# Migration, Labor, and the International Political Economy

Layna Mosley[1] and David A. Singer[2]

[1]Department of Political Science, University of North Carolina at Chapel Hill, North Carolina 27599; email: mosley@unc.edu

[2]Department of Political Science, Massachusetts Institute of Technology, Cambridge, Massachusetts 02139; email: dasinger@mit.edu

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## Keywords

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## Abstract

In the field of international political economy, workers are commonly analyzed as objects of global economic forces whose fate is determined by the profit-seeking behaviors of firms and governments. Workers, however, can also assert themselves to protect their rights, and they can emigrate to other countries to find employment. We analyze the literature on the nexus between the international economy and labor with a focus on workers on both the receiving and originating ends of global finance. Beginning with workers as inputs in multinational production, we explore the roles of economic openness, factor endowments, government policy, and unionization as drivers of workers' rights. We then shift to workers as migrant labor and explore the impact of migrants' own cross-border financial transfers—also known as remittances—on political outcomes in their home countries. Our overview not only highlights tremendous progress in explaining the agency and vulnerability of labor in the global economy but also reveals significant weaknesses in recent research, especially a mismatch between micro-level theorizing and macro-level data analysis.

## INTRODUCTION: WORKERS, MULTINATIONAL PRODUCTION, AND GLOBAL FINANCE

In the field of international political economy (IPE), workers are commonly analyzed as objects of global economic forces. The expansion of international trade and finance, for example, can have profound effects on the fate of labor. Workers in internationally competitive sectors may see enhanced opportunities and higher wages, whereas workers in comparatively disadvantaged sectors may experience a decline in welfare. An increase in international capital mobility could lead governments to reduce public expenditures in an effort to remain competitive, thereby threatening workers' various social protections, including health care and sickness benefits, unemployment compensation, and active labor market policies (Huber & Stephens 2001). At the same time, some individuals, driven by economic as well as other factors, decide to emigrate across national borders. These migrant workers act as agents in the international political economy, remitting billions of dollars each year to their home countries, thereby serving as suppliers of external finance that can influence political outcomes in their home countries.

This essay explores the nexus between workers and the international political economy with a specific focus on workers on both the receiving and originating ends of global finance. In the first sections, we consider the plight of workers—including labor rights and employment conditions—as the dependent variable affected by various facets of multinational production. We note that workers are not merely objects; they also can exercise agency vis-à-vis employers and governments. The second part of the essay shifts focus by treating migrant workers' international financial transfers as the explanatory variable, with the home country's political economy—including government spending decisions, political stability, and democratization—as the dependent variable.

This essay is necessarily limited in scope. Each of the key words in our title—migration, labor, and the international political economy—could warrant a full appraisal. We choose to focus on labor on either side of the global flow of capital as a useful organizing principle because it allows us to evaluate both the impact of global forces on domestic labor and the influence that migrant workers have on political outcomes in their home countries through their financial transfers. We do not consider how economic globalization affects other political outcomes related to workers, such as social policies and welfare state provision (see, for instance, Rudra 2008, Wibbels 2006), or human rights outcomes more generally (e.g., Blanton & Blanton 2009). We also do not consider the political activities of migrants in their host countries or the transmission of their ideas as potential drivers of home or host country politics.

## THE EFFECTS OF GLOBAL PRODUCTION ON LABOR: THEORY AND EVIDENCE

The contemporary movement toward greater trade and financial openness, coupled with innovations in technology and transportation, allow for the geographic separation of production and consumption. Some firms retain ownership of the entire production chain but locate different parts of their production chains in different places. Other firms rely on market-based transactions to source inputs and sell outputs (Henisz & Williamson 1999). This section discusses how the rise of multinational production affects workers. Understanding these effects, both theoretically and empirically, requires moving beyond simple "race-to-the-bottom" or "climb-to-the-top" logic. Modern capitalist economies rely on workers to produce, create, and extract goods, services, and commodities. When economies are relatively closed, labor market competition is local, regional, or national in scope. If there is a surplus of available labor and workers are unable to migrate internationally, employers' leverage increases: They may offer lower wages or inferior working conditions as a result. By contrast, when demand for workers—or for workers with particular skills or industrial experience—exceeds supply, workers are able to achieve higher wages and better working conditions. Concerned that employers might exploit workers in the former situation, governments have created labor-related rules (often including minimum wages and limits on working hours), regulations, and inspectorates. Although these labor standards can, under some conditions, increase inequality among workers within a polity (Christensen & Wibbels 2014) or slow job creation efforts (Boeri et al. 2008), they ensure a minimum floor for the treatment of all members of the labor force.

To further express their interests vis-à-vis employers and governments, workers also have organized into labor unions, which take collective action. The rise of working-class political parties in Europe during the first part of the twentieth century laid the foundations for protecting workers from the vagaries of the market economy and from exploitation by employers. The post–World War II compromise of embedded liberalism further offered to protect these workers from externally induced economic volatility, thereby making trade openness politically sustainable and ushering in the golden age of European capitalist social democracy. Over time, the rights of workers to organize, bargain collectively, and strike have become fundamental legal rights in most societies (although not always observed in practice), and they are widely accepted as core rights globally (Hassel 2008, Mosley 2011).

