Outsourcing Welfare

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How the Money Immigrants Send Home Contributes to Stability in Developing Countries

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Coping with poverty and risk is a way of life for the world's poor. Droughts, natural disasters, political instability, violent conflict, economic crises, public health emergencies, and other shocks create great suffering for people living at the margins. To insulate themselves from market, environmental, and life course risks, many poor families do their best to diversify income, pool resources, and self-insure through saving.[1] But often the very economic conditions that families aim to guard themselves against cause their coping and self-insurance strategies to fail. It is difficult, for instance, to diversify income if one's local economy is limited to rain-fed agriculture or poorly paid informal work. It is impossible to save much when wages are low and economic crises or natural disasters are frequent.[2] To more effectively manage poverty and risk, some families spread themselves out geographically, sending members to work in places where wages are not only higher but also uncorrelated with economic cycles at home.[3] If all goes as planned, those who emigrate will be in a position to save and send money home to support or insure those who were unable or unwilling to leave. By diversifying their income portfolios across different industries and locales, poor households can use remittances—money that migrants send home—to mitigate poverty and reduce the pain of economic shocks.[4]

Some people emigrate as part of an explicit household coping strategy. They leave home for a few months or a few years with the goal of saving and sending as much money as possible to spouses, children, parents, and siblings who have remained in the home country. They keep their expenses in the destination country to a minimum—sometimes living in tight quarters with other migrants to save money on rent—and work long hours, often in difficult, low-wage jobs. At some point, they hope to return home and reunite with their family members more prosperous than when they left.

Javier, for instance, a small-plot strawberry farmer from Mexico, migrated to the United States when he could not pay back debts after a bad harvest. His wife Carolina and their young children remained at home in Mexico while he worked as a line cook at a Tex-Mex restaurant in Atlanta, Georgia. In Atlanta, Javier worked long hours and barely spent anything on himself—“fasting,” as Carolina described it. He sent much of the money he earned back to Carolina so she could purchase things like food, shoes, clothing, and school supplies for the kids. The rest went to savings. After a few years of hard work in the United States, Javier returned to Mexico with enough money to build a brick home to replace his family’s wooden shack.[5]

In contrast to Javier, millions of people emigrate with their families, or with the intention of starting one, and plan to settle indefinitely in their new country. They are motivated by the prospect of finding work or starting a business, escaping violence or persecution, or giving their children opportunities they would not have back home.[6] And while they may not migrate as part of an explicit household coping arrangement like Javier did, many send remittances to friends and relatives back home out of a sense of duty, love, and genuine concern for their welfare.[7]

Alana, for example, migrated to the United States in 2006 from Trinidad and Tobago. She supports herself and her three kids, all of whom live with her in the United States, with money she earns working as a nanny and doing other odd jobs, such as braiding hair. Then she takes whatever amount she can spare—usually about two hundred dollars a month—and sends it to relatives back in Trinidad. The family members she helps support include her father, her grandmother, her sister, and her aunts. Typically, they spend her remittances on basics like food, medicine, and school supplies. In addition to the regular amounts she sends every month, Alana often sends extra money when relatives call or text asking for more help. She says this usually happens when food prices in Trinidad are high or a relative has a medical emergency. In these instances, Alana says she assesses the situation and thinks about how much she can afford to send and how much she thinks her family members need.

I asked Alana if she ever expects to be repaid when relatives contact her asking for extra support. "Never," she replied. "If somebody back home calls me and says, 'I don't have food at my house,' I think, *What if I didn't have food?* So I send them money. When I give, I know a blessing will come back to me, so I don't look back for anything from the person I am doing it for."[8]

Rasel also immigrated to the United States in 2006. Although he is married with a baby and making a life for himself in New York, Rasel still manages to set aside two hundred dollars every month from his salary as a community organizer to send to his sixty-seven-year-old mother in Bangladesh. Rasel's mother uses the money primarily to buy medicines to treat her diabetes and high blood pressure. When he has a little extra money to spare, Rasel tries to help extended family members or people in his home village, such as a young girl who had an accident and needed a surgery that her family could not afford.[9] Similarly, Adolfo religiously sends one hundred dollars a week back to his native Guatemala—an impressive feat considering that he doesn't earn much more than minimum wage stocking shelves at a corner deli in Brooklyn and has a wife and child of his own in the United States to support. Adolfo usually sends money directly to his mother and younger sister, which they use to buy food and other basics. When I asked Adolfo why his mother needs the money, he said because she is too old to work. Her husband, Adolfo's father, passed away. She would be destitute without her son's assistance.[10]

It is tempting to think of the money people like Javier, Alana, Rasel, and Adolfo send home simply as a gift from one family member to another.

Taking a broader view, however, these transfers of cash start to look like much more. International migrants, in fact, are filling a significant welfare gap in many developing countries and, as I will argue in this book, helping to reduce the severity of economic grievances that fuel political instability and civil unrest.

REMITTANCE FLOWS TO THE DEVELOPING WORLD

The United Nations estimates that about a quarter of a billion people live outside their country of birth.[11] Millions of these migrants—no one knows exactly how many—send relatively small sums of money to friends and family back home on a regular basis. Some send remittances from Western Union or through their banks. Others wire money from internet cafes, twenty-four-hour check-cashing shops, currency exchanges owned by conationals, or automated kiosks inside of small convenience stores. Some immigrants send money using the latest text messaging and smartphone technologies—through mobile apps like WorldRemit and TransferWise—while others still send money the old-fashioned way as cash or money orders mailed in envelopes or in the pockets of friends who are returning home.

