Migrant Remittances and Electoral Accountability: The Case of the Philippines

Yoon Ah Oh

Do migrant remittances undermine electoral democracy in recipient countries? In the conventional view, citizens in democracy are expected to hold the government accountable under an implicit assumption that they have incentives to do so because their well-being is largely determined by domestic political situation and economic conditions. Yet this may not be the case when large numbers of citizens come to rely on foreign income generated by overseas employment. This paper examines political effects of remittances and argues that remittances as a type of private foreign income undermine the extent to which citizens enforce electoral accountability. Although remittances increase political resources available to citizens of recipient countries, this access to foreign income also diminishes incentives for citizens to perform electoral disciplining to their representatives. I explore this incentive-trumps-resources claim by analyzing retrospective voting in a major remittance-recipient country of the Philippines. Using data from the Philippines, this paper examines how remittances affect the extent to which citizens reward or punish incumbent governors for their performance in office. The findings suggest that remittances may undermine the importance of performance on electoral support: good (or bad) performance of the incumbent is electorally rewarded (or punished) only when level of remittance receipts is not high. This paper suggests that remittances may have unintended consequences for the quality of democracy in the recipient country.

Key Words: remittances, retrospective voting, the Philippines

The rise of international remittances, direct money transfers from migrants to their kin at home, poses unprecedented challenges to the citizen-government relationship in developing countries. Conventional views on how citizens interact with their governments are based on an implicit assumption that a political system is relatively closed. In democracies, citizens and their governments are brought together by a social contract exchanging exclusive benefits and obligations. Citizens have incentives to monitor the government and enforce the social

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contract through political participation because their welfare is largely determined by domestic politics and economic performance. Should citizens find alternatives to the protection and benefits provided by the government, the incentives for citizens to enforce this contract are likely to diminish. Large-scale remittance inflows represent the availability of such outside options.

In 2014, global remittances to developing countries reached \$436 billion (World Bank 2015). In some pronounced examples, remittances are the single most important source of foreign currency for the economy and they exceed other types of external financial inflows such as foreign direct investment and foreign aid (World Bank 2015). For some countries highly dependent on remittance income, the inflows are equivalent to more than 20 percent of their annual GDP (World Bank 2015).

A burgeoning scholarly literature emphasizes the positive political impact of international migration and remittances on developing countries. These arguments advocate remittances as a resource for domestic reform, highlighting the fact that remittances are essentially private-to-private transfers. To the extent that remittance-receiving countries are developing countries where citizens often lack political autonomy from state or local strongmen, remittances will provide citizens with new resources for political voice (Escriba-Folch, Meseguer, and Wright 2015; Germano 2013; Kapur 2007; Pfutze 2012).

These accounts, however, do not sufficiently consider the trade-offs between resources and the incentives that such resources create. Predominantly resource-centered, existing studies pay scant attention to whether citizens actually devote their newly acquired resources to political engagement. When citizens come to possess independently-created resources, citizens may engage in political activity to a greater extent and in a manner asserting their preferences. Foreign earnings, however, being resources of foreign origin, may reduce incentives for broadly-defined domestic political participation. The omission of incentives in the current literature on the politics of remittances is particularly problematic because the disincentive effects may outweigh the suggested resource-driven empowerment effects. While recognizing that remittances may provide resources to be utilized for political reform, one should wonder whether *on balance* remittances may harm the citizen-government relationship. Although remittances may have the potential to increase political participation in terms of resources, they may simultaneously undermine the incentives to do so. Among others, this disengagement effect may have particularly adverse effects on one area of the citizen-government relationship that is critical to the robustness of democracy: voter enforcement of electoral accountability or electoral disciplining.

This paper argues that remittances may harm democracy in recipient countries

by creating disincentives for citizens to hold elected officials accountable. The foundation of representative democracy is that citizens not only choose the government but hold the government accountable for its performance through regular elections. To make this relationship work, citizens need to enforce the terms of agreement. Yet citizens' commitment to the social contract of democracy stems from the utility of citizenship, which entails access to broadly-defined benefits and public goods provided by the government. This contract is binding largely because there are few non-governmental alternatives. However, remittances allow citizens to insulate themselves from the fluctuations of the domestic economy and to implement private solutions in service areas traditionally reliant on the government, such as education, health care, and housing. As a result, the benefits from monitoring and sanctioning elected officials to ensure good representation are likely to decline in high-remittance settings. Therefore, even though political resources at the disposal of citizens may increase, those citizens may face fewer incentives to put them to use.

To assess the effect of remittances on political behavior, I apply "retrospective voting" to the remittances-to-politics linkage. Retrospective voting – the extent to which voters base their electoral support on incumbents' performance in office – effectively captures the interaction between citizens and their representative government affected by the foreign unearned income of remittances. I draw from the theoretical and empirical literature on retrospective voting that stress the importance of context in explaining variation in the strength of retrospective voting. I argue that remittance income weakens the extent to which voters give electoral rewards and sanctions based on performance. Voters are likely to be less willing to impose electoral sanctions when they have access to foreign earnings that are externally generated and, therefore, largely insulated from domestic economic troubles. In contrast, if voters have little access to such "outside options," they have greater incentives to monitor the government and impose electoral sanctions for their own benefits, *ceteris paribus*. Retrospective voting is more likely to 'work' if voters lack alternative sources for their own well-being and are therefore more focused on domestic governance.

I test the empirical implications of this argument using a cross-sectional analysis based on two Philippine gubernatorial elections in 2004 and 2007. Specifically, I address the extent to which voters punish or reward incumbent governors on the basis of performance modified by different levels of remittances. I use two economic measures of government performance attributable to the incumbent: changes in personal income and unemployment. The Philippines provides a useful case because of its high levels of migration and considerable subnational variation in government performance. In the most comprehensive

estimate, almost ten percent of the Philippines' population of 100 million live and work overseas.¹ The country is one of the top recipients of remittances in the world, receiving \$28.4 billion in remittances in 2014, which is equivalent to 10 percent of its GDP for that year (World Bank 2015).

