

Domestic Politics and International Monetary Fund Policy

J. Lawrence Broz
Michael Brewster Hawes
Department of Political Science
University of California, San Diego

September 9, 2003

Prepared for the Delegation to International Organization Conference, September 19-20, 2003.
We thank members of the UCLA Department of Political Science for comments on a prior draft, delivered on June 2, 2003. We also thank William Roberts Clark and Michael Tierney for comments, and Molly James for research assistance.

Title: Domestic Politics and International Monetary Fund Policy

Abstract: We examine the political motivations that shape International Monetary Fund lending decisions. Like other work in this vein, we focus on the interests of the IMF's most powerful member, the United States. However, we abandon the typical "national interest" reasoning in favor of a micro-incentive approach that connects the motivations of U.S. officials at the Fund to domestic politics. We argue that private actors with stakes in IMF policy communicate their goals to members of Congress via the normal political channels - voting and campaign contributions. We test this part of the argument directly. We then assume that Congress, by virtue of its formal authority to rule on nearly every aspect of U.S. participation in the IMF, commands the allegiance of U.S. officials at the Fund. Having established a link between private actors and Congress, and Congress and U.S. representatives at the Fund, we test to see if IMF lending decisions are consistent with private actors' interests. Our overall goal is to provide microfoundations for Fund decision-making.

1. Introduction

Emerging market crises of the 1990s stimulated new interest in the political motivations that shape International Monetary Fund (IMF or Fund) lending decisions.¹ We take up this topic and, like most of the existing work, we focus on the interests and influence of the IMF's most powerful member, the United States. But instead of specifying an aggregate "national interest" for the U.S., we ground our approach in domestic politics. One of our arguments is that American "money-center" banks comprise a key constituency for the IMF and lobby on its behalf.² These banks have strong incentives to support the IMF because its activities reduce the risks of foreign lending and shift the costs of poor lending decisions onto taxpayers. U.S. policymakers, in turn, use their influence at the Fund to ensure that countries in which American banks are highly exposed fall under the IMF's insurance umbrella. In short, we provide microfoundations for IMF lending and identify a possible source of moral hazard in the lobbying activities of U.S. banks.

We are not the first to identify money-center banks as an important constituency for the IMF. A radical "dependencista" version of the argument has been around since at least the 1970s and a more orthodox variant is currently circulating (Stiglitz 2002, Bhagwati 2002, Barro 1998, Soros 1998).³ In addition, Oatley and Yackee (2000) and Oatley (2002) examine the

¹ See Thacker (1999), Vreeland (1999, 2001), Przeworski and Vreeland (2000), Oatley and Yackee (2000), Barro and Lee (2001), Bird and Rowlands (2001), and Dreher and Vaubel (2001), and Oatley (2002). A good review can be found in Joyce (2002).

² Money-center banks specialize in wholesale and international banking and are located in financial centers like New York, Chicago, and San Francisco. Their clients include governments, corporations, and other banks. Citibank, J. P. Morgan Chase, and Bank of America fit the description.

³ Bhagwati (2002: 8-9) speaks of a "Wall Street-Treasury complex," by this he means the powerful men who rotate between Wall Street financial firms, the highest echelons of the U.S.

extent to which the commercial bank bias exerts a systematic effect on IMF lending. Still, some fundamental questions remain unexplored: How exactly do private actors influence an international organization like the IMF? What, in turn, is the incentive structure that drives appointed IMF officials to be responsive to the interests of private actors like commercial banks? What stakes do private actors other than banks have in IMF policy?

These are tough questions, not least because they involve incentives and actions of both private and public actors at multiple levels of collective decision-making. Further complicating the research agenda is the fact that at the end of the long chain of delegation where international financial policy is made is perhaps the world's most opaque public institution – the IMF. Fund decision-makers do not take formal votes on country loan arrangements or other aspects of the IMF's day-to-day business, a procedure that makes it extremely difficult to ascertain the underlying motivations behind Fund decisions.⁴

Our approach also takes seriously each stage of the delegation of authority involved in international financial policy. **Figure 1** depicts the “chain of delegation” that begins with private individuals within the United States and ends with the U.S. delegate at the IMF. We treat private actors (voters and interest groups) as the “fundamental principals” of IMF policy in order to provide micro-foundations to a collectivity so remote and aggregate as this (or any other) international organization. All other actors in the chain of delegated policymaking are agents of these private constituencies, albeit not perfect agents.

government, and the IMF, forming a power elite that equates the interest of Wall Street with the good of the world.

⁴ The Fund also imposes a 20-year gag rule on minutes of Executive Board meetings. Worse still, much of the IMF's “consensus-building” is done informally, outside of Board meetings.

Like other papers in this volume, our analysis is motivated by the growing scholarly interest in international organizations, and by popular fears that a "democratic deficit" may arise when governments delegate policymaking authority to such organizations. But unlike papers that take a unitary actor approach, we give direct attention to the pecuniary interests of private *individuals*. By establishing links between these actors and domestic politicians, and then between domestic politics and international decision-making, we are able to elucidate the micro-incentives that underpin the behavior of this complex international organization.

To derive the interests of private actors with respect to IMF and its policies, we ask a basic question: who benefits and who loses from IMF policies? To address this distributional issue, we look to the economics literature on international financial rescues and economic globalization more generally. Next, we assume (realistically, we think) that private actors do not directly influence or monitor IMF officials (note the broken link in **Figure 1**). Instead, private actors advance their international financial policy goals through the U.S. Congress because (1) Congress has formal authority to rule on all aspects of U.S. participation in the IMF, and (2) because members of Congress value the resources that private citizens control – votes and campaign contributions. We analyze voting in the U.S. House of Representatives on IMF quota increases to establish the links between private actors and domestic politicians.

Congress, however, does not directly influence the day-to-day operations of the IMF (broken link, **Figure 1**), as U.S. law has no standing with international organizations.⁵ To advance their goals, members of Congress must work through the executive branch, directing the Secretary of the Treasury and the U.S. Executive Director to the IMF to advance congressional

⁵ Unlike important issues, such as increasing the U.S. quota contribution to the IMF, Congress does not directly oversee many aspects of IMF decision making, such as the country loan arrangements.

goals. In this paper, we largely ignore this part of the delegation scheme. But we do evaluate IMF outcomes to see if IMF behavior is consistent with our arguments about the domestic distributional effects of IMF policy. At this level, we employ a “revealed preferences” approach: due to the absence of transparency at the IMF, we analyze IMF lending outcomes *as if* the institution’s decision makers were pursuing the interests of private actors (e.g., money-center banks) within the United States.

Our results are encouraging. At the private actor-congressional level, we find that campaign contributions from money-center banks have a large and significant impact on the propensity of a congressperson to vote in favor of increasing the U.S. quota contribution to the IMF. We also find that members representing districts with greater proportions of net “winners” from economic globalization are more likely to favor increasing the IMF’s resources. We anticipate the first result because IMF financial rescues provide insurance to private creditors, allowing banks to retain the gains from international lending while distributing losses, when they occur, to the public sector. We predict the second result because the IMF, in pursuing its mandate to protect the world economy from financial shocks, reinforces the distributional effects of globalization.

At the IMF level, we find that the size of an IMF loan to a country is positively and significantly related to the degree of U.S. money-center bank exposure in that country, controlling for other factors. An important implication of this result is that moral hazard in international finance is at least partly a function of the interests of private actors seeking to externalize the risks of cross-border lending.

The paper is organized as follows. In Section 2, we provide background on what the IMF does and how its officials reach decisions. We also illustrate shortcomings in the scholarly work

on the IMF, particularly the lack of attention to individual incentives. In the next three sections, we address these flaws. Section 3 contains our arguments and evidentiary strategy. Section 4 is the empirical analysis of congressional roll call votes on IMF quota increases, and Section 5 explores the determinants of IMF lending. The final section is the conclusion, which discusses implications.

2. The Mandate and Organization of the IMF

The International Monetary Fund was conceived at the Bretton Woods conference in 1944 to support global trade and economic growth by ensuring stability in the international financial system. Today, the IMF remains a cooperative, intergovernmental organization, with 183 members. As part of its mission to promote financial stability, the IMF provides financial assistance to countries facing balance-of-payments difficulties.⁶

The Fund's approach for providing financial assistance has two main components – financing and conditionality – that jointly address the immediate payments crisis and the underlying factors that contributed to it. Access to and disbursement of Fund financial assistance is conditioned on the adoption and pursuit of economic and structural policy measures the IMF and recipient countries negotiate. This “conditionality,” usually takes the form of performance criteria (e.g., inflation and spending targets) and policy benchmarks (e.g. tax reform and privatization). The aim is to alleviate the underlying economic difficulty that led to balance of payments problems, as well as to ensure repayment to the Fund.