How much do they send? No one knows the exact quantity of remittances that flow between countries because so much of it is difficult to track. However, based on records of money sent through formal remittance channels like banks and wire transfer services, the World Bank estimates that international migrants transferred about $5 trillion to developing countries between 2000 and 2017.[12] In 2017 alone, migrants sent an estimated $450 billion to the developing world through formal remitting channels—nearly twice the amount they sent through formal channels a decade earlier.[13]

To put this amount into perspective, Figure 1.1 shows the flow of remittances and government aid to developing countries from 2004 to 2014. We can see that remittances grew significantly over this period (some of this growth, however, was due to better record-keeping) while the flow of aid remained relatively constant. The gulf between remittances and aid

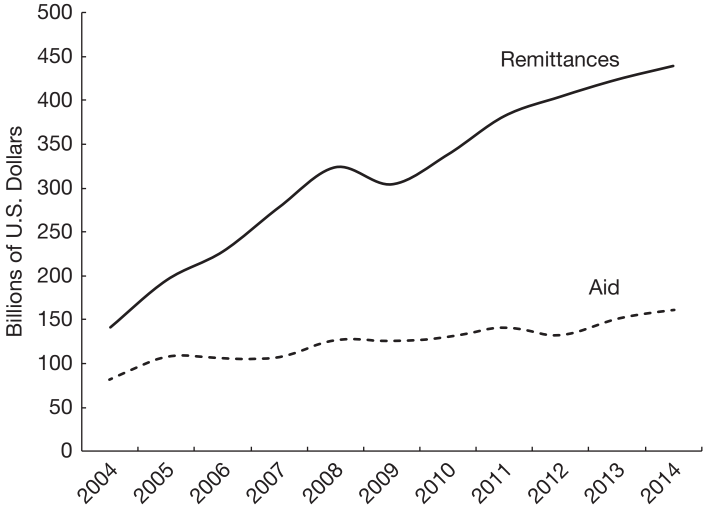

Figure 1.1 Remittances and aid flows to developing countries, 2004–2014.
SOURCES: World Development Indicators (rev. August 2016); World Bank Migration and Remittances Data (rev. April 2016).

reached its highest point yet in 2014 when international migrants sent an estimated $443.8 billion to developing countries and the world's richest governments donated $135 billion in the form of aid and official development assistance.[14] This difference is worth emphasizing. International migrants, many of whom work low-paying jobs that few others want, contribute more than three times as much toward fighting poverty in the developing world than the governments and taxpayers of the world's richest countries.

Remittances are a large and important source of income to dozens of developing countries. The top remittance-receiving countries are India and China, which received an estimated $62.7 billion and $61 billion from international migrants in 2016. Other countries with large remittance incomes include the Philippines (estimated at $29.9 billion in 2016), Mexico ($28.5 billion), Pakistan ($19.8 billion), Nigeria ($19 billion), Egypt ($16.6 billion), Bangladesh ($13.7 billion), and Vietnam ($13.4 billion).[15] For the most part, the top remittance-receiving countries have relatively large populations and large economies. When we measure remittances only in total dollar amounts, we therefore run the risk of overlooking the importance of remittances to many smaller developing countries. Figure 1.2 demonstrates just how large remittance income is relative to the size of the domestic economy in twenty-five small developing countries. Starting at the top of Figure 1.2, we can see that remittances are equivalent to more than 20 percent of gross domestic product (GDP) in Nepal, Liberia, Tajikistan, Kyrgyz Republic, Haiti, Moldova, and the Gambia and 10–19 percent of GDP in Honduras, Lesotho, Jamaica, El Salvador, Lebanon, Kosovo, Jordan, Armenia, Senegal, Palestine, Georgia, and Guatemala. Remittance income is furthermore equivalent to 5–10 percent of GDP in the Philippines, Nicaragua, Yemen, Guyana, Togo, Sri Lanka, Bangladesh, the Dominican Republic, Pakistan, Vietnam, Ukraine, Ghana, and Egypt. Overall, remittances are equivalent to 5 percent of GDP or greater in more than fifty developing countries.

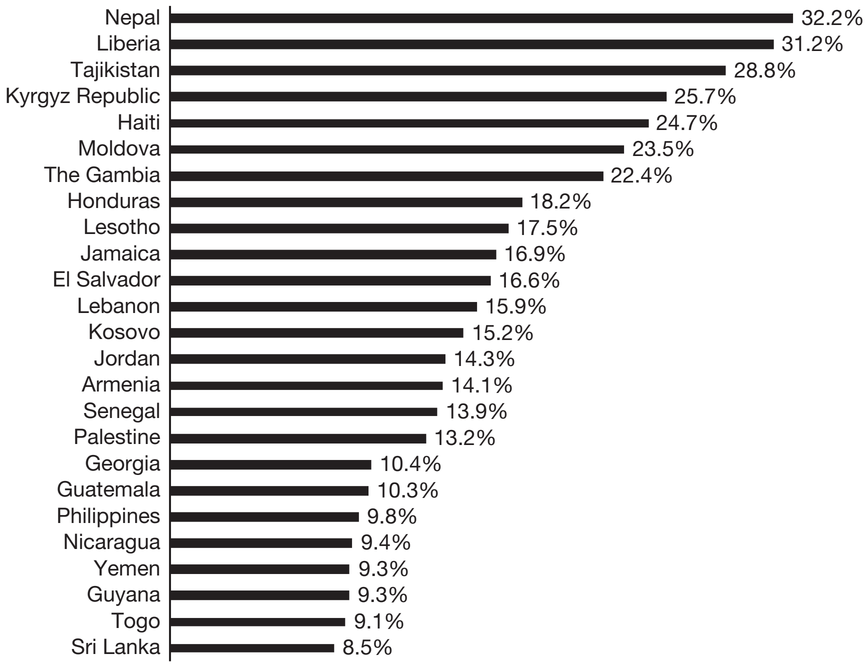

Figure 1.2 Remittances as a percentage of GDP in 25 developing countries in 2015.
SOURCE: World Bank Migration and Remittances Data (rev. April 2017).

