Into the Woods*

Migration and the Bretton Woods Institutions

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Abstract

Historical accounts of the Bretton Woods system and institutions highlight inter-state cooperation in constructing a global order in international monetary and financial relations. In this paper, we argue that regulating cross-border migration has become one of the top policy priorities of the Bretton Woods institutions in the aftermath of the 1970s oil crisis. Both the International Monetary Fund (IMF) and the World Bank programs are designed to reduce migration flows from less developed regions of the world into the G5 countries, and ultimately to attenuate G5 citizens' discontent with global integration in trade and capital. Focusing on 11,651 World Bank programs between 1960 and 2017, we show that countries posing significant migrant pressures on the major donors of the World Bank receive preferential treatment from the Bank.

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> "Demographic forces, globalization, and environmental degradation mean that migration pressures across borders will likely increase in the coming decades. And cross-border challenges demand cross-border solutions[...]. The IMF will also do its part, including through our financing and capacity building".
>
> —*Christine Lagarde, Managing Director and Chairman of the IMF.*[1]

The post-World War II (WWII) global economic order has recently been under siege from both the left and right of the political spectrum. The idea of free trade has become equivalent to crony capitalism as Americans have shown little support for the Trans-Pacific Partnership (Blendon, Casey, and Benson 2017). Meanwhile, Brexit rocked the British economy with its reverberation spreading across Continental Europe (Wilkinson 2016). In addition to nation-states' reservations about economic and political integration in trade and capital, public discontent with immigration has become a formidable barrier to global economic integration (Arzheimer and Carter 2006; Kaufmann 2017; Papastergiadis 2018). With the backlash against anti-globalization growing across the globe, many predict the twenty-first century will see the first breakdown of embedded liberalism (Streeck 2011; Wilkinson 2013).

The founders of the post-WWII global economic order envisioned a global system of stability and peace bound by cross-border economic activities that would provide mutual benefits to nation-states. At the 1944 Bretton Woods Conference, officially known as the United Nations Monetary and Financial Conference, world leaders under the leadership of President Franklin D. Roosevelt agreed that free trade would not only increase widespread economic prosperity but also promote international peace. Policymakers also discussed the extent to which some of their citizens would lose from increasing international trade as well as possible compensatory mechanisms to assuage public opposition to economic globalization.

The first stress test for the new world economy turned up when President Nixon

[1] Christine Lagarde (2015).

suspended the direct international convertibility of the US dollar to gold in 1971. Followed by a series of economic measures, the Nixon shock ended the Bretton Woods system of exchange-rate stability and led many economies to adopt de facto floating exchange rates. Adding to the uncertainty in the international monetary system, the 1973 oil crisis produced severe recessions around the world (Aspe and Armella 1993; Boughton 2000). Developed economies lost countless jobs due to deindustrialization with many of their citizens questioning the benefits of economic integration where crisis contagion was swift and consequential.

How did world leaders respond to these events of the 1970s? More specifically, how did they transform the Bretton Woods *institutions* (i.e., the International Monetary Fund (IMF) and the World Bank) after the early 1970s when the Bretton Woods *system* (i.e., the world-wide currency peg) collapsed and the oil crisis caused a major recession among advanced industrial democracies? While conventional answers underscore the growing role of these institutions as international lenders of last resort (Boughton 2001; Woods 2006; James 1996), we posit that the 1970s crises prompted these international organizations (IOs) to become instrumental in global migration management. With the end of postwar reconstruction in the West, cross-border migration became increasingly unpopular among citizens of developed economies (Arzheimer 2009; Golder 2003; Heizmann 2015) and a threat to global economic integration in trade and capital from the perspective of G5 policymakers in France, Germany, Japan, the US, and the UK.

The world events of the 1970s signaled to G5 policymakers that they could only sustain global economic integration during good times when their citizens supported globalizing policies. The Nixon shock and the world economy's transition to floating exchange-rate regimes increased economic uncertainty across the globe. The world's worst postwar recession caused by the 1970s energy crisis exacerbated this sentiment of economic anxiety among policymakers and business interests (Peters 2017, pp.197–199). The transformation was especially difficult for G5 citizens who began to question the economic benefits of

the postwar reconstruction fueled by neoliberalism. To assuage this feeling of economic anxiety among G5 citizens, G5 policymakers started abandoning guest-worker programs and other policy measures that used to promote cross-border movements of people (Peters 2017; Boughton 2004). We propose that, since migration is the most visible and contentious aspect of economic globalization, G5 policymakers preemptively discarded migration as a way to ensure their electoral survival as well as to further advance their plan to continue global economic integration as a way to please pro-globalization commercial interests.

In addition to restricting immigration via unilateral and bilateral measures, we argue that G5 policymakers began to restructure the IMF and the World Bank to address the root causes of migration in migration-sending countries. Beginning in the 1980s, the IMF has become an "international migration fund" with a specific aim of mitigating short-term migration pressures arising from acute economic crises (Angin, Shehaj, and Shin 2019a). In the late 1970s, The World Bank also began to address long-term causes of migration by focusing on poverty alleviation in developing countries. While we do not question that the Fund and the Bank became more influential in the management of international monetary and financial relations during this time, we highlight that migration was also an important source of this transition in the 1970s.

In this article, we focus on the World Bank programs to see whether borrowing countries posing substantial migration pressures on the G5 countries receive more generous deals from one of the world's most powerful IOs.[2] We posit that not all borrowing countries with high emigration states receive preferential treatment from the Bank. Instead, the Bank favors only those with large migrant networks in the G5 countries since the size of a migrant network is the most reliable predictor of migration pressure. Furthermore, we expect this relationship only after the 1970s during which international migration became even more political salient owing to the turbulent events of the 1970s in the global economy.

[2]We analyze IMF programs elsewhere.

We organize our article as follows. First, we begin with a brief history of the Bretton Woods institutions to illustrate how the IMF and the World Bank have adapted to changing international economic environments since their inception. Using the Mexican case, we then illustrate how the turbulent events of the 1970s changed the operations of the Fund and the Bank in major migrant-sending countries with a new objective of reducing migration to the G5 countries. We proceed by detailing the research design. We test our argument using 11,651 World Bank programs from 1960 to 2017. Our results indicate that migration became an important factor of the World Bank operations after the early 1970s. These findings offer a new historical perspective for the evolution of the Bretton Woods institutions.

G5, Migration, and the Bretton Woods Institutions

The preferences of the G5 countries, especially those of the US in particular, are one of the most important driving forces behind the policies of the IMF and World Bank (Kersting and Kilby 2016). The G5 countries use their influence in the Bretton Woods institutions to advance their foreign policy goals by gathering support from borrowing states in exchange for larger loans and more favorable conditions. More specifically, the US can increase disbursement rates and relax conditionality for borrowing states of strategic importance (Dreher 2004; Kilby 2009). For instance, increased funding and less stringent conditionality from the World Bank are correlated with membership on the United Nations Security Council, indicating an exchange of money for votes (Dreher, Sturm, and Vreeland 2009b). Other actors influencing the practices of World Bank include those who have shared interests with G5 governments, including multinational corporations that lobby for loan disbursements (Malik and Stone 2018) and "new" donors that provide alternative funds to assert greater influence in lower-income countries (Hernandez 2017).

In addition to the commercial and geopolitical interests of the G5 countries, a number

of studies have demonstrated that the G5 countries use IOs to manage international migration (Angin, Shehaj, and Shin 2019a; b). Reports by IO staffs and comments made by IOs' executives also demonstrate that migration has become a central focus of the world's most powerful IOs in the twenty-first century.[3] With the increasing number of migrant crises around the world,[4] it is no coincidence that IOs have become increasingly mindful of the political and economic implications of global migration.

Migration has never been off the agenda of G5 policymakers in the postwar reconstruction era. From numerous guest-worker programs in Western Europe to a series of labor migration bans in the 1970s, migration has been both an important driving force of economic development and a salient political issue. Two of the world's most powerful IOs, the IMF and the World Bank, assumed a greater international role in the 1970s during which the breakdown of the Bretton Woods system and the oil crisis shook the world economy. We argue that their new roles as the lender of last resort and the financier of economic development became closely linked to the immigration policies of advanced industrial democracies. Specifically, the resources and policies of these two IOs began to reflect the migration concerns of G5 policymakers closely in the 1970s and onward.

In addition to altering their own immigration policies, G5 policymakers have a number of reasons to utilize the resources available at the IOs. First, while national immigration policies can reduce immigration inflows, they only address pull factors of migration by making immigration less desirable and more difficult for potential migrants. Migrants are likely to reconsider emigrating to a country where restrictive immigration measures are in place (Ortega and Peri 2013). However, without addressing push factors in migrants' home countries, it would be difficult to stop migrants flowing through informal channels. Second, migration has become a supranational issue for many G5 countries. For instance in the absence of national borders, France and Germany—both members of the Schengen

[3]IMF staff members regard emigration as a major sign of program failure. A 2016 IMF report clearly describes emigration as something negative despite the academic consensus that emigration is not actually consequential in the sending countries (Atoyan, Christiansen, Dizioli et al. 2016)

[4]International migration has grown rapidly from 77 million in 1960s to almost 258 million in 2015 (MPI).

Area—cannot use unilateral policies to reduce immigration flows into their territories. Given that both France and Germany are popular migrant destinations, measures at work beyond their borders are more effective in reducing migration pressures from the developing world.

