenomena. Many of these potential costs are widely recognized in the literature on remittances, but some are not.

A. Costs to Home/Recipient Countries

While remittance inflows appear to have a discernable effect in reducing poverty in recipient countries, the literature on remittances acknowledges that their effect on broader measures of economic growth and development is unclear. This is due in part to the fact that remittances are largely used for household consumption. Furthermore, some of this consumption and expenditure is for goods and services (childcare, for example) that are made necessary because of the migration of workers in the first place. Consumption is generally considered to be much less productive than savings or investment in financial capital, human capital, and other assets. It is also worth noting that remittance inflows can create or exacerbate underlying tensions between those who do and do not receive remittances in workers' home countries. Responding to these problems, a significant theme in the literature on remittances is the desirability of promoting the productive use of money remitted to migrants' home countries. As noted above, strategies in this direction include "collective remittances," securitizing remittances, diaspora bonds, and specialized deposit accounts for remitted funds.

68. See supra notes 31-37 and accompanying text.
70. See MACROECONOMIC CONSEQUENCES OF REMITTANCES, supra note 3, at 28.
71. See id. at 28-29; Adam Feibelman, Consumer Bankruptcy as Development Policy, 39 SETON HALL L. REV. 63, 75 (2009).
72. See, e.g., ROBERT COURTNEY SMITH, MEXICAN NEW YORK: TRANSNATIONAL LIVES OF NEW IMMIGRANTS 50-52 (2006) (discussing the divide between the "remittance bourgeoisie" and those who do not receive remittances in migrants' home countries).
73. See Rosser, supra note 16, at 20.
74. See, e.g., GLOBAL ECONOMIC PROSPECTS, supra note 1, at xv-xvi; O'Neill, supra note 51, at 357-59. But see Rosser, supra note 16, at 41-61 (critiquing the "institutionalization" of remittances for development goals).
75. See supra notes 49-53.
THE CASE AGAINST REMITTANCES

Perhaps more troubling, however, is that the benefits of remittances described above may undermine a recipient country's need and motivation to pursue tough development policies. Countries that receive large inflows of remittances may not act as aggressively to attract other, more productive forms of foreign capital or to improve balance of payments. Similarly, while the outflow of low-skilled labor may alleviate underemployment in the short term, it may undermine attention to policies that address pervasive underemployment in the long term, a much harder project. A recent World Bank report on remittances acknowledges as much, noting: "In the long run ... developing country policies should aim to generate adequate employment and rapid growth, rather than relying on migration as an alternative to development opportunities."76

Furthermore, remittance inflows can unleash macroeconomic forces that can have some negative consequences for various interests in recipient countries. These inflows can, for example, lead to inflation, resulting in higher prices for goods and services. If remittances lead to currency appreciation, this may reduce the cost of imports, but it can also hurt domestic exporters, who may be more important for countries' longer-term growth and development.79

As a result of these macroeconomic effects, remittances may also distort domestic monetary and exchange rate policies. Countries may try to increase remittances and remittance-driven migration—or respond to remittance-driven currency appreciation—by taking official actions to keep exchange rates relatively low compared to host country currencies.80 There is also evidence that countries with

76. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at xiv.
77. See Rosser, supra note 16, at 21.
78. See supra notes 38–41 and accompanying text.
79. See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 21–22.
80. Although exchange rates are not generally observed to be a key determinant of remittance flows, there is evidence that such flows are in fact responsive to exchange rates. See, e.g., M. I. T. El-Sakka & Robert McNabb, The Macroeconomic Determinants of Emigrant Remittances, 27 WORLD DEV. 1493, 1496 (1999) (finding that workers abroad are sensitive to exchange rate uncertainty); O’Neill, supra note 51, at 356 (noting that states have aimed to increase remittance flows by offering “premium exchange rates”); Jose Uribe, Impacts of Remittances from the United States on Recipient Latin American Economies, 11 GEO. PUB. POL’Y REV. 33, 36 (2005) (“Just like any capital flow then, remittances will respond to favorable rates of returns and sustainable and stable exchange rates . . .”); Ibrahim A. Elbadawi & Robert de Rezende Rocha, Determinants of Expatriate Workers’ Remittances in North Africa and Europe 10 (World Bank Policy Research Working Paper No. 1038, 1992), available at http://go.worldbank.org/6EIMA51ZQR ("[L]arge exchange rate misalignments [between official rates and ‘black market rates’] can divert a substantial volume of remittances away from official channels and towards parallel markets, despite the existence of incentives, such as preferential
large remittance inflows are more likely to adopt or retain fixed exchange rates. Yet doing so tends to reduce policy makers' control over monetary policy, and it may increase the likelihood that exchange rates will fall into disequilibrium with underlying economic conditions. More generally, the large inflows of foreign exchange from native workers abroad may undermine the need for countries to adopt policies that would help them integrate effectively with international capital markets.