Yet another way to measure the flow and importance of remittances is in terms of how many people in a country receive them. Figure 1.3 shows aggregates from nationally representative surveys conducted in recent years in the Middle East, Africa, Latin America, the Caucuses, and the Caribbean. Listed is the percentage of respondents who reported receiving remittances from a family member abroad at least once or twice a year. As we can see from these surveys, remittance recipients make up a significant share of the population throughout the developing world. A staggering 49 percent of the population in the small island countries of Haiti and Cabo Verde, for instance, reported that they receive remittances at least occasionally, as did 46 percent of the Jamaican population. Remittance recipients make up a large

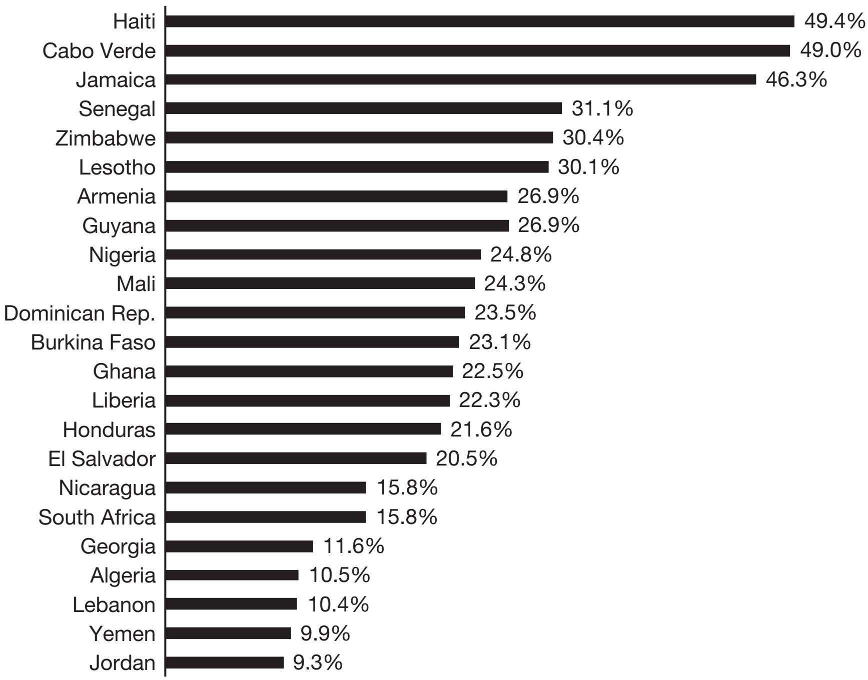

Figure 1.3 Percentage of national populations that reported receiving remittances at least once a year.
SOURCES: Afrobarometer (2009); Arab Barometer (2011); Caucuses Barometer (2013); Latin American Public Opinion Project (2014).

share of the population in a number of other countries. About 30 percent of people living in Senegal, Zimbabwe, and Lesotho receive remittances at least occasionally, as do 20–27 percent of people living in Armenia, Guyana, Nigeria, Mali, the Dominican Republic, Burkina Faso, Ghana, Liberia, Honduras, and El Salvador. Moreover, 9–16 percent of the population receives remittances at least occasionally in Nicaragua, South Africa, Georgia, Algeria, Lebanon, Yemen, and Jordan.

REMITTANCES AS SOCIAL WELFARE

Remittances are impressive not only because they are such a huge source of income to so many developing countries but also because migrants send most of this money altruistically without conditions or expectations of profit, interest, or repayment.[16] Like Javier, Alana, Rasel, and Adolfo, most people who remit do so because they feel a sense of duty to family and genuine concern for the welfare of their loved ones.[17] Because altruism is so often the driving force behind the decision to send money home, remittance flows tend to be both stable and countercyclical, meaning that migrants typically send more money when relatives back home are facing some sort of crisis or emergency.[18] We have already seen the countercyclical nature of remittances at the individual level. Javier, for instance, emigrated and sent money following a bad harvest on his farm in Mexico. Alana sends more when food prices in Trinidad and Tobago increase. Rasel sent more money when a member of his village in Bangladesh needed a critical surgery. The countercyclical nature of remittances can also be observed at the macro level. When a devastating earthquake struck Nepal in 2015, for example, the Nepali diaspora immediately sprang into action and sent millions of dollars to family and friends in need of shelter, food, and medical assistance.[19] Similarly, remittances to the Philippines increased after a deadly typhoon in 2013; to Haiti after a massive earthquake in 2010; and to Sri Lanka after a catastrophic tsunami in 2004.[20] Remittances also rise when human-made crises cause suffering. Remittances to Yemen, for instance, surged between 2011 and 2012 amid the political, social, and economic upheaval that surrounded the resignation of President Ali Abdullah Saleh and much of his government.[21] Remittances also rise when economic crises strike developing countries.[22] For example, citizens abroad pumped more money into the Mexican economy during its 1995 currency crisis and into the Thai and Indonesian economies during the 1997 Asian financial crisis—periods when many foreign investors were pulling money out.[23]