⁶ When a country spends more abroad on goods and services than it receives, it incurs a current account deficit. Selling assets or borrowing can finance this shortfall, and involves a private capital inflow into the deficit country (a capital account surplus). But when private sources do not cover the current account deficit, the government must finance it through the sale of foreign exchange (official reserves of foreign currencies). This is referred to as a balance-of-payments deficit.

The IMF considers each country's individual circumstances on a case-by-case basis when establishing a financial assistance arrangement. Fund officials and officials from the recipient country negotiate conditions for receiving IMF assistance that include a variety of changes in a country's fiscal, monetary, and structural policies. Over the course of the arrangement, IMF staff and country officials periodically review the program's status, and the staff determines whether or not the country has made satisfactory progress with respect to meeting the program's conditions. In addition to providing financial assistance, the Fund conducts surveillance and provides policy advice regarding members' economic policies as they relate to their overall external payments position. Article IV of the Fund's charter provides that all members undergo a consultation process with the Fund as part of the surveillance effort; these reviews are usually conducted on an annual basis.

Member countries provide all funds used by the IMF, and join the organization by making a capital subscription or "quota" and agreeing to abide by rules set up by its charter, known as the Articles of Agreement. Each country's quota is calculated by a formula reflecting the relative size of its economy, using various measures of output and trade.

Members' quotas account for 95.5 percent of the IMF's resources, but quotas are important beyond their financial value as they also determine a country's voting power. Control of the IMF, therefore, is heavily weighted toward the larger countries. It takes a majority vote to change policy, but major policy decisions, such as increasing quota size, amending the Articles of Agreement, or selling gold reserves, require an 85 percent special voting majority. The United States, with a quota equal to 17.5 percent of the total, has virtual veto authority over these super majority policy votes. Moreover, the U.S. appears to maintain a virtual veto over the day-to-day business of the IMF, including the approval of country loan arrangements and mid-loan

reviews, even though there is no formal super majority requirement for these decisions (see below).

Organizationally, the IMF has two representative bodies, the Board of Governors and the Executive Board, both with weighted voting. The Board of Governors is composed of political representatives from each member country; governors are usually finance ministers but occasionally central bankers. While the Board of Governors has ultimate authority for running the IMF, it has delegated nearly all its powers to the Executive Board. The Executive Board is the main decision-making body on the day-to-day business of the Fund.

The Executive Board is composed of 24 Executive Directors, eight of whom are appointed by the eight largest quota-holders: the United States (17.5 percent of total IMF quotas), Japan (6.3 percent), Germany (6.1 percent), France (5.1 percent), the United Kingdom (5.1 percent), Saudi Arabia (3.3 percent), China (3.0 percent), and Russia (2.8 percent). The remaining 16 directors represent multi-member constituencies and are elected by these, mostly regional, groupings of nations. The Executive Board is in “continuous session” in Washington, meaning that it meets as often as business requires. Actual meeting time averages about 12 hours a week and is devoted mainly to deciding on loan arrangements, policy, and surveillance issues (Van Houtven 2002: 14-15).

Formal votes are not taken in the Executive Board. The Board’s decision rule (Rule C-10 of the Fund’s Rules and Regulations) dates to the origins of the IMF and came at the insistence of the United States and the United Kingdom. The rule prescribes that “The Chairman shall ordinarily ascertain the sense of the meeting, in lieu of a formal vote.” A “sense of the meeting” means that the Chairman of the Executive Board (i.e., the Managing Director of the IMF) surmises whether a position is supported by executive directors having sufficient votes to carry

the question *if* a vote were taken (Van Houtven 2002: 23). Thacker says the U.S. planners wanted this rule to “muffle the strong voice of U.S. power, which nevertheless was decisive” (1999: 42, fn 17). Whatever its origins, the procedure suggests a simple majority basis for Board decisions. Some analysts argue, however, that it approximates a super majority rule, empowering large members like the United States (Thacker 1999: 41-42, Kahler 1990). One reason offered is that managing directors rarely take positions opposed by the U.S. or a coalition of large states; another is that members who speak out against the U.S. do so at their own peril, since the U.S. can veto favored programs in retaliation. Finally, a small number of large members can form coalitions to push through a position.

These rules and procedures give the U.S. and other major shareholding countries a strong influence over IMF lending decisions. We are interested in the political economy of these decisions, so we necessarily focus on the motivations and influence of the large shareholders in the Fund.⁷ The problem for social scientists is that the “sense of meeting” voting procedure makes it hard to discern influence by any member and shrouds motivations behind a veil of “consensus.” How do scholars deal with this lack of transparency?

The standard approach is to infer motivations and influence from patterns of IMF lending *ex post*. The idea is fill in the black box of IMF decision-making by reading backwards from IMF outcomes to member government interests. Robert Barro and Jong-Wha Lee (2002) provide a careful application of this “revealed preferences” approach. Barro and Lee hypothesize a positive association between the size of a debtor country’s loan from the IMF (scaled to GDP), and that country’s “political and economic proximity” to the United States.

⁷ Data restrictions, however, limit our focus to the United States. Nevertheless, our arguments are applicable to other influential members.

Since the size of an IMF loan program is also affected by demand-side factors (the needs of the deficit country), the reduced-form equation contains a set of additional variables as controls.

Barro and Lee's proxy for "political proximity" is the fraction of times the U.S and the country in question vote identically in the U.N. General Assembly. Their measure of "economic proximity" is the ratio of the country's bilateral trade with the U.S. to the country's GDP. The results support the argument and echo similar findings by Thacker (1999).

While this approach purports to fill the black box of IMF policymaking, it has shortcomings. One problem is that the micro-incentives of decision makers are not defined. In accounts like this, IMF officials advance an aggregate goal – their home country's "national interest," whatever that is – instead of being motivated by individual incentives conditioned on the institutional environment.⁸ While there may in fact be personal benefits (costs) that accrue to executive directors that take positions favoring (opposing) allies and trading partners, these incentives are not identified ex ante, leaving a gap in the logic of the causal story. What are these costs and benefits? Does the domestic authority that appoints and monitors the executive director benefit from using the IMF to promote foreign policy goals? Is electoral support from domestic residents that are attuned to foreign policy involved? Are campaign contributions from private actors part of the story?

Another problem is the indirect relationship between the argument and the evidence. The argument predicts executive directors' individual positions within the IMF's main decision-making body. Evidence, on the other hand, is from aggregate IMF lending outcomes. While

⁸ On the other extreme, public choice treatments imbue IMF decision makers with powerful bureaucratic incentives, such as remuneration, autonomy, and the desire to avoid failure. See Vaubel (1991, 1994) and Willett (2002).

research in political economy is often forced by data constraints to resort to indirect evidence, one has to be extremely confident with the empirics to believe inferences drawn at one level but tested at another.

We acknowledge that IMF director positions' are difficult to discern and that simplifying behavioral assumptions can yield theoretical and empirical insights. But we think it is problematic to infer motivations from aggregate IMF outcomes without more direct evidence that executive directors maximize the political economy objectives claimed by the analysts.

3. Our Approach and Argument

To get around this and other problems associated with the lack of transparency of IMF decision-making, we develop our argument from the bottom up. We begin by identifying the “fundamental principals” of the IMF and defining their interests. At base, we argue, private actors within large shareholding countries like the United States are the IMF’s fundamental principals. We define the interests of private actors in narrow pecuniary terms: the IMF’s policies have distributional effects that give private actors stakes in what the organization does. We then move up the chain of delegation to an institutional level in which individual voting on Fund policy *is* formal and observable – the U.S. Congress.⁹ We assume that domestic legislators care about reelection and therefore take positions that reflect voter and interest group stakes in the policy. Our results suggest that legislator positions' are indeed shaped by the lobbying activity of money-center banks and other constituency goals. Then we move to the IMF level. Because Congress has final authority on matters pertaining to U.S. involvement in the IMF, we expect U.S. representatives at the Fund to use their influence to advance the interests of

⁹ Some decisions that the Fund makes must be ratified by Congress (e.g., quota increases), which opens a window into the politics of the IMF.

international banks, among other things. Since we can't observe this, we analyze IMF lending *as if* the U.S. delegate was the dominant decision maker actively pursuing the interests of U.S. money-center banks. We find that the size of an IMF loan to a country is positively and significantly related to the degree of U.S. money-center bank exposure in that country, controlling for other factors.

