



## American Interests and IMF Lending

Thomas Oatley and Jason Yackee<sup>1</sup>

Department of Political Science, University of North Carolina at Chapel Hill, NC, USA.  
E-mail: toatley@email.unc.edu

Does the United States shape the content of International Monetary Fund conditionality agreements? If so, in pursuit of what goals does the United States use its influence? We present evidence that American interests do shape the content of IMF conditionality agreements. We find that American policymakers use their influence in the IMF to pursue American financial and foreign policy objectives. The IMF offers larger loans to countries heavily indebted to American commercial banks than to other countries. In addition, the IMF offers larger loans to governments closely allied to the United States.

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### Introduction

The International Monetary Fund (IMF) is one of the most important international organizations in the contemporary international system. The financial resources it controls, in conjunction with its ability to design economic policies for its member governments, allows the IMF to exert greater influence than practically any other international organization in history. Most would agree that American power plays a large role in shaping the IMF's broad policy goals. The IMF's emphasis on macroeconomic stability and structural adjustment, for example, reflects the American determination to extend market-based economies to the developing world. Less clear, however, is the extent to which American power extends down into the IMF's operational decision-making. Of particular importance here is the American ability to exert influence in the decision-making process surrounding the creation of IMF conditionality agreements. Conditionality agreements are the IMF's primary policy instrument. In the typical agreement, the Fund provides financial assistance to a member government in exchange for economic reform. Can American policymakers determine which governments receive IMF conditionality agreements and which do not? Can they determine the specific economic reforms included in a conditionality agreement? Can they determine the amount of financial assistance the IMF offers to governments in connection with conditionality agreements? If American power does influence

the content of conditionality agreements, then in pursuit of what goals does the US use this influence?

Abundant case studies suggest that the US does exert influence over conditionality agreements. During the 1980s, for example, the US pressured the Fund to extend credits to Argentina (Killick, 1998, 74). In 1982, the Reagan administration pressured the IMF to extend a 3.9 billion credit to Mexico (Cohen, 1985, 722). In 1995, the Clinton Administration pressured the Fund to offer assistance to Mexico. Moreover, American politicians act as though the US exerts influence over conditionality agreements. The US Congress has passed at least 60 legislative mandates requiring the American representative at the Fund to use conditionality agreements to achieve specific American objectives (General Accounting Office, 2001). IMF officials have complained about the politicization of IMF decision-making, focusing particularly on the role of the United States (Finch, 1989; Bird, 2001, 828). While episodic evidence thus suggests that the US does exert influence over conditionality agreements, only one large-scale study has looked for a systematic relationship between American power and interests on the one hand and IMF conditionality agreements on the other (Thacker, 1999). Examining a large sample of developing countries across time, Thacker uses American foreign policy interests to predict which governments will receive a conditionality agreement. He finds that governments that are willing to become more supportive of American foreign policy goals are more likely to receive conditionality agreements than other governments. According to Thacker, therefore, the US uses its influence in the IMF to cultivate foreign support for American foreign policy goals.

We explore the relationship between American interests and conditionality agreements using a different approach. Rather than predict entry into IMF programs, we examine variation in the specific content of conditionality agreements. We focus on one dimension of these agreements, the size of the loan the IMF extends to the borrowing country.<sup>2</sup> Rather than focus exclusively on American foreign policy interests, we explore whether variation in American financial and foreign policy interests explains why some governments that turn to the IMF receive larger loans than others. Our evidence strongly indicates that American financial interests matter: the IMF offers larger loans to countries heavily indebted to American commercial banks than to other countries. Moreover, American commercial banks appear to be privileged in the IMF. While there is a relationship between American commercial bank lending and IMF loans, we find no relationship between lending by banks based in other countries and IMF loans. Our evidence also indicates that American foreign policy interests matter. The IMF offers larger loans to governments closely allied to the United States, though this relationship has emerged only since the end of the Cold War. In short,

American power extends into the operational decision-making surrounding the Fund's most important policy instrument. American policymakers use this influence to pursue financial and foreign policy objectives.