How do economic globalization and multinational production affect the status of workers in relation to their employers? Economic openness serves to intensify concerns about the extent to which capital owners, specifically, and the market economy, generally, are harmful to workers (e.g., Marx 1867, Polanyi 2001). When capital and goods are able to move freely, firms can produce in the most efficient—given the capital, labor, and resource intensity of their activities—locations, often far from the locations where goods are ultimately consumed. Classical trade theory (i.e., Hecksher-Ohlin, Stolper-Samuelson) posits that labor-intensive activities will locate in labor-abundant countries, whereas capital-rich countries will specialize in capital-intensive production. Trade openness therefore should benefit workers in relatively labor-abundant nations but harm workers in relatively capital-abundant (and labor-scarce) societies (Rogowski 1987).[1]

Although this factor-based logic suggests that some workers will benefit from economic openness, it treats factor endowments as fixed. A country that is labor scarce or capital scarce is assumed, at least in the short and medium term, to remain that way. Yet economic liberalization allows the reallocation of factors across economies; capital should—at least theoretically—flow to where it is needed most, increasing its rate of return by doing so. Similarly, workers could migrate to take advantage of labor market demand in other countries. Indeed, the first era of economic globalization (roughly 1880–1914) often featured the cross-national mobility of labor as well as capital and goods (O'Rourke & Williamson 2001, Peters 2015). In contrast, contemporary globalization is marked by legal barriers to immigration that prevent many workers, especially less skilled ones, from credibly threatening to exit. It also has become difficult for individual national governments to effectively regulate the conditions under which goods and services are produced. The difference in factor mobility—where endowments are somewhat fixed for labor but not for capital—skews

[1]This factor-based model likely applies less well to higher-income economies. In higher-income economies, in which assets are more specific to certain uses, a sectoral (Ricardo-Viner) model of comparative advantage is likely to emerge. Workers (and capitalists) in globally competitive industries will benefit from trade (see Hiscox 2002).

bargaining power toward employers. Silver's (2003) longer-run historical analysis, for example, notes that when workers begin to assert their collective voice vis-à-vis employers, employers respond by moving production to overseas, and nonunionized, locations. The cycle then repeats, with workers first quiescent, then assertive and organized, and finally abandoned by footloose capitalists.

The assumption of fixed factor endowments may be problematic in two ways. First, a country's labor scarcity or abundance is not necessarily static: If workers emigrate (legally or illegally) in sufficient numbers, endowments will shift. Hence, the balance of bargaining power between capital and workers may change over time in a given country or region. Second, neoclassical factor-based models focus on differences in productivity as the key to differences in wages: Higher wages indicate that a given amount of labor adds greater value per unit of capital. But the relative costs of labor (and countries' resulting comparative advantages) are due not only to initial endowments but also to various public policies that can serve to enhance labor's productivity, alter the costs of hiring and firing workers, or raise or lower the wages and treatment of labor. For instance, if some governments impose higher minimum wages and more stringent working-hour limitations, the costs of labor in those jurisdictions will increase. Or if labor unions in some countries are well organized and able to bargain for higher pay and more generous benefits, production costs will likewise increase. Alternatively, when vocational training programs are provided by the public sector, firms' costs of employee training decline, while workers' productivity increases (Hall & Soskice 2001).

The role of government in affecting the relative costs of labor leads to concerns about cross-national competition to attract investment. Some firms will be tempted to relocate production from high-labor-cost jurisdictions to low-labor-cost locations. If governments want to retain or attract these firms, they will have incentives to weaken their labor laws. Regulatory competition may lead governments to fail to provide internationally recognized core labor rights or to enforce domestic labor legislation.[2] Multinational firms' threats of exit—which are most credible in labor-intensive, low-technology production, as well as in manufacturing and some services rather than in extractive industries—appear to give great voice (Hirschman 1970) to capital at the expense of labor. Similarly, domestic firms that want to win contracts to produce for foreign firms—to act as subcontractors within global production chains (Gereffi et al. 2005)—will seek to reduce costs, especially in labor-intensive sectors such as apparel. The intensification of competition, which comes as the result of increased trade integration and reduced communication and transportation costs, can therefore lead to competitive reductions in wages, collective labor rights, and individual working conditions.

What does the empirical record indicate about the extent to which the globalization of production is, in fact, detrimental for workers? Myriad reports detail violations of workers' basic rights in specific companies, sectors, or production chains, including forced overtime, child labor, hazardous working conditions, and attacks on the capacity to unionize or strike. Recently, these abuses have resulted in collapses and fires in apparel factories in Bangladesh and forced and uncompensated overtime at China's Foxconn, a subcontractor for Apple. Similar reports of violations have occurred for many years; they are especially prevalent in labor-intensive sectors, where managers' incentives to cut labor costs are greatest, and in firms that supply or are affiliates of Western brands, where activists are most likely to shine a negative spotlight on firms such as Nike

[2] This parallels earlier concerns about the structural dependence of states on capital (Przeworski & Wallerstein 1988).

(Locke 2013). Indeed, sweatshops and *maquiladoras* feature prominently in the race-to-the-bottom narrative.

More recent work in IPE interrogates the causal connection between labor abuses and economic openness. Labor rights violations are commonplace, but to what extent are they made more likely by participation in global supply chains and multinational production? Mosley (2011) argues that, with respect to workers' collective rights (the rights to unionize, strike, and collectively bargain), the picture is more nuanced. Developing nations that participate in global production via arms' length subcontracting relationships are likely to experience a deterioration in workers' rights, as firms and governments compete to lower labor costs. At the same time, though, countries that produce globally via involvement in directly owned production (in which multinationals retain ownership and control of their affiliates abroad) are likely to experience improvements in workers' rights (see also Kucera 2002). An empirical analysis of labor rights violations in 86 countries covering the 1985–2002 period and conducted at the national (rather than sectoral or firm) level supports this theoretical claim. Trade openness is significantly and negatively associated with labor rights, whereas foreign direct investment (FDI) is positively and significantly linked with labor rights.[3] Differences across industries, in terms of their preferred modes of entry (Henisz & Williamson 1999), are partly responsible for this pattern. Subcontracting is generally more prevalent in labor-intensive activities, whereas FDI occurs more in capital- and technology-intensive industries.