Finally, remittance-driven migration of high-skilled labor may hurt home countries more than it benefits them. While such migration may increase the home country's access to capital, information, and technology, it also causes a loss of beneficial externalities associated with high-skilled workers and citizens—the brain drain effect. High-skilled workers are valuable at home for many reasons. They can help design and implement public and private ventures that promote economic growth and development, they can generate innovation, they can provide domestic counterparties for foreign interests, and they can serve vital leadership roles in social and political spheres.

B. Costs to Host/Destination Countries

It is also not entirely clear that inward labor migration is always a net benefit for host countries. It may decrease labor costs for host country ventures and may increase overall wages for host-country natives, but these benefits may not be spread evenly within the host country. Some laborers in the host country will likely have to compete

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81. See generally Singer, supra note 41 (finding that countries where remittances constitute a substantial portion of GDP are more likely to adopt fixed exchange rates and arguing that the remittance flows compensate for some loss in domestic monetary policy flexibility).

82. See id. at 12–27.

83. See supra note 60 and accompanying text.


85. See supra notes 61–64 and accompanying text.
with migrant labor, often unsuccessfully.\(^{86}\) Not all native workers will
derive the indirect benefits of lower overall labor costs and any
resulting economic growth. In addition, there is evidence that existing
migrant workers in a destination country may experience welfare
losses from the entrance of new migrant workers.\(^{87}\) These
circumstances may not only increase income inequality in the host
country, it will inevitably create some friction between new migrants
and the communities who do not benefit from the increased labor
supply. This may contribute to social friction and, as discussed below,
may increase migrants' vulnerability in their host countries.\(^{88}\)

Furthermore, migrant workers presumably consume a wide
variety of public goods and services in their destination countries.\(^{89}\)
Gains to capital providers described above should compensate at
least somewhat for this consumption. And where migrants pay
income taxes on wages earned in the host country, these taxes also
compensate for some of the public goods they consume.\(^{90}\) If the new
migrants earn relatively little (by host-country standards) or if they do
not pay their full tax liabilities, however, it is possible that the value
of the public goods and services they consume may be greater than
the taxes they pay. If so, this reduces the overall economic benefit
they provide to their host countries.

C. Costs to Migrants and Families

Although remittances appear to increase the consumption and
improve the welfare of recipients, this benefit must be considered
along with a variety of costs, often hard to observe and measure, that
these recipients and their migrant relatives incur. To the extent that
workers are motivated to migrate by the hope of earning money to
remit back home, the promise of remittances arguably exposes these
workers and their families to these costs and harms. The most obvious
set of remittance-related costs are the direct costs of actually
transferring money back home. Formal and informal financial
intermediaries siphon off significant portions of the total amount of
global remittances.\(^{91}\) These direct costs generally include fees for the

\(^{86}\) See GLOBAL ECONOMIC PROSPECTS, supra note 1, at xiii.

\(^{87}\) See id. at 44–45.

\(^{88}\) See infra notes 100–15 and accompanying text.

\(^{89}\) See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 39–41.

\(^{90}\) See id.

\(^{91}\) See GLOBAL ECONOMIC PROSPECTS, supra note 1, at 136–37; MACROECONOMIC
CONSEQUENCES OF REMITTANCES, supra note 3, at 62, 81; Gabilondo, supra note 16, at
656–57; Rosser, supra note 16, at 28–29.
remittance itself and additional fees for currency conversion.\textsuperscript{92} Although there is evidence that formal remittance services have become more available and more competitive over the years,\textsuperscript{93} the costs and fees associated with remittances are still quite high—often ten to twenty percent of the principal amount being remitted in small transactions.\textsuperscript{94} According to the World Bank, the cost of providing remittance services is considerably lower than the amounts charged to consumers.\textsuperscript{95}

