

## Remittances and Elections: Cross-National and Sub-National Evidence

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### Abstract:

Elections are the defining feature of representative democracy. As such, elections are generally considered purely domestic matters. However, elections are increasingly influenced by and conducted on the international stage. This paper explores the relationship between migrants' most lucrative resource, their financial remittances, and home country elections. Through a time-series cross-sectional analysis of remittance flows to 81 developing countries from 1990 to 2005 and of remittance flows to 32 Mexican states from 2003-2011, this paper provides support for the argument that remittances in part reflect migrants' home countries' electoral calendars and political context. In particular, remittances increase in election years, an effect that is larger the more contested the election and the poorer the home country. This finding highlights an important international linkage between developing countries' domestic politics and their citizens living abroad.

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Elections are the defining feature of representative democracy: it is through elections people select representatives to govern them and it is through elections that they seek to hold those representatives accountable. As such, scholars usually treat elections as purely domestic matters. However, elections are increasingly influenced by and conducted on the international stage,<sup>1</sup> and election outcomes often reflect their international political and economic environment.<sup>2</sup> Governments' decision to call elections is affected by their country's international economic ties,<sup>3</sup> and their decision to interfere in or abide by elections' democratic outcomes is influenced by international norms and oversight mechanisms.<sup>4</sup> A growing literature has found that governments' decision to engage in fiscal electioneering reflects their countries' international economic and political ties,<sup>5</sup> and political campaigns have transcended national borders as political parties increasingly look to funders and voters located abroad for support.<sup>6</sup>

Although most analyses of the internationalization of elections focus on parties' efforts to gain office and governments' strategies to retain office, governments and political parties are not

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<sup>1</sup> Terrence Lyons and Peter Mandaville, 'Think Locally, Act Globally: Toward a Transnational Comparative Politics', *International Political Sociology*, 4 (2010), 124-41.

<sup>2</sup> Mark A. Kayser, 'How Domestic is Domestic Politics? Globalization and Elections', *Annual Review of Political Science*, 10 (2007), 341-62; Mark A. Kayser, 'Partisan Waves: International Business Cycles and Electoral Choice', *American Journal of Political Science*, 53 (2009), 950-70; HeeMin Kim and Richard C. Fording, 'Voter Ideology, the Economy, and the International Environment in Western Democracies, 1952-1989', *Political Behavior*, 23 (2001), 53-73.

<sup>3</sup> Mark A. Kayser, 'Trade and the Timing of Elections', *British Journal of Political Science*, 36 (2006), 437-57.

<sup>4</sup> Susan D. Hyde, *The Pseudo-Democrat's Dilemma: Why Election Observation Became an International Norm* (Ithaca: Cornell University Press, 2011); Judith Kelley, 'Assessing the Complex Evolution of Norms: The Rise of Election Monitoring', *International Organization*, 62, (2008), 221-55.

<sup>5</sup> William R. Clark and Mark Hallerberg, 'Mobile Capital, Domestic Institutions, and Electorally Induced Monetary and Fiscal Policy', *American Political Science Review*, 94 (2000), 323-46; Susan D. Hyde and Angela O'Mahony, 'International Scrutiny and Pre-Electoral Fiscal Manipulation in Developing Countries', *Journal of Politics*, 72 (2010), 690-704. Angela O'Mahony, 'Engineering Good Times: Fiscal Manipulation in a Global Economy', *British Journal of Political Science*, 41 (2011), 315-340.

<sup>6</sup> Luis Eduardo Guarnizo, Alejandro Portes, and William Haller, 'Assimilation and Transnationalism: Determinants of Transnational Political Action among Contemporary Migrants', *American Journal of Sociology*, 108 (2003), 1211-1248; José Itzigsohn, Carlos Dore Cabral, Esther Hernández, and Obed Vázquez, 'Mapping Dominican Transnationalism: Narrow and Broad Transnational Practices', *Ethnic and Racial Studies*, 22 (1999), 316-339; Peggy Levitt and Rafael de la Dehesa, 'Transnational Migration and the Redefinition of the State: Variations and Explanations', *Ethnic and Racial Studies*, 26 (2003), 587-611; Michael P. Smith, 'Transnationalism, the State, and the Extraterritorial Citizen', *Politics & Society*, 31 (2003), 467- 502; Robert C. Smith, 'Migrant Membership as an Instituted Process: Transnationalization, the State and the Extra-Territorial Conduct of Mexican Politics', *International Migration Review*, 37 (2003), 297-343.

the only actors to participate in the political process. Increasingly, migrants are playing an active role in electoral politics back home.<sup>7</sup> This is particularly true in developing countries, where migrants are often a large segment of the population and migrants' remittances are an important economic resource.

This paper examines the relationship between migrants' financial remittances and home country elections, arguing that migrants systematically engage in politically-motivated remittances. In particular, remittances are influenced by migrants' home countries' electoral calendars and political context. This argument receives support through a time-series cross-sectional analysis of remittance flows to 81 developing countries from 1990 to 2005, and to Mexican states from 2003 to 2011. Remittances are greater in election years, an effect that is larger the more contested the election and the poorer the home country. This paper is the first to demonstrate that cross-national remittances are driven not solely by the economic and social factors highlighted in previous analyses but also by migrants' political interests, highlighting an important link between developing countries' domestic politics and their citizens living abroad.

### Migrants as transnational actors

Migration is one of the defining characteristics of our current period of globalization.<sup>8</sup>

The United Nations estimates that as of 2010 over 213 million people, or three per cent of the

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<sup>7</sup> Jonathan A. Fox, 'Assessing Binational Civil Society Coalitions', in Kevin Middlebrook, ed, *Dilemmas of Change in Mexican Politics* (La Jolla: University of California, San Diego Center for US-Mexican Studies, 2004); Luin Goldring, 'The Mexican State and Transmigrant Organizations: Negotiating the Boundaries of Membership and Participation', *Latin American Research Review*, 37 (2002), 55-94; Patricia Landolt, Lilian Autler and Sonia Baires, 'From Hermano Lejano to Hermano Mayor: The Dialectics of Salvadoran Transnationalism', *Ethnic and Racial Studies*, 22 (1999), 290-315; Eva Østergaard-Nielsen, 'The Politics of Migrants' Transnational Political Practices', *International Migration Review*, 37 (2003), 760-86; Michael P. Smith and Matt Bakker, *Citizenship across Borders: The Political Transnationalism of El Migrante* (Ithaca: Cornell University Press, 2008).

<sup>8</sup> Richard B. Freeman, 'People Flows in Globalization', *Journal of Economic Perspectives*, 20 (2006), 145-170.

world's population, live outside of their country of origin.<sup>9</sup> The lion's share of this migration has flowed from poorer to richer countries. While migrants represent less than two per cent of the population in less developed regions, for more developed regions, migrants represent over ten per cent of the population. For most developing countries, a significant proportion of the country's citizens reside in another country, often a developed country.

Inexpensive and readily available international transportation and communications networks make it possible for migrants to remain connected with their home countries.<sup>10</sup> International telecommunications traffic was estimated at 413 billion minutes in 2010.<sup>11</sup> In a cross-national analysis, Perkins and Neumeyer find that migrants generate a large share of this traffic.<sup>12</sup> Single country studies support these findings. A survey of Mexicans living in the United States found that over half of all respondents talk to family in Mexico at least once a week,<sup>13</sup> and ethnographic research documents the integral role international calls play in the lives of Filipino,<sup>14</sup> Jamaican,<sup>15</sup> Salvadoran<sup>16</sup> and Somali<sup>17</sup> migrants. Additionally, many migrants frequently return to their countries of origin for visits. In a series of surveys of Latin American migrants living in the United States, Guarnizo, Portes and Haller find that one-fifth of

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<sup>9</sup> United Nations, Department of Economic and Social Affairs, Population Division, *Trends in International Migrant Stock: The 2008 Revision* (United Nations database, POP/DB/MIG/Stock/Rev.2008, 2009).

<sup>10</sup> Steven Vertovec, 'Migrant Transnationalism and Modes of Transformation', *International Migration Review*, 38 (2004), 970-1001.

<sup>11</sup> Data from Telegeography, a telecommunications market research firm <http://www.telegeography.com/press/press-releases/2011/05/10/microsofts-acquisition-of-skype/index.html>. Downloaded July 6, 2011.

<sup>12</sup> Richard Perkins and Eric Neumeyer, 'The Ties that Bind: The Role of Migrants in the Uneven Geography of International Telephone Traffic', *Global Networks* (2012).

<sup>13</sup> Roberto Suro, *Survey of Mexican Migrants: Part Two*. Washington, D.C.: Pew Hispanic Trust (2005).

<sup>14</sup> Eric C. Thompson, 'Mobile Phones, Communities and Social Networks among Foreign Workers in Singapore', *Global Networks*, 9 (2009), 359-80.

<sup>15</sup> Heather A. Horst, 'The Blessings and Burdens of Communication: Cell Phones in Jamaican Transnational Social Fields', *Global Networks*, 6 (2006), 143-59.

<sup>16</sup> Adela Ros, 'Interconnected Immigrants in the Information Society', in Andoni Alonso and Pedro J. Oiarzabal, (eds) *Diasporas in the new media age: Identity, politics and community*. Nevada: University of Nevada Press, (2010), 19-38.

<sup>17</sup> Greg Collins, 'Connected: Exploring the Extraordinary Demand for Telecoms Services in Post-Collapse Somalia', *Mobilities*, 4 (2009), 203-23.

respondents regularly visit their country of origin,<sup>18</sup> while Waldinger finds that two-thirds of respondents return home at least once.<sup>19</sup> Ethnographic studies highlight the importance of return trips home for Caribbean,<sup>20</sup> Filipino,<sup>21</sup> Polish<sup>22</sup> and Salvadoran<sup>23</sup> migrants.

A growing body of migration research has found that many migrants maintain close ties with their home communities, documenting migrants' familial, social, economic, religious, political, and cultural embeddedness in both their host and home countries.<sup>24</sup> As Levitt and Jaworski note, 'while the numbers who engage in regular transnational practices may be fairly small, those who engage in occasional, informal transnational activities, including social, cultural, and religious practices, in response to elections, economic downturns, lifecycle events, and climactic disasters are much greater'.<sup>25</sup>

Migrants maintain ties with their homelands for a variety of reasons, ranging from instrumental motives such as supporting family members who stay behind, to non-instrumental motives such as maintaining a sense of belonging to their home communities. Moreover, these ties appear to persist over time. In contrast to early models of migrant behaviour in which migrants were expected to assimilate into their host country's society and abandon ties with their country of origin, recent analyses find that migrants neither fully assimilate into their host

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<sup>18</sup> Guarnizo, Portes and Haller, 'Assimilation and Transnationalism', 1225.

<sup>19</sup> Roger Waldinger, 'Between "Here" and "There": Immigrant Cross-Border Activities and Loyalties', *International Migration Review*, 42 (2008), 3-29.

<sup>20</sup> David Timothy Duval, 'Linking Return Visits and Return Migration Among Commonwealth Caribbean Migrants in Toronto', *Global Networks*, 4 (2004), 51-67.

<sup>21</sup> Asuncion Fresnoza-Flot, 'Migration Status and Transnational Mothering: The Case of Filipino Migrants in France', *Global Networks*, 9 (2009), 252-270.

<sup>22</sup> Louise Ryan, Rosemary Sales, and Mary Tilki, 'Family Strategies and Transnational Migration: Recent Polish Immigrants in London,' *Journal of Ethnic and Migration Studies*, 35 (2009), 61-77.

<sup>23</sup> Alejandro Portes, Luis E. Guarnizo, and Patricia Landolt, 'The Study of Transnationalism: Pitfalls and Promise of an Emergent Research Field, *Ethnic and Racial Studies*, 22 (1999), 217-237.

<sup>24</sup> See Peggy Levitt and B. Nadya Jaworsky, 'Transnational Migration Studies: Past Developments and Future Trends', *Annual Review of Sociology*, 33 (2007), 129-156, and Lyons and Mandaville, 'Think Locally, Act Globally' for recent reviews.

<sup>25</sup> Levitt and Jaworski, 'Transnational Migration Studies'.

country's society nor sever their ties with their home country.<sup>26</sup> In light of these findings many migration scholars view migrants as transnational actors who maintain stable, active relationships with both their home and host countries.<sup>27</sup>

Migrants' ties with their countries of origin can be seen tangibly through the money they send home. The World Bank estimates that developing countries received US\$325 billion in remittances in 2010.<sup>28</sup> These remittances represent a significant contribution to migrants' home countries. As of 2005, remittances were almost ninety per cent as large as foreign direct investment flows and outstripped official development assistance, making remittances the second largest source of external funding for developing countries. For the top twenty remittance-receiving countries, remittances exceed ten per cent of GDP.<sup>29</sup> Remittances help reduce poverty and income volatility, increase health and education expenditures, and provide investment capital for small-scale entrepreneurs.<sup>30</sup> For many developing countries, remittances have become a vital support for the economy and a source of economic security for remittance recipients.

Migrants' decisions to send money home reflect both instrumental and non-instrumental motives.<sup>31</sup> Economically, remittances can finance consumption back home,<sup>32</sup> serve as insurance against adverse economic shocks,<sup>33</sup> and underwrite investments.<sup>34</sup> Socially, remittances provide

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<sup>26</sup> Guarnizo, Portes and Haller, 'Assimilation and Transnationalism'.