This argument is consistent with research, much of it from economics and industrial organization, asserting that multinational corporations (MNCs) tend to offer higher wages and better working conditions than their domestically owned counterparts (Flanagan 2006, Moran 2002). MNCs that are more efficient and productive than their domestically focused home country counterparts (Helpman et al. 2004) hire at the top end of local labor markets. In seeking to hire and retain the best workers, to prevent labor unrest,[4] and to reward higher productivity, MNCs often offer higher wages and better benefits (Garrett 1998). Numerous studies therefore document the existence of a multinational wage premium. We also can expect that MNCs often bring their "best practices" (or, at least, "better practices") with them when they operate abroad (Haskel et al. 2007, Jordaan 2009). Under some conditions, MNCs will even lobby host country governments to raise their standards, leveling the playing field between domestic and foreign firms (Garcia-Johnson 2000, Prakash & Potoski 2007).

Empirically, the positive linkage between labor rights and FDI is consistent with work (Braun 2006; Busse & Braun 2003, 2004; Neumayer & De Soysa 2006) which finds that child labor and forced labor reduce FDI flows, all else being equal. Similarly, Flanagan's (2006) analysis, which considers wages, working hours, safety, and gender discrimination, reveals that labor conditions are generally unrelated to FDI flows: Racing to the bottom does not appear to be an effective strategy for attracting FDI.[5] At the same time, however, increased trade openness, especially where labor-intensive sectors are concerned, predicts a greater occurrence of labor rights violations (Neumayer

[3] Other statistically significant correlates of collective labor rights include regime type, income per capita, country size (population), and labor rights outcomes in a country's geographic region.

[4] Robertson & Teitelbaum (2011) report that, in developing and transition nations, higher levels of FDI predict greater levels of worker protest.

[5] Payton & Woo (2014), however, argue that the linkage between FDI and labor rights evolves over time: To attract investment, governments weaken labor laws, so that the anticipation of FDI worsens rights. But once foreign direct investors arrive, labor rights practices improve. Here, the distinction between rights in law and rights in practice is key, as is the difference between governments as providers of laws and firms as producers of practices.

& De Soysa 2006). Other studies similarly reveal a linkage between forced labor and the export of unskilled labor-intensive goods (Busse & Braun 2003).[6]

Thus, the relationship between labor and the global economy is complex: Depending on the way in which one's country, industry, or firm participates in the global economy, multinational production may have negative or positive consequences for workers. Domestic politics and institutions add an additional layer of causal complexity: Pressures emanating from the global economy may be strong, especially on countries that are emerging from an economic crisis, undertaking structural adjustment, or desperate to attract capital, but they are only one set of influences on governments' decisions regarding labor laws and practices. Governments retain significant agency in mediating the effects of the global economy: They may collude with local elites and foreign firms to repress workers and keep production costs low, they may engage simultaneously in regulatory and deregulatory reforms, or they may seek to position their country as a "higher standard" production location. We can expect that, as individuals motivated by the desire to retain or win office, government officials' choices over labor-related policies will vary with the domestic and the international context.

Via investment policies, national governments determine the extent to and ways in which foreign firms can participate in the local economy—for instance, through joint ventures, in export processing zones, or in certain industries. Although it is tempting to assume that governments have reduced investment restrictions across the board, the empirical picture is more mixed. Some governments have formed alliances with foreign or local capital for the purpose of repressing workers (Evans 1979; see also Payton & Woo 2014). Nondemocratic regimes have incentives to prevent organized labor from becoming a domestic political force, and the arrival of FDI can aid in that aim, as Gallagher (2007) argues with respect to contemporary China. In other instances, labor unions are co-opted by nondemocratic governments, and rank-and-file workers experience few benefits from elite-driven labor market institutions (Caraway 2008, Robertson 2007).

Yet in other cases, governments seek to protect labor-based constituencies from the negative effects of economic liberalization. This occurs not only in the developed world but also in developing countries. In an assessment of changes to labor laws in Latin America, for instance, Murillo (2005) posits that some labor law reforms were deregulatory, as a Washington consensus–style reform agenda would suggest. However, other reforms, especially those to collective labor rights, increased regulatory protections for labor. This combination of reforms reflects governments' incentives where labor-friendly parties held political office: Although they needed to enhance labor market flexibility across the economy, they also wanted to protect their traditional, organized labor constituencies. Along similar lines, Kurtz & Brooks (2008) demonstrate that state intervention in labor markets increased, rather than decreased, during Latin America's neoliberal reform era of the 1990s and early 2000s. The outcome often resembles "embedded neoliberalism," a combination of trade and financial openness with supply-side interventions and public sector employment. Again, the domestic position of organized labor (which may represent only a fraction of a country's workers, given the size of the informal sector in many nations) is central to government choices, as is the ideology of the governing party. Yet another example of the role of domestic actors comes from Schrank's (2009) work on labor inspectors in the Dominican Republic: His empirical analysis suggests that, despite a political and economic

[6]Flanagan (2006) and Moran (2002), however, argue that there is little significant linkage between trade activity and labor standards, and Neumayer & De Soysa (2006) report a negative relationship between trade openness and the rate of child labor.

environment that was not necessarily conducive to an independent, effective bureaucracy, the government's efforts to create a professionalized and effective labor inspectorate succeeded.

These examples in which domestic actors and institutions determine the ways in which multinational production ultimately affects a country's workers and its labor institutions illustrate the importance of treating labor—either labor unions or individual workers—as something more than a passive recipient of international pressures. Yet much contemporary research in IPE assumes little agency for workers in low- and middle-income countries. Internationally mobile capital, multinational firms, and local elites are assigned agency, whereas workers are assumed to have little control over their fates.