In order to focus on retrospective voting as an avenue to investigate the political effects of remittance inflows, I limit my analysis to a remittance-receiving country ruled by *democratic* government. Previous studies have focused on how remittances may affect democratic *transition*, especially changes away from dominant party rule. In more recent years, studies drawn from Mexico's democratization have provided new theories and interesting empirical findings, yet not much is known about remittance effects in a more established, although not-quite-perfect, democratic context in developing countries. By expanding the scope of conditions, this paper seeks to contribute to the research program on the impact of international migration and remittances on domestic politics. It will also contribute to a better understanding of developing democracies in an increasingly-globalized world.

The remainder of the paper proceeds as follows. The first section presents an argument that emphasizes the incentives for political participation in a high-remittance context. The next section discusses how remittances condition retrospective voting and draws testable implications. The third section presents the empirical strategy, data, and results. This is followed by a further test of the political effects of remittances. The final section offers conclusions and suggestions for future research.

THE POLITICAL IMPACT OF REMITTANCES IN DEVELOPING DEMOCRACIES

Recent studies have emphasized that income from remittances might provide citizens of the recipient country with the monetary resources needed to increase their political power. This is because remittances may reduce the cost of political participation and increase the political power of citizens in relation to the government or ruling elites (Escriba-Folch, Meseguer, and Wright 2015; Pfutze 2012; 2014; Tybursky 2012). Above all, remittances expand the size of household economic resources. The economic literature offers strong evidence that remittances effectively reduce poverty, insure against income shocks, increase household

¹ Estimated by the Commission on Filipinos Overseas in 2012. These figures include those who have permanently emigrated and thus are not captured by census data.

investment in human capital, and promote entrepreneurial activities (Adams and Page 2005; Beine, Docquier and Raport 2008; Durand, Parrado and Massey 1996; Fiani 2007; Yang and Choi 2007; Yang and Martinez 2005).

The private, exogenous nature of remittances may enhance citizens' bargaining power in the political process. One of the unique characteristics of remittances is that they are private transfers that are generated outside, and largely bypass, the often corrupt and dysfunctional government. The greater economic power and independence brought by migration and remittances may empower citizens against local strongmen and a misbehaving government. Even in the absence of collective action from remittance-receiving citizens, the government and ruling elites may learn that, as citizens come to enjoy economic growth and security, suppressing or co-opting them will become increasingly costly. Thus, remittances are likely to shift the citizen-government relationship in favor of citizens. Kapur argues: "remittances can be viewed as a political weapon of the weak. Rather than simply react to state policies, international migration and remittances has forced states to accommodate new realities. In lieu of political voice ... remittances either fuel further exit or empower political voice by making available resources to new groups" (2007, 353). Remittance recipients may thus become more independent of clientelistic pressures and develop into interest groups that effectively demand corruption cleanups (Tyburski 2012; 2014). Additionally, Pfütze (2012) claims that the non-taxability of remittances reduces the ability of incumbent governments to maintain political patronage systems, and that this feature of remittances contributed to the electoral success of the opposition party in Mexico's 2000 presidential election. An analysis of *Afrobarometer* survey data shows that remittance recipients are more likely to contact government officials directly and tend to participate in demonstrations to a larger extent (Dionne et al. 2014). In addition to remittances, migrants from developing countries also send new political beliefs and practices back to their home societies through migrant networks (de la Garza and Yetim 2003; Levitt 1998; 2001; Perez-Armendariz and Crow 2010). Altogether, this resource-centered logic highlights that migration creates resources that can create or strengthen anti-status quo citizenry, yet such an approach fails to take account of incentives to use such resources for political engagement. More resources may not always increase citizen participation. Remittances insulate citizens from the fortunes of the domestic economy and allow them to purchase privately provided public goods in, for instance, health and education. In a simple political participation model, citizens participate when the benefits outweigh the costs (Downs 1957). It follows that citizens expecting greater net benefits from political involvement are more likely to participate and those expecting fewer benefits choose otherwise.² This incentive-centered logic

suggests that citizens receiving remittances have fewer incentives to enforce the social contract with their representative governments. Therefore, the willingness, rather than the ability, of citizens to participate in politics should be the focus of the analysis.

Some scholars argue that countries with temporary outbound migration are more likely to see domestic reforms. Since temporary migrants are expecting to return home after a finite period of time, they have incentives to make their home society better (Bhavnani and Peters 2013). However, this logic has limitations since most large-scale temporary migrant-sending countries experience an entrenched pattern of migration that spans generations. Slow economic development at home means that temporary labor migration – although it begins as the undertaking of a single generation – becomes a recurring employment option for many generations following. In Mexico, India, the Philippines, and many other labor-sending countries, this creates a culture of migration in which younger generations are expected to leave and work abroad (Kandel and Massey 2002; Ali 2007). Under such circumstances, temporary migration creates a condition that approximates permanent settlement overseas to an extent, thus weakening the incentives for citizens to pressure for domestic reforms.

Even with the case of Mexico, the democratizing effects of migration and remittance receipts are far from certain. Goodman and Hiskey (2008) report survey and aggregate-level evidence from Mexico that suggests that citizens affected by migration are less engaged in formal politics and that they increase their involvement in civil associations. Remittance transfers and transnational ties offer an “exit without leaving” for those who stay behind who can build their life largely independent of domestic political and economic conditions. This leads them to distance themselves from institutionalized politics and to invest more in social networks that will facilitate their own departure in the future. Germano (2013) also finds that voters receiving remittances in Mexico are less likely to hold the incumbent politicians accountable for the economic situation due to the financial stability provided by remittance inflows. These findings are largely consistent with Hirschman’s exit-voice-loyalty model where exit undermines the voice of those staying behind (Hirschman 1970).