The literature on remittances has emphasized these costs in recent years and has urged policy makers to continue efforts to make it easier and cheaper for migrants to send remittances to their families. Doing so involves, among other things, improving access to formal financial services and increasing competition in the market for remittance transfer services.\textsuperscript{96} It may also be that lowering regulatory costs and hurdles to potential entrants in this market would increase the number of formal providers, improve competition, and lower the costs of sending remittances.\textsuperscript{97} The goals of such efforts are twofold and related: first, to reduce the loss in value of remittances to workers and their families and, in turn, to increase the total amount of funds remitted.\textsuperscript{98} These goals are related because workers' incentives to remit money are at least partly a function of the cost of remitting.\textsuperscript{99}

The literature on remittances tends to under appreciate a wide variety of other costs borne by workers who migrate hoping to earn money to send home and those borne by their families. As many of the contributions to this symposium explore, it is now well understood that temporary and semipermanent migrants, especially low-skilled workers, are often highly vulnerable to abuse and exploitation by their employers abroad, recruitment agents, and their transporters.\textsuperscript{100} It is often the case that migrant workers spend

\textsuperscript{92} See \textit{GLOBAL ECONOMIC PROSPECTS}, supra note 1, at 136.
\textsuperscript{93} See supra note 21.
\textsuperscript{94} See \textit{GLOBAL ECONOMIC PROSPECTS}, supra note 1, at 137.
\textsuperscript{95} See \textit{id}. at 138–39.
\textsuperscript{96} See \textit{id}. at xv–xvi; Gabilondo, \textit{supra} note 16, at 660; Rosser, \textit{supra} note 16, at 4–5, 29–41. These concerns have been somewhat complementary with, and somewhat complicated by, counterterrorism policies focusing on international financial intermediation. See Gabilondo, \textit{supra} note 16, at 666–69; Rosser, \textit{supra} note 16, at 34–37.
\textsuperscript{97} See \textit{GLOBAL ECONOMIC PROSPECTS}, \textit{supra} note 1, at 145–46. On the other hand, increasing regulation of informal remittance service providers may raise costs, at least in the short term. See \textit{id}. at 146–47.
\textsuperscript{98} See, e.g., \textit{id}. at 142–43.
\textsuperscript{99} See \textit{id}. at 142.
\textsuperscript{100} See Int'l Labour Org. [ILO], Int'l Labour Conference, \textit{Sixth Item on the Agenda: Migrant Workers, Resolution Concerning a Fair Deal for Migrant Workers in a Global
significant amounts of money or incur substantial debt to migrate.\textsuperscript{101} Get paid less than they expected when deciding whether to migrate,\textsuperscript{102} face discrimination and ostracization abroad,\textsuperscript{103} and enjoy limited legal protections in their host countries.\textsuperscript{104} Migrant workers are often exposed to unsafe or unhealthy conditions in transit,\textsuperscript{105} and a disturbingly large number of migrants end up in some form of forced labor arrangements.\textsuperscript{106}

As recent scholarship on the experience of transnational families has explored, migrant workers and their families often experience significant emotional and psychological costs due to separation and dislocation.\textsuperscript{107} Migrants themselves may experience intense loneliness, depression, and feelings of isolation.\textsuperscript{108} They often live under threat of deportation, which makes it all the more difficult and risky to bring their families with them to their host country.\textsuperscript{109} Separation and dislocation often disrupt familial relationships,\textsuperscript{110} sometimes irreparably,\textsuperscript{111} and appear to exacerbate gender inequalities and to impose particularly taxing burdens on mothers (especially if they are the migrating family member) and other female caregivers.\textsuperscript{112} 


\textsuperscript{101} See Gammage, \textit{supra} note 69, at 95.
\textsuperscript{102} See \textit{ILO Resolution}, \textit{supra} note 100, at 55, para. 5.
\textsuperscript{103} See id.
\textsuperscript{104} See \textit{id.} at para. 7.
\textsuperscript{105} See Gammage, \textit{supra} note 69, at 95.
\textsuperscript{106} See \textit{Cost of Coercion, supra} note 100, at 3.
\textsuperscript{108} See Schmalzbauer, \textit{supra} note 107, at 1877–79.
\textsuperscript{110} See Schmalzbauer, \textit{supra} note 107, at 1875–76 (reporting that “both women and men told me that what they wanted most was for their families to be together”).
\textsuperscript{111} See \textit{id.} at 1869–72.
\textsuperscript{112} See \textit{id.} at 1865 (noting, for example, that other female family members often provide care for children of mothers who work abroad).
disruptions due to migration also impose costs and harms on the children of migrant workers, and it stands to reason that some of those costs and harms will be externalized upon the societies in which these children grow up.

