

THE HIGH POLITICS OF IMF LENDING

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INTRODUCTION

CONSIDERING the degree of scrutiny given to the role of the International Monetary Fund (IMF, or Fund) in the international economy, we know little about the underlying causes of the IMF's behavior.¹ During the 1980s, the IMF became a "lender of last resort" for many developing country governments that had been cut off from private credit markets and faced destabilizing imbalances of payments. After private capital began to return voluntarily to what were called the emerging markets in the early 1990s, the anticipated erosion of the Fund's role in the developing world did not materialize. Faced with recurrent payments' imbalances, pressures for currency devaluation, and the macroeconomic instability associated with crises in Latin America, Asia, and Russia, the developing nations have turned with increasing frequency to IMF credits and stabilization plans. Despite the growing body of research on the IMF's critical role in international finance, we still have few explanations of and only patchy empirical data on why the IMF approves loans to some countries but not others. As the Fund delves further into the management of balance of payments and currency crises around the world, both theoretical and practical imperatives dictate that we specify more fully and test more systematically

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¹ The literature on the IMF is extensive. For useful surveys, see Graham Bird, "The International Monetary Fund and the Developing Countries: A Review of the Evidence and Policy Options," *International Organization* 50, no. 3 (1996); idem, *IMF Lending to Developing Countries: Issues and Evidence* (London: Routledge, 1995); Sebastian Edwards, "The International Monetary Fund and the Developing Countries: A Critical Evaluation," NBER Working Paper, no. 2909 (1989); Tony Killick, *IMF Programs in Developing Countries: Design and Impact* (London: Routledge, 1995); John Williamson, ed., *The Lending Practices of the International Monetary Fund* (Washington, D.C.: Institute for International Economics, 1982); and idem, *IMF Conditionality* (Washington, D.C.: Institute for International Economics, 1983).

competing explanations of IMF behavior. What factors influence the IMF's decisions to lend? Are these decisions based on technical economic criteria, or do they reflect the political preferences of the Fund's more powerful members? What are those preferences, and how do they affect the IMF's relationship with its developing country clients? In other words, does politics matter? More importantly, *how* does politics matter?

The literature on international institutions and multilateralism suggests that the operation of multilateral economic organizations like the IMF will assume growing importance in a posthegemonic international order.² This body of theory raises several important questions: To what extent do multilateral institutions modify the interests or constrain the behavior of their member states? Can the more powerful states use these organizations as effective instruments of national foreign policy, or are such pressures diluted or transformed in passing through multilateral channels? Finally, what underlying political interests drive the behavior of the large powers within the multilateral institutions, and how do they do so? On the practical side, Gallarotti has shown that poorly managed international organization not only can be ineffective but also can destabilize the international system.³ The debates surrounding proposed increases in Fund resources and recent loan packages negotiated with South Korea, Indonesia, Russia, and Brazil demonstrate the growing popular recognition of these kinds of problems, but scholarly research has yet to address these questions adequately.

Economists have made inroads in isolating the economic bases of IMF lending, but they are the first to point out that their models remain incomplete. Researchers have found statistically significant results for

² For effective treatments of these and related issues, see Robert O. Keohane, *After Hegemony: Cooperation and Discord in the World Political Economy* (Princeton: Princeton University Press, 1984); idem, *International Institutions and State Power: Essays in International Relations Theory* (Boulder, Colo.: Westview, 1989); idem, "Multilateralism: An Agenda for Research," *International Journal* 45, no. 1 (1990); John Gerard Ruggie, ed., *Multilateralism Matters: The Theory and Praxis of an Institutional Form* (New York: Columbia University Press, 1993); Stephen D. Krasner, ed., *International Regimes* (Ithaca, N.Y.: Cornell University Press, 1983); and Kenneth A. Oye, ed., *Cooperation under Anarchy* (Princeton: Princeton University Press, 1986).

International institutions and multilateralism are not necessarily equivalent. The IMF fits Ruggie's definition in *Multilateralism Matters* of multilateral organization as "defined by such generalized decision-making rules as voting or consensus procedures" (p. 14). On IMF decision-making procedures, see Frank Southard, "The Evolution of the International Monetary Fund," *Princeton Essays in International Finance*, no. 135 (1979); and Frederick K. Lister, *Decision-Making Strategies for International Organizations*, vol. 20, *World Affairs* (Denver, Colo.: Graduate School of International Studies, University of Denver, 1984).

³ Giulio M. Gallarotti, "The Limits of International Organization: Systematic Failure in the Management of International Relations," *International Organization* 45, no. 2 (1991).

the impact of a number of economic variables on IMF lending, but the low overall explanatory power of the econometric models reviewed by Bird suggests that "there are probably a range of other non-economic factors which still need to be delineated."⁴ One likely source of non-economic factors is politics, but political scientists have not yet been able to demonstrate the systematic impact of political variables on IMF lending.⁵ Several case studies offer suggestive, but not generalizable, evidence of the political bases of IMF lending. Fewer studies have attempted to construct a systematic political explanation of Fund behavior. This paper attempts to fill some of those gaps in the literature and proposes answers to those questions by developing and testing statistically a political explanation of IMF lending patterns.

The IMF's stated decision-making procedures prohibit the consideration of political factors. Loans are made strictly on the basis of the monetarist "Financial Programming" model and a "Doctrine of Economic Neutrality" that is blind to such factors as international politics and the nature of developing country regimes.⁶ The Fund may impose strict lending requirements, but it applies them fairly to all countries. The meetings of the IMF executive board, which approves all Fund programs, are highly secretive.⁷ The specific considerations that determine the board's deliberations and decisions are therefore not available in the public domain. For its part, the Fund staff publicly maintains the position of economic neutrality, but evidence presented in numerous case studies leaves open the possibility that political factors play an important role.

There are at least three reasons to suspect that politics matters in the IMF. First, several studies have found extremely low rates of borrower compliance with Fund conditionality, yet the IMF continues to lend to many of these problem debtors even after earlier programs have been canceled for noncompliance.⁸ Finch, a former IMF staff member, suggested in the late 1980s that economic factors could not explain these

⁴ Bird (fn. 1, 1995), 124.

⁵ Dane Rowlands, "Political and Economic Determinants of IMF Conditional Credit Arrangements: 1973-1989" (Manuscript, Norman Paterson School of International Affairs, Carleton University, Ottawa, Ont., 1995).

⁶ Jacques J. Polak, "Monetary Analysis of Income Formation and Payments Problems," IMF Staff Papers, no. 6 (1957), cited in Edwards (fn. 1); and idem, "The Changing Nature of IMF Conditionality," Princeton Essays in International Finance, no. 184 (1991); and Richard Swedberg, "The Doctrine of Economic Neutrality of the IMF and the World Bank," *Journal of Peace Research* 23 no. 4 (1986).

⁷ R. S. Eckaus, "How the IMF Lives with Its Conditionality," *Policy Sciences* 19 (October 1986).

⁸ Southard (fn. 2), 13; Edwards (fn. 1); C. David Finch, "The IMF: The Record and the Prospects," Princeton Essays in International Finance, no. 175 (1989); and John Spraos, "IMF Conditionality: Ineffectual, Inefficient, Mismatched," Princeton Essays in International Finance, no. 166 (1986).

patterns: "Because decisions were no longer based on compatibility with repayment terms, lending was guided increasingly by the political preferences of the leading industrial countries."⁹ Second, each country's representative on the Fund's executive board is appointed by his or her home government (Treasury, in the case of the United States). Thus it should come as no surprise that the positions of those representatives within the Fund reflect the political interests of the national governments they serve.¹⁰ As Smith puts it, "The IMF is itself a political institution. It is managed by politically appointed individuals from member nations, and the political interests of its members influence its decisions."¹¹ Although the staff is less directly linked to national governments, the executive board must approve all proposed programs. The familiarity of Fund staff members with the preferences of the executive board discourages them from submitting loan packages that the board is likely to veto.¹²

Finally, weighted voting and the decision-making procedures of the Fund also leave room for politics. As of April 1995, the U.S. controlled 17.83 percent of the voting power in the IMF, followed by Germany and Japan with 5.5 percent each, and France and the United Kingdom with 5.0 percent each.¹³ An evolving system of special majorities has helped the U.S. maintain its influence beyond that dictated by its gradually decreasing voting share.¹⁴ An 85 percent majority is required for the most important Fund decisions, giving the U.S. alone, and other groups of countries together, veto power. The U.S. can also push through favored programs, which it might not be able to do based on its votes alone. Although the managing director has traditionally been a European, he rarely acts against U.S. preferences.¹⁵ That is not surprising since he is appointed through a process over which the U.S. has veto power.¹⁶ But

⁹ Finch (fn. 8), 2.

¹⁰ Lars Schoultz, "Politics, Economics, and U.S. Participation in Multilateral Development Banks," *International Organization* 36, no. 3 (1982); Benjamin J. Cohen, "International Debt and Linkage Strategies: Some Foreign Policy Implications for the United States," in Miles Kahler, ed., *The Politics of International Debt* (Ithaca, N.Y.: Cornell University Press, 1986).

¹¹ Fred L. Smith, "The Politics of IMF Lending," *Cato Journal* 4 (Spring/Summer 1984). The U.S. representative is "ordered by law to clear his or her decisions with the Secretary of the Treasury." Swedberg (fn. 6), 379.

¹² Kendall W. Stiles, *Negotiating Debt: The IMF Lending Process* (Boulder, Colo.: Westview, 1991).

¹³ *IMF Annual Report* (Washington, D.C.: IMF, 1995), 216.

¹⁴ See Lister (fn. 2).

¹⁵ Samuel Lichtensztein and Mónica Baer, *Fondo Monetario Internacional y Banco Mundial: Estrategias y Políticas del Poder Financiero* (Mexico City: Ediciones de Cultura Popular, 1987), 60-61.

¹⁶ Miles Kahler notes that the U.S. has in the past refused to support a renewal of the managing director's tenure when his "accomplishments did not meet American expectations." Kahler, "The United States and the International Monetary Fund," in Margaret P. Karns and Karen A. Mingst, eds., *The United States and Multilateral Institutions* (Boston: Unwin Hyman, 1990), 94.

that power rarely needs to be wielded openly. The managing director typically makes decisions based on a "sense of the meeting," derived from the comments of the various participants and their relative voting power.¹⁷ Other powers can be reluctant to speak against the U.S. for fear that the U.S. will later retaliate by exercising its veto power over their own favored programs.¹⁸ Finally, the U.S. and its like-minded allies together can effect international monetary cooperation by forming subsets, or "k-groups," of countries to push through certain packages that single parties cannot.¹⁹

Given the possibility that political factors influence IMF decisions, several scholars have argued that the Fund's more powerful members manipulate it to further their own political and economic interests.²⁰ The U.S. government, for its part, "has repeatedly told foreign governments that it will not intervene in negotiations between the Fund and member governments."²¹ Kahler notes, however, that "the U.S. (and other major countries) can still influence programs for friends and clients at the margin."²² Others suggest that American politicization of Fund lending is more widespread. A series of case studies conducted for a project directed by Killick and Bird reveals that at least one-third of the seventeen countries studied secured favorable loan terms on their IMF programs due to the intervention of major shareholding countries on their behalf.²³ Stiles concludes that in only one of seven cases examined did the Fund adopt a politically neutral, technocratic approach to lending.²⁴

Such case studies have been useful for providing the kind of rich detailed data that are unavailable by other means, for formulating testable hypotheses, and for providing initial evidence of the role of politics in IMF lending. Despite these advances, we are still unable to say much more than that politics *seems* to matter, at least in some cases. This

¹⁷ The origins of this procedure date back to the Fund's early years, when the U.S. executive director went to great lengths to muffle the strong voice of U.S. power, which nevertheless was decisive. See Southard (fn. 2), 5-6, 19-20.

¹⁸ Eckaus (fn. 7), 237; Stiles (fn. 12), 37.

¹⁹ Ruggie (fn. 2), chap. 1; James A. Caporaso and Miles Kahler attribute part of the postwar economic cooperation to this type of "minilateralism." The creation of the Bretton Woods monetary order through U.S. and British coordination and the subsequent adjustments made by the G-7 after its breakdown (for example, the Plaza and Louvre accords) can be profitably understood in these terms. Caporaso, "International Relations Theory and Multilateralism: The Search for Foundations," and Kahler, "Multilateralism with Small and Large Numbers," in Ruggie (fn. 2).

