Do We Really Know What We Think We Know About the Politics of IMF Lending?
Measuring and Reassessing US Influence in Global Financial Governance

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Abstract

After more than two decades of research on the politics of IMF lending, IPE scholars have converged on two key "facts" as conventional wisdom: 1) countries that are politically important to the United States receive preferential treatment (larger loans, less/less stringent conditionality) when borrowing from the Fund; 2) countries serving on the UN Security Council receive more loans, on preferential terms, during their spells on the UNSC. In this paper, we focus on the first of these "facts" and show that evidence of US dominance within the IMF is less robust than widely believed and depends heavily on one specific metric of geopolitical interests: voting affinity in the UN General Assembly. Using two novel measures of foreign policy affinity between the US, other major shareholders, & IMF borrowers – the similarity of treaty portfolios and the similarity of membership portfolios in intergovernmental organizations – we show that evidence of US influence in the IMF is mixed, at best, and conditional on the US having shared geopolitical interests with the Fund's other major shareholders. These results suggest that US influence in the IMF is less extensive than widely believed and scholars need to more carefully theorize and measure geopolitical affinity and think more rigorously about the "value chain" of global financial governance, in which the US and other powerful states can exert influence prior to, during, and subsequent to the IMF lending process. Our analysis also provides further evidence that existing institutional ties between countries shape their behavior in IOs and IPE more broadly.

I. Introduction

One of the most important and well-developed literatures in the study of international political economy and international organizations is the body of work focusing on the politics of the International Monetary Fund. Since the mid-1990s, IPE scholars have made great strides in understanding how both domestic and international politics shape the lending of the IMF and its policy responses to financial and debt crises around the world. Building from earlier work in economics, IPE scholars have shown that political factors shape countries' decisions to request IMF assistance (e.g., Vreeland 2003, Caraway et. al. 2012, Rickard and Caraway 2014, Shim 2021), the views of both powerful states and IMF staff members over Fund policies and the size and terms of Fund loans (e.g., Thacker 1999, Barro and Lee 2005, Stone 2004/2008/2011, Copelovitch 2010a/b, Copelovitch and Rickard 2021, Lang and Presbitero 2018, Nelson 2014, Chwieroth 2008/2013/2015), international investors behavior once the IMF lends (e.g., Chapman et. al. 2017, Copelovitch 2010a, Shim 2021), and the relationship between IMF lending and other types of international interactions (e.g., Dreher et. al. 2009, Dreher and Vreeland 2014, Dreher et. al. 2019)8.

As one takes stock of this now-well-developed literature, it becomes clear that IPE scholars have converged on two key "facts" as conventional wisdom about the politics of IMF lending. First, scholars broadly agree that countries that are politically important to the United States receive preferential treatment—more loans, larger loans, and/or loans with less or less stringent conditionality—when borrowing from the Fund. There is some disagreement about the scale and scope of this finding. Some, most notably Stone (2008/2011) argue that US influence reflects "informal governance" at the IMF where the United States "may intervene and assume temporary control when urgent strategic objectives override its interest in the organization's long-term goals" Stone (2008, 590). Others argue instead that the formal rules still matter in the international financial institutions and that the US exercises influence within the confines of the Fund's decision-making bodies and rules (Lyne et. al. 2003, Hawkins et. al. 2006). From either perspective, though, the focus is on politics *within* the Fund, often ignoring the politics and policy moves both prior and subsequent to Fund action in any given crisis. As such, the consensus is clear: IPE scholars "know" that American influence over IMF lending is clear and strong over the last four decades.

Second, where scholars have looked beyond the Fund itself, they tend to focus not on how major economies may directly shape the course of financial crises, but on cross institutional "votes for loans" deals. This "dirty money" literature broadly argues that countries receive more loans while serving temporary terms on the United Nations Security Council. Here, again, scholars disagree somewhat about the specific causal mechanisms and theoretical story, with some arguing that explicit "vote buying" is occurring within the UNSC (e.g., Dreher et. al. 2018, Dreher et. al. 2015, Kuziemko and Werker 2006). Others note the correlation between countries that sit temporarily on the UNSC and more/more generous IMF lending and/or World bank project financing, but argue that explicit vote buying rarely, if ever occurs. Again, in either case, the key thing we "know" is that lending by the international financial institutions (IFIs) is sometimes

timed and traded for political support in the UNSC in response to the preferences and demands of the US and other "great powers" in the Fund.

If citations are a metric of the importance of research findings in social science research, these two "facts" – the dominant political influence of the US within the IMF, and the link between IMF lending and geopolitical wrangling in the United Nations – are, perhaps, the two most importance "facts" that we now know about the politics of IMF lending. One sees this in how new empirical work on the IMF is structured: the most common "political control" variables being political proximity to the United States (based on UNGA voting coincidence or US bilateral aid) or a dummy for a country's presence on the UNSC. With few exceptions, "politics" in IMF lending is summarized by these two variables that encapsulate the conventional wisdom of two decades of research by IPE scholars.

In this paper, we reassess the first of these two conventional wisdoms about the politics of IMF lending: that the US is able to put Fund resources at the disposal of its friends and allies. We argue that this result—and how certain we should be about it as a "fact"—are less robust than widely believed and depend heavily on one specific metric of geopolitical interests: voting affinity in the UN General Assembly. While UN voting affinity provides useful (and important) information about the ideological orientation of states (Voeten 2021), it is not a reflection of shared long-term interests or the intensity of those interests. To demonstrate this, we turn to two novel measures of foreign policy affinity—the similarity of treaty portfolios and the similarity of membership portfolios in intergovernmental organizations. We estimate a series of simple models that we view as capturing the conventional wisdom that Fund operations are jointly determined by economic fundamentals and political proximity to powerful countries. We show the conclusions we draw from models using these alternative measures to operationalize political proximity to the United States differ substantially from those relying on measures derived from UNGA voting coincidence. In some cases, the sign on political affinity with the United States flips, suggesting that increased political distance *increases*, rather than *decreases*, the probability that a state starts a new IMF program and the size of that program. In addition, we show that a simple mean of the G5 political proximity often explains outcomes just as well as the US-only formulation of political proximity. The upshot is that evidence of unilateral US influence *within* the IMF is mixed at best.

Our goal here is not to deny the important influence that the United States has on the politics and policy in the global economy. Instead, we argue that IPE scholars have misread the politics of the IMF and the evidence on which US dominance models are based because they ignore the fact that US interests are often highly correlated with those of other powerful member states within the IMF and because they focus too little on how powerful economies shape the politics and economics of crises prior to the IMF taking any action at all. Somewhat ironically, then, the IPE literature potentially underestimates US influence in general even while they overestimate it within the Fund. In sum, the United States' privileged position in the world economy uniquely empowers it to act outside the Fund in ways that affect outcomes within the Fund. While some scholars view these outside options as a source of leverage for the United States at the Fund (Stone 2011), in our view, the freedom of action enjoyed by the United States

outside the Fund *limits* rather than *empowers* the US within the Fund. As we relate below, the main concern of the Fund's other member countries is often not that the United States might exercise its outside options, but that it has not fully exhausted those options prior to the fund taking action. Our analysis thus provides further evidence that existing institutional ties between countries shapes their behavior in IOs and IPE more broadly (Copelovitch and Putnam 2014). Finally, our study highlights the need for IPE scholars to pay more attention to the "value chain" of global financial governance, in which IMF lending—and the international politics surrounding it, of which US influence is a key element—is but one stage of a broader game involving central bank swap lines, bilateral bailouts, and debt restructuring in which powerful states such as the US exert substantial influence.

This paper proceeds as follows. First, we discuss several of the key problems associated with using UN voting affinity as the main variable measuring US geopolitical interests (as well as those of other "powerful states" or "major shareholders" at the Fund) and with ignoring the similarity between US preferences and those of the IMF's other major shareholders. Second, we present the two alternative measures noted above – shared treaty membership portfolios and shared IGO membership portfolios – and discuss why they are more accurate measures of the intensity and durability of shared interests between the US, IMF loan recipients, and the Fund's other major shareholders. Third, we present quantitative evidence illustrating how the relationship between US interests and IMF loan characteristics changes when we utilize these alternative metrics of geopolitical affinity as proxies for US influence. Finally, we conclude with a discussion of possible reasons for the disconnect between the "conventional wisdom" status of the "US dominance" theory of IMF lending and the limited empirical evidence in support of it. In particular, we highlight the need for IPE scholars to focus more closely on states' institutional ties to each other and the international system and to view the politics of IMF lending as but one stage in a multi-step chain of global financial governance, all of which are deeply influenced by the preferences of the US and other large shareholder countries.

II. Measuring geopolitical ties and US influence: the promise and perils of UN voting affinity

The dominance of US interests in the geopolitics of IMF lending is now conventional wisdom in IPE. This view emerged with first-generation work that identified the similarity of voting in the UN General Assembly as useful proxy for geopolitical affinity between IMF borrower countries and the US. Although UNGA voting itself is non-binding and a form of "cheap talk," the logic goes, it provides a useful measure of countries' sincere positions on key foreign policy issues and could therefore be used as a proxy for foreign policy affinity between governments. According to this logic, those states that vote with the United States in the UNGA must share key foreign policy priorities of the United States and so get preferential treatment at the Fund. Thacker (1999), among the first to UN voting affinity in this way, quotes the U.S. State Department, "examining UN votes makes it 'possible to make judgements about whose values and views are harmonious with our own, whose policies are consistent opposed to ours, and whose practices fall in between.'" This is true to a first approximation, but measures of affinity based on raw voting agreement scores can change dramatically for reasons unrelated to

underlying foreign policy preferences. As Bailey, Voeten, and Strezhnev (2017) note such measures "assume a straightforward relationship between how often two states vote together and preference similarity." However, the UNGA agenda changes in idiosyncratic ways from year to year, which can mechanically generate changes in voting similarity even if underlying preference alignments have not changed. To overcome this problem, Bailey, Voeten, and Strezhnev (2017) turn to item response theory (IRT) models that are similar to those long-relied on by scholars of American and Comparative politics to estimate ideology of legislators and other political actors. These new ideal points measures, which are much better reflections of both intertemporal and cross-sectional preference cleavages in the international system, are now widely used by scholars as measures of interest alignment with the United States.