3a. Private Actors and the IMF

Among *organized* private actors, the portion of the financial sector in the United States that invests in and lends to emerging market economies is a key beneficiary of IMF activities (Oatley and Yackee 2000). This is because IMF financial assistance, even if intended to help stabilize the international financial system, is a form of insurance for creditors and a source of “moral hazard.” A moral hazard is an action that encourages the very behavior that the action seeks to prevent. With respect to the IMF, moral hazard arises when IMF crisis assistance encourages private investors to take on risks that they might otherwise shun in an attempt to reap greater financial returns. The idea is that private investors and lenders to developing countries over commit to emerging economies because of the expectation, based on previous experience, that the IMF will provide the foreign exchange liquidity that will allow them to exit the country in time of crisis and without bearing their full losses.¹⁰ As creditors, they are aware that they will be bailed out in case of a balance of payments crisis. For example, at the time of the 1995 Mexican crisis, private investors suffered no crisis-related losses as result of the bailout. This

¹⁰ Virtually all analysts agree that the IMF encourages moral hazard – both with creditors and debtor nations – but there is a vigorous ongoing debate on the extent of the problem. See Dell’Ariccia, Schnabel, and Zettelmeyer (2002), Jeanne and Zettelmeyer (2001), Dreher and Vaubel (2001), and Lane and Phillips (2000). The International Financial Institutions Advisory Commission (the Meltzer Commission), which Congress chartered to evaluate and recommend U.S. policy toward the IMF after the Asian crisis, viewed moral hazard to be the most important problem in international finance.

encouraged excessive risk-taking, and set the stage for the Asian crisis two years later. In this crisis, investors and foreign banks did suffer losses, although these losses were less than they would have been in the absence of the \$100 billion IMF rescue.

The point is that IMF bailouts let private creditors retain the gains from international lending and distribute (part of) the losses to the public sector. When the IMF provides funds to a member government, that government often uses the IMF funds to repay private creditors (Bird 1996). Financial market participants are apparently well aware of this transfer of risk.

Demirguc-Kunt and Huizinga (1991) found that unanticipated increases in U.S. government financial commitments to the IMF caused the market capitalization of exposed U.S. money-center banks to increase. They concluded that the “stock market expects virtually all additional resources provided to debtor countries [by the IMF] to be used for debt service to commercial banks” (cited in Oatley and Yackee 2000, 10). While moral hazard and the risk subsidy to private actors may be an inevitable consequence of stabilizing financial markets (Rogoff 1999), our argument is simply that creditors with assets in developing countries are among the most important beneficiaries and therefore are likely to be strong supporters of the IMF. We expect money-center banks to lobby (give campaign contributions) in support of the IMF.

Other private actors are affected by IMF policies. Among *unorganized* constituencies (voters), the actors that gain and lose from having the IMF stabilize the world economy can be identified via international trade theory. Stolper and Samuelson (1941) and Mundell (1957) identified the winners and losers from economic globalization in terms of factors of production, such as high-skilled and low-skilled labor, from which factor owners derive their incomes. Owners of locally abundant factors tend to gain more than average from globalization, while owners of scarce factors tend to lose. In the United States, the relatively scarce factor is low-

skilled labor, and thus the group most likely to lose from globalization is low-skilled labor (Wood 1994). As trade has increased with nations where low-skilled labor is relatively abundant (and hence cheap), organized labor in the U.S. has mobilized against globalization, and received protection in less-skilled intensive industries in return (Haskel and Slaughter 2000; Baldwin and Magee, 2000). By contrast, highly skilled labor is abundant in the U.S. relative to the rest of the world and thereby benefits from globalization.

Existing individual-level data from public opinion surveys provide empirical support for the argument. Scheve and Slaughter (2001) show that workers with college degrees or high skills support further liberalization of international trade while those with less education and fewer skills resist such initiatives. Our extension to IMF policy recognizes that the Fund's mandate to protect global trade and economic integration from financial disorder is a benefit to private actors that gain from such integration. We thus expect people with high (low) skills to support (oppose) the IMF. But we do not expect them to lobby. As discussed below, diffuse interests such as high and low-skilled workers find representation via the electoral calculations of legislators.

3b. Legislators and the IMF

The IMF is a creature of Congress. Congress voted the institution into existence in 1944 and Congress retains the authority to determine the terms of U.S. involvement in the organization. Although Congress has delegated some important functions to the Executive branch – the President appoints the Executive Director to the IMF (with the advice and consent of the Senate) and U.S. Executive Director is ordered by law to clear his or her decisions with the Secretary of the Treasury – the ultimate arbiter of U.S. participation in the IMF is the Congress.

Legislators have been active over the years in monitoring IMF policy and shaping the agenda that U.S. appointees to the IMF and the Secretary of the Treasury must advance. In 2001, the General Accounting Office reported that Congress had set 60 legislative mandates prescribing U.S. policy goals at the Fund (U.S. General Accounting Office 2001). These mandates cover a wide range of policies, including labor standards, international trade, human rights, and weapons proliferation. In every case, Congress directs the Secretary of the Treasury to instruct the U.S. Executive Director to use his “voice and vote” on the Executive Board of the Fund to pursue specific policies as part of his duties (Wertman 1998a).¹¹ However, on major IMF policy changes, such as an increase in the U.S. quota contribution, Congress preserved its direct authority. Under Section 5 of the Bretton Woods Agreements Act of 1944, U.S. participation in any IMF quota increase must be approved by the U.S. Congress (Wertman 1998b). What shapes congressional positions on IMF quota increases?

The positions of legislators surely depend on a host of considerations, including partisan identity, political ideology, and expectations about the future consequences of IMF rescues (the moral hazard problem). However, elections and the possibility of being voted out of office tie legislators to the interests of constituents. We make the standard assumption that legislator behavior is self-interested and derives, at least in part, from the desire to remain in office. This assumption implies that members of Congress make decisions on IMF policy based upon how these policies affect them personally (which is to say electorally), without regard for the policies’ national or international affects. The link to private actors involves both campaign contributions

¹¹ As an international organization, the IMF is exempt from U.S. law, so Congress must work through the Secretary of the Treasury to affect IMF behavior.

from organized groups, such as money center banks, and votes of citizens affected by the distributional impact of IMF policy, such as high-skilled workers.

Campaign contributions provide legislators with resources for political advertising, which is helpful in winning the support from rationally ignorant voters. Legislators thus respond to organized groups with clear stakes in a policy, collective action capabilities, and money to invest in politics (Grossman and Helpman 1994). But legislators are also sensitive to unorganized constituencies via the election processes. Legislators calculate the distributional effects of a policy on voting constituencies within their districts and take positions on the policy that reflect these districts interests (Bailey 2001, Arnold 1992, Denzau and Munger 1986). These calculations occur even in the absence of direct influence and lobbying, meaning that diffuse interests like high-skilled workers don't actually have to vote on the basis of the policy for this mechanism to be effective.

3c. IMF Policymakers and IMF Policy

As discussed above, IMF decision-making procedures give the U.S Executive Director extraordinary influence. The absence of roll call voting at the IMF, however, makes it impossible to directly observe the U.S. executive director positions and renders it difficult to infer his motivations. We cannot resolve this problem. What we can do is see if IMF lending decisions are consistent with the motivations we have uncovered at the level of domestic politics. Specifically, we predict that the IMF will give larger loans to countries in which American money-center banks have greater exposure. This assumes that the U.S. Executive Director and/or the Secretary of the Treasury is an agent to some degree of these private actors. Scholars that see a "Wall Street connection" would have little difficulty with this assumption (e.g. Stiglitz 2002). However, it may also be the case that members of Congress, as agents of banking

interests, communicate these policy goals both formally and informally to the Treasury Department. We prefer this second assumption, which is depicted in **Figure 1**.

4. Data and Analysis: Congressional Roll Call Voting on IMF Quota Increases

Under the IMF's Articles of Agreement, a general review of the adequacy of Fund quota resources must be conducted at least every five years. If a review results in the approval of a quota increase, member governments must ratify the increase (see above). Historically, these requests for increases in the quota have been the occasion for rigorous congressional re-examinations of the IMF, its operations, and its loan programs. During these debates, members of Congress are occasionally required to vote. These roll call votes provide a window into the politics of the IMF and an opportunity to see if constituency pressures are involved.

We analyze congressional votes on the quota increases that followed the IMF's Eighth and Eleventh General Review of Quotas, which occurred in 1983 and 1998, respectively. These were the only quota increases for which "clean" roll call votes could be found.¹² **Table 1** provides summary information on the roll call votes we analyze. These four votes represent the universe of clean roll calls on IMF funding since 1973.