²⁰ Cheryl Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York: Monthly Review Press, 1974); and Swedberg (fn. 6).

²¹ Kahler (fn. 16), 110.

²² Ibid.

²³ Killick (fn. 1), 118-19.

²⁴ Stiles (fn. 12), 196-97.

paper aims to accomplish two essential tasks. First, it attempts to provide the first systematic quantitative evidence for whether politics affects IMF behavior. Second, it proposes a dynamic explanation of how political factors affect interactions of multilateral organizations with their member states, and tests the statistical formulation of that argument in the case of the IMF. I first propose a simple macroeconomic model and a political explanation of IMF lending. I then operationalize these hypotheses together and report the results of a series of statistical tests conducted on them jointly. I conclude with a discussion of the limitations and broader implications of this research.

A SIMPLE MACROECONOMIC MODEL

Economists have isolated several important demand- and supply-side macroeconomic determinants of IMF lending. Rather than attempt to replicate such studies, I take them as a starting point for my political analysis. Conway has modeled participation in IMF programs as a function of a country's economic environment and its past economic performance.²⁵ He finds statistically significant negative results for lagged variables representing the ratio of foreign exchange reserves to imports, the growth rate of real gross national product, the ratio of the current account to GNP, the terms of trade, and the real rate of interest.²⁶ Variables capturing level of development (proxied by the share of output from the agricultural sector) and long- and short-term debt stocks did not attain conventional levels of statistical significance.

Lindert tests the impact of several variables on the interest rate charged on official creditor lending to fifty-one countries in 1985.²⁷ He obtained statistically significant results for only two variables—the log of absolute nominal public and publicly guaranteed debt in 1981 and the log of per capita income—each with a positive coefficient. None of the other variables—the share of debt held by official creditors, the ratio of debt service to GNP, the ratio of reserves to imports, money stock growth, prior default, prior rescheduling, and years since first rescheduling—approached conventional levels of statistical significance.

Summarizing his own and others' research, Bird identifies statistically significant regression results with negative coefficients for balance

²⁵ Patrick Conway, "IMF Lending Programs: Participation and Impact," *Journal of Development Economics* 45, no. 2 (1994).

²⁶ He finds statistically significant positive results for prior participation and the percentage of available funds drawn down. A series of dummy variables for each year had generally significant results.

²⁷ Peter H. Lindert, "Response to Debt Crisis: What Is Different about the 1980s?" in Barry J. Eichengreen and Lindert, eds., *The International Debt Crisis in Historical Perspective* (Cambridge: MIT Press, 1989).

of payments, per capita income, current account, and reserves.²⁸ Collectively, these studies find statistically significant positive regression coefficients for inflation, access to private bank credit,²⁹ domestic credit growth, and government spending. With the exception of Conway, the low predictive power of these models suggests that they are underspecified. Rather than attempt to test the validity of distinct competing macroeconomic models, this paper draws upon the large body of existing research to identify the putative economic determinants of Fund activities. First, the balance of payments position of a country is the initial baseline upon which its participation in IMF programs is evaluated. An improvement in the balance of payments is the stated primary goal of most IMF lending programs,³⁰ and without a payments deficit, a country should neither need nor be eligible for Fund lending.³¹ When faced with a payments deficit, a country can either run down its reserves or borrow internationally.³² In the context of the debt crisis, running down reserves was not a viable long-term solution, and the most reliable source of international borrowing was the IMF. Specifically, deterioration in the balance of payments is expected to increase the chances of receiving a loan from the IMF.

Second, a country's debt position should affect its demand for and the supply of an IMF loan for distinct reasons. On the demand side, a heavier debt burden increases developing countries' need for external finance to service that debt. In terms of supply, some have argued that the more heavily indebted countries have more bargaining leverage over the IMF because of their importance to global financial stability.³³ In addition, some view IMF loans as a payoff to foreign creditors.³⁴ Assuming that those lenders wield influence within the executive board, IMF loans more likely will go to countries where creditors are more heavily exposed. Lindert found that the more heavily indebted countries did receive official creditor loans, but at higher interest rates than the smaller debtors, due to the reluctance of Northern taxpayers to finance more

²⁸ Bird (fn. 1, 1995).

²⁹ This result supports the catalytic impact of IMF lending as providing a "seal of approval" that encourages private banks to resume lending to a country that has negotiated an agreement with the Fund. Bird (fn. 1, 1995), 122. A negative result would suggest a substitution effect between IMF and private lending.

³⁰ Spraos (fn. 8); and Finch (fn. 8).

³¹ Bird (fn. 1, 1995), 109.

³² *Ibid.*, 23.

³³ See Jahangir Amuzegar, "The IMF under Fire," *Foreign Policy* 64 (Fall 1986).

³⁴ See Walden Bello and David Kinley, "The IMF: An Analysis of the International Monetary Fund's Role in the Third World Debt Crisis, Its Relation to Big Banks, and the Forces Influencing Its Decisions," *Multinational Monitor* 4 (1983).

concessionary terms.³⁵ For the purposes of this study, the fact that the larger debtors were more likely to receive loans is of primary interest.

Third, the level of per capita income of a country also may influence its ability to secure Fund assistance. Killick notes that the IMF's historically narrow focus on balance-of-payments considerations has given way in recent years to a broader view that acknowledges the relationship between the balance of payments and growth.³⁶ Lindert reports that official favoritism for poor countries resulted in lower interest rates on official loans, and Bird argues that poorer countries are less likely to borrow on private capital markets and therefore to have a higher relative demand for IMF loans.³⁷ Countries with lower per capita incomes should be more likely to request and receive a loan from the IMF.

Fourth, if the Doctrine of Economic Neutrality is followed, a poor credit history should decrease the chances of receiving a loan. After the massive defaults of the 1930s, the debtor nations were effectively cut off from credit for several years. Many have argued that we should expect similar outcomes now.³⁸ Specifically, past failures to uphold IMF loan requirements should make it more difficult to receive additional loans.

Finally, both neomarxist and modern political economy interpretations would suggest two additional macroeconomic indicators that should affect Fund decisions due to the influence of "low politics": the trade and investment exposure of firms based in the IMF's major principal shareholder, the U.S. Authors grouped loosely within a neomarxist (or dependency) perspective argue that capitalists in the core states, especially the U.S., dictate IMF policy at the expense of the nations of the periphery.³⁹ A political economist more concerned with the impact of domestic politics on foreign economic policy might also posit, without necessarily adopting the concomitant exploitation argument, that well-organized export enterprises and multinational corporations (MNCs) pressure the U.S. government to protect their interests on the executive board. Neomarxism suggests that higher levels of U.S. exposure lead to a greater likelihood of receiving an IMF loan because the attendant pol-

³⁵ Lindert (fn. 27), 245.

³⁶ Killick (fn. 1).

³⁷ Lindert (fn. 27), 243; Bird (fn. 1, 1995), 112.

³⁸ Barry Eichengreen has questioned the impact of the "default penalty" on future credit access. Eichengreen, "The U.S. Capital Market and Foreign Lending, 1920-1955," in Jeffrey D. Sachs, ed., *Developing Country Debt and the World Economy* (Chicago: University of Chicago Press, 1989), 247. Cf. Jonathan Eaton and Mark Gersovitz, "Debt with Potential Repudiation: Theoretical and Empirical Analysis," *Review of Economic Studies* 48 (April 1981).

³⁹ See E. A. Brett, "The World's View of the IMF," in Latin America Bureau, ed., *The Poverty Brokers: The IMF and Latin America* (London: Latin America Bureau, 1983); Manuel Pastor, "The Effects of IMF Programs in the Third World: Debate and Evidence from Latin America," *World Development* 15 (Fall 1987); and Swedberg (fn. 6).

icy conditionality promotes the expansion of global capitalism. A less explored, domestic-politics interpretation yields more ambiguous expectations. The inflow of foreign exchange and the restoration of international creditworthiness would be expected to benefit U.S. exporters and foreign investors, while the demand-reduction components of the typical IMF program would suggest a negative impact for these variables.⁴⁰

HIGH POLITICS AND THE IMF

The international political aspects of IMF lending have received far less rigorous analysis. Two rudimentary strands of thought comprise this genre, but neither has been fully developed nor adequately tested. I label the first, more common strand the "political proximity" hypothesis. Simply put, political friends of the U.S. are more likely to receive loans than are its enemies. In addition to the case studies described above, Bello and Kinley argue that the U.S. disregarded the Fund's economic criteria and pressured the Fund to approve loans to politically friendly South Africa, El Salvador, and Haiti.⁴¹ The IMF has also denied loans to economically worthy political enemies of the U.S., such as Vietnam.⁴² In sum, the more closely a country aligns with the U.S., the higher the probability it will receive a loan from the IMF.

These arguments have not yet been fully developed conceptually nor thoroughly tested empirically. To illustrate an intuitive analytical foundation for this argument and to facilitate its testing, I construct a continuous voting space, scaled from 0 to 1, where 1 represents total agreement and 0 complete discord with the United States on a single broad dimension of foreign policy affinity (such affinity could be easily measured by votes in a majority-rule international voting arena, such as the United Nations General Assembly). Figure 1 is a graphic representation of this space and a schematic portrayal of the political proximity hypothesis. Countries at point A, at the far left-hand side of the voting space, have little chance of receiving a loan, while those at point C, at the far right, are much more likely to receive Fund support. Alignment near the middle, at point B, has little or no effect.

⁴⁰ The net effect of DFI exposure may depend on the sectoral location of the investment. If it serves primarily the domestic market, a negative result might be expected. If it serves mostly export markets, a positive result would be more likely. The impact of export exposure may depend on whether the product exported is a final consumption good (negative) or an input into the export sector (positive).

⁴¹ Bello and Kinley (fn. 34), 14.

⁴² Susumu Awanohara, "Fiscal Interdiction: U.S., Japan Block IMF Effort to Support Vietnam," *Far Eastern Economic Review*, September 28, 1989.

	A	B	C
Voting scale	0	0.5	1
Impact on loan probability		(-)	(+)

FIGURE 1
THE POLITICAL PROXIMITY HYPOTHESIS

Despite the existence of plentiful case studies, previous research has not effectively evaluated this argument. Furthermore, several studies have documented numerous cases where U.S. “enemies” are rewarded or “friends” punished. In many instances the Fund has made loans to leftist governments, such as Manley’s in Jamaica in 1979 and the East European Soviet bloc countries of Hungary, Yugoslavia, and Romania, each of which ranked among the top fifteen IMF loan recipients from 1952 to 1984.⁴³ This evidence seems to paint a picture of IMF lending as an apolitical technocratic process, economic neutrality at its best. But these loans may not have been justifiable on purely economic grounds, either. Assetto compares the results of a regression equation designed to predict the size of IMF loans based solely on economic criteria with the size of the actual loans received by the three East European countries to conclude that actual lending exceeded predicted lending by a significant margin.⁴⁴

A less static interpretation of these anomalies introduces the “political movement” hypothesis, the less-developed second strand of the political argument. Movement toward or away from the U.S. on international political issues may be at least as important as the absolute political alignment of a particular country. Hinting at this idea, Horowitz asks whether the IMF should use loans to entice countries like Romania and Hungary away from the Soviet bloc.⁴⁵ This notion is consistent with the cases of Hungary, Yugoslavia, and Romania, all of whom distanced themselves politically from the Soviet Union (that is, moved closer to the U.S.). In contrast, neither Czechoslovakia nor

⁴³ Amuzegar (fn. 33); Valerie J. Assetto, *The Soviet Bloc in the IMF and the IBRD* (Boulder, Colo.: Westview, 1988).

⁴⁴ *Ibid.*, 50.

⁴⁵ Irving Louis Horowitz, “The ‘Rashomon Effect’: Ideological Proclivities and Political Dilemmas of the IMF,” in Robert J. Myers, ed., *The Political Morality of the International Monetary Fund* (New Brunswick, N.J.: Transaction Books, 1987), 96.

