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Financial remittances, trans-border conversations, and the state

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Abstract

How does the reception of remittances change the views of those left behind? In this paper, we compare the impact of financial remittances (transmission of money) with the impact of social remittances (transmission of ideas and values) on preferences about the role of the state in the economy (in particular, the role of the state in creating jobs, reducing inequality, and securing citizens' well-being). Using data from the Latin American Public Opinion Project (2008–2010), we find that social learning via cross-border communication is positively associated with preference for an enhanced role of the state.

Keywords: International migration, Remittances, Social remittances, Trans-nationalism, Welfare state, Latin America, Developing countries

Introduction

How does out-migration shape the views of those left behind? In this paper, we focus on the role of financial remittances versus social learning in shaping the views of the role of the state as an economic and welfare provider. On the one hand, we hypothesize that the receipt of financial remittances may induce a process of political disengagement from the state that will be reflected in lower expectations concerning its role in the economy and as provider of jobs and social welfare. This is due to the fact that remittances increase the income of families, who can now devote more resources to privately securing jobs, public goods, and welfare for themselves. On the other hand, those left behind also receive what are termed social remittances; that is, ideas, values, and information about policies in the countries where their emigrant relatives live (Levitt, 1998, 2001; Levitt & Lamba-Nieves, 2011). If emigrants settle down in developed countries, those that remain at home may be exposed to information about the role of the state in those destinations via cross-border conversations. This might induce those left behind to expect an enhanced role of the state via more active economic and redistributive policies.

Latin America is an ideal laboratory to study the effect of financial remittances and social learning for two reasons. First, Latin America as a region is the second-largest recipient of financial remittances in the world (World Bank, 2014). And second, in contrast to emigration in other geographic regions, most emigration from Latin America settles down in developed countries. Thus, it is safe to hypothesize that those

who remain will be exposed for the most part to positive views about the role that the state plays as a welfare provider via communication with their emigrant relatives.

We put these two alternative hypotheses to test using survey data for 18 Latin American countries in the years 2008 and 2010.¹ We find that although those who receive financial remittances envisage a limited role for the state, this effect is not statistically significant. In contrast, those with relatives abroad and who often communicate with them; that is, those more exposed to a process of social learning, prefer an enhanced role for the state in comparison to respondents without relatives abroad. When we control for non-random selection of those who are dependent on remittances and who communicate with family abroad, we find that the positive effect of social remittances is stronger than the negative effect of financial remittances, which is practically inexistent. Moreover, we find that the impact of communication with emigrant relatives has the greatest impact in Latin American countries that devote less resources to social spending and where per capita GDP is lower.

This paper contributes to the incipient but fast-growing literature on the impact of emigration in home country politics and policies in several ways. First, whereas most of the studies to date have explored the impact of emigration on attitudes toward democracy and political behavior of those left behind, we look into how outmigration shapes attitudes regarding the economic and social role of the state. Second, too frequently, the impacts of social and financial remittances are studied in isolation from each other, with the former receiving much less attention. Yet there are reasons to think that trans-border communication is an important omitted variable when studying the impact of financial remittances and vice versa. Indeed, in our study, after social remittances are accounted for, financial remittances appear inconsequential in shaping opinions about whether the state should create jobs and guarantee the well-being and equality of individuals. Finally, besides comparing the relative role of financial and social remittances, this paper exploits the variation in socio-economic development in Latin American to provide a regional comparison.

The paper proceeds as follows. In Section 1 we discuss the economic consequences of remittances. In Section 2, we discuss the implications that social learning may have in shaping the perceptions of what roles the state is expected to perform. Both sections motivate our alternative hypotheses concerning the contrasting role of financial vs. social remittances in shaping views about the roles of the state. Section 3 discusses the data and the methods. In Section 4, we discuss the main results and extensions. Finally, we conclude in Section 5.

Financial remittances and the State

According to the Inter-American Development Bank (IADB), remittances to Latin America amounted to US\$ 61.3 billion in 2012. In relative terms, their importance varies considerably within the region. Some Latin American countries such as Honduras, El Salvador, and Nicaragua are highly dependent on them – remittances amount to more than 15 % of their GDP – whereas Argentina or Brazil receive remittances that do not reach 1 % of their GDP (Maldonado & Hayem, 2013).

Only recently have political scientists and political economists started to systematically look into the political consequences that these flows and outmigration more generally may have for sending countries (see Kapur, 2014; Meseguer & Burgess, 2014; Mosley &

Singer, 2015 for reviews). Research so far has focused on the impact of remittances on electoral vs. non-electoral political behavior (Careja & Emmenegger, 2012; Germano, 2013; Goodman & Hiskey, 2008; Nyblade & O'Mahony, 2014; O'Mahony, 2013; Pérez-Armendáriz & Crow, 2010; Dionne, Inman & Montinola, 2014), as well as on the impact of remittances on the survival of autocrats and the likelihood of democratization (Ahmed, 2012; Escribà-Folch, Meseguer, & Wright, 2015; Moses, 2011; Pfutze, 2012, 2013). Whether remittances constitute yet another resource curse that may feed government corruption is another subject on the research agenda (Tyburski, 2012, 2014). Surprisingly, the impact that remittances may have on governments' policy choices has been less researched (Ketkar & Ratha, 2010; Leblang, 2010; Singer, 2010). In particular, there is practically no evidence as to how governments may alter their provision of social welfare and public goods in the presence of family remittances, which substitute for those goods and provide a form of private insurance (Ebeke, 2011). In his study of how remittances impact autocrats' public spending choices, Ahmed (2012) contends that autocrats in countries that receive remittances spend less on welfare (as families privately spend more on it) and more on patronage. By so doing, autocrats are able to extend their tenure in power. According to Doyle (2015), Latin American governments that received large inflows of remittances did reduce their spending on social contributions in the period 1990–2009. The author relates this trend to remittance recipients' electoral preferences for less redistribution.

A discussion of the consequences of what the inflow of remittances may imply for individual perceptions of the role of the state has to start with an overview of the effects that are attributed to remittances. Also, it is crucial to explore the type of uses that remittances are typically given. The effects and uses of remittances are multifaceted and in many instances context-specific. In the empirical analysis, we shall explore the opinions of Latin American respondents regarding the role of the state as provider of jobs and welfare. Thus, in what follows, we focus on what we know about the impact of remittances in Latin America in relation to labor markets, social and public spending, poverty, and inequality. The discussion is necessary because we claim that the alleged consequences of remittances are likely to shape individual views concerning what the state should or should not provide. In particular, we claim that financial remittances, via their effect on household incomes, should increase recipients' ability to earn a living without relying on the state (McMann, 2006, p.23).

First, according to some research, remittances may be associated with a reduction in the labor supply as individuals who receive remittances have higher reservation wages and go out of the labor market, increasing their preference for leisure (Fajnzylber & López, 2007; World Bank, 2006a, 2006b). The evidence is not conclusive, though, and seems to relate mostly to women and child labor (Amuedo-Dorantes & Pozo, 2006a, 2006b). Posso (2012) looks into data on sixty-six developing countries from the Middle East and Africa, Asia and the Pacific, and Latin America and the Caribbean (1985–2005). The author finds a positive and significant relationship between remittances and aggregate labor supply. One of the explanations that the author entertains is that remittances facilitate employment creation by easing credit constraints. In any case, both these consequences are likely to affect views about the role of the state in creating jobs, either because remittance recipients decide to opt out of the labor market or because remittances allow them to undertake entrepreneurship activities that facilitate their self-employment.

Second, concerning poverty levels, Adams and Page (2005) show that the income effect of remittances reduces the level and severity of poverty in developing countries, and other cross-country studies provide similar evidence (IMF 2005; Ratha, Mohapatra, Özden, Plaza, Shaw, & Shimeles, 2011). Moreover, remittances are countercyclical, increasing in the event of bad economic conditions in home countries, for example following natural disasters and financial crises (Chami, Barajas, Cosimano, Fullenkamp, Gapen, & Montial, 2008; Fajnzylber & López, 2007; World Bank, 2006a, 2006b). This provides families with a buffer with which to smooth their consumption. Particularly in Latin America, remittances are seen as effective in reducing poverty (Fajnzylber & López, 2007).

Third, according to numerous case studies, remittances are used to finance current consumption and other investments from housing to education and health.² In Latin America, an increase in human capital investment seems to be the case, but prominently among household recipients located in the middle and upper quintiles of the income distribution (Fajnzylber & López, 2007). In Guatemala, Adams and Cuécuecha (2010) report that households receiving international remittances spend more on education and housing compared to what they would have spent without remittances. And in Ecuador, Calero and Bedi (2009) find that remittances increase school enrolment and decrease the incidence of child work, especially for girls and in rural areas. Concerning health, Ponce, Oliví, and Onofa (2011) find that in Ecuador, remittances have an impact on health expenditures and on some preventive health care such as vaccination. In Mexico, Valero-Gil (2009) finds a significant effect of remittances on household health expenditures. Interestingly, the author finds that the finding holds for households without access to employer medical insurance. Importantly for our argument, Drabo and Ebeke (2010) report among other findings that remittances induce a change in use of health care services from the public to the private sector for household recipients located in the middle of the income distribution. Overall, financial remittances could potentially increase the demand for health and education services although it is doubtful that more *public* services of this kind are demanded.

Finally, remittances are also used to finance the provision of local public goods such as clean water, sewage systems, paving, electricity, and other local infrastructure. There is abundant evidence that remittances, either in the form of collective remittances sent by hometown associations (HTAs) or individual remittances, improve local and social infrastructure in the recipient communities (Aparicio & Meseguer, 2012; Burgess, 2005; Iskander, 2010; Orozco, 2003). For instance, Duquette (2014) finds that co-production schemes such as the Three for One program in Mexico improved citizens' access to public sanitation, sewage, and water. And in their study based on Mexican municipalities, Adida and Girod (2011) show that families devote remittances to improving sewage and water provision. This means that remittance recipients exert an active role as non-state providers of public goods, which very likely increases respondents' autonomy with respect to the expected tasks that the state should carry out.