Both resource and incentive logics offer equally plausible predictions for the political effects of remittances. A closer scrutiny reveals that their plausibility may vary depending on political contexts. In fact, resource logic may be more readily applicable to a political situation that offers a clear opposition to the status quo,

² This logic is also behind the argument that remittances contribute to autocratic survival (Ahmed 2012) and the claim that remittances undermine institutional quality (Abdih et al. 2012).

which is likely to be non-democratic (e.g., dominant party rule). In these situations, the constraint on political reform is likely to be the availability of resources. The presence of an oppositional political party is an essential part of the decline of a dominant party system and the emergence of democratic transition. In contrast, incentive logic may be more appropriate in a political context where a clear opposition is lacking and, therefore, the marginal impact of resources may be small.

Figure 1. External Financial Flows to the Philippines (US\$ million, current prices)

The Philippines is a major migrant-sending and remittance-receiving country. Figure 1 shows that remittances have been dominant among external financial inflows to the Philippines since at least 1990, consistently exceeding foreign direct investment (FDI) and official development assistance. It also suggests that, unlike other developing countries that may rely more heavily on FDI or foreign aid, international migration and remittances are the channels through which globalization is most likely to shape domestic politics, rather than FDI or foreign aid.

The Philippines has emerged as an elite-dominated democracy in which elections are largely contested by oligarchic elites, with few non-elite, outside candidates. The ruling oligarchy of the Philippines consists of a small number of powerful families who dominate the country's political and economic systems. These powerful families dominate the executive and legislative branches of the government at national and local levels, forming a network of power that includes the offices of the president, senators, house representatives, governors and mayors. Political families engage in fierce competition with one another for government

seats. In the fifteenth Congress, which formed following the May 2010 general elections, 170 of the 229 (74 percent) representatives in the Lower House belonged to identifiable political families and 18 of 23 (78 percent) nationally elected Senators were members of such families (Tiongson-Mayrina 2010). Deep poverty and high inequality have created widespread clientelism and vote buying, which have, along with frequent assistance from deadly political violence around election time, perpetuated a political status quo.

What have been the consequences of the lowered stakes of domestic politics caused by the inflow of remittance income in such an elite-dominated electoral process? Logically, the inflow of remittance income may result in two possible outcomes: either low turnout or poor vote choices. First, voters with remittance income may be less likely to turn out, reflecting their insulation from the domestic economy. This possibility of lower turnout driven by migration has already been observed by Goodman and Hiskey (2008). Second, voters with remittance income may still turn out to vote but may make poor choices. For the second possibility, two interrelated theoretical explanations can be offered. First, the presence of widespread vote buying could mean that the net benefits of voting are still positive for remittance-receiving voters despite their lower stakes in the domestic economy. Since turnout is a precondition for voting, vote buying may sustain turnout rates. Second, under high-migration and high-remittance conditions, voters may experience cognitive limitations in their political judgment. Citizens who are dependent on remittances are likely to pay more attention to the overseas labor markets and the economic conditions of the host country. Thus, they may be cognitively challenged to acquire quality information about domestic politics and the economy. These cognitive limitations may lead voters to make poor decisions at the polls, even after they are induced to turn out to vote. In this case, the impact of remittances on electoral politics could be seen in vote choice, not turnout.

**Table 1. Remittances, Migration and Voter Turnout:
Macro- and Micro-Data for the 2004 and 2007 Elections**

Provincial-level Turnout	2004 (1)	Individual-level Turnout	2004 (2)	2007 (3)
Remittances	0.00 (-1.56)	Migration	0.12 (0.92)	0.19 (1.45)
Income	0.05 (0.97)	Education	0.00 (0.01)	0.04 (1.63)
Margin of Victory	-0.07*** (-4.23)	Economic Class	0.18** (2.33)	0.22*** (2.98)
Population (log)	(0.09) (-1.60)	Female	0.21** (2.18)	0.26*** (2.90)
Constant	1.34 (1.29)	Employed	0.22** (2.34)	0.17* (1.93)
		Urban	-0.14 (-1.46)	-0.13 (-1.49)
N	136			
N of Provinces	75	Constant	0.48** (2.55)	0.02 (0.13)
		N	1,115	1,131

Robust t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

Note: Models 2 and 3 use data from the 2007 Social Weather Station Survey. Voter turnout from 2004 in Model 2 was calculated using self-reported voting participation, whereas voter turnout from 2007 in Model 3 was based on "intentions to vote."

Empirical data from the Philippines show that voter turnout has not been affected by migration or remittances. Table 1 reports the results from three sets of analyses. The first model reports regression results from aggregate, province-level turnout from the 2004 elections. High-remittance provinces are not different in the levels of voter turnout from low-remittance provinces. Model (2) and (3) show individual-level analyses of electoral participation in 2004 and 2007 elections. Due to the absence of a remittance variable in the survey data, I use a proxy variable indicating the presence of a migrant worker in the household. The results indicate that the status of a migrant household is not correlated with individual-level, self-reported voter turnout. Thus, it is reasonable to examine the relationship between remittances and electoral politics in the Philippines in the context of how voters vote, not whether they participate in elections.

REMITTANCES AND RETROSPECTIVE VOTING

The linkage between remittances and vote choice can be productively explored

through an analysis of retrospective voting. Retrospective voting is critical to ensuring electoral accountability in a democracy. Democracy differs from dictatorship in that, in principle, citizens have an institutional guarantee of a voice and are ultimately responsible for the well-being of their political community. Electoral accountability matters because citizens should be able to steer their government to choose the best policies to serve the interests of the public. Citizens are supposed to ensure representation using a variety of means of political engagement. Besides the primary mode of voting, citizens make their opinions known to the government by organizing advocacy groups, attending demonstrations or protests, contacting government officials, and making financial contributions. However, unlike any other forms of participation, voting plays a prominent role in guaranteeing accountability by directly rewarding and punishing politicians.

