The importance of remittances

Applied Bayesian Multilevel Modeling: Remittances and Political Liberalization

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• 3 major distant moneys: foreign direct investment (FDI), foreign aid (ODA), remittances.

- Remittance: the portion of international migrant workers earnings



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The importance of remittances

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- Remittances became the 2nd largest external source, behind FDI, of

The importance of remittances

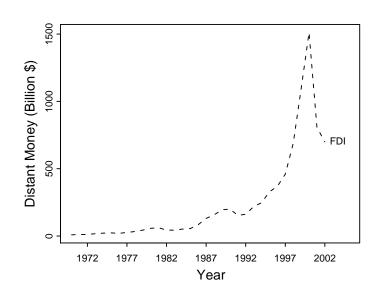
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roduction Remittances Introduction Remittances

The importance of remittances

Comparison of distant money

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- Remittances became the 2nd largest external source, behind FDI, of external funding for countries in the world in 1997 (World Bank 2005).
- Remittances exceed all combined FDI and ODA to Latin America and the Caribbean and has become the largest distant money flows in that region (IADB 2004).



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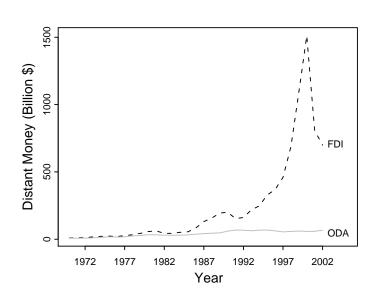
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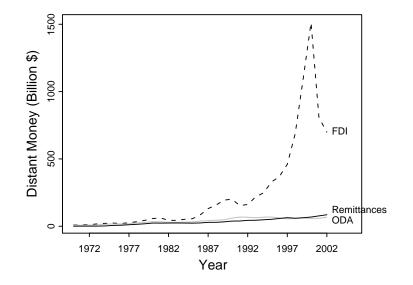
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Graphic comparison of distant money

Graphic comparison of distant money

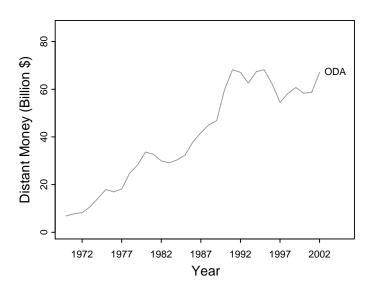


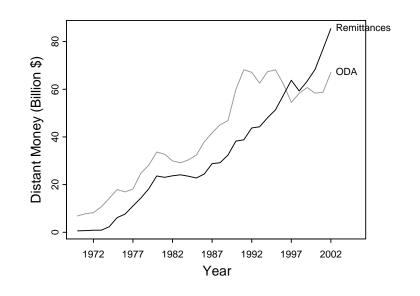


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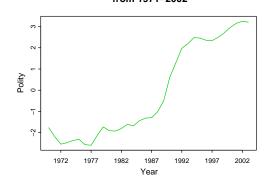
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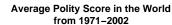
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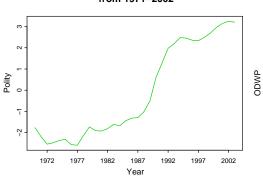
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Political Liberalization

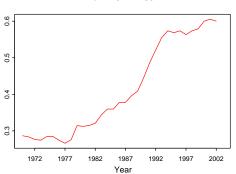
Average Polity Score in the World from 1971-2002







Proportion of Democratic Regimes from 1972-2002



Motivations and goals of the study Motivations and goals of the study

Motivations Motivations

- Few scholastic effort has been devoted into studying the political impact of remittances (rich on economic effect though)
- Past methods using pooled cross-sectional and time-series regression

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- Past methods using pooled cross-sectional and time-series regression analysis of political liberalization is flawed.
 - Hard to validate their results country by country and year by year.