Thus, a wealth of studies show that remittances reduce poverty and are used by families to privately provide themselves with certain goods typically provided by states. Moreover, based on Latinbarometer data, Doyle (2015) shows that those individuals who receive remittances are significantly more likely to think that the distribution of income is fair in their countries. Accordingly, the author hypothesizes that these individuals are less likely to consider that the state should be given a more active role in equalizing incomes.

All in all, taking into account the economic effects of remittances and the uses that households typically give to them, we hypothesize that in comparison to non-remittance recipients, individuals that receive remittances and for whom remittances represent a substantial amount of their income will exhibit *lower rates of agreement with the state playing a role in job creation and social safety net provision*. This is because by increasing their incomes, remittances reduce recipients' dependence on the state as compared to non-remittance recipients.

Social remittances and the State

Through a broad range of channels, emigrants may potentially influence attitudes and behaviors in their origin countries (Kapur, 2010, 2014). The prospect of future emigration fed by networks abroad may induce those planning to leave to become politically disengaged prior to their departure (Hiskey, Montalvo, & Orcés, 2014). However, the involvement by participants in a diaspora in their local communities back home may have the opposite effect on those left behind (Burgess, 2012). Beyond financial remittances, one way in which migrants shape the views of those at home is through frequent communication and regular trips back and forth. Thus, so-called social remittances – the “ideas, behaviors, identities, and social capital that flow from receiving to sending country communities” (Levitt, 1998, p.927) – spur a process of social learning that, we argue here, may affect broad attitudes toward the role of the state in home countries.

In this section, we argue that communication with relatives abroad may induce a “scale-out” effect, impacting the perception of broader aspects of governance, such as the economic and social roles of the state. As Levitt and Lamba-Nieves put it (2011), while Peggy Levitt's early research on the sort of information that was shared between emigrants and their relatives back home “did not consider the state responsible for providing basic services”, her recent research shows that residents “see those activities (...) as part and parcel of what constitutes good governance” (p. 17–18).

In her insightful work on trans-border vs. face-to-face conversations, Pérez-Armendáriz (2014) shows that emigrants possess certain features that make them worth listening to and emulating. One of these has to do precisely with the fact that emigrants abroad are a source of income; but another reason is that emigrants open up the prospect of future emigration for those left behind, too. The fact that those that leave tend to be the family members considered the most apt for the endeavour – 70 % of emigrant households send the household head abroad (Riosmena & Massey, 2012) – makes the relationship between them and those left behind asymmetrical.

Several preconditions are necessary for the social learning process to occur. First, emigrants should be in regular contact with their relatives back home. In Latin American countries, this is indeed the case. Soehl and Waldinger (2010) state “the simple phone call (...) plays a central role for the majority of migrants” (p. 1498). According to the Americas Barometer on which our empirical study is based, 21.5 % of voting-age citizens living in Latin American countries communicate at least once a week with their relatives abroad. In the interviews that Pérez-Armendáriz (2014) carried out, it is made evident that one of the consequences of having relatives abroad and communicating with them is that non-migrants become aware of the importance of keeping informed. For instance, one of the non-migrants the author interviewed stated that “I think it's important to know what is going on. I did not pay attention before.” And another

interviewee surmised “I follow international news more – I want to know what is happening in the north because our son lives there and because our life also depends on what is going on outside this country” (p. 79).

Second, what kind of information do emigrants share with their relatives? Pérez-Armendáriz (2014, p.75) provides a nice account of the wide range of topics typically covered by trans-border conversations. Mexican *émigrés* do share with their families their experiences with public and political life in the host country. A high 85 % of emigrants discussed experiences concerning issues such as support for institutions, civic responsibility, respect for the rule of law, and respect for individual human rights with their families in Mexico. This is not surprising taking into account that Latin American emigration is partly driven by concerns about poor state capacity, violence, and malfunctioning democracies (Elías & Massey, 2010; Hiskey, Montalvo, & Orces, 2014).

Most fundamentally, however, the overall lack of economic opportunities continues to be a powerful push factor in the decision to migrate. Wage differentials and better job opportunities are indeed the primary cause of emigration among Latin Americans (Clark, Hatton, & Williamson, 2003; Takenaka & Pren, 2010; Durand & Massey, 2010). Unsurprisingly, in many of the conversations reported in Pérez-Armendáriz’s research, it is made clear that emigrants think that more opportunities became open to them thanks to emigration. For instance, a woman who arrived in the US and managed to complete high school communicated to her family that “[T]he government here [in the US] provides a lot of opportunities...” And an undocumented woman with a brother back home with learning disabilities stated “I am always telling my parents that it is possible for adults with disabilities to work and become more independent. They can live lives that are almost normal” (Pérez-Armendáriz, 2014, p.76).

Finally, the information that emigrants communicate to their families abroad arguably depends on where the emigrants settle down, their pre-departure characteristics, and obviously on their experience as emigrants (Levitt & Lamba-Nieves, 2011: 3). This is important as one should not take for granted that trans-border communication will always lead to the transmission of “positive” information. For example, in his study on the impact of foreign education on democracy based on a panel of foreign students since the 1950s, Spilimbergo (2009) finds that foreign-educated individuals promote democracy in their home country, but only if the foreign education is acquired in democratic countries. Thus, whether the informational spillover will be positive or negative depends on whether emigrants choose to settle in well governed countries that offer better opportunities to emigrants in comparison to home countries or not.³

In the case of Latin America, most emigrants establish their residence in advanced countries. According to OECD data (Dumont, Spielvogel & Widmaier, 2010, p.17) the highest emigration rates in the region are from El Salvador, Dominican Republic, Nicaragua, and Mexico. Fifty-nine percent of total emigrants from Nicaragua settle down in other developing countries, mainly Costa Rica. However, emigrants from the other three high emigration countries overwhelmingly settle down in the United States (United Nations, 2010).

In view of the above, we hypothesize that via communication with *émigrés*, non-migrants will express a preference for a state that is present and active in guaranteeing better opportunities through the provision of welfare and more job opportunities. Thus, unlike the impact of financial remittances, we expect that those who communicate with

their families abroad on a regular basis *will exhibit higher levels of agreement with the state playing an active role in the economy and in the provision of social safety nets.*

Ideally, we would like to extend our analysis to make it conditional on the destination country of the relative. However, this is complicated for two reasons:

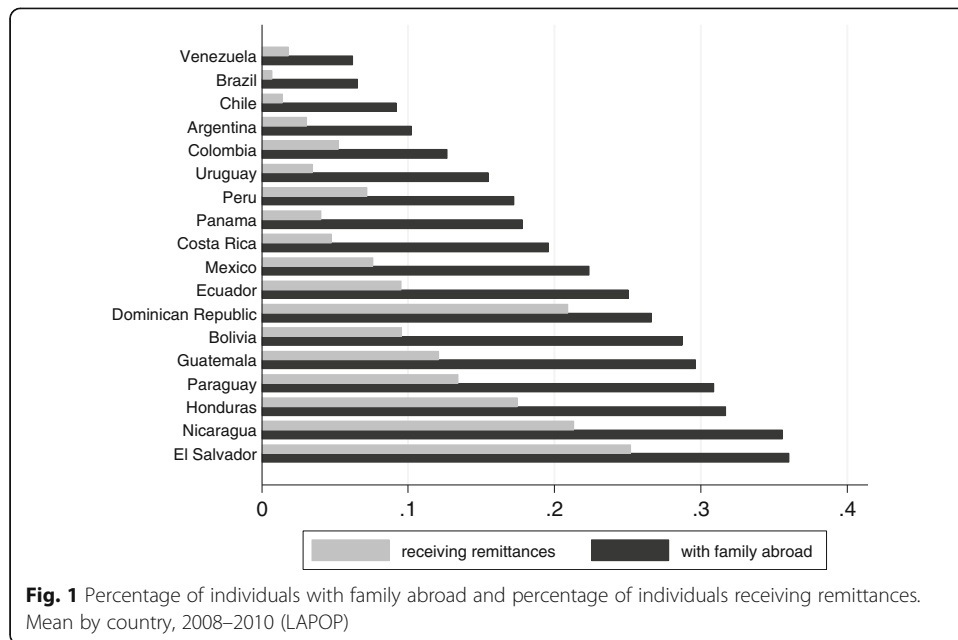
First, the survey we employ does not allow us to know with clarity where the relatives settle down. There is a question that allows respondents to choose between (1) relatives in the US, (2) relatives in the US and other countries, or (3) relatives in other countries (not the US). About 20 % say they have relatives abroad, but about half of them say they have family in other countries, without our being able to distinguish whether “other countries” refers to other developed countries (Canada or Europe) or to other countries in the Latin American region or elsewhere. And second, the content of the information sent by the migrant depends not only on the immigration regime and integration policies of the destination country, but also on the particular features of the emigrant relative (such as her legal status, employment status, and level of qualification), which determine how the emigrant integrates.

Unfortunately, since the survey we use was fielded in origin countries, we cannot observe or control for these features.⁴ But we can control for the features of respondents in home countries and for certain characteristics of their national contexts. In the extension to our analysis, we account for heterogeneous effects associated with the different levels of development and varying presence of the state where those left behind live. As Kapur (2014, p.489) puts it, the influence of emigrants “is likely to be greater when the formal institutional structures in the country of origin are weaker.” And in line with other studies (O’Mahoney, 2013; Nyblade & O’Mahony, 2014), we hypothesize that *the strongest impact of trans-border communication between émigrés and their families will occur in less developed origin countries*, where the role of the state in reducing social and economic risks is comparatively smaller.