Remittances are a critical lifeline for millions of families. Although some remittances are invested in income-generating ventures, like small businesses and agriculture, and in long-term investments like health and education, the vast majority are spent on immediate consumption needs and basic goods and services. In a survey I conducted in ten Mexican communities with high rates of out-migration, a majority of respondents who received remittances (57 percent) said that food is the most common item they purchase with remittances. When asked to name the top three things they buy with remittances, respondents mentioned food 30 percent of the time; medicine and healthcare 21 percent of the time; utilities like electricity, gas, and water 18 percent of the time; clothing 10 percent of the time; and education 4 percent of the time.[24]

Similar spending patterns have been observed throughout the developing world. A study by the Bank of Jamaica found that Jamaicans spend 85 percent of their remittances on basic goods and services, such as utilities, food, housing, and education.[25] A survey in Kosovo found that 90 percent of remittances are spent on food, healthcare, education, clothing, and housing.[26] A survey in Ghana found that 90 percent of remittance recipients use remittances for food, 70 percent for clothing, and 20 percent for education.[27] A survey by the Bangladeshi government estimates that about 39 percent of remittances to Bangladesh are spent on food, while 24 percent are used to repay loans taken out to pay for expenses associated with moving abroad, including labor recruitment fees.[28] In Indonesia, 96 percent of respondents whose only income comes in the form of international remittances said they use remittances to buy food; 74 percent said they use remittances to pay for utilities; 73 percent said they use remittances to fund transportation costs; and 70 percent said they use remittances to pay for education. Among respondents who have income in addition to remittances, 68 percent said they use remittances to buy food, 55 percent for utilities, 57 percent for education, and 27 percent for home maintenance and repairs.[29] According to the Central Bank of the Philippines, 93 percent of remittance-receiving households use remittances for food, 72 percent for education, 63 percent for healthcare costs, and 50 percent for paying off debts.[30] Remittances are largely spent on food, healthcare, and education in Burkina Faso and Uganda, and overwhelmingly spent on food in Senegal.[31]

By allowing households to continue consuming even when local economic conditions are unfavorable, remittances reduce poverty, raise standards of living, and give families more freedom to make long-term investments in housing, education, and health.[32] The largest beneficiaries of remittances, of course, are the people who receive them directly, but the positive effects extend to others in the community when remittances stimulate local spending and commerce. When remittance recipients spend money on food at local markets, purchase new appliances at local shops, and hire neighbors to help them build new homes or till newly purchased land, this puts money in the pockets of other people in the community, creating or sustaining jobs and stimulating another round of spending.[33]

OUTSOURCING WELFARE

The citizens of wealthy Western democracies are able to count on any number of social insurance and subsidization programs in times of need. Unemployment compensation and trade adjustment assistance help households manage job loss. Agricultural subsidies and crop insurance provide a safety net to farmers and help them compete in global markets. Food assistance programs, social security, and public health insurance help poor families, older people, the disabled, and entire societies manage unforeseen economic shocks.

Most people living in the developing world, on the other hand, lack adequate social welfare protections. In the absence of a strong commitment from the governments of developing countries to provide a safety net, migrants abroad fill a significant welfare gap. Their remittances insulate poor households from macroeconomic crises, economic mismanagement, and political and social upheaval.[34] They keep smallholder farmers from going into debt during droughts or when they are priced out of local markets by foreign competition.[35] They help families rebuild after natural disasters. They keep food on the table when harvests are bad, when food prices surge, when jobs are lost, when family members fall ill, and when small businesses go under. For hundreds of millions of people around the world, it is their family members abroad—not their governments—that have assumed the primary social responsibility of ensuring a minimum level of economic security.

Remittances can therefore be thought of as *transnational safety nets*. They are *transnational* because they flow over national borders. Their transnational nature is advantageous because it means that flows are less likely to be disrupted by the same economic problems that remittances are sent to address. Remittances are a *safety net* because they help poor families more reliably meet basic consumption needs during times of economic crisis. As a transnational safety net, remittances serve a function similar to the kinds of social protections that many wealthy governments provide to their citizens.[36] Like unemployment insurance and trade adjustment assistance, remittances allow people to keep paying the rent even when they are put out of work by foreign competition. Like food stamps, they allow families to buy food even when global food prices are on the rise. Like fuel subsidies, they help families afford cooking gas and heating fuel even when global fuel prices surge. Like agricultural subsidies and crop insurance, they allow small farmers to keep their heads above water when they have a bad harvest. Like health insurance, they help poor people make doctor's visits and afford medicines they need to survive. Like social security programs, they compensate people who cannot work due to disability or old age.