Accordingly, G5 policymakers have become increasingly interested in crisis management and poverty reduction in major migrant-sending states (Boughton 2004). Using existing IOs' resources and capacity—in contrast to bilateral measures, such as foreign aid—not only allows G5 policymakers to address push factors of migration directly, but also gives them access to experts with abundant knowledge in borrowing countries that pose substantial migration pressures on the G5 countries. Furthermore, using IOs as a migration platform provides G5 policymakers with a discreet way to use their financial resources to regulate immigration inflows so that they do not face political costs for redistributing voters' tax revenue to migrant-sending countries. Since the operations of the IOs are less transparent to the general public, incumbents have more policy leeway in global migration management through the IOs.[5]

While international migration has been one of the most important policy issues for the G5 countries, not all sending countries with high emigration rates concern G5 policymakers. For instance, emigration out of Central America is unlikely to be a concern of policymakers in France or Germany, not only because of the distance between Central America and the two European countries, but also because there are few Central Americans in the European countries who would facilitate further emigration from the region. Existing migrant networks are the most important factor of where migrants move (e.g., Portes and Böröcz 1989; Massey, Arango, Hugo et al. 2005). Migrant networks supply invaluable information to co-ethics who are potential migrants and help migrants find jobs and housing, making cross-border transition smooth for migrants.[6] Migrants are

[5]See Vaubel (1986, p. 48) for the "dirty-work hypothesis" and Dreher, Lang, Rosendorff et al. (2018) for its empirical application of how major powers hide their foreign-policy interventions from domestic audiences using their influence over IOs.

[6]Boyd (1989); Bailey and Waldinger (1991); Eric and Ooka (2006)

also attracted to large existing networks of their co-ethnics for psychological comfort and cultural affinity. From the perspective of G5 policymakers then, a large community of co-ethnics increases the threat of future migration. G5 policymakers use this as an indicator of migrant pressures, especially when one of their major migrant-sending countries faces economic hard times. This concern about migration becomes especially heightened when circumstances render immigration more salient in domestic politics.

In the forthcoming section, we elaborate on our argument in historical perspective. To do so, we provide a brief history of the two Bretton Woods institutions, the Fund and the Bank, including the beginning stages of their evolution in the 1970s. Initially envisioned as the guardians of international monetary and financial stability, many IMF and World Bank programs began to favor specific countries. We connect these historical developments to the emerging migration concerns among the G5 countries in the 1970s when the breakdown of the Bretton Woods system and the oil crisis generated public uncertainty about further global economic integration, in turn making immigration a much more politically salient issue. Our historical perspective demonstrates that policy shifts within the Fund and the Bank toward developing countries inevitably followed the end of its guest-worker programs with Western Europe.

Crises, Migration, and the Evolution of the Bretton Woods Institutions

With the collapse of the Bretton Woods system in August 1971, the postwar reconstruction era ended. Shaken by President Nixon's decision to suspend the dollar's convertibility into gold and levy a 10 percent surcharge on imports, the crisis disrupted the global economic governance system. It triggered high inflation and unemployment rates—referred to as stagflation—in most developed states and engendered substantial balance of payments deficits in both developing and developed countries. To combat inflation and defray the long-term implications of the recession, the US and other developed states raised interest rates, which resulted in severe debt crises for many developing states in Africa, Europe,

and Latin America. What followed was a series of sovereign defaults in the developing world that was initiated by Mexico's decision to default on its national debt in 1982.

The post-Bretton Woods financial crisis was only the first in a series of economic turmoils that rocked the world's developed economies over the next decade. The 1973 and 1979 oil shocks further exacerbated the global economic upheaval. Declining commodity prices in developed states led to a deterioration in trade for developing states who relied heavily on commodity exports. This in turn triggered a series of economic recessions that persisted across the world throughout the 1970s and mid-1980s. As a consequence, the growth rate of the world's gross product, which had been at the 5.3 percent level prior to the 1973 oil crisis, declined to 2.8 percent in the second half of the 1970s and decelerated to a low of 1.4 percent by mid-1980s (United Nations 2019).

The post-Bretton Woods era demanded policy maneuvering by the incumbent policymakers of the G5 countries who had vested interests in sustaining global economic integration. Most importantly, it provoked a sharp shift in the fiscal role and political authority of the two Bretton Woods institutions under the G5 influence: the IMF and the World Bank. Facing high demands for lending, both IOs transformed into global crisis managers and adjusted their lending mechanisms and development strategies accordingly (Boughton 2004).[7] In collaboration with the United States Treasury, the IMF and the World Bank imposed strict conditionality on developing, debt-ridden states.[8] Granted in the form of stipulations for fiscal support and debt relief, the ultimate aim of such financial measures and the fiscal austerity imposed by the IMF and World Bank were the liberalization, privatization, and stabilization of the global economic disorder (United Nations 2017).

Among the measures undertaken by the IMF and the World Bank to alleviate the growing global crisis in the mid-1970s were mediating fiscal assistance to oil-importing developing countries by managing the fiscal surplus of oil-exporting countries. In this

[7] In regards to the IMF, its role as a crisis manager which could be traced back to the Suez Canal crisis in 1956, grew stronger with the gold market crisis in 1968, and the oil crisis of the 1970s.

[8] The measures implemented by these three D.C.-based institutions became known as the "Washington Consensus".

regard, the IMF proposed a system where the oil-exporting states invested large shares of their surpluses in the financial systems of industrial countries, and the banks of the latter loaned large shares of these funds to developing countries. This practice of petrodollar recycling resulted in a three-fold increase of international lending between 1973 to 1978 (Boughton 2000). An additional mechanism was to help the world's poor countries via the provision of concessional financing by the IMF through the Trust Fund. The Fund's objective was to help lagging economies address the balance-of-payment difficulties and alleviate their economic distress. By March 1986, the IMF established the Structural Adjustment Facility (SAF), a new concessional loan program which in December 1987 was succeeded by the Enhanced Structural Adjustment Facility (ESAF). In a parallel manner, the Bank for its part had developed two types of lending instruments: 1) investment loans, with a long-term focus to fund economic and social development projects in various sectors; and 2) adjustment loans with a short-term focus to provide financing to countries in need of fast disbursements to support policy and institutional reforms (World Bank 2001).

While the IMF and the World Bank were playing a central role in managing the world's debt crisis throughout the 1980s, international migration had also emerged as a salient phenomenon with potentially large political costs for the Fund's and the Bank's major shareholders, many of which have been popular migrant destinations. Similar to the international debt crisis, immigration pressures faced by the world's developed states also demanded the political and fiscal attention of the G5 countries and the Bretton Woods institutions. This was especially the case given the unprecedented increase in international migration from developing to developed states during the mid-1970s—particularly the G5 countries. In the case of France, the share of immigrants which in 1960 constituted 7.7 percent of its native population increased to 10.9 percent in 1980. In the case of Germany, the share of immigrant population increased rapidly to 7.5 percent by the 1990s, and by 2000 was accounting for 11 percent of the country's whole population.

The higher rates of international migration into the G5 states during crises have triggered sentiments of anxiety among voters and policymakers (Goldstein and Peters 2014; Hainmueller and Hiscox 2010). Widespread concerns among voters that migrant influxes trigger a reduction in wages and employment opportunities for native workers, while also straining public finances through social benefits made immigration a highly sensitive topic (Golder 2003; Givens 2007; Hainmueller and Hiscox 2007; Scheve and Slaughter 2001).

From a fiscal perspective, the IOs and their major shareholder states recognized that fiscal assistance to the developing world with the highest emigration rates was another immigration-policy tool. It served a critical role in narrowing the development gap between the developed and developing worlds, which in turn would lower the need for migration. Moreover, the governments of underdeveloped states turn to emigration in reducing unemployment and increasing fiscal inflows through remittances and other resources (Miller and Peters 2018). Since migration flows often depend on economic growth in migrant-sending countries, the World Bank recognized that lack of economic development and unemployment in poor and underdeveloped countries were instrumental in exacerbating emigration into the G5 countries (World Bank, 2015).[9]

In addition to using IOs and immigration-policy instruments, the G5 countries changed their immigration policies as well. Prior to the 1970s, the G5 countries' immigration policies were relatively open to keep up with the economic boom of the post-WWII period. For West Germany, the second half of the 1950s marked an era of open immigration policy. The country's miraculous economic recovery triggered labor shortages which the government addressed by signing several bilateral recruitment agreements of Gastarbeiter (guest workers) with Italy (1955), Spain (1960), Greece (1960), Turkey (1961), Portugal (1964), and Yugoslavia (1968). As result, by the 1960s, the number of foreigners in Germany had reached 686,000, or 1.2 percent of the total German population, and by 1973 the number of Germany's foreigners had reached 4 million, or 6.7 percent of Germany's population,

[9]World Bank. 2015. "Migration and Remittances: Recent Developments and Outlook. Migration and Development Brief, 24."

with 23 percent of all foreigners being of Turkish origin (Oezcan 2004). France and other Western European countries also ended their guest-worker programs around the same time (Peters 2019).

In many of the Western European countries that ended their guest-worker programs, their immigration policies shifted toward refugees and family reunification while abandoning labor programs. For instance, Germany banned the recruitment of guest workers and sought ways to limit the numbers of foreigners in the country. However, immigration kept increasing, reaching 4.5 million or 7.3 percent of Germany's population by 1988 (Oezcan 2004). As immigration became more economically relevant and politically salient, the Christian Democrats—a prime member of the ruling coalition—prioritized the reduction of foreigners applying for asylum in Germany. When a new wave of Eastern European immigration to Germany became significant in 1993, the German "Basic Law" was amended to restrict migration and to allow refugees only from "safe" countries of origin or transit. While oil-rich countries like Norway banned immigration for other reasons in the 1970s, many Western European countries closed their doors to immigrants in the wake of the crisis.[10]

As illustrated, the end of the Bretton Woods system and the subsequent oil crises marked the beginning of a reversal to stricter immigration policies by major migrant destination states that remained nonetheless very much open to trade and foreign capital (Peters 2017). To alleviate domestic voters' immigration concerns, G5 policymakers restructured the IMF and the World Bank in ways that would manage the root causes of emigration in developing countries. Accordingly, both the Fund and the Bank adapted their lending programs and amplified fiscal assistance to ailing economies. At the same time, G5 policymakers recalibrated their migration policies to reduce immigration inflows, which ironically increased immigration through other channels, such as family reunification. Taken together, these fiscal and immigration policy measures were intended to

[10]See Shin (2019) for the role of Norway's oil boom in the country's 1975 labor ban.

regulate immigration that was perceived to provoke popular anti-globalization sentiments.

