



Do We Really Know What We Think We Know About the Politics of IMF Lending?

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Three(+!) Decades of IPE Research on the IMF: Two Main “Facts” as Conventional Wisdom

“US dominance”

- Friends and allies (and “important” countries) get preferential treatment as IMF borrowers (Thacker 1999, Woods 2003, Oatley and Yackee 2004, Barro and Lee 2005, Broz and Hawes 2006, Dreher and Jensen 2007, Steinwand and Stone 2008, Moser and Sturn 2009, Stone 2004/8/11, Lang and Presbitero 2018, etc. etc.)
- “Informal governance” vs power exercised through formal rules
- *Main operationalization: UNGA voting affinity*

“Dirty money”

- “Votes for loans” in the IMF/World Bank and UN Security Council (Sturm et. al. 2005, Kuziemko and Werker 2006, Dreher et. al. 2009, Vreeland and Dreher 2014, Reynolds and Winters 2016, Dreher et. al. 2015/2019, etc. etc.)
- *Main operationalization: temporary UNSC membership*

Potential Problems With the Conventional Wisdom

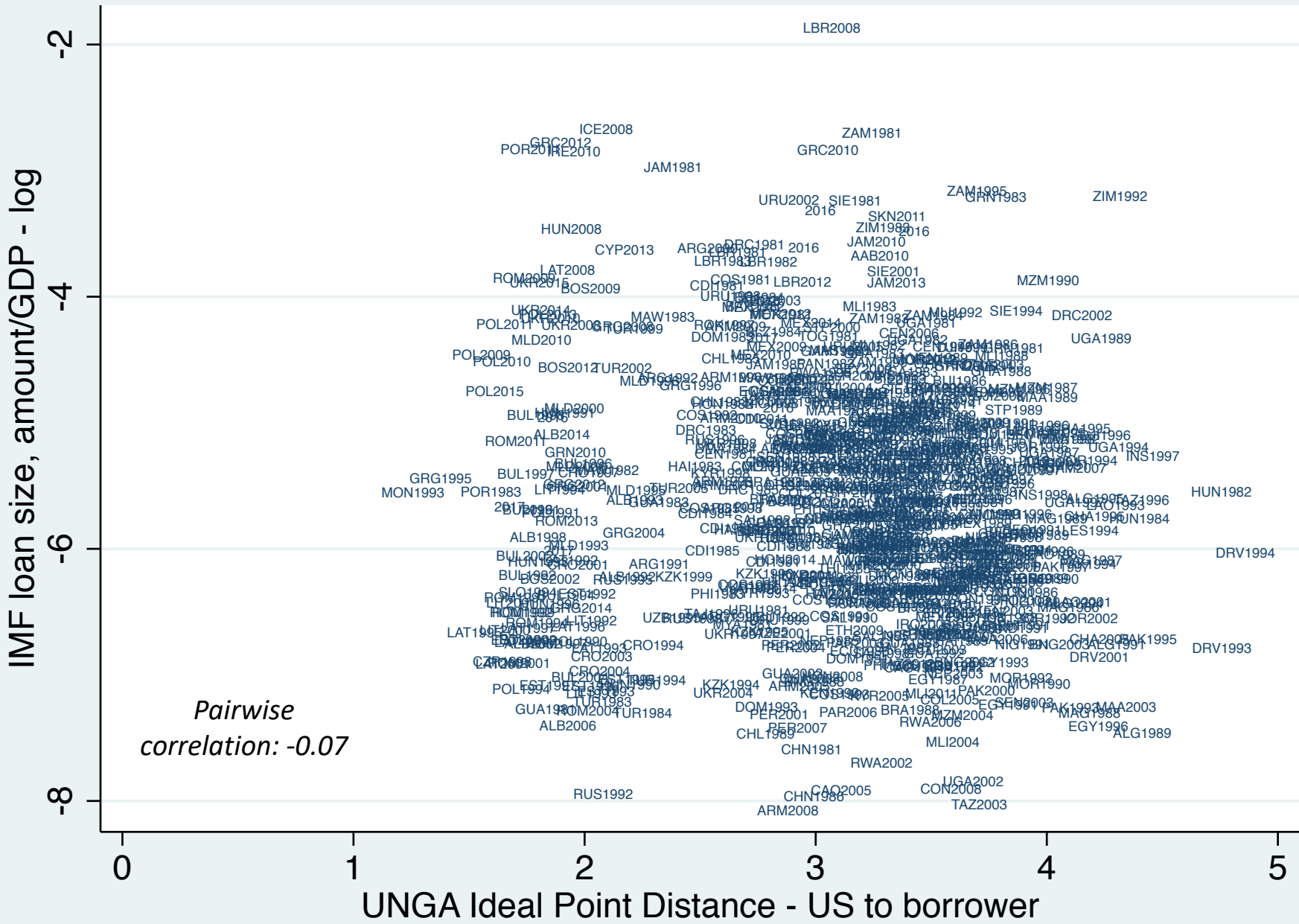
“Right” theory, poor metrics

- Weak correlation between US affinity and IMF loan characteristics
- Problems with UNGA voting as a metric
 - Orientation to US-led “liberal order,” but not intensity/strength of preferences
 - “Cheap talk” vs credible international commitments
 - What is US rewarding? What are borrower countries promising?

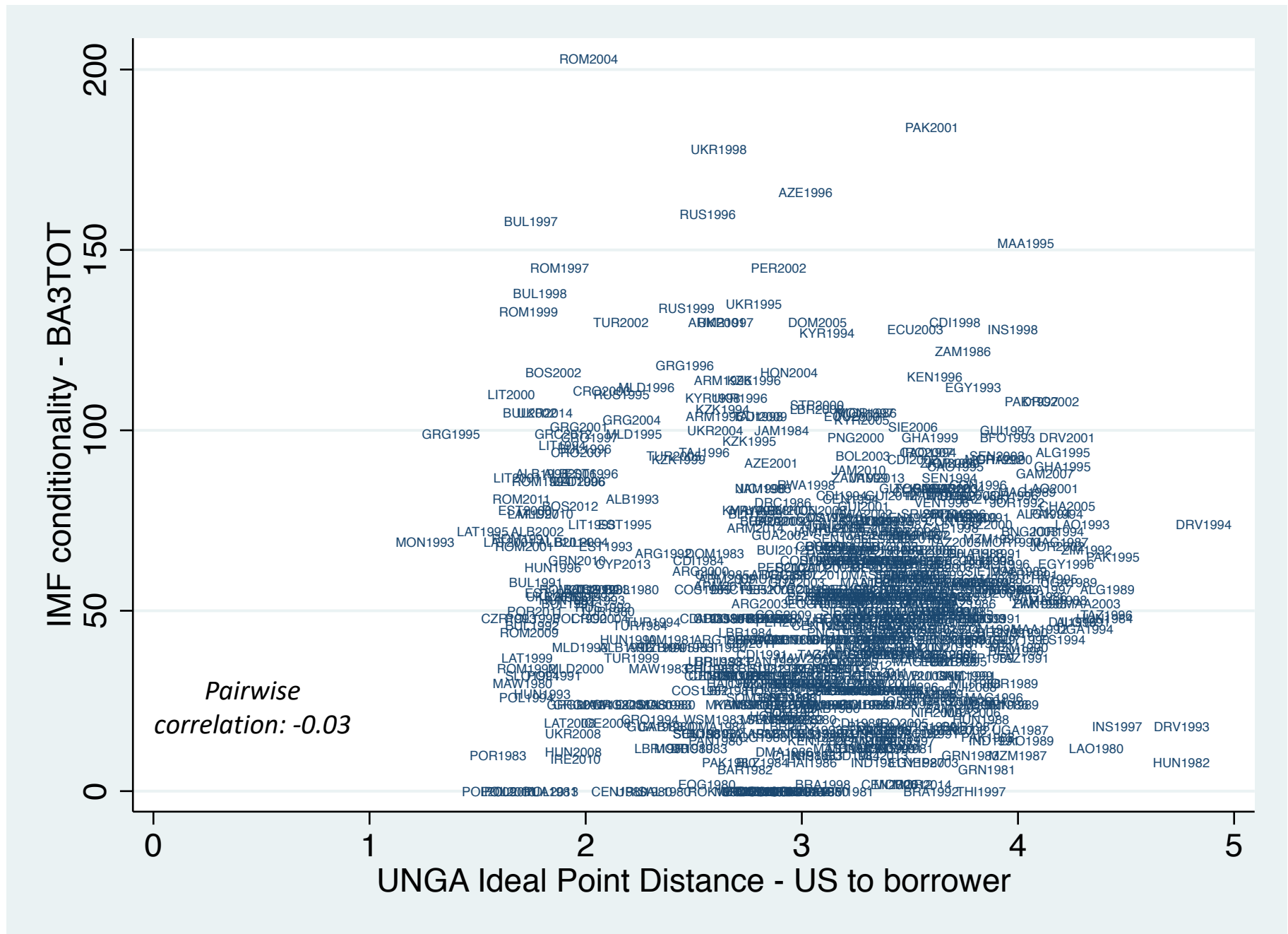
Incomplete theory of global financial governance