Remittances have become a particularly critical safety net in the current era of neoliberal globalization. Developing countries have become more open to the vicissitudes of global markets in recent decades, but instead of establishing robust welfare states like their counterparts in postwar Europe and North America, most governments in the developing world retrenched or have engaged in procyclical social spending that falls far short of the kinds of universal welfare programs established in Western democracies.[37] In many developing countries, spending cuts were a precondition for establishing more market-oriented systems. The governments of many developing countries, for example, once used public funds to subsidize (i.e., artificially lower) the prices of agricultural inputs like seeds and fertilizer so that smallholder farmers could spend less to grow their crops. Moreover, many governments used, and to some extent still use, food, fuel, and transportation subsidies to keep prices artificially low in urban areas where the potential for civil unrest is high.[38] Many governments eliminated or greatly reduced these subsidies as part of structural adjustment reforms adopted since the 1980s. Prices on everyday goods and services rose, and poor people were left spending more of their hard-earned income just to survive.

Austerity has come at a time when people in developing countries need more, not fewer, social protections. Neoliberal globalization has made the poor increasingly vulnerable to economic shocks. Trade liberalization, for instance, has opened small producers in developing countries to competition from behemoths abroad, pricing poor farmers and mom-and-pop businesses out of local markets and creating legions of angry, unemployed citizens in need of a social safety net. National economies have furthermore become increasingly interdependent, leaving the poor more vulnerable to the booms and busts of global capitalism and the whims of international investors living thousands of miles away. The economic pressures resulting from austerity and global market integration have torn at the social and political fabric of many societies. Between 1976 and 1992, 146 grievance-fueled food and austerity riots took place in thirty-nine developing countries, including El Salvador, Jamaica, Sierra Leone, Bolivia, Zambia, Poland, Jordan, Nepal, and Egypt.[39] In some countries, like Peru and the Dominican Republic, riots led to the ascendance of opposition candidates; in others, such as the Philippines and Haiti, leaders were overthrown.[40] Unrest related to austerity and globalization continued through the 1990s. In Mexico, the violent Zapatista uprising in 1994 was an explicit rejection of suffering caused by austerity and Mexico's integration into the global economy. In Indonesia, the suffering and job loss caused by the 1997 Asian financial crisis were made more excruciating by cuts to food and fuel subsidies. Violent demonstrations broke out across the country, fracturing Indonesian society and bringing an end to the thirty-one-year reign of Suharto.[41]

The risk of grievance-fueled instability has remained high in the twenty-first century. In 2007 and 2008, skyrocketing food and fuel prices—a phenomenon driven largely by speculation half a world away—exacerbated poverty throughout the developing world.[42] From Mexico to Haiti, Indonesia to Egypt, Honduras to Burkina Faso, Peru to Mozambique, poor people took to streets banging pots and pans, demanding that their governments do something to ease their suffering. Their grievances were further inflamed by the global financial crisis that began in 2008. In the initial phases of the crisis, most countries increased public spending in efforts to stimulate their economies and avoid falling into recession. As the economic crisis deepened, however, public revenues dropped off and attention turned from recovery to austerity.[43] Between 2010 and 2013, dozens of developing countries cut fuel, electricity, water, transportation, and food subsidies, reduced health and pension obligations, and laid off public workers.[44] Half a decade later, many developing states are spending far less than they were before the crisis and continue to reduce spending. Meanwhile, economic shocks, like a spike in food prices in 2011, triggered demonstrations and political instability in North Africa and the Middle East.[45] High food prices, volatile markets, and inadequate social protections continue to threaten social and political stability in the developing world.[46]

By prioritizing austerity, many governments have implicitly assigned greater responsibility to families and other social institutions to guarantee social welfare.[47] Austerity, however, has caused not only the privatization or "familialization" of social welfare provision but also its transnationalization. Migration and remittance flows have risen precipitously over the past three decades in response to the vulnerabilities exacerbated by neoliberal policies. When citizens cannot count on their governments to compensate them for market risk and volatility, unemployment and underemployment, or man-made and natural crises—and when adverse local economic conditions prevent local solutions to economic problems—more citizens cope through emigration. When the vicissitudes of global capitalism are not mitigated by government social programs, those families that have access to foreign labor markets rely increasingly on remittances as a safety net. It is therefore not surprising that remittance flows have surged with the spread of neoliberal policies in the post-Cold War era. Emigrating to remit has become an increasingly critical coping strategy in the absence of adequate social protections in developing countries whose populations are increasingly exposed to the ravages of global capitalism.[48] By sending back growing sums of money, global migrants—like other non-state actors—have assumed a greater share of the state's welfare burden in the neoliberal era. No longer is social welfare necessarily something administered via universal, countercyclical government programs, as it came to be in interwar and postwar Western democracies. Rather, *welfare has been outsourced to citizens abroad*, obtained increasingly through a self-help system that requires families to divide themselves across national borders. Developing country governments that are unable or unwilling to spend on universal welfare states count on migrants to fill the welfare gap with their remittances. Counting on people to emigrate and send money home has become a de facto social welfare policy in many developing countries.

REMITTANCES, ECONOMIC SECURITY, AND POLITICAL STABILITY

This book is about how the social welfare impact of remittances promotes economic security and political stability in developing countries. A key argument of this book is that by filling such a large welfare gap, remittances make people in developing countries feel more economically secure and less economically aggrieved. I argue that this economic security effect makes remittance recipients more optimistic, enhances their assessments of government performance, and makes them less likely to blame or punish incumbents during bad economic times. As a result, remittances contribute to political and social stability in developing countries during otherwise destabilizing periods of economic crisis.