Only rarely do these costs, risks, and harms appear in the literature on remittances. When the literature does acknowledge these remittance-driven costs, it generally does not attempt to account for them in evaluating the desirability of increasing remittance flows. For example, in a recent prominent study on remittances, the World Bank noted

[m]igrants, however, incur substantial costs, including psychological costs, and immigrants (particularly irregular migrants) sometimes run high risks; many suffer from exploitation and abuse. The decision to migrate is often made with inaccurate information. Given the high costs of migration—including the risk of exploitation and the exorbitant fees paid to traffickers—the net benefit in some cases may be low or even negative. There are costs, too, for family members left behind—particularly children—although these costs must be balanced against the benefits of the extra income that migrants send back home to their families.

Despite this acknowledgment, however, the World Bank’s study did not consider such costs in assessing the desirability of remittance flows. Rather, it advocated addressing such costs by improving public dissemination of information about work opportunities to potential migrants, perhaps by regulating labor recruitment.

D. Summary

Although the literature on remittances tends to emphasize the benefits of these transfers, it does acknowledge a variety of costs or potential costs associated with them. It does not, however, meaningfully consider a broad range of significant costs borne by migrant workers and their family members back home. Although the private and social costs of migration and family separation are increasingly well documented, they have generally not been included in the cost-benefit calculus of remittance policies. When the promise

113. See Parreñas, supra note 107, at 1851–54; Schmalzbauer, supra note 107, at 1865.
114. One notable exception to this is Gammage, supra note 69, at 94, which cites the human toll of labor migration as a reason for El Salvador to eschew policies designed to promote remittance inflows.
115. GLOBAL ECONOMIC PROSPECTS, supra note 1, at xii.
116. See id. at xv.
of remittances creates a primary incentive for workers to migrate, however, these costs can be attributed to remittances in some meaningful sense. At the very least, recognizing this additional set of costs should make policy makers recalculate the net effect of remittances at both the micro and macroeconomic level.

This Article proposes, without attempting to prove, that including these costs raises the possibility that the overall effect of remittances is negative in some contexts. Given the foregoing discussion, it is possible to conjecture that the costs of remittances would be particularly high for countries that, among other things, have weak development policies, relatively low income per capita, and weak frameworks of labor protection. Such factors would presumably tend to increase the likelihood that laborers would be motivated to risk (or under appreciate) significant costs of earning income abroad and would increase the likelihood that remittance inflows would undermine pressure to improve domestic development policies. Of course, for many countries with such characteristics, the benefits of remittances may also be particularly high, especially if remittances provide significant support for the value of these countries’ currencies and credit ratings. This illustrates the fact that assessing the net effect of remittances and remittance-driven migration on workers, their home countries, and their host countries presents an even greater econometric challenge than the literature currently reflects. Despite this challenge, however, it is extremely important for policy makers to conduct this analysis because it is at least possible that, for some countries, the goal of increasing remittance flows is self-defeating and too costly to their laborers.

III. REDUCING THE EX ANTE EFFECTS OF REMITTANCES

If remittances and remittance-driven migration might have an overall negative effect in some contexts, this should at least temper the conventional enthusiasm for increasing remittance flows. Even if the net effect of remittances is positive, appreciating the full range of costs related to these transfers should give policy makers pause. At the very least, it should underscore the importance of working aggressively to reduce these various costs. Yet this has already proven to be a challenging enterprise, made more so by the difficulty of measuring both costs and benefits of remittances. \(^{117}\) If the net effect of remittances is negative in any context, and the related costs cannot be reduced enough to significantly improve the net effect, then policy

\(^{117}\) See supra note 28.
makers may want to consider adopting strategies to reduce remittance-driven migration. This Part describes and evaluates some strategies for reducing the costs of remittances and for reducing the amount of remittance flows if that is desirable.

A. Reducing Costs

As noted above, the existing literature on remittances acknowledges many of the direct and indirect costs of these transfers and addresses some ways to reduce the costs or to improve the use of remittances in home countries. These include reducing the direct costs of remittance services, improving the productive use of remittances, and increasing bilateral and multilateral agreements for temporary labor migration. And beyond the literature on remittances, other scholars and commentators have advocated a wide range of policies to reduce the costs and harms incurred by migrant workers and their families.