This study is not primarily concerned with the effectiveness of elections as a mechanism for inducing good governance. Rather, it is interested in the intensity with which citizens ensure representation through vote choice. Political science scholarship shows that, contrary to democratic theory, voters do not always punish or reward elected officials for their performance. The extensive literature on the connection between the performance of incumbents and electoral outcomes suggests that, beyond the general observation that performance matters for the incumbent's survival (Key 1966; Ferejohn 1986), retrospective voting often fails to stand up to empirical scrutiny (Achen and Bartels 2004; Cheibub and Przeworski 1999; Fearon 1999). Evidence from retrospective voting is quite strong for economic performance as a determinant in U.S. national and state electoral outcomes (Erikson 1989), yet the results are mixed in U.S. local elections, as well as in cross-national settings (Lewis-Beck and Stegmaier 2000; Duch and Stevenson 2008). Over time, scholars who study the relationship between government performance and electoral outcomes have converged upon a more nuanced, conditional understanding that the magnitude of electoral sanctions varies by voter characteristics, information availability, and institutional contexts (Ashworth 2012). Similarly, I argue that voters' motivation, which is determined by their stake in the political community, shapes the extent to which they take care to hold the government accountable. Democratic theory dictates that elections are enforcement mechanisms, however crude, underlying a contract of representation between citizens and the government. The willingness of citizens to monitor and sanction the government inevitably depends on the utility of this relationship.

Private foreign income that largely bypasses the government, however, diminishes the importance of the government for the economic well-being of citizens.

This matters in two situations. First, citizens in some cases rely directly on public services provided by the government. In underdeveloped countries, from which many migrants originate, government services supporting infrastructure, education, health, and even security, are underprovided. Remittances allow recipient households to seek private substitutes for government services. Remittance income, for instance, allows families to obtain private schooling, private health care, four-wheel-drive vehicles to navigate unpaved roads, and private security in the form of gated communities (Onishi 2010). Adida and Girod (2011) offer empirical evidence that migrant households turn to the “non-state provision” of basic utilities. Using municipal-level data from Mexico from 1995 to 2000, they show that migrant households increased access to clean water and sewerage through private, household-driven methods.

Even when public goods provisions are limited due to fiscal constraints, citizens may still expect the state to provide quite a wide range of public services (Chhibber, Shastri and Sisson 2004). When these needs are unmet and citizens discover alternative source of solutions – for instance, remittances – high expectations may lead to high levels of disengagement from the government. As citizens use more private solutions to obtain publicly-provided goods and their overall economic well-being becomes directly connected to the foreign income earned by their relatives in a foreign economy, it is not unreasonable to predict that voters are less likely to pay attention to how well the government performs its duties.

Second, even in the most laissez-faire economies, the government is held accountable for macroeconomic performance. The persistent importance of sociotropic assessments in economic voting suggests that the electorate tends to hold the government responsible for the performance of the domestic economy, even if it does not always do so to ensure the individual fortunes of its members (Duch and Stevenson 2006; 2008). However, by insulating citizens from the economic outcomes of government performance, remittances may also affect how strongly individual vote choice is linked to voter evaluations of the national economy.

By working through these two channels, remittances are likely to undermine electoral disciplining. The key insight into the impact of remittances on retrospective voting is that remittances may mask substantial heterogeneity among the electorate. A remittances-induced heterogeneity of the electorate leads to the argument that a contextual approach is needed to understand the political impact of remittances, which leads to the following hypothesis:

Hypothesis: The magnitude of retrospective voting will vary by the levels of remittances, and remittances are likely to undermine retrospective voting.

THE EMPIRICAL STRATEGY

To test my hypothesis, I use province-level political and economic data from the 2004 and 2007 Philippine gubernatorial elections. I analyze subnational variation in remittances and government performance using province-level economic variables for the following reasons. First, the levels of remittances vary widely across Philippine provinces, allowing for exploitation of variance. Remittances received per person during the 2007 election year ranged from 54 to 19,002 pesos. Second, as the top level of the Philippines' three-tiered decentralized government system, provinces are useful for subnational comparative analysis. They are relatively self-contained administrative units where politics, migration, and economic change meaningfully play out. The relatively large number of provinces – 80 in total – and the availability of fairly reliable data on province-level socioeconomic characteristics and government performance also make provinces a useful unit of analysis.

The problem with examining incumbent vote shares is that there are provinces where incumbents are not running, and their absence may not be random. Incumbents may not be in the race due to term limits or, perhaps more importantly, due to their poor performance. First, term limits cause complications for generalizations regarding the incumbency data. The Philippine law allows for two consecutive re-elections, and some governors may not be on the ballot despite their laudable performance. Second, only incumbents who feel confident about performance may enter the race for re-election. If this is the case, incumbents with poor performance should be less likely to seek re-election and data on underperforming incumbents will be missing, making it difficult to predict the relationship between low performance and vote share. Solon, Fabella, and Capuno (2009) show that development expenditures were positively and significantly linked to the re-election of the incumbent governor in the 1990s. This suggests that there is an empirical link between incumbent performance and the probability of re-election in the Philippines.

To address this selection problem, I use a Heckman sample selection model for whether an incumbent enters the race or not. The variable I use to help identify the selection model is the population of the province. Population is the single most important factor in determining each province's Internal Revenue Allotment (IRA), or the fiscal transfers it will receive from the central government. Although decentralization in 1991 provided local governments with greater power and access to resources to finance their operations, the tax assignment in the Philippines is such that most taxes are centrally collected and locally distributed. In this system, the national government has a monopoly over individual and

corporate income taxes, customs duties, value-added taxes, and excise taxes. As a result, provinces, cities, and municipalities are all heavily dependent on inter-governmental fiscal transfers. Between 2001 and 2008, a typical provincial government received only 11 percent of its revenue from local sources.³ The IRA distributed to provincial governments is based on an allotment formula in which 50 percent is determined by population size, 25 percent is determined by land size, and 25 percent is determined by equal sharing. For the purposes of our analysis, it is important that IRAs be exogenously determined by population size. Population size is a proxy for the provincial government's resource pool, which is correlated with the prestige and power of the governorship, and which may motivate incumbents to run again for office. Yet, population size is unlikely to correlate with the change in incumbent vote shares, the dependent variable.