Economic conditions, of course, are critical determinants of social and political stability. Public approval of governments plummets when the economy is bad. High unemployment, rising prices, stagnant wages, economic volatility, natural disasters, and pessimism about what the future might hold contribute to suffering, grievance, and the aggravation of social, political, and ethnic tensions. The resulting anger fuels the rise of populists and demagogues who promise a better economy and an undoing of the political establishment. Their directives can ignite demonstrations, violence, and instability, and their policies can lead to the erosion of democratic institutions.[49]

Wealthy countries spend large sums of money on social welfare programs and subsidies to help ordinary people manage economic downturns, natural disasters, and life course risks. Social welfare programs keep food on the table and the rent paid despite job loss and other economic hardships. They allow families to continue making long-term investments in health and education when prices rise. They create a buffer for those at the margins of poverty. By absorbing economic shocks and compensating people for losses tied to integration into the global economy, government spending plays an important social and political function: it helps reduce the kind of suffering and anger that lead to civil unrest and political punishment.[50]

As a substitute for—or complement to—government spending on social welfare, remittances perform a similar stabilizing function.[51] As I will show through case studies and statistical analyses in later chapters, the social welfare impact of remittances has a distinct calming effect on people. Remittance recipients are less aggrieved and more optimistic about the future because remittances allow them to continue consuming despite the poverty, risk, and crises that are endemic to life in developing economies. As one man I interviewed in rural Mexico put it, remittances "lift the mood" in his community despite what feels like a constant stream of economic crises. My argument is that by reducing economic suffering and "lifting the mood," remittances, like social welfare benefits, leave people less motivated to blame, oppose, or mobilize against the party in power during bad economic times.[52] While remittance recipients may not completely approve of how their government is managing the economy, they are more forgiving of government performance and more willing to wait for better times. They have more to lose and less to gain from rioting or seeing the political order completely upended. They are less inspired by the calls of populists and demagogues to punish those in power, take up arms, or scapegoat minorities.[53]

To sketch out the logic behind this idea further, let's first assume that people derive utility from their capacity to consume and that everyone has a preferred minimum consumption threshold. For some people, the minimum consumption threshold may simply be the ability to keep food on the table and a roof over their heads. For others, the preferred threshold may include more than what is needed to survive—a comfortable home, appliances, a car, and the ability to purchase luxury goods. For our purposes, the important thing is *the difference* between the level at which citizens are actually consuming and their preferred minimum consumption threshold. When this difference is positive—meaning that people are consuming beyond their preferred threshold—voters will, all else equal, be more likely to approve of government performance. When this difference is negative—meaning that people are consuming below their preferred threshold—voters will be more likely to disapprove of government performance.[54] What matters most here is whether people are suffering or doing well—not necessarily the role leaders' policies, actions, or inactions play in determining consumption levels. People, in other words, often misattribute the difference between actual consumption and preferred minimum consumption to government performance. Christopher Achen and Larry Bartels show, for instance, that incumbent approval tends to plummet after droughts and floods even though every rational person understands that governments do not cause, nor can they prevent, bad weather and natural disasters.[55] Similarly, Daniela Campello and Cesar Zucco show that voters systematically reward and punish incumbents for booms and busts in global markets that are clearly beyond domestic policymakers' control.[56] The same logic of misattribution applies when people receive remittances. By boosting consumption and reducing economic grievances, the welfare effect of remittances makes people more forgiving of a poorly-performing government despite the fact that remittances are non-governmental transfers.[57]

In addition to this welfare effect, remittances relieve governments of pressure by providing some citizens a quick and effective option for securing economic relief. When faced with an economic crisis, someone with a family member in another country has the luxury of being able to pick up the phone, write an email, or send a text message to a family member abroad and ask for money. For most poor people, calling upon a family member abroad for relief makes far more sense than dealing with a corrupt, unfair, slow, or unaccountable political system.[58] Consistent with the neoliberal ideal, they find ways to cope with economic adversity independent of the limited state. Remittance recipients therefore have less demand for government-provided welfare because they find it more effective to resolve economic problems by other means. Reduced demand for government-provided welfare—combined with a welfare effect that softens economic and political grievances—means that remittances relieve government officials of some pressure to solve economic problems or guarantee a minimum standard of living. In this way, remittances act as a safety valve that reduces some of the social and political tension that arises when markets fail and states are slow or inadequate in their response.

Figure 1.4 summarizes these arguments. In the first place, remittances fill a welfare gap. This does two things. First, remittances reduce economic grievances and leave people feeling more optimistic about the economy. Second, people who receive remittances have less demand for government-provided welfare, both because they have fewer economic grievances and because they know that it is more effective to turn to family members abroad when they have economic problems. Reduced economic grievances also reduce the risk of grievance-fueled civil unrest and lead to improved assessments of government performance, which boosts support for incumbents in elections. In these respects, remittances contribute to

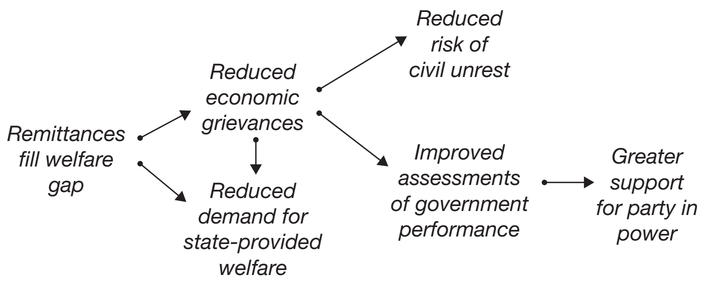

Figure 1.4 Remittances, Economic Security, and Political Stability.

economic, social, and political stability in countries that are vulnerable to frequent bouts of economic crisis.