<sup>27</sup> Steven Vertovec, 'Migrant Transnationalism and Modes of Transformation', Peggy Levitt and Nina Glick-Schiller, 'Conceptualizing Simultaneity: A Transnational Social Field Perspective on Society', *International Migration Review*, 38 (2004), 1002-1039.

<sup>28</sup> Data are from World Bank *Migration and Remittances Factbook 2011*, Washington, D.C.: World Bank (2011). These are official flows, which underestimate remittance flows. Estimates for unofficial remittance flows range from 35 percent to 250 percent of recorded flows, Caroline Freund and Nikola Spatafora, 'Remittances, Transaction Costs, and Informality', *Journal of Development Economics*, 86 (2008), 356-366.

<sup>29</sup> World Bank, *Global Economic Prospects 2006*, Washington, D.C.: World Bank (2006), 90.

<sup>30</sup> World Bank *Global Economic Prospects*.

<sup>31</sup> Robert E.B. Lucas and Oded Stark, 'Motivations to Remit: Evidence from Botswana', *Journal of Political Economy*, 93 (1985), 901-918.

<sup>32</sup> Devesh Kapur, 'Remittances: The New Development Mantra?' In *Remittances: Development Impact and Future Prospects*, edited by Samuel Maimbo, and Dilip Ratha. Washington, DC: World Bank (2005), 331-360.

<sup>33</sup> Catalina Amuedo-Dorantes and Susan Pozo, 'Remittances as Insurance: Evidence from Mexican Immigrants', *Journal of Population Economics*, 19 (2006), 227-254; Dean Yang, 'Coping with Disaster: The Impact of

a mechanism for increasing social status,<sup>35</sup> maintaining community ties,<sup>36</sup> strengthening familial bonds,<sup>37</sup> and solidifying clientelistic power bases.<sup>38</sup>

Cross-national analyses of remittance flows have found support for migrants' multifaceted economic and social motives for sending money home.<sup>39</sup> However, such analyses have ignored migrants' political motivations. Implicitly, this rests on the assumption that migrants are either not politically involved in their home countries, or to the extent that they are politically involved, their political involvement is not financial. These assumptions contrast with many country- and micro-level studies that emphasize that migrants are often important political actors in their home countries and have identified specific cases of politically-motivated remittances.

### Migrants as political actors

Migrants' political ties range from following political news through home country media, to participating in domestic elections (as voters, candidates and financial underwriters), and shaping political debate in their countries of origin. With the large number of migrants and migrants' enduring ties to their home countries, 'immigrant communities turn into an

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Hurricanes on International Financial Flows, 1970-2002', *B.E. Journal of Economic Analysis and Policy*, 8 (2007), Article 13.

<sup>34</sup> Dean Yang, 'International Migration, Remittances, and Household Investment: Evidence from Philippine Migrants' Exchange Rate Shocks', *Economic Journal*, 118 (2008), 591-630; Christopher M. Woodruff and Rene Zenteno, 'Migration Networks and Microenterprises in Mexico', *Journal of Development Economics*, 82 (2007), 185-209.

<sup>35</sup> Luin Goldring, 'The Power of Status in Transnational Social Fields', *Comparative Urban and Community Research*, 6 (1998), 165-195.

<sup>36</sup> Jørgen Carling, 'The Human Dynamics of Migrant Transnationalism', *Ethnic and Racial Studies*, 31 (2008), 1452-1477.

<sup>37</sup> Horst, 'The Blessings and Burdens of Communication'.

<sup>38</sup> David Fitzgerald, 'Beyond 'Transnationalism': Mexican Hometown Politics at an American Labour Union', *Ethnic and Racial Studies*, (2003), 228-247.

<sup>39</sup> Rapoport and Docquier, 'The Economics of Migrants' Remittances'.

unexpected, but increasingly visible actor in the politics of their home towns and countries'.<sup>40</sup>

Many migrants remain informed about current events back home and increase their attention to home country news around elections.<sup>41</sup> Migrants may participate in home country politics more actively, as well. Migrants have lobbied for the opportunity to vote and to run as candidates in home country elections.<sup>42</sup> For countries that do not allow for absentee voting, migrants may even return home to vote, with trips sometimes subsidized by political parties.<sup>43</sup>

As international communications networks make transnational communications easier, migrant diasporas are increasingly playing an active role in shaping the political agenda in their home countries.<sup>44</sup> As transnational social networks, diasporas provide a forum for political debate, organization, and coordination free from constraints the state might impose on political freedoms. As such, diasporas have been particularly important in less democratic, newly independent, and post-civil conflict countries. Diasporas' political support and endorsements have helped exiled political leaders return home (for example, Ahmad Chalabi in Iraq, Ellen Johnson-Sirleaf in Liberia, and Ashraf Ghani in Afghanistan), and have garnered international

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<sup>40</sup> Alejandro Portes, Cristina Escobar, and Alexandria Walton Radford, 'Immigrant Transnational Organizations and Development: A Comparative Study', *International Migration Review*, 41 (2007), 242-281, 244.

<sup>41</sup> Levitt and Jaworski, 'Transnational Migration Studies'. In a cross-national study of international trade in newspapers, Hisham S. Foad, 'Swapping Print: The Impact of Immigration and the Internet on International Trade in Newspapers', Unpublished Manuscript, San Diego State University Department of Economics, San Diego, CA (2007), finds that as the share of migrants in a country increases, so too does the consumption of foreign newspapers. In an analysis of migrants' news source preferences in Europe, Connie Carøe Christiansen, 'News Media Consumption Among Immigrants in Europe', *Ethnicities*, 4 (2004), 185-207, finds that migrants watch more television news shows from their country of origin than from their host country.

<sup>42</sup> Eva Østergaard-Nielsen, 'The Politics of Migrants' Transnational Political Practices', *International Migration Review*, 37 (2003), 760-786; Michael Peter Smith and Matt Bakker, 'The Transnational Politics of the Tomato King: Meaning and Impact', *Global Networks*, 5 (2005), 129-146.

<sup>43</sup> Eva Østergaard-Nielsen, 'International Migration and Sending Countries: Key Issues and Themes', in *International Migration and Sending Countries: Perceptions, Policies and Transnational Relations*, edited by Eva Østergaard-Nielsen, London: Palgrave, (2003), 3-32, notes that 'in the 1999 Israeli election, both President Netanyahu and Ehud Barak organized cheap flights from at least eight major US and Canadian cities. Similarly, the Turkish Welfare Party...has been rumoured to fly in voters for the 1995 election in Turkey.' Zimbabwean parties campaigned in South Africa in 2008 to convince voters to return home to vote (*Africa News*, March 11, 2008. Zimbabwe; Go Home and Vote, NGOs Urge Expats).

<sup>44</sup> Jennifer M. Brinkerhoff, *Digital Diasporas: Identity and Transnational Engagement*, Cambridge: Cambridge University Press (2009).

recognition for new regimes.<sup>45</sup> Political debate within diasporas has shaped the formulation of national constitutions and the terms of ceasefire agreements in civil conflicts.<sup>46</sup> A few examples help to illustrate the importance of diasporas as political actors. Support from the overseas Indian community has been crucial in the resurgence of the Hindu right in India<sup>47</sup>, while ‘diaspora Eritreans have mobilized demonstrators, amassed funds for war, debated the formulation of the constitution and influenced the government of Eritrea’<sup>48</sup>, and the need for diaspora support has led most Liberian presidential hopefuls to announce their candidacies in the United States<sup>49</sup>.

Of particular interest for this analysis, many migrants also contribute financially to their favoured political causes. As countries’ expatriate communities expand, political parties are increasingly turning to migrants for campaign finance. Many parties have opened overseas chapters in migrant communities, and political candidates are campaigning and fundraising abroad.<sup>50</sup> Examples abound. Elections in the Dominican Republic are contested both at home and in the United States, and campaign contributions from the United States account for ten to fifteen per cent of major Dominican parties’ revenues.<sup>51</sup> In Ethiopia, both major political coalitions are dependent on diaspora organizations for their funding.<sup>52</sup> Turkish opposition parties use overseas

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<sup>45</sup> Lyons and Mandaville, ‘Think Locally, Act Globally’.

<sup>46</sup> Victoria Bernal, ‘Diaspora, Cyberspace and Political Imagination: The Eritrean Diaspora Online’, *Global Networks*, 6 (2006), 161-179; David Newman, ‘Real Spaces, Symbolic Space: Interrelated Notions of Territory in the Arab-Israeli Conflict’, in *A Road Map to War: Territorial Dimensions of International Conflict*, edited by Paul F. Diehl, Nashville: Vanderbilt University Press, (1999).

<sup>47</sup> Pablo S. Bose, ‘Home and Away: Diasporas, Developments and Displacements in a Globalising World’, *Journal of Intercultural Studies*, 29 (2008), 111-131.

<sup>48</sup> Bernal, ‘Diaspora, Cyberspace and Political Imagination’, 162.

<sup>49</sup> Lyons and Mandaville, ‘Think Locally, Act Globally’.

<sup>50</sup> Guarnizo, Portes and Haller, ‘Assimilation and Transnationalism’.

<sup>51</sup> Itzigssohn et al, ‘Mapping Dominican Transnationalism’; Pamela M. Graham, ‘Reimagining the Nation and Defining the District: Dominican Migration and Transnational Politics’, in Patricia Pessar, ed, *Caribbean Circuits: New Directions in the Study of Caribbean Migration*, (New York: Center for Migration Studies, 1997), 91-126.

<sup>52</sup> Terrence Lyons, ‘Conflict-Generated Diasporas and Transnational Politics in Ethiopia’, *Conflict, Security and Development*, 7 (2007), 529-549.

campaign trips to fill the party coffers.<sup>53</sup> The Indian Bharatiya Janata Party relies on funds raised in the United States, Great Britain and Australia.<sup>54</sup> With rising migration, political campaigns are becoming increasingly global as parties fight for migrants' funding and support.

As with all dimensions of migrants' transnational ties, migrants' decisions to engage in politically-motivated remittances reflect both instrumental and non-instrumental motives. For migrants wishing to influence political outcomes in their countries of origin, direct financial contributions to politicians or their parties may increase migrants' political leverage, either by increasing the likelihood that their preferred candidates attain office or by increasing their access to the political process. Political contributions may be given directly to parties by migrants or passed on to politicians by migrants' families.

Remittances can indirectly serve to meet migrants' instrumental political goals as well. Sending money home to family members can provide migrants with political leverage. As Ricardo Monreal, a former governor of the state of Zacatecas, Mexico notes, "[migrants'] economic influence is huge and their political clout as a consequence of that is huge too".<sup>55</sup> In assessing the impact of Mexican migrants' political preferences and remittances on voters back home, Meyer notes remitters 'can influence the votes of those who stayed...as they send money, they also send messages'.<sup>56</sup> Reflecting the patronage networks embedded in many remittance-receiving households,<sup>57</sup> scholars have found that many migrants view their family's pursuit of

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<sup>53</sup> Eva Østergaard-Nielsen, 'Turkey and the 'Euro Turks': Overseas Nationals as an Ambiguous Asset', in Eva Østergaard-Nielsen, ed, *International Migration and Sending Countries: Perceptions, Policies and Transnational Relations*, (London: Palgrave, 2003), 77-98.

<sup>54</sup> Bose, 'Home and Away'.

<sup>55</sup> *BBC News*, May 18, 2004. Available from <http://news.bbc.co.uk/go/pr/fr/-/1/hi/world/americas/3582881.stm>.

<sup>56</sup> Teresa Borden, 'Atlanta Becomes Stop in Mexican Governor's Race', *The Atlanta Journal-Constitution*, Section: News, 1C (February 5, 2005).

<sup>57</sup> Fitzgerald, 'Beyond 'Transnationalism''.

their political goals as an explicit quid-pro-quo for their economic support.<sup>58</sup> Sacchetti reports this viewpoint explicitly in an interview with a Dominican migrant living in Boston. ‘He isn’t shy about telling his relatives whom to vote for to get results. ‘What I tell the family to do, they do it....We are the ones who support them.’’<sup>59</sup> This view is mirrored by remittance recipients who often feel obliged to represent their remitter’s political preferences.<sup>60</sup>

Not all of migrants’ politically-motivated remittances reflect instrumental motives. Contributing to political campaigns can also serve as a non-instrumental form of political engagement. In an analysis of campaign finance in the United States, Ansolabehere, de Figuieredo and Snyder argue that most campaign contributors donate for non-instrumental reasons. ‘Individuals give because they are ideologically motivated, because they are excited by the politics of particular elections, because they are asked by their friends or colleagues and because they have the resources necessary to engage in this particular form of participation.’<sup>61</sup> Added to these motivations for migrants, contributing to political campaigns also strengthens their sense of attachment to their homeland. Contributing to political campaigns allows migrants to be involved in politics back home. In particular, for migrants from countries currently undergoing democratization, participating in the political process is exciting and allows them to be a part of their country’s political transformation. This motivation is especially strong for migrants supporting opposition candidates. As one Mexican migrant in the United States responded when asked why he campaigned for Vicente Fox, Mexico’s first opposition candidate

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<sup>58</sup> Jonathan Fox, ‘Unpacking “Transnational Citizenship”’, *Annual Review of Political Science*, 8 (2005), 171-201; Lyons and Mandaville, ‘Think Locally, Act Globally’.