### Sources and Goals of American Influence

American policymakers can shape the content of IMF programs because they enjoy considerable power in the IMF. Publicly, the IMF claims to adhere to universalistic criteria when designing conditionality agreements for its member governments. In practice, however, IMF conditionality agreements emerge from bargaining between various IMF departments, the government applying for assistance, and high-level officials, including the national representatives serving on the Fund's Executive Board (see Stiles, 1991). Such bargaining, which allows individual governments to exert influence over IMF decision-making, takes place under the shadow of a formal decision-making structure that provides the US with more power than other member governments. The Executive Board's voting rules (the Executive Board approves all proposed programs) allow the US to veto many Fund decisions. Consequently, 'no managing [Fund] director ... can make a major decision without clearance from the US' (Swedberg, 1986, 379). This formal power allows the US to influence the bargaining process surrounding program design. The American Executive Director wields this influence by working with the US Treasury Department to develop American positions on specific conditionality agreements and then meeting with IMF staff and other Executive Board members during the program design stage (General Accounting Office, 2001, 33). America's status in the IMF is privileged. Governments representing other major international financial centers, such as Britain and Japan, do not control enough votes to veto proposals with the Executive Board. The US is therefore better able to shape the content of IMF programs than other advanced industrialized countries.

While American policymakers can use their influence in the IMF to pursue a variety of goals, they are most likely to use this influence to pursue financial and foreign policy objectives. The US can use conditionality agreements to achieve American financial goals because IMF credits enable developing countries, which account for most IMF programs, to service their debts to American commercial banks. Most governments that turn to the IMF lack the foreign exchange needed to service their foreign debt. In the absence of an IMF credit, debt service will stop; with IMF credits debt service can continue (Bird, 1996, 489). There is thus a direct link between IMF loans and commercial bank debt service. Demirguc-Kunt and Huizinga (1991) found that unanticipated increases in US government financial commitments to the IMF raised the

market capitalization of American banks active in international lending. The reason? Because 'the stock market expects virtually all additional resources provided to debtor countries [by the IMF] to be used for debt service to commercial banks' (Demirguc-Kunt and Huizinga, 1991, 17; see also Kho *et al.*, 2000). Because IMF loans facilitate continued debt service, commercial banks will pressure American policymakers to represent their interests in the IMF. American power in the IMF is then used to advance larger credits to countries deeply indebted to American commercial banks.<sup>3</sup> This link between IMF credits and debt service generates our first testable hypothesis: IMF loans will be related to American commercial bank interests. Larger IMF credits will go to countries to which American banks have loaned heavily while smaller credits will be extended to countries where American commercial banks are less exposed.

American policymakers can use conditionality agreements to achieve foreign policy goals because control over IMF credits allows the US to punish its adversaries and reward its allies. During the Cold War, for example, Congress required the US Executive Director to oppose the extension of IMF credit to any country controlled by a communist government (General Accounting Office, 2001, 26). The US can also use IMF funds to cultivate foreign support for American foreign policy goals. Thacker (1999), for example, found that governments willing to become more supportive of US foreign policy goals were more likely to enter an IMF program. Finally, the US can use IMF funds to help established allies maintain power. The balance of payments crises that propel governments to the IMF can be politically de-stabilizing. Policies that eliminate a balance of payments deficit also reduce domestic incomes. As incomes fall, opposition to the government can mobilize rapidly and destabilize the political system. Such dynamics were evident in Indonesia in the wake of its 1997 financial crisis and again in Argentina during the last few years. The provision of a generous IMF loan can reduce the severity of the required economic adjustments, thereby preventing the emergence of political opposition (Bienen and Gersovitz, 1985). Whether the motivation is to deny resources to adversaries, to cultivate new allies, or to support existing ones, the US can use IMF funds to achieve foreign policy goals. This generates our second testable hypothesis: IMF loans will be related to American foreign policy interests. Larger IMF loans will be offered to American allies, and smaller loans will be extended to governments less supportive of, or less important to, American foreign policy objectives.