Certainly, acting and organizing are difficult for workers in the informal sector. Although the International Labour Organization would argue that core labor standards also apply to workers in the informal sector, these workers often do not benefit, in practice, from national or international regulations related to collective rights, minimum wages, and working conditions. Regulatory laxity in such markets, however, could facilitate job creation and innovation by reducing employers' wage and nonwage costs. Increasingly, informal sector activity is linked with the formal economy and with global production. Informal sector entities, both large and small, appear in global supply chains—often as subcontractors—for products ranging from cut flowers and coffee to leather goods, apparel, and electronics (Meagher 2013, Phillips 2013). Yet we have little systematic evidence regarding the conditions under which traditional labor unions incorporate or ignore the concerns of informal sector workers. Also lacking is information on the factors that allow some informal sector labor to benefit from global production, whereas others are harmed by it. Recent research on the role of informal institutions in developing nations offers one avenue for considering the conditions under which workers in the informal sector are empowered by, or further excluded via, their linkages with the global economy (Meagher 2013).

Returning to the formal sector, in numerous developing countries, we observe workers attempting to exercise influence over their conditions of and rights at work. The 2014 anti-China protests by Vietnamese workers—nominally motivated by a territorial dispute, but more likely a response to conditions in Taiwan- and China-owned factories—are one example. Anner's (2011) analysis of labor movements in Latin America treats workers (or at least union leaders) as actors with significant agency, despite economic openness. He examines the auto and apparel industries in several Latin American nations with an eye toward explaining how labor unions, in the context of a changing global economy, attempt to defend their members' interests. Labor campaigners make choices among various strategies: Their choices depend on the structure of global supply chains, domestic political institutions, and the character of the domestic labor movement.

From a normative point of view, attending to workers' agency can lead us to ask whether the core labor standards that are advanced by the International Labour Organization and transnational labor activists are the ones that workers in global supply chains would choose. Although no worker should be asked to risk life and limb in order to produce "fast fashion" apparel for fickle consumers in far-off export destinations, many apparel sector workers find those jobs preferable to their alternative options, such as remaining in rural villages with few employment prospects. Some work in IPE does consider the role of individual workers in the success of various factory-floor initiatives (i.e., Locke 2013), and research on migrant workers considers individuals who have decided to emigrate for economic or other reasons. We could do far more, however, to consider how workers seek to deflect, mediate, or accept the competitive pressures associated with globalization—and how workers' preferences over their conditions at work may vary across countries, industries, and political systems.

In doing so, IPE could draw more directly on comparative politics, which treats labor—especially organized labor—as both an economic and a political entity. Research on the golden age of capitalism in developed democracies, for example, considers the effects of unions and union-employer relationships on wage levels, wage dispersion, and working conditions. Labor unions also influence electoral outcomes, work closely with left-leaning political parties to influence social policy and the distribution of income, and determine the effectiveness of monetary policy via wage restraint and coordinated wage bargaining (Ahlquist 2010, Hall & Soskice 2001, Iversen 1999). Union members and leaders interact strategically with employers and political officials, deciding when to strike (Franzosi 1995, Golden 1997) and when to take action on issues that fall outside of their direct purview (Ahlquist & Levi 2013).[7] More recently, the continued political efficacy of organized labor has been called into question. Nonetheless, given concerns about global competitiveness, structural reform, and the sustainability of social democratic welfare state policies (e.g., Huber & Stephens 2001, Scruggs & Lange 2002, Wallerstein et al. 1997), research on comparative labor organization and labor politics reminds us that workers are more than passive objects of multinational production. They often have significant causal agency, whether on the factory floor or in the policy-making process.



## LABOR AND THE GLOBAL ECONOMY: WHAT DON'T WE KNOW?

Recent work subjecting race-to-the-bottom claims to empirical scrutiny also reveals the limits of our knowledge. We often lack cross-nationally comparable information on labor-related outcomes, such as work hours, overtime, and health and safety standards. Whereas information on labor laws can be gathered, collecting data on their enforcement in practice presents more of a challenge. Additionally, even though such country-level assessments represent a useful beginning, they obscure variation across regions, industries, and firms. Thus far, however, analyses linking labor-related outcomes with the global economy (Kucera 2002, Mosley 2011) are cast at the cross-national or cross-national time-series level. This choice reflects not only the availability of labor-related data but also the absence, for many countries and years, of sectoral- or firm-level data on FDI and subcontracting.

The use of country-level data allows for the inclusion of a wider range of countries and years, but it also creates a disjuncture between the level of analysis of the causal mechanisms, on the one hand, and the level of analysis of the data, on the other. Theoretical claims regarding the effects of economic openness on labor employ a micro logic based on firms' decisions: Individual firms decide where to locate production, creating incentives for governments to compete to attract capital. This competition could include, among other things, a ratcheting down of labor-related regulations, or turning a blind eye to violations of local labor laws. Entering firms then recruit local labor, which can lead—depending on the tightness of the labor market as well as the legal protections in place for workers—to increases in wages and improvements in the treatment of workers. Firms also decide whether to increase investment and production in a given location or to relocate production elsewhere. The firm—rather than the country, region, or industry—also is the key unit of analysis for scholars of multinational production who are based in economics, industrial organization, and international business studies.

There are many reasons to assume that firms vary in their behaviors. These differences may stem from the skill-, technology-, and capital-intensity of production; from the consumer market niche (mass produced versus luxury and branded) they occupy; from the location of their consumers

[7] The capacity of unions to recruit members and influence policy varies among developed democracies: Although US unions were an important political force in the first half of the twentieth century, their influence and membership have since declined, especially in the private sector (on US organized labor, see Frymer 2010, Levi 2003, Western & Rosenfeld 2012).