I use cross-sectional data from the 2007 elections in 80 provinces and a Heckman sample selection model to test the hypothesis that remittances condition retrospective voting. The dependent variable is measured by the change in the vote share for the same incumbent between the 2004 and 2007 gubernatorial elections. The Philippine local elections are held every three years in the same year as national elections. The main independent variable indicates one of the two measures of economic performance taken as a change between the year three years before the election and the election year.⁴ This means that the major variables for both sides of the equation are differences over three years prior to the election. These difference variables are entered with their values in the starting year.

The 2007 election was chosen because it was a mid-term election, which saw only campaigns for nationally elected senators, House representatives, governors and other local elected officials. In contrast, the 2004 election included a presidential election, which ultimately elected Gloria Arroyo as the country's president. This may create presidential coattail effects that may interfere with retrospective voting at the local level. Thus, retrospective voting in 2007 is expected to be relatively free from the noise caused by presidential campaigns.

Using aggregate data to test theories of individual-level voting behavior raises concerns of ecological inference. Individual-level data about the vote choice of gubernatorial candidates would solve the problem, but such data are not available for the present analysis. Theoretically, the use of aggregate data can be justified by pointing out that remittance effects are not limited to those directly

³ Calculated from "Statement of Income and Expenditures of Local Governments, 2003-2008" published by the Department of Finance.

⁴ If data are not available for the election year, then they are taken from one year earlier.

receiving and dependent on the funds but likely to be contagious. Remittances may have a demonstration effect on the community as a whole, as those not belonging to a migrant household may change their behavior in expectation of future migration. If this were the case, analyzing the aggregate outcomes should be worth the effort.

DATA AND MEASURES

Drawing from various public and private sources, I compiled remittance, electoral, socioeconomic, fiscal and demographic data from the provinces. Data on provincial-level remittances come from the Philippines Migration and Development Statistical Almanac published by the Institute for Migration and Development Issues and are based on the 2006 Family Income and Expenditure Survey. Election results are from the Commission on Elections of the Philippines, Records and Statistics Division. Socioeconomic data by province are from the Philippine Human Development Report. Provincial fiscal data are from *The Statement of Income and Expenditures* published by the Bureau of Local Government Finance Section of the Department of Finance of the Philippines.

The dependent variable is the change in incumbent vote shares between the 2004 and 2007 gubernatorial elections. The vote shares are calculated by taking the number of votes received by each incumbent candidate as a percentage of all votes cast for all candidates. The differential is taken to control for the unobservable fixed effects for each incumbent, such as the political influence of each incumbent's clan and other idiosyncratic characteristics of the incumbents. The Philippine local elections, including gubernatorial races, are generally competitive; the median number of gubernatorial candidates for each race is three for all elections from 2001 to 2007. Electoral competitiveness varies across provinces. During the 2004 election, for instance, the margin of victory for winning candidates in terms of vote share ranged from 0.007 to 1, and the mean was about 0.32.

To use the vote share for incumbents, I need to discuss two important features of Philippine elections. First, the focus of my analysis is the individual incumbent politician, not the incumbent party. Partisanship and party systems are extremely weak in Philippine politics, which makes party labels less relevant to individual vote choices. Political parties are highly personality-driven and usually serve particularistic goals, largely devoid of ideological platforms or policy differences (Hutchcroft and Rocamor 2003). Thus, voters do not expect coherent issue positions from candidates sharing a party label and rarely factor the party label into

their evaluations – either retrospective or prospective – of candidates (Sidel 1999; Simbulan 2005). For this reason, the incumbent's party label is largely irrelevant for my analysis.

It is also worth noting that the peculiar trait of Philippine politics, the clan dominance of political offices, almost guarantees uninterrupted re-election bids at the family level. Since politicians operate as members of political clans in highly competitive environments, electoral presence is usually a default option. The decision to compete in an election is rarely influenced by a concern for performance evaluations. Furthermore, a widespread practice of *family candidates* helps control for the constraints posed by term-limits. In practice, a large number of incumbent politicians at every level of government – from members of the House of Representatives to village captains – dodge term limits using a family candidate. The candidate is typically a de facto surrogate for the incumbent, who will pull the strings once their family member is in office (Head 2007; Teehankee 2002). From the 80 provinces, 64 sitting governors campaigned in 2004 and 50 in 2007. My analysis using the candidate's family name shows that there were nine family candidates in the 2004 elections and 20 in 2007. The fact that these candidates were an extension of the incumbent politician was heavily advertised during the candidates' campaigning.⁵ The practice of family candidates makes term limits a less rigid institutional constraint than commonly thought. Family candidates could serve as an extension of the incumbent and thus be used as robustness checks for the main models.

The conditional variable of remittances per person uses a proxy of provincial-level aggregate remittances divided by population. Analyses of remittances at the national-level usually standardize remittances by GDP; yet, for subnational analysis, it is more appropriate to standardize by population. The Philippine Census provides data on provincial population for 2000 and 2007. For analysis, I divide remittance amounts from the 2006 survey by the provincial population from the 2007 Census. As it turns out, remittances per capita vary significantly across provinces. To reflect a time lag between the receipt of remittances and its political impact, and to take into account the uneven distribution patterns of remittances, remittances are lagged one year and log-transformed. The 2006 data, which are used for the present analysis, show that the average amount of remittances per capita by province is 3,536 pesos. The province of Zambales has the highest average with approximately 19,002 pesos.

⁵ The outgoing governor of the Bulacan province, who had completed three terms and was campaigning for her brother, said, "[T]o ensure that all I have worked for will not go to waste, I have ... I have requested home, to follow me and vie for the post of governor" (Olarde 2007).