Mexican Emigration and the Bretton Woods Institutions

While Mexico had been a major migrant-sending state for the US during much of the post-WWII era, Mexican immigration into the US increased exponentially in the 1970s. Following the unprecedented level of unauthorized Mexican immigration into the US in the 1970s, immigration became much more salient among the American public. The increased Mexican migration throughout the late-1970s was especially alarming for many Americans because 1970 was the first and only time when the foreign-born percentage dropped below 5 percent of the US population (Massey and Pren 2012a).

Exploiting these temporal differences in Mexican immigration flows and American public attitudes toward Mexican immigrants between the pre- and post-1970 periods, we illustrate that US concerns over Mexican immigration reshaped the design and implementation of IMF and World Bank programs in Mexico after the 1970s. In doing so, we organize this section as follows. First, we present a brief history of Mexican emigration to justify our focus on the 1970s oil crisis as a turning point for the relationship between Mexico and the Bretton Woods institutions. Second, we show that American attitudes and US immigration policy toward Mexican immigrants became substantially more hostile in the aftermath of the oil crisis when the number of Mexican immigrants in the US increased exponentially. Lastly, we compare and contrast IMF and World Bank programs in Mexico before and after the oil crisis with an emphasis on the changing migration dynamics between the US and Mexico.

A Brief History of Mexican Emigration

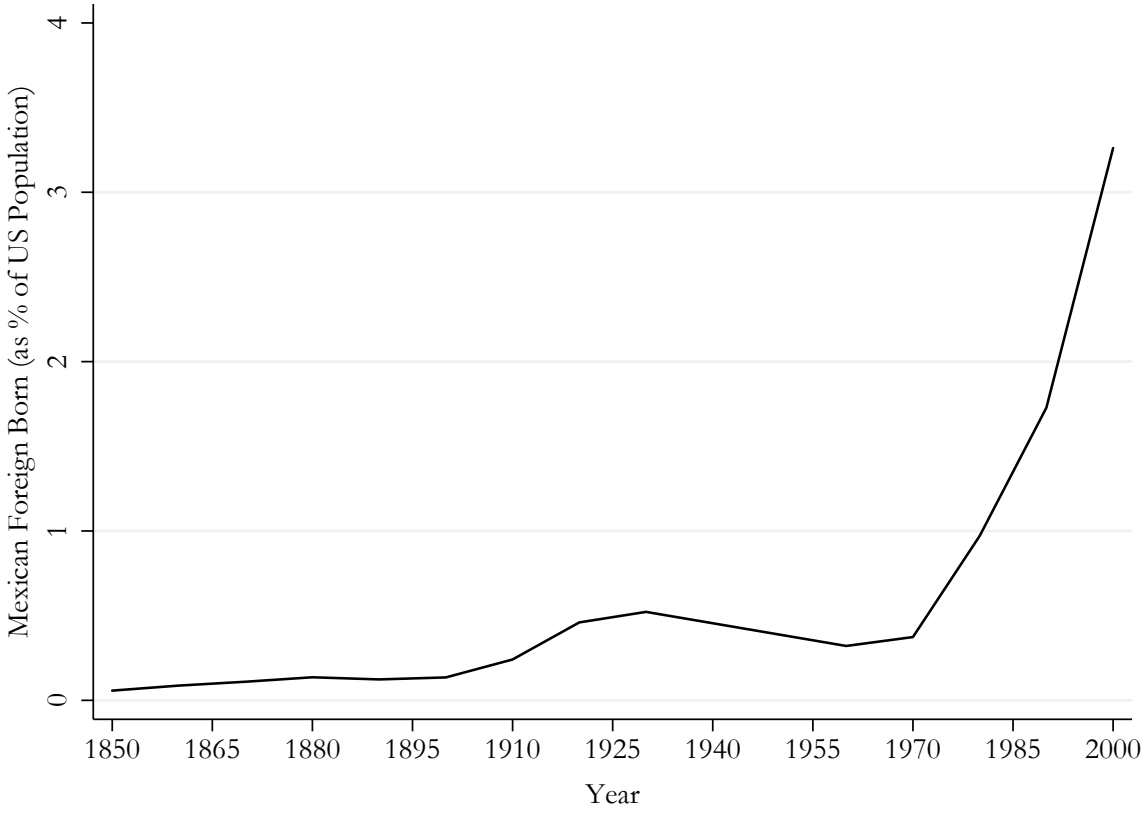
Prior to World War II, the Mexican government maintained strict emigration controls and an emigration dissuasion campaign. These restrictive *emigration* policies took various

forms during the Porfirian era (1877–1911), the Mexican Revolution (1910), and the Cristero War (1926–1929). Under the Bracero agreements between 1942 and 1964, Mexican labor migration into the US was more of a managed system than a laissez-faire program. While the US was eager to mitigate persistent labor shortages in its agricultural sector in the aftermath of World War II, many societal interests in Mexico opposed the Bracero program. These groups included the labor sector of the ruling Institutional Revolutionary Party, industrialists, and owners of large farms who relied on abundant labor. Due to the fierce opposition, the Bracero program excluded Ejido members, peasants actively working in the ongoing agricultural cycle, public employees, workers at private companies, and skilled workers (FitzGerald 2006, p. 273).

Following a series of devaluations, more than doubling the peso-dollar exchange rate from 4.85 in 1945 to 12.50 in September 1954 (Balassa 1983, p. 795), the Mexican government became more pro-emigration with respect to the Bracero agreements, due to increasing attractiveness of remittances as an additional source of foreign reserves. In the end, Mexico abandoned emigration controls entirely after the early 1970s when the oil shock of 1973 and the fiscal mismanagement of the Echeverría regime harmed import-competing producers and drove capital out of the economy. Under the current Mexican law, agents of Grupo Beta, a federal border entity cannot arrest migrants who are trying to cross the border because people at the border have not done anything illegal. In 2000, only 75 Groupo Beta agents patrolled along the 2,000-mile US-Mexico border without firearms. The main objective of these agents is to inform migrants of any dangers, not to stop them.

The Mexican government tried to mitigate the negative effects of the crisis by resorting to emigration as a safety valve. With high unemployment and growing population in the aftermath of the oil crisis and capital flight, emigration became an appealing and economically-viable solution for the country's political elites. As a result, the period between the late 1970s and the mid-1980s witnessed an unprecedented surge in undocumented Mexican migration to the US, as shown in Figure 1. An estimated 28 million

Figure 1: Foreign-born Mexicans in the United States (1850-2000)



Data Source: Gibson and Jung (2006)

illegal Mexican immigrants entered the US between 1965 and 1986, compared to 1.3 legal migrants and only 46,000 contract workers (Minian 2018).

US Policy toward Mexican Immigration

A surge in the number of Mexican immigrants to the US provoked anxiety among policymakers and US citizens who were preoccupied with protecting the "American way of life." Public apprehension ranged from labor-market competition to welfare depletion by immigrants. In addition, perceived association of immigration with criminal conduct centered on unauthorized Mexican immigrants (Hanson 2006; Minian 2018). Fueled by increasingly negative media portrayals of Mexican immigrants in the late 1970s, these

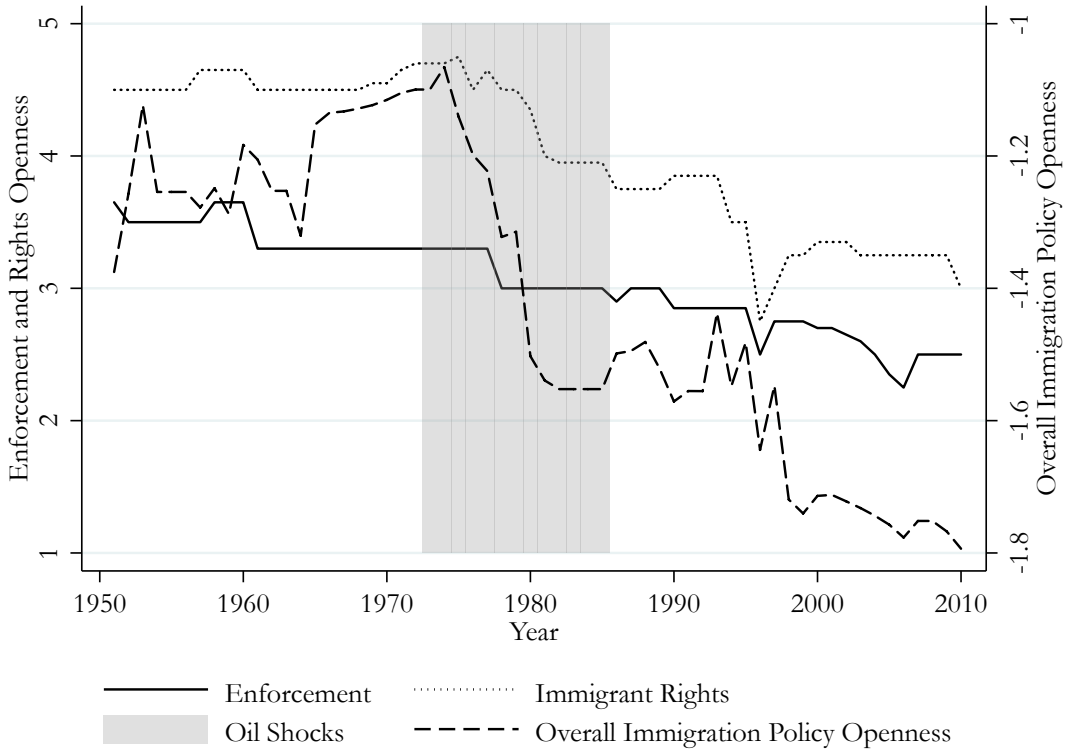
concerns continued to mount up, paving the way for the "Latino threat" (Chavez 2001) that was widely perceived to overwhelm US society and "drown" its culture with foreigners (Massey and Pren 2012b; Santa Ana 2002).