- Silos along the “value chain” (crisis prevention/management/resolution)
- US/others’ actions and power at each stage alters politics of IMF lending

IMF Loan Size by US-Borrower UN Voting Affinity



IMF Conditionality by US-Borrower UN Voting Affinity



Toward Better Measures of Geopolitical Affinity

Two new measures

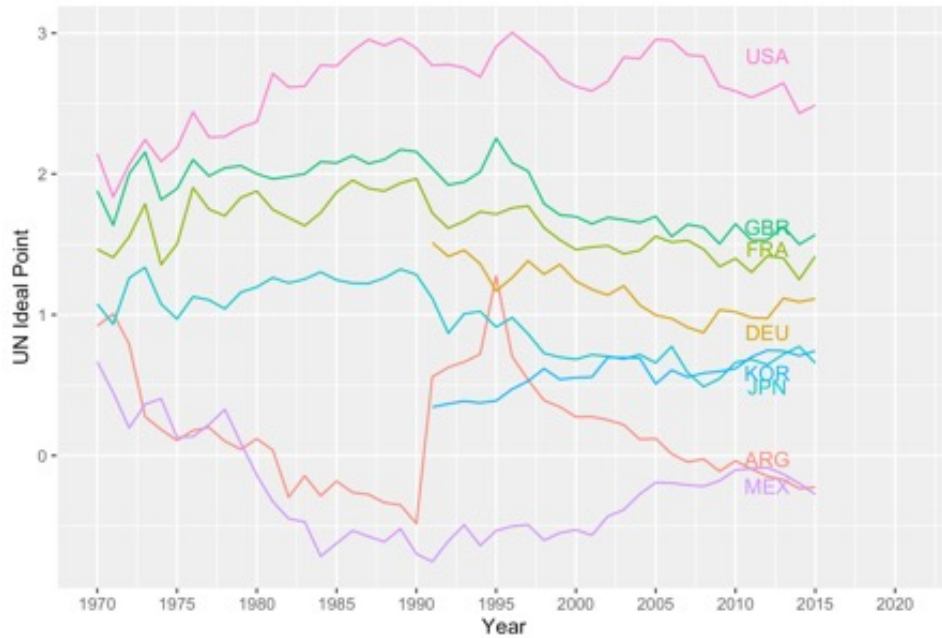
- Shared bilateral treaty portfolios (Voeten 2021)
- Shared intergovernmental organization (IGO) portfolios (Lupu 2016)

Advantages

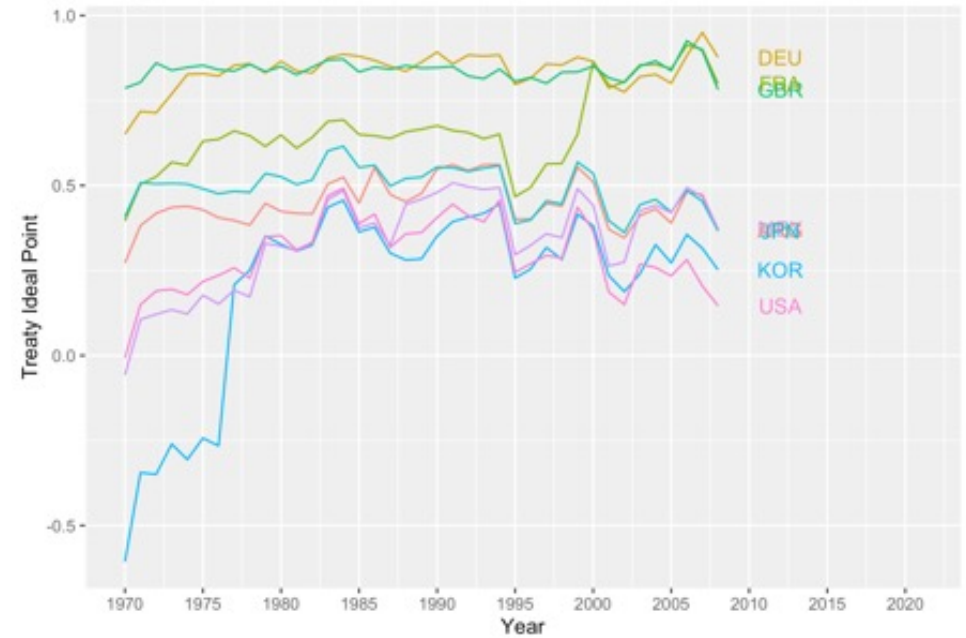
- Inherently relational
- Long-term credible commitments vs “cheap talk”
- Less volatile: not episodic in content or linked to temporally-specific votes on country-specific issues