Three of the votes (V286, V287, and V313) occurred in 1983 following the IMF's Eighth General Review. The context was the Latin American debt crisis, which provoked worries in Congress that quota increase would fund a bailout of the commercial banks (Bordo and James 2000: 32). Many members were therefore reluctant to provide more resources to the IMF without also tightening regulatory control over commercial banks. This they did with the

¹² Usually, Congress includes IMF funding in large omnibus spending bills, which makes it difficult to isolate legislator positions' on the IMF issue. However, we were able to identify amendments and motions to the 1983 and 1998 spending bills that dealt exclusively with IMF quota increases. We consider these "clean" votes in the sense that a vote for or against the amendment is a vote for or against increasing U.S. contributions to the IMF and nothing else

International Lending Supervision Act of 1983, which gave U.S. regulatory authorities the legal right and the obligation to require banks to achieve and maintain adequate capital by establishing minimum levels of capital.¹³ This Act was conjoined in single bill (H.R. 2957) that, in addition to funding the IMF quota increase, also extended the authority of the Export-Import Bank, encouraged balanced worldwide economic growth, and provided for continued U.S. participation in multilateral development banks. Just before this omnibus bill passed the House by a close vote of 217-211, several members proposed amendments that would strip the bill of the IMF quota increase. In close succession, the House voted down these amendments. Since the language and the voting patterns are very similar across these three votes, it is no surprise that our coefficient estimates, below, are similar across regressions.

The fourth and most recent roll call (V109, 105th Congress) involved a motion to a House emergency supplemental spending bill (H. R. 3579). What prompted the motion was that the House and the Senate were considering two different versions of the same bill. The Senate's version included funding for the U.S. peacekeeping missions in Bosnia and the Middle East, disaster relief for storm victims in the U.S., as well as the \$18 billion IMF quota increase. However, the House broke these funding requests into two separate bills: H.R. 3579 included funding for Bosnia, the Middle East, and disaster relief while H.R. 3580 funded the IMF and provided \$500 million to pay down U.S. arrears to the United Nations.

With the House bill diverging from the Senate's, the IMF quota increase was under threat. Procedure requires that for a bill to reach the President for signature, it must pass both houses of congress in identical form (with differences worked out in a conference committee

¹³ The Act was also a precursor to the international bank capital standards of Basle Accord in 1988.

before returning to the floor for final passage in both houses). In an attempt to reconcile the legislation, Congressman David Obey (D-WI), offered a motion to instruct conference committee members to accept the Senate language of its supplemental bill. This would have allowed the House and Senate to pass identical supplemental spending bills, providing the IMF with \$18 billion in new U.S. commitments. On April 23, 1998, Congress defeated Obey's motion by a vote of 186 to 222, stalling the appropriation of funds for the IMF for another six months.

We have two hypotheses. First, we expect the probability a House member will vote in favor of the IMF quota call to increase with campaign contributions from money-center banks. This reflects the argument that money-center banks are among the most direct beneficiaries of IMF rescues. Second, we expect variation in skill levels across House districts to affect member voting. Specifically, we anticipate that the higher (lower) the skill level of constituents, the more likely a member will be to vote for (against) the IMF quota increase. This captures our argument that members relate to the IMF as an organization that promotes global economic integration, and take positions on IMF votes that reflect how diffuse constituencies fare distributionally from globalization.

To identify money-center banks, we rely on the regulatory classification found in the Federal Financial Institutions Examination Council's (FFIEC) "Country Exposure Lending Survey." The FFIEC compiles data on the international exposure of U.S. banks and aggregates these data into two categories, "money-center" banks and "other banks," for confidentiality reasons. Because the FFIEC survey identifies the specific banks that comprise the money-center group, we were able to obtain a list on which to base our collection of campaign contribution

data.¹⁴ For campaign contributions, we accessed the Federal Election Commission's data on contributions from Political Action Committees (PACs). Each of the money-center banks identified by the FFIEC maintains a PAC to channel money to members of Congress. Our constructed variable is BANK_PAC: the sum total of campaign contributions from all money-center banks to a House member in the two electoral cycles preceding the IMF quota vote.

In deciding whom to target with PAC contributions, money-center banks aim at House members with particular influence over banking and financial policy. **Table 2** shows that majority of the top twenty recipients of money-center bank largess were members of the Committee on Banking, Finance, and Urban Affairs. It also shows that all but one of these members voted in favor of the 1983 IMF quota increase (a "no" vote on the 1983 amendments is a vote in support of the increase).

We measure constituent skill levels in two ways: by educational attainment and by occupational classification. COLLEGE is the share of district population with four years of college. SKILLS is the percentage of district workers in executive, administrative, managerial, professional, and professional specialty occupations. See the Data Appendix for variable descriptions, sources, and summary statistics.

Table 3 presents results from Probit analyses of the three 1983 roll calls (robust Huber/White standard errors are in parentheses). In Models 1-3, we control only for member "ideology" as proxied by members' first dimension DW-NOMINATE score (Poole and Rosenthal 1997). The first dimension of the DW-Nominate score is usually interpreted as capturing a member's ideological position on government intervention in the economy. We

¹⁴ See the Data Appendix for the full list of banks that make up the group. The number of money-center banks declines from 1983 to 1998 due to mergers, consolidations, and in the case of Continental Illinois, failure.

include it to pick up some of the individual attributes that sway member voting. Since higher values denote a more “conservative” ideology we expect, a positive sign: more conservative members should oppose increasing the IMF resources because IMF bailouts create moral hazard and have other ill effects on incentives. While we find evidence of this effect, our variables of interest, BANK_PAC and COLLEGE, are invariably correctly signed and highly significant. The more campaign contributions from banks and the higher the education level in a district, the more likely a member is to vote against the amendments stripping the IMF of its quota increase. In Model 4, we include controls for district INCOME (median household income) and MEXICAN ORIGINS (share of district population of Mexican ancestry). The later control is intended to capture any effect that proximity to Mexico – the first victim of the debt crisis – might have on member voting. Our core results are not affected by the inclusion of these controls.

As a robustness check, we ran probits using alternative measures of district skill level and member ideology. **Table 4** contains results substituting SKILLS (share of population working in high-skills industries) for college attainment and PARTY (1=Dem, 0=Rep) for DW-Nominate scores. Our findings are robust to these substitutions.

The vote on Obey’s 1998 motion (V109, 105th Congress) would seem to be a difficult one for our argument since members voted very strongly along party lines – only 28 Democrats and 22 Republican broke ranks with their parties. Nevertheless our main variables are signed correctly (positive, since a “yes” vote on Obey’s motion would fund the IMF) and significant in several alternative models, as shown in **Table 5**. Model 1 controls for member ideology with DW-Nominate. We prefer Model 2, which controls for PARTY, since this model has better explanatory power, as indicated by the reduced log-likelihood ratio, and directly controls of the

partisan nature of the vote. Model 3 adds variables that reflect potentially relevant district characteristics. MEXICAN+KOREAN+THAI is the share of district population of ethnic groups originally from three countries that suffered major currency crisis in the 1990s. Our estimates do not support a relationship. NET IMPORTS and NET EXPORTS capture the effect of district industrial characteristics. Members representing districts that face strong import competition are expected to oppose funding the IMF, since the Fund pursues an essentially pro-trade mandate. Members with export-oriented industries in their districts, on the other hand, should support IMF funding (see the Data Appendix for the complicated construction of these variables). Our results provide partial support for this argument, as NET IMPORTS is both negative and significant.

In **Table 6**, we provide a substantive interpretation of the results and a sense of the magnitude of the effects. Using models from Tables 3 and 5, we simulated the predicted probability of observing a vote in favor of increasing the IMF quota and then examined how the predicted probabilities *change* as our explanatory variables increase one standard deviation from their means, holding all other variables at their mean values.¹⁵ The effects are substantively large. For example, a one standard deviation increase in BANK_PAC, the measure of campaign contribution from money-center banks, increases the likelihood that a member will support IMF funding by 17.9 percentage points in the case of V286 (Table 3, Model 1). Note that the effect is smaller in the case of the 1998 vote (V109, Models 1 and 2), but still not trivial. The average effect (across all five models) of increasing campaign contributions by one standard deviation is to increase the probability of supporting the IMF by 13.1 percentage points.

¹⁵ The simulations were performed with the “Clarify” software developed by Tomz et al (1998; King et al 2000).

We obtain similarly large substantive effects for COLLEGE, our measure of district skill levels. Increasing the share of district population with a college diploma by one standard deviation increases the probability a member will support IMF funding by 10.2 percentage points, on average (11.2 points on V286, 11.7 points on V287, 9.8 points on V313, 7 points on V109, Model 1, and 11.5 points on V109, Model 2). Note that the effects are quite large even where PARTY has an overwhelming impact on voting (V109, Model 2)

5. Data and Analysis: IMF Lending Outcomes

Having shown the linkage between commercial banks and Congress, we now examine the effect that banks exert on Fund decision-making. We demonstrate that IMF lending is related to the size of U.S. banks' exposure.