In 1955, only 39 percent of American survey respondents preferred that immigration decreased, and 37 percent preferred maintaining the same level. By 1982 when the US was debating ways to curb unauthorized immigration originating primarily from Mexico, the share of citizens in favor of decreased immigration peaked to 66 percent while 23 percent preferred that it remained at current levels, and only 4 percent wanted it to increase (Fussell 2014). This shift in public opinion generated a domestic political atmosphere where natives' anti-immigration attitudes prompted policy reconfiguration and the political attention of American legislators and political elites.

The US government's response to voters' anti-immigrant sentiment was to fortify its borders and conduct deportation raids in Latino communities (Mendoza 2019). Among other measures, the government increased the resources devoted to controlling illegal immigration. To this end, the expenditure on border enforcement increased nearly six times between 1980 and 2004, reaching the amount of 2.2 billion dollars (Hanson 2005). Similarly, annual Border Patrol office hours increased dramatically from 1964, reaching a high of 9.8 million in early 2000s at crossing points in California and Texas (Hanson 2006). Under heavy US surveillance along the US-Mexico border, the number of apprehended Mexican citizens in the US increased sharply from 55,000 in 1965 to approximately 1.5 million in 1986 (Minian 2018).

These restrictive measures of the US—particularly toward unauthorized Mexican immigration into the US —provoked Mexico's Secretary of Foreign Affairs (from April 1979 to November 1982), Jorge Castañeda y Álvarez de la Rosa, to request a private meeting with US government representatives in 1979 where he called for more lenient policies toward undocumented Mexican immigrants in the US. Reminding US officials that massive deportations precipitate great economic consequences that could potentially spill over

Figure 2: US Immigration Policy (1950-2010)



Note: Lower values on the y-axes indicate more restrictive immigration policy based on the data from Peters (2015; 2017). *Enforcement* measures the extent to which the state enforces its borders, employer sanctions, and fines or prison time for unauthorized immigrants. A score of 1 denotes a high-spending country while a score of 5 denotes virtually no enforcement. *Immigrant Rights* measures the extent of rights to which immigrants are entitled, such as ease of acquiring permanent residency and access to social welfare. *Overall Immigration Policy Openness* is a factor score retrieved from principal components analysis based on 12 individual indicators of immigration policy, including *Enforcement* and *Immigrant Rights*. Higher values mean a more open immigration policy.

from Mexico to the US, the Mexican secretary urged the US to relax their controls and adopt more tolerant policy toward undocumented Mexican migrants.

Despite the protest from the Mexican government, Congress passed the Immigration Reform and Control Act (IRCA), signed into law by President Reagan on November, 1986. Aimed at alleviating voter concerns of competing with unauthorized immigrants in the labor market, the law imposed financial penalties on companies that knowingly hired immigrants without work authorization. In addition, as pro-immigration business interests—particularly those in labor-intensive industrial sectors—began to vanish in US

politics due to increasing foreign competition (Peters 2015; 2017) and a series of oil booms (Shin 2019), native concerns over Mexican immigration began to drive US immigration policy primarily since the 1970s. Figure 2 illustrates these historical developments of US immigration policy from 1950 to 2010.

US concerns over migration inflows from Latin American countries were evidently present in the National Security Study Memorandum 200 (NSSM-200)—known as The Kissinger Report—promulgated to the United States National Security Council on December 10, 1974. The report is primarily concerned about the implications of political instability in less-developed countries (LDCs) in Latin America for the US, particularly the cross-border ramifications of Latin American population growth. In addition to migration concerns, other identified sources of instability include security risks and the growing influence of the Soviet Union over LDCs that could jeopardize the US government's ability to protect its southern border and promote economic globalization.

> *"The political consequences of current population factors in the LDCs—rapid growth, internal migration, high percentages of young people, slow improvement in living standards ... and pressures for foreign migration—are damaging to the internal stability and international relations of countries in whose advancement the U.S. is interested, thus creating political or even national security problems for the U.S."* (Kissinger 1974).

In response to these risks, the Kissinger Report laid out a comprehensive strategy with both bilateral and multilateral elements. In addition to working directly with governments in Latin America, international organizations—including the World Bank, UNICEF, the United Nations Children's Fund, and the United Nations' World Health Organization—were designated to provide fiscal and humanitarian aid to LDCs in controlling the size and movement of LDCs' populations (Kissinger 1974). Some of these programs included setting up public health systems and family planning services, the primary objectives of which were population management, poverty alleviation, and economic growth in LDC

countries, which are all important drivers of international migration.

The challenge in implementing Kissinger's proposed strategy was to secure the support of Congress in justifying the provision of the funds to Latin American governments.

> *"If an effective program is to be mounted by the U.S., we will need to contribute significant new amounts of funds. Thus there is need to reinforce the positive attitudes of those in Congress who presently support U.S. activity in the population field and to enlist their support in persuading others"*(Kissinger 1974).

To secure resources for immigration restrictions, the US government presented migration as an urgent "crisis" to an increasingly anxious American electorate. In 1976, the Commissioner of the Immigration and Naturalization Service (INS)—who considered migration "critical" in 1973—said it was emerging to become a "national disaster" in 1976 (Chapman 1976, p. 188). Similarly, in his 1986 speech, President Reagan presented immigration from the southern border as a "national security" threat and further fueled the US electorate's growing anti-immigration attitudes by stating that "terrorists and subversives are just two days' driving time from Harlingen, Texas"(Kamen 1990).[11]

Bretton Woods Twins in Mexico

Mexico has been a member of the IMF and the World Bank since 1945. Yet it was only after the collapse of the Bretton Woods system when the Bretton Woods Twins started playing a major role in the Mexican economic management. Both the IMF and the World Bank started building a close relationship with Mexico after 1976 when José López Portillo—the only Mexican President in recent history to win an election unopposed—came to power and had to cope with a debt crisis following his election (Woods 2006).

Although Mexico has had sixteen IMF arrangements since it became a member of the Fund, two major crises are particularly illustrative of how immigration pressures shaped

[11]Harlingen, Texas is the location of a US Customs and Border Protection station.

official loan packages: the 1982 sovereign debt crisis and the 1994 Mexican peso crisis, commonly known as the "Tequila Crisis." The latter led Mexico to negotiate stand-by and extended fund facility arrangements with the IMF as well as structural adjustment loans with the World Bank.[12] In this context, the Mexican case is often referenced as a clear example of how the US advocated larger loans to Mexico due to its strong financial interests as well as Mexico's strategic importance (Copelovitch 2010, p. 57). The IMF and the World Bank programs in Mexico demonstrate that migration pressure is often an overlooked explanatory variable in the IMF and the World Bank lending literature.

1982 Debt Crisis

In response to the economic recession caused by the oil crisis in the developing world, the Fund broadened access to IMF loans substantially, through an instrument known as the Extended Fund Facility (EFF). Mexico emerged as the preferred country of the IMF while non-major migrant-sending countries in Latin America—including Costa Rica, Dominican Republic, Peru, and Brazil—had to endure initial loan interruptions and eventual cancellations of disbursements in the early 1980s. Although the Fund later acknowledged these cancellations owed to the "political inability" of the borrowing countries and their failure to meet the EFF program conditions (Haggard 1985, p. 506), the economic conditions and political situations in Mexico were not much better than those of its neighboring countries.

When Mexico requested financial assistance from the IMF and the US during the debt crisis of 1982, its government had a number of bargaining chips with "reverse leverage." First, Mexican negotiators exploited US fear of "radical alternative policies" had the IMF and the US not provided enough financial support to their economy (Woods 2006, p. 90). Such policies would harm the financial viability of numerous US banks operating in Mexico. Second, as the 1984 report of the Kissinger Commission highlights, the US had serious concerns about "political instability, immigration, and the communist threat"(Woods

[12]For details, see `https://www.imf.org/en/Countries/MEX`.

2006, p. 90).[13] It was common knowledge that the repercussions of both economic and political instability in Mexico would have exacerbated the exponential growth of Mexican immigration into the US.

As the crisis unfolded, commercial banks became increasingly reluctant to lend to Mexico by July 1982. Nevertheless, the US government provided financial assistance to Mexico through multiple channels including Federal Reserve swap lines (USD 1.302 billion), strategic petroleum reserve (USD 1 billion), the Department of Agriculture (USD 1 billion), and the Treasury (USD 2.525 billion). More importantly, the IMF also provided an immediate credit tranche of USD 220 million and an extended arrangement of USD 3.75 billion with a three-year commitment (Boughton 2001, p. 293). In the end, the Mexico government secured substantial financial assistance from both the US and the IMF.

Following the onset of the Latin American debt crisis, the World Bank also extended its first large loan to Mexico in 1983 in efforts to promote exports, privatization, and other forms of structural adjustment intended to improve economic competitiveness (Teichman 2004). Under the leadership of the Institutional Revolutionary Party (PRI), Mexico later entered into further negotiations with the Bank and the Fund, which culminated in the 1985 Baker Plan—a plan to relieve the debt burdens of developing countries through further structural adjustment and financial support from official creditors. Consequently, the World Bank's lending to Latin America soon tripled, comprising roughly 40 percent of the Bank's total commitments by 1986 (Kapur, Lewis, and Webb 1997, p. 630).