Nonetheless, UN voting affinity metrics remain potentially problematic in several ways. The first is purely empirical. As Figures 1-2 illustrate, the correlation between a country's UN voting ideal point distance from the US and key measures of IMF program characteristics is extremely weak and statistically insignificant. Figure 1 shows that, from 1981 to 2017, the pairwise correlation between IMF loan size and the ideal point distance between the US and a borrower country is -0.07. Similarly, Figure 2 shows that the correlation between overall IMF conditionality (BA3TOT, the weighted total conditions measure from Kentikelensis et. al. 2016) and UN voting affinity is -0.03. As both figures illustrate, there are many IMF loans – including many of the "major" and prominent cases of financial crisis lending since the 1980s, as well as key cases of "geopolitically important" countries such as Egypt or Pakistan, in which UNGA voting affinity does not correlate with either larger IMF loans or more lenient program conditionality.

Figure 1: IMF loan size (amount/GDP, log) by UNGA ideal point distance: US to borrower
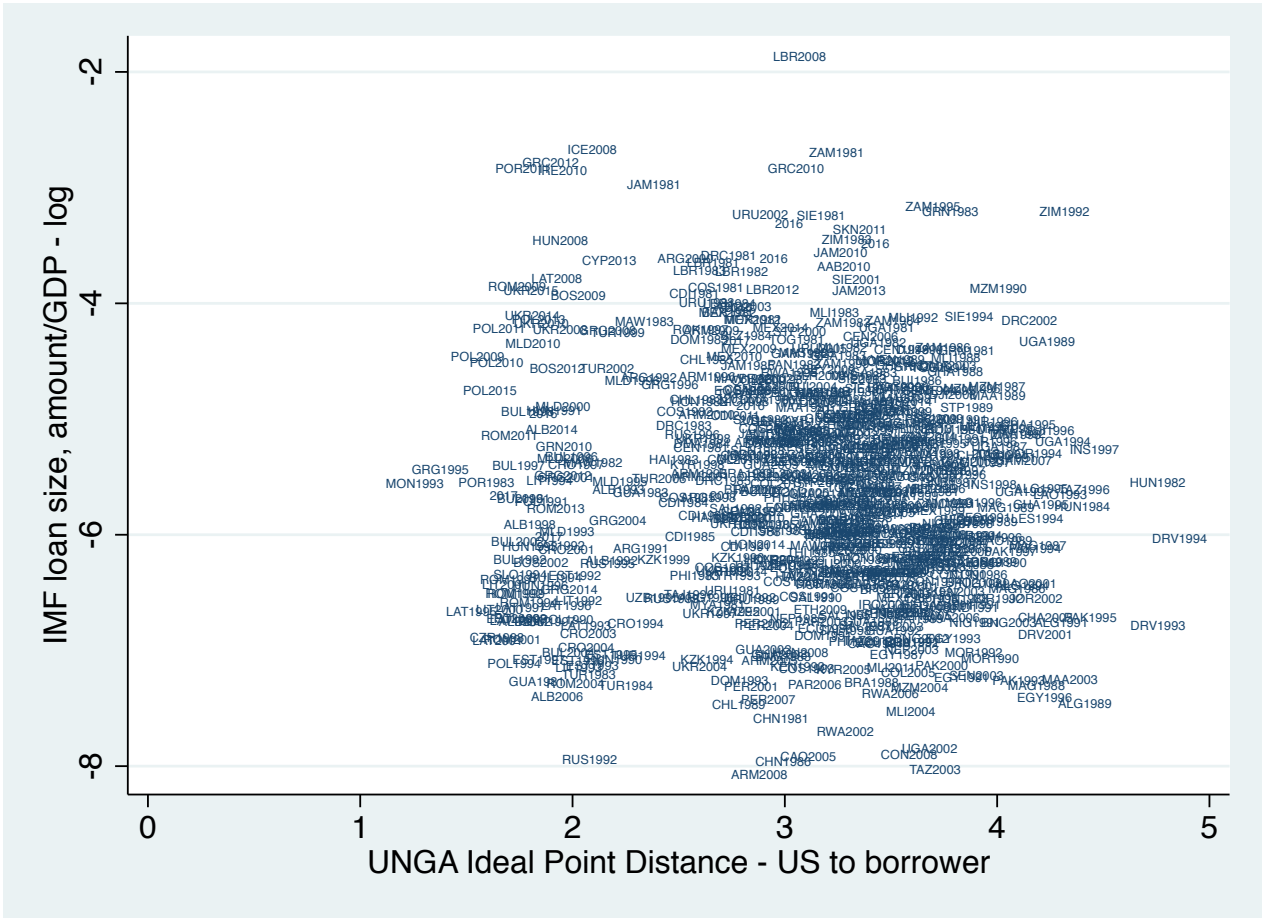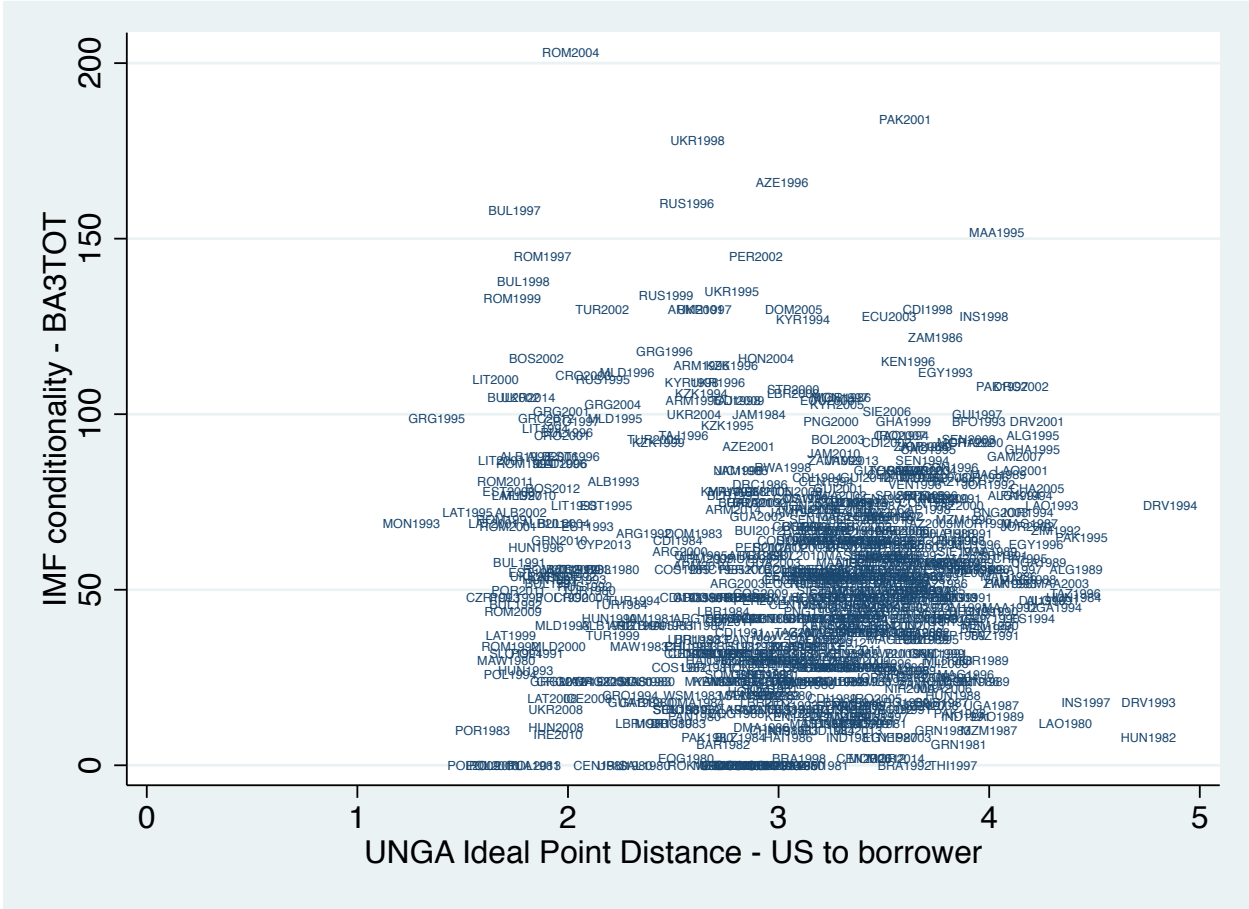
Figure 2: IMF conditionality (BA3TOT weighted conditions measure), by UNGA ideal point distance: US to borrower

For a theory that has achieved such overwhelming dominance and status within IPE as "conventional wisdom," this basic lack of a clear relationship between UN voting affinity and IMF loan characteristics is striking. It raises questions about both the theory itself and the ways in which "geopolitical affinity" is measured.

Beyond the purely empirical issue, two more conceptual issues also raise questions about the merits of UN voting affinity metrics as proxies for common interests with the United States in studies of IMF politics. First, these measures provide insight into a state's overall orientation towards the US-led liberal order, but they do not measure the intensity or strength of those preferences. They do not, for example, tell us who will go to bat for the United States and its allies either within or outside the UNGA. In fact, as Carter and Stone (2013) show, there is evidence that some states vote with the United States because the latter can credibly threaten the former with bilateral aid reductions.