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- Past methods using pooled cross-sectional and time-series regression analysis of political liberalization is flawed.
 - Hard to validate their results country by country and year by year.
 - Cannot explain the micro-difference within each country



Introduction Motivations and goals of the study Introduction Motivations and goals of the study

Goals

- Systemic analysis of the effect of remittances on political liberalization
- Improve the ability of making inference by using Bayesian multilevel modeling (BML)

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Statistical results Remittance and regime change

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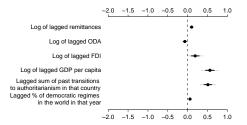
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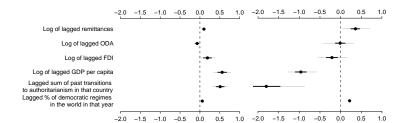
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Comparison of logit models

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Comparison of logit models

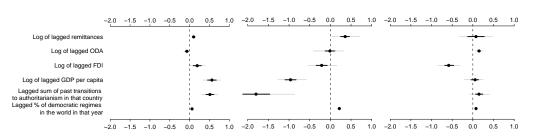


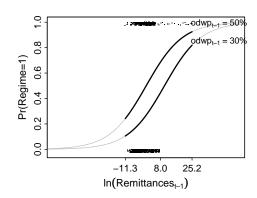


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Comparison of logit models

Classical logit models





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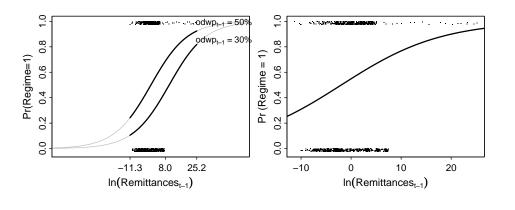
Remittance and regime change

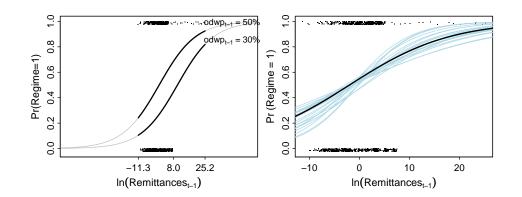
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Classical logit models

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Classical logit models

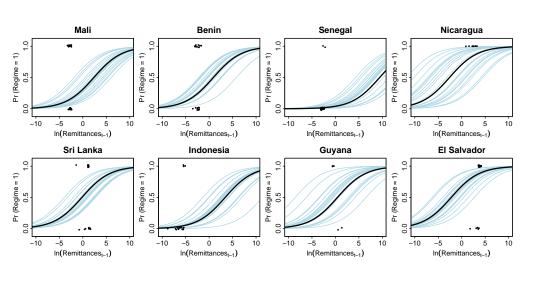






Remittance and regime change

BML logit model with varying intercepts



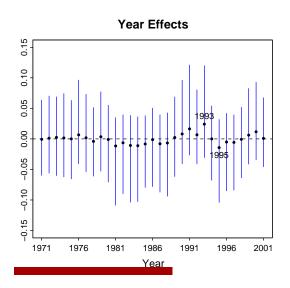
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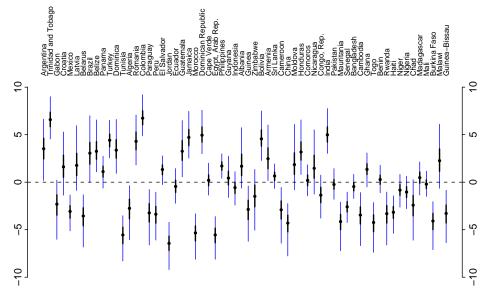
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Statistical results Remittance and regime change

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BML logit model with varying intercepts