Comparing Measures of “Affinity” for Selected IMF Members

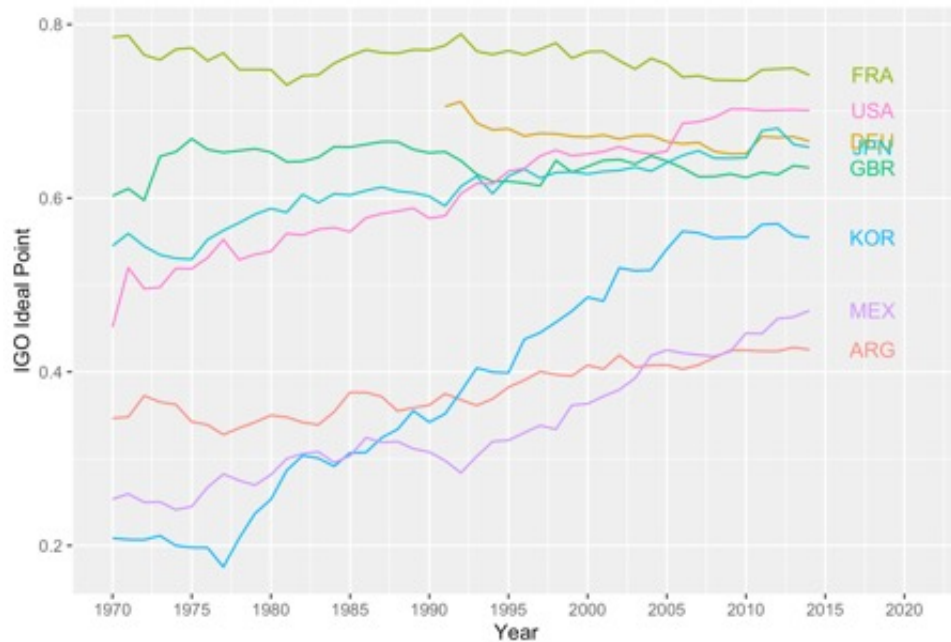
UN Ideal Points for Selected IMF Members