Second, UNGA voting is inherently "cheap talk." UNGA resolutions are not binding, either on the Security Council or member-states. Scholars have frequently pointed to this as an advantage: given the generally costless nature of UNGA voting, the claim is that we can interpret these votes as expressions of states' "sincere" preferences on global issues (Stone 2004). The problem with this, of course, is that costless sincerity is of limited use, because it tells us nothing about states' willingness to make long-term credible commitments on key foreign policy issues, which might signal deeper, more substantial ties to the US. As we discuss below, formal commitments—such as shared IGO membership or bilateral treaties—are costly signals that lock in long-term commitments for governments, and they are more likely to provide us useful information about a state's shared international commitments and foreign policy affinity with the US than "cheap talk" in the UNGA.

Third, the causal and conceptual link between UNGA voting affinity, as an empirical measure, and existing theories of powerful states and the politics of IMF lending is tenuous, at best. In order to see this, it is useful to ask what, exactly, it is that governments are being rewarded for, and what are powerful states like the US are seeking to protect, when it comes to the politics of IMF lending. Perhaps powerful states want to limit the negative global or regional externalities from a financial crisis? Perhaps they are loss averse and want to limit the damage to their own banks or investors from financial turmoil overseas? Perhaps they want to reward governments that have made past commitments in other issue areas? Perhaps IMF borrower countries are important military allies or geographically strategic countries providing the US use of military bases? Perhaps they are interested in rewarding governments that support them in other forums like the UN Security Council (Dreher and Vreeland 2014)? All of these are plausible theoretical logics linking geopolitical ties to the US to preferential treatment for IMF borrower countries. Unfortunately, UNGA voting does not really capture any of these dynamics.

Thus, while we agree that there are often good reasons to focus on ideological affinity between countries, and we do believe that the "cheap talk" nature of UN voting can be informative for understanding government ideology and policy positions on certain issues. What it cannot do, however, is provide us with much useful information on governments' shared commitments or the degree to which countries are embedded within the "rules-based international order." Put another way, the UNGA is the bar/reception after the summit, not the negotiations themselves. Both the late-night conversations involving alcohol and the daytime business meetings provide useful information, but they are not the same information. And focusing only on the former – and assuming they are identical in substance and signal as the latter – is a potentially risky assumption for all parties involved.

In sum, the key issue is that "close to the US," as measured by UN voting affinity, and "geopolitically important" to the US are not necessarily the same thing. UN voting affinity does a much better job measuring proximity than the salience or importance of an IMF borrower country to the US. Indeed, as Erik Voeten has noted, voting coincidence on UNGA resolutions "is not an expression of closeness of relations between two states but an expression that both states agree on the desired fate of a UN resolution" (Voeten 2021, p. 106). Countries vote on specific resolutions, not on how much they like each other. Consequently, we should be careful in

interpreting them as indicators for common interests, geopolitical affinity, and the like. Despite this, use of UNGA voting metrics as a proxy for a country's geopolitical ties to the US remains pervasive in the IPE, IO, and international security literatures. If this were merely a question of proxies, this would not be a problem. However, as we illustrate below, using UNGA in this manner has led to inferences about the relationship between US influence and IMF lending that do not appear to be robust to the use of alternative measures of these concepts.

III. Taking international commitments seriously: Better measures of geopolitical affinity

In the previous section, we noted the disconnect between UN voting affinity and the underlying theoretical concepts it purports to measure in the IPE literature on the international financial institutions. In this section, we propose two alternative metrics that highlight shared long-term commitments between countries: the similarity of membership in UN treaties (Voeten 2021) and the similarity of membership in intergovernmental organizations (IGOs) (Lupu 2016).

Treaty and IGO commitments. In contrast to UN voting, which is resolution-specific and often focused on short-term issues, bilateral treaties and shared membership in IGOs are long-term commitments, and they are likely to more accurately reflect two countries' shared positions on key geopolitical, economic, and other issues in world politics. When countries sign on to international treaties or join IGOs, they are making long-term policy commitments. To be sure, the enforcement problem always exists, and there are some treaties and IGOs that do a clearer job of "screening" countries for pre-existing policies and behavior, rather than "constraining" them with new commitments (von Stein 2005). For our purposes, this is a distinction without a difference. Whether ratifying international agreements screen ex ante or constraint ex post, they are public signals of commitment to a set of policies over the long term and they embody deeper and more substantive long-term commitments than "cheap talk" and voting in the UNGA.

Perhaps more importantly, treaties and IGOs also are not episodic in their content, nor are they linked to votes on particular country- or temporally-specific issues like UNGA votes. As noted above, UN votes are not relational. Countries vote on the resolutions that come before them. The substance of these resolutions varies widely from year-to-year. Treaties, whether one believes they screen or constrain or do a combination of both, tell us more about a country's "type" than UNGA votes. They offer more information about the substantive policy commitments countries are willing to make, and the similarity of the "portfolio" of treaties between two countries tells us more about either shared material interests, shared ideological commitments, or both. Indeed, as Lupu (2016) notes the most important factor predicting treaty ideal point proximity is economic ties.

Similarly, membership in intergovernmental organizations signals a longer-term, broader commitment to international cooperation and rules-based interaction in particular issue areas. Whether one adopts a more materialist or more ideational perspective, there are good reasons to believe that shared IGO membership is a stronger metric of two countries' shared interests than UN voting affinity. Countries that belong to the same international organizations pool

resources, interact repeatedly over time through codified rules and procedures, and subject themselves to mutual participation in IGO institutions that monitor, enforce, and constrain state behavior in a myriad of ways. UN voting affinity may capture aspects of these shared commitments, but it does so only indirectly.

Unlike UN voting affinity, treaty and IGO portfolio similarity between the US and recipient countries are also more stable across time. The volatility problem that plagues UN voting affinity and ideal point estimation – driven by variation from year-to-year in the content of UNGA resolutions and the substantive topics considered within the body – is mitigated with these alternative measures. Treaties signal credible commitments to constrain one's sovereignty and fulfill explicit obligations. Many of these include monitoring and enforcement mechanisms that further enhance the credibility of commitments. Similarly, IGO membership locks in structured interactions between countries, creating scope for information sharing, socialization, and repeated engagement (Copelovitch and Putnam 2014).

IV. Empirical analysis: testing the conventional wisdom

To illustrate what we view as the limits of the conventional wisdom, we model access to Fund resources as jointly determined by economic fundamentals and political links to the Fund's largest shareholder, the United States. We estimate parallel models that treat access to IMF resources as jointly determined by economic fundamentals and political links to the center of political gravity of the Fund's board: the G5 major shareholders (US, Germany, Japan, UK, France). We take the now-standard approach to operationalizing political linkages using UN ideal point distance (Bailey, Voeten, and Strezhnev 2017), but we also use alternative measures that, in our view, are more informative signals of political proximity: treaty ideal points (Lupu 2016), and IGO ideal points (Voeten 2021). If the conventional wisdom of "US dominance" at the IMF is correct, we ought to see that distance from the US as measured by UN ideal points and as measured by these alterative measures is robustly and negatively correlated with more generous access to Fund resources. Friends and allies of the United States ought to be able to secure more, and larger programs with fewer conditions. Moreover, these US-only models ought to significantly outperform alternative models that model access to the Fund as a function of not just links to the United States, but to the broader group of economically important members states: the G5. As we relate below, this is not what we find.

We estimate linear models with country fixed effects of the form:

$$y_{it} = \beta_1 PoliticalProximity_{it-1} + \beta_X X_{it-1} + \alpha_i + \epsilon_{it}$$

The unit of analysis is IMF member country-year. We measure access to fund resources, our outcome variable (y_{it}), in three ways. First, we code whether the country got a new IMF program at all and subsequently, the size of program in special drawing rights (SDRs). Third, we code how onerous the conditions attached to a particular program are. Our data on IMF programs and commitments is web-scraped from the IMF's Lending Commitments website, which includes

information on the existence and duration of all IMF commitments (concessional, non-concessional, and outright loans) to member states since the creation of the IMF. We use this data to construct two variables. The first, *New IMF Program*, records whether a new IMF program was started for a given country in a given year. The second, *Loan amount*, records the logged size of the package in special drawing rights (SDR). Importantly, because the literature on the politics of IMF resource allocation focuses attention on relations between states *at the time of the initial allocation decision*, we assign the total value of the program to the year in which the program starts. For data on conditionality, we use the *BA3TOT* from Kentikelensis, Stubbs, and King (2016) which is a weighted count of conditions attached to a given program in a given year.