Because the United States' position in the Fund endows its Executive Director with substantial voting power, and because that Executive Director is ultimately, if distantly, an agent of Congress, we expect to see a correlation between the interests of major congressional constituents and Fund decisions. Since we have shown that campaign contributions by money-center banks in the U.S. have a pronounced impact upon congressional policy towards the IMF, we expect to see that influence carried through to IMF decisions.

Other authors have already addressed some elements of this relationship. Thomas Oatley (2002) demonstrates that commercial bank lending habits do correlate with IMF lending decisions. Rather than merely repeating the tests performed by Oatley, our goal is to expand upon his findings, utilizing a larger dataset, spanning more countries over more years. As will be discussed below, this expansion offers distinct benefits, but also poses new challenges.

Our dependent variable is the size of financing arrangements approved by the IMF through the Stand-By (SBA) and Extended Fund Facilities (EFF) from 1983 through 2002. As

there is significant variation amongst the economies that receive IMF assistance, we scale the approved program amounts to the recipient country's GDP. During that period, 361 arrangements were made through these two programs, totaling roughly 235 Million SDRs.¹⁶ We elect to focus on the amounts approved by the Fund, rather than the amounts actually dispersed. We do so for two reasons. First, the effect of IMF programs relies less on the actual usage of IMF resources than on the “catalytic effect” that approval has on private financing options and investor confidence (Larosière 1984). With this catalytic effect, many recipients of IMF program approvals never utilize all of the resources at their disposal through the Fund. Secondly, as these programs are approved for a time-span covering several years, usage of Fund resources later in the period confounds attempts to trace Fund decisions to their causes.

The variable of interest is the “loan exposure” of U.S. money-center banks in foreign countries, which measures the vulnerability of these banks to countries defaulting on their loans. Since we are interested in the vulnerability of U.S. banks to a shock in a particular country, and since the severity of this risk is less a function of the actual size of the loan, than the proportion it represents in the banks' overall lending portfolios, we scale each country's loans by the total amount lent by the money-center banks for that year. Thus, our variable yields an indicator of the relative exposure of U.S. money-center banks in each country of our dataset. Thus, an increase in the value of this variable corresponds to a greater exposure of American banks in that country.¹⁷

¹⁶ Special Drawing Rights (SDRs), are the official currency of IMF transactions and are based upon a basket of major currencies.

¹⁷ For those who might disagree from a theoretical perspective that portfolio vulnerability is more important than the actual size of the loans, we should note that using unscaled data on bank loans (i.e. total amount lent to a particular country by the money-center banks for that year)

Our data on loan exposure is from two sources: the FFIEC and the Bank for International Settlements (BIS). The benefit of the FFIEC data is that it specifically covers the same money-center banks that we have focused on throughout this paper. The cost is that the data are not available for our entire period. While the BIS data provide better coverage, they include the sum of *all* reporting U.S. banks, not just money-center banks. We are not overly concerned about the inclusion of loan exposure data from other banks since the large money-center banks do most of the international lending. Furthermore, as **Table 7** illustrates, the two sets of data yield similar results.

As controls, we include several macroeconomic and socio-economic indicators: GDP (logged), exports (scaled to GDP), foreign debt (scaled to GDP), global interest rates (as reflected by US Treasury Bill rates), national interest rates, level of international reserves, population, and GDP per capita. We have also included a dummy variable for OECD membership as well as individual year dummies. Lending decisions by the IMF do not occur in a geo-political vacuum, however, so we also include a rudimentary control for “political affinity.” Thacker (1999) and Barro and Lee (2002) identify a relationship between U.S. foreign policy and IMF lending decisions. Oatley (2002) also included this political argument in his analysis by using changes in countries' voting behavior in the United Nations as a proxy for shifting political ties. Following this rationale, we also include a control variable measuring the shift in a country's voting behavior (relative to the United States position) in the United Nations General Assembly from the prior year (U.N.). To control for the possibility that having received a prior IMF arrangement might affect the likelihood of receiving another arrangement in a

yields similar results in our data analysis, both in terms of its statistical significance, and its substantive impact.

subsequent year, we have included a variable for amount lent by the IMF to that country over the prior five years.

In its simplest formulation, our dataset is a time-series cross-section of 120 member countries of the IMF over twenty years (1983 – 2002). Unfortunately, since many of our control variables are not available for all of these countries, many of our results use a truncated dataset. We have consequently included three sets of results, ranging from basic controls (on the full dataset) to more stringent economic and political controls (with significantly fewer observations). The number of countries and observations used in each model is included with the results.

5b. Empirical Results

The results show that the effects of U.S. bank exposure on IMF lending decisions are both strong, and highly significant (see **Table 7**). Both measures of our bank exposure explanatory variable (BIS Exposure and FFIEC Exposure) show up highly significant across the models. Moreover, the substantive impact of bank exposure is fairly substantial. An increase in bank exposure of one standard deviation (roughly 1.5% of the banks' overall lending portfolios) would, according to our model, increase an IMF arrangement by roughly 5% of the recipient country's GDP.¹⁸

Although the coefficients for the BIS data are quite consistent across the various models, the FFIEC coefficients are noticeably larger, and less stable. Since the FFIEC data covers only some of the years included in the BIS sample, there may be pivotal cases within the FFIEC sample that are influencing the results. Further research is in order.

¹⁸ This figure was calculated using the more modest (and we feel, more reliable) BIS coefficient from the model with full economic and political controls (#5 in Table 7). Estimates made using the higher FFIEC coefficients would suggest a larger IMF loan.

6. Conclusion

Our foray into the political economy of the IMF helps resolve some issues but raises others. We began by identifying the private actors within large member countries that have pecuniary stakes in IMF activities. This elemental step is often ignored in the study of international organizations even though such organizations are nearly always created and maintained through domestic legislation in powerful member states. We then established that the organized segment of this constituency, money-center banks, actively participates in domestic politics by supplying legislators with campaign finance. Judging from our strong empirical results, members of Congress appear, in turn, to be responsive to these appeals, as well as to the interests of unorganized groups benefited or harmed by the IMF's pro-globalization mandate. The final link in the causal chain was to analyze IMF outcomes. Although our results at this level suggest that IMF acts in ways that reflect the interests of money-center banks, our evidence is indirect. We have no direct evidence showing that the U.S. Executive Director at the Fund is a dutiful agent of the U.S. Congress. We have no evidence that Congress compels the U.S. delegate to advance the interests of private international banks. In fact, we have completely ignored a level of delegation that is probably crucial to IMF outcomes: the delegation from Congress to the executive branch that gives the U.S. Treasury Secretary and the U.S. Executive Director the predominant authority on the day-to-day business of the Fund.

We justify our lack of attention to this agency relationship in the standard, unsatisfying way: one need not actually observe monitoring and punishment for principals to effectively control agents because foresightful agents *anticipate* the boundaries of acceptable action and stay within them. Maybe this is what Bhagwati and others have in mind when they argue that the

IMF serves the interests of the international investment community? We are certain only that more research is necessary.

Overall, our multilevel arguments and statistical tests provide some insight into the indirect and complex relationship between private actors and the IMF. This relationship begins with the distributional goals of private actors and moves to the domestic legislatures of powerful member governments via the electoral connection. However, on all but the most important IMF decisions (e.g. quota increases), national legislatures have no direct influence over policy. As an international organization, the IMF is not subject to domestic law. Therefore, legislatures like the U.S. Congress must work through their agents at the IMF to influence Fund policy. In researching this paper, we found dozens of U.S. laws formally requiring the U.S. Executive Director to use his “voice and vote” at the IMF to pursue congressional goals. Our sense of the anecdotal evidence is that the U.S. Executive Director has a good deal of flexibility in deciding how to interpret and implement these mandates. In short, our assumption that the U.S. Executive Director is a perfect agent of Congress is not very realistic. Yet even though this chain of delegation may be long and indirect, the evidence we found suggests that domestic actors influence international organizations' policy-making.