Despite Mexico's preferential deals with the Bretton Woods twins, there still remained domestic discontent over the implementation of the market reforms proposed by the Bank program. Although Mexico's first phase of reforms (1985–94) occurred under a one-party-rule (Teichman 2004, p. 46), the Mexican government also lobbied for more relaxed conditionality to gain broader societal support to implement politically contentious reforms. In the end, Mexico secured less stringent conditions attached to the loans when

[13] See Kissinger (1984) for details.

the US Federal Reserve Board Chairman, Paul Volker, relayed Mexico's concerns to the World Bank. The unique combination of US influence in the Bretton Woods twins and its concerns over "political and economic stability" of its bordering neighbor provided Mexico with more room to extract concessions from the Fund and the Bank as compared to other developing countries (Woods 2006, p. 86).

Tequila Crisis

The Mexican peso crisis in 1994—commonly known as the Tequila crisis—also illustrates Mexico's privileged position at the negotiation table with the Bretton Woods institutions. Until 1994, Mexico was portrayed as a poster child of successful neoliberal transformation. Both the IMF and the World Bank had praised it as "spectacular, lasting, and the envy of any reform economy" (Dornbusch and Werner 1994, p. 266). Yet in December 1994, Mexico devalued its currency by 15 percent. Within weeks, the Mexican economy was on the brink of default as investors fled the country (Woods 2006, p. 56). The Bretton Woods twins had to play *deus ex machina* again and granted Ernesto Zedillo a large bailout package that was intended to save the failing economy.

The World Bank's assistance to Mexico's banking system, which had collapsed with the financial crisis of 1994–1995, was immense. Its lending was mainly realized through providing finance to FOBAPROA (Bank Fund for the Protection of Savings), which was founded by the Mexican government in an effort to rescue the banking system (Teichman 2004, p. 53). The Bank stayed heavily involved in the development agenda of the former president Vicente Fox as well (Teichman 2004, p. 55) until 2006.

Mexico's indebtedness to the IMF also reached an all-time high of $15.8 billion—or greater than six times its allotted quota—following the Tequila crisis (Boughton 2012). In addition, the G7 countries brought forth the Halifax Communique, which demanded the doubling of IMF resources and a new emergency financing mechanism to provide swift liquidity to countries in crisis (Roubini and Setser 2004). The five IMF loans Mexico

received between 1986 and 1995 ranged in size from 1.2 times its quota to 6.88 times its quota (Copelovitch 2010, p.51). By 1998, economic growth had resumed and the unemployment rate had decreased to only 3 percent (Boughton 2012). The Fund later approved another large SBA for Mexico in 2000, which constituted $4.2 billion or 120-percent of Mexico's quota (Boughton 2012, pp. 485–486).

Empirical Strategy

To evaluate the generalizability of our argument beyond the Mexican case, we analyze 11,651 World Bank projects from 1960 to 2017. We limit our analysis to World Bank projects for two reasons. First, the available data on World Bank loans span from from 1960 to 2017, allowing us to estimate the extent to which migration pressures shape IO behavior before and after the early 1970s. The IMF loan dataset covering all the programs from 1978 does not allow us to analyze how the world economic events of the 1970s changed IO responses toward the G5 countries' major migrant-sending states.[14] Second, using this IMF data, previous scholarship demonstrates a robust relationship between IMF lending and migration pressures (Angin, Shehaj, and Shin 2019a). We complement this new research program on the political economy of IOs and migration by analyzing a rich dataset on World Bank projects.

Our main outcome of interest is the size of World Bank loan commitments to developing countries. We compute the total principle approved by the World Bank Board of Directors.[15] We use loan commitments instead of loan disbursements to get around the issue of reverse causality through which actual disbursements can shape migration patterns. We also take the natural log of this variable since we assume diminishing marginal utility from additional amounts of World Bank lending. World Bank projects include lending that

[14]See Kentikelenis, Stubbs, and King (2016) for the IMF loan dataset.

[15]In the model specification, we control for the population size of the borrowing country to account for the *relative* size of World Bank finance.

occurs through either the International Bank for Reconstruction and Development (IBRD) or International Development Association (IDA). Because some World Bank projects consist of several borrowing countries, we disaggregate such projects so that each borrowing country counts as a unique observation.[16] For countries with multiple projects within the same year, we simply sum the total principle within that year. Thus, our dataset treats country-year as the unit of analysis and consists of 4,184 observations with 165 different borrowing countries.

Independent Variables

Since our aim is to isolate the effect of G5 migration pressures on World Bank lending practices, testing our hypothesis requires a reliable measure for detecting where future migrants from the borrowing country are likely to move. While a borrowing country's rate of emigration might appear suitable for this goal, emigration rates more accurately proxy for *current* migration pressure and are also unable to differentiate places for which emigrants are likely to leave. Moreover, even if a borrowing country is a major emigration state, it does not necessarily mean that its emigrants are likely to move to the G5 countries primarily. To measure future migration pressures faced by G5 policymakers then, we rely on a well-known empirical regularity within the international migration literature showing that future migrants most commonly relocate to where their co-ethnics already reside (Boyd 1989; Portes and Böröcz 1989; Bailey and Waldinger 1991; Massey, Arango, Hugo et al. 2005; Eric and Ooka 2006; Fitzgerald, Leblang, and Teets 2014). As explained previously, this is because existing diaspora networks—including interpersonal connections between family and friends—often reduce the transaction costs of migration by providing information and support for co-ethnics seeking to emigrate.

Accordingly, we create our main independent variable by utilizing bilateral migrant

[16]This is necessary for 418 projects. We also take care to remove any duplicate observations from the raw data to avoid double-counting projects.

stock data from the UN Global Migration Database, which contains observations for 1960, 1970, 1980, 1990, 2000, 2010, 2013, and 2017. Given that these data are available at irregular time intervals, we use migrant stock data from the most recent year when data is available.[17] We recognize that this procedure limits the precision of our independent variable, but there are reasons to be confident that this does not pose major problems for our empirical analysis. Unlike migration flows, the stock of migrants tends to change much more slowly over time and exhibits self-perpetuating changes for the same reasons described above. It is unlikely then that past migrant stock values will significantly deviate from future migrant stocks. In addition, it is important to emphasize that these values are calculated based upon the national statistics of the G5 countries. This means that the data we observe are likely to be the same figures used by G5 policymakers.

Our main independent variable, *G5 Migrants*, considers G5 policymakers' concerns over migration collectively. To construct this variable, we take the summed stock of migrants originating from borrowing country j that are currently living in each G5 country, weighted by the G5 country's vote share in the World Bank.[18] For example, for one of Haiti's approved loans in 2010, our composite measure weights the roughly 65,000 migrants living in the US by 13.87 percent while France's 70,000 Haitian migrants are weighted by only 4.08 percent. Formally, this variable is constructed as follows:

$$G5\ Migrants = \sum_{i} Stock_{i,j} \times VoteShare_{i}$$

where $Stock_{i,j}$ denotes the stock of migrants originating from borrowing country j living in G5 country i. We also take the natural log of *G5 Migrants* to account for diminishing marginal effects. The assumption of this measure is that migration pressures to the US should matter more than migration pressures to the other G5 country's holding less formal

[17] In additional models, we follow Clark, Hatton, and Williamson (2007) by linearly interpolating migrant stock values between each observed time point. This choice ultimately has no effect on our main findings.

[18] Since member states' vote shares slightly differ across IBRD and IDA projects, we take the average between these two values for each G5 country.

influence within the World Bank. An alternative approach is to instead treat migration pressures on G5 countries as separate explanatory variables. We therefore replicate our models using individual stock measures of the US, UK, Japan, Germany, and France. This allows us to detect whether migration concerns exert different effects on World Bank lending depending on the specific destination country. These models are presented in Table A2 of the appendix and briefly summarized following the discussion of the main models.

Model Specification

We estimate the effect of migration pressures on project loan size using ordinary least squares (OLS) regression with standard errors clustered on borrowing country:

$$ln(Loan\ Size) = \beta_0 + \beta_1 ln(G5\ Migrants_{j,t}) + \gamma \mathbf{X_j} + \delta_t + \eta_r + \varepsilon$$

where $G5\ Migrants_{j,t}$ is the contemporaneous (weighted) stock of migrants originating from borrowing country j that reside in a G5 country. Our argument predicts β_1 to be positive, which would suggest greater migration pressures are associated with larger World Bank loan packages. Year fixed effects, denoted by δ_t, control for time trends and unobserved global-level shocks that might bias our estimates. Given that our main independent variable changes only periodically—thus, limiting within-country variation not explained by time—we omit country fixed effects from the model. Our primary aim is therefore to exploit cross-national variation in migration pressures in order to explain why some borrowing countries benefit from greater access to development finance than other countries. However, we include region fixed effects (η_r) in all models to ensure our estimates are not biased by region-specific economic events, such as the Latin American debt crisis.

In addition to controlling for population (log), the vector, $\mathbf{X}_j$, includes several borrowing-

country-level covariates that are likely to associate with migration patterns and World Bank lending behavior. We first control for geopolitical interests by using a dummy variable for whether the borrowing country maintains a formal alliance with any G5 country. These data come from the Alliance Treaty Obligations and Provisions (ATOP) dataset (Leeds, Ritter, Mitchell et al. 2002). In addition to geopolitical interests, which are plausibly correlated with bilateral migration and favorable loans (Copelovitch 2010; Stone 2004), we also control for (logged) total trade flows (i.e., including imports and exports) between the borrowing country and G5 countries.[19]

In terms of a borrowing country's political institutions, we control for level of democracy using a country's Polity score. As Caraway, Rickard, and Anner (2012) demonstrate, democracies tend to secure better terms from the Fund than nondemocracies. Democracy may also be associated with migration patterns since migrant choices are shown to be sensitive to the political institutions of both sending and receiving states (Fitzgerald, Leblang, and Teets 2014; Alarian and Goodman 2017).