In short, the US can use its power in the IMF to pursue American financial and foreign policy objectives. Consequently, the variation in the intensity of American financial and foreign policy interests should account for variation in the amount of financial support the IMF offers the governments that turn to it for assistance. Larger loans will be offered to countries that have borrowed

heavily from American commercial banks than to countries with less debt to American banks. Larger loans will be offered to governments that are important for American foreign policy goals. We turn now to test these expectations.

### Data Analysis

We test these hypotheses against a sample of IMF credits extended under the Stand-by Arrangement and Extended Fund Facility in the period 1986–1998. We excluded loans under the Structural Adjustment Fund and the Enhanced Structural Adjustment Fund (the two other main IMF lending programs) because the inclusion of these programs would bias our sample. These two programs were established in response to the debt crisis of the 1980s. American commercial banks were the most heavily exposed in this debt crisis. The inclusion of loans offered under these two programs, therefore, would make a positive finding more likely: most governments borrowing from the IMF under these facilities would owe large amounts of American commercial banks.

Our dependent variable in the analysis is the size of the IMF credit extended to country  $i$  at time  $t$ , measured in millions of standard depositary receipts (SDRs). We use two measures of American commercial bank loans. One measure is compiled by the US Federal Financial Institutions Examination Council (FFIEC) through a quarterly survey of as many as 200 American commercial banks of varying size. The second measure, collected by the US Department of the Treasury, reports total US banking claims on specific countries. While the two measures are highly correlated (correlation coefficient of 0.97), we had no reason to believe that one measure was superior to the other. Rather than choose one, we estimated models with each. We collected similar data for commercial banks based in other large international financial centers.

We used three measures as proxies for American foreign policy interests. First, United Nations General Assembly (UNGA) votes provide a measure of foreign policy alignment. We calculated how often each country voted with the US on the resolutions considered important by the US Department of State. Higher scores indicate a closer foreign policy alignment. We calculated these vote scores for the 3 years surrounding each observation in our sample. Second, we used American military assistance as a proxy for each country's military and strategic importance to the US. We took the 5-year average dollar amount each country received under two American military aid programs, the Military Assistance Program and the International Military Education and Training Program. We then divided this figure by total American military aid to derive a measure of the country's relative strategic significance to the US.

Finally, as a measure of democratic affinity, we created dummy variables for regime type. Democracies are coded 1 and non-democracies are coded 0. Our hypothesis expects each of these three measures to yield a positive coefficient.

We also controlled for a range of economic factors that previous research has identified as important predictors of IMF program entry. This includes the size of the country's economy, the ratio of the country's foreign debt to GDP, the current account deficit as a percentage of GDP, and debt service as a share of GDP. These control variables should capture the severity of the country's balance of payments problems, and the basic expectation is that more severe problems should be associated with larger IMF loans.

Data availability yielded a sample of between 180 and 101 cases, depending upon the precise model specification. Lists of all cases and data sources are provided in the Appendix. We estimated all models using ordinary least squares. Potential cross-sectional heteroskedasticity arising from a possible lack of independence between multiple observations from the same country could reduce the size of the estimated standard errors and thus over-state statistical significance. We therefore calculated and report robust standard errors.

The first set of models, focusing on American financial interests, is presented in Table 1. The basic economic model, which contains only the economic control variables, yields little of substantive interest. Only GNP and the dummy variable for Stand-by Arrangement yield statistically significant coefficients. Larger countries receive larger IMF loans, and countries with Stand-by Arrangements receive smaller loans than countries in EFF programs. The other variables are not significant, indicating that there is no relationship between the severity of a country's balance of payments position and the amount of financial assistance offered by the IMF.<sup>4</sup> While these results may seem surprising, it is important to remember that all countries in the sample have entered an IMF program. Consequently, all countries in the sample have severe balance of payments problems. For example, the average current account balance for the countries in the sample is a deficit equal to 4 percent of GDP, while the average external debt is 85 percent of GDP. The failure to generate significant coefficients on these variables does not indicate that economic factors are irrelevant for understanding IMF program entry, but only that these variables are not good predictors of the amount of financial support a government receives from the IMF once having initiated a program.