To measure a country's affinity to the US and G5, we adopt the now-standard measure political proximity with powerful states, UN ideal points ($Proximity_{it-1}$) from Bailey, Voeten, Strezhnev (2017), operationalizing proximity using the absolute value of ideal point distance from both the United States and the mean of the G5 (France, Germany, Japan, United Kingdom, and United States). We also rely on the alternative ideal point measures described in the previous section, using data from Voeten (2021) and Lupu (2016) that measure differences in IGO and treaty portfolios respectively. In addition to introducing a country (α_i) fixed effect, we include a battery of controls (X_{it-1}): UN security council membership (Dreher, Sturm, and Vreeland 2009), population (Feenstra and Inklaar 2015), GDP (Feenstra and Inklaar 2015), regime type (Coppedge et al 2019), past IMF experience (number of past IMF programs), and the IMF's liquidity ratio (Lang 2019). We lag all explanatory variables by one year to guard against reverse causation. In addition, we standardize each of the continuous variables with a mean of 0 and standard deviation of 1, allowing us to directly interpret the coefficients as the effect of a one-standard deviation change in the independent variable on the outcome variable.[1]

The results of this first set of models are presented in Table 1. Models 1 and 5, respectively, show that movements away from the United States UN ideal point are associated with a decline in the probability that a state begins an IMF program of about 3.5 percentage points and about 9.8 more (weighted) conditions attached to any program they do secure. Model 3 reveals that the size of programs is unrelated to political proximity to the United States. Importantly, however, we see in model 2 that measuring political proximity to the Fund as ideal point distance of the borrower from the G5, produces a larger and more precisely estimated coefficient and somewhat better model fit statistics. In this model, a standard deviation shift away from the G5 reduces the probability that a state begins a program by about 4.5 percentage points. As in the case of the US only model, program size is not associated with changes in political

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[1] We have replicated all of the models described here in two-stage instrumental variables setups, controlling for non-random selection into IMF programs using the Bartik-style instrumental variable approach that combines temporal variation in the IMF's liquidity with cross-sectional variation in a country's prior probability of participating in an IMF program (Lang 2021, Gehring and Lang 2020). Since these models do not change the significance of our key explanatory variables or the substantive meaningfulness of the results, we present the more easily interpretable OLS fixed effects models here.

proximity to the G5. Like the US only model, moving away from the G5 is associated with an increase in the conditionality burden, but the effect is not statistically significant (model 6).

Table 1. UN ideal points and access to IMF resources

	(1) New Program	(2) New Program	(3) Program size (ln SDR)	(4) Program size (ln SDR)	(5) Num. Conditions (BA3TOT)	(6) Num. Conditions (BA3TOT)
L.Distance from US UN Ideal	-0.034*		-0.014		9.776**	
	(0.018)		(0.104)		(4.334)	
L.Distance from G5 UN Ideal		-0.045**		-0.030		5.439
		(0.018)		(0.091)		(4.194)
L.UNSC Member	0.001	0.001	0.008	0.008	-8.706**	-9.181**
	(0.015)	(0.015)	(0.117)	(0.117)	(3.809)	(3.835)
L.ln(Population)	0.382***	0.387***	-2.042**	-2.024**	77.608***	86.068***
	(0.115)	(0.112)	(0.832)	(0.811)	(25.942)	(25.509)
L.ln(GDP)	-0.125***	-0.134***	1.003*	0.992*	-29.129**	-31.053**
	(0.042)	(0.042)	(0.508)	(0.507)	(12.523)	(12.582)
L.Regime type	0.062***	0.057***	-0.056	-0.059	5.083**	4.810**
	(0.015)	(0.014)	(0.054)	(0.054)	(2.360)	(2.330)
IMF liquidity ratio	0.015	0.013	0.387***	0.384***	-12.088***	-12.263***
	(0.011)	(0.010)	(0.091)	(0.091)	(2.172)	(2.228)
Num. past programs	-0.045***	-0.046***	0.136***	0.136***	3.156***	3.518***
	(0.007)	(0.007)	(0.042)	(0.044)	(1.104)	(1.071)
Constant	0.252***	0.261***	11.303***	11.303***	5.082	3.343
	(0.040)	(0.041)	(0.341)	(0.351)	(7.201)	(6.980)
N	5738	5738	741	741	648	648
Years	41	41	41	41	35	35
Countries	159	159	109	109	104	104
Start Year	1974	1974	1974	1974	1980	1980
End Year	2014	2014	2014	2014	2014	2014
Log lik.	-1406.67	-1401.05	-852.30	-852.23	-2954.30	-2958.15
AIC	2829.34	2818.09	1720.60	1720.46	5924.61	5932.31
BIC	2882.58	2871.33	1757.47	1757.32	5960.40	5968.10

Standard errors, clustered by year and country, in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

UN ideal points measure preferences are based on voting coincidence in the UNGA. While UN ideal points capture important aspects of state ideology (Voeten 2021), they are less directly relevant to the economic interests that prevailing theories of institutional governance anticipate will dominate the politics of Fund resource allocation. Fortunately, the international system gives us other data, in the form of joint membership in treaties (treaty ideal points from Lupu 2016) and join membership in intergovernmental organizations (IGO ideal points from Voeten 2021), on preferences. As described in the previous section, we view these measures as potentially more informative about not only the preferences of states as they grapple with the economic policy issues fundamental to the Fund's operations, but also of each state's underlying willingness to make costly policy adjustments to realize those preferences. To be clear, these measures are not devoid of ideological content, as Voeten (2021) documents. But they are, in our view, costly expressions of ideological preferences and therefore better approximations of how willing states are to bear costs in pursuit of goals mutual goals. We use these measures to study whether there

is evidence of disproportionate US influence using these alternative – and we believe, superior – measures of state economic interests.

We begin with treaty ideal point distances and then consider IGO ideal point distances. We estimate models identical to those above but swap out UN ideal point measures for ideal point distance measures derived from joint membership in universal treaties from Lupu (2016). In Lupu's full dataset, the correlation between treaty ideal point distance and UN ideal point distance, is only about 0.19, suggesting that the two measures pick up a distinct dimensions of state relations. As Lupu (2016, 1241) relates, treaty ideal point distances can be understood as measures of shared economic interests: "economics—particularly trade—is by far the best and most consistent predictor of states' revealed treaty commitment preferences." If the United States is manipulating access to Fund resources for the benefit of its economic partners, we ought to see a robust negative correlation between treaty ideal point distance from the United States and new programs and the size of those programs. Likewise, we ought to see a strong positive correlation between treaty ideal point distance from the United States and conditionality, suggesting special treatment for those closer to the United States.

The results of models using the treaty ideal point distance measures are presented in Table 2. In stark and direct contrast to the standard "US dominance" theory of IMF lending, Models 1 and 3 show that states are actually *more* rather than less likely to enter new Fund programs – and those programs are *larger* rather than smaller – as they move further away from the United States' treaty ideal point. A one standard deviation increase in treaty ideal point distance increases the probability of a new program by about 6 percentage points and increases the size of the average program by about 60 percent. Moving to the G5 measure of treaty ideal distance (models 2 and 4) shows no meaningful correlation between treaty ideal distance and either program initiation or program size. The only model that yields results consistent with the prediction that close ties with the United States are correlated with greater generosity on the part of the Fund is that of conditionality. There, a standard deviation increase in treaty ideal distance increases the number of (weighted) conditions by about 11, but here we see that the same is true when accounting for the preferences of the G5. In sum, the treaty ideal point measures offer little support for the dynamics predicted by models that put the Fund's resources at the disposal of the United States to benefit friends and allies.

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Table 2: Treaty ideal points and access to Fund resources

	(1) New Program	(2) New Program	(3) Program size (ln SDR)	(4) Program size (ln SDR)	(5) Num. Conditions (BA3TOT)	(6) Num. Conditions (BA3TOT)
L.Distance from US treaty ideal	0.057**		0.481**		10.396**	
	(0.024)		(0.184)		(4.813)	
L.Distance from G5 treaty ideal		-0.004		0.105		11.844**
		(0.029)		(0.229)		(5.546)
L.UNSC Member	-0.010	-0.009	-0.050	-0.069	-5.595	-5.840
	(0.017)	(0.017)	(0.132)	(0.130)	(4.617)	(4.631)
L.ln(Population)	0.428***	0.413***	-1.145	-1.634	103.260***	97.221***
	(0.116)	(0.117)	(1.002)	(0.969)	(37.238)	(35.254)
L.ln(GDP)	-0.105**	-0.107**	0.330	0.323	-25.076*	-26.425*
	(0.047)	(0.049)	(0.560)	(0.581)	(13.812)	(13.786)
L.Regime type	0.072***	0.071***	0.002	-0.025	2.886	3.259
	(0.018)	(0.018)	(0.065)	(0.065)	(2.365)	(2.479)
IMF liquidity ratio	0.014	0.009	0.388***	0.342***	-12.367***	-13.046***
	(0.010)	(0.011)	(0.110)	(0.109)	(3.099)	(3.086)
Program years	-0.049***	-0.050***	0.132**	0.145***	4.614***	4.534***
	(0.008)	(0.008)	(0.050)	(0.051)	(1.304)	(1.276)
Constant	0.268***	0.275***	10.903***	10.965***	-6.248	-4.145
	(0.043)	(0.043)	(0.383)	(0.387)	(7.881)	(7.822)
N	4495	4495	657	657	565	565
Years	36	36	36	36	30	30
Countries	144	144	99	99	94	94
Start Year	1974	1974	1974	1974	1980	1980
End Year	2009	2009	2009	2009	2009	2009
Log lik.	-1315.99	-1321.17	-738.35	-746.51	-2561.87	-2562.50
AIC	2645.98	2658.34	1492.70	1509.02	5139.75	5141.00
BIC	2690.85	2709.63	1528.60	1544.92	5174.44	5175.69

Standard errors, clustered by year and country, in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Finally, we estimate models using IGO ideal point measures to operationalize political proximity to the US and the Fund's other major shareholders. The IGO ideal points are estimated by Voeten (2021) and come in two forms. The first, *IGO ideal* is estimated off IGOs with "intercontinental reach" (Voeten 2021, p. 95) in the joint IGO membership data from Boehmer, Gartzke, and Nordstrom (2004). The second, *Interventionist IGO ideal*, is based on the subset of IGOs with intercontinental reach that Boehmer, Gartzke, and Nordstrom (2004) code as "interventionist." Interventionist IGOs are those that "contain mechanisms for mediation, arbitration, and adjudication, and/or other means to coerce state decisions (such as withholding loans or aid), as well as means to enforce organizational decisions and norms" (Boehmer, Gartzke, and Nordstrom, p. 18). Examples include the World Trade Organization, the development banks, the Fund itself, and the International Tribunal on the Law of the Sea. Like our treaty measure above, joint "votes" in favor of these organizations are a costly signal of a state's own preferences. Results relying on these measures are presented in Tables 3 and 4.

