

The limits of the “Progressive” Institutional Change: Migration and Remittances Experiences.

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The regressive institutional change is “...a particular type of ceremonial encapsulation, the "Lysenko" type, will be shown to be the cause of what might be called the absolute "triumph of imbecile institutions over life and culture.” (Bush 1987, 1092. Quoted Veblen, 1964, 25)

Abstract

The financial and business expansion towards both sides of the Mexico-US border, what could be called the financial diaspora that accompanies Mexican’s migration to the United States and US Corporations to Mexico, has been a process full of nuances and components with different characteristics. Beyond the governments and their migratory and investment policies, the characteristics of the different migrant groups and corporations, the cultural gaps, and the "progressive" institutional changes are subject to a dynamic of survival-assimilation-earnings. Even when powerful trials of organization are observed, a strong and imminent current of regressive institutional change (Veblen) has been gaining space. This paper is circumscribed to analyze some key aspects of the financial behavior Mexican migrants to the United States, who have become entrepreneurs, have had. Their enormous limitations of financing are exposed, including the different stages to access credit to the businesses of residents in Mexico and to Mexican businesspeople abroad. The paper contends the transformation in financing on both sides of the border has been decisive.

Key words: institutional changes; entrepreneurs migration; bancarization

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1. Introduction

The US-Mexico migratory flows of the last four decades is a process which study, from an institutionalist perspective, yields wider results and thus has the capacity to give solid support to public policies.

The history of migratory flows between the two nations dates back many decades, growing in certain areas, resulting in real social and economic integrated areas, although legally and politically separated. However, since the end of the seventies the formulas of complementarity turned against thousands of cross-border families. This had social and economic consequences on

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both sides of the permeable border For example, all the support given by Mexican migrant flows in California drove the incredible technological and productive transformation in the state, becoming by itself the 7th world economy. This has been lost now. At the same time, regular components of the migratory processes, which remained relatively constrained for a long time, such as xenophobia, discrimination, inequality and violence, were becoming a reality day by day.

Based on the arguments on institutional change of Paul Bush (1989), which is based on Veblen, this work aims to understand how the growing social, cultural, economic and political presence of migrants, especially business migrants, has produced a "regressive" institutional change. Bush's contributions on institutional change are discussed in the first sections. This is followed by an analysis of some characteristic of migration and business migration, especially in relation to their sources of financing. The third section, as a conclusion, ponders on the increasingly difficult social conditions and low level of integration of the migrant population.

2. Institutional Changes

Bush (1989) argued that the two most important areas of global social problems of great urgency were those related to the demilitarization of the American economy and those of the environment. However, twenty years later, this paper contends that migration and refugee flows are additional problems to those of the environment and climate change. "The institutionalist policy agenda must always include a plan by which the "progressive" institutional changes contemplated in the policy can be carried out by the community in such a way as to preserve the continuity of the life processes." (Bush 1989, 460)

International migratory flows, although linked to inequalities and violence and due to their social consequences, are driving profound institutional changes in both ejectors and arrival societies. The values that legitimate the behavior of groups with diverse interests, as Bush (1987, 1080) points out, are not fixed or immutable. But, as Polanyi suggested, they have been driving forces for deepening Market relations.

The urge to institutionally transform migratory flows has not been due to the relative number of people mobilized, but to the regressive institutional changes that have taken place since the 1970s. For example, California is considered a democratic state. However, it has been ruled by Republicans 64% of the years between 1967 and 2019. Under the governorship of R. Reagan the national guard was sent to content student protests at the University of Berkeley in 1969, a city that was already an important center for science and technology worldwide. The greatest changes were made under the administration of G. Deukmejian (1983-1991) Armenian of origin. Public employees were dismissed, the budget was cut in many areas such as education, health, welfare and environment; the death penalty was supported, the population tripled in prison, and the law prohibiting discrimination against gays and lesbians was vetoed.

The institutional changes specific to migration flows in the United States were driven by successive reforms at the end of the bracero program (1942-1964) and the beginning and continuity of the Maquila regime (since 1965). Among its notable itos were the Simpson-Rodino law of 1987, which proposed to legalize paperless migrants. At the same time, it introduced penalties for undocumented employers. Proposal 187 in 1994, although rejected due to social

struggles, was intended to withdraw all social assistance and enable doctors and teachers to denounce migrants.

The transformation of the American society, its politics and economy, have shaped a new context in the insertion of the migratory flow from the south. Those in the south, have less and less the ability to configure a social context of governance. The United States has turned to a regressive institutional change where human life is increasingly appreciated based on market criteria and less and less as a fundamental force of change.

3. Mexican migrant entrepreneurs.

Migration flows from the south, especially from Mexico, to the United States have not always or only been workers and dispossessed, although they are the vast majority. Especially since the 1980s, and in response to the economic-financial crises created by the first neo-liberal policies, migratory flows are also made up of businesspeople who expanded or moved their businesses to the United States. At the same time, workers were finding business activities, often linked to "migrant" consumption.

During the early seventies, large companies with headquarters in Mexico were internationalizing, along with the banks. Only in the last two decades (2001-2018) this accumulated a direct investment of 132 billion dollars. Neither the dollarization of the financial system (1978-1982) nor exchange control (1982-1989) contained migration and business expansion to the north. The two financial crises and the inability of governments to manage them were an engine that drove migration and business migration.

The migratory component that is most highlighted by the media are workers' remittances. The inflow of remittances to Mexico for the most part were resources from migrant workers wages. Most importantly, these were funds dispersed among a huge number of families, contributing to curb poverty, although they continue the economic-labor cycle of the United States. In recent years, these flows exceed 24 billion dollars and in 2019 it is estimated to reach 35 billion dollars. This figure is much higher than the income from oil exports and even foreign direct investment flows.