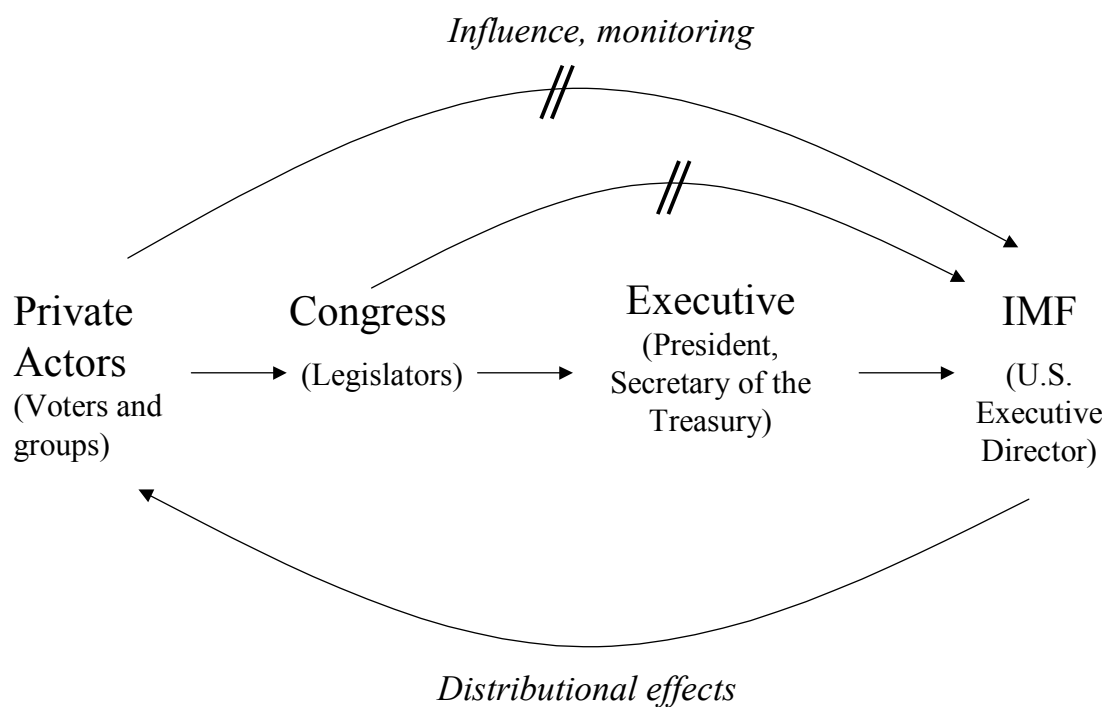
References

- Arnold, R. Douglas. 1992. *The Logic of Congressional Action*. New Haven: Yale University Press.
- Bailey, Michael. 2001. "Quite Influence: The Representation of Diffuse Interests on Trade Policy, 1983- 1994." *Legislative Studies Quarterly* (February): 45-80.
- Baldwin, Robert E. and Christopher S. Magee. 2000. *Congressional Trade Votes: From NAFTA Approval to Fast-Track Defeat*. Washington DC: Institute for International Economics.
- Barro, Robert J. and Jong-Wha Lee. 2002. "IMF Programs: Who is chosen and what are the effects?" NBER Working Paper 8951.
- Barro, Robert. 1998. "The IMF Doesn't Put Out Fires, it Starts Them." *Business Week* (7 December): 18.
- Bird, Graham. 1996. "The International Monetary Fund and Developing Countries: A Review of the Evidence and Policy Options," *International Organization* 50 (Summer): 477-511.
- Bird, Graham and Dane Rowlands. 2001. "IMF Lending: How Is It Affected by Economic, Political, and Institutional Factors?" *Journal of Policy Reform* 4 (3):243-270.
- Bordo, Michael D. and Harold James. 2000. "The International Monetary Fund: Its Present Role in Historical Perspective." NBER Working Paper 7724 (June): 1-57
- Dell'Ariccia, Giovanni, Isabel Schnabel, and Jeromin Zettelmeyer. 2002. "Moral Hazard and International Crisis Lending: A Test." IMF Working Paper No. 181 (October): 1-53.
- Denzau, Arthur and Michael Munger. 1986. "Legislators and Interest Groups: How Unorganized Interests Get Represented." *American Political Science Review* 80, pp. 89-106.
- Dreher, Axel and Roland Vaubel. 2001. "Does the IMF Cause Moral Hazard and Political Business Cycles? Evidence from Panel Data." Institut für Volkswirtschaftslehre und Statistik No. 598-01, Universität Mannheim.
- Gold, Joseph. 1984. *Legal and Institutional Aspects of the International Monetary System: Selected Essays*. Vol. II. Washington, D.C.: International Monetary Fund.
- Grossman, Gene M. and Elhanan Helpman. 1994."Protection for Sale." *American Economic Review* 84, 4 (September):833-850.
- Haskel, Jonathan E. and Matthew J. Slaughter. 2000. *Have Falling Tariffs and Transportation Costs Raised US Wage Inequality?* NBER Working Paper 7539. Cambridge, MA: National Bureau of Economic Research.

- Jeanne, Olivier, and Jeromin Zettelmeyer. 2001. "International Bailouts, Moral Hazard, and Conditionality," *Economic Policy*, Vol. 33 (October): 409–432.
- Joyce, Joseph P. 2002. "Through A Glass Darkly: New Questions (And Answers) About IMF Programs." Wellesley College Working Paper 2002-04 (June)
- Kahler, Miles. 1990. "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).
- King, Gary, Michael Tomz, and Jason Wittenberg. 2000. "Making the Most of Statistical Analyses: Improving Interpretation and Presentation." *American Journal of Political Science* 44, 2 (March): 341-55.
- Larosière, J. 1984. "Current Policies of the IMF: Fact and Fiction" *IMF Survey* January.
- Locke, Mary. 2000. "Funding the IMF: The Debate in the U.S. Congress." *Finance and Development* 37, 3 (September).
- Mundell, Robert A. 1957. "International Trade and Factor Mobility." *American Economic Review* 47 (June): 321-35.
- Mussa, Michael and Miguel Savastano. 1999. "The IMF Approach to Economic Stabilization." In Ben S. Bernanke and Julio J. Rotemberg (eds.), *NBER Macroeconomics Annual 1999*, pp. 79-122. Cambridge, MA: MIT Press.
- Oatley, Thomas. 2002. "Commercial Banks and the International Monetary Fund: An Empirical Analysis." Mimeo. University of North Carolina at Chapel Hill.
- Oatley, Thomas and Jason Yackee. 2000. "Political Determinants of IMF Balance of Payments Lending: The Curse of Carabosse?" Mimeo. University of North Carolina at Chapel Hill.
- Poole, Keith T. and Howard Rosenthal. 1997. *Congress: A Political-Economic History of Roll Call Voting*. New York: Oxford University Press.
- Przeworski, Adam, and James R. Vreeland. 2000. "The Effect of IMF Programs on Economic Growth." *Journal of Development Economics* 62: 385-421.
- Rogoff, Kenneth. 1999. "International Institutions for Reducing Global Financial Instability." NBER Working Paper 7265 (October).
- Scheve, Kenneth F. and Matthew J. Slaughter. 2001. "What Determines Individual Trade-Policy Preferences?" *Journal of International Economics* (August) 54, 267-92.
- Soros, George. 1998. *The Crisis of Global Capitalism: Open Society Endangered*. New York: Public Affairs.

- Stolper, Wolfgang and Paul A. Samuelson. 1941. "Protection and Real Wages." *Review of Economic Studies* 9: 58-73.
- Thacker, Strom. 1999. "The High Politics of IMF Lending," *World Politics* 52, 1 (October): 38-75.
- Tomz, Michael, Jason Wittenberg, and Gary King. 1998. *CLARIFY: Software for Interpreting and Presenting Statistical Results*. Version 1.2. Cambridge MA: Harvard University, (September).
- U.S. General Accounting Office. 2001. *International Monetary Fund: Efforts to Advance U.S. Policies at the Fund*. Report No. GAO-01-214 (Washington, D.C): 1-78.
- Van Houtven, Leo. 2002. *Governance of the IMF: Decision Making, Institutional Oversight, Transparency, and Accountability*. IMF Pamphlet Series No. 53. Washington, D.C.: International Monetary Fund.
- Vaubel, Roland. 1991. "The Political Economy of the International Monetary Fund: A Public Choice Analysis." In Roland Vaubel and Thomas Willett, eds. *The Political Economy of International Organizations*. Boulder, CO: Westview Press, pp. 204-244.
- Vaubel, Roland. 1994. "The Political Economy of the IMF: A Public Choice Analysis." In Doug Bando and Ian Vásquez. eds., *Perpetuating Poverty: The World Bank, the IMF and the Developing World*. Washington, DC: Cato Institute, pp. 37-55.
- Voeten, Erik (2001). *Politics in the United Nations: Ideology, Institutions and Power in the Global Arena*. Dissertation, Princeton University.
- Vreeland, James R. 2000. "The Effects of IMF Programs on Labor." Mimeo.
- Vreeland, James R. 1999. "The IMF: Lender of Last Resort or Scapegoat?" Prepared for the International Studies Association Conference, Omni Shoreham Hotel, Washington, DC, February 16–21.
- Wertman, Patricia A. 1998a. *The IMF and 'Voice and Vote' Amendments: A Compilation*. Congressional Research Service Report No. 98-391 (April 16):1-22.
- Wertman, Patricia A. 1998b. *The International Monetary Fund's (IMF) Proposed Quota Increase: Issues for Congress*. Congressional Research Service Report No. 98-56 (January 16).
- Willett, Thomas D. 2002. "Towards a Broader Public Choice Analysis of the International Monetary Fund." Claremont McKenna College and Claremont Graduate University. Mimeo.
- Wood, Adrian. 1994. *North-South Trade, Employment, and Inequality: Changing Fortunes in a Skill-Driven World*. Oxford: Clarendon Press.