Calls to reduce the costs associated with migration and remittances appear to couple a basic enthusiasm for remittances with a concern over associated costs and effects. Thus, a number of writers have expressed notable skepticism about the extent of the benefits of remittances for migrant workers and their families, tending to focus on ways in which workers' home countries may extract value from remittance flows or fail to help reduce the costs of remitting funds. This growing literature tends to view remittance policies through the eyes of workers who have already migrated and who desire to send money home to their families. As a result, this perspective does not

118. See supra Parts I, II.A.
119. See supra notes 49–53 and accompanying text.
120. See supra notes 91–95 and accompanying text.
121. See supra notes 49–53 and accompanying text.
122. See supra notes 58–59 and accompanying text.
123. See supra notes 97 and accompanying text.
124. See supra note 97 and accompanying text; see also MANUEL OROZCO, THE REMITTANCE MARKETPLACE: PRICES, POLICY AND FINANCIAL INSTITUTIONS 1 (2004), available at http://pewhispanic.org/files/reports/28.pdf (noting that G8 countries committed in 2004 to work to reduce the transaction costs for remittances and reporting that costs for such transfers have decreased significantly since the 1990s); Forman, supra note 100, at 45; Gabilondo, supra note 16, at 655–56 (describing “forced remittance” and “remittance harvesting” programs that some countries have adopted); Dan Gatmaytan, Death and the Maid: Work, Violence, and the Filipina in the International Labor Market, 20 HARV. WOMEN'S L.J. 229, 238–39 (1997) (discussing the Philippines' forced remittance program); O'Neill, supra note 51, at 352–55 (discussing forced remittance programs); Rosser, supra note 16, at 37, 40, 60 (discussing taxation of remittances and questioning the role of remittances in development policy).
directly examine the question of whether policy makers should aim to encourage remittance-driven migration in the first place.\textsuperscript{125}

For example, Ezra Rosser catalogs some of the direct costs of remittances and policy makers' desire to harness remittance flows and expresses skepticism about the development potential of remittance inflows. He argues that international policy makers should resist the "'institutionalization' of remittances" as a development tool;\textsuperscript{126} that remittances are an expression of the love and concern among and between "transnational families"; and that remittance policy should be narrowly focused on facilitating this dynamic.\textsuperscript{127} Reducing the costs of remittances, in this view, is desirable for the purpose of enabling workers and their families to flourish, which is distinguishable from broader development goals.

Similarly, Jose Gabilondo has observed that remittance policies reflect an "interest convergence" among home and host countries and international financial institutions\textsuperscript{128} that favors increased labor migration and growth in remittances.\textsuperscript{129} Gabilondo suggests that this convergence of interests subordinates the interests of workers and their families, and extracts value from them.\textsuperscript{130} Thus, like Rosser, Gabilondo critiques the general enthusiasm for increasing remittances as being too focused on broader benefits to home and host countries.

Gabilondo appears to go further than Rosser in contemplating that remittance-driven labor migration might impose costs on workers that outweigh benefits, yet both authors stop short of proposing that migrant workers and their families might not obtain a net benefit from remittances. To be clear, however, neither of these authors directly addresses the question of whether, or to what extent, remittance-driven migration is desirable. Rather, these accounts can be read as part of a broader literature that explores the existing circumstances of labor migration and remittance policy and generally aims to improve the conditions under which workers migrate and send remittances home.

In her article on El Salvador, Sarah Gammage tackles remittance policy from a more explicitly ex ante perspective, addressing whether

\textsuperscript{125} But see generally Gammage, supra note 69 (arguing that El Salvador should not aim to promote remittance inflows).
\textsuperscript{126} See Rosser, supra note 16, at 6.
\textsuperscript{127} See id.
\textsuperscript{128} See Gabilondo, supra note 16, at 660.
\textsuperscript{129} See id. at 661–64.
\textsuperscript{130} See id. at 659.
that country should pursue policies designed to promote labor migration and remittance inflows.\textsuperscript{131} She proposes that it should not do so. In reaching this conclusion, Gammage notes the various tangible and intangible costs borne by migrating workers and at least suggests that these costs may outweigh the personal and intra-family benefits of remittances.\textsuperscript{132} This conclusion implicitly acknowledges that it may not be possible to reduce the costs associated with remittance inflows enough to justify policies designed to promote remittance-driven migration. This is at least plausible. It may be possible to meaningfully reduce some of the costs of remittances and remittance-driven migration, especially the direct costs of remittance services and, perhaps, the risk of exploitation to migrant labor. Yet other costs described above are more structural and arguably inevitable. These may include some of the macroeconomic effects of remittance flows (e.g., currency appreciation), the reduction of incentives for domestic policy makers to improve development policies, as well as the emotional and social costs of family separation and dislocation. If such structural or inevitable costs outweigh those that can be addressed and reduced, this would make it much more difficult for countries to improve the net benefits of remittance inflows and related migration.