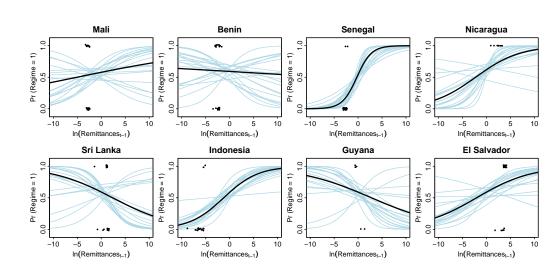


Intercepts of BML $1\,$

Statistical result

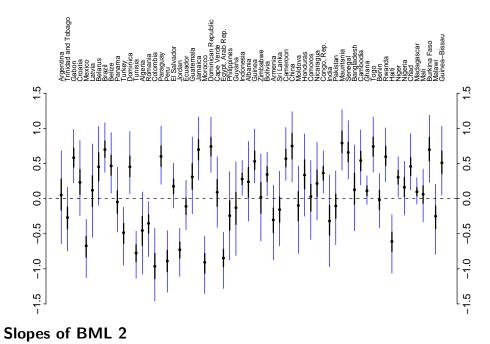
Remittance and regime change

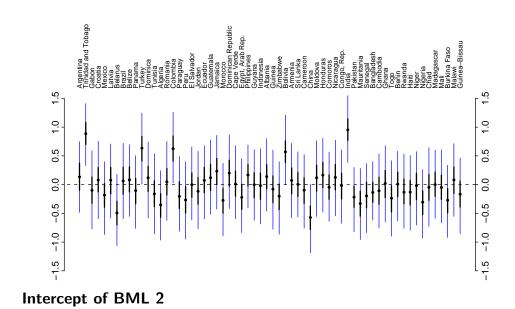
BML logit model with varying intercepts and varying slopes





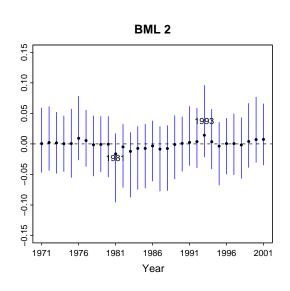
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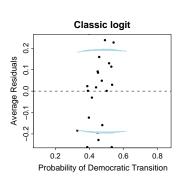




BML logit model with varying intercepts and varying slopes

Binned residual plots for logit models





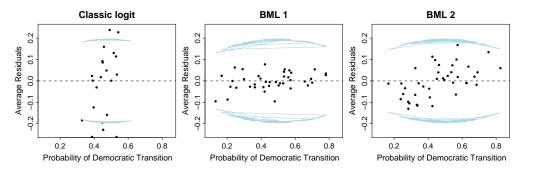
Statistical results Remittance and regime change

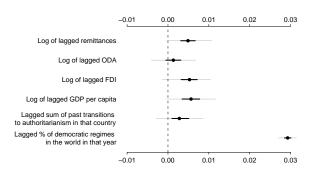
Statistical results

Remittances and regime democratic performance

Binned residual plots for logit models

BML linear models





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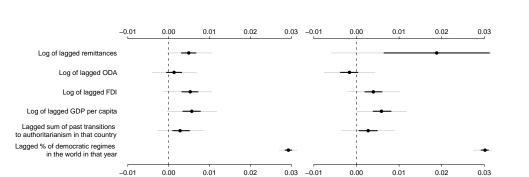
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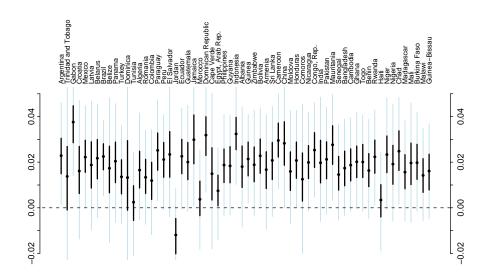
Remittances and regime democratic performance

BML linear models

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BML linear models



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- 2 The paper also shows that an increase in the remittance inflows will enhance the regime performance.
- **3** To examine the effect country by country and over time, the result varies.
- The paper does not claim that if we pour in a tremendous amount of remittances in a autocratic country in a certain year, we can cause that autocracy transits to democracy.
- Sayesian multilevel modeling does perform better, though; it is computationally intensive.