Figure 1: Chain of Delegation



Note: IMF policies have distributional effects on private actors in the United States but these actors do not directly influence IMF decision-making. Instead, they work through members of Congress to advance their pecuniary interests. Members of Congress, in turn, make sure their designated agents in the executive branch advance the goals of private actors. Private actors are thus the “fundamental principals” of the U.S. Executive Director to the IMF.

Table 1: IMF Quota Votes in the U.S. Congress

Roll call number	V286 H.AMDT. 306 (HR 2957)	V287 H.AMDT. 307 (HR 2957)	V313 H.AMDT.341 (HR 2957)	V109 Motion to Instruct Conferees (H R 3579)
Congress	98 th	98 th	98 th	105 th
Date	7/29/1983	7/29/1983	8/3/1983	4/23/1998
Sponsor	McCollum (R-FL)	Patman (D-TX)	Corcoran (R-IL)	Obey (D-WI)
Summary	To amend H.R. 2957 to strike the language authorizing the Governor of the IMF to consent to an increase in the quota of the United States. [A “no” vote is a vote in favor of the IMF quota increase.]	To amend H.R. 2957 to eliminate provisions in the bill requiring continued U.S. participation in the IMF. [A “no” vote is a vote in favor of the IMF quota increase.]	To amend H.R. 2957 to strike the language that increases U.S. participation in the IMF General Arrangements to Borrow from \$2 billion to \$4.25 billion, and authorizes the Secretary to consent to an increase of the U.S. quota in the IMF. [A “no” vote is a vote in favor of the IMF quota increase.]	To allow the House and Senate to pass identical spending bills, providing the IMF with \$18 billion for quota increase and to establish the New Arrangements to Borrow (NAB). [A “yes” vote is a vote in favor of the IMF quota increase.]
Result	Y=182 N=227	Y=178 N=226	Y=174 N=249	Y=186 N=222
Partisan split	Dem: Y=90, N=158 Rep: Y=92, N=69	Dem: Y=89, N=155 Rep: Y=89, N=71	Dem: Y=82, N=177 Rep: Y=92, N=72	Dem: Y=164, N=28 Rep: Y=22, N=193

Table 2: Top 20 Recipients of Campaign Contributions from Money-Center Bank PACs, 1981-84 Election Cycles

Name	State	District	Party	Committee	Bank_PAC	Vote on IMF		
						V286	V287	V313
ST GERMAIN	RI	1	Dem	Bank & Fin (chair)	\$20,200	No	No	No
WORTLEY, G	NY	27	Rep		\$19,670	No	No	No
LAFALCE, J	NY	32	Dem	Bank & Fin	\$15,900	No	No	No
BARNARD, D	GA	10	Dem		\$13,500	No	No	No
NEAL, S	NC	5	Dem	Bank & Fin	\$12,600	No	No	No
LUNDINE, S	NY	34	Dem	Bank & Fin	\$11,850	No	No	No
GREEN, S	NY	15	Rep	Bank & Fin	\$10,338	No	No	No
GARCIA, R	NY	18	Dem	Bank & Fin	\$9,394	.	.	No
LOWERY, B	CA	41	Rep	Bank & Fin	\$8,250	No	No	No
SCHUMER, C	NY	10	Dem	Bank & Fin	\$8,159	No	No	No
MCKINNEY, S	CT	4	Rep	Bank & Fin	\$8,025	No	No	No
DREIER, D	CA	33	Rep	Bank & Fin	\$7,500	Yes	Yes	Yes
RIDGE, T	PA	21	Rep	Bank & Fin	\$7,500	No	No	No
WIRTH, T	CO	2	Dem		\$6,900	No	No	No
WYLIE, C	OH	15	Rep	Bank & Fin	\$6,400	No	No	No
STARK, F	CA	9	Dem	Bank & Fin	\$6,300	No	No	.
HUBBARD, C	KY	1	Dem	Bank & Fin	\$6,225	No	No	No
BERMAN, H	CA	26	Dem		\$6,000	No	No	No
MICHEL, R	IL	18	Rep	Minority leader	\$6,000	No	No	No
COOPER, J	TN	4	Dem		\$5,950	.	.	No

Notes: **Bank_PAC** is the sum of campaign contributions from money-center bank PACs in the 1981-82 and 1983-84 election cycles. The following bank PAC comprise the group: BankAmerica Federal Election Fund, Bankers Trust Corporation Fund for Good Government, Chase Manhattan Corporation Fund for Good Government, Chemical Bank Fund for Good Government, Citicorp Voluntary Political Federal Fund, Political Participation Fund of Continental Illinois, First Chicago Corp Government Affairs Associates, Manufacturers Hanover Corporation Association for Responsible Government, Morgan Companies Political Action Committee. **Bank & Fin** denotes a position on the House Committee on Banking, Finance, and Urban Affairs.

Table 3: Probit Analyses of IMF Quota Votes in the 98th Congress

DV: 1=Yes 0=No (a no vote <i>favors</i> IMF quota)	(1) V286	(2) V287	(3) V313	(4) V313 (add'l controls)
Constant	0.804*** (0.203)	0.836*** (0.204)	0.640*** (0.198)	0.305 (0.338)
DW-Nominate	1.885*** (0.201)	1.835*** (0.204)	1.788*** (0.192)	1.785*** (0.195)
Bank_PAC	-0.212*** (0.049)	-0.237*** (0.054)	-0.180*** (0.047)	-0.186*** (0.049)
College	-13.165*** (3.3)	-13.820*** (3.332)	-12.204*** (3.225)	-14.307*** (4.044)
Income				0.025 (0.024)
Mexican Origins				0.756 (0.69)
Observations	409	404	423	423
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Log Likelihood	-218.035	-215.778	-227.955	-226.932

Robust standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

**Table 4: Probit Analyses of IMF Quota Votes in the 98th Congress
(Robustness)**

DV: 1=Yes 0=No (a no vote <i>favours</i> IMF quota)	(1) V286	(2) V287	(3) V313	(4) V313 (add'l controls)
Constant	1.334*** (0.297)	1.156*** (0.309)	1.247*** (0.285)	1.118*** (0.377)
Party	-0.670*** (0.136)	-0.621*** (0.136)	-0.756*** (0.134)	-0.759*** (0.136)
Bank_PAC	-0.217*** (0.052)	-0.234*** (0.057)	-0.190*** (0.049)	-0.193*** (0.049)
Skills	-2.645*** (0.758)	-2.227*** (0.801)	-2.522*** (0.719)	-2.517*** (0.785)
Income				0.006 (0.02)
Mexican Origins				0.722 (0.713)
Observations	409	404	423	423
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Log Likelihood	-252.851	-250.786	-256.952	-256.385

Robust standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 5: Probit Analyses of IMF Quota Vote in the 105th Congress

	(1)	(2)	(3)
DV: 1=Yes 0=No (a yes vote <i>favours</i> IMF quota)	V109	V109	V109
Constant	-0.508** (0.236)	-2.186*** (0.288)	-1.854*** (0.359)
DW-Nominate	-2.678*** (0.215)		
Party		2.526*** (0.177)	2.519*** (0.18)
Bank_PAC	0.015** (0.007)	0.021*** (0.008)	0.020** (0.008)
College	2.120* (1.125)	3.539*** (1.127)	2.908** (1.2)
Net Imports			-2.218** (1.121)
Net Exports			1.423 (1.99)
Mexican+Korean+Thai			0.322 (0.683)
Observations	408	407	407
Prob > chi2	0.0000	0.0000	0.0000
Log Likelihood	-151.497	-140.859	-138.867

Robust standard errors in parentheses

* significant at 10%; ** significant at 5%; *** significant at 1%

Table 6: Substantive Effects of Campaign Contributions from Money-Center Banks, District Skill Levels, and House Member “Ideology”

	Bank_PAC	College	DW-Nominate	Party
V286 (98th Cong) Table 3, Model 1	0.179***	0.112***	-0.267***	
V287 (98th Cong) Table 3, Model 2	0.194***	0.117***	-0.262***	
V313 (98th Cong) Table 3, Model 3	0.146***	0.098***	-0.258***	
V109 (105th Cong) Table 5, Model 1	0.059**	0.07*	-0.344***	
V109 (105th Cong) Table 5, Model 2	0.079***	0.115***		-0.788***

Note: Values represent the change in the predicted probability of voting in favor of an IMF quota increase (“no” on V286, V287, V313, and “yes” on V109) as each variable of interest is increased by one standard deviation over its mean, holding other variables at their means. “Party” indicates the change in predicted probability of moving from a Democrat to a Republican (from 1 to 0).