CASES AND ANALYTICAL APPROACHES

This book is based on ethnographic fieldwork and survey research I conducted in Mexico, Central America, and the United States and on analyses of publicly available survey data collected from 120,000 individuals living in Africa, the Middle East, Latin America, and the Caribbean.[59] My focus here is on individuals, not aggregates, hence my use of ethnographic and survey methods. Although aggregate country-level data on remittances do exist, they are notoriously incomplete because so many remittances flow as cash or through informal networks, making them difficult to track. Moreover, the quality of the aggregate data varies from country-to-country due to the fact that some governments make it a priority to closely monitor and record remittance flows, while many others do not. Generally speaking, record-keeping has improved since universal definitions of remittances were established by the International Monetary Fund and World Bank in the mid-2000s and as more people use formal remitting channels in many parts of the world. Still, these improvements have been uneven and it is not usually clear how comparable or complete the data are from country-to-country and year-to-year. Although a number of researchers analyze aggregate time-series data on remittances, I think it is anybody's guess what such analyses really tell us since the quality of the data varies so much between countries and over time.

In keeping with my focus on individuals, when I speak of remittances in this book, I am referring to funds sent from individuals abroad directly to family members and friends in the homeland, usually in relatively small and frequent sums. These "family remittances" make up the vast majority of money that migrants transfer home and are usually what people are referring to when they talk about remittances. Family remittances can be distinguished from what are known as "collective remittances," a type of transfer that is largely beyond the scope of this book. Collective remittances are funds that groups of migrants raise and use to underwrite community projects in their homelands. The people raising and pooling money often come from the same hometown and have settled abroad in the same area. In some cases, they form clubs or formal associations in their new countries and use their combined economic power to fund large projects. Groups of Moroccans living in France, for example, have funded the construction of electricity networks and roads in their villages of origin.[60] Mexican migrant associations in the United States have raised funds to refurbish rundown plazas and old churches and construct wells, roads, and stadiums throughout rural Mexico.[61] Ghanaians living in the United States, United Kingdom, and Germany have organized and pooled their money to underwrite schools, fund the construction of libraries, and purchase equipment for hospitals back in Ghana.[62] Some migrant associations have become economic powerhouses that have accumulated political clout in their home countries.[63]

With my primary focus on remittances sent from individuals to families, I see remittances as a substitute for or complement to spending on subsidies and social welfare programs by national governments, such as food subsidies, agricultural subsidies, unemployment compensation, social security, and public healthcare. My focus thus excludes the ways in which migrants replace governments, sometimes formally, in funding public works projects. Instead, I am interested in drawing a comparison between family remittances and the kind of money many states spend (or once spent) to subsidize prices and otherwise insure ordinary people against economic, environmental, and life course risks. I do not argue that, by sending remittances, migrants have become institutionalized providers of social welfare in the sense that there has been a formal transfer of power or responsibility from governments to migrants. Rather, as I explain in more detail in the next chapter, migrants have assumed this responsibility in particular times and places by default, often as a means for coping with austerity and surviving economic shocks. Migrants are compelled to fill this gap because they feel a sense of duty to their family members.

CONTRIBUTIONS

The principal contribution of this book is to a burgeoning literature in political science on the effects of emigration and remittances on political outcomes in developing countries.[64] Remittances have traditionally been studied by anthropologists, economists, and sociologists for their social and economic causes and effects. Scholars have explored the reasons why people remit, the macroeconomic forces that drive the global flow of remittances, how transnational engagement (including remitting) alters social and economic relations in migrants' communities of origin, and how remittances impact poverty and growth in developing countries. Over the past decade, more scholars have started to ask how these large flows of money affect politics in migrants' home countries. Earlier studies focused primarily on the impact of collective remittances on migrant-state relations and the formation of pro-migrant policies. Increasingly, attention in recent years is turning to the micro- and macro-level political impacts of remittances sent by individuals. This book adds to the growing literature on the relationship between remittances and politics in developing countries by studying how remittances fill a welfare gap in austere, market-oriented systems and how the welfare effects of remittances reduce economic grievances and contribute to political stability in various regions of the developing world.

Another key contribution of this book is to debates about the political effects of globalization and market reform in developing countries and the impact of non-state welfare on political outcomes. For years, scholars have asked how the governments of newly-democratic developing countries can cut spending on subsidies and social welfare benefits without succumbing to popular resistance and punishment at the ballot box.[65] This question has become increasingly important in an era when voters' attachments to traditional political parties are weakening and economic crises are becoming more common due to the effects of climate change and global economic interdependence.[66] Some existing explanations for political stability in new democracies include the willingness of politicians to follow shifts in public opinion or focus on issues where there is little disagreement; the propensity of voters to prioritize certain economic conditions more than others; the ways in which power is structured and accumulated after democratic transitions; and how certain political systems and institutional arrangements lend themselves to stability.[67] This book adds a new explanation to debates about political behavior and political stability in developing democracies that focuses on the welfare effects of remittances. The impact of remittances on political stability and electoral outcomes should not be overlooked or underestimated, as large segments of the population in many developing countries receive remittances at least occasionally.