Data and methods

We put these alternative hypotheses to test using data for 18 Latin American countries from the 2008 and 2010 waves of the Latin American Public Opinion Project (LAPOP), commissioned by Vanderbilt University. Our dependent variables are three questions concerning agreement with the role of the state in the following functions (1) the state, rather than individuals, should be primarily responsible for providing jobs; (2) the state, rather than the private sector, should ensure the well-being of the people; and (3) the state should reduce income inequality between the rich and the poor. These are variables that range from 1 to 7, with higher values indicating more agreement with the state playing those roles. We treat these variables as continuous and estimate OLS models.

Our main independent variables measure whether a household receives *remittances* and whether the individual has relatives living abroad (*family abroad*). These two covariates are dichotomous variables that take the value 1 if respondents receive remittances and if they have family abroad. Most individuals that receive remittances have family abroad.⁵ However, 65 % of individuals with a family abroad do not receive remittances (the correlation between the two variables is 0.47). Approximately 10 % of those surveyed receive remittances and 21 % have relatives that used to live in the household and are now living abroad.⁶ As can be seen in Fig. 1, the highest percentages of respondents declaring that the household receives remittances are found in El Salvador,



Nicaragua, and the Dominican Republic. The former two are also the countries in which the most respondents have a relative abroad.

We also use two other questions to measure the intensity of the dependence on remittances and the intensity of communication with relatives abroad. The variable *dependence* takes a value of 0 if respondents state that they do not receive remittances and a value of 4 if respondents claim that the household income strongly depends on remittances. The variable *contact* measures the intensity of communication with those abroad and ranges from 0 for individuals that do not claim to have any relative abroad to 5 for individuals that claim to have a relative abroad and talk to their emigrant relatives on a daily basis. Again, communication with the relatives is a fact. In practically all countries, a minimum of 20 % of those with family abroad talk to them either every day or once per week. The figure is over 40 % in the Dominican Republic, Argentina, Uruguay, and Paraguay.

In line with the hypotheses set out in the theoretical framework, we expect that those who receive remittances do not envisage a large role for the state in creating jobs and ameliorating risks when compared to those who do not receive remittances. This is because, as mentioned in the theory section, remittance recipients are more capable of providing jobs, welfare, and local public goods for themselves. In contrast, given what we know about the content of communication with relatives abroad, it may well be the case that those exposed to the experience of their relatives in states that offer more opportunities would express more agreement with the view that the state rather than the private sector or the individual should be the guarantor of social and economic well-being for its citizens. Note the importance of including both variables in the analysis since we claim that social remittances and financial remittances may have effects that counter each other.

Of course, there may be other variables shaping views of what roles the state should undertake, and therefore we control for them. First, we include a control for a respondent’s overall perception of government efficacy. This is an additive index of three

questions asking respondents their opinion about how efficacious they consider their governments are in fighting poverty, unemployment, and insecurity (*efficacy*). We expect those individuals who think that their governments are efficacious to support a more active role for the state in the economy, all things being equal. We also control for level of interest in politics (*interest*), because if, as we argue, trans-border conversations impact opinions about the role of the state in any meaningful way, overall levels of political interest appear as a relevant intervening variable we need to control for. Higher values of this variable indicate *less* interest in politics.

We then control for a set of socio-demographic variables: *age*, *age squared*, gender (*male*), the respondent's level of *education*, *marital status*, *employment status*, and race (*white*). To control for socioeconomic status (*ses*), we used factor analysis to come up with measures that we consider more reliable than a measure of self-reported income. These indicators are based on a set of eleven relevant questions that capture whether respondents have certain possessions in their houses (*ses1*) and certain services such as indoor plumbing and bathrooms (*ses2*) that are an indirect indication of their income. Moreover, some of the items that are included in the list (television, cell phone, conventional phone) are clearly related to the capacity of those left behind to be exposed to the experiences and information of their emigrant relatives.⁷

The econometric models are:

$$\begin{aligned} \text{Roles of the State}_{ijt} = & \alpha + \beta \text{Remittances}_{ij} + \chi \text{FamilyAbroad}_{ijt} + \\ & \delta \text{Gov'Efficacy}_{ijt} + \phi \text{Pol'Interest}_{ijt} + \gamma \text{Sociodemog}_{ijt} + \mu_j + \nu_t + \varepsilon_{ijt} \end{aligned} \quad (1)$$

$$\begin{aligned} \text{Roles of the State}_{ijt} = & \alpha + \beta \text{Dependence}_{ij} + \chi \text{Contact}_{ijt} + \delta \text{Gov'Efficacy}_{ijt} + \\ & \phi \text{Pol'Interest}_{ijt} + \gamma \text{Sociodemog}_{ijt} + \mu_j + \nu_t + \varepsilon_{ijt} \end{aligned} \quad (2)$$

where i, j, t refer to individual i in country j in year t . Model (1) explores the impact of remittances and of having relatives abroad and Model (2) focuses on the intensity of dependence on remittances and the intensity of contact with relatives. In both models, the dependent variables are opinions about the roles that the state should play. According to our hypotheses, we expect β to be *negative* and χ to be *positive*. To control for time-invariant country characteristics, we include country and year fixed effects in all the estimations.

Results

Baseline models

The results of our baseline models are shown in Table 1. Receiving monetary remittances (Models 1–3) or being highly dependent on them (Models 4–6) is unrelated to respondents' attitudes concerning whether the state should play a major role in providing jobs, social welfare, and in reducing inequality, net of other factors. However, having family abroad (Models 1–3) and being in contact with them (Models 4–6) are *positively* associated with believing that the state should have an active role in improving the welfare of the majority, and in creating jobs. Thus, concerning attitudes towards the role of the state, we do not find any evidence of disengagement that could be attributed to the receipt of financial remittances, which are not statistically significant in shaping those attitudes.

Unlike financial remittances, it seems that having relatives abroad and being in contact with them positively impacts the beliefs of those left behind in the sense of

Table 1 Financial vs. social remittances and the role of the state (baseline models)

| | Create jobs | Ensure well-being | Reduce inequality | Create jobs | Ensure well-being | Reduce inequality |
|---------------------------|----------------|-------------------|-------------------|------------------|-------------------|-------------------|
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Remittances | 0.026 | 0.014 | 0.043 | | | |
| | [0.026] | [0.027] | [0.026] | | | |
| Family Abroad | 0.048** | 0.042** | 0.0311* | | | |
| | [0.019] | [0.020] | [0.019] | | | |
| Dependence | | | | -0.000755 | -0.00290 | 0.00671 |
| | | | | [0.009] | [0.010] | [0.009] |
| Contact | | | | 0.0221*** | 0.0176** | 0.0110* |
| | | | | [0.006] | [0.007] | [0.006] |
| Gov't efficacy | 0.018*** | 0.024*** | 0.031*** | 0.0183*** | 0.0232*** | 0.0302*** |
| | [0.005] | [0.005] | [0.005] | [0.005] | [0.005] | [0.005] |
| Political interest | 0.019** | -0.014* | -0.035*** | 0.0193** | -0.0137* | -0.0353*** |
| | [0.007] | [0.008] | [0.007] | [0.007] | [0.008] | [0.007] |
| Intercept | 5.739*** | 5.114*** | 5.680*** | 5.734*** | 5.114*** | 5.683*** |
| | [0.070] | [0.072] | [0.070] | [0.070] | [0.072] | [0.070] |
| Observations | 54089 | 53910 | 53796 | 53951 | 53773 | 53654 |
| R ² | 0.060 | 0.041 | 0.061 | 0.061 | 0.042 | 0.061 |
| Sociodemographic controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |

Sociodemographic controls are age, age², gender, education, marital status, employment status race, socioeconomic status

Robust standard errors in brackets * $p < 0.1$ ** $p < 0.05$, *** $p < 0.01$

expecting and wanting a state that is active in the roles of creating jobs, ensuring the well-being of citizens, and reducing inequality (significant at 10 %), net of other factors.

These results are robust to controlling for two relevant variables. As expected, those individuals that regard the state as efficient think that the state should play a greater role in reducing economic and social risks.⁸ The impact of interest in politics operates according to the theory. Those that have less interest in politics tend to endorse the view that the state should play a secondary role in its social functions. However, respondents with less interest in politics also think that the state should provide jobs and this holds after controlling for their employment status and other socio-demographic characteristics. There are other consistent patterns that show in the results, all in the expected direction. Respondents who enjoy a higher socioeconomic status think that the state should play a less important role in the economy and in the provision of social welfare. The same occurs among more educated individuals.

Overall, and contrary to our expectations, reception of financial remittances does not shape in any meaningful way the attitudes that those left behind have of the roles of the state after we control for social remittances. Only in two out of six models do remittances have the hypothesized negative coefficient, with individuals whose households are highly dependent on remittances being less likely to agree with the state providing jobs and securing respondents' wellbeing. However, the coefficient is never

statistically significant. On the contrary, social remittances proxied by having relatives abroad and having high levels of contact with them do shape perception of the roles that the state should play in the direction of increasing expectations about those roles.