(domestic, foreign high income, foreign low and middle income); from the structure of ownership (privately held, private but publicly traded, state-owned); or from the nationality of ownership (where home country laws and practices influence firms' actions abroad). Each of these differences may affect firms' human resource practices, including their focus on the cost versus the productivity and retention of workers; their incentives to avoid negative publicity from transnational advocates; and their propensity for bringing home country labor practices (versus abandoning such practices) to their foreign operations. Moreover, some MNCs may be less bound by sunk-cost considerations, and therefore more footloose, than others. These heterogeneities suggest that pooling all foreign trade or direct investment (as in country-level indicators of FDI or trade) obscures tremendous diversity. Hence, scholars of labor and globalization should reduce the disparity between the level of analysis of causal mechanisms, on the one hand, and the level of analysis of the data, on the other. Indeed, some recent IPE work on MNCs uses surveys of firm behaviors or attitudes and has moved to the firm level (for the effect of FDI at the sectoral level on human rights outcomes, see Blanton & Blanton 2009; see also Gueorguiev & Malesky 2012, Jensen 2013, Locke et al. 2009).

Recent research highlights the utility of this strategy: Greenhill et al. (2009) find that labor rights in one's export destinations, rather than overall trade openness, helps to explain variation in developing countries' labor rights outcomes. When trade partners have higher standards, all else being equal, home country standards also improve. Trade serves as a mechanism by which labor rights are diffused across countries; this can lead to improvements or deteriorations, depending on one's trading partners. For example, if a developing country shifts its primary export markets from Sweden to China, it is likely to experience deterioration in labor rights conditions.

Differentiating FDI based on its nationality also can shed light on the conditions under which the global economy improves, or detracts from, labor rights. To the extent that an MNC brings labor and human resource practices from its home country headquarters, the effects of firm-driven diffusion of practices should vary as a function of the firm's nationality. We may expect, for instance, that the subsidiaries of US-based firms approach labor unions differently relative to their German- or Chinese-owned counterparts. Indeed, one concern about increased outward Chinese direct investment is that Chinese firms will treat host country workers differently from the way other foreign firms do. Because much outward Chinese direct investment is in the natural resource sector and is undertaken by state-owned or state-financed entities, it varies from much traditional FDI in terms of nationality as well as sector and ownership.

Graham (2014) approaches the "varieties of capitalists" question (Mosley 2011) from a slightly different angle, considering how diaspora-owned firms' behaviors may differ from those of other foreign-owned firms. Challenging the notion that diaspora-owned firms will behave in ways that are more socially responsible and using firm-level data from Georgia, Graham finds that, although diaspora investors may have better access to and information about local markets, they are no more likely to behave philanthropically. Indeed, according to some measures, diaspora-owned firms are less likely to engage in socially responsible behaviors. This finding is consistent with reports from mainland China that diaspora-owned investors (usually based in Hong Kong) are less labor friendly than other foreign investors (see Gallagher 2007). Considering differences in ownership, nationality, sector, or product market may require that we pay more attention to within-country variation rather than to cross-country comparisons and that we focus (at least initially) on countries for which detailed and accurate data at the firm and industry levels are available. The potential loss in external validity generated by such a strategy, however, is justified by the gains to internal validity that accrue when we relax the assumption that all MNCs, trade flows, or subcontracting operations are the same in their incentives and, therefore, in their effects on labor.

Through what additional causal pathways, beyond trade, investment, and subcontracting, might international economic forces affect workers? One pathway is conditionality, in which access to product markets or investment is linked with human and labor rights outcomes. At the global level, agreement on conditionality related to workers' rights and conditions does not exist: Worried about a competitive lowering of standards, some developed nations and labor activists would like to condition trade agreements on labor rights. Many developing countries, though, worry that this is simply a veil for protectionism through which developing countries' comparative advantage (lower labor costs) would be eroded (Hafner-Burton 2009, Rodrik 1997). Hence, at its 1996 ministerial meeting, the World Trade Organization declared that it was unwilling to link labor issues with trade. Instead, it suggested that labor activists work through the (relatively weak, in terms of direct influence) International Labor Organization.

At the bilateral level, however, many national governments employ membership conditionality. The benefits that flow from preferential trade agreements and from unilateral trade preference programs (e.g., the Generalized System of Preferences) often are conditioned on respect for certain human and labor rights. Violations of rights can lead to the suspension, or at least the threat of suspension, of benefits. These efforts often reflect pressure from domestic interest groups (especially organized labor) in developed nations, and they sometimes are undertaken to mollify such groups, rather than to effect real change in labor-related practices (Kay 2011). Yet, despite their roots, these provisions can affect states' rights-related behavior, at least under some conditions (Hafner-Burton 2005). Murillo & Schrank (2005) argue that, in labor-repressive Latin American countries, the existence of labor-related provisions in US trade agreements has allowed domestic activists to achieve regulatory improvements. Kim (2012) posits that governments wishing to successfully conclude a preferential trade agreement are aware that US trade legislation and domestic political pressures will require attention to labor rights. To make themselves attractive candidates for such agreements, these governments strengthen domestic legislation and enforcement related to core labor rights, even before an agreement is negotiated or ratified. Governments also are beginning to link labor rights with investment, including references to core rights in model bilateral investment treaties. Much work remains to be done, however, to identify the conditions under which labor-related provisions have independent influence on governments' behavior. Given the range of ways in which labor-related conditionality is implemented—the European Union employs an incentives-based model, whereas the United States uses a sanctions-oriented model, for instance—this area is ripe for theoretical development and empirical assessment.

Another potential influence comes from international financial institutions, which have varied in their attitudes toward workers' rights and, presumably, in the extent to and way in which labor rights factor into lending programs and attempts at policy diffusion. In the 1990s and early 2000s, a series of World Bank–sponsored research reports concluded that respecting core labor standards had few, if any, negative consequences for economic performance. But the Bank also tended toward a more liberal, market-oriented interpretation of core standards (Caraway 2008; see also Abouharb & Cingranelli 2007). More recently, the Bank has moved further in the direction of embracing core labor standards and the regulatory tools they require (Murphy 2014). As part of its advocacy of neoliberal reform, the International Monetary Fund (IMF) has often included labor-related conditions in its lending agreements, most of which focus on deregulating labor markets or on reducing public employment, wages, or social benefits. In their examination of labor-related conditions in IMF loan programs, Caraway et al. (2012) reveal the importance of domestic political considerations in lending programs: All else being equal, the IMF is less likely to include deregulatory conditions in democratic countries with stronger domestic labor groups. Hence, lending conditionality is applied unevenly, suggesting—as does work in comparative politics—that external forces are far from uniform in their influence.