Here, again, we see very little evidence to suggest that friends and allies of the United States get special treatment, as the "US dominance" theory predicts. The probability that a state gets a new IMF program is uncorrelated with political proximity to the United States operationalized as either IGO ideal point or intensive IGO ideal point distance from the United

States. The same is true for program size, though here we see suggestive evidence that moving away from the G5 reduces program size. Only in the case of intensive IGO ideal point distance do we see that conditionality is significantly correlated with distance from the US, but the same is true for the alternative model which accounts for the broader set of powerful members on the board.

Table 3. IGO ideal points and access to Fund resources

	(1) New Program	(2) New Program	(3) Program size (ln SDR)	(4) Program size (ln SDR)	(5) Num. Conditions (BA3TOT)	(6) Num. Conditions (BA3TOT)
L.Distance from US IGO ideal	0.023		-0.111		-3.085	
	(0.031)		(0.214)		(6.045)	
L.Distance from G5 IGO ideal		0.007		-0.434*		-9.576
		(0.031)		(0.217)		(6.322)
L.UNSC Member	-0.001	-0.002	0.005	0.007	-9.761**	-9.606**
	(0.015)	(0.015)	(0.119)	(0.118)	(3.832)	(3.807)
L.ln(Population)	0.314***	0.322***	-1.948**	-1.938**	96.070***	97.209***
	(0.106)	(0.112)	(0.765)	(0.757)	(23.350)	(24.360)
L.ln(GDP)	-0.115**	-0.117***	1.013*	0.892	-34.560***	-36.829***
	(0.043)	(0.043)	(0.536)	(0.531)	(11.837)	(12.223)
L.Regime type	0.068***	0.067***	-0.048	-0.058	3.954	3.759
	(0.017)	(0.016)	(0.057)	(0.055)	(2.355)	(2.372)
IMF liquidity ratio	0.012	0.013	0.383***	0.353***	-12.980***	-13.673***
	(0.010)	(0.009)	(0.093)	(0.094)	(2.112)	(2.128)
Program years	-0.045***	-0.045***	0.133***	0.124***	3.480***	3.153***
	(0.007)	(0.007)	(0.045)	(0.046)	(1.119)	(1.147)
Constant	0.239***	0.237***	11.366***	11.473***	1.232	4.240
	(0.038)	(0.040)	(0.360)	(0.370)	(7.539)	(7.962)
N	5466	5466	726	726	633	633
Years	41	41	41	41	35	35
Countries	151	151	104	104	99	99
Start Year	1974	1974	1974	1974	1980	1980
End Year						
Log lik.	-1403.99	-1404.58	-839.43	-836.62	-2891.25	-2890.05
AIC	2823.97	2825.17	1694.86	1689.24	5798.50	5796.10
BIC	2876.82	2878.02	1731.56	1725.94	5834.11	5831.71

Standard errors, clustered by year and country, in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 4. Intrusive IGO ideal points and access to Fund resources

	(1) New Program	(2) New Program	(3) Program size (ln SDR)	(4) Program size (ln SDR)	(5) Num. Conditions (BA3TOT)	(6) Num. Conditions (BA3TOT)
L.Distance from US IIGO ideal	-0.013		-0.051		25.750***	
	(0.040)		(0.257)		(5.520)	
L.Distance from G5 IIGO ideal		-0.009		-0.132		25.559***
		(0.041)		(0.255)		(6.456)
L.UNSC Member	-0.002	-0.002	0.004	0.003	-9.479**	-9.534**
	(0.015)	(0.015)	(0.118)	(0.118)	(3.835)	(3.952)
L.ln(Population)	0.324***	0.322***	-1.986**	-1.923**	70.857***	68.912***
	(0.107)	(0.107)	(0.759)	(0.754)	(22.819)	(23.620)
L.ln(GDP)	-0.121***	-0.121***	1.024*	1.006*	-30.630***	-29.208***
	(0.042)	(0.042)	(0.522)	(0.521)	(10.430)	(10.426)
L.Regime type	0.066***	0.067***	-0.048	-0.047	4.288*	3.861*
	(0.016)	(0.016)	(0.057)	(0.057)	(2.222)	(2.219)
IMF liquidity ratio	0.012	0.012	0.382***	0.376***	-10.720***	-10.778***
	(0.010)	(0.010)	(0.095)	(0.095)	(2.064)	(2.119)
Program years	-0.045***	-0.045***	0.133***	0.132***	3.749***	4.113***
	(0.007)	(0.007)	(0.045)	(0.045)	(1.037)	(1.049)
Constant	0.238***	0.238***	11.363***	11.374***	-1.307	-3.085
	(0.039)	(0.039)	(0.359)	(0.363)	(6.470)	(6.662)
N	5466	5466	726	726	633	633
Years	41	41	41	41	35	35
Countries	151	151	104	104	99	99
Start Year	1974	1974	1974	1974	1980	1980
End Year						
Log lik.	-1404.46	-1404.56	-839.57	-839.35	-2880.80	-2881.54
AIC	2824.92	2825.11	1695.14	1694.70	5777.60	5779.08
BIC	2877.77	2877.96	1731.84	1731.40	5813.21	5814.68

Standard errors, clustered by year and country, in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Collectively, these results cast serious doubt on the "US dominance" conventional wisdom about the politics of IMF lending. Instead, they suggest that viewing the Fund as being at the disposal of US friends and allies may greatly misread the political of resource allocation at the IMF. While there are hints of US influence in initial allocation when we operationalization political proximity as UN ideal point distance, distance from the average of the G5 appears to be more highly correlated with the probability that a member country begins a program. Perhaps more importantly, in some specifications the sign on significant coefficients of US-borrower affinity is the exact opposite as predicted by the conventional wisdom: when we operationalize political proximity to the United States as treaty ideal point distance, those states that are further away from the United States are more likely to receive IMF loans, and those programs are larger. Finally, no consistent story emerges for the role of either US or G5 proximity on program initiation or program size emerges from our final measure, IGO ideal points.

The empirical results are most consistent with the conventional wisdom on conditionality. Here, we see that in the case of UN ideal points, distance from the US is significantly and positively correlated with the number of conditions in an IMF program. The effect is positive for the G5, but not statistically significant. For both treaty ideal points and intensive IGO ideal points, both distance from the US and the G5 is significantly and positively correlated with the number of conditions on programs. This effect goes away when we consider the broader set of IGOs.

In sum, the conventional wisdom on Fund resource allocation does not appear to be robust to straightforward tests of the theory across different dimensions of IMF lending (program starts, program size, program design) or to different and, in our view, more plausible operationalizations of political proximity (treaty ideal points and IGO ideal points) between a borrower country and the US. In addition, an alternative model that treats IMF politics as a simple average of the preferences of the historically powerful states performs just as well (and often just as poorly) as a "friends of the US" model.

How might we better account for variation in IMF lending decisions?

The tests so far rely on quite simplistic readings of Fund politics. In the case of the US-only models, the implicit assumption is that the United States is able to drive outcomes at the IMF, in line with theories such as Stone's informal governance approach, that presume the US can seize control of IMF decision-making at will, whenever it deems its interests merit doing so. When we incorporate the other major shareholders, by simply looking at the mean of their distances to potential recipients, we move closer conceptually to the actual structure of the Fund's formal governance rules which empower all member states, but some more so than others, on the Fund's Executive Board, to participate in lending decisions. Yet we know that international institutions rarely simply aggregate preferences, especially when collective action problems are easy to resolve. As many scholars have documented, politics on the IMF Executive Board is often coalitional. It is possible, then, that the models above perform poorly because they don't take the politics that the formal rules of the board generate seriously. As noted above, the United States is the single largest shareholder on the board but does not hold enough formal power to unilaterally drive outcomes on most issues and, especially, questions of resource allocation.

One way to model this coalitional dynamic and take the formal rules of the Executive Board more seriously would be to consider how isolated the United States is on the Board, in terms of its geopolitical affinity to a borrower country. Strong evidence of a "friends and allies of the US" effect would be to see that proximity to the United States led to greater access to Fund resources, even when the United States was relatively isolated relative to the rest of the powerful members of the board. We can operationalize this dynamic via an interaction term between the US distance to the potential recipient state on the one hand and the gap between the US and the rest of the G5 on the other. Are outcomes conditional on the arrangement of political preferences on the board at any given time? In most cases, we see no evidence of this kind of interaction effect. However, when we do, it – like the results above – tells a story that is inconsistent with a simple "US friends and allies" model.

For example, when we estimate a model of program size that includes IGO ideal distance to the United States, the gap between the US and the rest of the G5, and the interaction between these two variables, we see that the effect of distance from the United States depends on the gap between the US and the rest of the G5. When there is no gap, the effect of distance to the US is effectively zero. When the gap is large and positive (U.S. is further away from the recipient

than the rest of the G5), the distance from the United States does correlate with smaller programs. See Table 5 and Figure 1. We take these results as suggestive of a dynamic in which the United States can use their influence to shrink programs, but it is inconsistent with the notion that friends and allies of the United States get special treatment. Still, this result is sensitive to the political proximity measure we use and the outcome we focus on, so we do not take it as a general result. However, when we do find evidence of US unilateral influence, it is not in the direction that the conventional wisdom would anticipate.