	A	B
Movement on voting scale	-1	1
Impact on loan probability	(-)	(+)

FIGURE 2
THE POLITICAL MOVEMENT HYPOTHESIS

Poland, more consistently faithful Soviet allies, received any IMF funding during this period.⁴⁶

Frey applies Hirschman's neutrality model to formulate a model of the bilateral aid-giving process in a bipolar world where aid recipients can play the two superpower donors off one another.⁴⁷ On a more general level, McKeown models the aid relationship formally as a sequential bargaining game between the lending principal and borrower.⁴⁸ The lender exchanges aid for political realignment by a developing country toward the position of the lender. The borrower moves from its "ideal" point to a new equilibrium point where the marginal utility of additional aid received equals the domestic political loss incurred by another move away from its ideal position. I adapt and extend these central insights to hypothesize that political movement toward the U.S. increases a country's probability of receiving a loan from the IMF.

I portray the lending process as a dynamic game between each borrower and a single lender. I do not model this interaction in formal game-theoretic terms, nor do I model the relationship between the U.S. and IMF. Rather, I assume the U.S. plays the role of principal within the IMF, generate testable hypotheses about the relationship between the Fund and borrowing countries, and evaluate them empirically. If the data confirm these hypotheses, it would strongly suggest, but not directly confirm, a predominant U.S. presence in an increasingly important multilateral organization. Such a conclusion would have important implications for the study of international institutions and regimes, as well as for the multilateral management of the international economy.

⁴⁶ Assetto (fn. 43), 184.

⁴⁷ Bruno S. Frey, *International Political Economics* (London: Basil Blackwell, 1984), chap. 5; Albert O. Hirschman, "The Stability of Neutrality: A Geometrical Note," *American Economic Review* 54 (March 1964).

⁴⁸ Timothy J. McKeown, "Resolving the 'Conditionality Paradox' in U.S. Bilateral Foreign Aid" (Manuscript, University of North Carolina, Chapel Hill, n.d.).

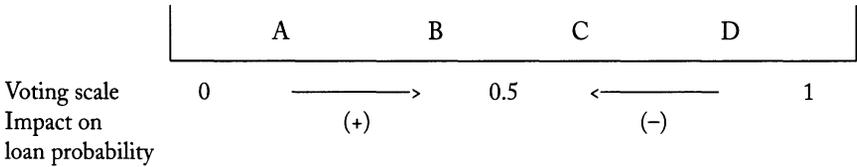


FIGURE 3
THE IMPACT OF POLITICAL MOVEMENT OVER TIME

Figure 2 captures the basic argument of the political movement hypothesis. For simplicity's sake, I present this as a linear relationship, though future research might loosen this assumption. It is based on the same 0–1 voting space. Rather than measure a country's absolute political alignment, however, it charts the change (or realignment) in that position from one time period to another. The maximum distance a country can move vis-à-vis the lender is ± 1.0 . Countries that make large movements toward the U.S., such as at point B, have a greater chance of receiving IMF credit than those that make movements away from the U.S., such as at point A. Figure 3 brings the spatial and temporal sides of the story together to illustrate the effect of political realignment from one voting cycle to the next. A country shifting from point A to point B has a better chance of receiving a loan than one moving from point D to point C, even though point C is still closer to the lender's position than is point B.

OPERATIONALIZATION OF THE HYPOTHESES

Because theory tells us that both economic and political factors affect IMF lending, a model that excludes either category is, by definition, misspecified. A combined political economy approach addresses one of Bird's main concerns:

[S]ome countries may be able to muster more support amongst the membership of the Executive Board than others. The problem is that such [political] factors are difficult to model formally and include in econometric estimation, but their exclusion may explain why demand functions which rely exclusively upon economic characteristics will leave much of the story untold.⁴⁹

It may be difficult to model and test political factors econometrically, but it is certainly possible.

⁴⁹ Bird (fn. 1, 1995), 149–50.

The analysis focuses not on the size of the loans, the interest rate, or other conditions but simply on the decision to lend. The structure of the Fund leaves more room for political factors to enter into the process of loan approval than into the formation of the terms of the loans themselves. The politically appointed executive board generally votes yes or no on a complete package that has been assembled by the staff, based largely upon market conditions and its own modeling and forecasting. Furthermore, Fund rules on confidentiality make data collection on most of the terms and conditions of loan packages impossible.⁵⁰

This section presents the hypotheses introduced above in the form of a pooled logit model of IMF lending to eighty-seven developing countries from 1985 to 1994.⁵¹ The dichotomous nature of the dependent variable requires the use of logit estimation, which treats the relationship between a categorical dependent variable (the probability of receiving a loan) and the continuous independent variables as a nonlinear one that approaches both 0 and 1 asymptotically.⁵²

The basic logit can be expressed symbolically as:

$$\ln[(P(L = 1)_{it})/(1 - P(L = 1)_{it})] = b_0 - b_1(\text{BalPay}) + b_2(\text{Debt}) \\ - b_3(\text{PerCapY}) - b_4(\text{Default}) + b_5(\text{USX}) + b_6(\text{USDFI}) \\ + b_7(\text{PolProx}) + b_8(\text{PolMove})$$

L is a dichotomous variable coded 1 if country i received an IMF Stand-by Arrangement (SBA) or Extended Fund Facility (EFF) loan during the calendar year t , 0 if it did not.⁵³ $P(L = 1)_{it}$ is the estimated

⁵⁰ Regressions were run on the amount of the loan divided by GNP, and the general results were similar to those reported here, particularly for the political variables.

⁵¹ This figure represents all of the developing countries, as defined by the IMF, for which data were available. See IMF, *Annual Report* (Washington, D.C.: IMF, 1986), 162. Data for the indicator of political alignment used here are not available before 1983. For some countries, data are available only for certain years. See Appendix B for a list of countries used in the data analysis.

⁵² See John H. Aldrich and Forrest D. Nelson, *Linear Probability, Logit, and Probit Models* (Beverly Hills, Calif.: Sage, 1984).

⁵³ Two other IMF lending programs, the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF), are not included in this analysis for a number of reasons. First, only low-income developing countries qualify for SAF and ESAF loans. A large number of countries in the sample would therefore not qualify for these programs, while all are eligible for SBA and EFF packages. Second, the SAF and ESAF are structural adjustment rather than economic stabilization programs. To include them in the analysis would require a different underlying macroeconomic model than that specified for SBAs and EFFs. Third, 1987 was the first full year of operation for the SAF and 1988 for the ESAF. Only SBA and EFF programs were operational throughout the entire time period examined here. See Polak (fn. 6, 1991); and Susan Schadler, Adam Bennett, Maria Carkovic, Louis Dicks-Mireaux, Maruo Mecagni, James H. J. Morisink, and Miguel A. Savastano, "IMF Conditionality: Experience under Stand-By and Extended Arrangements. Part I: Key Issues and Findings," IMF Occasional Paper, no. 128 (1995). Compared to the number of SBAs and EFFs, there have been few SAF and ESAF loans

probability that a country will receive a loan in year t .⁵⁴ b_0 is the intercept term. "BalPay" is the balance of payments position; "Debt" is the debt burden; "PerCapY" is per capita income; "Default" is a measure of credit history; "USX" is the amount of U.S. exports to the country; "USDFI" is the amount of U.S. direct foreign investment in the country; "PolProx" is political proximity to the U.S. in the international voting space described above; and "PolMove" is political movement toward the U.S. within the same space. The economic variables are lagged by one year and the political variables by one to two years to establish the direction of causality.

To pose a more challenging test for the political model, I isolate a number of critical macroeconomic factors expected to affect Fund behavior and select several statistical proxies for them. The balance of payments is operationalized into several different variables. BOP_{it-1} is the overall balance of payments of a country in year $t-1$.⁵⁵ ΔBOP_{it} is the change in the overall balance of payments from $t-1$ to t . $PCBOP_{it-1}$ and $\Delta PCBOP_{it}$ are per capita balance of payments and change in per capita balance of payments, respectively.⁵⁶ $CACCT_{it-1}$ is the current account, and $\Delta CACCT_{it}$ is the change in the current account. $CACCT/GNP_{it-1}$ and $\Delta CACCT/GNP_{it}$ capture the ratio of the current account to GNP and the change in that ratio.⁵⁷ Since higher payments deficits are thought to increase the chances of receiving a loan, all coefficients should be negative.

A country's debt burden is measured by the following variables: $DEBT_{it-1}$ is the level of absolute public and publicly guaranteed debt in year $t-1$, and $\Delta DEBT_{it}$ is the change in that level of debt from $t-1$ to t . $PCDEBT_{it-1}$ and $\Delta PCDEBT_{it}$ compute per capita debt figures. A se-

made. Regressions run on a variable including all of these programs together yielded results generally consistent with those reported in the following section.

⁵⁴ Logit transforms this variable, which has a nonlinear relationship to the independent variables, into the log-odds of receiving a loan, which has a linear relationship to the independent variables. The new dependent variable, or logit, is then regressed on the independent variables using maximum likelihood estimation (MLE). Data for this variable were gathered from IMF, *Annual Report* (Washington, D.C.: IMF, various issues).

⁵⁵ All economic variables except ratios are expressed in millions of 1990 U.S. dollars, using the 1990 U.S. GDP deflator reported in IMF, *International Financial Statistics Yearbook*. (Washington, D.C.: IMF, various issues).

⁵⁶ These variables make the figures for large and small countries more comparable. I also tested the ratio of balance of payments to GNP and the change in that ratio with the same substantive results. Data are from IMF, *International Financial Statistics Yearbook* (Washington, D.C.: IMF, various issues).

⁵⁷ The World Bank's debt ratios (DEBT/GNP, INT/GNP, and RES/DEBT) appear to have been multiplied by 100. To make comparisons across units consistent, I multiplied the CACCT/GNP ratios calculated from (but not listed in) World Bank data by 100. World Bank, *World Debt Tables* (Washington, D.C.: World Bank, various issues); and idem, *Global Development Finance* (Washington, D.C.: World Bank, various issues).

ries of ratios captures the debt service burden for each economy. $DEBT/GNP_{it-1}$ is the ratio of long-term total debt stocks (public and private) to GNP, and $\Delta DEBT/GNP_{it}$ tracks the change in that ratio. INT/GNP_{it-1} and $\Delta INT/GNP_{it}$ are the variables for the ratio of interest payments to GNP and its change, and $RES/DEBT_{it-1}$ and $\Delta RES/DEBT_{it}$ measure the ratio of reserves to GNP and the change in that ratio.⁵⁸ Because a heavy debt burden increases debtors' demand for loans and because the Fund is hypothesized to give greater supply consideration to the larger debtors,⁵⁹ all coefficients should be positive except those for $RES/DEBT_{it-1}$ and $\Delta RES/DEBT_{it}$, which are expected to be negative.

$PCAPY_{it-1}$ represents per capita GNP, computed from data reported in the World Bank's *World Debt Tables* and *Global Development Finance* and in the IMF's *International Financial Statistics*. Lower-income countries should be more likely to receive loans, so a negative coefficient is expected.

$DEFAULT_{it-1}$ is a dummy variable coded 1 if a country has had a prior IMF program canceled any time since 1975 (the first full year of the EFF program) through year $t-1$, 0 otherwise. Since a bad credit history should adversely affect the likelihood of future loans, its coefficient should be negative.⁶⁰

USX_{it-1} is the level of U.S. exports to a country. According to the neomaxist hypothesis, it should be positively signed. The domestic-level political economy perspective has ambiguous expectations for the direction of this effect.⁶¹

$USDFI_{it-1}$ is the value of the stock of U.S. direct investment for all industries in a country. Expectations are similar to those for USX_{it-1} .⁶²

The voting space depicted in Figures 1 to 3 is measured by $KVOTE_{it-2}$, an index of political agreement between country i and the U.S. in year $t-2$. Calculated as a decimal between 0 and 1, this variable measures the degree of coincidence between the votes of the sample

⁵⁸ These figures are from the World Bank, *World Debt Tables* (Washington, D.C.: World Bank, various issues); and idem, *Global Development Finance* (Washington, D.C.: World Bank, various issues); with population data taken from IMF, *International Financial Statistics Yearbook* (Washington, D.C.: IMF, various issues).

⁵⁹ Adequate data on the exposure of U.S. banks in particular countries are unavailable. In any event, the largest creditor banks are likely to be based in the U.S. and the IMF's other principal shareholder countries.

⁶⁰ A variable measuring the total number of cancellations that a country experienced from 1975 through $t-1$ did not yield statistically significant results. Data were gathered from IMF, *Annual Report* (Washington, D.C.: IMF, various issues).