<sup>59</sup> Maria Sacchetti, ‘Politics not always local for certain immigrants – Dominican head draws Hub crowd’, *The Boston Globe: Metro* (October 26, 2007).

<sup>60</sup> Itzigsohn, Cabral, and Vázquez, ‘Mapping Dominican Transnationalism’; Peggy Levitt, ‘Social Remittances: Migration Driven Local-Level Forms of Cultural Diffusion’, *International Migration Review*, 32 (1998), 926-948; Lyons, ‘Conflict-Driven Diasporas’.

<sup>61</sup> Stephen Ansolabehere, John M. de Figuieredo, James M. Snyder, Jr., ‘Why is there so little money in US Politics?’, *Journal of Economic Perspectives*, 17 (2003), 105-130, 117-118.

to win the presidency, ‘He is the hope for our community here and in our homeland’.<sup>62</sup> Migrants’ decision to engage in politically-motivated remittances, as with all forms of migrants’ transnational behaviour, reflects migrants’ multidimensional motivations.

The research discussed above has identified individual examples in which migrants have used their economic resources to participate politically back home. However, while this literature provides strong evidence that migrants have engaged in politically-motivated remittances, it cannot assess the prevalence of political remittances more broadly or the degree to which such remittances are systematically influenced by political and economic factors. The goal of this paper is to analyze aggregate remittance flows for evidence suggesting that remittance flows reflect, in part, migrants’ political interests.

#### Elections and Politically-Motivated Remittances

If migrants’ remittances are in part politically motivated, then remittances should increase when migrants can either exert more influence on politics (reflecting an instrumental motivation), or become more enthusiastic about or attached to politics in their countries of origin (reflecting a non-instrumental motivation). Elections provide one of the most important opportunities for migrants to engage in politics back home. If migrants’ remittances are in part a non-instrumental form of political participation, then remittances should increase when politics is most accessible and engaging. For most survey respondents who express any interest in politics, their interest waxes and wanes in lockstep with the electoral calendar.<sup>63</sup> In response to the public’s greater engagement, political media coverage also increases around elections. As a result, I expect remittances as a form of political participation to increase in election years.

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<sup>62</sup> John Ward Anderson, ‘Politicians without Borders; Mexico's Candidates Court Support of Migrants in U.S.’, *The Washington Post*, (May 9, 2000) A20.

<sup>63</sup> E.g. Samuel L. Popkin, *The Reasoning Voter*, (Chicago: University of Chicago Press, 1991).

Instrumentally, with elections looming political elites are most open to influence, both directly through processes of selection and replacement, and indirectly as politicians become more responsive to public opinion. Politicians are also most in need of money at this time, providing potential donors, such as remitters, with greater leverage. As a result, direct financial contributions to politicians or their parties intended to increase migrants' political leverage, either by increasing the likelihood that their preferred candidates attain office or by increasing their access to the political process, should increase prior to elections. Similarly, if migrants' remit more to increase their influence over remittance recipients' voting behaviour, then remittances should also increase prior to elections.

Thus, if migrants' decision to remit is sensitive to the electoral environment in their country of origin, remittances should be greater in election years than in non-election years, all else equal. This leads to Hypothesis 1.

H<sub>1</sub>: Remittances increase in election years.

Moreover, politically-motivated remittances should depend on the political and economic context in which the election occurs. Migrants are likely to send more money home prior to elections in which their remittances have greater political leverage or generate greater enthusiasm. If the outcome of an election is considered a foregone conclusion, or if migrants' remittances are unlikely to have a significant impact on politicians', parties' or voters' behaviour, then the political leverage of migrants' money should be no greater in an election year than in a non-election year.

Political leaders in developing countries enjoy a large incumbency advantage.<sup>64</sup> In an analysis of presidential elections in developing countries from 1975 to 2004, Baturo finds that eighty per cent of presidents in democratic or partially-democratic regimes that ran for reelection won.<sup>65</sup> This incumbency advantage extends to incumbents' chosen successors, as well. Many executives in developing countries face term limits, which restrict incumbents' ability to run in successive elections. When the incumbent cannot stand for reelection, a successor is often chosen to run. While successors are not as successful as incumbents in elections, they still have a considerable electoral advantage.<sup>66</sup> As a result, elections in which incumbents or chosen successors do not run generally generate greater interest and attention and may provide greater opportunities for migrants to influence politics. This effect should apply regardless of whether migrants support the incumbent, the opposition or both. This leads to Hypothesis 2.

H<sub>2</sub>: Remittances increase in election years in which the incumbent or chosen successor does not run.

Finally, to the extent that migrants are motivated by their ability to influence politics back home, migrants' political leverage should be greater when remittances represent a greater

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<sup>64</sup> Bruce Bueno de Mesquita, Alastair Smith, Randolph M. Siverson, and James D. Morrow, *The Logic of Political Survival*, (Cambridge: M.I.T. Press, 2003); José Antonio Cheibub and Adam Przeworski, 'Democracy, Elections, and Accountability for Economic Outcomes', in Adam Przeworski, Susan C. Stokes, and Bernard Manin, eds, *Democracy, Accountability, and Representation*, (Cambridge: Cambridge University Press, 1999), 222-250; Henry Bienen and Nicolas van de Walle, *Of Time and Power*, (Stanford: Stanford University Press, 1991). Although incumbency advantage is often analyzed in the U.S. legislative context where incumbents' resource advantages over challengers and their ability to deter strong challengers create a large electoral advantage for incumbents (Gary W. Cox and Jonathan N. Katz, 'Why Did the Incumbency Advantage in U.S. House Elections Grow?' *American Journal of Political Science*, 40 (1996), 478-497), the incumbency advantage that politicians enjoy in developing countries is often much greater given the large asymmetry between incumbents' and challengers' resources.

<sup>65</sup> Alexander Baturo, 'Presidential Succession and Democratic Transitions', *IIS Discussion Series Paper No. 209* (2007)

<sup>66</sup> Baturo, 'Presidential Succession'; Barbara Geddes, 'What Do We Know About Democratization After Twenty Years?', *Annual Review of Political Science*, 2 (1999), 115-144.

relative contribution either to politicians' coffers or recipients' income. Thus, the extent to which remittances influence political outcomes may depend upon how wealthy the country is. For poorer countries, because there is less money available domestically for political purposes, politically-motivated remittances may provide more 'bang for the buck'. As a result, the less wealthy the country, the more influence politically-motivated remittances may provide for migrants. This leads to Hypothesis 3.<sup>67</sup>

H<sub>3</sub>: Election-year increases in remittances are larger the less wealthy the home country.

### Cross-National Empirical Analysis

The discussion presented in the previous section suggests that migrants' decision to remit may reflect political considerations, and in particular their home countries' electoral calendars. Before turning to the statistical analyses, Figure 1 presents a brief plausibility assessment of the three hypotheses analysed in this section. Hypothesis 1 posits that remittance flows are larger in election years than in non-election years. As a preliminary diagnostic, Panel A presents the mean value of remittances for election and non-election years. On average, remittances are thirty per cent larger in election years than in non-election years, providing initial support for Hypothesis 1. Hypothesis 2 suggests that migrants remit fewer politically-motivated remittances when the incumbent or successor runs. Panel B presents the mean value of remittances in election years depending on whether or not the incumbent or a chosen successor ran in the election. On average, remittances are fifty-eight per cent larger in election years in which the incumbent or a

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<sup>67</sup> A key assumption underlying the preceding hypotheses is that migrants have the financial wherewithal to remit beyond the economic needs of their families. Particularly when examining remittance flows to poorer countries, as is the case in Hypothesis 3, this assumption may not be accurate. If migrants from poorer countries are unable to remit more than is necessary for their families' welfare, then they will not have the financial resources available to invest in politics, and Hypothesis 3 will not hold. This is an empirical question.

chosen successor did not run than in election years in which the incumbent or chosen successor did run. This difference provides preliminary support for Hypothesis 2. Finally, Hypothesis 3 posits that elections have a greater impact on remittance flows in poorer countries. As an initial cut, Panels C and D present the mean value of remittances in election and non-election years for above median income and below median income observations. In support of this hypothesis, on average, remittances in poorer countries are thirty-six per cent larger in election years than in non-election years. For richer countries, remittances are only nineteen per cent larger in election years than in non-election years. Taken together, these descriptive statistics provide initial support for the argument developed in this paper.

[Figure 1 about here]

These hypotheses are tested more rigorously below through a time-series cross-sectional analysis of annual remittance flows to 81 nominally democratic developing countries, from 1990 to 2005.<sup>68</sup> The estimation technique employed is linear regression with panel corrected standard errors.<sup>69</sup> Given the unbalanced and heterogeneous nature of the sample, linear regression with panel corrected standard errors represents a valuable combination that gains explanatory leverage from cross-national and cross-temporal data, while correcting for possible spatial and temporal correlation of errors.<sup>70</sup>

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<sup>68</sup> This sample reflects the availability of economic data from World Bank, *World Development Indicators*, (Washington, DC: World Bank, 2007) electoral data from Susan D. Hyde and Nikolay Marinov, 'National Elections across Democracy and Autocracy: Which Elections Can Be Lost?' Unpublished Manuscript. (Yale University Department of Political Science, New Haven, CT, 2010), and the constraint that countries have a minimal POLITY score of zero from Monty G. Marshall, Ted R. Gurr, and Keith Jaggers, *POLITY IV Project: Political Regime Characteristics and Transitions, 1800-2009 Dataset Users' Manual*, (Center for Systemic Peace: [www.systemicpeace.org/polity/polity4.htm](http://www.systemicpeace.org/polity/polity4.htm)). The 1990 start date reflects the large increase in remittances since 1990, as well as data limitations due to the inclusion of *Migrant GDP per capita* and *Migrant GDP Growth*.

<sup>69</sup> Nathaniel Beck and Jonathan N. Katz, 'What to Do (and Not to Do) with Time-Series Cross-Section Data', *American Political Science Review*, 89 (1995), 634-47.

<sup>70</sup> Because the results may be a function of this specific estimation technique, the analyses were re-run as fixed effects models with country and year controls. These models are included in the online appendix. Hypotheses 2 and 3 remain statistically significant at the 95 percent level. However, support for Hypothesis 1 falls from 95 percent to 84 percent, below conventional levels of statistical significance. These results confirm the importance of Hypotheses

Ideally, the dependent variable for this analysis would explicitly identify politically-motivated remittances, discriminating between migrants' political motivations and other motivations, such as migrants' economic or social motivations. Unfortunately, such data do not exist. The research strategy adopted here is to examine aggregate remittance flows, testing for evidence that they are partly driven by political motives while controlling for other factors known to influence remittance flows. This research strategy is a commonly adopted approach when analyzing aggregate economic data, as is the case, for example, in analyses of government spending,<sup>71</sup> political business cycles,<sup>72</sup> trade flows,<sup>73</sup> and foreign direct investment.<sup>74</sup>

Remittance data are from the World Bank, and are a composite measure of officially-recorded flows of workers' remittances, compensation of employees, and migrant transfers.<sup>75</sup> While each of these categories is analytically distinct, they are practically indistinguishable for most countries.<sup>76</sup> Although the World Bank's remittance data are the most comparable and comprehensive cross-national remittance data available, a degree of caution is required when using these data due to the difficulties that exist in collecting these data.<sup>77</sup> In particular, there are two types of data missingness to consider with respect to the World Bank's remittance data. The

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2 and 3 as scope conditions concerning when migrants are more likely to become involved financially in elections back home.

<sup>71</sup> Torsten Persson and Guido Tabellini, *The Economic Effects of Constitutions*, (Cambridge: MIT Press, 2003).

<sup>72</sup> Allan Drazen, 'The Political Business Cycle after 25 Years', *NBER Macroeconomics Annual 2000* (2001), 75-117.

<sup>73</sup> Judith L. Goldstein, Douglas Rivers and Michael Tomz, 'Institutions in International Relations: Understanding the Effects of the GATT and WTO on World Trade', *International Organization* 61 (2007), 37-67.

<sup>74</sup> Nathan M. Jensen, 'Democratic Governance and Multinational Corporations: Political Regimes and Inflows of Foreign Direct Investment', *International Organization* 57 (2003), 587-616.

<sup>75</sup> World Bank, *World Development Indicators*.

<sup>76</sup> As an illustration, the World Bank notes, 'for example, India shows very little compensation of employees, but large workers' remittances, although it is well known that India supplies a large number of temporary information technology workers to the United States and to European countries. On the other hand, the Philippines shows large compensation of employees and very few migrants' transfers. World Bank, *Migration and Remittances Factbook 2011*, (Washington, DC: World Bank, 2011). Accessed at

<http://siteresources.worldbank.org/INTPROSPECTS/Resources/334934-1199807908806/FactbookDataNotes.pdf>

<sup>77</sup> The importance of remittance flows has led to the formation of a World Bank, IMF and UN working group to improve cross-national remittances data collection. World Bank *Migration and Remittances Factbook*.

first concerns country-year coverage. These data are available for eighty-five per cent of the country-year observations for which election data are available for nominally democratic developing countries, 1990-2005. Unsurprisingly, there is a systematic bias in which observations are missing data.<sup>78</sup> Most of the missing observations occur in the first few years after a regime transition in newly independent and post-communist countries, and correspond more broadly with an absence of economic data for these countries, thus the cross-national missingness of remittance data is comparable to that of other cross-national analyses using economic data. To the extent that remittance data are more likely to be missing for post-transition elections that one would expect to matter greatly to migrants, this type of missing data is likely to result in an underestimation of an election-year effect on migrants' remittances.