Treaty Ideal Points for Selected IMF Members



IGO Ideal Points for Selected IMF Members



Interventionist IGO Ideal Points for Selected IMF Members

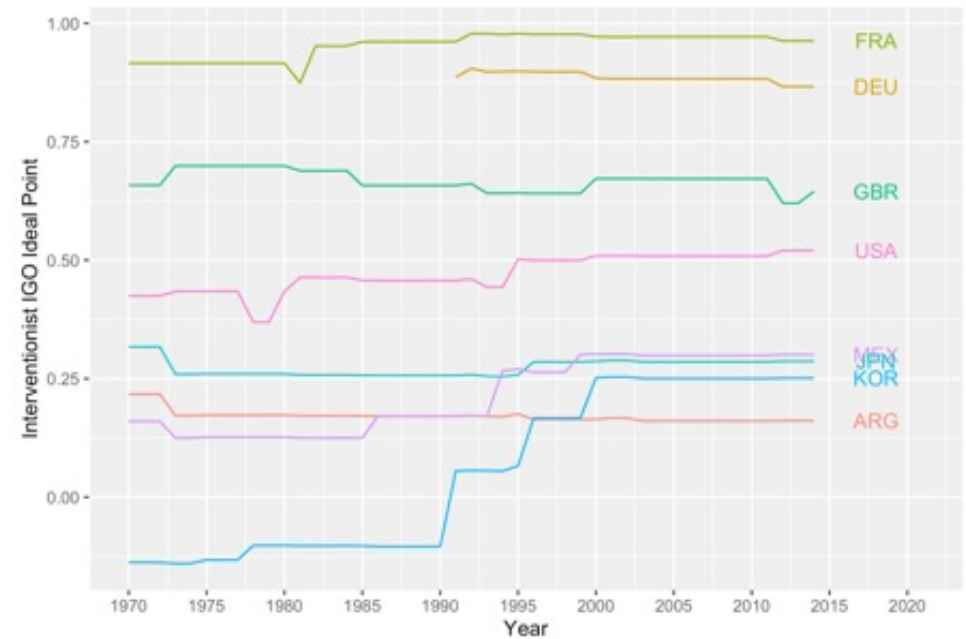


Table 1: UN Ideal Points & IMF Lending

	(1) New Program	(2) New Program	(3) Program size (ln SDR)	(4) Program size (ln SDR)	(5) Num. Conditions (BA3TOT)	(6) Num. Conditions (BA3TOT)
<u>L.Distance from US UN Ideal</u>	-0.034* (0.018)		-0.014 (0.104)		9.776** (4.334)	
<u>L.Distance from G5 UN Ideal</u>		-0.045** (0.018)		-0.030 (0.091)		5.439 (4.194)
L.UNSC Member	0.001 (0.015)	0.001 (0.015)	0.008 (0.117)	0.008 (0.117)	-8.706** (3.809)	-9.181** (3.835)
<u>L.ln(Population)</u>	0.382*** (0.115)	0.387*** (0.112)	-2.042** (0.832)	-2.024** (0.811)	77.608*** (25.942)	86.068*** (25.509)
<u>L.ln(GDP)</u>	-0.125*** (0.042)	-0.134*** (0.042)	1.003* (0.508)	0.992* (0.507)	-29.129** (12.523)	-31.053** (12.582)
<u>L.Regime type</u>	0.062*** (0.015)	0.057*** (0.014)	-0.056 (0.054)	-0.059 (0.054)	5.083** (2.360)	4.810** (2.330)
IMF liquidity ratio	0.015 (0.011)	0.013 (0.010)	0.387*** (0.091)	0.384*** (0.091)	-12.088*** (2.172)	-12.263*** (2.228)
Num. past programs	-0.045*** (0.007)	-0.046*** (0.007)	0.136*** (0.042)	0.136*** (0.044)	3.156*** (1.104)	3.518*** (1.071)
Constant	0.252*** (0.040)	0.261*** (0.041)	11.303*** (0.341)	11.303*** (0.351)	5.082 (7.201)	3.343 (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

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Table 2: Treaty Ideal Points & IMF Lending

	(1) New Program	(2) New Program	(3) Program size (ln SDR)	(4) Program size (ln SDR)	(5) Num. Conditions (BA3TOT)	(6) Num. Conditions (BA3TOT)
<u>L.Distance from US treaty ideal</u>	0.057** (0.024)		0.481** (0.184)		10.396** (4.813)	
<u>L.Distance from G5 treaty ideal</u>		-0.004 (0.029)		0.105 (0.229)		11.844** (5.546)
L.UNSC Member	-0.010 (0.017)	-0.009 (0.017)	-0.050 (0.132)	-0.069 (0.130)	-5.595 (4.617)	-5.840 (4.631)
<u>L.ln(Population)</u>	0.428*** (0.116)	0.413*** (0.117)	-1.145 (1.002)	-1.634 (0.969)	103.260*** (37.238)	97.221*** (35.254)
<u>L.ln(GDP)</u>	-0.105** (0.047)	-0.107** (0.049)	0.330 (0.560)	0.323 (0.581)	-25.076* (13.812)	-26.425* (13.786)
<u>L.Regime type</u>	0.072*** (0.018)	0.071*** (0.018)	0.002 (0.065)	-0.025 (0.065)	2.886 (2.365)	3.259 (2.479)
IMF liquidity ratio	0.014 (0.010)	0.009 (0.011)	0.388*** (0.110)	0.342*** (0.109)	-12.367*** (3.099)	-13.046*** (3.086)
Program years	-0.049*** (0.008)	-0.050*** (0.008)	0.132** (0.050)	0.145*** (0.051)	4.614*** (1.304)	4.534*** (1.276)
Constant	0.268*** (0.043)	0.275*** (0.043)	10.903*** (0.383)	10.965*** (0.387)	-6.248 (7.881)	-4.145 (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

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Countries *further* away from the US are more likely
to receive *larger* loans (with more conditions)