⁶¹ Data are from IMF, *Direction of Trade Statistics Yearbook* (Washington, D.C.: IMF, various issues).

⁶² Data have been taken from the U.S. Department of Commerce, *Survey of Current Business*, various issues.

country and the U.S. in the United Nations General Assembly (UNGA) on the approximately ten to fifteen issues in each session that the U.S. Department of State has deemed key votes. Under Congressional mandate, the State Department has compiled the voting records of all UN member nations on these selected issues since the 1983 General Assembly in its annual publication, *Report to Congress on Voting Practices in the United Nations*.⁶³ Appendix A lists the key votes identified in this report for the years examined here. In accordance with the political proximity hypothesis, a positive coefficient is anticipated.⁶⁴

Using UN voting patterns to measure international political alignment is one solution to the problem of testing political variables lamented by Bird. For its part, the U.S. government has proclaimed that examining UN votes makes it "possible to make judgments about whose values and views are harmonious with our own, whose policies are consistently opposed to ours, and whose practices fall in between."⁶⁵ But not all UN votes are equally important. In reference to the key votes, the same report states that the "only votes that can legitimately be read as a measure of support for the United States are those which we identified as important to us, and on which we lobbied other nations"⁶⁶ The validity of UNGA voting records has been debated extensively.⁶⁷ I

⁶³ Using these annual reports, I coded votes in agreement with the U.S. 1.0, votes in disagreement with the U.S. 0.0, and abstentions or absences by the sample country 0.5. I then added and divided these numbers by the total number of key votes each year to come up with the annual decimal measure for each country. This method differs slightly from the technique of discarding absences and abstentions from the total count of UNGA votes used in Charles W. Kegley Jr. and Steven W. Hook, "U.S. Foreign Aid and U.N. Voting: Did Reagan's Linkage Strategy Buy Deference or Defiance?" *International Studies Quarterly* 35 (September 1991). Rather than not count those nonvotes on "key" issues, I interpret them as neutral.

⁶⁴ The transmission of United States foreign policy preferences from the State Department is not necessarily direct in the case of the multilateral development banks and the IMF, where Treasury plays a critical role. See Schoultz (fn. 10). The (American) deputy managing director has typically been "a 'Treasury man,' reinforcing the close ties between that agency of the U.S. government and the IMF." Kahler (fn. 16), 94. Furthermore, Kahler argues that Treasury maintains tight control over U.S.-Fund relations and that "other agencies that might attempt to politicize the IMF for broader foreign policy goals tended to be excluded from direct access to it." Kahler (fn. 16) 94, 97. On the other hand, Joanne Gowa notes that Treasury has adopted an ordering of priorities that "subordinates the demands of the international monetary order to the imperatives of domestic economic policy and foreign security policy," suggesting some coordination—or at least compatibility—between different agencies within the executive branch. Gowa, *Closing the Gold Window: Domestic Politics and the End of Bretton Woods* (Ithaca, N.Y.: Cornell University Press, 1983). The present analysis of policy output (as opposed to interagency input) is an indirect test of these two competing hypotheses. Future work should address the interagency dynamics more directly.

⁶⁵ U.S. Department of State, *Report to Congress on Voting Practices in the United Nations* (1985), 2.

⁶⁶ *Ibid.*, 4.

⁶⁷ See Soo Yeon Kim and Bruce Russett, "The New Politics of Voting Alignments in the United Nations General Assembly," *International Organization* 50, no. 4 (1996); Steven K. Holloway and Rodney Tomlinson, "The New World Order and the General Assembly: Bloc Realignment at the UN in the Post-Cold War World," *Canadian Journal of Political Science* 28, no. 2 (1995); Leona Pallansch and

adopt the self-identified measure of political alignment of the principal U.S. foreign policy decision-making body: UNGA key votes. There is also evidence that the State Department tracked such data in a similar manner previous to the Congressional mandate, that it considered UN votes a reliable indicator of alignment, and that the U.S. allocated aid on the basis of that alignment. In a 1964 memo to the director of the Food for Peace Program, Dick Reuter, Lansdale noted that "at critical moments in the world's recent history, the U.S. 'bought' votes subtly and indirectly to support its stand in the General Assembly. The 'buying' is in terms of U.S. assistance to the voting country."⁶⁸ Furthermore, Lansdale's analysis employed a measure of alignment similar to the current State Department use of key votes, charting only votes on cold war issues.

It also appears that at least some recipient countries take U.S. vigilance of UN voting seriously. Argentina, for example, previously a leader in the Non-Aligned Movement, modified its voting stance in the UNGA to reflect better its improved relations with the United States in the early 1990s.⁶⁹ In a 1997 interview, Carlos Escudé, a former adviser to Argentina's minister of foreign relations, revealed that "with respect to some important United Nations resolutions, there was direct contact between Argentina and the United States, and Argentina voted in a manner favorable to the United States."⁷⁰ More generally, between 1990 and 1991 Argentina altered its UN votes to move from the fourth, most anti-U.S. stance in the UN to a position similar to that of Turkey.⁷¹

MKVOTE_{it-1} measures the movement in political alignment between the sample country and the U.S. within the voting space from

Frank Zinni Jr., "Demise of Voting Blocs in the General Assembly of the UN? A Multidimensional Scaling Analysis" (Paper presented at the annual meeting of the Southern Political Science Association, Atlanta, 1996); Brian W. Tomlin, "Measurement Validation: Lessons from the Use and Misuse of UN General Assembly Roll-Call Votes," *International Organization* 39, no. 1 (1985); and Kenneth J. Menkhaus and Charles W. Kegley Jr., "The Compliant Foreign Policy of the Dependent State Revisited: Empirical Linkages and Lessons from the Case of Somalia," *Comparative Political Studies* 21, no. 3 (1988).

⁶⁸ Ed Lansdale, "Memo Re: Long Range Impact FPF-II," April 24, 1964, National Archives, Record Group 59, Lot file 67D554, Under Secretary for Political Affairs, Records of the Special Assistant 1963-65, Box 2. I thank Tim McKeown for providing me with a transcription of this document.

⁶⁹ For example, Argentina sent troops to the 1991 Persian Gulf conflict. Carlos Escudé, "Entrevista a Escudé realizada por Lorena Kniaz" (1997), cited May 19, 1999, <http://www.geocities.com/CapitolHill/Congress/4359/reporta.html>.

⁷⁰ Ibid.

⁷¹ Ibid.; Carlos Escudé, E-mail from the author, February 16, 1999.

year $t-2$ to year $t-1$, measured in UNGA key votes.⁷² From the political movement hypothesis, I expect a positive coefficient.

FINDINGS AND INTERPRETATIONS

Table 1 presents the results of three different versions of the model. The combination of pooled data and a categorical dependent variable presents unique diagnostic challenges.⁷³ Column 1 presents the results for the basic logit model, with no correction for autocorrelation. It appears to provide a good overall fit: -2 times the log-likelihood ratio ($-2 \times \text{LLR}$) for the model is 124.85, with $p < 0.0001$. We can reject the null hypothesis that none of the independent variables individually or collectively explain a significant amount of variation of the dependent variable.⁷⁴ The model correctly predicted 83.25 percent of the outcomes. In terms of individual coefficients, PCAPY_{it-1} and KVOTE_{it-2} are significant at the 0.90 level of confidence; BOP_{it-1} and PCDEBT_{it-1} at 0.95; and DEBT/GNP_{it-1} , INT/GNP_{it-1} , $\Delta \text{INT/GNP}_{it}$, RES/DEBT_{it-1} , and MKVOTE_{it-1} at 0.99; all with the anticipated signs.

To test and correct for autocorrelation, I employed the binary time-series-cross-section estimation technique formulated by Beck, Katz, and Tucker.⁷⁵ I constructed a series of nine ($T-1$) dummy variables coded 1 if it had been (1, 2, 3, . . . $T-1$) years since a country last received an IMF loan, 0 otherwise. If these nine variables collectively are significant in a log-likelihood ratio test, it is an indication of autocorrelation. The correction for autocorrelation is simply the inclusion of the temporal dummy variables in the estimation. Once corrected, the new coefficients for the original variables of interest should better satisfy the

⁷² Because of the UNGA's voting calendar, the voting variables have a longer lag structure than the economic variables. The fact that UNGA votes are taken in the last four months of the calendar year means that there is a 67 percent chance that a given loan decision will be made before the UNGA meets in a given year. The chances that such a decision will be made before the session is complete and final votes are tallied approaches 100 percent. Conversely, movement at $t-1$ occurs immediately before the next calendar year's loan cycle begins.

⁷³ James A. Stimson, "Regression in Space and Time: A Statistical Essay," *American Journal of Political Science* 29, no. 4 (1985); Nathaniel Beck, Jonathan N. Katz, and Richard Tucker, "Taking Time Seriously: Time-Series-Cross-Section Analysis with a Binary Dependent Variable," *American Journal of Political Science* 42, no. 4 (1998).

⁷⁴ This assumes a Chi Square distribution for the $-2 \times \text{LLR}$ figure. While this assumption may not be entirely valid for individual level data, the strong results are still encouraging.

⁷⁵ Beck, Katz, and Tucker (fn. 73). This approach is designed for longitudinally dominant data with typically twenty or more time periods. The authors have not yet tested this exploratory method on shorter time periods like the one used here ($T = 10$). Richard Tucker, conversation with the author, August 1998. We may therefore have somewhat less confidence in a negative diagnostic for autocorrelation than in the positive one obtained here.

TABLE 1
LOGIT COEFFICIENT ESTIMATES OF IMF LENDING, 1985-94

<i>Independent Variables</i>	<i>Basic Logit (1)</i>	<i>With Temporal Dummies (2)</i>	<i>Refined with Dummies (3)</i>
BOP _{it-1}	-1.907 × 10 ^{-4**} (0.911 × 10 ⁻⁴)	-2.091 × 10 ^{-4**} (0.926 × 10 ⁻⁴)	-1.277 × 10 ^{-4**} (0.583 × 10 ⁻⁴)
ΔBOP _{it}	-1.200 × 10 ⁻⁶ (79.600 × 10 ⁻⁶)	1.580 × 10 ⁻⁶ (84.000 × 10 ⁻⁶)	
PCBOP _{it-1}	6.642 × 10 ⁻⁴ (17.944 × 10 ⁻⁴)	8.886 × 10 ⁻⁴ (18.001 × 10 ⁻⁴)	
ΔPCBOP _{it}	-7.526 × 10 ⁻⁴ (18.621 × 10 ⁻⁴)	-9.787 × 10 ⁻⁴ (19.023 × 10 ⁻⁴)	
CACCT _{it-1}	-1.089 × 10 ⁻⁴ (.956 × 10 ⁻⁴)	-1.252 × 10 ⁻⁴ (0.974 × 10 ⁻⁴)	
ΔCACCT _{it}	0.920 × 10 ⁻⁴ (0.976 × 10 ⁻⁴)	1.192 × 10 ⁻⁴ (1.031 × 10 ⁻⁴)	1.453 × 10 ^{-4**} (0.632 × 10 ⁻⁴)
CACCT/GNP _{it-1}	-0.020 (0.026)	-0.022 (0.027)	-3.506* (2.044)
ΔCACCT/GNP _{it}	0.002 (0.024)	0.003 (0.025)	
DEBT _{it-1}	-2.400 × 10 ⁻⁶ (11.000 × 10 ⁻⁶)	-6.600 × 10 ⁻⁶ (11.400 × 10 ⁻⁶)	
ΔDEBT _{it}	-3.320 × 10 ⁻⁵ (6.63 × 10 ⁻⁵)	-4.760 × 10 ⁻⁵ (6.730 × 10 ⁻⁵)	
PCDEBT _{it-1}	9.960 × 10 ^{-4**} (4.58 × 10 ⁻⁴)	8.726 × 10 ^{-4*} (4.655 × 10 ⁻⁴)	8.319 × 10 ^{-4*} (4.340 × 10 ⁻⁴)
ΔPCDEBT _{it}	5.641 × 10 ⁻⁴ (12.84 × 10 ⁻⁴)	1.525 × 10 ⁻⁴ (13.253 × 10 ⁻⁴)	
DEBT/GNP _{it-1}	-0.011*** (0.003)	-0.010*** (0.003)	-0.010*** (0.003)
ΔDEBT/GNP _{it}	0.001 (0.003)	0.002 (0.004)	
INT/GNP _{it-1}	0.284*** (0.065)	0.274*** (0.069)	0.267*** (0.065)
ΔINT/GNP _{it}	0.503*** (0.100)	0.519*** (0.102)	0.516*** (0.099)
RES/DEBT _{it-1}	-0.026*** (0.010)	-0.027*** (0.010)	-0.024** (0.010)
ΔRES/DEBT _{it}	-4.541 × 10 ⁻⁴ (0.021)	10.000 × 10 ⁻⁴ (0.022)	
PCAPY _{it-1}	-3.638 × 10 ^{-4*} (0.2112 × 10 ⁻⁴)	-3.074 × 10 ⁻⁴ (2.122 × 10 ⁻⁴)	-3.453 × 10 ^{-4*} (2.052 × 10 ⁻⁴)
DEFAULT _{it-1}	0.394* (0.231)	0.412* (0.238)	0.467** (0.226)
USX _{it-1}	-4.800 × 10 ⁻⁶ (65.300 × 10 ⁻⁶)	-2.500 × 10 ⁻⁶ (67.300 × 10 ⁻⁶)	

TABLE 1 (cont.)