Second, and more fundamentally, because remittances are often transferred unofficially, official measures underestimate remittance flows, with analysts estimating that informal flows range from 50% to 250% of official flows.<sup>79</sup> As a result, official remittance flows do not capture the universe of remittances, and thus, unofficial remittances remain outside the scope of this dataset. With respect to politically-motivated remittances in particular, the inability to assess informal remittances flows means that if migrants are more likely to transmit politically-motivated remittances unofficially, then the results reported below will underestimate the level of political remittances. However, it is unclear whether politically-motivated remittances are systematically more likely to be remitted unofficially than other types of remittances.<sup>80</sup>

For cross-national comparisons, remittances are analysed either as a per cent of gross

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<sup>78</sup> James R. Hollyer, B. Peter Rosendorff, James Raymond Vreeland, 'Democracy and Transparency', *Journal of Politics* (forthcoming).

<sup>79</sup> Freund and Spatafora, 'Remittances, Transaction Costs, and Informality'.

<sup>80</sup> One might expect that if politically-motivated remittances involve under the table and at times illegal financing of campaigns and parties, politically-motivated remittances would be more likely to be unofficial and under-reported, and thus analyses of official remittance flows should be less likely to find any evidence of political motivations. However, campaign finance in most developing countries is less regulated than in the developed world (with some prominent exceptions) and thus this may not hold.

domestic product (GDP),<sup>81</sup> or as absolute levels of remittances.<sup>82</sup> While similar conceptually, the two measures can be quite different in practice. For example, a \$100 million increase in remittances to Mexico or Albania would look identical when analyzing absolute remittance flows, but would represent a 0.2 per cent increase in terms of GDP in Mexico and a 2 per cent increase for Albania. There is no theoretical reason why either measure is preferred for the analysis of politically-motivated remittances. As a result, I use natural log transformations of both measures as dependent variables for this project.<sup>83</sup> The two series correlate at 0.53. Because the results from the two series are almost identical, I present those for *Remittances, ln* in Table 1, and those for *Remittances as a per cent of GDP, ln* in the online appendix.

In order to be confident in the effect of elections on remittance flows, it is necessary to consider migrants' other motivations and other factors that may influence remittance flows. To do so, I build on the empirical results of Niimi and Ozden and Freund and Spatafora, which examine the determinants of remittance flows cross-nationally.<sup>84</sup> Remittance flows tend to reflect economic conditions in the home country. Remittances are most often viewed as an income supplement for a migrant's family, and as a form of insurance against bad economic times.<sup>85</sup> In keeping with these two motives, remittances are expected to be higher for poorer countries, and for countries undergoing economic downturns. Interestingly, while Niimi and Ozden and Freund and Spatafora find strong support for the negative correlation between home country income and remittance flows, there is no clear impact for economic growth. One explanation for the lack of a

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<sup>81</sup> Yoko Niimi and Caglar Ozden, 'Migration and Remittances: Causes and Linkages', *World Bank Policy Research Working Paper* 4087 (2006).

<sup>82</sup> Freund and Spatafora, 'Remittances, Transaction Costs, and Informality'.

<sup>83</sup> Both *Remittances* and *Remittances as a % of GDP* are strongly right-skewed. Taking the natural log of these series produces distributions that more closely approximate a normal distribution, and reduces the bias of large values on the regression results. *Remittances* data are in real 2000 US dollars. Descriptive statistics for all variables used in these analyses are included in the online appendix.

<sup>84</sup> Niimi and Ozden, 'Migration and Remittances' and Freund and Spatafora, 'Remittances, Transaction Costs, and Informality'.

<sup>85</sup> Rapoport and Docquier, 'The Economics of Migrants' Remittances'.

relationship between remittances and economic growth is that while migrants may remit more in bad times to cushion their families from the poor economy, they might also remit more in good times as an economic investment.<sup>86</sup> To control for the effects of the home country's economy on remittance inflows, I include measures for the size of the home country's economy (*GDP, ln*), its economic income (*GDP per capita, ln*) and its growth rate (*GDP growth*).<sup>87</sup>

Global economic conditions matter as well. First, migrants' economic fortunes affect how much money they can send home—higher migrant income is associated with higher remittances. This finding is well-established at the level of the individual migrant, but has not been the focus of cross-national work due to the difficulty in identifying where a country's migrants have migrated.<sup>88</sup> Parsons, Skeldon, Walmsley, and Winters have developed an international bilateral migration stock database for 226 by 226 countries that helps address this problem.<sup>89</sup> This dataset, which is based on country census data for the year 2000, reports for each home country the number of migrants residing in each of the other 225 countries. I transform these dyadic data into the percentage of the home country's migrants residing in each country. I then use these percentages to weight migrant-receiving countries' GDP per capita and GDP growth to create measures of *Migrant GDP per capita* and *Migrant GDP Growth*. These measures constitute cross-national proxies for migrants' economic conditions.<sup>90</sup> In keeping with individual level

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<sup>86</sup> M.I.T. El-Sakka and Robert McNabb 'The Macroeconomic Determinants of Emigrant Remittances', *World Development*. 27 (1999), 1493-1502; David Leblang, 'Familiarity Breeds Investment: Diaspora Networks and International Investment', 104 (2010), 584-600.

<sup>87</sup> All economic data are from World Bank *World Development Indicators*. *GDP, ln* reflects the functional form of the dependent variable. When *Remittances, ln* is used, *GDP, ln* is positive, correcting for the under-prediction of remittance flows to large countries. In contrast, when *Remittances as a per cent of GDP, ln* is used, *GDP, ln* is negative, correcting for the over-prediction of remittance flows to large countries.

<sup>88</sup> Ken Clark and Stephen Drinkwater, 'An Investigation of Household Remittance Behaviour: Evidence from the United Kingdom', *The Manchester School*. 75 (2007), 717-741.

<sup>89</sup> Christopher R. Parsons, Ronald Skeldon, Terrie L. Walmsley, and L. Alan Winters, 'Quantifying International Migration: A Database of Bilateral Migrant Stock', *World Bank Policy Research Working Paper 4165* (2007).

<sup>90</sup> While the Parsons, et al, 'Quantifying International Migration' data are only for 2000, the weights derived from these data are applied for the entire 1990-2005 period. As a robustness check, each of the models reported in these analyses was run excluding these two variables. Their exclusion does not affect the results.

results, I expect that remittances will be positively correlated with both *Migrant GDP per capita* and *Migrant GDP Growth*.

Second, as an international capital flow, remittances may respond to global investment opportunities. In particular, remittances to developing countries may be negatively correlated with investment opportunities in developed countries. Such investment opportunities are more likely the better economic performance is in developed economies. To control for this, *High Income Country GDP Growth* is included in the analyses. Third, as global migration increases, remittance flows may also reflect the number of foreign nationals living in the home country. As the number of migrants living in the home country increases, the amount of remittances going to these households may also increase. To capture this effect, I include a measure for the home country's international migrant stock (*Migrant Stock, ln*).<sup>91</sup>

Finally, as with most time series variables, the best indicator of remittance flows in the current period is remittance flows in the previous period. Therefore, a one period lag of the dependent variable is included as an explanatory variable.

[Table 1 about here]

Turning to Model 1 in Table 1, as expected, the lagged dependent variable is a strong predictor of remittances in the current period. Similarly, an increase in the country's international migrant stock (*Migrant Stock, ln*) is correlated with an increase in remittances. Surprisingly, home country economic conditions do not appear highly correlated with remittance flows. With respect to migrants' economic characteristics, both *Migrant GDP per capita* and *Migrant GDP Growth* are positively correlated with remittance flows, but only *Migrant GDP per capita* is statistically significant. This suggests that while migrants' long-run wealth may affect

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<sup>91</sup> These data are available for five year intervals from the World Bank *World Development Indicators* data series *International migration stock, total*. I transform these data through a linear imputation for use annually.

their decision to remit, short-run fluctuations may have relatively little effect. The recent decline in the growth rate of remittances from the U.S., which respondents in an Inter-American Development Bank survey attribute to the slowdown in the U.S. economy, belies this implication.<sup>92</sup> An alternative explanation for the lack of statistical significance for *Migrant GDP Growth* may be that this measure is a relatively noisy proxy for migrants' economic performance. To the extent that migrants' economic performance does not fully reflect that of their country of residence, then *Migrant GDP Growth* will not fully capture migrants' economic context.<sup>93</sup>

Finally, remittances appear to respond less to investment opportunities than do other international capital flows. Although remittances are negatively associated with *High Income Country GDP Growth*, the relationship is not statistically significant in Model 1 (and only marginally significant in Models 2-8). This result is in line with previous studies that find that migrants' decision to remit is more likely to reflect altruistic and familial concerns than market-based investment opportunities.<sup>94</sup>

Turning to the electoral impetus for remittances, election data are from Hyde and Marinov, who have developed a database that includes descriptive information on all elections for national office in developing countries.<sup>95</sup> The argument presented in this paper presupposes that holding an election implies some risk that the incumbent will give up power. In some

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<sup>92</sup> Julia Preston, 'Fewer Latinos Send Money Home', *New York Times*, (May 1, 2008), A1.

<sup>93</sup> Alternative specifications for *Migrant GDP per capita* and *Migrant GDP Growth* use GDP per capita and GDP Growth respectively for the top migrant receiving country rather than for all migrant receiving countries. When these measures are used instead, the results are almost identical.

<sup>94</sup> Luc Arrondel and André Masson, 'Altruism, Exchange or Indirect Reciprocity: What Do the Data on Family Transfers Show?', in Serge-Christophe Kolm and Jean Mercier Ythier, eds, *Handbook of the Economics of Giving, Altruism and Reciprocity: Applications*, (Amsterdam: Elsevier, 2006), 971-1052; David A. Singer, 'Migrant Remittances and Exchange Rate Regimes in the Developing World', *American Political Science Review* 104 (2010), 307-323.

<sup>95</sup> Hyde and Marinov, 'National Elections across Democracy and Autocracy'. Hyde and Marinov define their sample as developing countries that hold elections but that are not already considered to be consolidated democracies.

elections, however, opposition is banned or otherwise restricted. To exclude elections that are a priori uncompetitive, *Election* is coded from three questions in the Hyde and Marinov data: Was opposition allowed? Was more than one party legal? Was there a choice of candidates on the ballot? *Election* is coded 1 if the answer to all three questions is ‘yes’ and 0 otherwise, generating a list of elections in which competition is possible. By this measure, there are 281 elections in the sample, thirty per cent of the observations.

If Hypothesis 1, which posits that remittance flows increase in election years, is correct, then elections should be positively and significantly associated with remittances. Model 2 provides support for this hypothesis. Based on these results, remittances are estimated to increase 6.6 per cent in election years.<sup>96</sup> For Slovakia, which on average receives US\$51 million in remittances annually and represents the twenty-fifth percentile of remittance recipients, an election is predicted to increase remittances by US\$3 million. For Korea, which receives US\$892 million annually in remittances and represents the seventy-fifth percentile of remittance recipients, an election is predicted to increase remittance flows by US\$55 million.

Although *Election* excludes elections that are structurally uncompetitive, some of the included elections may not have been highly competitive in practice. Given the strong incumbency bias in developing country elections, migrants may perceive elections in which the incumbent or the incumbent’s chosen successor runs to be of less interest and less open to their influence than elections in which neither the incumbent nor their chosen successor runs. As a result, Hypothesis 2 posits that migrants remit fewer politically-motivated remittances in election

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<sup>96</sup> Because *Remittances, ln* is logarithmic in functional form, the absolute size of the predicted election-year increase in remittance flows depends on the level of remittances each country receives. For example, average *Remittances, ln* for Slovakia is 17.74 (US\$ 51 million). The marginal effect of an election is a 0.06 increase in *Remittances, ln*—increasing Slovakia’s *Remittances, ln* to 17.8 (US\$54 million). For Korea, this represents an increase in *Remittances, ln* from 20.61 (US\$892 million) to 20.67 (US 951 million). In both cases, this represents a 6.6% predicted increase in election-year remittances.

years in which the incumbent or successor runs. To test this hypothesis, I bifurcate *Election* into *Incumbent or Successor Runs* (140 elections) and *Neither Incumbent nor Successor Runs* (141 elections).<sup>97</sup> If migrants only engage in politically-motivated remittances when the incumbent or chosen successor does not run, then *Neither Incumbent nor Successor Runs* should be positive and significant, and *Incumbent or Successor Runs* should not be significantly different from zero.