A final set of external economic influences on labor-related conditions comes from private regulatory efforts. As efficiency-seeking multinational firms have increasingly spread their production chains across multiple jurisdictions, the ability of national governments (acting individually or collectively) to regulate them has seemingly diminished. The resulting move toward "corporate social responsibility," which began in the 1990s, reflected the view that if multinational firms could be convinced that there was a material reward for respecting workers' rights, then such firms would "do well by doing good." Their rewards may include greater productivity from and retention of well-treated workers, increased share prices for acting responsibly in host economies, and avoidance of the "negative spotlight" that comes when consumers are made aware of poor working conditions in a multinational's overseas affiliates or suppliers (Hainmueller et al. 2015). Such firms also could aid in the implementation of labor rights laws, as there often is significant slippage between legal rights and rights in practice (see Mosley 2011).

The resulting private governance efforts ranged from individual firm and industry-wide codes of conduct and certification schemes to the UN-sponsored Global Compact in which more than 12,000 firms and other stakeholders in 145 countries now participate (Bartley 2007, Bernhagen & Mitchell 2010, Vogel 2010). Increasingly, corporate codes apply not only to the firm and its directly owned subsidiaries, but also to other participants in the firm's supply chain. The diffusion of private codes of conduct raises many questions about their effectiveness: Codes vary in their provisions for monitoring and enforcement, and thus far, the empirical record is mixed (see Barrientos & Smith 2007, Locke 2013, Locke et al. 2009). Codes of conduct also create a need to monitor compliance. Third-party auditors may come from the civil society or business sector, and they have varying degrees of training in how to assess code-related behaviors. The proliferation of codes allows labor rights issues to be addressed in geographically and industrially specific ways, but it also reflects the potential for forum shopping among codes of conduct and private governance entities (see also Büthe & Mattli 2011).

Finally, the focus of the above discussion is largely on workers in the formal sector and on individual working conditions and collective rights. Although we do not discuss child labor, forced labor, or human trafficking, global economic factors also influence these phenomena. The incentives to engage in trafficking in persons, for instance, are driven in part by the demand for workers in certain activities (which, notably, often do not involve the sex trades), and governments' efforts to combat trafficking reflect internal politics as well as external pressure, including that from trade partners (Cho et al. 2014) and foreign aid donors (Kelley & Simmons 2015). We also do not discuss the wide-ranging literature on the determinants of human rights outcomes, much of which suggests a positive causal relationship between trade and investment flows and human rights outcomes (for a review, see Hafner-Burton 2014).



## MIGRANT WORKERS AS AGENTS: THE POLITICAL IMPACTS OF REMITTANCES

The previous sections discuss the impacts of the flow of capital on domestic labor, treating workers primarily as objects of global economic forces. This section turns the issue around and focuses on the ramifications of workers as agents in the global flow of finance. When workers emigrate to find employment in another country, they often send money back home to support their families, and in the aggregate, these enormous sums of money can have profound political and economic effects on the home country. Migrants can also serve as suppliers of global finance by facilitating the flow of investment capital between their host and home countries (see, e.g., Kapur 2010, Leblang 2010, Leblang & Pandya 2014). Owing to space limitations, this section focuses exclusively on the burgeoning literature on the political economy of remittances. We focus in particular on the political consequences of migrant remittances for outcomes such as leader stability, corruption, public goods provision, and macroeconomic policy choices. Migrant workers are "agents" in this process in that they are suppliers of global finance rather than objects vulnerable to the whims of foreign investors. However, as discussed below, their agency has important limits: Although migrants generally remit simply to support their families, the impacts of remittances in the aggregate may have important national-level outcomes that do not necessarily reflect migrants' political preferences or motivations.

In 2013, the total stock of migrants was estimated at more than 200 million people. Many of these individuals send money home to support their families. The World Bank estimates that total remittances to developing countries exceeded $404 billion in 2013, an amount that far exceeds portfolio investment and foreign aid and falls just shy of FDI (World Bank 2014). For the majority of developing countries, remittances constitute the largest source of external finance.

Before reviewing the current literature, it is important to note a few important features of remittances. First, and critically, they represent a portion of wages paid (i.e., earned income) to migrant workers and remitted to family members back home. They do not accrue directly to governments, nor do they emerge from the ground like natural resources. Therefore, if remittances influence government behavior, they must do so indirectly through household behavior or via their macroeconomic impacts on the aggregate economy. Moreover, remittances are "unrequited" transfers because they do not result in claims on assets, debt service obligations, or any other contractual obligations. Unlike many other forms of external finance, they cannot be withdrawn or repatriated; therefore, they do not contribute to capital flight and its potential influences on government policy making. However, because remittances by definition must cross a border, they are included as a current-account transaction in international balance-of-payments accounting.

A final important feature of remittances is that economists generally assess their impact on economic development to be positive, with some caveats (Yang 2011). Remittances are often viewed as a lifeline for developing countries that struggle to generate jobs domestically. Households rely on remittances for basic consumption, including food, shelter, and other necessities. The spending triggered by remittance inflows has multiplier effects on the aggregate economy, leading to increased demand on the local construction, finance, and service industries (Kapur 2010). Some economists view remittances negatively because of their association with consumption rather than productive investment; however, some studies find that remittance-dependent households are more likely to invest in education, small businesses, and agriculture. The so-called Dutch Disease is another potential problem in which remittances (or any other capital inflows) cause an appreciation of the currency, which in turn affects the viability of a country's exporting sectors. On the positive side, remittances tend to be far more stable than other forms of external finance: Indeed, during economic downturns, remittances tend to increase as migrants cushion their families with extra funds. They also contribute to the receiving country's foreign exchange reserves, which facilitate international trade and investment and may lower sovereign borrowing costs.