I used two measures of the main independent variable, incumbent performance. The two measures of changes in income and unemployment were used as proxies to capture the economic performance of the incumbent. How the economy fared under the incumbent's watch should be an important consideration in voters' decision at the polls. It is relatively well established in the literature on U.S. elections that good economic conditions benefit the incumbent's presidential and congressional party in general (Erikson 1989); yet, evidence is mixed when it comes to gubernatorial elections (Peltzman 1990). Moving to cross-national settings, the linkage between economic performance and the incumbent's survival becomes more complicated (Cheibub and Przeworski 1999). While this paper does not engage directly with the debate on the intricacies of economic voting, it proceeds with the basic notion that voters have some understanding that economic conditions are an indicator of how the provincial government improved the general welfare of its people. As in other countries, governors in the Philippines consider economic development to be a high priority. Income growth is essential to economic development and politicians devote political resources to job creation, highly publicizing their accomplishments.⁶

I exclude the provision of government services as a performance measure for the following reason: a large public sector or higher levels of public spending may not necessarily indicate a job well done by the government but rather potentially reflect patronage, clientelistic practices, or outright corruption. For this reason, the conventional approach of using the level of basic service delivery as a measure of government performance is problematic (Hicken and Simmons 2008). Furthermore, conventional measures of access to basic utilities may capture privately-provided services, falsely attributing credit to the government (Adida and Girod 2011).⁷

In addition to these two independent variables, I added a number of province-level control variables. First, I controlled for the starting levels of all the government performance indicators. Second, I included change in tax revenue as a share of total revenue because there was no a priori theoretical reason for voters to prefer improved governance outcomes regardless of tax burdens. Other types of tax-related variables – for example, property tax rate change – might be a better measure for the public's tax burden (Berry and Howell 2007). Yet, the real property and business tax rates have hardly changed in the Philippines over the last

⁶ The following performance measures were considered, but excluded in the final stage due to the insignificance of their effects: the change in the share of unaccounted spending, the share of local revenues, and the share of fiscal deficit.

⁷ The change in social spending had no significant effects on the vote share variable.

decade. This makes the tax revenue ratio a better alternative. I also included province population size and per capita income as standard controls.

Table 2 shows the summary statistics for all provinces included. In 2007, out of the 80 provinces, 50 saw the incumbent governor running for office. The average vote share of the incumbent was 0.64 out of 1, suggesting a significant success rate among incumbents. Yet the variation is high, with the vote share ranging from 0.06 to 1. The change in the incumbent's vote share from 2004 to 2007 has an average of 0.05 and ranges from -0.60 to 0.46, which suggests considerable variation.

The highly skewed distribution of remittances has already been discussed. The average income per capita by province is 21,720 pesos. A simple calculation shows that, in the province of Zambales, which has the highest levels of remittance per capita inflows, remittances per capita reach as high as 85 percent of personal income. The statistics on other variables should be self-explanatory and are of no particular interest here.

Table 2. Summary Statistics

	Observations	Mean	Standard Deviation	Minimum	Maximum
Change in Incumbent Vote Shares between 2004 and 2007	48	0.05	0.23	-0.6	0.46
Incumbent Vote Share	50	0.64	0.23	0.06	1
Remittances per capita	77	3,536	3,275	54	19,002
Income Growth	77	-0.04	0.12	-0.38	0.41
Change in Unemployment	77	-0.26	2.22	-3.75	7.7
Unemployment	77	8.74	3.43	1.6	17.1
Income per capita	77	21,720	5,733	6,664	36,355
Change in Tax	78	0.49	1.26	-0.87	10.08
Population in millions	80	13.31	0.95	9.68	14.87

RESULTS

Table 3 presents results from the six models testing whether remittances condition voter enforcement of government accountability at the polls. Models 4 and 7 are baseline OLS models. Models 5 and 8 are Heckman sample selection models, which are the focus of the discussion. Models 4, 5, 7 and 8 indicate that the results from the OLS and Heckman models are largely identical. Finally, Models 6 and 9

report results from the Instrumental Variable analysis for robustness checks. Separately, Models 4 to 6 estimate models in which incumbent performance is measured by the change in per capita income in the province. Models 7 through 9 use changes in unemployment to measure incumbent performance. Thus, the interpretations here will be focused on Models 5 and 8. The results from the first stages of Models 5, 6, 8, and 9 are not shown here due to the limited space.

Table 3. Remittances and Retrospective Voting 2007

	Income			Unemployment		
	OLS (4)	Heckman (5)	IV (6)	OLS (7)	Heckman (8)	IV (9)
dIncome	3.351** (2.170)	4.122** (2.411)	4.706*** (2.607)			
Remit	0.047 (0.762)	0.020 (0.481)	0.016 (0.220)	0.080 (1.200)	0.070* (1.926)	0.077 (0.763)
RemitXdIncome	-0.454** (-2.423)	-0.581** (-2.494)	-0.649*** (-2.758)			
dUnemp				-0.148** (-2.658)	-0.170*** (-3.137)	-0.151 (-0.896)
RemitXdUnemp				0.016* (2.117)	0.020*** (2.642)	0.016 (0.694)
bIncome	0.000 (-0.929)	0.000 (-0.756)	0.000 (-0.578)			
bUnemp				0.000 (-0.038)	-0.003 (-0.269)	0.003 (0.271)
dTax	-0.026 (-0.504)	-0.023 (-0.463)	-0.035 (-0.455)	-0.016 (-0.311)	-0.008 (-0.151)	-0.031 (-0.347)
Income				-0.257 (-1.125)	-0.194 (-1.250)	-0.259 (-0.885)
Constant	-0.099 (-0.305)	0.192 (0.786)	0.076 (0.195)	2.014 (1.115)	1.622 (1.206)	2.032 (0.914)
Test of independent equations						
$\chi^2(1)$		2.5			4.03	
Prob > χ^2		0.114			0.045	
Hansen test			0.334			0.286
F-statistic on first stage regressions			27.080			47.760
N	45	75	42	45	75	42
R-squared	0.226		0.246	0.289		0.332

Robust t-statistics and z-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1; Reporting Stage 2 only for Models 5, 6, 8, and 9.