Turning to Model 3, the results are supportive of this hypothesis.<sup>98</sup> Remittances are estimated to increase twelve per cent in election years in which neither the incumbent nor a chosen successor runs. This suggests that for Armenia, which on average receives US\$210 million in remittances annually and represents the median remittance receiving country, an election in which neither the incumbent nor a chosen successor runs is predicted to increase remittances by US\$25 million. In contrast, there is no support for the existence of politically-motivated remittances when the incumbent or chosen successor runs. This suggests that higher levels of electoral uncertainty may generate more remittances, and that when it comes to engaging in politically-motivated remittances, migrants care not only about whether an election occurs, but also how contested the election is.

Migrants' decision to engage in politically-motivated remittances should also reflect remittances' economic leverage. For poorer countries, because there is less money available domestically, politically-motivated remittances may provide more 'bang for the buck'. As a result, Hypothesis 3 posits that election-year increases in remittances are larger the less wealthy the home country. To test this hypothesis, Model 4 includes both *Election*, and an interaction between *Election* and *GDP per capita, ln*. If Hypothesis 3 is correct, I expect the largest increase

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<sup>97</sup> These data come from 'National Elections across Democracy and Autocracy': "Did the incumbent run?", and if no: "Was there a chosen successor?".

<sup>98</sup> *Neither Incumbent nor Successor Runs* is significantly different from *Incumbent or Successor Runs* at the 94% level.

in election-year remittances to occur at the lowest level of *GDP per capita, ln*, and for the increase in election-year remittances to taper off as *GDP per capita, ln* increases.

Because Model 4 tests an interactive effect, the size and significance of an election on remittance flows is difficult to ascertain from the regression results. To better gauge support for Hypothesis 3, Figure 2 graphically displays the marginal effect of an election as a country's income varies.<sup>99</sup> In keeping with Hypothesis 3, Figure 2 displays a significant increase in election-year remittances when GDP per capita is below \$1,677. In contrast, when GDP per capita is above \$1,677, politically-motivated remittances do not appear statistically significant.<sup>100</sup> To contextualize this result, fifty-three per cent of the observations in the sample have a GDP per capita below \$1,677. Two conclusions can be drawn from these results. First, in keeping with Hypothesis 3, the poorer the home country, the more financially active migrants may be in politics. Second, although politically-motivated remittances may be more prevalent in poorer developing countries, such remittances appear to be a common feature of developing country elections.

[Figure 2 about here]

Although the preceding analyses provide support for the argument that migrants send more money home in election years, they cannot demonstrate conclusively that this increase in remittances reflects migrants' political participation. Elections may be associated with migrants' non-political motivations for sending money to their countries of origin. In particular, migrants may send more money home in election years as an insurance policy against domestic uncertainty that might arise in response to elections. Alternatively, migrants may send more money home in election years due to a better investment climate around elections. These

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<sup>99</sup> For ease of interpretation, the x-axis in Figure 1 is labeled with *GDP per capita* rather than *GDP per capita, ln*.

<sup>100</sup> The marginal effect of an election when GDP per capita is at its tenth percentile (\$232) is significantly different from the marginal effect of an election when GDP per capita is at its ninetieth percentile (\$5315) at the 92% level.

alternative explanations are explored below.

While elections may provide one of the most important opportunities for migrants to engage in politics back home, they may also generate greater domestic uncertainty—socially, politically and economically. As a result, migrants may increase their remittances in election years to provide a financial buffer for their recipients to offset potential adverse consequences arising from the elections. There are strong reasons to believe that elections and political violence are often related, and the connection between elections and political violence are well-documented in literature examining both contemporary and historical political violence.<sup>101</sup> Elections provide focal points around which political conflict can erupt, as electoral competition may not only promote inter-group competition during a particular period, but may also enhance grievances. Thus, elections may represent a period of greater risk for migrants' families back home. If elections serve as a proxy for domestic turmoil, rather than as an opportunity for migrants to participate in and influence politics in their home country, then remittances should increase more in election years in which there is social unrest.

I test this alternative explanation in Models 5 and 6 in Table 2 using measures of social unrest based on two questions included in the Hyde and Marinov elections dataset: 1) Was there significant violence involving civilian deaths immediately before, during, or after the election?, 2) Were there riots and protests after the election? Based on these data, there was significant violence against civilians in twenty-eight per cent of the elections under analysis, and riots or

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<sup>101</sup> For example, Charles Tilly, *The Politics of Collective Violence*, (Cambridge: Cambridge University Press, 2003), 119, highlights how election campaigns can provide 'setting-based activation' of political identities that may be in conflict, describing many historical and contemporary examples in his extensive work on political violence. Scholars such as Jack Snyder, *From Voting to Violence: Democratization and Nationalist Conflict*, (New York: Norton, 2000), and Steven I. Wilkinson, *Votes and Violence: Electoral Competition and Ethnic Riots in India*, (Cambridge: Cambridge University Press, 2004), also highlight the importance of the link between elections and violence, focusing on a more instrumental logic underpinning the link between elections and violence.

protests in eighteen per cent of the elections.<sup>102</sup> If migrants remit more money in election years to insure against election-related domestic turmoil, then remittances should increase more in election years associated with violence against civilians (Model 5) or with riots and protests (Model 6). Based on the results reported in Models 5 and 6, there is no support for this alternative explanation. There does not appear to be an increase in remittances in election years in which there is violence against civilians or post-electoral riots and protests. In contrast, there is strong evidence of election-year increases in remittances when there is no violence against civilians or post-electoral riots and protests.

[Table 2 about here]

Rather than insuring against bad times, election-year remittances may be spurred by economic good times. Governments in developing countries are more likely to be reelected when the economy is strong.<sup>103</sup> As a result, governments often attempt to call elections when the economy is doing well,<sup>104</sup> or, if the electoral calendar is fixed, to increase the strength of the economy in the run-up to the election.<sup>105</sup> Thus, elections may be associated with better investment opportunities for migrants. If so, then election-year remittances may increase in response to the improved investment climate, rather than as an act of political participation.

I test this alternative explanation using two measures to capture the home country's investment climate. Investment opportunities tend to increase as the strength of the economy

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<sup>102</sup> These two series correlate at forty per cent. Of the 281 elections included in these analyses, 45 elections were associated with violence against civilians, but with no riots or protests, 17 were associated with riots and protests but without significant violence against civilians, 33 were associated with both violence against civilians and with riots and protests, and 186 were associated with neither significant violence against civilians nor with riots or protests.

<sup>103</sup> Michael S. Lewis-Beck and Mary Stegmaier, 'The Economic Vote in Transitional Democracies', *Journal of Elections, Public Opinion & Parties*, 18 (2008), 303-323.

<sup>104</sup> Alistair Smith, 'Election Timing in Majoritarian Parliaments', *British Journal of Political Science*, 33 (2003), 397-418; Mark Andreas Kayser, 'Who Surfs, Who Manipulates? The Determinants of Opportunistic Election Timing and Electorally Motivated Economic Intervention', *American Political Science Review*, 99 (2005), 17-27.

<sup>105</sup> See Allen Drazen, 'The Political Business Cycle after 25 Years'; *NBER Macroeconomics Annual*, 15 (2000), 75-117, for a review of the political business cycle literature.

increases. As a result, Model 7 includes an interaction between *GDP Growth* and *Election* in Model 7. If migrants remit more money in election years to take advantage of investment opportunities, then remittances should increase in election years with higher GDP growth. The results reported in Model 7 provide no support for this alternative explanation. There appears to be no relationship between election-year remittances and the strength of the home country's economy.

The lack of support for this alternative explanation may reflect the fact that the strength of the economy can have competing effects on migrants' decision to remit. While migrants may remit more in economic good times for investment purposes, they might also remit more in economic bad times to cushion their remittance recipients from adverse economic conditions. However, migrants' remittances are not the only international financial flow that is affected by changes in countries' investment climates; foreign direct investment should also be responsive to investment opportunities in developing countries. As a result, I expect foreign direct investment to increase as more investment opportunities are available in migrants' home countries. To focus more directly on the investment climate, in Model 8 I include an interaction between *Change in Foreign Direct Investment as a per cent of GDP* and *Election* as a proxy for election-year investment climate. If migrants remit more money in election years to take advantage of investment opportunities, then remittances should increase in election years with a greater increase in foreign direct investment. In keeping with Model 7, the results reported in Model 8 do not provide support for the alternative explanation that the increase in election-year remittances is driven by greater investment opportunities in the home country.

Taken together the results reported in Tables 1 and 2 provide strong support for the argument that migrants send more money home in election years, and that this increase in

remittances reflects migrants' political motivations, rather than their insurance or investment motivations. Moreover, these results suggest that migrants' decision to engage in politically-motivated remittances reflects not simply the electoral calendar, but also the degree to which the electoral process provides an opportunity for their remittances to influence politics. Migrants appear to send more money home when the election result is unlikely to be a foregone conclusion, and when migrants' remittances provide more 'bang for the buck'.

### Latin American Sample

Before moving to a subnational analysis of remittance flows to Mexican states, I re-assess the hypotheses presented above for a Latin American and Caribbean sample.<sup>106</sup> Figure 3 presents a brief plausibility assessment. Hypothesis 1 posits that remittance flows are larger in election years than in non-election years. As a preliminary diagnostic, Panel A presents the mean value of remittances for election and non-election years. On average, remittances are fourteen per cent larger in election years than in non-election years. Although this provides initial support for Hypothesis 1, it is half the size of the differential for the entire sample.

[Figure 3 about here]

Hypothesis 2 suggests that migrants remit fewer politically-motivated remittances when the incumbent or successor runs. Panel B presents the mean value of remittances in election years depending on whether or not the incumbent or a chosen successor ran in the election. On average, remittances are thirteen per cent larger in election years in which the incumbent or a chosen successor did not run than in election years in which the incumbent or chosen successor did run. This difference provides preliminary support for Hypothesis 2, but suggests that

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<sup>106</sup> This sample includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, and Venezuela,

incumbency may not matter as much in Latin America as in other regions. In particular, this may reflect the much stronger party systems present in many Latin American countries, as opposed to more personalistic regimes present in other developing countries.

Finally, Hypothesis 3 posits that elections have a greater impact on remittance flows in poorer countries. As an initial cut, Panels C and D present the mean value of remittances in election and non-election years for above median income and below median income observations. In support of this hypothesis, on average, remittances in poorer countries are twenty-six per cent larger in election years than in non-election years. For richer countries, there is no difference between remittances in election years than in non-election years. Unfortunately, given the small sample size, I cannot test this hypothesis in the multivariate analyses.

Turning to Model 1 in Table 3, the baseline results for the Latin American and Caribbean sample are similar but not identical to the full sample of developing countries. In particular, the relative wealth of migrants' sending and receiving countries appears to have a greater impact on remittances in Latin America and the Caribbean than it does in the full sample of developing countries. In contrast to the full sample in which a country's per capita wealth had a relatively small impact on remittance flows, for Latin American and Caribbean countries there is a strong negative relationship; wealthier countries appear to receive fewer remittances. Similarly, migrants' wealth appears to have a much larger impact on how much money is sent home in Latin America and the Caribbean than in the overall sample.

[Table 3 about here]

Model 2 in Table 3 tests Hypothesis 1 for the Latin America and Caribbean sample. These results are almost identical to those from the full sample, albeit with much larger standard errors, as is expected when moving from a sample of 926 observations to a sample of 311

observations.<sup>107</sup> These results provide suggestive but not conclusive support for Hypothesis 1 in Latin American and Caribbean countries.

Model 3 in Table 3 tests Hypothesis 2 for the Latin America and Caribbean sample. In keeping with the argument that migrants remit fewer politically-motivated remittances when the incumbent or successor runs, based on the results reported in Model 3, remittances appear to increase in election years when neither the incumbent nor the incumbent's chosen successor runs. In contrast, there is no evidence that remittances increase in election years in which the incumbent or a chosen successor runs. Interesting, particularly in light of the smaller mean differential shown in Figure 3, this incumbency effect is stronger in the Latin America and Caribbean sample than it is in the full sample.

#### Mexican gubernatorial elections

The preceding analyses were limited to national government elections. However, to the extent that migrants remain tied to their home countries, many of these ties are local—politics at the home town or state level may be more relevant to many migrants.<sup>108</sup> In a very preliminary analysis, I assess whether migrants remit more prior to gubernatorial elections in Mexico.<sup>109</sup> This analysis provides preliminary suggestive evidence that 1) on average, Mexican gubernatorial elections are associated with a pre-electoral increase in remittances, and 2) this effect varies systematically across states and elections.

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<sup>107</sup> The significance level for *Election* is seventy-four per cent.

<sup>108</sup> Whether migrants are more likely to follow local or national elections is not something I am pursuing in this paper, but theoretically should be directly related to migrants' motivations for being politically involved. For example, a migrant with a non-instrumental motivation to be a part of Mexico's democratization, spurred to participate through news coverage in the United States, might know more about and be more interested in a federal election. In contrast, a migrant wishing instrumentally to influence political outcomes based on a desire to create a more favorable business climate in their home state might be more interested in state elections.

<sup>109</sup> Admittedly, to test local connections, municipal elections might provide greater leverage than gubernatorial elections.