<i>Independent Variables</i>	<i>Basic Logit (1)</i>	<i>With Temporal Dummies (2)</i>	<i>Refined with Dummies (3)</i>
USDFI _{it-1}	-9.940 × 10 ⁻⁵ (8.800 × 10 ⁻⁵)	-8.870 × 10 ⁻⁵ (8.880 × 10 ⁻⁵)	
KVOTE _{it-2}	1.247* (0.716)	1.004 (0.728)	0.898 (0.677)
MKVOTE _{it-1}	2.756*** (0.795)	2.858*** (0.856)	2.711*** (0.827)
Intercept	-2.294*** (0.476)	-2.243*** (0.522)	-2.247*** (0.490)
Correctly predicted (%)	83.25	82.98	82.98
Model χ^2	124.85	145.03	140.14
p-value	p < 0.0001 24 d.f.	p < 0.0001 33 d.f.	p < 0.0001 21 d.f.

N = 746. Standard errors are in parentheses below the estimates. Coefficients for temporal dummies not reported.

* Significant at $p \leq 0.10$ level.

** Significant at $p \leq 0.05$ level.

*** Significant at $p \leq 0.01$

assumption of error independence. This test revealed a high likelihood of autocorrelation (log-likelihood ratio = 20.18 with 9 d.f., $p < 0.025$). Columns 2 and 3 in Table 1 report the results of the full model and a more refined model correcting for autocorrelation.

Tests were also conducted for multicollinearity and heteroskedasticity. Neither revealed any indications of problems. Despite the presence of a large number of potentially overlapping economic variables, none of the variables in the model exhibited high degrees of collinearity with the other variables (either collectively or individually). To test for heteroskedasticity, I incorporated a variable for GNP to test the impact of country size and a series of eight dummy variables to capture the effect of geographic region. The results of these tests did not approach conventional levels of statistical significance, so I retained the assumption of homoskedasticity.

The parameter estimates of the corrected full model (Column 2) yield several interesting, albeit tentative, findings. The only significant balance of payments variable is the overall balance, BOP_{it-1} . As expected, its coefficient is negatively signed, suggesting that a country

with an extra \$100 million payments deficit increases its log-odds of receiving an IMF loan by about 0.02. The insignificant findings for the current account differ from others' results.⁷⁶ Controlling for the overall balance, the current account does not seem to matter. Similarly, with the current account controlled for, the negative impact of the balance of payments supports the argument that there is a substitution effect between IMF lending and other foreign capital inflows. Foreign capital inflows (an improvement in the balance of payments) in the year prior to the lending period lower the log-odds of receiving a loan from the IMF.

Several demand-side debt indicators were statistically significant.⁷⁷ In particular, the ratio of interest payments to GNP and the change in that ratio seem to have a strong positive impact on the log-odds of receiving a loan. The coefficients for the supply-side aggregate debt indicators $DEBT_{it-1}$ and $\Delta DEBT_{it}$ were not significant. These findings generally confirm the importance of debt in the borrowers' demand functions. They do not, however, support the argument that the IMF gives special treatment to large debtors, either because of their importance to global financial stability or as a payoff to the large creditor banks whose holdings may increase in value if an IMF loan is granted. Special treatment received by any particular debtors may be better explained by political factors than by their position in the international financial system or their relationship with creditor banks. This is a particularly interesting finding in light of the controversies surrounding the U.S.- and IMF-sponsored bailout packages in 1995 in Mexico and in 1997 and 1998 in Asia and Russia.⁷⁸

Per capita income behaves as expected but is no longer significant in the corrected model ($p < 0.1475$). A country's history of default with the IMF is significant at the 0.90 level, but carries a positive sign. This contradicts the notion that economic neutrality drives Fund lending and confirms the pattern of recidivism observed by others.⁷⁹ Having had a previous IMF program canceled increases the log-odds of receiv-

⁷⁶ Conway (fn. 25).

⁷⁷ Per capita debt reached the 0.90 level of confidence, and the following variables attained the 0.99 level: the debt to GNP ratio, the interest to GNP ratio, the change in the interest to GNP ratio, and the ratio of reserves to debt. Curiously, the coefficient for debt to GNP is negative (all others are correctly signed). I have no explanation for this anomalous result, except to surmise that the impact of high relative levels of debt may be sensitive to the burden of repayment as captured by the interest to GNP ratio.

⁷⁸ On the Mexican crisis, see Riordan Roett, "The Mexican Devaluation and the U.S. Response: Potomac Politics, 1995-Style," in Roett, ed., *The Mexican Peso Crisis: International Perspectives* (Boulder, Colo.: Lynne Rienner, 1996).

⁷⁹ Bird (fn. 1, 1995).

ing a new loan by 0.41.⁸⁰ The coefficients for U.S. exports and U.S. direct foreign investment do not attain statistical significance at conventional levels.⁸¹ The neomarxist hypothesis is therefore not confirmed by these data. The potentially mixed interests of U.S. exporters and investors described above makes the domestic politics argument more difficult to assess. Some of the positive and negative impact of exports and investments in different sectors of the economy (for example, traded vs. nontraded, export vs. import competing, consumption vs. intermediate goods) would be expected to work at cross purposes to yield statistically insignificant results overall. Subtler model specification and future research may help clarify these issues.

Both political variables carry the correct sign, but the political proximity hypothesis is not confirmed in the serially corrected model ($p < 0.1682$). The results for the political movement hypothesis are strongly positive and significant at the 0.99 level. A movement toward the U.S. along the 0–1 UNGA key-vote continuum of 0.10 (for example, switching one vote out of ten) raises the log-odds of receiving a loan by 0.29. Politics does matter but not in the manner typically argued. These data suggest that movement toward the U.S. within the political space portrayed in this paper influences IMF decisions regardless of absolute alignment position. Additionally, the effects of these variables are robust to changes in the specification of the underlying macroeconomic model. I do not report the intermediate results here, but the addition and deletion of various economic variables had little effect on the parameter estimates or the standard errors of the political variables (see Table 1, Columns 2 and 3).

I added an interactive political variable, $KVOTE_{it-2} * MKVOTE_{it-1}$, in an attempt to capture some of the potential nonlinear effects of realignment by testing the hypothesis that the impact of a change in political alignment by a country is dependent on that country's starting position. A given movement toward the U.S. by an already tight American ally, whose allegiance is unquestioned by the American government, may not increase the probability of receiving a loan as much as the same degree of movement by a more politically distant country. Expectations for the interactive term were tentative, but a negative coeffi-

⁸⁰ This result may be spurious. Bird suggests that requesting a loan from the IMF has a threshold effect; once a country requests one loan, it is more likely to request additional loans. Since any country that has a loan canceled has already crossed this threshold, it may be more likely to receive loans in the future. Bird (fn. 1, 1995).

⁸¹ Regressions were also run using each variable without the other, yielding similar negative results.

cient would be consistent with this discussion. I do not report those results here, but the coefficient for this variable was not significant at conventional levels and positively signed.⁸² The data suggest that the impact of movement toward the U.S. is consistent across different starting points. This supports the argument depicted in Figure 3 that realignment toward the U.S. improves a country's chances of receiving a loan regardless of the starting position.

Table 1, Column 3, presents the results of a refined statistical model, which largely confirm the above interpretations with the exception of the current account and per capita income variables. I constructed this model by sequentially deleting any previously nonsignificant variables and conducting a series of log-likelihood ratio tests to determine if their inclusion significantly improved the overall fit of the model. With the exception of $KVOTE_{it-2}$, which I retained because of its intrinsic interest, I omitted all variables not meeting these criteria from the refined model.⁸³ The overall current account balance still does not seem to matter, but its improvement or decline and its weight in the economy do. We detect some impact for the current account by eliminating some potentially overlapping variables.⁸⁴ Per capita income is negatively signed and significant at the 0.90 level, a modest improvement from the full model.

Because the logit model is nonlinear, the relative effect of any single variable depends on the value of all the independent variables, which determine where on the curve an estimate lies. To make the parameter estimates more readily interpretable, Table 2 uses the refined model results to illustrate the impact of different values of political realignment on the probability of receiving a loan from the IMF in the hypothetical case where the values of all other independent variables in the model are set at their means. Two clear patterns emerge. First, even if we assume that absolute alignment position matters, a political realignment has a much stronger impact on the probability of receiving an IMF lend-

⁸² There was a possible collinearity problem with this variable. Specifically, it correlated strongly with $MKVOTE_{it-1}$. Because the inclusion of the interactive term is likely to have inflated the standard error of the movement variable and because its inclusion did not significantly improve the model's fit, I did not retain it.

⁸³ Because of the potential for omitted variable bias and the negative diagnostic for multicollinearity in the original specification, I have greater confidence in the results of the full model. I therefore present the refined model results for the interested reader but focus most of the substantive interpretations on the full model.

⁸⁴ The change in the current account from $t-1$ to t is significant at the 0.95 level, and the ratio of the current account to GNP is significant at the 0.90 level. The unexpectedly positive coefficient for the change in the current account from $t-1$ to t could be due to the fact that an IMF loan at time t can itself cause an improvement in the balance of payments at time t .

TABLE 2
THE EFFECT OF POLITICAL REALIGNMENT ON IMF LENDING^a

	<i>Original Position</i>	<i>New Position</i>	<i>Loan Probability</i>
1.	0.0	0.0	0.065
2.	0.0	0.25	0.121
3.	0.0	0.50	0.213
4.	0.0	0.75	0.348
5.	0.0	1.0	0.513
6.	0.50	0.0	0.027
7.	0.50	0.25	0.053
8.	0.50	0.50	0.099
9.	0.50	0.75	0.178
10.	0.50	1.0	0.298
11.	1.0	0.0	0.011
12.	1.0	0.25	0.022
13.	1.0	0.50	0.042
14.	1.0	0.75	0.080
15.	1.0	1.0	0.147

Moments: $KVOTE_{it-2}$: mean = 0.5156, standard deviation = 0.1857;

$MKVOTE_{it-2}$: mean = 0.0082, standard deviation = 0.1555

^aAll other variables from Table 1, Column 3, held at their means.

ing package than the starting position.⁸⁵ Second, the patterns revealed in Table 2 are consistent with the scenario portrayed in Figure 3. A distant country that starts out at a key-vote index score of 0.0 and moves to 0.25 has a much better chance ($p = 0.121$) of receiving a loan than a country that moves away from perfect alignment with the U.S. (1.0) to a point (0.75) that is still much closer to the U.S. ($p = 0.080$) (Table 2, Lines 2 and 14). In fact, a country moving from discord to neutrality has a higher loan probability ($p = 0.213$) than a country that starts out and then remains in perfect alignment ($p = 0.147$) (Table 2, Lines 3 and 15).

Killick raises the possibility that changes in the structure of the international system alter the political dynamics treated here. Specifically, he suggests that the end of the cold war may dilute the effect of international politics on IMF behavior.⁸⁶ If no single power (for example, the USSR) lies at the other end of the 0–1 voting space, does the U.S. still reward political movement? *Does politics matter less after the cold war?*

⁸⁵ I retained absolute alignment position here to facilitate a clearer comparison of the hypothetical scenarios and to create more difficult conditions for demonstrating the strength of the impact of political realignment. Omitting $KVOTE_{it-2}$ would lower the probability for the static U.S. ally even more, relative to any country moving toward the U.S.