A third contribution of this book is to our understanding of the relationship between remittances and economic development. Researchers have tended to view the relationship between remittances and economic development through three lenses. The pessimistic view is that remittances do not contribute to economic development in any meaningful way. Remittances are overwhelmingly spent on daily consumption rather than saved and invested, therefore their effects on growth are minimal. Remittances may even stunt economic growth if they invite moral hazard, discourage innovation, or cause people to withdraw from the labor market.[68] Two perspectives are more optimistic. One argues that remittances contribute to economic growth through multiplier effects. Whether they are used to purchase food, buy medicine, build a home, or pay for a wedding, remittances stimulate new spending that can jump-start poor economies and create new jobs.[69] Another perspective argues that remittances have the ability to lift families out of poverty traps, allowing them to make investments that contribute to economic development in the long run. If remittances help satisfy basic consumption needs, in other words, families find themselves in a better position to make long-term investments in things like education, healthcare, land, agricultural technologies, and small businesses.[70]

This book adds a fourth perspective. Remittances, like social spending, contribute to the political and social stability needed for development. Food riots, populists, and political upheaval scare off investors and bring commerce to a standstill. Civil unrest creates more poverty, which may lead to more civil unrest. Remittances can help break this cycle, or at least reduce its severity. This is why remittances are so critical. They not only help individuals cope with austerity and the vicissitudes of global capitalism but also help entire societies cope with and adjust to an austere economic environment where markets and states frequently fail, much as welfare state expansion did in many developed countries after the Great Depression and World War II. This could be a good thing if, by fostering political stability, remittances allow politicians to make difficult choices that are economically beneficial in the long run when any number of pressures and constraints limit welfare expenditures. The risk, however, is that remittances also reinforce and perpetuate poverty to some degree by allowing politicians to neglect the development needs of poor communities that have high rates of emigration.

A LOOK AHEAD

The structure of this book follows the logic of the argument I laid out in Figure 1.4, exploring first how remittances substitute for welfare benefits through periods of austerity (chapter 2); then how remittances reduce economic grievances, reduce demand for government-provided welfare, and contribute to economic optimism in times of crisis (chapters 3 and 4); and, finally, how remittances enhance voters' assessments of government performance, reduce the risk of civil unrest, and benefit incumbents in elections (chapters 5 and 6).

Chapter 2, "Outsourcing Social Welfare: How Migrants Replaced the State during Mexico's Market Transition," draws on ethnographic fieldwork I conducted in a coffee-growing village and pork-producing town in rural Mexico. In this chapter I explain how people living in agrarian communities used remittances to cope with economic shocks associated with Mexico's transition to a more market-oriented economy in the 1990s. I argue that austerity caused the welfare burden to shift increasingly from the state to Mexicans living in the United States, and that counting on emigrants to send money home became Mexico's de facto social policy in rural areas. In chapter 3, "How Remittances Prevent Social Unrest: Evidence from the Mexican Countryside," I argue that remittances have contributed to economic security and social stability in rural Mexican communities during periods of destabilizing economic change. In this chapter, I analyze data from a survey of 768 households that I conducted in Michoacán, Mexico during the 2007–2008 food crisis. This chapter shows that, despite the high levels of poverty and economic risk that people in these communities faced at the time of the survey, remittance recipients were less economically aggrieved and weathered the food crisis with greater optimism than neighbors who did not receive remittances. They were also less likely to lobby government officials for economic assistance. Smallholder farmers, remittance recipients, and government officials I interviewed suggest that there would have been great social and political upheaval in the Mexican countryside had remittances not been there to help families cope with austerity and survive economic shocks.

In the second part of the book I look beyond Mexico. Chapter 4, "Optimism in Times of Crisis: Remittances and Economic Security in Africa, the Caribbean, Latin America, and the Middle East," examines emigration and remittance trends in fifty countries. In this chapter, I argue that remittances played an important role in reducing economic grievances during the global food and financial crises that shocked economies and exacerbated poverty during the period 2008–2011. This economic security effect, I explain, contributed to social and political stability during the food crisis that afflicted many sub-Saharan African countries in 2008. Chapter 5, "They Came Banging Pots and Pans: Remittances and Government Approval in Sub-Saharan Africa during the Food Crisis," shows that remittance recipients in sub-Saharan Africa were generally less likely than other citizens to experience hunger during the 2008 food crisis and also less likely to disapprove of government economic performance despite widespread suffering and rioting. This chapter also shows that these more positive assessments of the economy and government performance translated into higher levels of support for incumbents during the crisis. Remittance recipients in democratic sub-Saharan African countries, for instance, were up to 15 percent more likely than non-recipients to say they would support the incumbent party in a hypothetical election.

Chapter 6, "No Left Turn: Remittances and Incumbent Support in Mexico's Closely Contested 2006 Presidential Election," provides an example of how the link between remittances and improved assessments of government performance can tip a close election in the incumbent's favor. The 2006 Mexican presidential election was a heated race between Felipe Calderón, the right-of-center candidate from the incumbent party, and Andrés Manuel López Obrador, a left-wing populist who challenged Mexico's austere economic system and pro-market political establishment. I argue that, because they were less economically aggrieved, remittance recipients were less receptive to the populist appeals of López Obrador, and thus less likely to vote for him in the election. Remittance recipients made up a significant share of the Mexican electorate in 2006 and, as my analyses show, they were likely decisive in López Obrador's defeat.

The last chapter concludes and discusses the implications of remittances for democracy and development in an era when citizens are increasingly exposed to economic crises and governments are often unwilling or unable to invest in robust social welfare systems. I close the book with a discussion of some best practices for managing emigration and leveraging the benefits of remittances.