Table 3: IGO Ideal Points and IMF Lending

	(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 (0.031)		-0.111 (0.214)		-3.085 (6.045)	
L.Distance from G5 IGO ideal		0.007 (0.031)		-0.434* (0.217)		-9.576 (6.322)
L.UNSC Member	-0.001 (0.015)	-0.002 (0.015)	0.005 (0.119)	0.007 (0.118)	-9.761** (3.832)	-9.606** (3.807)
L.ln(Population)	0.314*** (0.106)	0.322*** (0.112)	-1.948** (0.765)	-1.938** (0.757)	96.070*** (23.350)	97.209*** (24.360)
L.ln(GDP)	-0.115** (0.043)	-0.117*** (0.043)	1.013* (0.536)	0.892 (0.531)	-34.560*** (11.837)	-36.829*** (12.223)
L.Regime type	0.068*** (0.017)	0.067*** (0.016)	-0.048 (0.057)	-0.058 (0.055)	3.954 (2.355)	3.759 (2.372)
IMF liquidity ratio	0.012 (0.010)	0.013 (0.009)	0.383*** (0.093)	0.353*** (0.094)	-12.980*** (2.112)	-13.673*** (2.128)
Program years	-0.045*** (0.007)	-0.045*** (0.007)	0.133*** (0.045)	0.124*** (0.046)	3.480*** (1.119)	3.153*** (1.147)
Constant	0.239*** (0.038)	0.237*** (0.040)	11.366*** (0.360)	11.473*** (0.370)	1.232 (7.539)	4.240 (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 IMF Lending

	(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 (0.040)		-0.051 (0.257)		25.750*** (5.520)	
L.Distance from G5 IIGO ideal		-0.009 (0.041)		-0.132 (0.255)		25.559*** (6.456)
L.UNSC Member	-0.002 (0.015)	-0.002 (0.015)	0.004 (0.118)	0.003 (0.118)	-9.479** (3.835)	-9.534** (3.952)
L.ln(Population)	0.324*** (0.107)	0.322*** (0.107)	-1.986** (0.759)	-1.923** (0.754)	70.857*** (22.819)	68.912*** (23.620)
L.ln(GDP)	-0.121*** (0.042)	-0.121*** (0.042)	1.024* (0.522)	1.006* (0.521)	-30.630*** (10.430)	-29.208*** (10.426)
L.Regime type	0.066*** (0.016)	0.067*** (0.016)	-0.048 (0.057)	-0.047 (0.057)	4.288* (2.222)	3.861* (2.219)
IMF liquidity ratio	0.012 (0.010)	0.012 (0.010)	0.382*** (0.095)	0.376*** (0.095)	-10.720*** (2.064)	-10.778*** (2.119)
Program years	-0.045*** (0.007)	-0.045*** (0.007)	0.133*** (0.045)	0.132*** (0.045)	3.749*** (1.037)	4.113*** (1.049)
Constant	0.238*** (0.039)	0.238*** (0.039)	11.363*** (0.359)	11.374*** (0.363)	-1.307 (6.470)	-3.085 (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

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$



Why So Little Support for the Conventional Wisdom?

“What’s good for the goose is good for the gander”