Robustness

One frequent concern when estimating the impact of remittances and relatives on attitudes and behaviors is that individuals who receive remittances and have relatives abroad are unlikely to be a representative sample of the population. In other words, these individuals may have other characteristics that make them hold different views about the role of the state in the economy to start with. Thus, the coefficient for trans-border communication might be a biased and inconsistent estimate of the causal effect if having family abroad is associated with unobservable aspects of individuals included in the error term. If we fail to control for this problem we will not be able to identify whether the estimated effect of trans-border communication is due to trans-border communication itself or to other factors that are present among those who have emigrant relatives but absent among those who do not have family abroad. In order to address non-random selection concerns, we fit a new set of models where a matching estimator nonparametrically balances pre-treatment characteristics of individuals across the trans-border communication variable to obtain the best possible estimate of the causal effect of social remittances (Morgan & Winship, 2010, p.89).⁹ We employ a propensity score matching (PSM) procedure to estimate the probability of having relatives abroad and select only matched sets of treatment and control cases that contain individuals with equivalent values for these predicted probabilities.¹⁰ By doing so, we can separate the effect of cross-border conversation from other pre-existing features that may predispose respondents to hold views of a more proactive state. We concentrate on the impact of social remittances and show the results for financial remittances in Table 7 in Appendix A.¹¹

Table 2 shows the OLS estimation and compares it with results from PSM models. Correcting for non-random selection, and net of other factors, individuals with a relative abroad are significantly more likely to think that the state, rather than the private sector, should ensure the well-being of society and play a fundamental role in creating jobs. Inequality reduction is also significant at 10 %, though the difference of having or not having relatives abroad has a smaller impact. The coefficients estimated with the PSM models are larger in comparison to the non-random selection models, suggesting that not controlling for endogeneity led to a downward bias. Note as well the change in the sign of the coefficient of financial remittances, which is now negative for the most part as we hypothesized, although never statistically significant.

Figure 2 shows the marginal effects of each of the coefficients for the independent variables. It can be observed that practically all of them except for having a relative abroad are not statistically significant.

Another concern that we tackle is whether the null result we persistently get for the role of monetary remittances in shaping the views of the roles of the state is due to the fact that the category “having relatives abroad” subsumes those who

Table 2 Adjusted regressions (PSM), social remittances and the role of the state

| | Create jobs | | Ensure well-being | | Reduce inequality | |
|---------------------------|----------------|-----------------|-------------------|----------------|-------------------|---------------|
| | OLS | PSM | OLS | PSM | OLS | PSM |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Remittances | 0.026 | -0.115 | 0.014 | -0.052 | 0.043 | -0.054 |
| | [0.026] | [0.125] | [0.027] | [0.124] | [0.026] | [0.115] |
| Family abroad | 0.048** | 0.356*** | 0.042** | 0.300** | 0.031* | 0.200* |
| | [0.019] | [0.122] | [0.020] | [0.117] | [0.019] | [0.114] |
| Gov't efficiency | 0.018*** | 0.028 | 0.024*** | 0.041 | 0.031*** | 0.044 |
| | [0.005] | [0.034] | [0.005] | [0.032] | [0.005] | [0.032] |
| Political Interest | 0.019** | 0.032 | -0.014* | -0.032 | -0.035*** | 0.025 |
| | [0.007] | [0.056] | [0.008] | [0.057] | [0.007] | [0.050] |
| Intercept | 5.739*** | 5.968*** | 5.114*** | 5.381*** | 5.680*** | 5.576*** |
| | [0.070] | [0.510] | [0.072] | [0.455] | [0.070] | [0.468] |
| Observations | 54,089 | 3,125 | 53,910 | 3,117 | 53,796 | 3,125 |
| R ² | 0.060 | 0.086 | 0.041 | 0.070 | 0.061 | 0.069 |
| Sociodemographic controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |

Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status

Robust standard errors in brackets **p* < 0.1 ***p* < 0.05, ****p* < 0.01

receive remittances. Thus, having relatives abroad might arguably disguise any effect that monetary remittances could potentially have.

To address this concern, we present below two sets of estimations. In Models 1–3, we restrict the sample to those who declare they have a relative abroad, and look into the effect of financial remittances in this subset of the population. The receipt of

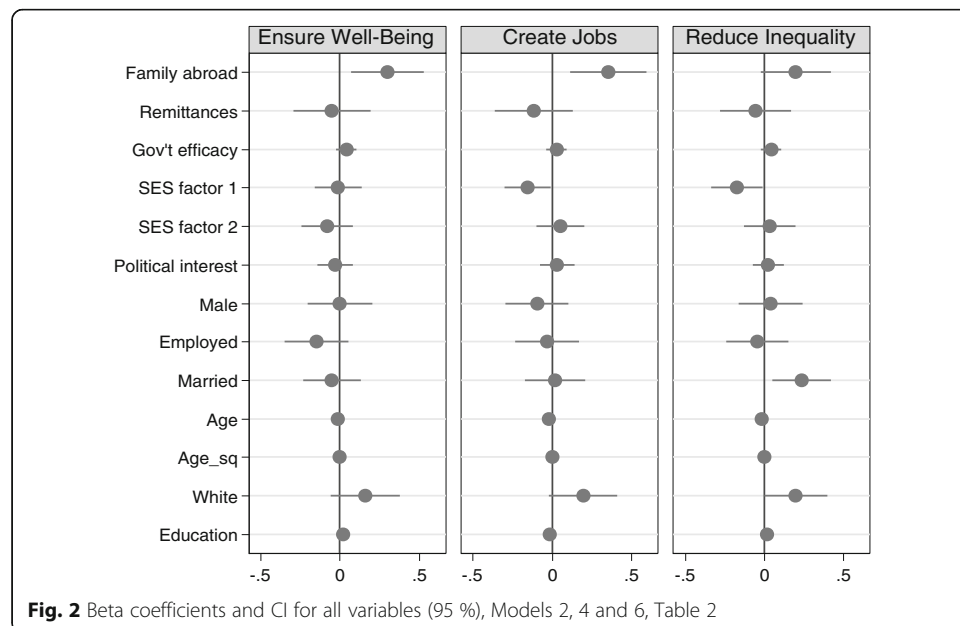


Fig. 2 Beta coefficients and CI for all variables (95 %), Models 2, 4 and 6, Table 2

monetary remittances among those who report having an emigrant relative is never statistically significant for understanding the views of the role of the state in creating jobs, reducing inequality, or securing the well-being of society. In Models 4–6, we include an interaction between the dummy for remittance reception and a categorical variable that proxies the intensity of contact with *émigré* relatives.¹² Given the substitution effect that most of the literature attributes to financial remittances, our expectation is that when contact is low, the impact of monetary remittances on the perceptions of the role of the state should be negative. But as contact increases, the circulation of ideas and experiences of emigrants and their transmission to those left behind should have a positive effect on perceptions of the role of the state among respondents back home. The state, rather than the individual or the private sector, should be seen as responsible for ameliorating economic and social risks. Table 3 reveals that there is a positive interaction effect of financial remittances and social remittances on perceptions about the role of the state at high levels of contact with

Table 3 Financial remittances and the role of the state (OLS)

| | Create jobs (1) | Ensure well-being (2) | Reduce inequality (3) | Create jobs (4) | Ensure well-being (5) | Reduce inequality (6) |
|-----------------------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|----------------------------------|----------------------------------|
| Remittances | 0.0261 [0.031] | 0.0183 [0.032] | 0.0390 [0.031] | −0.0614 [0.0516] | −0.0689 [0.0540] | 0.0123 [0.0497] |
| Contact-Low | | | | 0.00807 [0.0276] | 0.0281 [0.0276] | 0.0447* [0.0267] |
| Contact-Medium | | | | 0.0479 [0.0351] | −0.0230 [0.0403] | 0.00753 [0.0356] |
| Contact-High | | | | 0.0635 [0.0402] | 0.0662 [0.0409] | −0.000494 [0.0403] |
| Remittances*Contact-Low | | | | 0.0189 [0.0908] | 0.0429 [0.0921] | 0.0590 [0.0864] |
| Remittances*Contact-Medium | | | | 0.0296 [0.0747] | 0.108 [0.0795] | −0.0500 [0.0747] |
| Remittances*Contact-High | | | | 0.161** [0.0713] | 0.125* [0.0743] | 0.123* [0.0702] |
| Gov't efficacy | −0.0131 [0.010] | −0.00262 [0.010] | 0.00225 [0.010] | 0.0183*** [0.00460] | 0.0235*** [0.00474] | 0.0304*** [0.00466] |
| Political interest | −0.00446 [0.015] | −0.0360** [0.016] | −0.0504*** [0.015] | 0.0189** [0.00748] | −0.0145* [0.00761] | −0.0361*** [0.00738] |
| Intercept | 6.325*** [0.143] | 5.667*** [0.148] | 6.196*** [0.142] | 5.739*** [0.0701] | 5.118*** [0.0721] | 5.683*** [0.0696] |
| N | 11799 | 11751 | 11741 | 54009 | 53830 | 53711 |
| R ² | 0.073 | 0.047 | 0.067 | 0.061 | 0.042 | 0.061 |
| Sociodemographic controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |

Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status

Robust standard errors in brackets, *p < 0.1 **p < 0.05, ***p < 0.01

relatives abroad (Models 4–6).¹³ In other words, it seems that financial remittances only have a positive effect on perceptions about the role of the state when they are accompanied by a high intensity of communication, as Fig. 9 in Appendix C shows. This finding resonates with the literature that, rather than discussing social and financial remittances as independent phenomena, sees them as complementing each other (Batista & Narciso, 2013) and conceptualizes financial remittances as a social act with multiple “scripts” (Carling, 2014).

Finally, it could be argued that it does not make much sense to look at all Latin American countries given that some of them have very low rates of emigration and hardly receive remittances (for instance, Brazil or Argentina). In Appendix C, Table 10, we show that the results are robust to running the models on 10 high emigration and remittance receiving countries (El Salvador, Dominican Republic, Nicaragua, Paraguay, Guatemala, Ecuador, Bolivia, Peru, Mexico, and Colombia). The results are indeed stronger, especially for opinions regarding the role of the state, rather than the individual, in the creation of jobs.