B. Reducing Remittances

If it is theoretically possible that remittance flows and remittance-driven migration cannot be made to provide net benefits for workers, their families, and their home states, how should policy makers respond? One implication is that policy makers would want to attempt to reduce remittance flows or outward migration. For reasons discussed in the following section, it would presumably be preferable for policy makers to adopt policies that aimed to reduce workers' incentives to migrate.

There are a variety of policies that could be employed to achieve this aim. As noted above, a number of developing and emerging economies have adopted programs to facilitate temporary labor migration to higher-income countries, often through bilateral arrangements with destination countries.\textsuperscript{133} To the extent that these programs encourage or influence workers to migrate who would otherwise not do so, they increase both migration and remittance

\footnotesize{131. See Gammage, supra note 69, at 92–96.  
132. See id. at 92–94.  
133. See supra notes 57–58 and accompanying text.}
inflows. And to that extent, countries may be able to directly reduce remittance-driven migration by avoiding or rolling back these programs. Doing so could, at least potentially, reduce the various costs of migration and remittance inflows discussed above. It is possible, of course, that scaling back these programs could do more harm than good, especially if they primarily protect workers who would migrate in any event.

Directly or indirectly taxing remittances may be even more effective in reducing remittance-driven migration. But the effects of such policies are complicated. Taxing remittances presumably decreases the incentives of workers to migrate for the purpose of remitting money and reduces the motivation of those who do migrate for other reasons to send remittances home. Taxing remittances may also increase the benefits of remittance inflows on recipient countries because the tax revenues can—again, at least potentially—be employed by the official sector for productive purposes. Thus, setting aside any effect on labor migration, taxing remittances may increase the net benefits of remittances on growth and development in the recipient country, but may reduce the amount of such “improved” remittances.

Countries may also be able to affect the amount of remittance flows through capital controls and exchange-rate policies.\(^\text{134}\) Like taxation, capital controls that increase the cost of remitting money\(^\text{135}\) can potentially reduce remittance-driven migration and related social costs. And the stronger the controls, the greater this effect should be. The potential benefits of certain remittance-unfriendly capital controls in the home country are different than the effects of taxation, and perhaps even more complicated. Some such controls are often designed to limit the exposure of the domestic economy to international financial markets.\(^\text{136}\) As such, they generate significant skepticism and resistance in the international community. Conventional economic wisdom generally frowns upon barriers to capital flows, and international financial institutions have strongly

134. See Chander, supra note 53, at 1094–95; Roubini, supra note 80 (discussing the Philippines’ remittance-driven exchange rate policies).
135. See supra notes 77–82 and accompanying text (discussing the fact that exchange controls generally add to the direct cost remittance services).
urged or required their members to liberalize capital controls over the past few decades.137

Members of the Organisation for Economic Co-operation and Development ("OECD") have committed themselves to liberalizing capital controls among themselves and with respect to other members of the International Monetary Fund ("IMF").138 The IMF's approach to capital controls is a bit more complicated. The IMF has been consistently engaged in encouraging its members to liberalize their regulation of capital movements.139 Yet, the institution has limited formal authority to do more in this regard.140

Significantly, however, economists and policy makers have increasingly acknowledged that some capital controls can prove beneficial in some circumstances.141 By controlling the nature of inflows and outflows of foreign capital, countries can reduce their exposure to unstable flows in either direction, though the possibility of large and sudden outflows are usually a greater concern.142 The OECD Code explicitly acknowledges that members may need to impose some controls if a member's "economic and financial situation


138. See ORG. FOR ECON. CO-OPERATION & DEV., OECD CODE OF LIBERALISATION OF CAPITAL MOVEMENTS, art. I (2009), available at http://www.oecd.org/dataoecd/10/62/39664826.pdf. Subject to the right to make certain reservations, “[m]embers shall grant any authorisation required for the conclusion or execution of transactions and for transfers" specified under the Code. Id. art. 2(a). In addition to personal capital movements, those specified transactions and transfers include direct investment in new or existing ventures, liquidation of such investment, operations in real estate, operations of securities in capital markets, operations in money markets and other financial products, credits and loans, sureties, guarantees, financial backup facilities, operations in deposit accounts, operations in foreign exchange, and life insurance. Id. at Annex A, at 27-33.