Before presenting the analyses, let me first discuss the benefit of studying Mexican state-level elections. Mexico is an excellent case for this analysis. Economically, Mexico is the third-largest remittance recipient in the world and remittances are the country's second largest source of foreign capital.<sup>110</sup> While Mexico is a comparatively well-off developing country (an average GDP per capita of \$5,500 for the 1990-2005 period), remittances play a large role in the Mexican economy-- A survey of almost 5,000 Mexican migrants residing in the United States found that 78% of respondents send money home to Mexico<sup>111</sup> -- and there is strong evidence that many migrants maintain their interest in politics back home.<sup>112</sup>

Politically, Mexico represents an ideal opportunity to examine the effects of gradual democratization and increasing migrant political inclusion, both of which evince subnational variation, on politically-motivated remittances.<sup>113</sup> Moreover, the heterogeneity of Mexican states provides geographic variation in political, social and economic factors that may influence politically-motivated remittances. For example, most gubernatorial elections are not concurrent with presidential elections, and there is wide variation in the strength of the three major political parties across the country, allowing for testing of hypotheses that are party-specific, in addition to those about opposition (vs. incumbent) parties and electoral competitiveness at the state and national level.<sup>114</sup> In contrast, the preceding cross-national analysis is unable to control for political context beyond the structural pre-conditions for competitive elections. Finally, Mexican data on remittances are detailed: beginning in 2003, remittance data are available at the state

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<sup>110</sup> World Bank, *Global Economic Prospects 2006*.

<sup>111</sup> Suro, Roberto. 2005. *Survey of Mexican Migrants: Part Two*. Washington, D.C.: Pew Hispanic Trust.

<sup>112</sup> Adida and Girod 2010, Airola 2007, Aparicio and Meseguer 2008, 2009, Bada 2008, Badillo 2007, Burgess 2005; Burgess and Tinajero 2009, Camp 2007, Cano and Delano 2007, De la Garza and Vargas 1992, Escobar 2006, Fitzgerald 2003, 2005, Fox 2004, Fox and Bada 2008, Goldring 2002, 2004, Guarnizo et al 2003, Imaz 2003, Iskander 2005, Jimenez 2008, Portes et al 2009, Sana and Massey 2005, Shirk 2005, Valenzuela 2006

<sup>113</sup> Camp 2007, Cleary 2007, Cornelius et al 1999, Dominguez and Lawson 2004, Dominguez et al 2009, Eisenstadt 2005, Klesner 2005, Magaloni 2006, and Magar and Romero 2007.

<sup>114</sup> Beer 2003, Gomez and Valdes 2000, Greene 2007, 2009, Hecock 2006, Hilgers 2008, Hiskey, and Bowler 2005, Langston 2006, Magar forthcoming, Shirk 2005, Ward, Rodriguez, and Cabrera 1999.

level at a quarterly frequency, permitting detailed analysis at the subnational level.

To examine the effect of gubernatorial elections on remittance flows, I undertake a quarterly time-series cross-section analysis with panel corrected standard errors of migrants' remittances by state, Q1 2003- Q2 2011. The dependent variable for this analysis is remittances in thousands of real 2003 pesos per migrant living in the United States. Data on remittances are from Banco de Mexico.<sup>115</sup> Data on Mexican migrants living in the United States represent CONAPO's estimate for the number of migrants residing in the United States by state in 2005.<sup>116</sup> I use this construction rather than the absolute amount of remittances to control for state heterogeneity in remittance flows. The logic underlying this variable construction is that the number of migrants in the United States provides a metric for the potential supply of remittance dollars for each state.<sup>117</sup> All else equal, I expect that states with more migrants abroad receive more remittances than states with fewer migrants.

As can be seen in Figure 4, which shows the total amount of remittances to Mexico from 2003 to 2011, there is also temporal variation in remittance flows over time—both cyclically within each year and across years. To control for this in the analyses, I include year fixed effects, and two dependent variable lags: a one quarter lag to capture quarter-over-quarter endogeneity, and a four quarter lag to capture year-over-year endogeneity and seasonal effects.

Similarly, if the only factor influencing remittance flows were the number of migrants

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<sup>115</sup> Banco de Mexico, Balanza de pagos, **Ingresos por remesas familiares, distribución por entidad federative**, accessed September 16, 2011.

<http://www.banxico.org.mx/SieInternet/consultarDirectorioInternetAction.do?accion=consultarCuadro&idCuadro=CE100&sector=1&locale=es#>

<sup>116</sup> Poblacion nacida en Mexico residente en Estados Unidos, 2005, from CONAPO—table 1.2 in data appendix for Migration 2005 (anexo\_2005 in Papers)

[http://www.conapo.gob.mx/index.php?option=com\\_content&view=article&id=333&Itemid=15](http://www.conapo.gob.mx/index.php?option=com_content&view=article&id=333&Itemid=15)

<sup>117</sup> One weakness of this measure is that the denominator, the number of Mexicans living in the U.S. in 2005, is time-invariant.

from each state, then there would be no other significant state effects on remittance flows. Unsurprisingly, this is not the case. To control for state heterogeneity, I include state fixed effects. Thus, the base model that I present in Table 4 is conservative—it includes full state and year fixed effects, but is also relatively atheoretical—it ignores any systematic reasons for why states might differ in their remittance flows. Thinking through systematic state differences, especially with respect to pre-electoral remittances flows, is something that I will touch upon later in this paper, but is also what I am looking forward to discussing with you at the conference.

Turning briefly to this model, two results are notable. First, the year variables approximate the time trend shown in Figure 4. Compared to 2004, there is an increase in remittances in 2005 and 2006, and then a decline in remittances from 2007, although not all of these effects are statistically significant. Second, most of the state variables are not significant, providing some support for the comparability of the dependent variable across states.

Model 1 in Table 5 builds on the base model from Table 4 adding four election variables—the quarter of, and the quarter preceding the 2006 presidential election, and the quarter of and the quarter preceding gubernatorial elections in each state.<sup>118</sup> For both gubernatorial elections and the presidential election, remittances per migrant abroad show a statistically significant increase in the quarter prior to the election. These results parallel those reported in the cross-national analyses.

However, careful examination of the state-level data suggests the possibility that these results might be driven by outliers, in particular by the inclusion of two states with a low number of migrants in the US and somewhat questionable data: Campeche and Chiapas. In Model 2 I

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<sup>118</sup> I also include controls for two and three quarters prior to elections in other models. The effect remains in the preceding quarter.

rerun the same model excluding these two states. While the magnitude of the coefficients for the previous quarter for both gubernatorial elections and the presidential election decrease, they remain statistically significant and substantively important.

In Model 3 I reconsider the issue briefly discussed previously in the cross-national statistics about how the economic performance of migrant-receiving countries could influence politically motivated remittances. While the measures used in the cross-national statistics were by necessity quite rough estimations of the relevant economic conditions that might influence remittances, with the majority of Mexican migrants residing in the US, it is possible to more directly consider whether the pre-electoral increase in remittances found prior to gubernatorial elections is conditional on the economic conditions migrants face.<sup>119</sup> Model 3 includes an interaction between the quarter previous to a gubernatorial election and US GDP growth in that quarter.<sup>120</sup> The model strongly supports the presence of such an interaction, suggesting that when gubernatorial elections occur during times when US economic conditions are poor, there is no significant difference between remittance flows in the quarter prior to a gubernatorial election and other quarters. However, as US economic growth increases, the pre-electoral effect becomes larger and significant. This is not simply an issue of the inclusion of US economic performance in the statistical model: the effect of US GDP growth is by itself insignificant in this model, due to the presence of the year controls.

However, it is not only economic conditions that seem to influence the likelihood of an increase in pre-electoral remittances. Political factors seem likely to matter. This is suggested

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<sup>119</sup> It is possible that the increase in remittances found in the leadup to the 2006 presidential election was also influenced by the relatively good economic conditions in the US at the time, however, given that I have only one presidential election, I cannot use this data to gain leverage on the degree to which the increase in remittances above and beyond expected in Q2 of 2006 immediately prior to the presidential election was influenced by the relatively good economic conditions in the US at the time.

<sup>120</sup> For ease of presentation, I drop the insignificant election variable, including only the one quarter prior to the election. Inclusion variables capturing the quarter of the election itself (and interacting that with US GDP growth) does not alter the results.

by Model 4, which shows that remittance flows increase on average roughly three times as much in the quarter prior to a gubernatorial election in which the partisanship of the Governor changes as a result of the election. The increase in remittances prior to a gubernatorial election in which there is no change in partisanship is not statistically significant.

Clearly, migrants do not know (at least not with any certainty) when they send money home prior to an election that this will be an election in which gubernatorial partisanship will change. However, I use this post hoc classification of elections in my exploratory analyses as a rough proxy for the competitiveness of elections. As discussed previously, if elections are foregone conclusions, there is both less opportunity for migrants to have greater political influence, and less excitement about the election, both of which should decrease our expectation of pre-electoral increases remittance flows. In future work, I look forward to more carefully identifying pre-electoral indicators of competitiveness and excitement about elections that migrants are likely to be aware of.

Finally, I close this section by noting that there are likely additional political factors influencing state-level pre-electoral remittance flows that I have not captured. I have not carefully considered partisan political factors, the political histories of the various states, or additional measures of state and local democracy and political openness. However, even a rough glance at the results of these analyses suggests that there are distinct regional patterns that may be tied to political patterns, or perhaps distinct regional economic and social factors.

Figure 5 shows a ‘heat map’ of the extent to which remittances in the quarter prior to the most recent gubernatorial election in each state are higher than predicted by fundamentals (drawn from the base model reported in Table 4). The darker the state, the greater the larger the under-prediction of remittances in the quarter prior to the election: that is, the larger the election

effect. In general, most states in the North and the South/South-East show more signs of pre-electoral increases in remittance flows than states in the Central region of the country. While this does not, at first glance, seem to match perfectly with the most obvious regional political differences across states and regions in Mexico, there is substantial overlap, which I hope to explore more carefully in the future.

## Conclusion

Migrants' remittances are an important source of foreign capital for developing countries. Remittances help reduce poverty and income volatility, increase health and education expenditures, and provide investment capital for small-scale entrepreneurs.<sup>121</sup> For many developing countries, remittances have become a vital support for the economy and a source of economic security for remittance recipients. The importance of these remittances has led governments to hail migrants as 'modern day heroes' (Philippines), 'heroes of the economy' (Mexico), and 'foreign exchange reserves heroes' (Indonesia).

In light of the magnitude of remittance flows and their economic benefits, remittances are seen as 'an important and stable source of external development finance'.<sup>122</sup> The development community's advice to encourage remittances as a source of development funding has not fallen on deaf ears.<sup>123</sup> Many governments have set up matching funds programs where remittances directed toward development projects are matched by up to three times their amount, while others have attempted to raise development capital by creating special migrant bonds and bank

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<sup>121</sup> World Bank, *Global Economic Prospects*.

<sup>122</sup> Dilip Ratha, 'Workers' Remittances: An Important and Stable Source of Development Finance' in Samuel Munzele Maimbo and Dilip Ratha, eds, *Global Development Finance: Striving for Stability in Development Finance*, (Washington, D.C.: World Bank Group, 2003), 157-175.

<sup>123</sup> David Leblang, 'Harnessing the Diaspora: The Political Economy of Dual Citizenship', unpublished manuscript, University of Virginia Department of Political Science (2010).

accounts. Missing in most of these discussions, however, is the role migrants play beyond bankrolling development. While migrants' remittances may represent a convenient source of capital, such capital should not be treated as a contribution from a silent partner. Far from being disinterested actors, migrants who are sufficiently connected to their home communities to contribute economically may want to participate politically as well.

This paper provides evidence for an important international linkage between developing countries' domestic politics and their citizens living abroad. As this paper documents, remittances in part reflect migrants' home country's electoral calendars and political context. Remittances increase in election years, an effect that is larger in the absence of an incumbent and the poorer the home country. Further research is required to better understand why migrants engage in politically-motivated remittances, and what impact migrants' money has on the electoral process.

Of particular interest is how migrants' financial support affects political outcomes in their countries of origin. Migrants represent different political preferences and agendas than their compatriots back home. By exercising their capacity to 'exit', migrants have expressed some sort of dissatisfaction with the status quo in their home country.<sup>124</sup> As such, migrants may be more likely to support opposition parties and candidates. For developing countries with large remittance flows, remittances may not only serve as an impetus for economic development, but may also underwrite political change.

This globalization of domestic electoral politics has not been universally viewed as a positive trend, and has resulted in attempts to limit migrants' influence. Most prominent among these attempts is the 2005 decision by Mexico's Federal Election Institute to prohibit candidates

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<sup>124</sup> Albert O. Hirschman, *Exit Voice and Loyalty: Responses to Decline in Firms, Organizations, and States*, (Cambridge: Harvard University Press, 1970).

from campaigning abroad or accepting political contributions from non-residents.<sup>125</sup> This prohibition appears to have been less than successful as campaign trips have now ostensibly become ‘get out the vote’ trips, and migrants make campaign contributions indirectly by remitting money to residents who in turn redirect the funds to political elites.<sup>126</sup> As the economic importance of remittances increases, it appears unlikely that efforts to reduce the political importance of migrants will succeed. Therefore, while increasing remittances may represent a valuable development strategy, calls for remittances as development financing will be coupled with greater demands for migrants’ political inclusion. How to incorporate expatriates into the political landscape represents a new political challenge for developing countries.