In sum, the results and robustness tests above confirm the findings of our baseline models: when we control for communication with relatives abroad, financial remittances have no bearing in shaping views about the roles of the state in the economy (unless contact is very frequent). However, social remittances, that is, the flow of information that happens to occur due to communication with relatives abroad do shape these perceptions in the direction that we expected. Being exposed to trans-border conversations about economic contexts that generally offer greater opportunities than the origin countries, Latin Americans with relatives abroad envisage roles for the state in which ideally the state becomes more involved in the creation of jobs and in ensuring the well-being of society. We have proved that these results are robust to selection and other concerns.¹⁴

Heterogeneous effects

As we argued in the theory section, two preconditions are necessary for the flow of ideas via trans-border conversations to happen. First, communication has to occur. Multiple previous studies as well as our data show that communication between emigrants and their families occurs frequently. And second, the impact that this communication has arguably depends on the social-economic context in which the recipient of social remittances lives. To be sure, the impact of communication also depends on the integration policies in destination countries as well as the individual characteristics of the emigrant (Levitt & Lamba-Nieves, 2011). We tentatively explore the effect of destination countries in Appendix B. However, for the reasons we explained before, our data is better suited to address the mediating effect of conditions in origin countries controlling for the characteristics of the remittance recipient. In particular, we exploit the variation in the level of development and in government spending on social protection to argue that the intensity of contact with relatives abroad will have the greatest impact on less developed countries and in countries where the state spends less on protecting its citizens.¹⁵ To illustrate, net of other factors, we expect that trans-border communication with relatives will have a stronger impact in shaping the views of a relative who has remained in El Salvador than a relative who has remained in Argentina.

To test this hypothesis, we include an interaction effect between the individual level of *contact* with the relative abroad and the level of development (measured by the log of per capita GDP). We also include an interaction effect between the intensity of *contact* and the country level of *social spending* (measured by the log of per capita social spending). We run random coefficient estimations that allow us to control for the hierarchical nature of these models (individuals nested in countries). Figure 3 is based on Models (3) and (4) in Table 4 and is confirmatory of our conditional hypothesis. As we expected, the marginal effect of trans-border conversations between emigrants and those left behind regarding the role of the state (rather than the private sector) in securing the well-being of individuals is positive and significant in countries with low levels of social spending. This effect decreases and becomes non-significant in countries where the communication takes place between an emigrant relative and a respondent located in an origin country with greater social spending effort, net of other characteristics of the recipient. The marginal effect of contact with relatives abroad on perceptions about the role of the state (rather than the individual) in creating jobs is also positive but lower for lower levels of development, although this finding is less robust to alternative estimations. In other words, as we hypothesized, cross-border conversations have the greatest impact in shaping views about the state as responsible for creating jobs and ensuring the well-being of citizens in less developed Latin American societies, such as Guatemala, El Salvador, Dominican Republic or Honduras.¹⁶

Finally, the results we show in Appendix B are suggestive that destination matters. The marginal effect of contact with relatives is positive and significant when high percentages of a country’s emigrants settle down in the U.S., while a concentration of emigration in other developing countries makes the marginal effect of contact with relatives negative and insignificant. However, we should be wary of reading too much into these results since we cannot rule out that it is the pre-departure social, economic,

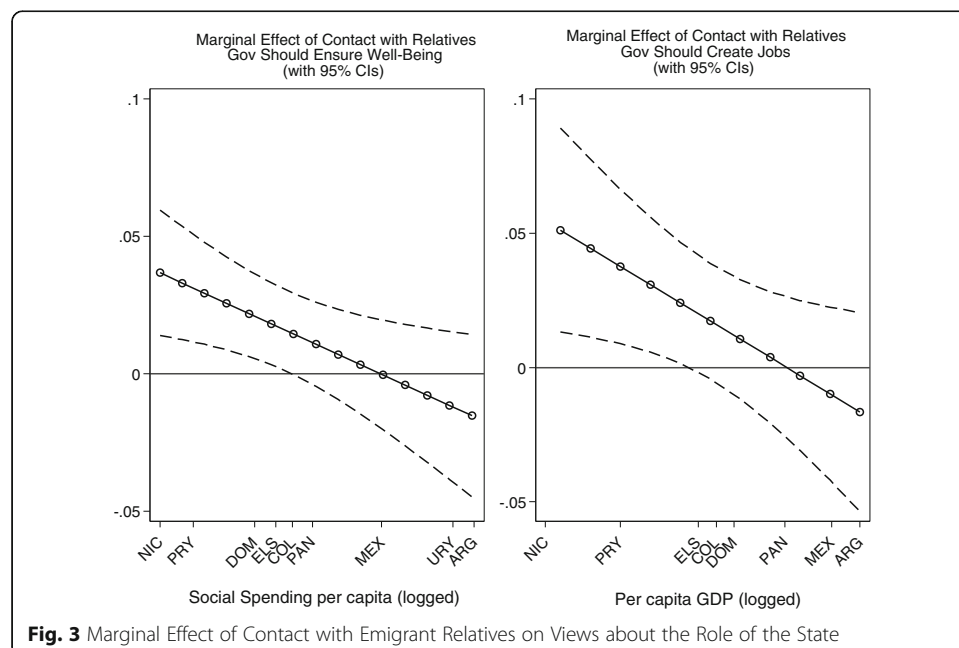


Table 4 Heterogeneous effects. Conditional effect of contact with relatives

| | Ensure well-being (1) | Create jobs (2) | HLM | |
|--|----------------------------|----------------------------|-----------------------------|-----------------------------|
| | | | Ensure well-being (3) | Create jobs (4) |
| Contact | 0.176*** [0.073] | 0.162 [0.135] | | |
| PubSpending (log) | 0.0363 [0.080] | | | |
| Contact*PubSpending(log) | -0.0272* [0.014] | | | |
| Percapita GDP (log) | | 0.0195 [0.141] | | |
| Contact*Percapita GDP (log) | | -0.0164 [0.0176] | | |
| Remittances | -0.0148 [0.050] | 0.0329 [0.060] | | |
| Gov't efficacy | 0.0230 [0.002] | 0.0237 [0.025] | | |
| Political interest | -0.0262 [0.008] | 0.00843 [0.0213] | | |
| <i>Individual Level and Interactions</i> | | | | |
| Contact | | | 0.0145* [0.008] | 0.0173 [0.011] |
| Contact*PubSpending (log) | | | -0.0186** [0.008] | |
| Contact*Percapita GDP (log) | | | | -0.0339** [0.016] |
| Remittances | | | -0.0146 [0.028] | -0.0241 [0.028] |
| Gov't efficacy | | | 0.0394*** [0.004] | 0.0337*** [0.004] |
| Political interest | | | -0.0152** [0.007] | 0.0179** [0.007] |
| Constant | 5.184*** [0.552] | 5.638*** [1.283] | 5.634*** [0.074] | 5.753*** [0.084] |
| <i>Country Level</i> | | | | |
| PubSpending(log) | | | 0.0490 [0.083] | |
| Percapita GDP (log) | | | | -0.0290 [0.125] |
| Country level random effect u_0 | | | 0.31 | 0.35 |
| N_1 | 53830 | 54009 | 53830 | 53559 |
| N_2 | | | 18 | 18 |

Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status. Columns (3) and (4) are HLM estimations. Country Level variables centered around the grand mean. Individual Level variables centered around the country mean. Dummy variables are not centered. The slope of contact is allowed to vary across countries

Robust Standard errors clustered on country in brackets; * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

and political characteristics of emigrants that select them into developed and developing countries that are driving the results. With these caveats in mind, if we put together the results concerning the level of development in origin countries and destination of emigration, countries such as El Salvador, Honduras, and Guatemala are the best candidates for social remittances to have a strong impact on the views of relatives in home countries.

Discussion

In this paper, we have claimed that the size of the emigration phenomenon and the accompanying flows of money and ideas between *émigrés* and those left behind are too important to be ignored. We have claimed that whereas the economic impact of financial remittances has received considerable attention, the *political* consequences of these flows are much less researched. Even less researched is the impact of informational flows or transmission of beliefs and ideas, also known as social remittances, on political views and outcomes.

Although recent research has started to address this gap, most studies have so far focused on the role of financial remittances in shaping political attitudes and behaviors. Much less attention has been paid to other outcomes that might plausibly be affected by the reception of financial remittances and also by frequent communication with relatives abroad. In this paper, we hypothesized that financial remittances and social remittances have opposite effects on attitudes toward the role of the state with regard to economic and redistributive functions. In particular, because financial remittances substitute for social and public goods typically provided by the state, we hypothesized that respondents who receive financial remittances would have lower expectations regarding the roles of the state in providing jobs and in securing the well-being of citizens in comparison to respondents who do not receive remittances. Unlike financial remittances, communication with relatives abroad, who generally settle in societies with better functioning states, might induce a process of social learning among *émigrés* first, and then among their families back home through trans-border conversations. As a result, we hypothesized that unlike those individuals that do not have relatives abroad, respondents from emigrant families and who often communicate with them would be more likely to hold views in favor of a pro-active state.

Empirical tests of these contrasting hypotheses against survey data for 18 Latin American countries give support to the social remittances hypothesis: respondents who communicate with relatives abroad are more likely to think that the state, more than individuals or the private sector, should be active in creating jobs and in securing the well-being of the population in comparison with respondents who do not have family abroad. These results are robust to controlling for possible non-random selection effects. We did not find significant results for financial remittances. In view of our and others' findings (Levitt, 2001; Pérez-Armendáriz, 2014; Córdova & Hiskey, 2015), we claim that studies that look at the impact of financial remittances without taking into account social learning effects might be disregarding a crucial variable and in fact essentially overestimating the impact of financial remittances. We also showed that our main finding is conditional on certain origin country characteristics, notably the

level of development and relative effort of the state in origin countries. As expected, the effect of having contact with relatives is stronger in home countries that are less developed and in which social spending is comparatively smaller. It is in these countries where we expect that social remittances will have the potential to create an active coalition in favor of states that can deliver jobs and social protection.