Lastly, a borrowing country's need for finance should be correlated with loan size. This can introduce bias if poor economies also stand as significant migrant-sending countries to the G5 states. We address this concern in two ways. First, while underdevelopment and economic shocks are associated with higher rates of emigration, recall that higher rates of emigration do not necessarily mean greater migration pressures on the G5 countries specifically. Thus, the construction of our independent variables—which are bilateral measures of *stocks* rather than migration *flows*—assuages this endogeneity concern. Second, we control for GDP per capita (log) and annual GDP growth rates in order to hold development and economic conditions constant. Year fixed effects also account for global economic conditions, including commodity prices, global liquidity, and capital flow cycles (Bauerle Danzman, Winecoff, and Oatley 2017).

[19]Borrowing states that are commercially important to G5 countries are likely to benefit from greater access to development finance (Broz and Hawes 2006).

Results

Migration Pressures and Loan Size

Table 1 displays results evaluating the relationship between migration pressures and the amount of development finance granted to borrowing countries. Model (1) first presents the bivariate relationship between *G5 Migrants* and loan size with region and year fixed effects. Consistent with the argument, *G5 Migrants* is positive and statistically significant at the 99.9 percent level. This finding, however, could still be the result of omitted factors, such as commercial relationships with G5 countries or economic conditions within the borrowing country. Model (2) therefore introduces the complete set of control variables. *G5 Migrants* still remains positive and statistically significant at the 95 percent level.

Table 1: G5 Migration and World Bank Loan Size

Time Period	*1960-2017*	*1961-2014*	*1961-1972*	*1973-2014*	*1973-2014*
	(1)	(2)	(3)	(4)	(5)
G5 Migrants (log)	0.388***	0.038*	0.061	0.040*	0.055*
	(0.034)	(0.019)	(0.046)	(0.020)	(0.022)
Population (log)		0.698***	0.571***	0.715***	0.715***
		(0.032)	(0.058)	(0.032)	(0.032)
G5 Alliance		-0.023	-0.001	-0.039	-0.031
		(0.056)	(0.108)	(0.065)	(0.063)
Polity		0.012**	0.012	0.011*	0.010*
		(0.004)	(0.008)	(0.005)	(0.005)
G5 Trade Flow (log)		-0.009	-0.006	-0.014	-0.013
		(0.018)	(0.036)	(0.018)	(0.018)
GDP per Capita (log)		0.175***	0.155+	0.187***	0.184***
		(0.048)	(0.085)	(0.050)	(0.050)
GDP Growth		-0.001	-0.005	-0.000	0.025**
		(0.003)	(0.012)	(0.003)	(0.009)
G5 Migrants (log) × GDP Growth					-0.003**
					(0.001)
Region Fixed Effects	✓	✓	✓	✓	✓
Year Fixed Effects	✓	✓	✓	✓	✓
Countries	165	140	91	134	134
Observations	4184	3484	443	3041	3041

Note: These estimates are from ordinary least squares (OLS) regression. The dependent variable is the (logged) size of the loan. All independent variables pertain to borrowing country *j*. Standard errors are clustered on borrowing country *j* and are shown in parentheses. ***, **, *, and + indicate statistical significance levels of 0.1, 1, 5, and 10 percent, respectively.

Another observable implication of our argument is that the connection between mi-

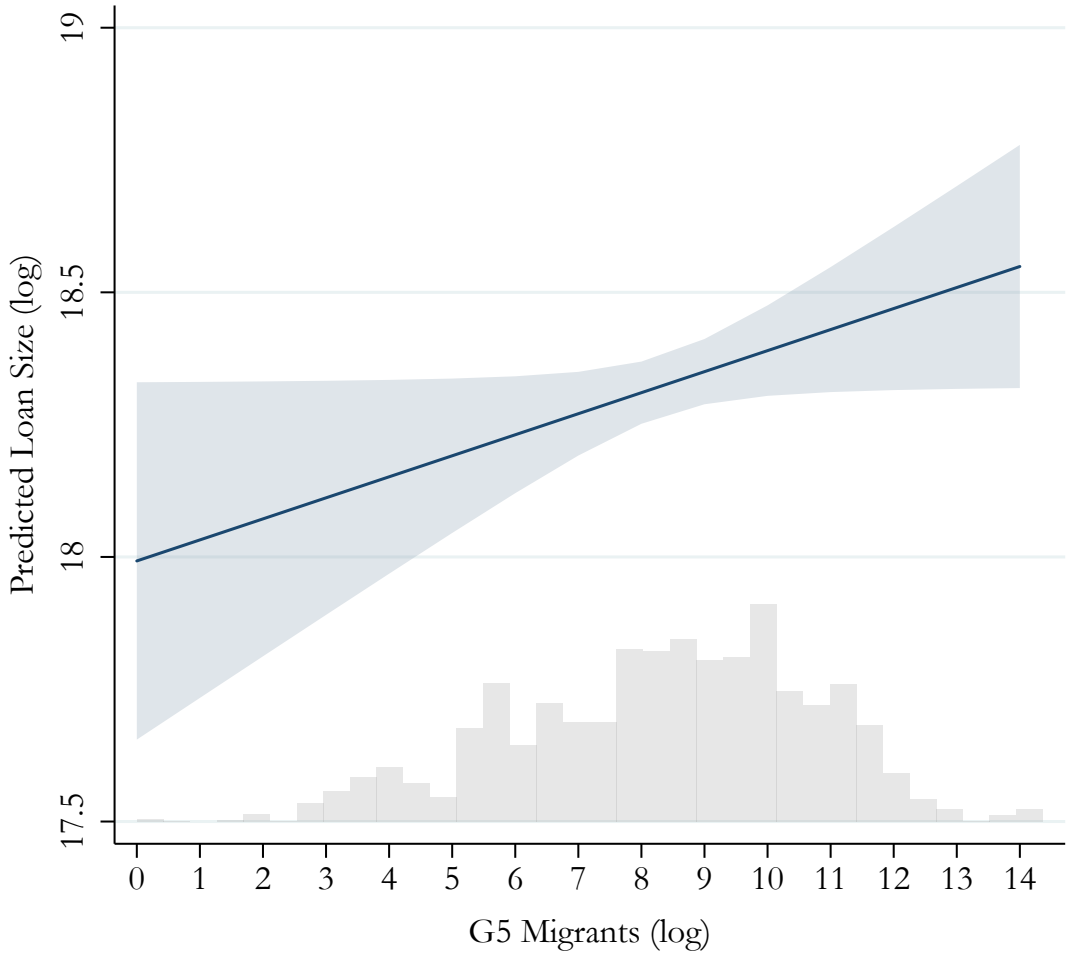
gration pressures and World Bank lending behavior should be particularly strong during the post-Bretton Woods era, but much weaker prior to 1973. As we have demonstrated in the previous sections, migration became a politically salient issue particularly after the events of the early 1970s, which included the collapse of Bretton Woods and the 1973 oil crisis. To test this, Models (3) and (4) split the sample into the pre-1973 and post-1972 time periods, respectively. In Model (4), *G5 Migrants* is positive and statistically significant at the 95 percent level. As shown in Figure 3, borrowing countries that pose the greatest threat to G5 immigration pressures (according to our *G5 Migrants* measure) receive loan packages 3.1 percent larger than borrowing countries at minimum values of *G5 Migrants*. However, consistent with our argument, *G5 Migrants* fails to reach statistical significance at conventional levels in Model (3).

Migration pressures are also contingent on contemporaneous economic conditions in borrowing countries. For instance, we expect migration pressures to be particularly severe when the borrowing country is experiencing economically difficult times, inducing the World Bank to grant larger loans. Model (5) therefore interacts *G5 Migrants* with GDP growth in the borrowing country. The constituent term, *G5 Migrants*, is positive while the interaction term is statistically significant ($p < 0.01$) and negative. Figure 4 illustrates this finding graphically by plotting the marginal effect of *G5 Migrants* at different levels of GDP growth. Consistent with our expectation, the substantive significance of *G5 Migrants* is strongest at low or negative rates of growth. Conversely, for borrowing countries experiencing an economic boom, there is no significant relationship between *G5 Migrants* and project loan size. This finding holds when controlling for former colonial relationships, whether the borrowing country is a UNSC member, total trade (as % of GDP), bilateral trade flow with G5 countries (log), and US banking exposure to the borrowing country.[20]

In addition, migration pressures promote preferential treatment from the Bank, but

[20]These results can be found in Table A5 in the appendix. All trade data comes from the CEPII database. UNSC membership data comes from Dreher, Sturm, and Vreeland (2009a). Aid data comes from the OECD. Banking exposure data come from the Bank for International Settlements (BIS) Consolidated Banking Statistics.