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<sup>125</sup> Guadalupe Irizar, ‘Prohíben Campaña Foráneas’, *Reforma*, (September 22, 2005), Nacional.

<sup>126</sup> Nora Alicia Estrada, ‘Divide Visita a Dirigentes de Paisanos’, *Reforma*, (May 24, 2006), Nacional.

Table 1. Elections and Remittances				
Model:	1	2	3	4
Election		0.06 *		0.40 *
		(0.03)		(0.19)
Incumbent or Successor Runs			0.01	
			(0.04)	
Neither Incumbent nor Successor Runs			0.12 **	
			(0.04)	
Election x GDP per capita, ln				-0.05 ^
				(0.03)
Remittances in USD 2000, ln	0.94 **	0.94 **	0.94 **	0.94 **
	(0.01)	(0.01)	(0.01)	(0.01)
Migrant Stock, ln	0.02 **	0.02 **	0.02 **	0.02 **
	(0.01)	(0.01)	(0.01)	(0.01)
GDP per capita, ln	-0.01	-0.01	-0.01	0.00
	(0.02)	(0.02)	(0.02)	(0.02)
GDP Growth	0.01	0.01	0.01	0.01
	(0.00)	(0.00)	(0.00)	(0.00)
High Income Country	-0.03	-0.04 ^	-0.04 ^	-0.04 ^
GDP Growth	(0.02)	(0.02)	(0.02)	(0.02)
Migrant GDP per capita, ln	0.05 **	0.05 **	0.05 **	0.05 **
	(0.02)	(0.02)	(0.02)	(0.02)
Migrant GDP Growth	0.01	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)
GDP, ln	0.03 ^	0.03 ^	0.03 ^	0.03 ^
	(0.02)	(0.01)	(0.01)	(0.01)
Constant	-0.02	-0.02	0.00	-0.13
	(0.23)	(0.23)	(0.23)	(0.24)
R2	0.96	0.96	0.96	0.96
Observations	926	926	926	926

^p<0.1, \*p<0.05, \*\*p<0.01. Standard Errors in parentheses.

Table 2. Elections in Good and Bad Times				
Model:	5	6	7	8
Elections Involving Violence against Civilians	0.02 (0.04)			
Elections not Involving Violence against Civilians	0.08 * (0.04)			
Elections with Riots or Protests		0.02 (0.04)		
Elections without Riots or Protests		0.07 * (0.04)		
Election			0.09 ^ (0.05)	0.07 * (0.03)
Election x GDP Growth			-0.01 (0.01)	
Election x Change in Foreign Direct Investment				0.01 (0.02)
Change in Foreign Direct Investment, % GDP				-0.01 (0.01)
Remittances in USD 2000, ln	0.94 ** (0.01)	0.94 ** (0.01)	0.94 ** (0.01)	0.94 ** (0.01)
Migrant Stock, ln	0.02 ** (0.01)	0.02 ** (0.01)	0.02 ** (0.01)	0.01 ** (0.01)
GDP per capita, ln	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)	-0.01 (0.02)
GDP Growth	0.01 (0.00)	0.01 (0.00)	0.01 (0.00)	0.01 (0.00)
High Income Country	-0.04 ^ (0.02)	-0.04 ^ (0.02)	-0.04 ^ (0.02)	-0.03 ^ (0.02)
GDP Growth				
Migrant GDP per capita, ln	0.05 ** (0.02)	0.05 ** (0.02)	0.05 ** (0.02)	0.05 ** (0.02)
Migrant GDP Growth	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
GDP, ln	0.03 ^ (0.01)	0.03 ^ (0.01)	0.03 ^ (0.01)	0.03 ^ (0.01)
Constant	-0.03 (0.23)	-0.03 (0.23)	-0.03 (0.23)	0.00 0.22
R2	0.96	0.96	0.96	0.95
Observations	926	926	926	913

^p<0.1, \*p<0.05, \*\*p<0.01. Standard Errors in parentheses.

Table 3. Elections and Remittances in Latin America and Caribbean

	Model:	1	2	3
Election			0.06 (0.05)	
Incumbent or Successor Runs				-0.03 (0.06)
Neither Incumbent nor Successor Runs				0.15 * (0.07)
Election x GDP per capita, ln				
Remittances in USD 2000, ln		0.92 ** (0.02)	0.92 ** (0.02)	0.92 ** (0.02)
Migrant Stock, ln		0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
GDP per capita, ln		-0.19 ** (0.06)	-0.19 ** (0.06)	-0.18 ** (0.06)
GDP Growth		0.00 (0.01)	0.00 (0.01)	0.00 (0.01)
High Income Country GDP Growth		-0.03 (0.02)	-0.03 (0.02)	-0.02 (0.02)
Migrant GDP per capita, ln		0.20 ** (0.07)	0.20 ** (0.07)	0.20 ** (0.07)
Migrant GDP Growth		0.01 (0.01)	0.01 (0.01)	0.01 (0.01)
GDP, ln		0.08 ** (0.03)	0.08 ** (0.03)	0.07 ** (0.03)
Constant		-0.73 (0.61)	-0.72 (0.61)	-0.71 (0.61)
R2		0.96	0.96	0.96
Observations		311	311	311

^p<0.1, \*p<0.05, \*\*p<0.01. Standard Errors in parentheses.

Table 4. Base Model for Mexican State-Level Analysis

Q1 2003-Q2 2011

Remittances per Migrant in the U.S., L1	0.49 (0.12) **		
Remittances per Migrant in the U.S., L4	0.38 (0.11) **		
2005	0.38 (0.38)		
2006	0.41 (0.38)		
2007	-0.23 (0.39)		
2008	-0.66 (0.39) ^		
2009	-1.33 (0.39) **		
2010	-0.53 (0.38)		
2011	-0.52 (0.59)		
Baja California	-0.47 (0.46)	Nayarit	-0.09 (0.17)
Baja California Sur	-0.24 (0.30)	Nuevo León	-0.38 (0.37)
Campeche	1.06 (0.95)	Oaxaca	0.96 (0.60)
Coahuila	-0.25 (0.28)	Puebla	0.65 (0.38) ^
Colima	-0.09 (0.19)	Querétaro	0.50 (0.40)
Chiapas	5.15 (4.19)	Quintana Roo	0.56 (0.32) ^
Chihuahua	-0.41 (0.40)	San Luis Potosí	-0.14 (0.20)
Distrito Federal	0.07 (0.15)	Sinaloa	0.04 (0.09)
Durango	-0.34 (0.34)	Sonora	-0.11 (0.25)
Estado de México	0.19 (0.11) ^	Tabasco	2.17 (1.79)
Guanajuato	0.03 (0.08)	Tamaulipas	-0.19 (0.25)
Guerrero	0.29 (0.18)	Tlaxcala	2.18 (1.46)
Hidalgo	0.50 (0.43)	Veracruz	0.70 (0.56)
Jalisco	-0.28 (0.29)	Yucatán	0.08 (0.10)
Michoacán	-0.03 (0.09)	Zacatecas	-0.30 (0.30)
Morelos	0.05 (0.08)		
Constant	0.95 (0.53) ^		
R2	0.98		
Observations	928		

^p<0.1, \*p<0.05, \*\*p<0.01. Standard Errors in parentheses.

Table 5. Elections and Remittances in Mexican States

		Model 1	Model 2	Model 3	Model 4
Presidential Election	Current Quarter	0.11 (0.57)	0.14 (0.44)		
	Prior Quarter	1.42 * (0.57)	1.07 * (0.44)	1.13 ** (0.42)	1.06 * (0.42)
Gubernatorial Election	Current Quarter	-0.05 (0.18)	-0.10 (0.15)		
	Prior Quarter	0.63 ** (0.18)	0.35 * (0.15)	-0.18 (0.26)	
Gubernatorial Election	Prior Quarter x			0.22 * (0.10)	
U.S. GDP Growth	Prior Quarter			0.02 (0.03)	
Gubernatorial Election	Prior Quarter,				0.17 (0.15)
No Change in Partisanship of Governor	Prior Quarter,				0.77 ** (0.29)
Change in Partisanship of Governor					
Remittances per Migrant in the U.S., L1		0.51 ** (0.12)	0.44 ** (0.10)	0.45 ** (0.09)	0.45 ** (0.09)
Remittances per Migrant in the U.S., L4		0.36 ** (0.11)	0.43 ** (0.09)	0.43 ** (0.09)	0.43 ** (0.09)
Constant		0.86 ^ (0.50)	0.87 * (0.43)	0.76 ^ (0.45)	0.85 * (0.43)
R2		0.98	0.98	0.98	0.98
Observations		928	870	870	870

State and year controls included in all models but not reported

^p<0.1, \*p<0.05, \*\*p<0.01. Standard Errors in parentheses.

Figure 1: Comparison of Mean Values of Remittances by Elections

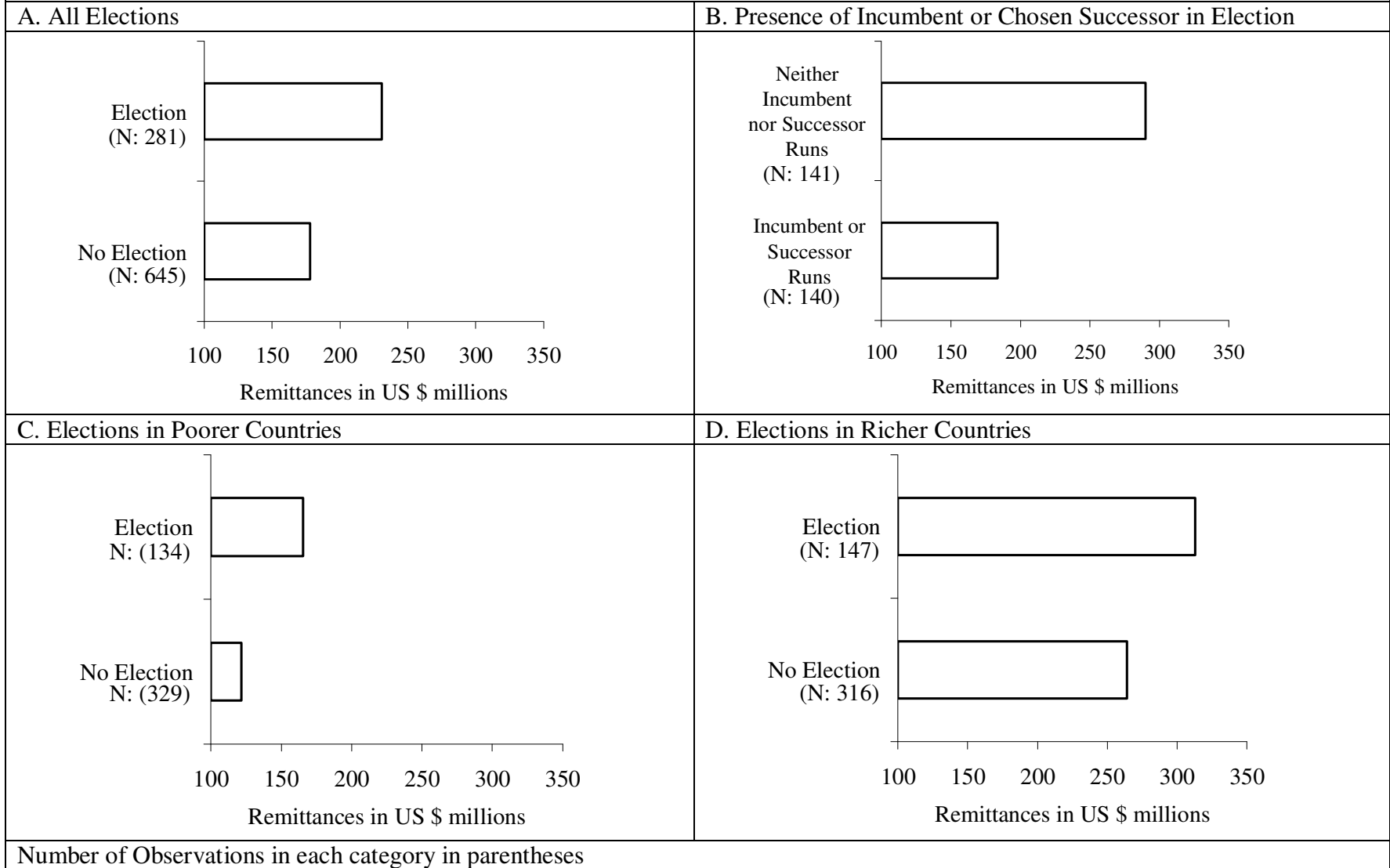
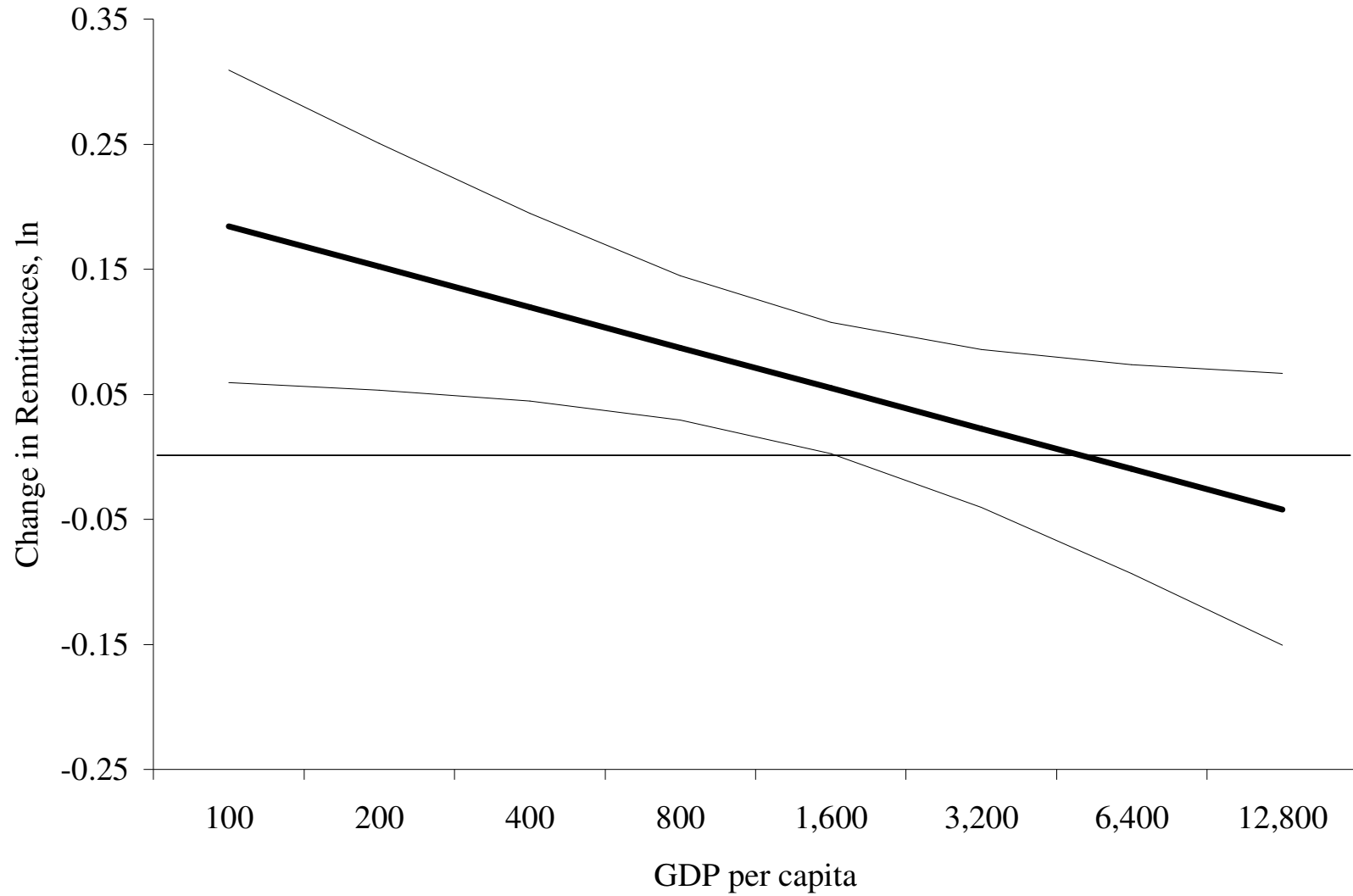


