May 2017
Volume: 2, **No**: 1, pp. 57 – 59
ISSN: 2059-6588
e-ISSN: 2059-6596
www.tplondon.com/rem

Book Review

Migrating into Financial Markets, How Remittances Became a Development Tool by Matt Bakker, Chicago: University of California Press, 2015, pp. 283, ISBN: 9780520285460.

Over the last three decades scholars and policy makers have made efforts to evaluate the potential for international remittance transfers as the tool for economic development in the context of different countries and for different time periods. There is evidence that remittances increase student retention rate in El Salvador (Edwards and Ureta 2003) and remittances increase investment in entrepreneurship (McCormick and Wahba 2001, Dustman and Kirchman 2002, Woodruff and Zenteno 2007 and Mesnard 2004). Taylor, Rozelle and Brauw (2003) have reported increased expenditure on agricultural investment. Osili, (2004) finds that remittances have increased expenditure on housing. Yang (2006 & 2008) has shown that remittances have increased schooling and entrepreneurial activities in Philippines. Adams (1998, 2010, and 2013) shows that remittances have increased landholding in Pakistan, expenditure on housing and education in Guatemala and health, housing and education expenditure in Ghana. Studies (Zachariah & Rajan, May 2007, December 2007) focusing on local effects of remittances in countries like India, Bangladesh and Pakistan have cited that remittance-based investment seems to be taking over from remittance-based consumption, as the new driver for economic growth (see Combes and Ebeke, 2011; Quisumbing and Mcnien, 2010 and Rosenzweig and Stark, 1989 for discussion of consumption use of remittances). These studies deal with specific issues; while the book by Matt Bakker has a broad objective to focus on the agenda of using remittances for economic development in general.

The objective of the book is to describe the process through which remittances were promoted to be used for economic development of the labor sending countries over a period of 30+ years. The author describes the proponents of Remittances to Development (R to D) as the believers of market based solution; however, author carries through a description and analysis to show that to use remittances for economic development, the proponents of the agenda had to collaborate with the public sector. The study is done using the US- Mexico migration corridor as the canvas for sketching the idea, although occasionally the reference has been made to Philippine, India, China and Morocco.

The readers who are looking for new techniques for estimating the possibilities of transformation of remittances to resources for development, or are waiting for new information that may unravel a new insight into the process, may not find them here. The author has used the existing information and research and has matched it with interviews, archived documents and his observation of actions on different sites to present his case.

He has divided his presentation into two parts. The first part describes the agenda at the global scale that includes three chapters. The second part is focused on US-Mexico migration corridor and is presented in two chapters covering "financial democracy" or bringing both remittance sending and remittance receiving agents within the financial sector. After introducing the premise of the discussion in Chapter 1, Chapter 2 focuses on an important development in this evolutionary process of using the remittances for economic development that spells out how accurate measurement of remittances has raised the awareness that the size of this financial flow is huge and it deserves special attention. This chapter makes coherent efforts to establish that remittance transfers are now accepted as stable, large and counter cyclical flow because of the concerted efforts of the proponents of R to D agenda.

Chapter 3 is a serious step in accomplishing the objective of the book. Although readers interested in the evolution of the use of remittances may be familiar with the content of the chapter, the author uses it to help the reader build a new insight into it. In order to deal with underutilization of remittance transfers, author discusses the issue of cost of remittance transfers and how extensive efforts have been made to reduce that costs. Although it seems like free competition resulting from market based solution is working its wheel, it was the presence of government agencies that have engaged the financial agencies, integrated their different parts and paved the ways towards competition to reduce the cost. Bringing migrants into the financial system, recognizing their needs and building up their trust are the issues in the chapter that have helped forging a connection between remittances and development. "Financialization" of remittance money and use of remittances to develop new financial products make this chapter contribute substantially towards author's objective.

In Chapter 4, the author looks at Remittances to Development agenda in terms of Mexican –US migration. He rationalizes his use of this migration corridor by saying that this presents the largest and most sustained case of world migration. He argues further that policies of Mexican Government to spread transnationalism to capture social, political and economic resources of migrants could be examples for many other labor sending countries. Here the readers could have benefitted from the discussion of migration of other parts of the world. The significance of the relative size of remittances should have been given the credence; the fraction of remittances in the GDP is much higher in some Asian countries compared to Mexico. After all, the argument the author intends to carry forward is for the use of remittances for development in general. The argument actually put forward in this chapter reads like the process of evolution of Mexico's migration policy. Of course that ultimately affects the size and the use of remittances; but at times the analysis got caught in the politics of Mexican policy making and subjective evaluation of both the politics and the policies of that country.

However, people not familiar with the history of migration between Mexico and the US would definitely gain from the analysis of different phases of Mexico's transnationalism, how it became a part of NAFTA, how bilateral effort towards a stable migration has been jeopardized with terrorists' attack on the US and how the progress for prosperity has been geared towards more market based solution.

It is chapter five which stands out in contributing to the significance of the topic chosen for the book. The book's argument that market based solution cannot do everything all by itself and it needs considerable amount of assistance from public policy and the broad based efforts of the Government and Government agencies finds its foothold in chapter five. The author goes at the heart of the issue that to use the remittances for development, both the remittance sending and the remittance receiving agents should understand the meaning of the term "development" , how it would impact their lives, what they can do and whether they would have any say in the matter. This involves behavioral changes on their part which is needed to include them into the financial system. The financial institutions also need to go through a makeover to understand the need and the attitude of the migrant and their families and to remove the deeply rooted sense of mistrust the migrant population has for these institutions.

The author's message is that although remittance to development agenda was planned to have market-based-solutions, they have to be supported and maintained by lots of government action and interventions. This is visible in his examples and analysis of interviews and documents where he shows that the proponents of remittances to development eventually have started to rely more on international institutions like World Bank who has started policy based lending and structural adjustment. Although the proponents of R to D agenda couldn't meet with total success, they were successful in encouraging good data collection from direct reporting and surveys, more accurate measurement or remittances, lowering cost of transfer of remittances and most importantly creating awareness about the fact that unused remittance money if properly channeled can contribute to economic development.

The author ends with a strong note that any policy geared to development should not aim for the end of free mobility of people across the borders, rather free mobility would be more attractive form of development for the world's poor and excluded than the financial inclusion promised by the R to D agenda.

Bharati Basu, Central Michigan University, United States.
E-mail: basu1b@cmich.edu