⁸⁶ Killick (fn. 1), 128.

TABLE 3
LOGIT COEFFICIENT ESTIMATES OF IMF LENDING, 1985–89 AND 1990–94

<i>Independent Variables</i>	<i>Cold War (1)</i>	<i>Post–Cold War (2)</i>	<i>Cold War Refined (3)</i>	<i>Post–Cold War Refined (4)</i>
BOP _{<i>it-1</i>}	-4.072 × 10 ^{-4**} (1.736 × 10 ⁻⁴)	-1.08 × 10 ⁻⁴ (1.623 × 10 ⁻⁴)	-4.331 × 10 ^{-4**} (1.72 × 10 ⁻⁴)	-0.931 × 10 ⁻⁴ (1.596 × 10 ⁻⁴)
ΔBOP _{<i>it</i>}	-2.273 × 10 ⁻⁴ (1.468 × 10 ⁻⁴)	-0.166 × 10 ⁻⁴ (1.378 × 10 ⁻⁴)	-2.784 × 10 ^{-4**} (1.317 × 10 ⁻⁴)	0.304 × 10 ⁻⁴ (1.235 × 10 ⁻⁴)
PCBOP _{<i>it-1</i>}	0.004 (0.003)	3.88 × 10 ⁻⁴ (28.569 × 10 ⁻⁴)	0.005* (0.003)	-2.057 × 10 ⁻⁴ (24.936 × 10 ⁻⁴)
ΔPCBOP _{<i>it</i>}	-0.002 (0.003)	0.002 (0.003)		
CACCT _{<i>it-1</i>}	-2.776 × 10 ⁻⁴ (1.855 × 10 ⁻⁴)	-0.535 × 10 ⁻⁴ (1.529 × 10 ⁻⁴)	-2.880 × 10 ⁻⁴ (1.777 × 10 ⁻⁴)	-0.572 × 10 ⁻⁴ (1.523 × 10 ⁻⁴)
ΔCACCT _{<i>it</i>}	3.040 × 10 ⁻⁴ (1.857 × 10 ⁻⁴)	0.193 × 10 ⁻⁴ (1.311 × 10 ⁻⁴)	3.023 × 10 ⁻⁴ (1.844 × 10 ⁻⁴)	0.031 × 10 ⁻⁴ (1.274 × 10 ⁻⁴)
CACCT/ GNP _{<i>it-1</i>}	-0.046 (0.039)	-0.013 (0.044)	-0.054 (0.036)	-0.011 (0.044)
ΔCACCT/ GNP _{<i>it</i>}	-0.031 (0.035)	0.045 (0.043)	-0.042 (0.031)	0.053 (0.042)
DEBT _{<i>it-1</i>}	-1.93 × 10 ⁻⁵ (2.12 × 10 ⁻⁵)	2.144 × 10 ⁻⁵ (1.62 × 10 ⁻⁵)	-2.110 × 10 ⁻⁵ (2.13 × 10 ⁻⁵)	1.976 × 10 ⁻⁵ (1.61 × 10 ⁻⁵)
ΔDEBT _{<i>it</i>}	-1.639 × 10 ⁻⁴ (1.035 × 10 ⁻⁴)	0.856 × 10 ⁻⁴ (1.602 × 10 ⁻⁴)	-1.591 × 10 ⁻⁴ (0.945 × 10 ⁻⁴)	0.875 × 10 ⁻⁴ (1.504 × 10 ⁻⁴)
PCDEBT _{<i>it-1</i>}	1.577 × 10 ⁻⁴ (7.045 × 10 ⁻⁴)	0.002*** (0.001)	1.205 × 10 ⁻⁴ (6.823 × 10 ⁻⁴)	0.002*** (0.001)
ΔPCDEBT _{<i>it</i>}	2.425 × 10 ⁻⁴ (19.369 × 10 ⁻⁴)	0.001 (0.002)		
DEBT/GNP _{<i>it-1</i>}	-0.007 (0.005)	-0.016*** (0.005)	-0.007 (0.005)	-0.016*** (0.005)
ΔDEBT/GNP _{<i>it</i>}	-6.81 × 10 ⁻⁵ (417.55 × 10 ⁻⁵)	0.001 (0.012)		
INT/GNP _{<i>it-1</i>}	0.362*** (0.094)	0.183 (0.142)	0.363*** (0.092)	0.197 (0.135)
ΔINT/GNP _{<i>it</i>}	0.530*** (0.153)	0.646*** (0.184)	0.530*** (0.151)	0.655*** (0.173)
RES/DEBT _{<i>it-1</i>}	-0.056*** (0.019)	-0.009 (0.012)	-0.052*** (0.017)	-0.009 (0.012)
ΔRES/DEBT _{<i>it</i>}	-0.022 (0.044)	0.020 (0.028)		
PCAPY _{<i>it-1</i>}	-1.753 × 10 ⁻⁴ (3.345 × 10 ⁻⁴)	-7.171 × 10 ^{-4**} (3.188 × 10 ⁻⁴)	-1.288 × 10 ⁻⁴ (3.096 × 10 ⁻⁴)	-7.021 × 10 ^{-4**} (3.16 × 10 ⁻⁴)
DEFAULT _{<i>it-1</i>}	0.447 (0.322)	0.345 (0.404)	0.438 (0.320)	0.350 (0.400)

TABLE 3 (cont.)

<i>Independent Variables</i>	<i>Cold War (1)</i>	<i>Post-Cold War (2)</i>	<i>Cold War Refined (3)</i>	<i>Post-Cold War Refined (4)</i>
USX _{it-1}	1.757 × 10 ⁻⁴ (1.141 × 10 ⁻⁴)	-1.041 × 10 ⁻⁴ (1.508 × 10 ⁻⁴)	1.841 × 10 ⁻⁴ (1.131 × 10 ⁻⁴)	-1.099 × 10 ⁻⁴ (1.528 × 10 ⁻⁴)
USDFI _{it-1}	-2.848 × 10 ⁻⁴ (1.972 × 10 ⁻⁴)	-0.395 × 10 ⁻⁴ (1.036 × 10 ⁻⁴)	-2.901 × 10 ⁻⁴ (1.997 × 10 ⁻⁴)	-0.344 × 10 ⁻⁴ (1.02 × 10 ⁻⁴)
KVOTE _{it-2}	0.599 (0.955)	3.115** (1.510)	0.566 (0.951)	2.967** (1.488)
MKVOTE _{it-1}	3.609** (1.492)	4.333*** (1.401)	3.551** (1.485)	4.192*** (1.363)
Intercept	-1.949*** (0.730)	-3.570*** (0.928)	-2.008*** (0.728)	-3.468*** (0.911)
Correctly predicted (%)	81.17	88.10	80.66	88.10
Model χ^2	96.75	72.04	95.81	70.64
p-value	p < 0.0001 28 d.f.	p < 0.0001 28 d.f.	p < 0.0001 24 d.f.	p < 0.0001 24 d.f.

N = 393 for cold war, N = 353 for post-cold war. Standard errors are in parentheses below the estimates. All specifications include temporal dummy variables (coefficients not reported).

* Significant at $p \leq 0.10$ level.

** Significant at $p \leq 0.05$ level.

*** Significant at $p \leq 0.01$ level.

Table 3 presents the full and slightly refined results (using the same refining technique as above) of separate analyses for the 1985–89 and 1990–94 periods. The model provides a good fit for each of the two subsamples, with $-2 \times \text{LLR}$ for all four scenarios yielding $p < 0.0001$. The model had a higher success rate in predicting outcomes in the second period, correctly predicting 88 percent of the outcomes in both the full and restricted versions versus approximately 81 percent in both specifications for the first period.

The underlying macroeconomic models appear to differ slightly for the two periods. Balance of payments considerations have a greater impact during the cold war years (Table 3, Columns 1 and 3). The overall balance is correctly signed and significant at the 0.95 level. In the refined model, the change in the balance of payments is also significant at the 0.95 level and correctly signed. The coefficients for the current account and the change in the current account approach but do not quite attain statistical significance at the 0.90 level in both cold war specifications. No balance of payments variables even approach statistical sig-

nificance in the post-cold war period (Table 3, Columns 2 and 4). The relevant debt indicators for each subsample differ slightly, but both periods generally confirm the borrower need hypothesis with the exception of the incorrectly signed debt-to-GNP coefficient. The results for per capita income help clarify the ambiguous results for this variable in the full sample specifications by suggesting that while per capita GNP did not affect IMF decisions during the cold war, it has become more important in the post-cold war period. That confirms an apparent trend toward placing greater emphasis on economic growth in formulating IMF programs in recent years.⁸⁷ The default variable does not reach statistical significance in either period, possibly due to the smaller sample size. Again, the economic neutrality hypothesis is not confirmed. Finally, U.S. exports and U.S. direct foreign investment are not statistically significant in either subsample, though the $USX_{i,t-1}$ variable comes reasonably close to attaining 90 percent confidence in the cold war period.

The differences between the impact of the economic variables across the two samples imply two tentative conclusions. First, similar models may produce divergent results if they are tested on different time periods. This may help explain the contradictory results of several seemingly similar econometric studies. Second, splitting larger time series into subsamples may be one good way to compare competing macroeconomic models and to chart their evolution over time.

The impact of politics also varies across the two subsamples but not in the way Killick anticipates. If anything, these results suggest that politics may be *more* important now than ever. The manner in which the U.S. treats its allies and potential allies within the Fund seems to have changed in important ways since 1990. The coefficient for alignment position does not approach statistical significance in the 1985–89 period, but movement is positively signed and statistically significant. Based on this sample, the U.S. appears to have been playing a cold war game of encouraging movement toward it without regard for original alignment position.

Since the end of the cold war, however, both alignment position and movement are statistically significant and positively signed. This suggests that the U.S. is both playing the realignment game as vigorously as ever and is rewarding the allegiance of those who stay close without necessarily moving any closer. Once a country reaches perfect agreement with the U.S., it cannot move any closer. These results imply that

⁸⁷ Killick (fn. 1).

during the cold war such a country would have had to move away from the U.S. and then back toward it to secure favorable treatment from the IMF. By rewarding such behavior, the United States may have encouraged countries to move toward the median voting position in the UN. Countries might also employ dual tactics of backscratching and blackmail to parlay political realignments and potential realignments into material gains.⁸⁸ Such maneuverings may no longer be necessary for close U.S. allies in the post-cold war period. More generally, these results suggest that the ability of the U.S. to influence IMF behavior to achieve its own political goals has not eroded. These goals may have simply shifted according to changes in the structure of the international system, and the U.S. still seems willing and able to exercise its weight within the executive board of the IMF to pursue them. The case of the IMF suggests that multilateralism, while useful for facilitating cooperation among a small number of like-minded states, may not be an effective buffer of U.S. power in the modern global political economy.

LIMITATIONS

This section highlights some of the limitations of this study's approach and data analysis with an eye toward future research. First and foremost, does voting in the UN General Assembly really matter, even on issues that the U.S. has deemed important? The UN itself has little power, and measures adopted within the UNGA in particular (as opposed to the Security Council) are largely symbolic.⁸⁹ In a similar vein, this study does not distinguish between countries according to their strategic and domestic characteristics. It could be argued that UN voting patterns are just a proxy for more fundamental variables. In particular, as countries democratize and open their economies to market forces, they may also be likely to alter their UN votes to reflect these underlying political and economic changes. The United States and IMF may be rewarding the political and economic shifts themselves, rather than the reflection of those shifts within the UNGA. This line of thinking is not necessarily inconsistent with the argument of this paper, but it merits further consideration. In fact, if UN voting does capture these more fundamental characteristics of countries, then it could be a very useful summary measure of them. I ran several new regressions to address these concerns empirically. I included commercial energy produc-

⁸⁸ See McKeown (fn. 48).