Including our measures of American commercial bank interests (models 2 and 3) substantially improves the fit of the model. The FIEIC and the Treasury measures both correlate highly with variation in IMF credits. The positive coefficients indicate that the magnitude of IMF loans is a positive function of American commercial bank exposure. In more concrete terms, the US bank exposure coefficient tells us that, holding all other variables at their

Table 1 American Financial Interests and IMF Loans

	Model 1	Model 2	Model 3	Model 4	Model 5
Stand-By Arrangement	-522.2*** (177.75)	-478.3*** (173.8)	-481.8*** (184.2)	-470.1*** (187.1)	-517.3*** (186.8)
GNP	0.01** (0.004)	0.01** (0.004)	0.01** (0.004)	0.01** (0.004)	0.01** (0.004)
Foreign Debt	-32.8 (47.3)	31.40 (89.77)	-90.24 (90.47)	175.1 (169.6)	109.8 (110.3)
Current Account	-1,422.7 (1,344.4)	-2,068.3 (2,007.4)	-2,780.2 (2,723.5)	-1,203.6 (1,297.1)	-1,005.0 (1,516.9)
Debt Service	31,733.3 (108,589.8)	5,758.6 (763,512.1)	41,979.6 (273,918)	-1,364,846 (1,067,944)	-880,138 (670,454)
US Bank Exposure		0.09** (0.04)	0.07** (0.03)	0.18* (0.09)	0.19** (0.08)
British Bank Exposure				-0.09 (0.17)	-0.35 (0.28)
Japanese Bank Exposure				-0.15 (0.14)	-0.18 (0.14)
R <sup>2</sup>	0.45	0.49	0.50	0.56	0.59
F-statistic	9.19	7.66	8.00	5.63	7.86
Observations	180	127	130	119	119

means, a one-dollar increase in debt owed to American commercial banks increases the amount of IMF finance by between 0.07 and 0.09 SDRs. While this may not seem large, remember that IMF funds allow countries to make interest payments on commercial bank debt. The coefficient suggests that the IMF offers approximately 6–8 cents for each dollar of debt owed to American commercial banks. This is approximately half of the interest rate attached to commercial bank loans to developing countries during this period. Notice also that the effect of American commercial bank exposure is not tapping into a broader foreign debt effect. Total external debt is an independent variable in each model and never yields a statistically significant coefficient. Thus, debt to American commercial banks, and not a country's total debt, is the critical factor.

The relationship between commercial bank debt and IMF loans is unique to American commercial banks. Models four and five include loans made by commercial banks based in two other major international financial centers, Great Britain and Japan. Neither model returns statistically significant coefficients for either country.<sup>5</sup> Moreover, the inclusion of British and Japanese commercial bank exposure more than doubles the size of the coefficients on American commercial bank exposure. Once we control for

British and Japanese loans, governments receive approximately 15 cents for each dollar owed to American commercial banks. The level of statistical significance of the FIEC measure is slightly reduced, but even here the coefficient is only slightly below a *P*-value of 0.95 (0.944). There is little evidence, therefore, that the relationship between American commercial bank exposure and IMF loans is tapping into a more general relationship between bank debt and IMF loans.

We performed a number of tests for robustness. Concerned that the 1980s debt crisis might be driving our findings, we split the sample and ran separate regressions for the 1980s and 1990s. American commercial bank exposure is significant and positive in both periods. Moreover, the coefficient is substantially larger in the 1990s model than in the 1980s model. Thus, the result is not attributable to the debt crisis, and the importance of American commercial banks did not diminish as other international financial flows emerged during the 1990s.