Table 5. Can the US get what it wants? IGO ideal points and access to Fund resources

	(1) Program size (ln SDR)
lIGOdistUSA_hstd	-0.313
	(0.204)
US distance from G4 IGO ideal	0.587***
	(0.169)
lIGOdistUSA_hstd # US distance from G4 IGO ideal	-0.395***
	(0.115)
L.UNSC Member	-0.046
	(0.121)
L.ln(Population)	-1.524*
	(0.892)
L.ln(GDP)	0.299
	(0.503)
L.Regime type	-0.109**
	(0.051)
IMF liquidity ratio	0.286***
	(0.089)
Program years	0.065
	(0.047)
Constant	11.739***
	(0.385)
N	726
Years	41
Countries	104
Start Year	1974
End Year	
Log lik.	-814.04
AIC	1648.09
BIC	1693.96

Standard errors, clustered year and country in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 3. Marginal effect of distance to US IGO ideal point across US-G4 IGO ideal point distance gap
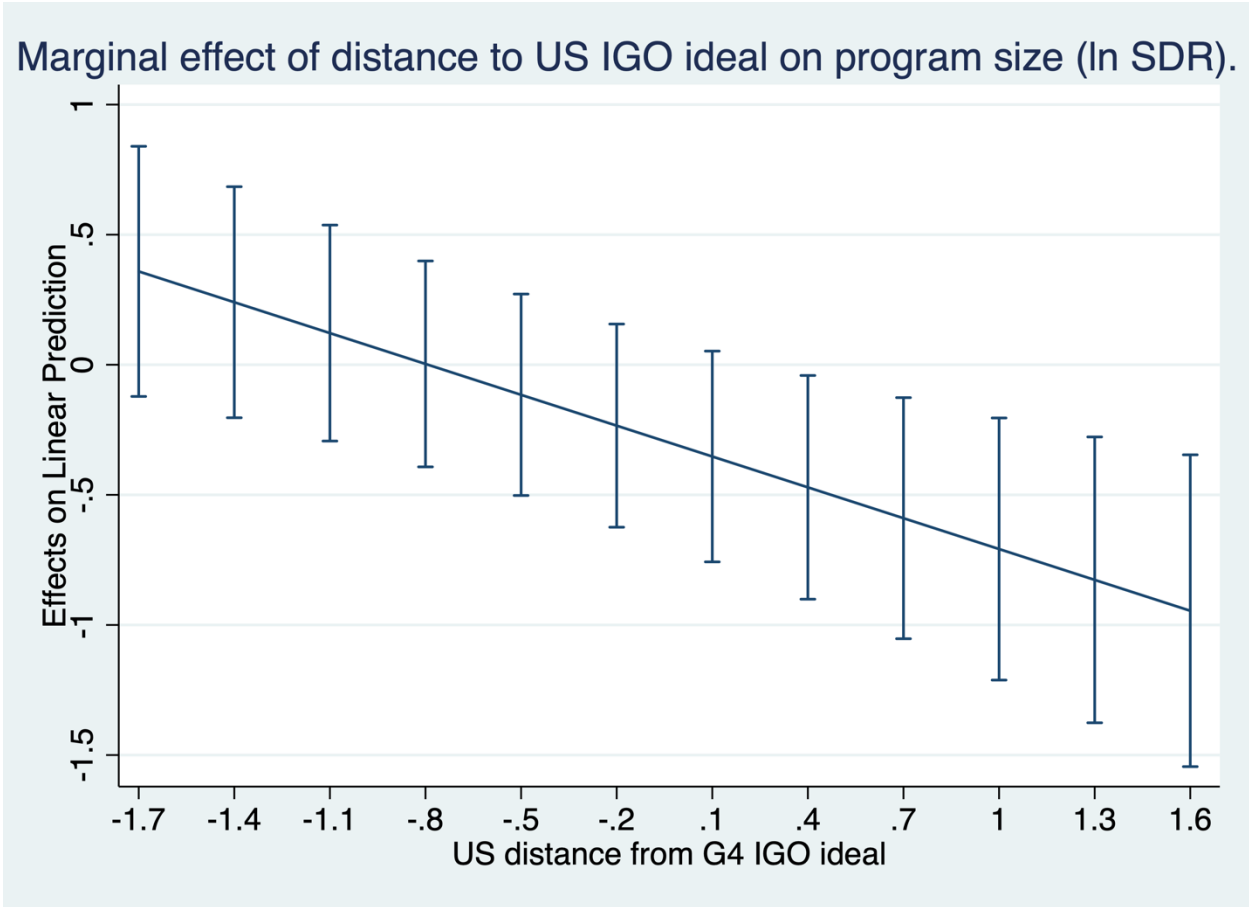
V. Discussion: Why so little evidence for the conventional wisdom?

As the analysis above illustrates, there appears to be a substantial gap between the dominance of theories of US influence in the field and the robustness of the empirical record in support of that conventional wisdom. Our empirical results do suggest that our new metrics of treaty and IGO similarity may do a better job at accurately measuring geopolitical affinity between the US and IMF borrowing countries. But even there, the results are mixed and not at all in line with the overwhelming dominance of the "US dominance" theory in the literature on the politics of IMF lending. In this section, we set out three reasons why we believe this is the case and how IPE scholars might proceed in light of this disconnect between theory and evidence.

What's good for the goose is good for the gander

The first reason for the mixed empirical evidence of US influence over IMF lending outcomes is that using US affinity measures—both the industry-standard UNGA variables or our alternative metrics of institutional affinity—fails to pay sufficient attention to the preferences of the Fund's other major shareholders. While the US is the single largest shareholder at the IMF, its vote shares leave it far from the absolute majority needed to control day-to-day operations (including lending decisions). Instead, the US – with 16.77 percent of the votes – only has a unilateral veto over non-lending decisions (including quota increases, the sale of IMF gold reserves, and amendments to the Articles of Agreement) that require EB supermajorities of 70-85%.[2] This veto power does not extend to IMF lending decisions: formally, approval of an IMF loan requires the support of only a simple majority of EB votes, rather than a super-majority. Moreover, the Board's norm is to avoid formal votes on IMF lending decisions whenever possible. Rather, the Board makes lending decisions on a "consensus basis with respect given to the relative voting power of the states" (Mussa and Savastano 1999; IMF 2002; Van Houtven 2002). At the World Bank, the distribution of voting power is broadly similar to that of the IMF. The U.S. controls 15.14 percent of votes in the EB, giving it veto power over changes to the Bank's Articles of Agreement, which require at least an 85 percent supermajority. However, day-to-day operations (including loan/grant commitment decisions) require only simple EB majorities. Consequently, treating the US government as the IMF's sole political principal fundamentally mischaracterizes the structure of decision-making in the Fund, where the US government cannot unilaterally dictate policies or unilaterally veto specific proposed commitments within the EB.

It is common in the literature for scholars to acknowledge this by using the phrase "the US and other powerful states" or "other major shareholders" when discussing theories of IMF decision-making. On the empirical side, however, scholars nearly always default back to using a measure of voting affinity between the US and a recipient country as the main proxy for "major shareholders or "powerful states." Most studies of IMF lending do also include variables measuring the affinity of a recipient country with other powerful members of Fund beyond the US.[3] Nearly all of these studies, however, fail to model how the interests of the shareholders interact. Most frequently, tests of non-US member influence are done concurrently or sequentially, with researchers either simultaneously including separate variables for the interests of individual IMF shareholders or including these variables separately in alternative regression models.[4] Others test measures of US influence against variables aggregating the collective interests of other large countries.[5] In almost every case, these non-US variables are included as a robustness check or add-on, where testing of US influence the primary focus of the analysis.

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[2] See IMF (2001) for a detailed description of these special majority rules.
[3] E.g., Breen 2013; Breisslein and Schmaljohann 2014.
[4] For example, Stone 2011, Dreher and Jensen 2007, Barro and Lee 2005, Oatley and Yackee 2004.
[5] Barro and Lee use "other major Europe" (2003), while Stone (2011) tests a residual variable of the other G-5 countries, leaving out the US.

Frequently, the results for non-US shareholder influence are only mentioned in footnotes, rather than presented in tables of results.[6]

Why is this problematic? First, the interests of the US and those of other major shareholders – especially Japan and the European countries that also hold permanents seats on the IMF EB (Germany, the UK, and France) – are very strongly correlated. Take UN voting affinity. In his analysis of the importance of preference heterogeneity among the "G-5" countries – the five largest shareholders of the IMF – Copelovitch (2010a) shows that the correlation of UN voting affinity with loan recipient countries among these countries ranges from 0.75 to 0.94 over the 1983-2003 period. In our sample, we find similarly high correlations. Consequently, studies that use US voting affinity as the sole empirical measure of the interests of powerful states can rarely distinguish between a country's importance to the US and its importance to the Fund's other major shareholders.

Second, while the interests of the US and other powerful states are highly collinear, they also vary substantially across cases and over time. As Copelovitch (2010a/b) shows, there is substantial variation in preference heterogeneity among the G-5 countries over the size and terms of particular IMF loans, given variation in views about both the geopolitical and financial importance of loan recipients. Importantly, this is true not only in "small" country cases, but also in many of the high-profile lending cases upon which theories of US dominance at the IMF explicitly or implicitly rest. For example, British and German opposition to Mexico's 1989 request for "outright approval of a 40 percent augmentation of the extended arrangement" (in order to meet its pending interest obligations with its commercial bank creditors) resulted in postponement of the augmentation, despite strong support from the U.S. government.[7] Thus, while the IMF's policies in "systemically important" cases like Mexico clearly reflect U.S. interests, the participation and interests of the Fund's other large shareholders also strongly influences outcomes.

