

Chapter 12 Update

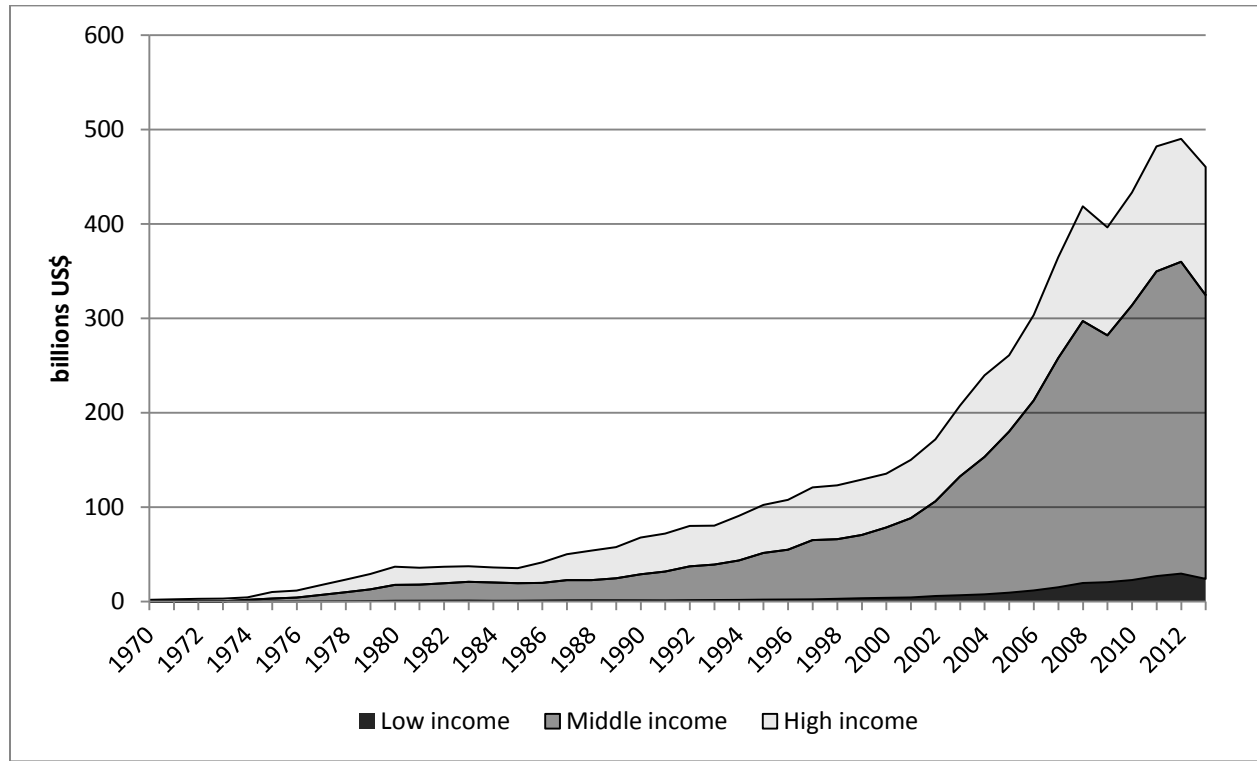
Kenneth A. Reinert, *An Introduction to International Economics: New Perspectives on the World Economy*, Cambridge University Press, 2012.

Data on remittance flows going back to 1970 are presented in Figure 12.4. As is clear from these data, remittance flows have increased dramatically since the mid-1990s. What is also clear is that most of the increase in remittances has been to middle income countries.¹ In some countries and regions, remittance inflows now exceed FDI inflows. Remittances to the developing (low- and middle-income) world in 2013 were approximately \$325 billion dollars. This was more than double the amount official development assistance (ODA) in that year. As emphasized by *The Economist* (2009), these flows can have significant and positive impacts in developing countries by directly transferring income more efficiently than foreign aid.²

¹ This parallels the increase in FDI flows to middle income countries we discussed in Chapter 1. See Figure 1.2 of that chapter.

² Pozo (2009) noted that “Previously, little effort was expended to measure and analyze (remittance) flows because they were thought to be small in magnitude and of little significance for most countries. Evidence to the contrary has motivated policymakers and others to pay closer attention to the measurement, determinants, and impact of remittances” (pp. 963-964).

Figure 12.4 Remittances, 1970 to 2013



Source: World Bank, World Development Indicators