In Model 5, the coefficient of income growth in the second stage model is positive and significant. Income growth has been widely regarded as a powerful predictor of election outcomes, although its effects are not consistently observed across time and types of elections. However, the negative and significant interaction term in this model indicates that the marginal impact of remittances is negative. The left graph in Figure 4 displays the marginal effect of a one percentage point increase in provincial income per capita on the change in incumbent vote shares as levels of remittances increase. The dashed lines indicate 90 percent confidence intervals around the effect. Notice that when remittances are low, income growth has a statistically significant, positive effect on incumbent vote shares, evidenced by the fact that both dashed lines of 90 percent confidence interval are above the zero horizontal. For instance, when there were zero remittances, one percent increase in income growth raises incumbent vote share by about 4.12 percent.⁸ With remittances at 54 pesos (the sample's first percentile), income growth increases incumbent vote share by about 2.25 percent. Yet the marginal effect decreases rapidly, with remittances at 1,378 pesos (the 25th percentile), the marginal effect is already negative. Here, a one percent increase in income growth reduces the vote share for the incumbent by 0.08 percent. Considering the fact that approximately 25 percent of winners in 2007 were determined by a margin of victory smaller than 0.08, this is not an insignificant effect.

Model 8 substitutes changes in unemployment for income growth. Unemployment takes a negative sign, indicating that, when remittances are low (or more precisely when remittances are close to zero), higher unemployment reduces electoral support for the incumbent. However, the positive and significant interaction term indicates that this negative effect tends to decrease as levels of remittances per capita rise. The right graph in Figure 2 displays these effects more intuitively by graphing the marginal effect of a one percent increase in unemployment as the levels of remittances increase. In a similar fashion, when remittances are low, unemployment has a statistically significant negative effect on incumbent vote shares, as evidenced by the fact that the 90 percent confidence interval (indicated in Figure 2 by the dashed lines) falls below the zero horizontal. With remittances at 54 pesos (the sample's first percentile), the increase in unemployment brings incumbent vote shares down by 0.09 percent. When remittances reach 1,378 pesos (the sample's 25th percentile), the change in vote shares is slightly less at -0.03 percent. Eventually, the marginal effect reaches the zero horizontal with remittances at approximately 4,753 pesos, which is slightly

⁸ Percent here means percentage points. The same convention applies to the rest of the paragraph and the next.

about the 75th percentile. This suggests that, for most levels of remittances, the effects of unemployment are significant. This suggests that remittances undermine the electoral disciplining on unemployment only at very high levels of remittances.

Figure 2. Retrospective Voting at Difference Levels of Remittances. Produced by the Heckman procedure

For the first round of robustness checks, I performed the same Heckman specifications with samples that include family candidates and remittances entered as levels that have not been logged-transformed. The results are largely consistent with what have been reported here. They are not presented here due to the limited space.

Endogeneity issues may exist if governors influence policies on migration or remittances. However, this issue should not be a major concern because provincial governments do not set migration policies or levy taxes on incoming remittances. What may be more problematic is the possibility that remittances are endogenously determined by electoral politics or voting patterns in the province. I use two instruments to address this potential endogeneity problem. First, I use the share of male contract workers among all contract workers, excluding seafarers, from a given province as the first instrumental variable. The feminization of migrant workers has risen in the Philippines since the 2000s due to the increasing demand for domestic workers and caregivers in the Middle East, Asia and Western countries. For many years, female workers have outnumbered male migrant workers from the Philippines. In 2006, the year from which the migration and remittance statistics for the present analysis have been drawn, 60 percent of newly deployed, land-based Filipino workers were female (POEA 2006). Nonetheless, the low wages for female workers mean that their overall financial contributions are smaller than those of male workers. Thus, the share of male

workers is related to the levels of remittances. Furthermore, the sex ratio between male and female migrant workers is unlikely to correlate with the political situation in the provinces. Depending on the province, the share of male workers varies from 0.10 to 0.98. The second instrument is the ratio of sea-based migrant workers to land-based migrant workers from a province. Since wages for sea-based overseas employment tend to be higher than wages for land-based jobs, provinces with higher shares for sea-based workers are likely to receive more remittances. Furthermore, the ratios are unlikely to correlate with the change in incumbent vote shares, making the share of sea-based workers a good instrument for remittances. Depending on the province, the share of sea-based workers ranges from 0.01 to 0.84.

Since the model has two endogenous variables, remittances and the interaction term with remittances, the first stage model includes four instruments: the share of female workers, its interaction with changes in performance, the ratio of sea-based workers, and its interaction with changes in performance. This procedure is repeated for income and unemployment respectively using the GMM estimator. Different IV estimators (e.g., 2SLS) yield similar results.

Model 6 provides the IV estimation results for income growth. The coefficients for income growth and the interaction term are slightly larger than those from Model 4 (OLS) and are more significant. This points to a negative bias in the OLS results, probably because problems in the democratic system lead to more economic trouble, which results in more outmigration and more remittance inflows. In contrast to Model 6, the IV results from the unemployment model (Model 6) are insignificant.

Table 3 also reports a number of test statistics related to the validity and weakness of instruments. The Hansen test for over-identification restrictions indicates that the instruments are valid (i.e., we cannot reject that notion some of the instruments are not exogenous). The Shea's partial r^2 fits are low, but F-tests on first stage regressions and t-scores for the instruments from the first stage regression suggest that the instruments are not weak.

A FURTHER TEST: DO REMITTANCES SUPPORT NON-CLAN CANDIDACY?

Although not the focus of this study, it is worth investigating the electoral impact of remittances in the Philippines through the remittances-as-resources logic. This logic can be tested by determining: (1) whether remittances support the entrance of non-clan candidates into the field; and (2) whether remittances support the

electoral success of non-clan candidates. The political context in the Philippines does not offer a clear contrast between the ruling party and the opposition. Yet, a related, albeit weaker, contrast can be drawn between clan politicians and non-clan outsiders.

Figure 3. Remittances and Non-Clan Incumbents

Note: 2007 gubernatorial elections; Remittances are values per capita in thousand pesos.