More research is needed to understand the policy implications of our findings as well as to improve empirical tests of the social remittance hypothesis. Although we think that both having relatives abroad and communicating with them are good proxies for trans-border communication, more qualitative research is needed to grasp the specific contents of these trans-border conversations. Also, a pressing question is whether the different attitudes toward the role of the state among those with family abroad and in contact with it that we have found in this study translate into distinct political behaviors. Do trans-border conversations simply modify attitudes without having an effect on actual behaviors? In view of the extant research that shows that trans-border communication makes those left behind more politically active, especially at the local level (Pérez-Armendáriz & Crow, 2010; Careja & Emmenegger, 2012; Córdova & Hiskey, 2015), it makes sense to expect that changing attitudes will be reflected in local activism demanding a more present state. This is a hypothesis that future research should look into.

Endnotes

¹The countries are Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Colombia, Ecuador, Bolivia, Peru, Paraguay, Chile, Uruguay, Brazil, Venezuela, Argentina, Dominican Republic. See information about the Latin American Public Opinion Project (LAPOP) at <http://www.vanderbilt.edu/lapop/>.

²For instance, the LAPOP 2008 included a question explicitly surveying respondents about what uses they give to remittances. About 70 percent stated that remittances bought consumption (food, clothing), with education being the second most declared destination of remittances, albeit mentioned by just 9 percent of the respondents. Spending on housing is the third most frequent item mentioned in the list.

³See also Rother, 2009 for a similar argument on the Philippine case and returning migrants from Saudi Arabia.

⁴Ideally, this would be solved with a matched-sample survey, conducting interviews among senders and recipients of the same households (Brown, Carling, Fransen, & Siegel, 2014, p.1259). As an alternative, for each country, we calculated the percentage of emigrants that settled down in developed countries as opposed to developing countries (United Nations, 2010). In some estimations, we included an interaction between these percentages and the individual intensity of *Contact*. Although the results suggest that the country of destination matters (only when most emigrants settled in developed countries, prominently the U.S., were trans-border conversations significant) this finding is tentative because we cannot rule out that the characteristics of those who emigrate to advanced vs. developing countries are driving this finding. These results are available in Appendix B.

⁵There is a low 2 % that reported receiving remittances, yet answered “no” when asked whether he or she has close relatives who used to live in this household and are

now living abroad. This may be due to extended family or friends being the originators of financial remittances. Remittance figures are very likely to be underestimated because among other things, this survey does not ask about in-kind remittances. On the challenges of measuring remittances accurately in survey designs and suggestions for improving questionnaires, see Brown et al., (2014).

⁶The exact wording for all the questions is shown in Table 5, Appendix A.

⁷Descriptive statistics for the dependent and independent variables are shown in Table 6 on the Appendix A.

⁸We tested to what extent social and financial remittances shape opinions concerning how effectively governments are executing certain tasks (fighting unemployment, insecurity and poverty). We used our combined indicator of government efficacy as the dependent variable. We observe a similar pattern, with those having relatives abroad and communicating with them holding better opinions of the way governments do their job (see Appendix C, Table 9).

⁹Pre-treatment variables that predict having relatives abroad are gender, age, marital and employment status, race, and urban residency.

¹⁰This allows us to correct for the effects of non-random assignment and base our causal inference on the conditional mean independence assumption, which basically says that we can expect the units not exposed to treatment to react identically to those observed under treatment, and the units exposed to treatment not to differ in their control state from those observed under control. Figure 5 in the Appendix A shows the balance between treated and untreated observations.

¹¹Since we would be left with too few observations in each of the categories of intensity of communication with relatives, we cannot explore the impact of varying degrees of contact with relatives abroad. Also, note that the treatment we are interested in is whether a respondent has family abroad or not and that we will keep only comparable observations. This means that we lose a considerable number of observations. We consider this fact an even stricter test of our hypotheses and whatever the finding, it will be conservative.

¹²The latter was generated on the basis of the original variable (*contact*) and it takes four values: No contact (No family abroad), Low contact (Never/Rarely), Medium contact (Once or twice a month), High contact (Once or twice a week/Every day).

¹³The marginal effect of financial remittances at different levels of intensity of contact are shown in the Appendix C, Fig. 9.

¹⁴The results are also robust to controlling for respondents' intention to migrate.

¹⁵See Appendix A, Fig. 4 for an illustration of this variation.

¹⁶We conditioned the intensity of Contact with relatives abroad to an indicator that can be taken to be a better proxy of government efficacy than the amount of spending, which arguably would capture scope rather than efficiency. The indicator is the Human Opportunity Index, HOI, siteresources.worldbank.org/LACEXT/Resources/258553-22276310889/Book_HOI.pdf, which shows values from 46 (Nicaragua) to 91 (Chile) and addresses inequality of opportunity in housing and education. This measure correlates 0.68 with social spending per capita, showing that while the correlation is high, social spending does not correlate one to one with equality of opportunities. Again, it is in origin countries with low levels of HOI that contact with relatives is more relevant in shaping the views about what roles the state should play (Fig. 10, Appendix C).

Appendix A

Table 5 Summary of questions and codings

| | |
|-----------------------------------|--|
| <i>Ros2, Ros3, Ros4</i> | “The (Country) government, more than individuals, is the most responsible for ensuring the well-being of the people. To what extent do you agree or disagree with this statement?” “The (Country) government, more than the private sector, has the primary responsibility for creating jobs. To what extent do you agree or disagree with this statement?” “The (Country) government should implement firm policies to reduce income inequality between the rich and the poor. To what extent do you agree or disagree with this statement?” (1) strongly disagree to (7) strongly agree. |
| <i>Remittances</i> | Does your family receive remittances from abroad? (1) Yes (0) No |
| <i>Family abroad</i> | Do you have close relatives who used to live in this household and are now living abroad? Recoded to (1) Yes (0) No. |
| <i>Dependence</i> | To what extent does the income of this household depend on remittances from abroad? (0) No remittances (1) Nothing (2) Little (3) Some (4) A lot. |
| <i>Contact</i> | How often do you communicate with them (family abroad)? (0) No family abroad (1) Never (2) Rarely (3) Once or twice a month (4) One or twice per week (5) Everyday. [As categorical variable: (1/2) Low (3) Medium (4/5) High] |
| <i>Government efficiency</i> | Continuous variable constructed out of three items. To what extent would you say the current administration fights poverty? To what extent would you say the current administration improves citizen security? To what extent would you say the current administration combats unemployment? (1) Nothing (7) A lot |
| <i>Socioeconomic Status (SES)</i> | Factors constructed out of the questions asking respondents whether they own Television (1) Refrigerator (2) Conventional Telephone (3) Cellular telephone (4) Vehicle (5) Washing Machine (6) Microwave oven (7) Motorcycle (8) Indoor plumbing (9) Indoor bathroom (10) Computer |
| <i>Political interest</i> | How much interest do you have in politics: a lot, some, little or none? (1) A lot (2) Some (3) Little (4) None |
| <i>Sociodemographic variables</i> | Age, Gender (Male = 1), Marital Status (Married = 1), Employment Status (Employed = 1), Years of Education, Ethnic Background (White = 1) |

Table 6 Descriptive statistics

| Variables | N | Mean | SD | p50 |
|--------------------------|--------|----------|-------|--------|
| Own key enterprise | 58,318 | 4.406 | 2.130 | 5 |
| Ensuring well-being | 59,533 | 5.635 | 1.573 | 6 |
| Create jobs | 59,771 | 5.722 | 1.553 | 6 |
| Reduce inequality | 59,354 | 5.766 | 1.554 | 6 |
| Remittances | 61,131 | 0.0923 | 0.290 | 0 |
| Family abroad | 60,852 | 0.215 | 0.411 | 0 |
| Dependence | 61,051 | 0.254 | 0.856 | 0 |
| Contact | 60,739 | 0.625 | 1.296 | 0 |
| Gov't efficacy | 58,819 | 3.736 | 1.644 | 3.667 |
| Political interest | 61,054 | 2.928 | 0.966 | 3 |
| Education | 61,305 | 9.188 | 4.535 | 10 |
| SES factor 1 | 61,348 | 7.30e-05 | 0.793 | -0.240 |
| SES factor 2 | 61,348 | 0.0530 | 0.706 | 0.424 |
| Sex (male) | 61,605 | 0.485 | 0.500 | 0 |
| Marital status (married) | 61,198 | 0.585 | 0.493 | 1 |
| Age | 61,487 | 38.90 | 15.95 | 36 |
| Employed (yes) | 61,430 | 0.543 | 0.498 | 1 |
| Race (white) | 59,866 | 0.299 | 0.458 | 0 |

Table 7 Adjusted regression, treatment is receiving financial remittances

| | Ensure well-being | | Create jobs | | Reduce inequality | |
|---------------------------|-------------------|----------------|-----------------|--------------|-------------------|--------------|
| | OLS | PSM | OLS | PSM | OLS | PSM |
| | (1) | (2) | (3) | (4) | (5) | (6) |
| Remittances | 0.005 | 0.033 | 0.006 | 0.320 | 0.043 | 0.274 |
| | [0.029] | [0.232] | [0.028] | [0.202] | [0.028] | [0.187] |
| Contact | 0.016** | 0.125** | 0.021*** | 0.013 | 0.008 | 0.068 |
| | [0.007] | [0.058] | [0.006] | [0.048] | [0.006] | [0.050] |
| Gov't efficiency | 0.023*** | 0.041 | 0.018*** | 0.033 | 0.030*** | 0.035 |
| | [0.005] | [0.044] | [0.005] | [0.045] | [0.005] | [0.044] |
| Political interest | -0.014* | -0.003 | 0.019** | -0.029 | -0.036*** | -0.008 |
| | [0.008] | [0.080] | [0.007] | [0.072] | [0.007] | [0.074] |
| Intercept | 5.116*** | 5.242*** | 5.736*** | 6.488*** | 5.683*** | 6.374*** |
| | [0.072] | [0.625] | [0.070] | [0.636] | [0.070] | [0.649] |
| Observations | 53,830 | 1,622 | 54,009 | 1,630 | 53,711 | 1,629 |
| R-squared | 0.042 | 0.104 | 0.061 | 0.113 | 0.061 | 0.186 |
| Sociodemographic controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |

Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status

Robust standard errors in brackets * $p < 0.1$ ** $p < 0.05$, *** $p < 0.01$

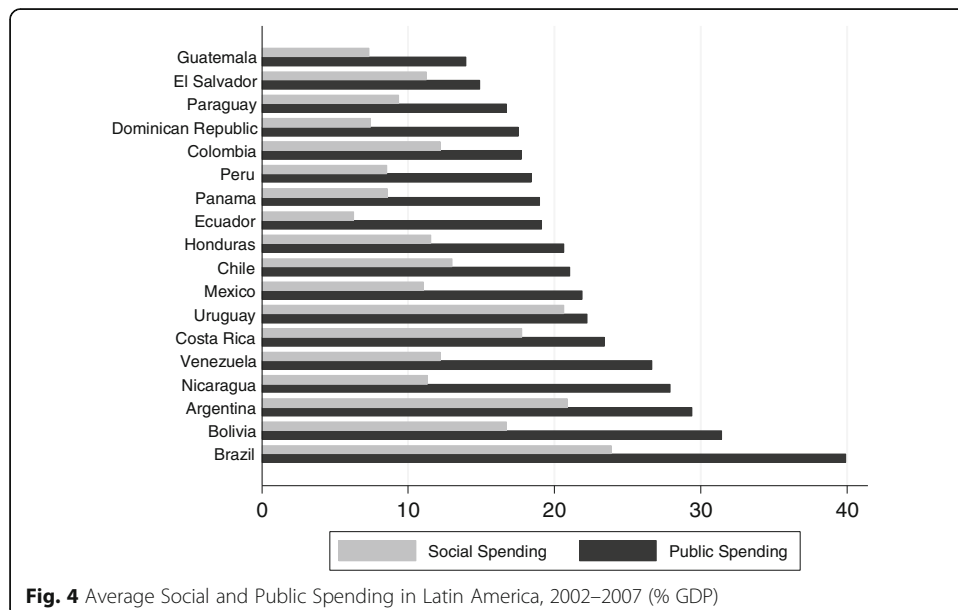
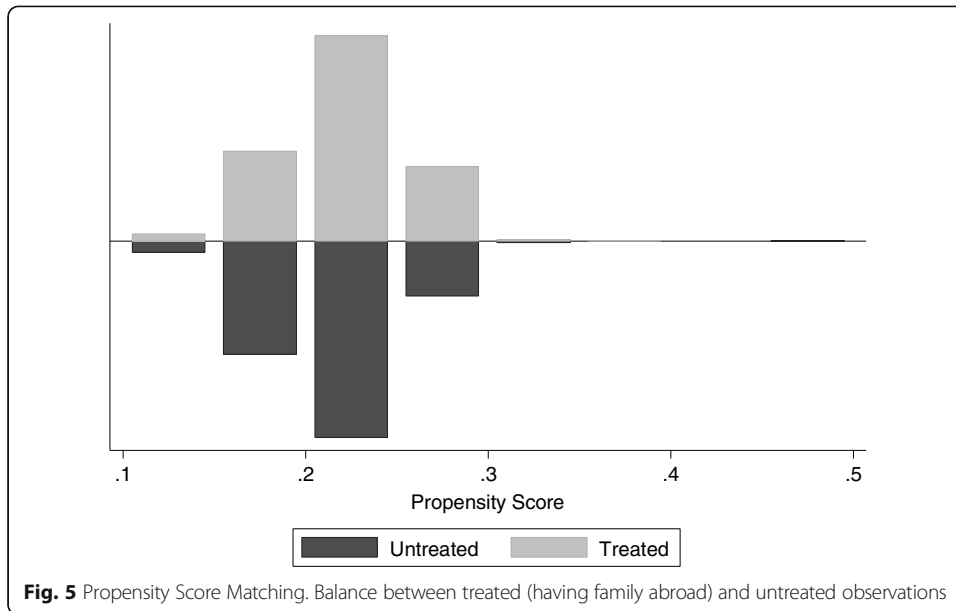


Fig. 4 Average Social and Public Spending in Latin America, 2002–2007 (% GDP)



Appendix B
The Effect of Destination

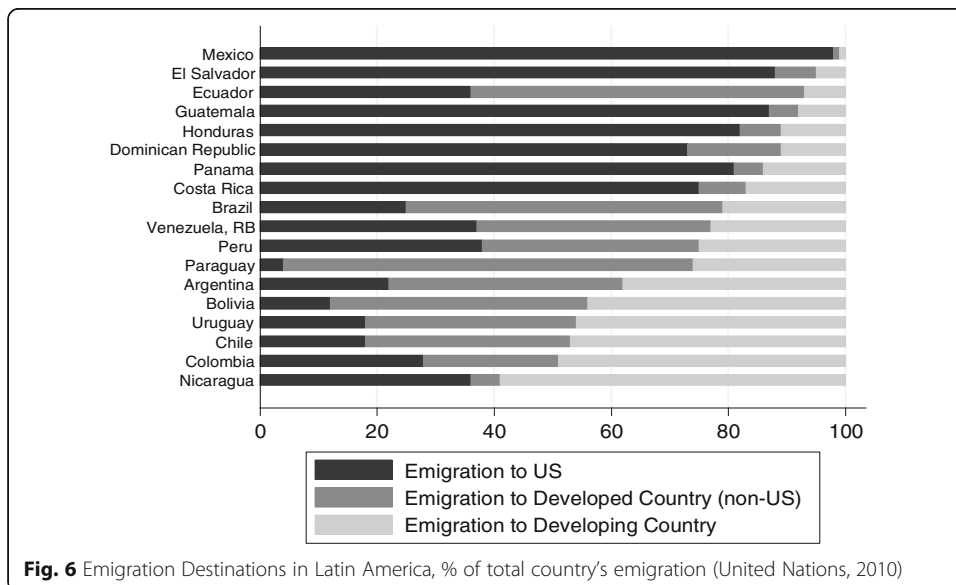


Table 8 The effect of emigrant destination

| | Emigration in the US | | Emigration in LDCs | |
|--------------------------------------|----------------------------|----------------------------|-------------------------------|-----------------------------|
| | Ensure well-being (1) | Create jobs (2) | Ensure well-being (3) | Create jobs (4) |
| Individual level and interactions | | | | |
| Contact | 0.0131 [0.008] | 0.0144 [0.012] | 0.0147** [0.007] | 0.0161 [0.011] |
| Contact* % Emigration in US | 0.000357 [0.000] | 0.000566 [0.000] | | |
| Contact* % Emigration in LDCs | | | -0.000738** [0.000] | -0.00109* [0.001] |
| Remittances | -0.00748 [0.028] | -0.0206 [0.028] | -0.00629 [0.028] | -0.0197 [0.028] |
| Gov't efficacy | 0.0393*** [0.004] | 0.0337*** [0.004] | 0.0393*** [0.004] | 0.0337*** [0.004] |
| Political interest | 0.0401 [0.075] | -0.0676 [0.089] | 0.0319 [0.074] | -0.0766 [0.086] |
| Constant | 5.644*** [0.068] | 5.764*** [0.080] | 5.634*** [0.066] | 5.757*** [0.077] |
| Country level | | | | |
| % Emigration in US | -0.00425* [0.002] | -0.00343 [0.003] | | |
| % Emigration in LDCs | | | 0.00830** [0.004] | 0.00783* [0.004] |
| N_2 | 18 | 18 | 18 | 18 |
| N_1 | 53830 | 53559 | 53830 | 53559 |

HLM estimations. Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status. Country Level variables centered around the grand mean. Individual Level variables centered around the country mean. Dummy variables are not centered. The slope of contact is allowed to vary across countries. Standard errors in brackets * $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

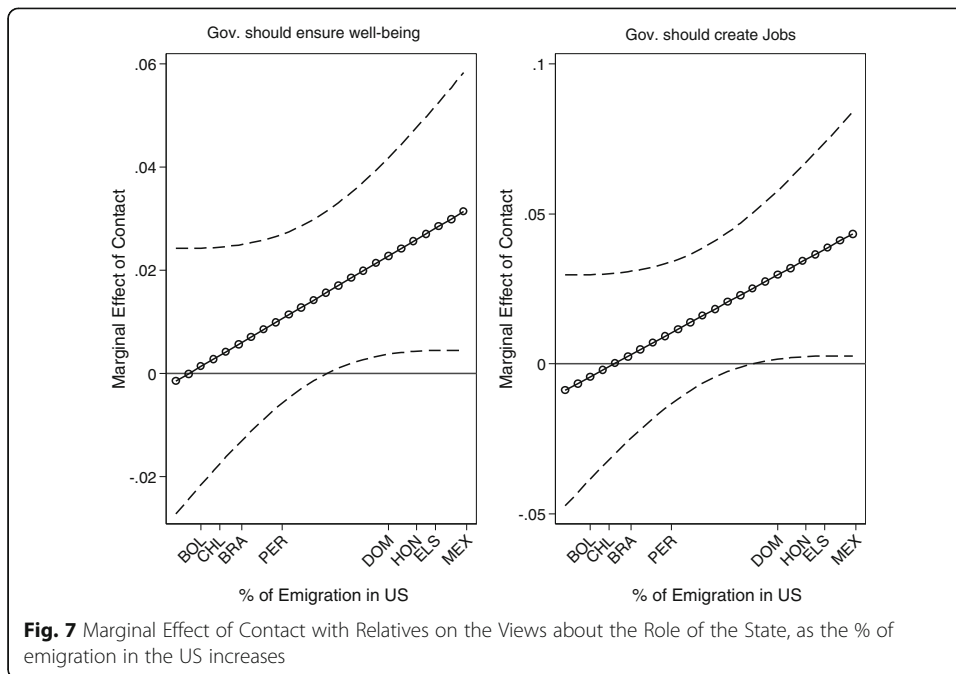


Fig. 7 Marginal Effect of Contact with Relatives on the Views about the Role of the State, as the % of emigration in the US increases