139. INDEP. EVALUATION OFFICE, supra note 137, at 3-4.

140. While the International Monetary Fund's ("IMF") Articles of Agreement grant it authority to promote current account liberalization, the Articles do not extend this authority to its members' capital accounts. See id. at 3. While there have been efforts to amend the Articles to expand the IMF's jurisdiction in this direction, this has not occurred. Id. at 18. Thus, the IMF can engage its members regarding their capital accounts only to the extent that such activity affects external stability, pursuant to its surveillance authority under Article IV of its charter. Id. Thus, the IMF has not, for example, "require[d] capital account liberalization as formal conditionality for use of its resources." Staff Response to the Evaluation by the Independent Evaluation Office of the IMF's Approach to Capital Account Liberalization, in INDEP. EVALUATION OFFICE, supra note 137, at 94, 95.

141. See generally Neely, supra note 43, at 13, 19-21 (describing the potential advantages to developing economies of policies designed to control both inflow and outflow of capital).

142. Id. at 21.
justifies such a course,” if liberalization would “result in serious economic and financial disturbance,” or if “the overall balance of payments of a Member develops adversely at a rate and in circumstances . . . which [a member] considers serious.”

While the IMF has generally encouraged its members to increase their receptivity to international capital, in the past fifteen years or so it has increasingly recognized the potential destabilizing effects of capital flows in and out of developing economies. As the IMF’s Independent Evaluation Office has written, “From the beginning of the 1990s, the IMF’s management, staff, and Executive Board were aware of the potential risks of premature capital account liberalization and there is no evidence to suggest that they promoted capital account liberalization indiscriminately.” Thus, while the IMF has been “in principle opposed to the use of [capital controls],” it has come to recognize them as a justifiable “temporary, second-best instrument.”

It is unlikely that policy makers will be inclined to impose or retain controls for the sole purpose of limiting remittances and workers’ incentives to migrate. First of all, remittance flows do not implicate most of the conventional justifications for such controls. It is highly doubtful that remittance flows would trigger concerns about volatility of capital flows. Furthermore, it may be difficult to narrowly craft such controls to target only remittances and not other types of transactions.

While policy makers may not consider adopting or retaining capital controls simply to reduce remittance flows or labor migration, the costs of remittances may nonetheless be relevant for regulation of capital flows. Liberalizing capital controls can help enable states to increase remittance inflows (and, by extension, increase remittance-

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143. See ORG. FOR ECON. CO-OPERATION & DEV., supra note 138, art. 7.
144. See INDEP. EVALUATION OFFICE, supra note 137, at 3–4.
145. See id.
146. Id. at 4. “As preliminary evidence emerged on the apparent effectiveness of Chile’s capital controls in the mid-1990s, some in the IMF began to take a favorable view of the use of capital controls as a temporary measure to deal with large capital inflows.” Id.
147. See id. at 5.
148. Remittance flows are generally considered a uniquely stable source of foreign exchange. See supra note 19 and accompanying text. As noted above, however, there is evidence that there have been some reverse remittances during the current global economic crisis in the form of money sent to unemployed or indebted family members in high-income countries. See supra note 45 and accompanying text. Also, to the extent that diaspora bonds are redeemable, they may add to capital flight in times of crisis along with other forms of foreign investment. See Chander, supra note 53, at 1069–70.
driven migration). This may be a beneficial by-product of liberalizing or avoiding controls on capital movements and thus provide an additional reason to avoid retaining or imposing controls. If remittances and remittance-driven migration are not a net benefit for a country, however, this particular justification for liberalizing controls and against de-liberalization disappears. In fact, the costs of remittances and labor migration may provide marginal support for imposing or retaining capital controls that are desirable for other reasons. In other words, if capital controls are otherwise justifiable, it may not always be the case that they should be discouraged out of concern for their potential negative impact on labor migration and remittance flows.