Before empirically analyzing the relationship between remittances and the electoral outcomes for non-clan candidates, it is worth visually examining the extent of clan dominance in electoral politics. Figure 3 provides graphical illustrations of the relationships between incumbent vote shares, margins of victory, and remittance inflows to the Philippine provinces and the presence of clan and non-clan candidates during the 2007 gubernatorial elections. The top panels suggest the strong dominance of clan politicians and the electoral disadvantages faced by non-clan politicians. Non-clan incumbents received smaller shares of votes than clan incumbents and won on smaller margins, indicating that non-clan candidates faced greater electoral competition. The bottom panels show that remittance inflows were not higher for the provinces where at least one non-clan candidate ran or where non-clan candidates won. If remittances are politically empowering, as the logic suggests, then the levels of remittances should have been higher in provinces where non-clan candidates contested or won. In contrast, the data in the bottom panels suggest that the levels of remittances were higher in provinces that were electorally dominated by clan members.

Table 4. Remittances and Non-Clan Candidacy

	(10) probit	(11) OLS	(12) probit
Remit	-0.447 (-1.563)	-0.06 (-0.869)	-0.021 (-0.088)
blIncome	-0.000** (-2.247)	0.000 (-1.351)	0.000 (-0.603)
bUnemp	0.08 (1.336)	0.004 (0.231)	-0.007 (-0.102)
Income_gini	0.026 (1.158)	0.010 (1.474)	0.034 (1.046)
High_school	0.055*** (2.763)	0.008 (1.401)	0.023 (0.843)
dIncome	-1.558 (-0.938)	-0.337 (-0.728)	-1.424 (-0.850)
dUnemp	0.018 (0.251)	-0.005 (-0.302)	-0.016 (-0.140)
dTax	0.188** (2.124)	0.054** (2.557)	0.496** (2.040)
Election Violence	-0.121** (-2.397)	-0.022 (-1.618)	-0.089* (-1.789)
Popul (log)	-0.052 (-0.214)	-0.001 (-0.012)	0.026 (0.139)
Constant	2.769 (0.947)	0.465 (0.809)	-2.895 (-1.150)
N	75	75	75
R-squared		0.102	

Robust t-statistics in parentheses *** p<0.01, ** p<0.05, * p<0.1

Using data from the 2007 elections and multivariate regression analysis, I found that remittances did not necessarily support non-clan candidates. Table 4 reports the estimation results of the relationship between remittances and non-clan candidacy. Model 10 uses a binary probit model to estimate the probability of at least one non-clan candidate competing in the 2007 gubernatorial race. In this model, each province is assigned a 1 or 0 depending on whether at least one non-clan candidate competed in the race. Model 11 is an OLS model in which the dependent variable is the share of non-clan candidates among the total number of candidates. It ranges from 0 to 1, with an average of 0.37. While Models 10 and 11 examine the relationship between remittances and non-clan candidacy, Model 12 uses probit estimations to examine the probability of a non-clan candidate winning the race. The control variables include variables on per capita income and unemployment, provincial income Gini coefficients, the share of high school

graduates amongst the total population, changes in tax rates, election-related violence, and population. The results of Models 10 through 12 indicate that remittances have no impact on the presence and success of non-clan candidates. Model 10 indicates that, although remittances have no impact, larger shares of high school graduates, growth in tax revenue shares, and lower election violence are likely to raise the probability of non-clan candidates entering the race. This may suggest that outsider candidates are encouraged by better-educated electorates, less threatening election environments, and the improvements in governance associated with relatively higher tax revenue shares in low-development environments.

O'Mahony (2013) found that remittance inflows increase in election years, indicating that migrants may make direct campaign contributions to candidates or use them as leverage to influence political outcomes. The evidence above suggests that migrants and their kin receiving remittances may be politically heterogeneous groups in their orientations towards reform. That is, they may not necessarily oppose the status quo in a simple sense.

CONCLUSION

Would electoral accountability stay unchanged when large numbers of citizens look overseas for employment opportunities and better life choices? It is only recently that scholars have started to investigate the political impact of international migration and remittances in migrant-sending countries. This paper presents and tests an argument that migration may undermine electoral accountability. The evidence in this paper suggests that remittances affect the interdependence between citizens and their governments. The results support the hypothesis that high levels of remittances undermine the extent to which voters reward and punish the incumbents for past performance. Access to foreign private income makes citizens less interested and less engaged in domestic politics. As the home economy and the government performance become less relevant to the well-being of migrant households and society in general, the incentive to engage in electoral disciplining declines. The result is an electorate that is less keen on keeping well-performing representatives in office and casting out those who perform less well. These findings suggest that it is difficult to establish accountability with an electorate reliant on external income.

These findings stand at odds with recent research that suggests that remittances may promote democratization or produce good policy outcomes (e.g., reduce corruption) by empowering citizens. Two possibilities may account for

these divergent findings. First, this paper focused on the operation of an established, if not quite perfect, democracy instead of a country transitioning to democracy. Elections in established democracies differ from transitional elections by the nature of vote choice. Second, the Philippine case differs from Mexico with respect to the availability of a clear opposition. The Philippine context of elite-dominated multiparty competition may make vote choice, even when empowered by remittance resources, less of an avenue for reform for voters.

The Mexican experience has benefited the literature on the political consequences of remittances considerably. Yet it appears that a point has been reached in the field where studies now need to take into account the scope of conditions when investigating the impact on migrant-sending, remittance-receiving countries. By bringing elite-dominated, multiparty competition into the picture, this study seeks to advance a systematic explanation of the political impact of remittances.

This study also casts serious doubt on claims that remittances may be an unmitigated blessing as an international resource for domestic reforms in developing countries. In broader terms, this study suggests that migration may have negative consequences for the collective well-being of a country's total population, even though it generates measurable and substantial gains for individual migrants and their families. This creates a moral dilemma. In fact, the migration debate frequently experiences a clash between individualist and "mercantilistic" perspectives (Easterly and Nyarko 2008).

Although there is no clear moral imperative to privilege the development of nation-states over that of the individuals involved in migration, the political reality warns us not to dismiss too quickly concerns for the collective well-being of migrants' home countries. Despite deepening globalization, free mobility for ordinary people remains a political impossibility for the foreseeable future. Immigration is politically unpopular in almost every country in the world—even in countries with heavy emigration. This means that the majority of people will remain where they were born and raised. So long as those who stay behind still vastly outnumber those who have left, we need to acknowledge the complex consequences of migration.

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