⁸⁹ Only one developing country (China) is a permanent member of the Security Council, so we cannot use Security Council votes to measure alignment.

tion ($ENERGY_{it-1}$) as a measure of strategic importance to explain why the U.S. might treat some countries differently from others. Measures of money supply (M/GDP_{it-1}), money supply growth ($MGROW_{it-1}$), budget deficits ($DEFICIT_{it-1}$), and trade openness ($OPEN_{it-1}$ = export plus imports, divided by GNP) captured the relative degree of "economic freedom."⁹⁰ Finally, several indicators of democracy, including the Polity III democracy (DEM_{it-1}) and authoritarianism ($AUTH_{it-1}$) scores and the Freedom House rankings on political rights (PR_{it-1}) and civil liberties (CL_{it-1}), helped assess the impact of regime type and democratization (change in regime type from one year to the next). Table 4 presents these results. Interestingly, none of these new variables yielded statistically significant results, and their inclusion in the estimation did not significantly alter the effects of the voting variables.⁹¹ In sum, the model presented here appears robust to the inclusion of these factors.

Second, I have kept the underlying macroeconomic model as broad and simple as possible. This makes a direct comparison of theoretically distinct macroeconomic models more difficult, but the inclusion of a large number and wide range of economic variables raises the level of confidence in the statistical significance of the results obtained for the political variables, my more immediate concern. Further refinement or inclusion of additional economic variables could be undertaken if justified by other research.

Third, this paper treats the IMF essentially as an instrument of the U.S. government to test indirectly the proposition that relatively straightforward power considerations help explain the behavior of multilateral economic organizations. But the more powerful Fund members are likely to agree on many UNGA votes. Multidimensional scaling analyses conducted by Pallansch and Zinni suggest that the UNGA voting patterns of the G-7 countries tend to congregate together in a Euclidian space.⁹² Future work should explore internal executive board politics and expand the focus to include Germany, Japan, France, and the United Kingdom. An approach centered around the formation and operation of subsets, or "k-groups," of countries within the organiza-

⁹⁰ Data from World Bank, *World Development Indicators 1998* (Washington, D.C.: World Bank, various issues); idem, *World Debt Tables* (Washington, D.C.: World Bank, various issues); and idem, *World Bank Global Development Finance* (Washington, D.C.: World Bank, various issues).

⁹¹ The results for some of the economic variables differ from those in Table 1. Given the smaller number of cases used in Table 4 (a result of data availability), I base my substantive interpretations on the results presented in Tables 1 and 3. Several intermediate and refined specifications yielded similar results.

⁹² Pallansch and Zinni (fn. 67).

tion could lead to a more complex specification of intraorganizational politics.⁹³

Fourth, more careful consideration of the possible impact of U.S. domestic politics would help clarify and respecify those aspects of the problem. Specifically, the influence of domestic interest groups (for example, exporters and foreign investors) and the relations between different government agencies (particularly State and Treasury) merit further attention. Finally, I do not test directly for the impact of a country's past agreements with the IMF, nor do I exclude cases from the data sample that already have a program in effect. The former is partially captured by the default variable. The latter is much less of a problem than it appears because loans are often canceled and immediately replaced, suggesting that having a program in effect at a given moment does not exclude a country from the eligible sample.

IMPLICATIONS

This paper has two central goals: 1) to determine the degree to which high politics affects IMF lending patterns; and 2) to develop and test a more precise and more general explanation of *how* high politics influences the behavior of multilateral organizations. Most researchers of the politics of IMF lending argue that the U.S. punishes enemies and rewards friends via its influence within the Fund's executive board. Those who introduce a somewhat greater degree of complexity do not adequately develop nor test the dynamic impact of international political realignment. Previous research on foreign aid more generally has attempted but generally failed to find a statistically significant relationship between aid flows and political conditionality.⁹⁴ This paper provides the first systematic evidence that politics does affect IMF lending, and its conceptual framework and statistical analysis demonstrate the political factors that are most important, the mechanisms through which they influence Fund behavior, and the more general relationship between multilateral organizations and their member states. The results obtained here show that movement toward the United States within a defined international political space (like that measured by UN voting patterns) can significantly increase a country's chances of receiving a loan from the IMF. This suggests that the U.S. has been more concerned with attracting new allies and punishing defectors than reward-

⁹³ Ruggie (fn. 2).

⁹⁴ See McKeown (fn. 48).

TABLE 4
LOGIT COEFFICIENT ESTIMATES WITH CONTROL VARIABLES, 1985-94

<i>Independent Variables</i>	<i>Using Polity III Measures</i> (1)	<i>Using Freedom House Measures</i> (2)
BOP _{<i>it-1</i>}	-1.201 × 10 ⁻⁴ (1.184 × 10 ⁻⁴)	-1.041 × 10 ⁻⁴ (1.192 × 10 ⁻⁴)
ΔBOP _{<i>it</i>}	6.235 × 10 ⁻⁵ (11.02 × 10 ⁻⁵)	7.452 × 10 ⁻⁵ (11.19 × 10 ⁻⁵)
PCBOP _{<i>it-1</i>}	-0.002 (0.003)	-0.002 (0.003)
ΔPCBOP _{<i>it</i>}	-0.003 (0.003)	-0.003 (0.003)
CACCT _{<i>it-1</i>}	9.496 × 10 ⁻⁵ (13.09 × 10 ⁻⁵)	9.373 × 10 ⁻⁵ (13.14 × 10 ⁻⁵)
ΔCACCT _{<i>it</i>}	2.163 × 10 ⁻⁴ (1.332 × 10 ⁻⁴)	2.052 × 10 ⁻⁴ (1.1327 × 10 ⁻⁴)
CACCT/GNP _{<i>it-1</i>}	-0.082* (0.049)	-0.089* (0.049)
ΔCACCT/GNP _{<i>it</i>}	-0.020 (0.043)	-0.021 (0.043)
DEBT _{<i>it-1</i>}	1.933 × 10 ⁻⁵ (2.01 × 10 ⁻⁵)	2.475 × 10 ⁻⁵ (2.00 × 10 ⁻⁵)
ΔDEBT _{<i>it</i>}	-3.45 × 10 ⁻⁵ (8.35 × 10 ⁻⁵)	-2.97 × 10 ⁻⁵ (8.21 × 10 ⁻⁵)
PCDEBT _{<i>it-1</i>}	0.001 (0.001)	0.002* (0.001)
ΔPCDEBT _{<i>it</i>}	0.001 (0.002)	0.001 (0.002)
DEBT/GNP _{<i>it-1</i>}	-0.014*** (0.005)	-0.016*** (0.005)
ΔDEBT/GNP _{<i>it</i>}	9.460 × 10 ⁻⁴ (62.071 × 10 ⁻⁴)	6.491 × 10 ⁻⁴ (61.295 × 10 ⁻⁴)
INT/GNP _{<i>it-1</i>}	0.168 (0.107)	0.153 (0.106)
ΔINT/GNP _{<i>it</i>}	0.642*** (0.160)	0.663*** (0.160)
RES/DEBT _{<i>it-1</i>}	-0.030* (0.018)	-0.026* (0.017)
ΔRES/DEBT _{<i>it</i>}	-0.026 (0.035)	-0.022 (0.035)
PCAPY _{<i>it-1</i>}	-4.716 × 10 ⁻⁴ (4.072 × 10 ⁻⁴)	-6.376 × 10 ⁻⁴ (3.833 × 10 ⁻⁴)
DEFAULT _{<i>it-1</i>}	0.653* (0.361)	0.684* (0.364)
USX _{<i>it-1</i>}	1.079 × 10 ⁻⁴ (0.928 × 10 ⁻⁴)	1.09 × 10 ⁻⁴ (0.897 × 10 ⁻⁴)

TABLE 4 (cont.)

<i>Independent Variables</i>	<i>Using Polity III Measures</i> (1)	<i>Using Freedom House Measures</i> (2)
USDFI _{<i>it-1</i>}	-1.328 × 10 ⁻⁴ (1.03 × 10 ⁻⁴)	-1.452 × 10 ⁻⁴ (1.037 × 10 ⁻⁴)
KVOTE _{<i>it-2</i>}	1.095 (1.209)	1.350 (1.203)
MKVOTE _{<i>it-1</i>}	4.138 ^{***} (1.270)	4.464 ^{***} (1.265)
ENERGY _{<i>it-1</i>}	-1.11 × 10 ⁻⁵ (0.86 × 10 ⁻⁵)	-1.13 × 10 ⁻⁵ (0.85 × 10 ⁻⁵)
M/GDP _{<i>it-1</i>}	0.017 (0.012)	0.015 (0.011)
MGROW _{<i>it-1</i>}	-1.032 × 10 ⁻⁴ (3.026 × 10 ⁻⁴)	-0.715 × 10 ⁻⁴ (3.033 × 10 ⁻⁴)
DEFICIT _{<i>it-1</i>}	0.062 (0.050)	0.062 (0.050)
OPEN _{<i>it-1</i>}	-0.538 (0.694)	-0.490 (0.688)
DEM _{<i>it-1</i>}	-0.033 (0.103)	
AUTH _{<i>it-1</i>}	-0.055 (0.123)	
PR _{<i>it-1</i>}		0.099 (0.168)
CL _{<i>it-1</i>}		-0.134 (0.214)
Intercept	-2.253 [*] (1.247)	-2.533 ^{**} (1.170)
Correctly predicted (%)	83.72	84.84
Model χ^2	99.94	106.79
p-value	p < 0.0001 40 d.f.	p < 0.0001 40 d.f.

N = 436 for Column 1, N = 455 for Column 2. Standard errors are in parentheses below the estimates. Both specifications include temporal dummy variables (coefficients not reported).

^{*} Significant at p ≤ 0.10 level.

^{**} Significant at p ≤ 0.05 level.

^{***} Significant at p ≤ 0.01 level.

ing loyal friends. It has been able to do so through multilateral channels like the IMF.

The evidence presented here also suggests that changes in the structure of the international system may have altered U.S. and IMF behavior but not in the predicted manner. In fact, these initial results suggest

that the end of the cold war has been associated with the increasing politicization of the IMF by the U.S. There is evidence that the U.S. has been willing to reward friends and punish enemies only since 1990. During the cold war (at least in its last few years), unless they were moving closer to the U.S. politically, allies of the U.S. had no greater chance than its adversaries of receiving assistance from the Fund. Only in the post-cold war period have these countries been able to cash in on their political allegiance.

The demonstration of the systematic impact of international politics on IMF lending poses interesting methodological, theoretical, and practical implications. Methodologically, the use of key UNGA votes provides a more easily quantifiable and temporally sensitive alternative to traditional indicators of international political alignment, such as security alliances, military base locations, treaties, and content analysis. The use of this indicator may facilitate research in other areas of inquiry.

On a theoretical level, the evidence presented here suggests that multilateral organizations like the IMF, despite their enhanced influence in the developing world, are still most profitably analyzed within the parameters of an international political context shaped primarily by the industrialized nations. More specifically, there is strong evidence that the political interests of the United States drive much of the behavior of one of the most important multilateral organizations in the post-hegemonic global economy. I do not explore the reverse causal relationship—the impact of the IMF on U.S. interests and behavior⁹⁵—but these results suggest more generally that the multilateral institutions are still quite sensitive to direct political pressures and influences from their more powerful member states. These influences translate into particular modes of behavior by the multilateral organizations themselves that can be analyzed conceptually, observed empirically, and tested statistically. The study of the role of international institutions and multilateral organizations must take into account not simply the fact that international political factors help determine their behavior on the input side. Such research should also view the operation of such entities as a tool used by the great powers to achieve specific, identifiable, political goals on the output side, such as realignment within the international system. The ability of the U.S. to employ such tools underscores the practical limits of multilateralism and confirms the rather dramatized fears of one of the original architects of the postwar international economic order, John Maynard Keynes:

⁹⁵ See Kahler (fn. 16), 93

There is scarcely any enduringly successful experience of an international body which has fulfilled the hopes of its progenitors. Either an institution has become diverted to the instrument of a limited group or else it has been a puppet — sawdust through which the breath of life does not blow.⁹⁶

On the practical side, the experience of the IMF suggests that Keynes's first fear has been partially realized. To an extent, the U.S. has been able to use the IMF to further its own international political agenda. On perhaps a more positive note, his second fear of irrelevance appears to be a distant one, despite the relative economic decline of the U.S. and the end of the cold war. While undermining the principle of multilateralism, the continued strength of national influence over Fund behavior may well help maintain the stability of great power support for the multilateral organizations if those powers continue to reap important gains from them that may be more economically or politically costly to obtain bilaterally.⁹⁷ Such conclusions could help allay the fears of those within the U.S. Congress who question U.S. support for the IMF based on concerns that it would strengthen multilateralism at the expense of U.S. power.