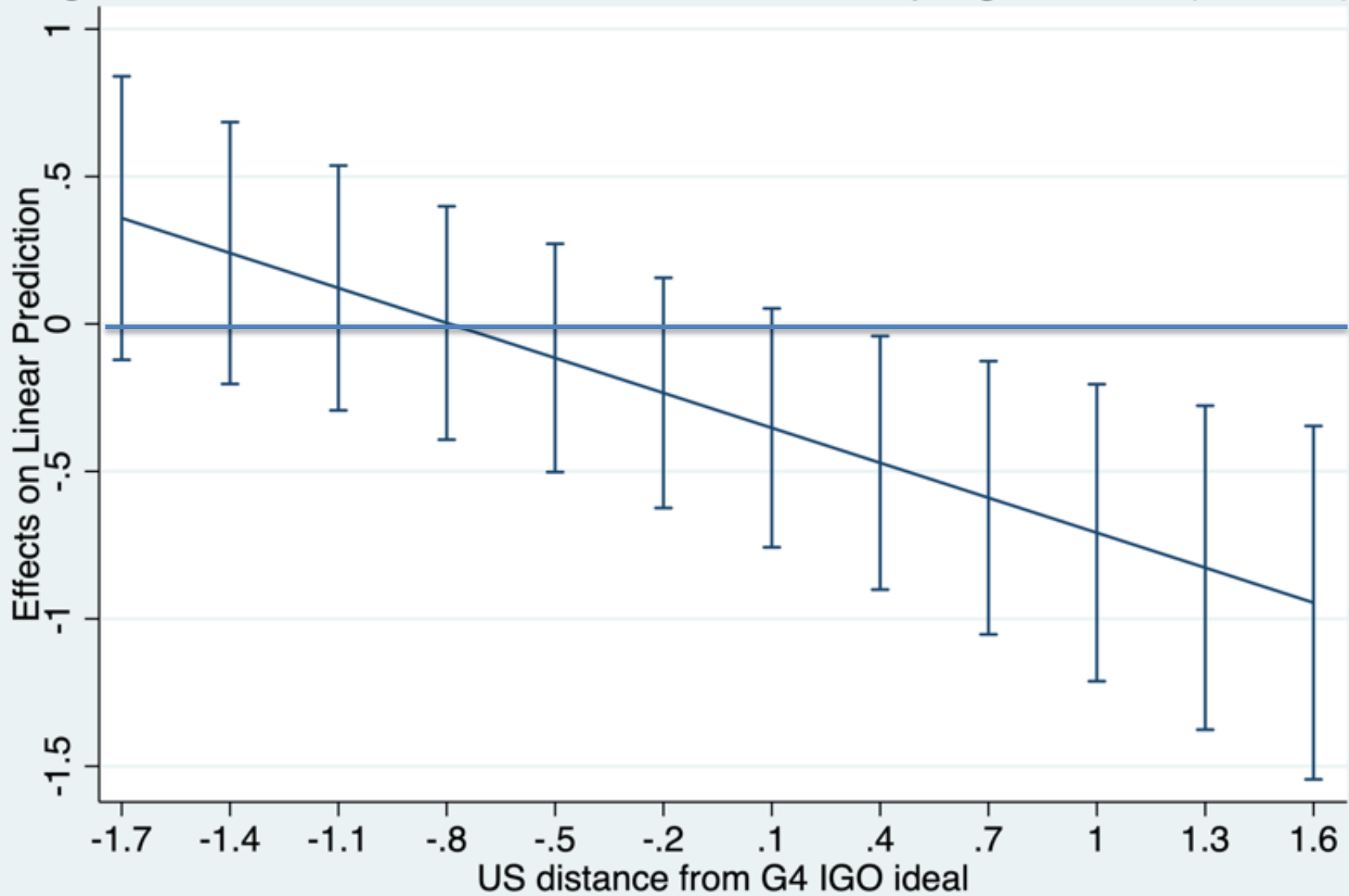
- Observational equivalence between “friends and allies” of the US and “friends and allies” of the G5/major shareholders
 - Correlation of US and G5 affinity with borrowers: UNGA: 0.93; bilateral treaties: 0.77; IGOs: 0.93; “intrusive” IGOs: 0.99
- Preference heterogeneity among G5, between US/G4 (Copelovitch 2010a/b, Schneider and Tobin 2013)

No agency for recipient countries

- US can’t “sell” loans if no one is “buying”
- Do countries have outside options prior to/instead of IMF loans?
- In equilibrium, vote buying shouldn’t be necessary