A similar point can be made about exchange rate policies, although the implications in this context may point in favor of liberalization. As noted above, some exchange rate policies—like fixed exchange rates or devaluation—are correlated with large remittance inflows and may be adopted or retained in part to promote remittances and remittance-driven migration. Such policies are, like other more direct efforts to control capital flows, widely believed to be inconsistent with capital account liberalization. Thus, it may be that policy makers in some states are resisting liberalization of exchange rate policies, at least in part, to promote remittance inflows and remittance-driven migration. If these goals are in fact not desirable, that may influence exchange rate policies in the opposite direction and toward liberalization. Again, it may not be the case that the desire for remittances will provide a state with an independent motivation for pursuing a particular exchange rate policy. Yet, it may be a relevant factor in the policy calculus, and policy makers may be assigning it the wrong value at present.

C. Plight of Existing Migrants

The points above focus on the ex ante effects of remittance policy and its effects on migration—the ways that the prospect of


150. See, e.g., Miranda Xafa, Monetary Stability, Exchange Rate Regimes, and Capital Controls: What Have We Learned?, 28 CATO J. 237, 240 (2008), available at http://www.cato.org/pubs/journal/cj28n2/cj28n2-7.pdf ("Many observers . . . consider that exchange rate flexibility is a precondition for full capital account liberalization."). Xafa, however, includes herself among "a minority of skeptics who believe that most developing countries should have fixed exchange rate regimes." Id.
remittance flows affect incentives for laborers to migrate. Thus, the above analysis of potential policy responses has considered their potential for reducing the negative effects of remittances by, for example, making these transfers more costly or less attractive. But there are significant ex post concerns as well, especially the effects of remittance policies on people who have already migrated and their families. For these individuals, it is too late to affect their decision to migrate. It is certainly possible to affect their decision to stay abroad, but the decision to return from abroad is very different from the decision to leave home in the first place, and it involves a different set of costs. Even more important, any policy that has the effect of increasing the cost or difficulty of remitting money home for someone who is already abroad raises a radically different set of concerns than the effect of such policies on citizens who are considering migrating.¹⁵¹ Those who have already traveled abroad are now separated from their family members, who may now be dependent on them; the migrants likely made their decisions based on the assumption that they would be able to send some portion of their income homeward. The effects on individuals and families who have already migrated must be factored into any consideration of remittance policies. In some circumstances, especially for countries that already have large numbers of citizens living semi-permanently abroad, these ex post interests will presumably outweigh any ex ante considerations.

CONCLUSION

Given the significant and increasing role of remittance flows in the global economy, it is essential for policy makers and scholars to continue to critically assess the role of these flows for workers, the states that receive their remittances, and the states from which these remittances are sent. Although the existing literature on remittances addresses a variety of costs and potentially negative effects of remittance inflows and remittance-driven migration, the literature almost universally underestimates these costs and effects. It does so by failing to attribute the various costs and harms borne by workers and their families when these workers migrate in order to earn income to remit home to their families. If these costs were included in efforts to measure the overall impact of remittance flows, it is at least possible that remittances and remittance-driven migration would represent a net loss for some states and their citizens. To be sure,

¹⁵¹. See supra notes 100-06 and accompanying text discussing the vulnerability of migrants and their families.
measuring the full range of remittance-related costs and harms is an extremely difficult project, especially because some significant costs are intangible, stemming from the emotional and social effects of familial separation and dislocation.

The possibility that remittances and remittance-driven migration do not provide net benefits for some countries raises some challenging questions for policy makers in developing and emerging economies. If it turns out that a particular state and its laborers do not obtain a net benefit from remittance inflows, policy makers in that state may want to consider adopting policies to reduce or limit remittance-driven migration. They might, for example, avoid or scale back managed labor-migration programs. They might also adopt or retain policies that reduce workers’ incentives to migrate for the purpose of earning money to remit home. Depending on the particular circumstances of their state, such policies might include taxation of remittance flows, currency exchange controls, or liberalization of exchange rate policies. If remittance-related concerns do not provide sufficient independent reasons for adopting such policies, they are presumably relevant factors in a broader policy calculus. At the very least, if states’ current policies affecting capital inflows are based on a comfortable assumption that remittances inflows are broadly beneficial, this assumption should be reexamined to explicitly account for the costs and harms borne by workers and their families.