Finally, as a multilateral organization, the IMF is in a sense a difficult or crucial case for political theories of international finance. It is easy to see how bilateral capital flows could be subjected to the push and pull of international and domestic politics, but on the executive board of the IMF any single country's power is diluted by the presence of other principals within the decision-making body. The structure of the Fund leaves the door open, but a priori we would expect to see less of an impact for politics in the IMF than in bilateral financial flows. If high politics affects IMF lending, then it should have an even stronger impact on national policies. A confirmation of the impact of political realignment on IMF lending therefore provides stronger corroboration of this theory than that which could be obtained in a study of bilateral capital flows and suggests that such ideas may be fruitfully applied to other areas of international finance and international relations more generally.

⁹⁶ Cited in Nick Butler, *The IMF, Time for Reform* (London: Fabian Society, 1982), 24.

⁹⁷ Cf. Ruggie (fn. 2), chap. 1.

APPENDIX A

UNGA KEY VOTES AS IDENTIFIED BY THE DEPARTMENT OF STATE, 1983-93

<i>Year</i>	<i>Issue</i>	<i>Resolution</i>	<i>Vote (Yes-No-Abstain-Absent)^a</i>	
1983	Israeli credentials	Motion	79(U.S.)-43-19	
	Middle East situation	38/180E	81-27(U.S.)-17	
	Afghanistan	38/29	116(U.S.)-20-17	
	Kampuchea	38/3	105(U.S.)-23-19	
	Grenada	Motion	60-54(U.S.)-24	
	Grenada	38/7	108-9(U.S.)-27	
	Chemical and bacteriological weapons	38/187C	97(U.S.)-20-30	
	Human rights in El Salvador	38/101	84-14(U.S.)-45	
	Collaboration with South Africa	38/39G	122-9(U.S.)-17	
	South Africa	38/39A	124-16(U.S.)-10	
	1984	Kampuchea	39/5	110(U.S.)-22-18
		Afghanistan	39/13	119(U.S.)-20-18
		Israeli credentials	Motion	80(U.S.)-41-22
		Chemical and bacteriological weapons	39/65A	99(U.S.)-14-13
Military activities in dependent areas		39/412	62(U.S.)-47-24	
Apartheid		Motion	50-56(U.S.)-28	
Middle East		39/146	28(U.S.)-69-23	
Human rights in El Salvador		39/119	93-11(U.S.)-40	
Economic commission for Africa Conference Center		39/236 (III)	83-3(U.S.)-13	
Middle East situation		39/146A	69-39(U.S.)-26	
1985		Kampuchea	40/7	114(U.S.)-21-16
		Afghanistan	40/12	122(U.S.)-19-12
		Human rights in Afghanistan	40/137	80(U.S.)-22-40
		Human rights in Iran	40/141	53(U.S.)-30-45
	Israeli credentials	Motion	80(U.S.)-41-20	
	Chemical and bacteriological weapons	40/92C	112(U.S.)-16-22	
	Namibia	Vote to retain 40/97B	54-63(U.S.)-29	
	Middle East	Vote to retain 40/168A	64-33(U.S.)-41	
	Central America	40/188	91-6(U.S.)-49	
	Budget	40-253A	127-10(U.S.)-11	
	1986	Kampuchea	41/6	115(U.S.)-21-13
		Israeli credentials	Motion	77(U.S.)-40-16
		Nicaragua	41/31	94-3(U.S.)-47
		Afghanistan	41/33	122(U.S.)-20-11
Libya		41/38	79-28(U.S.)-33	
Namibia		Vote to retain 41/39A	57-46(U.S.)-40	
Chemical and bacteriological weapons		41/58C	137(U.S.)-0-14	
Supplemental budget		41/211	122-13(U.S.)-10	
Human rights in Afghanistan		41/158	89(U.S.)-24-36	

APPENDIX A (cont.)

<i>Year</i>	<i>Issue</i>	<i>Resolution</i>	<i>Vote (Yes-No-Abstain-Absent)^a</i>
	Middle East	Vote to retain 41/162A	66-38(U.S.)-41
1987	Israeli credentials	Motion	80(U.S.)-39-10-30
	Kampuchea	42/3	117(U.S.)-21-16-5
	Trade embargo against Nicaragua	42/176	94-2(U.S.)-48-15
	Afghanistan	42/15	123(U.S.)-19-11-6
	Human rights in Iran	42/136	64(U.S.)-22-45-28
	Apartheid	Vote to retain 42/23C	78-38(U.S.)-27-16
	Comprehensive system of international peace and security	42/93	76-12(U.S.)-63-8
	Program budget for the Biennium 1988-89	42/226	146-1-3(U.S.)-9
	Human rights in Afghanistan	42/135	94(U.S.)-22-31-12
	Middle East	Vote to retain 42/209B	64-33(U.S.)-41-21
1988	Israeli credentials	Motion	95(U.S.)-41-7-16
	Comply with International Court of Justice verdict in Nicaragua vs. U.S.	43/11	89-2(U.S.)-48-20
	Condemn foreign intervention in Cambodia	43/19	122(U.S.)-19-13-5
	Critical of human rights abuses in Iran	43/137	61(U.S.)-25-44-29
	Change name of PLO to "Palestine" in UN usage	43/177	104-2(U.S.)-36-17
	USSR resolution on international peace and security	43/89	97-3(U.S.)-45-14
	External debt crisis and development	43/198	150-1(U.S.)-1-7
	Foreign intervention in Afghanistan	43/20	Adopted by consensus ^b
	Genuine and periodic elections	43/157	Adopted by consensus ^b
	Program budget outline	43/214	Adopted by consensus ^b
1989	Israeli credentials	Motion	95(U.S.)-37-15
	Situation in Kampuchea	44/22	124(U.S.)-17-12
	Situation in the Middle East	Paragraph vote	63-35(U.S.)-47
	Situation in the Middle East: Palestine and International Peace Conference	44/40A	109-18(U.S.)-31
	Situation in the Middle East: Golan Heights	44/40B	84-22(U.S.)-49
	International Court of Justice judgment re: Nicaragua	44/43	91-2(U.S.)-41
	UNRWA: Assistance to Palestine refugees	44/47A	134(U.S.)-0-1

APPENDIX A (cont.)

<i>Year</i>	<i>Issue</i>	<i>Resolution</i>	<i>Vote (Yes-No-Abstain-Absent)^a</i>
	Questions relating to information	44/50	127-2(U.S.)-21
	Cessation of all nuclear test explosions	44/105	136-3(U.S.)-13
	Amendment of the Limited Test Ban Treaty	44/106	127-2(U.S.)-22
	Prevention of an arms race in outer space	44/112	153-1(U.S.)-0
	Nuclear arms freeze	44/117D	136-13(U.S.)-5
	Indian Ocean Zone of Peace	44/120	137-4(U.S.)-14
	Enlargement of the Commission on Human Rights	44/167	151-2(U.S.)-2
	Trade embargo against Nicaragua	44/217	82-2(U.S.)-47
	Military intervention in Panama	44/240	75-20(U.S.)-40
1990	Comprehensive Nuclear Test Ban Treaty	45/51	140-2(U.S.)-6
	Bilateral nuclear arms negotiations	45/58H	99(U.S.)-0-50
	UNRWA: Assistance to Palestine refugees	45/73A	146(U.S.)-0-1
	Situation in the Middle East	Paragraph vote	52-37(U.S.)-49
	Situation in the Middle East: Palestine and International Peace Conference	45/83A	99-19(U.S.)-32
	Situation in the Middle East: Golan Heights	45/83B	84-23(U.S.)-41
	Periodic and genuine elections—UN electoral assistance	45/150	129(U.S.)-8-9
	Human rights in Occupied Kuwait	45/170	144(U.S.)-1-0
	Entrepreneurship	45/188	138(U.S.)-1-0
1991	IAEA report	Motion	88(U.S.)-25-26
	IAEA report	46/16	141(U.S.)-0-9
	Comprehensive Nuclear Test Ban Treaty	46/29	147-2(U.S.)-4
	Register of conventional arms transfers	46/36L	150(U.S.)-0-2
	UNRWA	46/46A	137(U.S.)-0-1
	Palestine—International Peace Conference	46/75	104-2(U.S.)-43
	Middle East—Palestinian question	46/82A	93-27(U.S.)-37
	Zionism/racism	Motion	34-96(U.S.)-13
	Zionism/racism	46/86	111(U.S.)-25-13
	Human rights in Occupied Kuwait	46/135	155(U.S.)-1-0
	Periodic and genuine elections	46/137	134(U.S.)-4-13
	Political and economic coercion	46/210	97-30(U.S.)-9
1992	Yugoslavia: UN membership	47/1	127(U.S.)-6-26
	IAEA report	47/8	146(U.S.)-0-5
	U.S. embargo of Cuba	47/19	59-3(U.S.)-71
	Comprehensive Nuclear Test Ban Treaty	47/47	159-1(U.S.)-4
	Maintenance of international security	47/60B	79(U.S.)-0-84
	Middle East—Golan Heights	47/63A	72-3(U.S.)-70
	Palestine—International Peace Conference	47/64D	93-4(U.S.)-60

APPENDIX A (cont.)

Year	Issue	Resolution	Vote (Yes-No-Abstain-Absent) ^a
	UNRWA	47/69A	136(U.S.)-0-2
	Israeli practices	47/70A	83-5(U.S.)-55
	Situation in Bosnia and Herzegovina	47/121	102(U.S.)-0-57
	Periodic and genuine elections	47/138	141(U.S.)-0-20
	Human rights in Cuba	47/139	69(U.S.)-18-64
	Human rights in Sudan	47/142	104(U.S.)-8-33
	Human rights in Iraq	47/145	126(U.S.)-2-26
	Human rights in Iran	47/146	86(U.S.)-16-38
	External debt problems and development	47/198	158-1(U.S.)-0
1993	IAEA report	48/14	140(U.S.)-1-9
	U.S. embargo of Cuba	48/16	88-4(U.S.)-57
	Middle East peace process	48/58	155(U.S.)-3-1
	Middle East—Golan Heights	48/59B	65-2(U.S.)-83
	Israeli nuclear armament	48/78	53-45(U.S.)-65
	Situation in Bosnia and Herzegovina	48/88	109(U.S.)-0-57
	Periodic and genuine elections	48/131	153(U.S.)-0-13
	Human rights in Cuba	48/142	74(U.S.)-20-61
	Human rights in Iraq	48/144	116(U.S.)-2-43
	Human rights in Iran	48/145	74(U.S.)-23-51
	Human rights in Sudan	48/147	111(U.S.)-13-30
	Peaceful settlement of Palestine question	48/158D	92-5(U.S.)-51
	External debt problems of developing countries	48/182	164-1(U.S.)-0

SOURCE: U.S. Department of State, *Report to Congress on Voting Practices in the United Nations*, various years.

^a U.S. vote shown in parentheses. Abstentions and absences combined from 1983–86. Only yes-no-abstain votes given for 1989–93.

^b No records kept of which member states were present for consensus resolutions. Not included in voting index scores of countries.

APPENDIX B
COUNTRIES USED IN THE ANALYSIS

Algeria, Argentina, Bahamas, Bangladesh, Barbados, Benin, Bolivia, Botswana, Brazil, Burma/Myanmar, Burundi, Cameroon, Central African Rep., Chad, Chile, China, Colombia, Comoros, Congo, Costa Rica, Côte d'Ivoire, Cyprus, Dominican Republic, Ecuador, Egypt, El Salvador, Equatorial Guinea, Ethiopia, Fiji, Gabon, Gambia, Ghana, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Jordan, Kenya, Lesotho, Liberia, Madagascar, Malawi, Malaysia, Mali, Malta, Mauritania, Mauritius, Mexico, Morocco, Nepal, Nicaragua, Niger, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Romania, Rwanda, Senegal, Sierra Leone, Somalia, Sri Lanka, Sudan, Swaziland, Syria, Tanzania, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, Uganda, Uruguay, Venezuela, Yemen Arab Republic, P.D. Republic of Yemen, Yugoslavia, Zaire, Zambia