In short, IMF loan decisions are frequently a case of "what's good for the goose is good for the gander." That is, what we observe as countries important to the US receiving preferential treatment at the Fund could just as easily be described as "countries important to Japan receiving preferential treatment" or "countries important to large European shareholders receiving preferential treatment." These outcomes are observationally equivalent, and – as our analysis above illustrates – variables measuring US interests alone and variables measuring "large shareholder" interest in the aggregate yield nearly identical results. What is unclear is why we tend to always interpret this equivalency as evidence of US influence, rather than evidence that US-only variables are a proxy for the relative importance of a subset of large shareholders within the IMF, as specified by the Fund's formal voting weights and decision-making rules. Indeed, what appears to be the IMF acting in the US' interests might simply be the coordination or equilibrium outcome of bargaining among the Fund's major shareholders in cases where their geopolitical interests in providing generous loans overlap or converge. In order to tease out whether US

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[6] A representative example is Broz and Hawes 2006.
[7] See Copelovitch (2010a), 194-203.

interests really are driving outcomes, scholars need to also incorporate measures of the heterogeneity of preferences among the IMF's major shareholders, and to explore cases in which these actors' preferences strongly diverge.

No agency for recipient countries

A second reason why we might find only limited evidence of US influence in the above analysis is that the theory and logic of the "US dominance" pays little attention to IMF borrower countries as autonomous agents and so provides an incomplete understanding of the politics of IMF financing. The implicit assumption of the "loans for votes" logic linking both US affinity to the US and a country's presence on the UNSC to IMF lending is that the US – and by extension the Fund – can "push" extra loans out the door for "important" countries at key points in time. The problem is that this is not really how the IMF lending process works. Countries must first ask for loans before the IMF staff can enter into negotiations. To be sure, informal discussions are always possible, and it's possible (likely) that the US can both encourage potential recipient countries to request extra loans/more money and pressure the IMF staff and other shareholders to approve larger loans with more lenient conditionality. The existing literature, however, provides little in the way of evidence of the processes behind the theory. Put simply, you can't sell something (IMF loans) if no one is buying. You can't even offer a sale, really – at least not in a timely manner—since the negotiation, approval, and disbursement of an IMF loan can take six months or more from start to finish. The US government *could* offer promises of preferential treatment *if* and *when* a country formally applies for a loan. But this is a contingent promise that depends on the aforementioned mutual consent of the Fund's other large shareholders. And, even under the best of circumstances, the loan negotiation and approval process takes time.

Perhaps an even larger problem is that the "US dominance" theory of IMF lending doesn't explain why vote buying or preferential treatment might be necessary. If countries are "close" to the US, in terms of shared geopolitical or foreign policy interests, then in equilibrium vote buying is not necessary. Such countries should vote with the US in the UNSC even in the absence of IMF credit. If, instead, countries are *not* close to the US and the goal is to exchange loans for votes, then what we should observe is a significant *negative* correlation between UN voting affinity or ideal points and IMF loans (note, again, the positive correlation we find in our analysis above between "distance to the US" and IMF loan size). Either way, the dominant theoretical perspective in the literature does not actually seem to yield an observable implication of a positive correlation between UN voting affinity with the US and IMF lending.

Beyond (and before) the IMF: Politics across the "value chain" of global financial governance

The third, and perhaps most important reason, why we find only mixed evidence of "US dominance" over IMF lending is that Fund loans are but one of many possible ways in which the US and other large countries in the global economy deal with sovereign debt and financial crises. Indeed, as we know from a large body of work in IPE, the US and other large countries play key

roles across the "value chain" of global financial governance—which includes not only the "crisis management" phase in which IMF lending is a critical component, but also the earlier "crisis prevention" and subsequent "crisis resolution" phases. As we know from a wide range of scholarship in IPE, the political interests of the US and other large countries matter in each of these stages of global financial governance. For example, in the "crisis prevention" stage, McDowell (2017) and others (e.g., Saharasrabuddhe 2019) have shown that the US increasingly plays the leading role in performing the lender of last resort function in the global financial system, through the establishment and use of swap lines with many of the world's other leading central banks. This role has become even more prominent since the Global Financial Crisis in 2008-10 and the onset of the COVID-19 pandemic. Likewise, China increasingly has stepped into the crisis prevention game, with both its own swap lines and the Chiang Mai initiative (Liao and McDowell 2015).

Figure 4 illustrates this "value chain" of global financial governance. IMF lending is a central element of the chain, especially in the "crisis management" phase of the game. However, it is only one element and takes place in the context of multiple other elements and stages, all of which are deeply politicized and present opportunities for the US and other powerful states to exert their influence over outcomes. To date, IPE scholars have largely treated this value chain as separate silos, with scholars exploring the political economy of central bank swaps (Liao and McDowell 2015), debt rescheduling (Ferry 2020), IMF lending, bilateral bailouts (Schneider and Tobin 2020), and sovereign default/debt restructuring (Roos 2019, Trebesch 2019) as standalone events.

Figure 4: The "value chain" of global financial governance
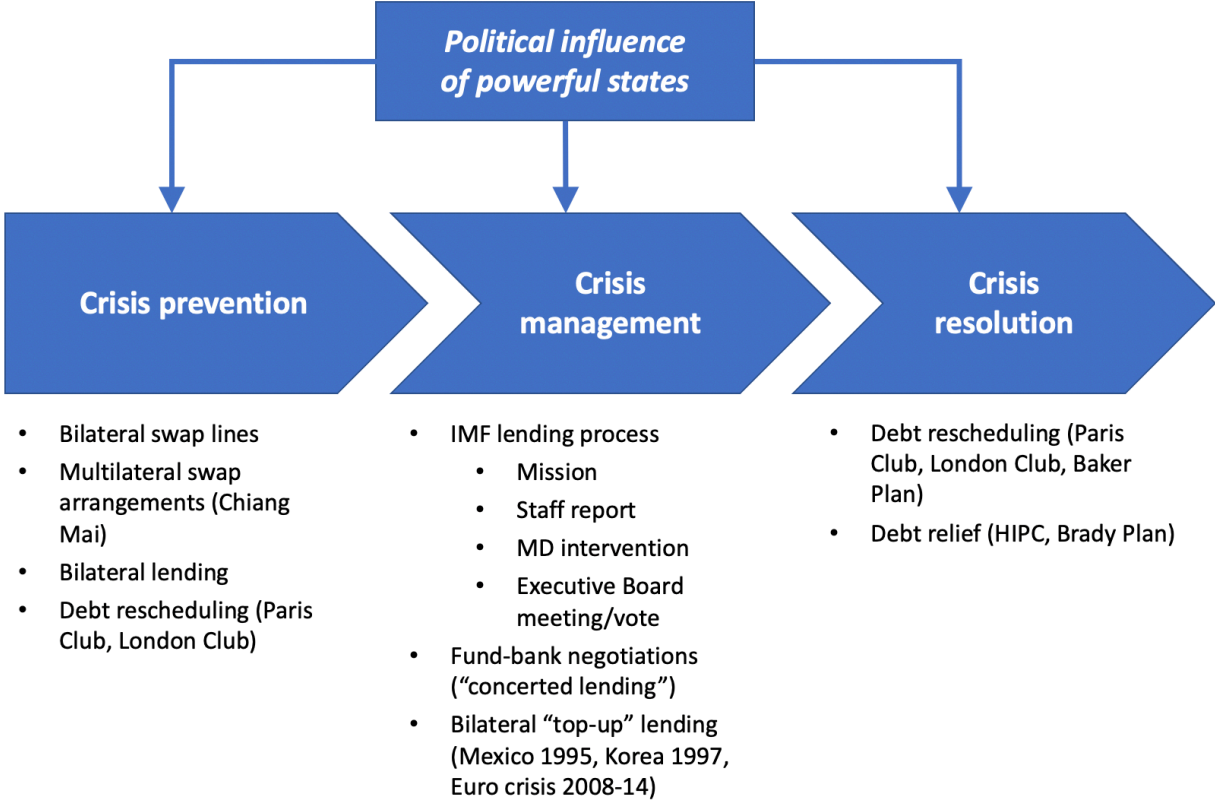
The problem with this piecemeal approach to analyzing the politics of global financial governance is that US influence is deep and extensive in each stage, and US actions in one stage may affect not only whether the US "throws its weight around" in another stage, but also how other powerful states such as the EU countries, Japan, and China will behave in those stages. Consider a country that is financially and geopolitically important to the US. It very well may be the case that the US will go to the mat for that country within the IMF Executive Board, using its formal voting power and informal influence to ensure that it receives a larger loan with less stringent conditionality, in line with the "US dominance" conventional wisdom. However, what if that country already has a standing central bank swap line with the US Federal Reserve? Perhaps it then does not need to request an IMF loan in the first place? For example, during the Global Financial Crisis (GFC) in 2008-10, the Federal Reserve had already established swap lines in 2007 with a range of countries, including Brazil, Mexico, and Singapore. Similarly, the ECB entered into swap agreements during the GFC with Sweden, Denmark, Latvia, Poland, and the UK, while the Bank of Japan entered into swap arrangements with Korea and India (BIS 2010). Were these countries geopolitically and financially important to the US and other large shareholders? Unquestionably. Did these swap lines make it unnecessary for most of these countries to seek IMF financing at all? Yes, almost certainly. Did they enable the Fund to offer less credit on more lenient terms (e.g., Mexico's Flexible Credit Line, rather than a traditional conditional Stand-by

Arrangement loan) to those countries within this group that actually did approach the IMF? Quite possibly. When economically important countries have skin in the game, they have strong incentives to act directly and bilaterally to stem a crisis. When they do so prior to the IMF taking action, they affect both the politics and underlying economic reality of the crisis. The pre-IMF stage of the global financial governance "value chain" alters the politics and the economic fundamentals of IMF lending itself, and this may explain the very limited evidence of "US dominance" that we found above in our empirical analysis.