During these four decades, several generations of migrants-entrepreneurs were created in the United States. Before, they were an almost invisible group due to their migratory status. However, in recent years they have gained visibility, they are organized and have enormous economic and financial relevance on both sides of the border.²

In general, migrant families have lower incomes and lower capacity to accumulate wealth and their patrimonial position is regularly affected by economic crises (Del Angel, et.al., 2005; Papademetriou, 2010). Even more so when the financial crisis appears after income falls and an increase in economic inequality (Galbraith, 2012). Thus, the average income of Mexican households as a whole fell 10% in the first decade. Even so, the population of Mexican origin living in their own homes rose to 50% (Seth and Patten, 2012).

² This paper uses the Database "Cross-Border Business Experience". Repatriation of Capitals for Development ", created from the Research project of the same name carried out at UNAM, 2010-2013 (Girón, Alicia and Eugenia Correa, 2014).

Mexican entrepreneurs are very active users of financial services in the United States, and to a lesser extent in Mexico. Although small businesses predominate among them, medium and large businesses have also been successfully created in all economic sectors not only in the "nostalgia" industry. These include health, education, construction, trash handling, transportation and, increasing recently, professional services.

Unlike other groups of migrants, Mexican entrepreneurs are characterized by having a high demand for financial services, not only to send remittances. They are fully banked and most have at least one mortgage in the US.

One of the most important issues in the economic debate is precisely the origin of entrepreneur financing (García-Zamora 2009). Mexican business migrants in the United States hardly access financing for their business directly with loans to that end (14%). So their capital comes from personal and family savings (62%), closure of business in Mexico or by selling assets.

Entrepreneurs are aware of the importance of financing, but also of the enormous difficulties in obtaining it, at least for the vast majority of migrants. Their immigration status does not represent a significant obstacle to developing their businesses, since only a small fraction of them (13.6%) are in irregular immigration status. Most of them migrated in the 1990s or even before and are now citizens or residents.

However, more than 75% of entrepreneurs said that the last major crisis affected their business, although to a different extent. Some sold assets or partially closed, others slowed their activity and sales, and others were about to close and close. Only 25% said the crisis did not affect them and even opened up new business opportunities. The most affected businesses were construction, professional services and restaurants. The business strategies for survival in the face of low demand and the increase in the costs of financial services and energy, were, among others: the reduction of workers; the sale of personal assets; or abandoning their mortgage. Among the smaller entrepreneurs, the incorporation or reinstatement of the family into the company was also important.

Mortgage financing has also been very important for Mexican business migrants. More than 60% have at least one mortgage and more than 30% have used refinancing as a source of capital for their company. Moreover, 20% of Mexican migrant entrepreneurs lost at least one property mortgaged at auction between 2008 and 2011. These data are consistent with those presented by the Center for Responsible Lending (Gruenstein, et.al., 2012) who estimated that more than 1.3 million Hispanic families would have lost their homes due to auction between 2009 and 2012.

The experience of financing for the creation and operation of medium and small enterprises in Mexico has been even more difficult and eventually ruinous. The economic and exchange instability associated with the crises of 1982, 1987, 1994 and 2008 markedly halted demand, investment and credit. Many companies received government support to renegotiate their liabilities and others left production for commercialization. Today, internal non-mortgage financing to non-financial private companies represents only 13% of GDP and it is estimated that only 1% is for SMEs. Considering the level of domestic interest rates, much of these resources are refinancing of liabilities. Hence, domestic credit is hardly the basis of capital formation. A good amount of productive projects have been left aside, closing many job creation paths for

creative work performance and for the generation of wealth for entire communities, especially in those expelling Mexicans (Girón and Correa, 2014)

4. Entrepreneurship Migration: Regressive Institutional Changes

In general, companies need to grow and strengthen their activities and the offer of employment, based on stable and competitive sources of financing, as they otherwise become broken companies and their liabilities in nonperforming loans. Likewise, its stable growth opens the expectations of increased savings and investment, resuming the virtuous circle necessary for social inclusion and development.

Despite the wider development of financial services in the US, and the almost total banking of migrant entrepreneurs, they have not had access to business financing. On the contrary, the idea of migrants as criminals, lazy people, prone to abuse of public services and responsible for economic problems, such as the mortgage crisis, is strengthened on a recurring basis.

In 1994 in California, proposal 187, although not approved at the end, was intended to ban migrants from hospitals, deny them public assistance and authorize teachers and doctors to denounce them. Again, in 2019, the proposal to consider drug traffickers as terrorists was announced, thus incorporating changes in social behavior against migrant and migrant-entrepreneur work.

“Whether a dialectical behavior will carry primarily ceremonial or instrumental significance in a given instance depends on the social context in which it occurs. Under the theory presented here, that social context is defined by the behavioral pattern in which the behavior is correlated with other behavior in the institutional arrangement. And that correlation is uniquely the function of the value that defines the behavioral pattern” (Bush 1987, 1081-1082)

In the United States, countercyclical policies have been established, powerful breaks to slow down the declines in the economic cycle. Hence, companies in the US seem much more solid and successful, especially in California and Texas. However, at the same time the US is generalizing this regressive institutional behavior. In June 2019, under the current administrations of both countries, the US government proposed to impose tariffs to Mexican exports if the government did not stop migrant flows. The Mexican government instead of answering with strong policies to retain and increase the local investment and certainty to domestic business, created a Migrant Protection Plan. This made the idea of creating business confidence with subsidies and exceptions to prevail, instead of increasing investment and wages, and the commitment to full employment.

The regressive institutional change is imposed as the only possible or viable exit momentarily, leaving aside other possible ways to guarantee social reproduction.

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