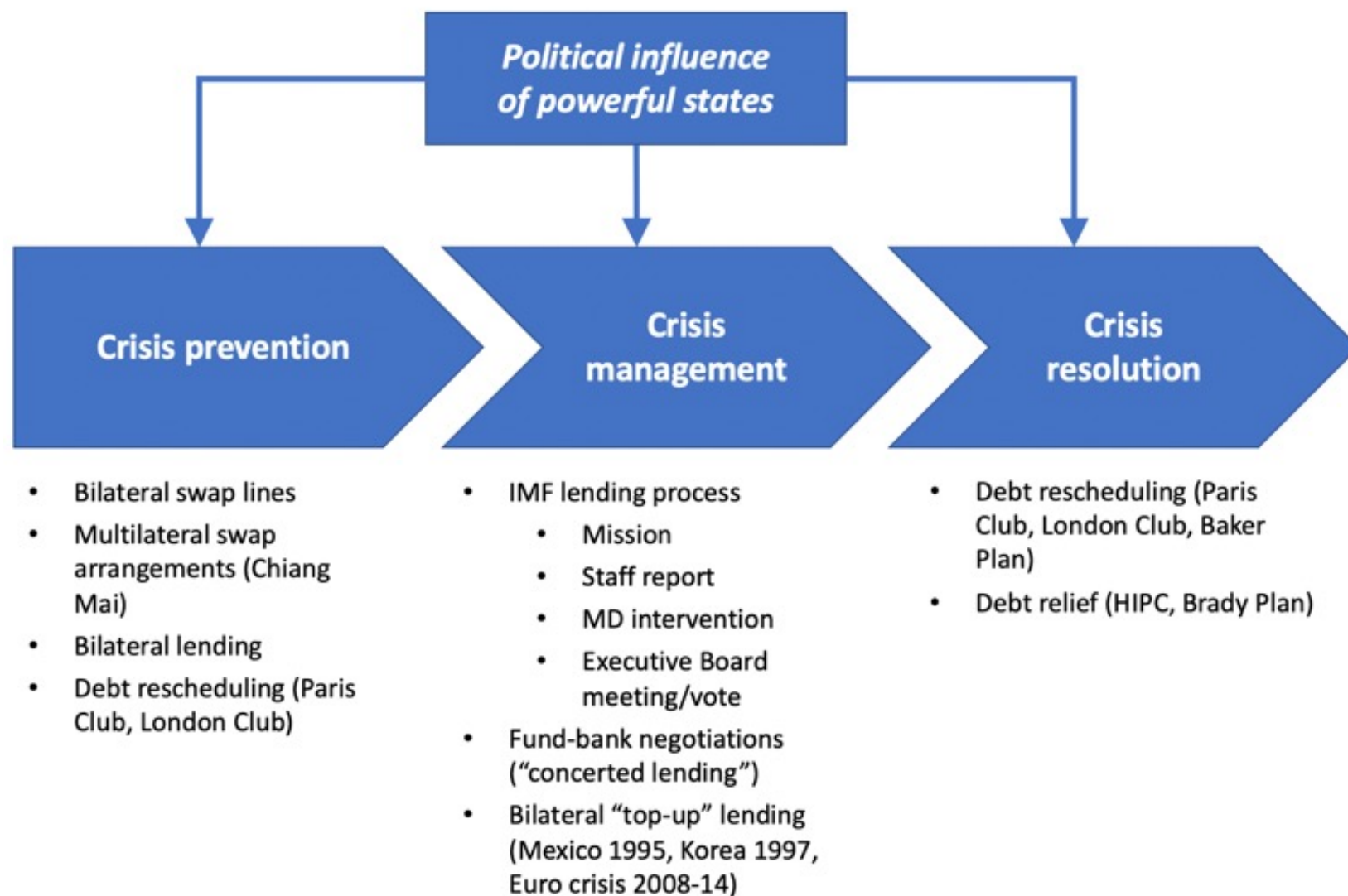
The Formal Limits of US Influence?

Marginal effect of distance to US IGO ideal on program size (ln SDR).



Why So Little Support for the Conventional Wisdom?

Beyond the IMF: politics across the “value chain” of global financial governance



Politics Across the “Value Chain” of Global Financial Governance

- US (EU, China, etc.) exercises influence at multiple stages of the game
- US dominance in “crisis prevention” stage may:
 - Preclude the need to borrow from the IMF entirely (Fed swap lines)
 - Alter the economic and political dynamics of IMF lending (GFC: FCL borrowers vs Stand-by Arrangements)
- At IMF (“crisis management”): US ability to pressure private creditors (1980s concerted lending) may reduce need to reward “friends and allies,” or may incentivize G4 to push US to act bilaterally (Mexico 1995)
- “G4” interventions may also reduce need for US to “go to the mat” for preferred clients (e.g., ECB/BOJ swap lines during GFC to Korea, EU, India, etc.)

Conclusion

Reassessing the conventional wisdom on IMF politics

- Substantial gap between theory and evidence of “US dominance”
- Moving beyond UNGA voting affinity as the key metric of geopolitical affinity/importance

Analyzing the entire “value chain” of global financial governance

- Treating the “regime complex” as the unit of analysis
- US/G5/“powerful states” influence across the value chain
- How, when, and under what conditions does the US choose to exercise its influence within the IMF, as opposed to rewarding “friends and allies” prior to/after IMF lending?
- Selection bias in IMF lending is *substance*, not *nuisance*