Even though remittances are not a new phenomenon, their magnitude was not fully appreciated by social scientists until relatively recently. The World Bank and other international government organizations have devoted more resources toward tracking and measuring remittance flows, and individual countries have also improved their remittance-tracking capabilities, often allowing scholars to analyze flows at the subnational level. Nevertheless, remittances are generally underreported because only remittances that flow through formal channels—money service businesses, banks, and post offices—are included in official statistics. Financial transfers through the hawala system or other informal channels are excluded.

Remittance flows are distinct from other aspects of international financial integration because they are generated directly by workers. Therefore, they reflect the motivations of migrants as members of a cross-border household rather than the calculus of investors, international organizations, or governments. For contemporary IPE, these flows are a natural focus of study because of their exclusion from earlier scholarship and because of their sheer magnitude. The large literature on the nexus between financial globalization and government policy making that developed in the 1980s and 1990s relied on measures of trade, FDI, bank lending, and other investments, which together constituted a country's "exposure to the global economy." Such exposure, scholars argued, led to a government's vulnerability to the profit-driven calculus of foreign investors or to feelings of economic insecurity among a country's citizens. In response, governments acquiesced (to varying degrees) to the preferences of foreign investors by enacting market-friendly policies, and they buffered their citizenry with compensatory welfare spending (see the section titled The Effects of Global Production on Labor: Theory and Evidence).

Migrants, of course, are not foreign investors, and their financial transfers share few characteristics with cross-border investment except that they, too, cross a border. As such, scholars of IPE are keen to identify the distinctive influences of remittances on governments, and much recent scholarship argues that remittances can serve functions that were previously the exclusive domain of states. Singer (2010), for example, argues that remittances can serve as an automatic macroeconomic stabilizer and an imperfect substitute for domestic monetary policy autonomy, thereby increasing the likelihood that policy makers adopt and sustain a fixed exchange-rate system.

Substitution is also a key theme in a growing literature on the connection between remittances and government-provided public goods and welfare programs. Comparativists working in developing countries first noted the possibility that remittances could substitute for public social welfare spending. Chaudhry (1989, p. 115), for example, observes that households in Yemen in the 1970s channeled their remittances toward the provision of roads, electricity, clinics, and schools, which the state was unable to provide. Kapur (2010) observes that remittances have allowed residents of Kerala to finance private hospitals and schools. Similarly, Adida & Girod (2011) find that remittances are positively associated with the provision of clean water and drainage in Mexican municipalities, providing further evidence that households can supply public services when the state is unwilling or unable to do so. It is important to highlight that the direction of causality between remittances and government policy is uncertain in these studies. In Yemen in the 1970s, it seems likely that the foreign-aid-dependent, poorly functioning state bureaucracy gave households no option but to provide for their own welfare using remittances from overseas family members. In Mexico in the 1990s, the relationship is less clear: Adida & Girod (2011, p. 20) note that remittances may either complement or substitute for government-provided services. In El Salvador, Acevedo (2012) finds a positive association between remittances and government transfers.

Some scholars make a strong claim for the substitution effect of remittances on the provision of public goods by the state. In a key paper, Abdih et al. (2012) use a formal model to demonstrate that remittances can incentivize a government to shift resources away from public goods creation and toward corrupt endeavors like political patronage and self-enrichment. The mechanism is similar to the one used above wherein households can use remittances to purchase goods that are substitutes for public services, but the normative implications are much more dire. Ahmed (2012) pushes the empirics further with instrumental variables to demonstrate that remittances, combined with foreign aid, allow autocrats to stay in power longer by siphoning away scarce financial resources from the citizenry. Regan & Frank (2014) port this argument to the study of civil war and argue that remittances supplant the need for state-provided welfare and thereby reduce the motivation to rebel against the state. A panel data analysis provides evidence that remittances are associated with a lower risk of civil-war onset. To be sure, these arguments are blithe in their assertion that remittances foster political complacency, especially given the absence of direct evidence of household preferences. The underlying political model suggests that households care about politics only to the extent that they obtain a small number of goods and services, and they are indifferent as to whether they pay for such goods and services through their overseas family members' wages or whether the government provides them through national social policy.

Other scholars have used the logic of substitution to make opposing arguments. A large literature in comparative politics explores the concept of clientelistic spending, i.e., when political leaders deliver financial benefits to citizens in exchange for their support (see, e.g., Stokes et al. 2013). If remittances can be used by households to substitute for these benefits, then the fragile support network for political leaders can collapse. Tyburski (2012) finds support for this thesis in Mexican states: Remittances appear to reduce household dependence on clientelistic spending and thereby encourage residents to cast votes for opposition parties that better represent their interests. As a result, there is a negative association between remittances and corruption because politicians are held accountable for their actions. Pfutze (2012) also finds that remittances hinder the ability of entrenched politicians to maintain political patronage systems; thus, elections become more competitive. Also focusing on Mexico, he finds that remittances increased the probability that the long-ruling Institutional Revolutionary Party (Spanish: Partido Revolucionario Institucional) lost a municipal election for the first time. Additional research by Tyburski (2014) and Escriba-Folch et al. (2015) suggest that the impact of remittances on political patronage networks is contingent on the nature of the political system.