In examining outliers, we discovered that the IMF credit extended to Mexico in connection with its 1994–1995 crisis may be exerting too much influence on the results. We excluded this observation from the data set and re-estimated the model. The results are broadly similar to those reported above. The coefficient on American bank exposure remains positive and statistically significant, though it is somewhat smaller. We also excluded other potentially influential observations, specifically Russia and South Korea, with no important impact on the reported results. We also estimated the model with a dummy variable for sub-Saharan Africa, again with no appreciable impact on the results. Finally, we estimated the models using slightly different dependent variables. In one model we standardized each country's IMF loan to its GNP. In a second model we used the log of IMF loans. Models run against these dependent variables yielded results that were broadly similar to those reported above. The coefficient on American bank loans is always statistically significant and positive, while the coefficients for British and Japanese bank loans never return statistically significant coefficients. The findings appear robust, therefore, with respect to time period, potentially influential observations, and changes in how we measure the dependent variable.

American foreign policy interests are also reflected in IMF lending decisions, though these proved somewhat more difficult to tease out (see Table 2). To simplify the discussion, we only report models using the Treasury's measure of American commercial bank debt, but we stress that the reported results are not sensitive to the measure we use. Turning first to model 1, notice that none of the measures of US foreign policy interests yields a statistically significant coefficient, though two carry the expected sign. The coefficient on UN votes is positive, indicating that governments that regularly vote with the US in the UN received larger loans than governments that voted less regularly with the US

Table 2 American Foreign Policy Interests and IMF Loans

	Model 1	Model 2	Model 3	Model 4
Stand-By Arrangement	-544.89*** (193.2)	-593.2** (211.93)	-522.16** (207.9)	-516.9** (207.9)
GNP	0.01** (0.004)	0.01** (0.004)	0.01** (0.004)	0.01** (0.004)
Foreign Debt	100.28 (107.8)	104.62 (120.44)	154.1 (122.45)	220.5 (159.9)
Current Account	-856 (1,554)	-1,530 (1,906)	-627 (1,513.3)	-739 (1,725.3)
Debt Service	-688,761 (573,813)	-680,527 (685,721)	-396,466 (555,931)	-602,890 (666,967)
US Bank Exposure	0.20*** (0.08)	0.19** (0.08)	0.21*** (0.08)	0.21*** (0.08)
British Bank Exposure	-0.35 (0.28)	-0.31 (0.28)	-0.36 (0.27)	-0.34 (0.26)
Japanese Bank Exposure	-0.17 (0.14)	-0.17 (0.16)	-0.18 (0.14)	-0.19 (0.16)
Regime Type	-135.51 (121.2)	-161.92 (161.28)	-231.15 (142.7)	-192.5 (157.9)
UN Vote Alignment	486.68 (320.7)	1,116.6** (556.13)	1,380.6*** (470.4)	1,441.1*** (493.5)
Military Aid	4,132.9 (9,596.3)	3,370.5 (9,871)	3,458.0 (9,594.3)	3,673.6 (9,872.6)
Cold War		704.65* (406.9)		822.8** (387.0)
Cold War*UN Vote			-1,592.5*** (584.5)	-1,942.2** (799.4)
<i>R</i> <sup>2</sup>	0.60	0.61	0.62	0.62
<i>F</i> -statistic	15.74	38.29	14.5	15.76
Observations	118	101	118	101

The standard error, however, indicates that the coefficient is not significantly different from zero. Military aid share also returned a positive coefficient, but again the standard error indicates that this effect is not significantly greater than zero. Finally, the measure of regime type returned a negative coefficient, indicating that democracies receive smaller loans than authoritarian regimes. Again, however, the scale of this effect is not significantly greater than zero.

