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Maquiladoras and Chicago: Measuring the Effects of Transnational Business Migration on a Community

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MAQUILADORAS AND CHICAGO: MEASURING THE EFFECTS OF TRANSNATIONAL
BUSINESS MIGRATION ON A COMMUNITY.

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This study focuses on a new and rapidly growing phenomenon in the United States, the movement of domestic firms to maquiladoras in Mexico. Migration from one area to another is a viable solution to production problems for many firms; moving to a new location is often one way an industry can cut production costs. As of 1965, the passage of the Border Industrialization Program by Mexico and the U.S. Government allowed U.S. firms to move their production facilities into a production zone within the Mexican border. As of 1991, 30 firms from the Chicago area had moved their production facilities from the Chicago Metropolitan area to Mexico. This study is concerned with the transnational migration of companies' production facilities from the Chicago area and how it affects employment, wages, value added and output in other sectors of the economy in the Chicago Metropolitan area.

It is my hypothesis that the loss of jobs in the Electronics Industry in Chicago has a rippling effect that causes lost jobs, wages, value added and output in other industries located within Chicago. I have chosen to focus on the Electronics Industry in Chicago for two reasons. First, the Electronics Industry was named by Governor James Thompson as a staple industry for Illinois, concentrated around Chicago and I 90, later designated as the Golden Corridor of Growth. This industry is both a major supplier and demander of products to and from other industries in the Chicago area, which makes it an ideal industry for this study. Second, ten electronic production plants have moved from the Chicago Metropolitan area to Mexico from 1980 - 1990, resulting in 15,391 jobs lost.

This study involves using the Input-Output model at University of Illinois, Champaign, and University of Illinois at Chicago. The R.E.A.L. model places actual data concerning the Chicago Metropolitan area into an interindustry and final demand matrix. Through mathematical and matrix manipulation, the model will be able to calculate how a change in any industry will affect other industries. This change can be measured and presented in the form of a multiplier, which measures total impact of the job loss on all linked industries and in the retail sector. This study will give employment, wage, value added and output multipliers for the Electronics Industry for the Chicago Metropolitan area.