Figure 2: Marginal Effect of an Election on Remittances as GDP per capita varies



— Predicted marginal effect of an election; — 90% Confidence intervals

Figure 3: Comparison of Mean Values of Remittances by Elections for Latin American and Caribbean Sample

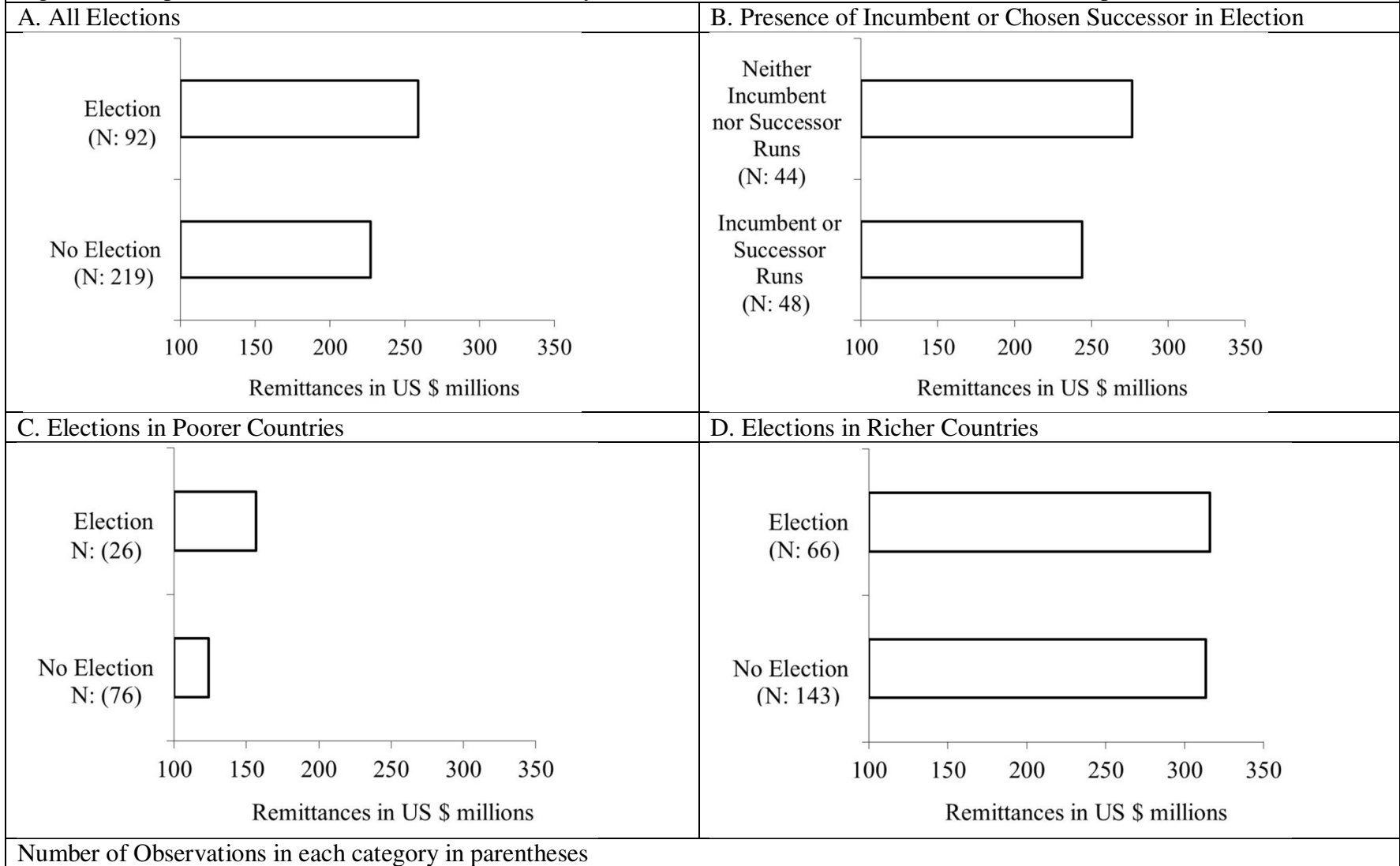
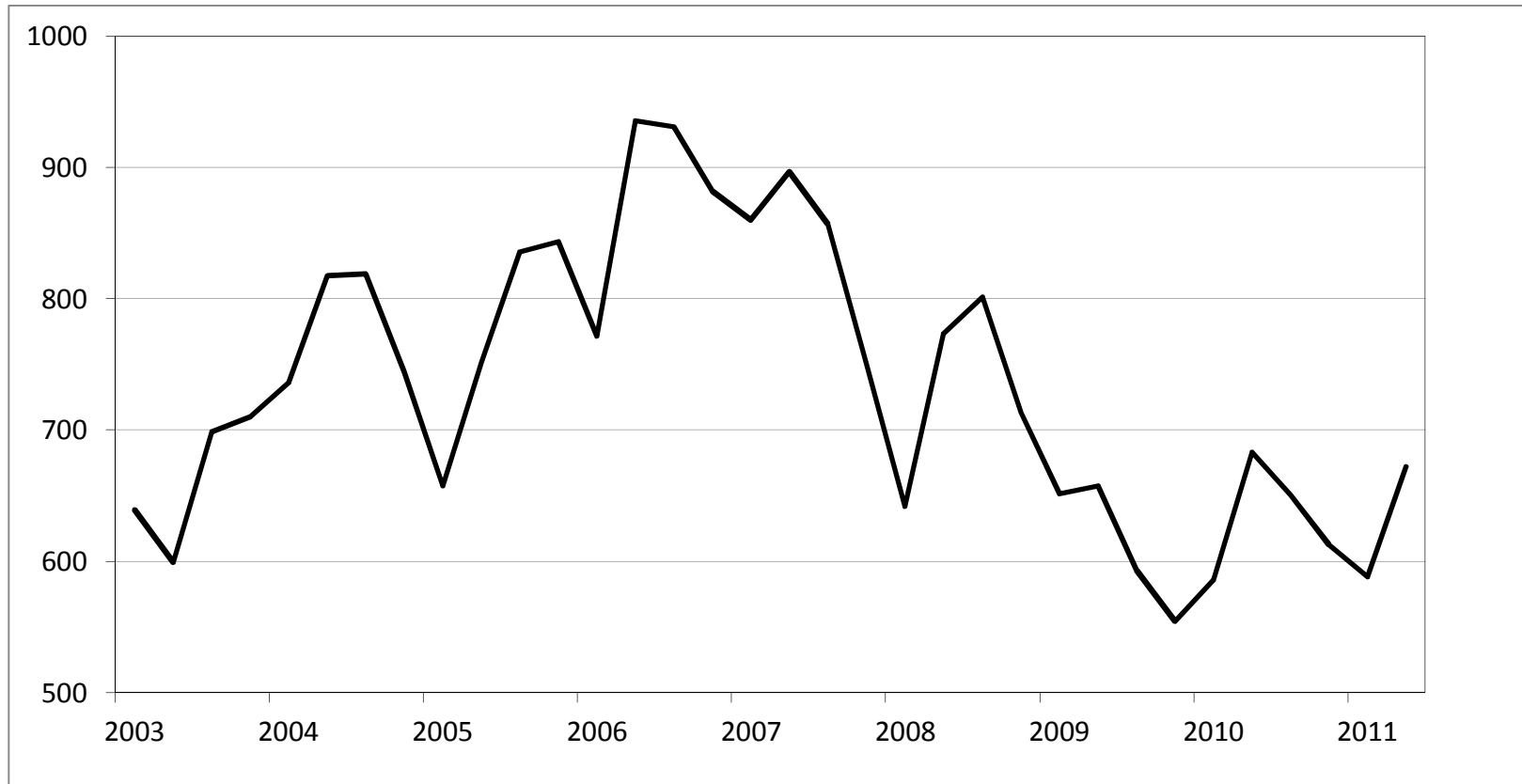


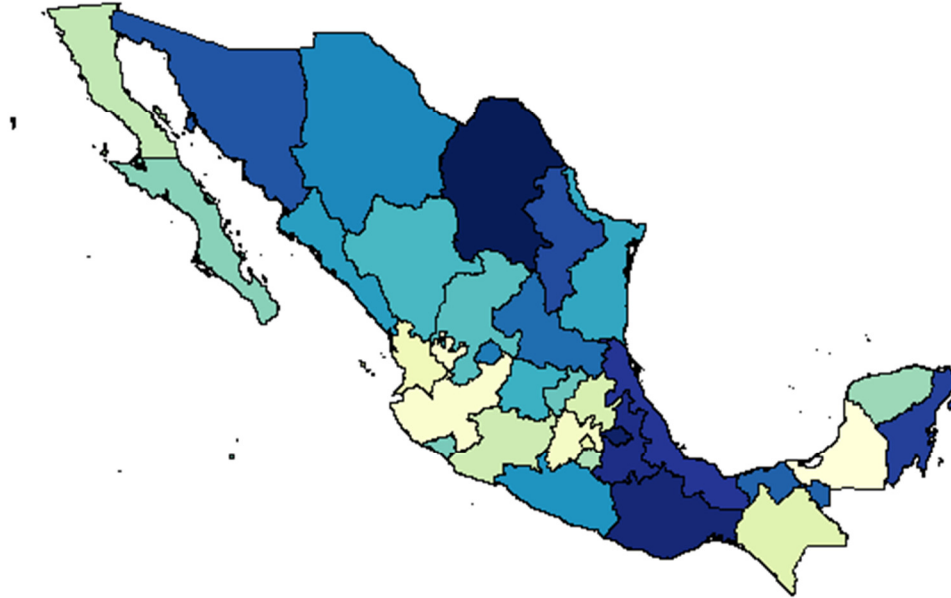
Figure 4: Total Remittances to Mexico, 2003-2011



Note: Millions of constant pesos (2003), Source: Banco de México

Figure 5: Underprediction of Remittance Flows in Quarter Prior to Most Recent Gubernatorial Election

### Pre-electoral Remittances By State



Note: State-level predicted remittances were calculated from the model reported in Table 4.