These disappointing results led us to try a number of alternative specifications. Because Thacker (1999) found a statistically significant relationship between UN vote alignment and participation in IMF programs, we focused our attention on this measure. We estimated a model using Thacker's

exact specification, which is the current UN vote alignment and the change in this alignment from the year the IMF program was initiated to the next year. We also estimated models using only the prior year UN vote alignment and only the alignment in the year following program initiation. Finally, we calculated average vote alignments, one based on the prior year and the current year and one based on all three years for which we have data. Only three of these alternative specifications yielded statistically significant coefficients for the UN vote variable. The best of the three is presented as model 2, and is based on the 3-year average UN vote alignment score. This measure yields a statistically significant and positive coefficient, indicating that governments who are more closely aligned with the US receive larger loans from the IMF than other governments. The model based on the 2-year average produced similar results, though at a slightly lower level of statistical significance. The third specification to return a significant coefficient was the one that included the UN vote alignment in the year following the initiation of the IMF program. These specifications hint at a relationship between American foreign policy interests, as measured by UN voting alignment, and the size of IMF loans. The relationship is not very robust, however.

As a last step we controlled for one important additional factor: the Cold War. Killick (1995), for example, has argued that American foreign policy interests should have less of an impact on IMF decisions now that the superpower rivalry and the consequent need to attract allies has disappeared. To test this hypothesis we created a dummy variable for the Cold War and an interaction term between this dummy variable and our measure of UN vote alignment. Results from these regressions are reported as models 3 and 4 in Table 2. Model 3 relies on the UN vote alignment for the year in which the IMF program was initiated; model 4 uses the 2-year average UN vote alignment score. Both models produce similar results. The measure of UN vote alignment becomes statistically significant and positive. Governments that are more closely aligned with the US receive larger IMF loans than governments less closely aligned. The interaction term yields a surprising result, however. American foreign policy interests are better predictors of IMF loans after 1989 than before. In fact, the interaction term indicates that there was no significant relationship between UN vote alignment and IMF loans during the Cold War. A significant positive relationship between foreign policy alignment and IMF lending emerges only after 1989.<sup>6</sup>

The greater importance of American foreign policy interests after the Cold War probably reflects a change in how the US pursues its objectives through the IMF rather than a sharp increase in its ability or willingness to do so. During the Cold War, America's principal adversaries could not easily draw from the IMF. Most Soviet Bloc countries were not IMF members, while American legislation required the US Executive Director to oppose the

extension of IMF credit to any communist country that did belong (General Accounting Office, 2001). The US could thus achieve its foreign policy goals by preventing adversaries from entering IMF programs. Consequently, there was little need to micro-manage conditionality agreements. Since the end of the Cold War, the definition of American allies and enemies has changed, American foreign policy objectives have changed, and IMF membership has expanded to include almost all countries in the state system.<sup>7</sup> In this new environment, the US cannot easily prevent its adversaries from drawing from the IMF. In order to reward allies and punish adversaries, American policymakers need to shape the content of IMF conditionality agreements. If this interpretation is correct, then the statistical analysis is identifying a change in how the US pursues its foreign policy goals through the IMF, rather than a sharp increase in its willingness or ability to do so.

Overall, the analysis suggests three conclusions about the relationship between American interests and IMF loans. First, American commercial bank interests are strongly related to IMF lending decisions. Countries with larger debts to American commercial banks are offered larger loans by the IMF than countries that owe less to American commercial banks. Second, the interests of American commercial banks appear to occupy a privileged position within the IMF. Debt owed to banks based in Great Britain, Japan, and other advanced industrialized countries is not significantly related to IMF loans. Third, American foreign policy interests also shape IMF lending. The IMF offers larger loans to governments who regularly vote with the United States in the UN than to governments who vote less regularly with the US. However, American foreign policy interests have been strong predictors of IMF loans only since 1990.

### Conclusion

Students of the IMF have long argued that the US exerts influence over the broad orientation of Fund policy. Scholars have devoted less effort to looking for evidence of a systematic relationship between American interests and IMF conditionality agreements. This paper has provided some initial evidence on whether, and to what ends, the US is able to shape the content of IMF programs. We conclude by summarizing our findings and indicating where additional research is required to strengthen our conclusions.