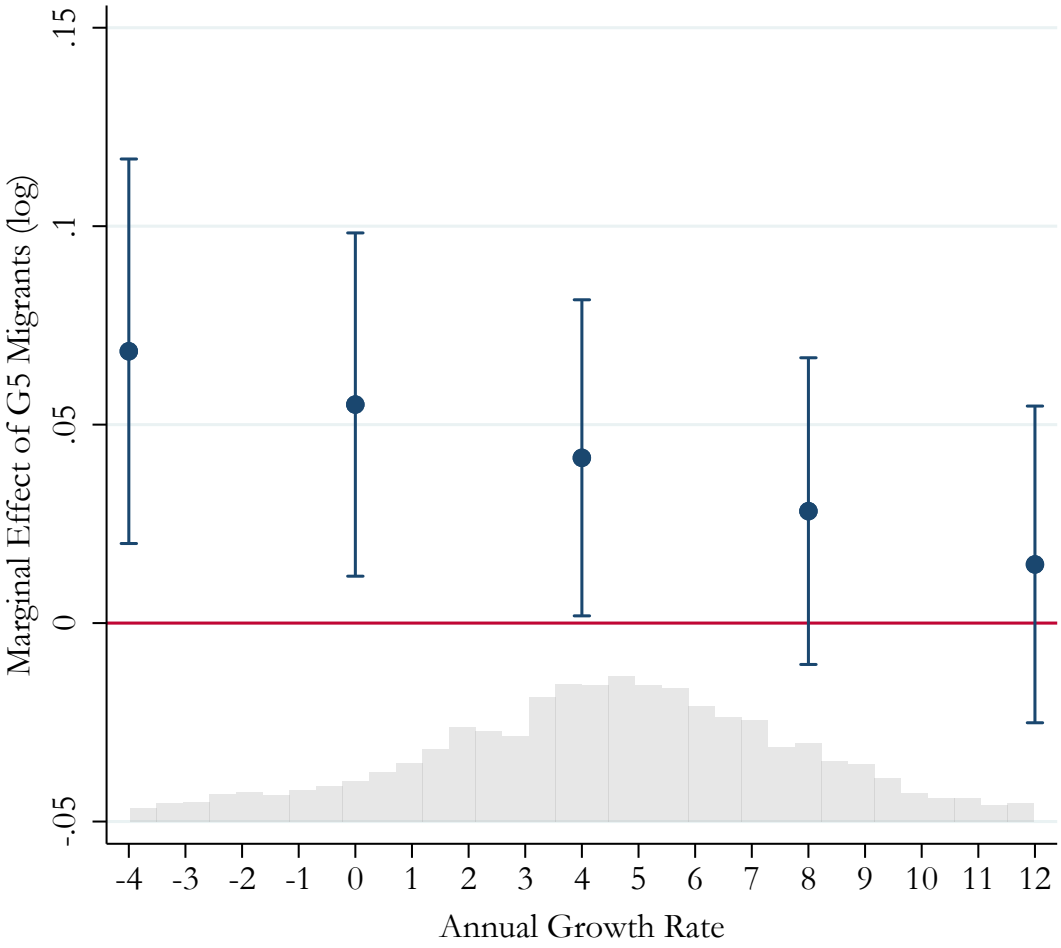
Figure 3: Predicted Values of Loan Size (Model 4)



only when it applies to certain donor countries. To show this, Table A2 replicates models from Table 1, but instead using individual measures of migrant stock for each G5 country (log). Although we do not find strong evidence for any unconditional association between individual migrant stocks and loan size, our findings do suggest that the political threat of migration to the largest shareholder, the US, is conditional upon economic conditions in the borrowing country. Model (A9) interacts *US Migrant Stock (log)* with the GDP growth of the borrowing country. Similar to our previous results, the constituent term for *US Migrant Stock (log)* while the interaction term is negative.

We observe similar findings when using data from Malik and Stone (2018) who utilize

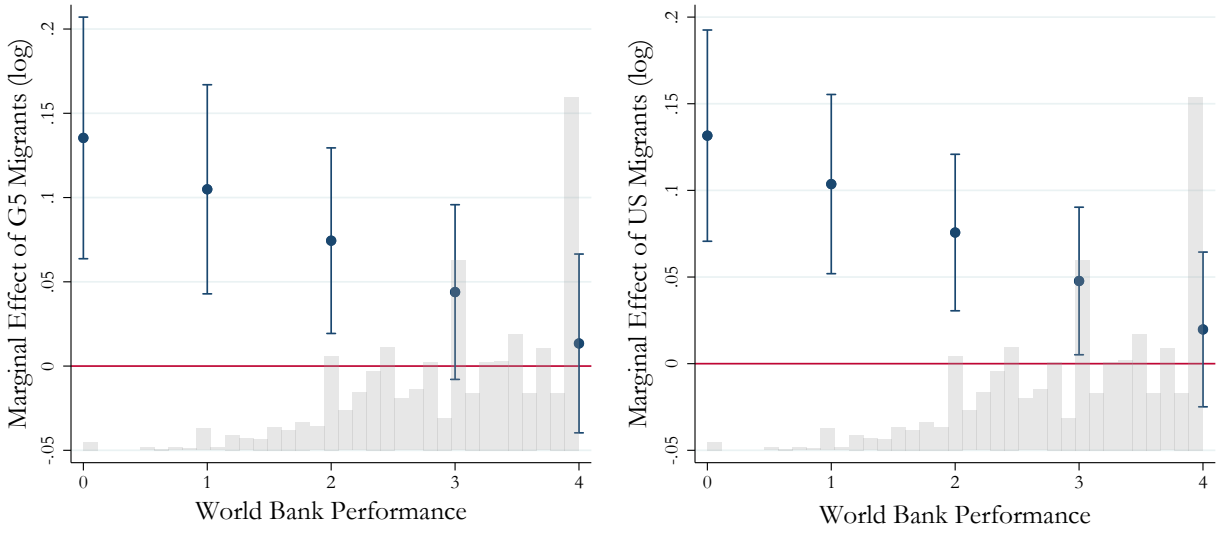
Figure 4: Marginal Effects of G5 Migrants (log) Conditional on Growth (Model 5)



World Bank Implementation Completion and Results (ICR) reports to determine the degree to which the Bank achieves the specific objectives for each of its programs. This allows us to assess whether the relationship between migration pressures and loan size is conditioned by the World Bank's own evaluation of borrowing countries. Table A3 in the appendix reports this set of results.[21] We again find a negative association between *G5 Migrants* and loan size, and the coefficients of the explanatory variables are very similar to those in Table 1. In addition, when interacting *G5 Migrants* with the World Bank's performance, we find migration concerns to be a significant predictor of loan size, but only when the

[21] For these models, we control for GDP per Capita (log), GDP Growth, Population (log), and Polity. All models include year and region fixed effects. The coverage of the data spans from 1995 to 2013.

Figure 5: Marginal Effect of Migration Pressures Conditional on World Bank Performance



(a) G5 Migrants (Model A11)

(b) US Migrants (Model A13)

Bank is unsuccessful in achieving its goals. Figure 5 illustrates this relationship by plotting marginal effects of (logged) migrant stocks from Models (A11) and (A13) where the former uses the G5-weighted migration variable, and the latter substitutes in US migrant stocks for our main independent variable. The lower score a borrowing country receives from the World Bank, the stronger relationship between migration pressure and loan size. Consistent with the previous results, US migration concerns primarily explain why the Bank treats borrowing countries differently.

The statistical evidence is clear: when borrowing countries exert substantial migrant pressures on the G5 countries, the World Bank tends to grant larger amounts of development finance. This has especially been the case during the post-Bretton Woods era. Our finding is also robust to the inclusion of several control variables. Table A1 in the appendix replicates the same set of models when controlling for former colonial relationships, geographic distance between the borrowing and G5 countries, whether borrowing countries share a common language with G5 states, and total remittances (log). In these models, *G5 Migrants* remains positive and is both substantively and statistically significant. *G5 Mi-*

grants remains positive and statistically significant throughout these models. In addition, Table A4 in the appendix instead scales *G5 Migrants* by the population of the borrowing country. In these models, *G5 Migrants* remains positive and statistically significant at conventional levels during the post-1972 period.

Conclusion

Why do international organizations favor some countries over others? Focusing on the Bretton Woods institutions, we have presented a systemic theory of international institutions: Western policymakers envisioned the Bretton Woods institutions to promote and sustain economic globalization by managing international migration. As the 1970s oil crisis marked the end of the postwar reconstruction in Europe and led to a surge in Mexican immigration into the US, the trans-Atlantic alliance discarded international migration—the most visible aspect of economic globalization—as an element of the postwar global economic order. Fully aware of the political need for their own electorates' support to sustain global economic integration in trade and capital, the major shareholders of the Bretton Woods institutions—the G5 countries—began to use the resources of the IMF and the World Bank to curb politically costly migration inflows into their territories.

In this article, we depict the Bretton Woods institutions as global regulators of migration induced by acute economic crises. The G5 countries hosting a large number of nationals from a country in crisis face a disproportionately high level of migration pressure since migrants tend to move to countries where their co-ethnics reside. The findings in this article present a novel perspective on the raison d'être of the Bretton Woods institutions and their complementary roles in attenuating globalization backlashes provoked by deepening global integration in trade and capital.

Comparing our results to the previous study on the IMF by Angin, Shehaj, and Shin (2019a), we find some similarities in the lending behaviors of these two Bretton Institutions

toward borrowing countries posing substantial migration pressures on the G5 countries. Both the IMF and the World Bank are highly responsive to short-term factors accentuating the importance of migration, such as the annual growth rate of the borrowing country. While we do not find evidence that the IMF and the World Bank coordinate their lending programs in a migrant-sending borrowing country, these similarities in the IOs' approaches demonstrate a certain degree of compatibility complementarity between them.

Future research should uncover more qualitative evidence on G5 policymakers' migration concerns in relation to their vested interests in continued global economic integration in trade and capital in the second half of the twentieth century. As the 1970s crises generated various public concerns about the post-WWII global economic order, G5 policymakers realized that the new global economic order based on the free flows of goods, money, *and* people was no longer politically viable. Given the substitutability between these cross-border movements in promoting economic prosperity and convergence, G5 policymakers abandoned international labor mobility as an adjustment mechanism of the post-WWII global economic order. By channeling resources into the IMF and the World Bank in the wake of the turbulent international economic events in the 1970s, the G5 countries assumed control over international instruments that could ensure both political stability in their own territories and continued economic integration in trade and capital across the globe.