The next stage in the literature on remittances and public goods will invariably be focused on household behavior. Given that scholars have thus far found contradictory results using country-level and municipal-level data, we must raise the question: Do remittance-receiving households actually relinquish their demands for welfare and public goods from the state? To date, this empirical question has evaded political scientists, even though household behavior is at the theoretical heart of many studies. A key challenge for substitution arguments is that consumers cannot easily provide public goods for themselves. The classic free-rider problem in providing nonexcludable and nonrival goods such as roads, sanitation infrastructure, and public schools and hospitals suggests a critical role for the state, regardless of whether households benefit from remittances. Hometown associations, which are common among certain migrant groups, may alleviate the free-rider problem in some cases, but they are unlikely to substitute fully for state coordination.

Moreover, scholars must be careful to distinguish (theoretically and empirically) the effects of remittances from the effects of a household member obtaining a job in the local economy and depositing his or her paycheck in the household's coffers. The remittance income is likely to be more stable, less tied to the economic health of the home country, and more easily consumed (without disapprobation) than the income from a resident household member. Remittances also come with the promise of a safety valve: Migrants can increase their transfers temporarily in the event of a household downturn or crisis. This insurance mechanism could have an impact on the household's views toward risk and insecurity (see Ansell 2014). Otherwise, however, it is not clear a priori why remittances would have a different effect than other forms of income on the recipient household's preferences for government-provided welfare and public goods. If scholars believe that remittances affect a particular political outcome simply by raising income, then more direct measures of household income—such as gross national income per capita or alternative measures of household disposable income—should be considered in lieu of remittances. This concern also applies to scholarship that asserts without microfoundations that remittances are used by recipients to fund terrorism (Mascarenhas & Sandler 2014), pay for electoral campaigns (O'Mahony 2013), or pay for anything else that would not otherwise be paid for via other forms of household income.

A final empirical challenge is to disentangle the effects of remittances from the effects of emigration. As Bravo (2007) and Goodman & Hiskey (2008) note, the individuals who are most likely to emigrate and remit are also the ones who would otherwise be the most likely to participate in the political life of the home country. Migrants may also be agents of democratic diffusion (Pérez-Armendáriz & Crow 2010) and democratic stability (Kapur 2010). Without careful attention to modeling strategy, any link between remittances and political outcomes could be attributable to the flows of people rather than to their subsequent international financial transfers. This worry is especially salient for failed states, which often register extremely large remittance inflows due to the exodus of the country's citizens. To link workers' subsequent remittances to government retrenchment, corruption, or terrorism misses the point that state failure simultaneously prompts mass emigration and these other outcomes.

## CONCLUSION

Economic globalization brings both promise and peril to workers. The multinationalization of production brings new employment opportunities and the possibility for better wages, training, and working conditions, whereas international trade raises the demand for labor in certain industries. At the same time, international competition in investment and product markets can lead to downward pressure on labor rights and working conditions, especially in countries where labor is disorganized or politically quiescent. Although it is tempting to treat capital as internationally mobile and workers as internationally immobile, migration also is central to the contemporary global economy. Some types of individuals are more likely than others to migrate to foreign countries; when these workers transfer funds to relatives at home, they generate another type of financial flow. These transfers have distinct, and often important, influences on government policies. Remittances can serve functions that are invariably positive, such as sustaining household consumption in economically downtrodden areas, but they may also have deleterious effects on social welfare provision and the longevity of unrepresentative political leaders.

In this article, we focus on workers as both senders of capital and participants in multinational production. On the receiving end of global capital flows, as employees in firms that participate directly or indirectly in the international economy, workers are often assumed to be subject to the whims of profit-maximizing firms and fickle consumers. Despite some truth to the notion that firms' threat of relocation and concern with trade competition may prompt governments and employers to economize on benefits and working conditions, there is also ample evidence that the multinationalization of production can improve working conditions via increased wages and the transmission of global best practices. We also note that workers need not be passive objects at the tail end of global capital and trade. Rather, under some conditions, they galvanize into unions, protest movements, and other groups that can wield political influence. On the sending side of global finance, some workers can immigrate to foreign countries and support their households through regular financial transfers. Because these funds emanate from family members and not profit-seeking firms, their aggregate effects on the receiving country bear little resemblance to those of other forms of economic integration. Whereas firms can credibly threaten to relocate their capital investments, migrants' financial support often comes with no strings attached and generally increases as households endure economic hardship.

There is much room for improvement in the political science scholarship in these areas. In particular, current research is hampered by a disjuncture between theory and available data. Theories of the impact of global capital flows on workers tend to privilege the role of the firm. Indeed, firm-level decisions combined with government policy determine wages, benefits, and working conditions, and the threat of capital flight or forgone trade revenue can affect how firms manage their employees. Scholars must necessarily gloss over the nuances of firm-level decisions—driven by nationality, corporate structure, and production processes—when relying on available country-level data on FDI or international trade. Similarly, scholarship on remittances relies on untested assertions about household behavior, including political preferences and demands for public goods, which impair the value of national-level empirical analyses that rely on aggregate annual remittances data and indicators of national policy outcomes. A promising line of future research, therefore, is to hone in on the preferences of the key units of analysis in each of these areas. Unpacking "nationality" is particularly promising (see Wellhausen 2015), as firms from different countries may behave differently vis-à-vis their workers. Moreover, remittance inflows from different countries may vary in their national-level impacts. For example, a developing country that receives remittances from a broad "portfolio" of countries may face a different set of influences on government behavior than does a country that relies on remittances from a single country. Survey research (and possibly survey experiments) can capture more directly the preferences of firms and households, and network analysis can help to determine how connections between firms, households, and countries can influence labor conditions and government policies.

Finally, more attention should be paid to the creation and implementation of immigration policy. As Peters (2015) argues, policies toward the movement of goods and capital should not be studied independently from policies toward the movement of people. Moreover, policies toward migrants can have important interactions with key economic policy choices, including welfare and redistribution, the size of government, and exchange rate management (see, e.g., Shin 2012).

## DISCLOSURE STATEMENT

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## Errata

An online log of corrections to *Annual Review of Political Science* articles may be found at http://www.annualreviews.org/errata/polisci