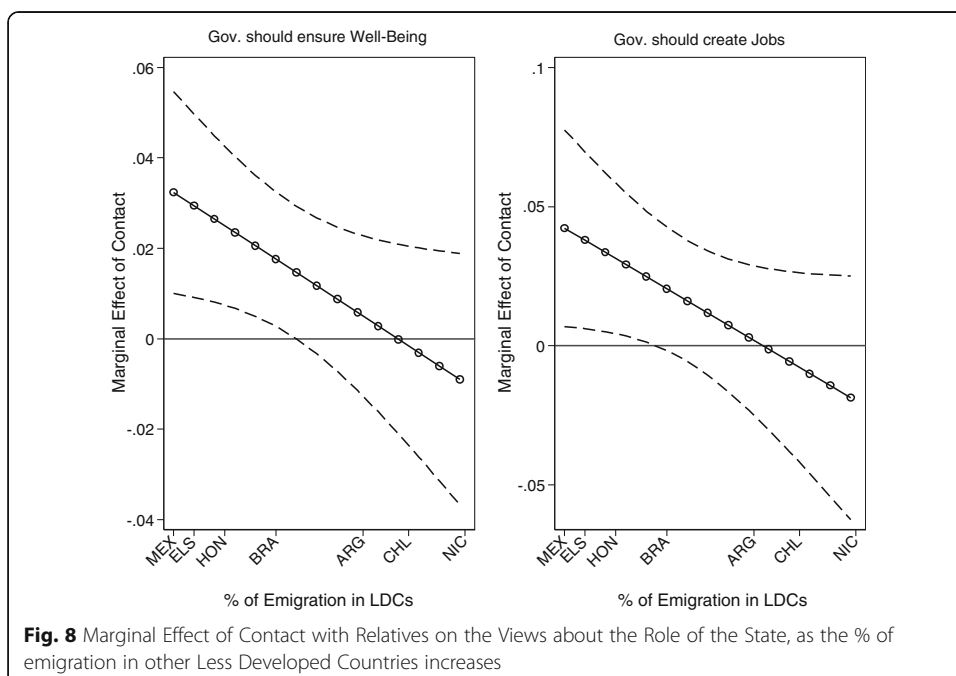


Fig. 8 Marginal Effect of Contact with Relatives on the Views about the Role of the State, as the % of emigration in other Less Developed Countries increases

Appendix C

Table 9 Financial and social remittances and the perception of state efficacy (baseline)

| | Gov't efficacy (1) | Gov't efficacy (2) |
|---------------------------|----------------------------|----------------------------|
| Remittances | 0.000657 [0.027] | |
| Family abroad | 0.0400** [0.019] | |
| Dependence | | -0.00688 [0.010] |
| Contact | | 0.0134** [0.006] |
| Political interest | -0.209*** [0.008] | -0.209*** [0.008] |
| Intercept | 4.795*** [0.067] | 4.790*** [0.067] |
| Observations | 55076 | 54929 |
| R ² | 0.137 | 0.137 |
| Sociodemographic controls | Yes | Yes |
| Country fixed effects | Yes | Yes |
| Year fixed effects | Yes | Yes |

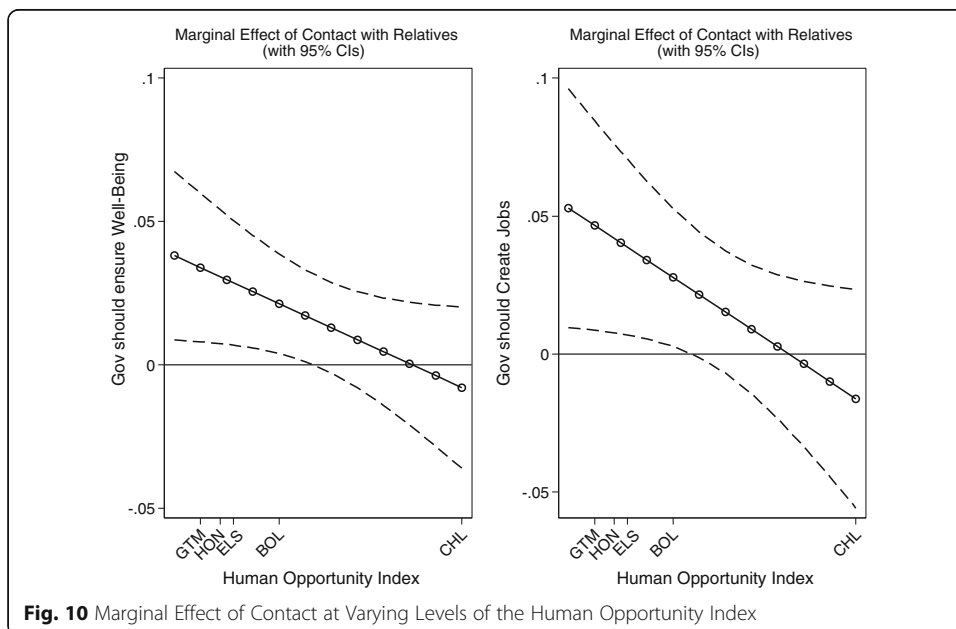
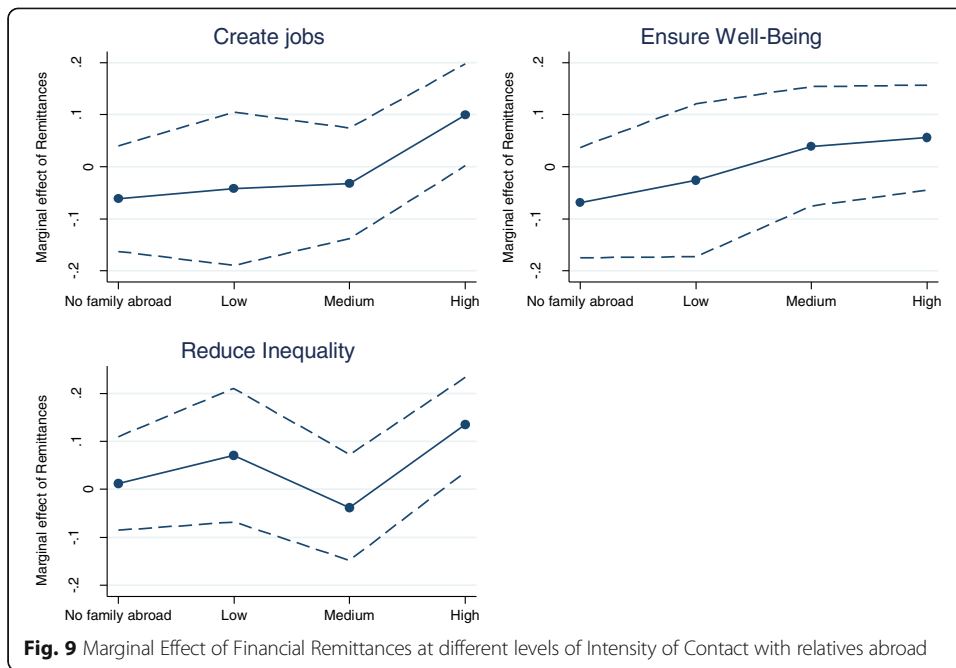
Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status
 Robust standard errors in parentheses ***p < 0.01, **p < 0.05, *p < 0.1

Table 10 Adjusted regressions (PSM), social remittances and the state in a reduced sample of heavy financial remittance recipients

| | Create jobs | | Ensure well-being | | Reduce inequality | |
|---------------------------|----------------------------|----------------------------|----------------------------|---------------------------|----------------------------|-------------------------|
| | OLS (1) | PSM (2) | OLS (3) | PSM (4) | OLS (5) | PSM (6) |
| Remittances | -0.012 (0.028) | -0.112 (0.133) | -0.009 (0.030) | -0.034 (0.135) | 0.025 (0.029) | 0.019 (0.125) |
| Family abroad | 0.086*** (0.022) | 0.377*** (0.130) | 0.079*** (0.023) | 0.302** (0.126) | 0.066*** (0.023) | 0.184 (0.124) |
| Gov't efficacy | 0.013** (0.006) | 0.054 (0.037) | 0.028*** (0.006) | 0.070** (0.035) | 0.019*** (0.006) | 0.086** (0.035) |
| Political interest | -0.017* (0.009) | -0.017 (0.059) | -0.048*** (0.010) | -0.060 (0.060) | -0.046*** (0.010) | 0.012 (0.052) |
| Intercept | 5.837*** (0.085) | 6.017*** (0.563) | 5.123*** (0.090) | 5.396*** (0.499) | 5.751*** (0.088) | 5.455*** (0.517) |
| Observations | 31,788 | 2,685 | 31,674 | 2,678 | 31,618 | 2,679 |
| R ² | 0.037 | 0.049 | 0.032 | 0.038 | 0.029 | 0.058 |
| Sociodemographic controls | Yes | Yes | Yes | Yes | Yes | Yes |
| Country fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |
| Year fixed effects | Yes | Yes | Yes | Yes | Yes | Yes |

Countries included: El Salvador, Dominican Republic, Nicaragua, Paraguay, Guatemala, Ecuador, Bolivia, Peru, Mexico, Colombia

Sociodemographic controls are age, age², gender, education, marital status, employment status, race, socioeconomic status
 Robust standard errors in parentheses ***p < 0.01, **p < 0.05, *p < 0.1



Competing interests

The authors declare that they have no competing interests.

Authors' contributions

CM: empirical analysis, writing. SL: empirical analysis. JA: data preparation. All authors read and approved the final manuscript.

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