Consider an alternative case in which a crisis emerges in a country that the United States deems strategically or economically important but Germany, France, Japan, and the United Kingdom do not. In contrast to above, the United States does not act bilaterally before the country seeks IMF assistance. In this case, we might expect that the board to push back against US efforts to seek IMF resources for the crisis country, potentially on preferential terms. This leaves the US with the choice of fighting a pitched battle within the Executive Board or finding alternative ways to "reward" its client. What these other IMF shareholders would most prefer in this situation is for the US to be involved in helping resolve the crisis, but with its own resources, not the Fund's. In this case of heterogenous interests, a conflict of interest emerges over who is going to bear the costs to resolve the crisis, the Fund or the United States. We could think about this as bargaining over the global "surplus" created by ending/managing a systemically important country's financial crisis well. All of the states at the table of the IMF Executive Board benefit from the global public good of financial stability, but they differ in their specific national interests in "bailing out" the particular country in question and they have potentially different views about the liquidity vs. moral hazard tradeoff at the heart of IMF lending. Absent domestic political constraints, the United States may have simply acted directly to stem the crisis. But if domestic political constraints bind, the United States must rely more heavily on the Fund. In that case, the issue facing the other member states is not keeping the United States from acting unilaterally but decerning whether the United States has truly exhausted its politically viable bilateral options.

This is, of course, exactly what happened in 1995, when Mexico borrowed from the IMF during the Tequila Crisis. In that episode, the IMF board was sharply divided, with the US lobbying for a larger package, while the Europeans wanted a much smaller package and a larger bilateral rescue from the United States (Copelovitch 2010). In the end, the IMF provided the larger package favored by the Americans, but even that loan was not as large as the Americans thought was needed. The US had to supplement the package itself bilaterally. Crucially, however, the IMF appears to have approved the package not because the US was threatening to exercise an outside option, but because the US had signaled that it would *not* (and perhaps could not, for domestic political reasons) do so at the scale needed to resolve the crisis. The US Congress had balked at a $40 billion rescue package proposed by the Clinton administration and the US Treasury could only put together $20 billion from the Exchange Rate Stabilization Fund to complement IMF action.

We raise these examples, not because we believe the US lacks power within the IMF, or to deny that the US sometimes uses its formal voting power and informal influence within the Fund lending process to achieve its desired policy objectives. Rather, we do so to highlight the

fact that sometimes the US often does not need to flex its muscle on 19th Street, because it has already decided to act unilaterally, either prior to the IMF lending process even being initiated, or because it faces sufficient opposition within the IMF from other large states and has decided instead to act bilaterally. In these cases – many of which include the "big" financial crisis cases of the 1980s, 1990s, and 2000s around which theories of US dominance in the IMF are implicitly or explicitly constructed—the "action" takes place outside the IMF Executive Board, and we are consequently unlikely to find positive and significant correlations between preferential treatment by the Fund and a country's geopolitical affinity with the US government.

Despite the large and insightful literature on the politics of IMF lending, IPE scholars have not thought concretely enough about how pre-IMF and (expectations of) post-IMF policy moves outside of the Fund affect politics within the Fund and the characteristics of IMF loans. A key takeaway, then, is the need for more careful analysis of the "value chain" or "regime complex" of global financial governance, which politics and the influence of powerful states in one stage of the chain or complex affects politics and outcomes in the others (Raustiala 2004, Alter 2018).
In our view, we need to augment our existing theories of how the US—or powerful states more broadly—exercise influence within the IMF and other rules-based international institutions with a richer understanding of the "value chain" of global governance in particular issue areas and with an eye to the "regime complex" in which particular IGOs operate. In some cases, it very well may be the case that states use their power – both formal and informal – within IGOs to secure policy outputs that serve their national interests. In others, however, credible outside options may enable the US and other powerful states to achieve their goals bilaterally before the IGO decision-making process even begins. And in still others, such credible outside options may enable states to "call the bluff" of the US, forcing it to act after and outside of the IGO to achieve its interests if they are not shared by other major shareholders. Indeed, thinking about outside option for powerful states in this way is useful in contexts where the outside option is forestalled or rendered moot by the institution's policy choice or where the institution's member states would prefer to restrain the hegemon in some fashion. For example, Voeten (2001) compellingly illustrates how the existence of credible outside options and disagreements over how to address threats to international peace and security cause both the hegemon and the other member states to make policy concessions. The ability to act unilaterally without the institution makes possible multilateral coalitions within the organization that would not exist if the outside option were not credible. Importantly, however, by acting through the institution, unilateral action is generally taken off the table.

Another key takeaway is that direct bilateral financial support from the US may alter the nature of a country's crisis before it even enters into IMF negotiations. This is lost in time-series cross-sectional analyses in which the unit of observation is a given country-loan-year. When the US is significantly exposed to a given crisis economy, it has strong incentives to act bilaterally with the resources it can muster while waiting for the multilateral cavalry to arrive (again the Fed and its GFC swap lines are illustrative here). These actions have important first-order implications for the depth and breadth of a country's fiscal problems as it bargains with the IMF over the terms of a Fund loan. The upshot is that when the IMF does eventually make its lending decision in the Executive Board, it is addressing a different crisis than if it was the first mover. When the bilateral

moves are substantial enough, IMF loans may be smaller or have fewer conditions imposed. In contrast, when bilateral action is less forthcoming, the IMF assumes all the risk and so is likely to design and approve different package, perhaps larger and with more stringent conditionality. This implies a correlation between treatment and economic relations with the major economies, but this does not arise because the US throws its weight around within the institution. Instead, it occurs because the market power of leading states allows it to shape the underlying course of the crisis prior to the IMF's policy choice.

This attention to sequencing is important when private creditors are exposed to potential IMF borrower as well. In a series of cases in the 1980s, the IMF relied heavily on "concerted lending" in which the Fund withheld multilateral action until the large commercial banks in the United States and Europe were forthcoming with new resources of their own (Copelovitch 2010; McDowell 2017). Just as bilateral policies early in a crisis can move the market, coordinated actions with large private creditors can as well. The IMF can act with a much softer touch when it has credible commitments from other economically important actors to act in concert. By paying close attention to this sequencing, it becomes clear that crisis states may get easier treatment within the multilateral institution when they have ties to leading states – not because their friends in high places take exceptional actions on their behalf *within* the organization, but because their friends in high places are compelled by circumstance (or the institution itself) to take exceptional actions on their behalf *outside* the organization.

Bilateral actions by the US have important second-order effects on the politics of IMF lending as well. Bilateral bailouts, swap lines, etc. reveal information about the willingness and/or ability of the US to step into the breach as the quasi-lender of last resort in global finance (McDowell 2016). The availability of IMF financing may tempt the US to use its bilateral policy tools less often or less intensively than the Fund's other major shareholders would prefer. Thus, while the US may have geopolitical or economic incentives to act directly, they also have incentives to avoid action and shift the burden to the Fund. In some cases, those incentives may be myopic self-interest: Why shoulder the costs of mitigating a crisis if they don't have to? In other cases, real domestic political constraints prevent further action (Mexico 1994). When the US is uniquely exposed to a country experiencing a financial crisis, the other major shareholders face a signal extraction problem. Is the US asking for more resources because they don't want to pony up themselves? Or does the US government face real domestic political constraints that prevent further bilateral support?

Thus, far from threatening to exercise an outside option if their preferred policy is not adopted, the US may be in the position of trying to signal that it is has maximally exercised its bilateral policy options and so the IMF itself needs to take more dramatic action if it hopes to stem the crisis. When domestic political considerations limit the US government's bilateral policy options, the IMF may have strong incentives to make its own loans more generous. This is not because the US is suspending the formal rules and overriding the policy preferences of other member-states (as Stone's informal governance argument (2008, 2011) predicts), but because the gap that the IMF needs to fill is simply larger when the US is constrained by domestic politics.

In short, there are good reasons to believe that "US dominance" conventional wisdom about IMF lending misses crucial aspects of the "value chain" of global financial governance, which explain both the limited empirical evidence for US influence over IMF loan characteristics that we find in our analysis above, as well as the need for richer theorizing of how, when, and under what conditions the US does choose to exercise its influence within the IMF Executive Board, as opposed to acting outside the IMF to reward its geopolitical and financial allies.

Conclusion

How do leading states shape outcomes within rules-based international institutions? An important literature on the political economy of IMF lending suggests that leading states, and the United States in particular, can generally manipulate outcomes within institutions for the benefit of strategically important clients. We provided simple tests of this proposition using now standard measures of geopolitical proximity (UN ideal points) as well as two novel measures (treaty ideal points and IGO ideal points). While we reproduced the correlation between access to fund resources and proximity to the US UNGA ideal point, we showed too that a measure incorporating preferences of the rest of the major shareholders performed just as well, if not better in some cases, as the US only variable. More importantly, measures that we view as better capturing common interests between the United States and other IMF member states produced results entirely inconsistent with arguments that the United States uses its influence in the Fund to benefit close friends and allies.

We have suggested a few reasons why such inconsistent results emerge. The most important of these is that, in our view, the literature on IMF governance has not paid sufficient attention to the broader global financial "value chain" within which the Fund's primary mission of crisis management embedded. In explaining outcomes at the Fund, we must also take into account the effects of bilateral policies that are implemented before the Fund takes action and the incentives that states have to supplement IMF policy actions after the fact. We note that the United States enjoys a privileged position in global finance that makes it uniquely capable of taking unilateral steps to forestall financial emerging financial crises. While some scholars view this outside option as a source of leverage for the United States over the Fund, we view it as a potential constraint. The key question for Fund members in seeking to manage a crisis, especially a crisis in a country where the US is relatively more economically exposed than the rest of the powerful member economies, is whether the US is exhausted its bilateral efforts. As the case of Mexico 1995 illustrated, where the Fund's other members are not sufficiently convinced, the Fund is unlikely to be forthcoming with a program of the size and scope that the United States prefers. Viewed in this light, the literature on the politics of IMF lending may exaggerate the unilateral influence of the United States *within* the IMF even while failing to appreciate the ability of the United States to shape outcomes both before and after the IMF takes action.

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