Our analysis suggests that American policymakers regularly shape the specific content of IMF conditionality agreements. When the US has interests at stake, the IMF offers larger loans. When the US has fewer interests at stake, the IMF offers smaller loans. We inferred from this empirical relationship that American power extends beyond a capacity to influence the broad orientation

of Fund policy into an ability to shape the content of the Fund's single most important policy instrument. We provided no direct evidence that American influence is that cause of the empirical relationship we identified, however. It is possible (though we believe unlikely) that the relationship we identified is entirely coincidental. To strengthen our conclusion, therefore, one might usefully conduct case studies that explore two aspects of this relationship. Do American policymakers exert greater pressure on the IMF when American interests are at stake and less pressure in other instances? Second, how do American policymakers exert influence? Do they rely on formal IMF voting procedures or do they rely instead on informal mechanisms? Using case studies to fill in the precise political dynamics at work will strengthen our confidence in the claim that American policymakers exert influence over the Fund's operational decisions and deepen our understanding of how they do so.

Our analysis also suggests that the US uses this influence to pursue financial and foreign policy goals. We identified a robust positive relationship between American commercial bank loans and IMF loans. We provided no direct evidence, however, on how the interests of American commercial banks are brought into the IMF. Here against case studies could deepen our understanding of this relationship. In particular, it might be useful to explore the relative importance to American commercial banks of working through American officials vs working directly with the IMF in program negotiations. Our results also suggest that the US directs IMF credits to friendly governments. We offered no direct evidence, however, about the precise foreign policy goals that American policymakers try to achieve through the IMF. American policymakers may use IMF funds to help ensure the survival of friendly governments or to acquire foreign support for American goals. Again, case study-based research could determine which, if either, of these motivations is the more important.

## Notes

- 1 The authors would like to thank Mark Crescenzi, Erica Gould, Joseph Joyce, Timothy McKeown, Brad Verthein, James Vreeland, and Thomas Willett for helpful comments on earlier versions of this paper.
- 2 Technically, the IMF does not lend to its member governments. Instead, governments buy foreign currency from the Fund with their domestic currency. In IMF jargon, these transactions are called repurchases. Yet, repurchases must be repaid, and an interest rate is attached to their use. For simplicity, we elect to call these transactions 'loans'.
- 3 A former IMF staff member notes the emergence of this political dynamic in Fund decision making in the early 1980s. As the industrialized countries increasingly used the IMF to manage the developing country debt problem, 'lending was guided increasingly by the political preferences of the leading industrial countries' (Finch, 1989, 1-2).
- 4 We ran models using other economic variables that might be expected to influence the size of the IMF credit. We tried foreign exchange reserves, current account deficit as a percentage of

reserves, debt and debt service as a percentage of reserves, debt owed to official lenders, and the amount of IMF credit outstanding. We also included a dummy variable for countries that had drawn from the IMF in the previous 2 years. These alternative specifications did not yield results substantially different from the ones we present; that is, none of these other variables were statistically significant, and their inclusion did not improve the significance of the variables that are reported.

5 Neither variable is significant when our measure of American bank exposure is excluded from the statistical model. Nor do the results change if we estimate the model with US bank exposure and only British or only Japanese bank exposure. We also estimated models with a larger set of advanced industrialized countries, including France, Germany, and Switzerland. None of these variables returned statistically significant coefficients, and their inclusion did not alter the results reported here.

6 This conclusion was substantiated when we split the sample and ran separate regressions for each period. There was no significant relationship between UN vote alignment and IMF loans in the 1985-1989 period, and a significant positive relationship in the 1990-1998 period. Thacker (1999) reports a similar Cold War effect.

7 In December 2002, 184 countries belonged to the IMF. In 1985, fewer than 150 countries were members.

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