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Appendix

Table A1: G5 Migration and World Bank Loan Size (Robustness Checks)

	(A1)	(A2)	(A3)	(A4)
G5 Migrants (log)	0.049*	0.061**	0.046*	0.056*
	(0.021)	(0.018)	(0.021)	(0.023)
Population (log)	0.678***	0.679***	0.684***	0.702***
	(0.031)	(0.029)	(0.032)	(0.036)
G5 Alliance	-0.070	-0.034	-0.065	-0.084
	(0.071)	(0.058)	(0.064)	(0.069)
Polity	0.009*	0.011*	0.009*	0.004
	(0.004)	(0.004)	(0.004)	(0.005)
G5 Trade Flow (log)	-0.011	-0.007	-0.014	-0.027
	(0.020)	(0.017)	(0.020)	(0.024)
GDP per Capita (log)	0.195***	0.175***	0.214***	0.223***
	(0.045)	(0.043)	(0.046)	(0.050)
GDP Growth	-0.003	-0.001	-0.002	-0.006
	(0.003)	(0.003)	(0.003)	(0.005)
US Colony	-0.353+			
	(0.202)			
UK Colony	0.005			
	(0.076)			
JPN Colony	0.222**			
	(0.078)			
DE Colony	-0.017			
	(0.126)			
FR Colony	-0.009			
	(0.085)			
Distance from US		-0.000		
		(0.000)		
Distance from UK		0.001		
		(0.001)		
Distance from JPN		0.000		
		(0.000)		
Distance from DE		-0.000		
		(0.000)		
Distance from FR		-0.001		
		(0.001)		
English Language			0.054	
			(0.065)	
German Language			-1.776***	
			(0.224)	
French Language			0.044	
			(0.076)	
Remittances (log)				-0.009
				(0.034)
Year Fixed Effects	✓	✓	✓	✓
Time Period	1961-2014	1961-2014	1961-2014	1970-2014
Countries	140	140	140	132
Observations	3484	3484	3484	2408

Note: Standard errors are clustered on borrowing country *j* and are shown in parentheses. ***, **, *, and + indicate statistical significance levels of 0.1, 1, 5, and 10 percent, respectively.

Table A2: Migration, G5 Countries, and World Bank Loan Size (Robustness Checks)

Time Period	*1960-2017*	*1961-2014*	*1961-1972*	*1973-2014*	*1973-2014*
	(A5)	(A6)	(A7)	(A8)	(A9)
US Migrant Stock (log)	0.071^{+}	-0.004	-0.032	0.003	0.015
	(0.042)	(0.019)	(0.037)	(0.020)	(0.022)
UK Migrant Stock (log)	0.042^{+}	0.011	0.038	0.006	0.005
	(0.025)	(0.012)	(0.028)	(0.012)	(0.011)
JPN Migrant Stock (log)	0.187***	0.022	0.017	0.022	0.022
	(0.026)	(0.018)	(0.031)	(0.020)	(0.020)
DE Migrant Stock (log)	0.118***	0.031*	-0.030	0.037**	0.037**
	(0.025)	(0.014)	(0.039)	(0.014)	(0.014)
FR Migrant Stock (log)	0.042*	-0.003	0.045	-0.007	-0.007
	(0.018)	(0.009)	(0.041)	(0.009)	(0.009)
Population (log)		0.661***	0.618***	0.677***	0.676***
		(0.040)	(0.070)	(0.041)	(0.040)
G5 Alliance		-0.032	0.054	-0.055	-0.048
		(0.059)	(0.107)	(0.066)	(0.064)
Polity		0.011**	0.011	0.010*	0.010*
		(0.004)	(0.009)	(0.004)	(0.004)
G5 Trade Flow (log)		-0.004	-0.024	-0.008	-0.007
		(0.018)	(0.037)	(0.018)	(0.018)
GDP per Capita (log)		0.148**	0.226**	0.157**	0.155**
		(0.050)	(0.083)	(0.054)	(0.053)
GDP Growth		-0.001	-0.005	-0.001	0.020*
		(0.003)	(0.012)	(0.003)	(0.010)
US Migrants $\times$ GDP Growth					-0.002*
					(0.001)
Region Fixed Effects	✓	✓	✓	✓	✓
Year Fixed Effects	✓	✓	✓	✓	✓
Countries	165	140	91	134	134
Observations	4184	3484	443	3041	3041

Note: Standard errors are clustered on borrowing country *j* and are shown in parentheses. ***, **, *, and $^{+}$ indicate statistical significance levels of 0.1, 1, 5, and 10 percent, respectively.

Table A3: G5 Migration and World Bank Loan Size (Robustness Checks)

	(A10)	(A11)	(A12)	(A13)
G5 Migrants (log)	0.047^{+}	0.135***		
	(0.025)	(0.036)		
G5 Migrants (log) $\times$ Performance		-0.030***		
		(0.008)		
US Migrants (log)			0.049*	0.132***
			(0.021)	(0.031)
US Migrants (log) $\times$ Performance				-0.028***
				(0.007)
Performance		0.396***		0.265**
		(0.113)		(0.081)
GDP per Capita (log)	0.136**	0.138**	0.144**	0.146**
	(0.045)	(0.045)	(0.045)	(0.045)
GDP Growth	-0.010*	-0.010*	-0.010*	-0.010*
	(0.005)	(0.005)	(0.005)	(0.005)
Population (log)	0.351***	0.354***	0.348***	0.350***
	(0.027)	(0.026)	(0.024)	(0.024)
Polity	0.011*	0.009^{+}	0.012*	0.009^{+}
	(0.005)	(0.005)	(0.005)	(0.005)
Year Fixed Effects	✓	✓	✓	✓
Region Fixed Effects	✓	✓	✓	✓
Countries	119	119	119	119
Observations	3466	3366	3471	3371

Note: These estimates are from ordinary least squares (OLS) regression. Standard errors are clustered on borrowing country *j* and are shown in parentheses. ***, **, *, and $^{+}$ indicate statistical significance levels of 0.1, 1, 5, and 10 percent, respectively.

Table A4: G5 Migration and World Bank Loan Size (Robustness Checks)

	(A10)	(A11)	(A12)	(A13)
G5 Migrants (per capita$_i$)	461.355***	239.581**	500.007	233.713**
	(109.861)	(79.223)	(521.085)	(76.829)
Population (log)	0.666***	0.714***	0.600***	0.731***
	(0.021)	(0.028)	(0.054)	(0.028)
G5 Alliance		-0.012	-0.001	-0.022
		(0.058)	(0.111)	(0.067)
Polity		0.013**	0.015$^+$	0.012**
		(0.004)	(0.008)	(0.004)
G5 Trade Flow (log)		-0.004	0.004	-0.009
		(0.018)	(0.040)	(0.018)
GDP per Capita (log)		0.177***	0.169$^+$	0.187***
		(0.048)	(0.086)	(0.050)
GDP Growth		-0.000	-0.003	0.000
		(0.003)	(0.012)	(0.003)
Time Period	1961-2017	1961-2014	1961-1972	1973-2014
Region Fixed Effects	✓	✓	✓	✓
Year Fixed Effects	✓	✓	✓	✓
Countries	165	140	91	134
Observations	4158	3484	443	3041

Note: These estimates are from ordinary least squares (OLS) regression. Standard errors are clustered on borrowing country j and are shown in parentheses. ***, **, *, and $^+$ indicate statistical significance levels of 0.1, 1, 5, and 10 percent, respectively.

Table A5: G5 Migration and World Bank Loan Size (Robustness Checks)

	(A14)	(A15)	(A16)	(A17)	(A18)	(A19)
G5 Migrants (log)	0.052*	0.051*	0.053*	0.060**	0.116***	0.081*
	(0.021)	(0.021)	(0.021)	(0.021)	(0.026)	(0.035)
GDP Growth	0.020*	0.019*	0.022*	0.023**	0.010	0.051**
	(0.009)	(0.009)	(0.009)	(0.009)	(0.012)	(0.019)
G5 Migrants × GDP Growth	-0.003*	-0.003*	-0.003**	-0.003**	-0.001	-0.006**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)
Population (log)	0.697***	0.714***	0.705***	0.686***	0.628***	0.660***
	(0.033)	(0.031)	(0.033)	(0.032)	(0.042)	(0.047)
G5 Alliance	-0.020	-0.023	-0.024	-0.029	-0.017	-0.108
	(0.058)	(0.055)	(0.053)	(0.056)	(0.067)	(0.088)
Polity	0.011**	0.012**	0.011**	0.012**	0.010+	0.013*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.005)	(0.006)
G5 Trade Flow (log)	-0.008	-0.027*	-0.011		-0.001	-0.065*
	(0.018)	(0.014)	(0.020)		(0.023)	(0.031)
GDP per Capita (log)	0.173***	0.197***	0.177***	0.167***	0.082	0.135+
	(0.048)	(0.046)	(0.049)	(0.045)	(0.055)	(0.071)
G5 Colony	-0.008					-0.097
	(0.084)					(0.099)
UNSC Member		-0.028				
		(0.078)				
Total Trade (% GDP)			0.074			
			(0.051)			
US Trade Flow (log)				-0.029***		
				(0.009)		
UK Trade Flow (log)				0.001		
				(0.011)		
JPN Trade Flow (log)				0.008		
				(0.009)		
DE Trade Flow (log)				0.029**		
				(0.011)		
FR Trade Flow (log)				-0.010		
				(0.012)		
Aid (log)					0.023	
					(0.025)	
US Bank Exposure (log)						0.081***
						(0.021)
Year Fixed Effects	✓	✓	✓	✓	✓	✓
Region Fixed Effects	✓	✓	✓	✓	✓	✓
Countries	140	138	139	140	70	122
Observations	3484	3465	3472	3484	1792	1913

Note: Standard errors are clustered on borrowing country *j* and are shown in parentheses. ***, **, *, and + indicate statistical significance levels of 0.1, 1, 5, and 10 percent, respectively.