* $p < .10$, ** $p < .05$, *** $p < .01$

Some tangible examples of the first differences, from the 98th Congress:

	Mean	Mean + 1 Std Dev
Bank_PAC	\$952 (FL-5)	\$3,346 (NY-5)
College	0.057 (FL-4)	0.0795 (CT-1)
DW-Nominate	-0.053 (VA-6)	0.318 (NY-32)

Table 7: Bank Lending and IMF Agreements

DV: IMF Arrangements/GDP

	(1)	(2)	(3)	(4)	(5)	(6)
BIS	3.456*** (1.22)		3.381*** (1.21)		3.585*** (1.34)	
FFIEC		6.727* (3.71)		13.12*** (4.61)		17.40*** (6.00)
GDP(log)	-.024*** (.0030)	-.042*** (.0064)	-.029*** (.0034)	-.068*** (.0089)	-.032*** (.0039)	-.079*** (.011)
Exports			-.145*** (.040)	-.855*** (.244)	-.158*** (.045)	-1.47*** (.356)
Foreign	.00954 (.014)	-.0460 (.056)	.0167 (.015)	-.187* (.103)	.0154 (.017)	-.160 (.124)
Global Interest	.00557 (.0054)	.0139 (.013)	.0826*** (.011)	.221*** (.030)	.0925*** (.012)	.270*** (.036)
National Interest			1.01e-4 (2.97e-4)	2.37e-3 (1.99e-3)	4.83e-5 (3.22e-4)	-7.40e-4 (2.75e-3)
International Reserves			1.6e-12 (2.82e-12)	-1.08e-12 (6.52e-12)	1.59e-12 (3.99e-12)	-6.57e-12 (1.19e-11)
OECD	.0773*** (.0278)	.0708 (.057)	.0896*** (.031)	.048 (.073)	.106*** (.040)	.107 (.104)
GDP (per capita)			1.2e-10* (7.2e-11)	2.22e-10 (1.39e-10)	5.48e-10 (4.73e-10)	1.11e-9 (9.96e-10)
Population			1.06e-10 (7.49e-11)	-4.11e-11 (1.65e-10)	1.32e-10 (8.88e-11)	-1.42e-10 (2.24e-10)
Prior IMF loan			-1.92e+6 (1.31e+6)	-2.26e+6 (2.59e+6)	-2.72e+6 (1.96e+6)	-1.99e+6 (5.07e+6)
U.N.					-.066 (.19)	-.074 (.75)
Year trend	.00428** (.0020)	.00318 (.0059)	.0275*** (.0077)	.084*** (.019)	.030*** (.0052)	.100*** (.021)
N (obs /	820/61	281/35	584/46	192/26	499/45	140/25
r-squared	.316	.445	.627	.775	.635	.743
rho	.07	.05	.00	.00	.00	.00

* $p < .10$, ** $p < .05$, *** $p < .01$
standard errors in parentheses

Data Appendix

Party: 1 = Democrat; 0 = Republican.

DW-Nominate: The first dimension of the DW-Nominate score, which is interpreted as capturing a member's ideological position on government intervention in the economy. Higher values denote a more conservative ideology (McCarty, Poole, and Rosenthal 1997).

Bank PAC: Campaign contributions from money center bank political action committees to candidates in the two electoral cycle preceding the roll call votes. Money-center banks are identified by the Federal Financial Institutions Examination Council, *Country Exposure Lending Survey* (various years). In 1983, the FFIEC list includes Bank of America, Bankers Trust, Chase Manhattan Bank, Chemical Bank, Citibank, Continental Illinois, First National Bank of Chicago, Manufacturers Hanover, and Morgan Guaranty. By 1998, consolidations and takeovers had reduced the list to: J. P. Morgan, Chase Manhattan, Bank of America, Citicorp, First Chicago, and Bankers Trust. PAC contributions are from the Federal Election Commission (<http://www.tray.com>).

College: Share of district population with four years of college (*Congressional Districts of the United States*, U.S., Bureau of the Census).

Skills: Share of district population aged 16 years and over employed in executive, administrative, managerial, and professional specialty occupations (*Congressional Districts of the United States*)

Income: Median household income (*Congressional Districts of the United States*).

Mexican Origins: Share of district population of Mexican ancestry (*Congressional Districts of the United States*).

Mexican+Korean+Thai: Share of district population of Mexican, Korean, and Thai ancestry (*Congressional Districts of the United States*).

Net Imports: Percent district population aged 16 years and over employed in net import industries. Net import industries are two-digit SIC manufacturing sectors where the ratio of imports to consumption is greater than the ratio of revenues from exports to total industry revenue (Textiles 22, Apparel 23, Lumber 24, Furniture 25, Paper 26, Petroleum 29, Rubber 30, Leather 31, Stone, Clay and Glass 32, Primary metals 33, Fabricated metals 34, Industrial machinery 35, Electronic goods 36, Transportation equipment 37, Other manufactures 39). *County Business Patterns 1997* CD-ROM, Bureau of the Census. County-level employment data was aggregated up to the congressional district level using the following procedure: If a county contains more than one congressional district within its borders, the number of workers from an industry who are in each district is estimated by using the fraction of the county's population residing in each district. For example, if 10 percent of a county's population lives in a district, that

district receives 10 percent of the county's workers in each industry. We obtained the geographic information from the MABLE '98/Geocorr v3.0 Geographic Correspondence Engine [<http://plue.sedac.ciesin.org/plue/geocorr>].

Net Exports: Percent district population aged 16 years and over employed in net export industries. Net export industries are two-digit SIC manufacturing sectors where the ratio of revenues from exports to total industry revenue is greater than the ratio of imports to consumption (Food 20, Tobacco 21, Printing 27, Chemicals 28, Instruments 38). See Net Imports and the text for the concordance procedure.

IMF Arr./GDP: Programs approved by the IMF through the Stand-By and Extended Fund Facilities, divided by the size of the recipient country's GDP. (IMF Annual Reports 1983-2002; IFS Data)

BIS Exposure: U.S. Banks' exposure in a particular country: Foreign loans made by reporting U.S. banks, divided by the total amount lent by those banks to all foreign countries for that year. (Bank for International Settlements)
http://www.bis.org/publ/hcsv0304/hanx9c_us.csv

FFIEC Exposure: U.S. money-center banks' exposure in a particular country: Foreign loans made by U.S. money-center banks, divided by the total amount lent by those banks to all foreign countries for that year. (Federal Financial Institutions Examination Council's (FFIEC) Web site. E.16 Country Exposure Lending Survey, <http://www.ffiec.gov/E16.htm>)

Exports/GDP: Exports divided by GDP (IFS)

GDP (log): Natural log of GDP (IFS)

Debt/GDP: Foreign Debt divided by GDP (IFS)

UNDIFF: Difference in country's voting behavior in the United Nations General Assembly, relative to the U.S. position, from the prior year (Voeten 2001)

Summary Statistics: Congressional Votes on Quota Increases

	V286, V287, V313 (98th Cong)			
	<i>Mean</i>	<i>Std Dev</i>	<i>Min</i>	<i>Max</i>
DW-Nominate	-.053	.371	-.778	.987
Party	.616	.487	0	1
Bank_PAC (\$1000s)	.952	2.393	-.002	20.2
College	.057	.022	.01	.208
Skills	.353	.090	.145	.854
Income (\$1000s)	16.916	3.56	7.154	28.181
Mexican Origins	.0393	.0891	.001	.716
	V109 (105th Cong)			
	<i>Mean</i>	<i>Std Dev</i>	<i>Min</i>	<i>Max</i>
DW-Nominate	.0645	.464	-.76	1.15
Party	.4747	.499	0	1
Bank_PAC (\$1000s)	5.391	9.917	-1.5	75.5
College	.201	.078	.053	.514
Skills	.258	.063	.092	.528
Mexican+Korean+Thai	.058	.115	.001	.706
Net Imports	.135	.080	.001	.426
Net Exports	.053	.045	.004	.461