In August 2007, a sharp downturn in the U.S. housing market reduced the income of many who worked in the home construction industry. A Wall Street Journal news article reported that Walmart's wire-transfer business was likely to suffer because many construction workers are Hispanics who regularly send part of their wages back to relatives in their home countries via Walmart.

With this information, use one of the principles of economic-wide interaction to trace a chain of links that explains how reduced spending for U.S. home purchases is likely to affect the performance of the Mexican economy.

|  |
| --- |
| Consider the inter relation of this incident happened in August 2007 |
| US housing Market | * Downturn |
| Downturn effected | * Wages of workers in housing companies (got reduced) |
| Low Wages of workers includes | * Low Wages of Hispanic workers |
| Low Wages of Hispanic workers impacts | * Low ratio of sending money via Walmart’s wire-transfer corporation |
| Low ratio of sending money via Walmart’s corporation | * Low profit |
| Low profit results | * Corporation/Company/Business suffers |
| * So we conclude that if people in America buys/constructs less homes, housing market falls, and wages reduced for its workers which includes Hispanic workers from Mexico, who sends money their home country via Walmart wire-transfer business, due to reduction in wages the Mexico receives less money and hence their economy falls and also the less number of money transferred via Walmart reduced its commission/earning/profit and so both are affected in this way if Americans housing market falls.   To be precise and short  “One person’s earning is the result of another person’s spending”  Or by Money theory “The lower the flow of cash is, the less will be nominal GDP, and weaker will be the economy.” | |