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US domestic politics and International Monetary Fund policy

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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, analyzing the interests and influence of the IMF's most powerful member, the United States. Instead of specifying an aggregate "national interest" for the United States, 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] US policy-makers, 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 US banks.

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[1] See Thacker 1999; Vreeland 1999; Przeworski and Vreeland 2000; Oatley and Yackee 2004; Barro and Lee 2001; Bird and Rowlands 2001; Dreher and Vaubel 2001; 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. Citigroup, JPMorgan Chase & Co., and Bank of America fit the description.

Principal preferences, structure, decision rules and private benefits

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 the 1960s and a more orthodox variant is currently circulating (Barro 1998; Soros 1998; Stiglitz 2002). One claims the existence of a "Wall Street–Treasury complex" (Bhagwati 2002: 8–9). Other studies (Gould 2003; Oatley and Yackee 2004) examine the extent to which commercial banks exert a systematic influence on IMF lending.[3] Still, some fundamental questions remain: How do bankers and other private actors influence an international organization like the IMF? Why would IMF officials be responsive to the interests of private actors?

These are tough questions, not least because they involve incentives and actions of private and public actors at multiple levels of collective decision-making. Furthermore, the IMF is not a particularly transparent institution. Its members do not vote formally on country loan arrangements or other aspects of their day-to-day business, and much of the IMF's "consensus-building" is done informally, outside of executive board meetings. In addition, the Fund imposes a 20-year gag rule on minutes of board meetings – yet another procedure that makes it difficult to ascertain the underlying motivations behind Fund decisions.

Like other chapters in this volume, we are motivated by the growing scholarly interest in international organizations, and by concern with the "principal-agent" problem that can confound the operation of these organizations (Hawkins et al., this volume). But unlike chapters that take a unitary actor approach to the formal principals of such organizations, we focus on the pecuniary interests of private individuals (voters and interest groups) within a key principal: the United States.[4] By establishing links between US private actors and domestic politicians, and then between domestic politics and international decision-making, we elucidate the micro-incentives that underpin the behavior of complex international organizations like the IMF. In short, we examine incentives and outcomes at both the domestic and the international levels of analyses.

Figure 3.1 illustrates our approach. The "chain of delegation" begins with private individuals in the United States and ends at the IMF, with the US delegate representing US interests, which are endogenously determined. To derive the interests of private actors with respect to IMF and its policies, we ask: Who benefits and who loses from IMF policies? To

[3] Gould (this volume) also discuses banks in her analysis of Fund conditionality.
[4] Milner (this volume) comes closest to the spirit of our analysis in that she also focuses on domestic politics.

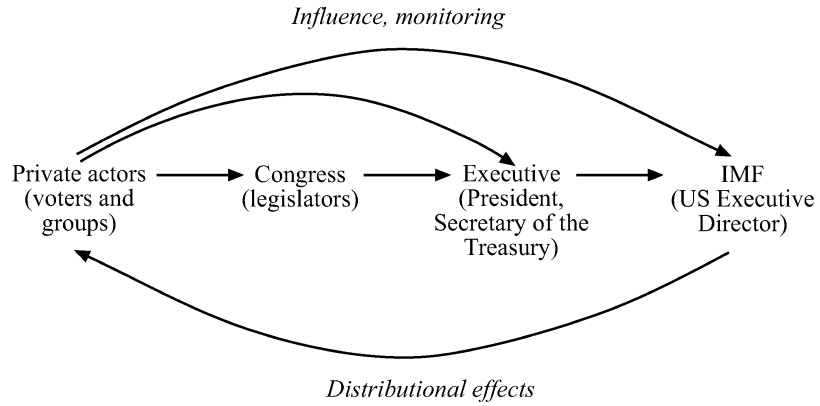

Figure 3.1. Chain of delegation

address this distributional issue, we look to the economics literature on international financial rescues and to the literature on economic globalization more generally. Next, we assume that private actors advance their international financial policy goals through one of three channels: either directly to the IMF (top arrow) as in Gould (2003); via the Executive Branch (second arrow); or by way of Congress. Although Congress rarely monitors the day-to-day operations of the Fund, it plays an active role in funding decisions, which require congressional authorization and appropriations. We analyze voting in the US House of Representatives on IMF funding increases as a means to establish the links between private actors and domestic politicians. Finally, we evaluate IMF behavior to see if 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 was pursuing the interests of US private actors (e.g. money-center banks).

Our results are encouraging. At the congressional level, we find that campaign contributions from money-center banks have a large and significant impact on the propensity of members to vote in favor of increasing the US 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, encourages globalization and its attendant distributional consequences.

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 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 chapter is organized as follows. In section two, we provide background on the organization of the IMF and 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 three contains our arguments and evidentiary strategy. Section four is the empirical analysis of congressional roll call votes on IMF quota increases, and section five explores the determinants of IMF lending. The final section is the conclusion, which discusses the implications of these findings.

ORGANIZATION OF THE IMF

The IMF supports global trade and economic growth by providing assistance to countries facing balance-of-payments. The IMF obtains its financial resources from member country subscriptions, which are known as "quotas." Each country's quota is calculated by a formula reflecting the relative size of its economy, using various measures of output and trade. But quotas are also important because they determine members' voting power in the organization.

Each member country has 250 "basic" votes, plus one additional vote for each part of its quota equal to SDR 100,000. As basic votes comprise only a small fraction of total votes, control of the IMF is heavily weighted toward its larger members.[5] The United States is the largest member with a quota of SDR 37.1 billion (about $54.2 billion) and 371,743 votes (17.1 percent of the total). By contrast, Palau has but

[5] While we acknowledge Lyne, Nielson, and Tierney's (this volume) concern with small members and coalition-building in "collective principal" international organizations, we focus on the United States because it is unambiguously the IMF's most powerful member. Our approach, however, could be applied to any member or group of members.

281 votes (0.013 percent of the total). The United States has even greater clout over certain important decisions – like changing quotas – that are subject to special 85 percent majorities. With 17 percent of the votes, the United States is the pivotal actor on quota changes and many other IMF decisions.

Organizationally, the IMF has two representative bodies, the board of governors and the executive board, both with weighted voting.[6] 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.

Formal votes are not taken by 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: are interested in the political economy of these decisions, so we focus on the motivations and influence of large members.[7] The problem is that the "sense of meeting" voting procedure makes it difficult to discern influence by any member and shrouds motivations behind a veil of "consensus."

One solution is to infer motivations and influence from patterns of IMF lending ex post, filling in the black box of IMF decision-making by reading backwards from IMF outcomes to member government interests. Several papers follow this "revealed preferences" approach, hypothesizing a positive association between the size of a debtor country's loan from the IMF and that country's "political proximity" to the United States (Thacker 1999; Barro and Lee 2002; Dreher and Jensen 2003; Stone 2004). The standard proxy for "political proximity" is the fraction of times the United States and the country in question vote identically in the UN General Assembly. The results generally support the argument.

While this approach purports to elucidate IMF policy-making, it has shortcomings. One problem is that the micro-incentives of

[6] See Martin and Gould (both this volume) for details on the IMF's governance structure.

[7] For the influence of small members, see Lyne, Nielson, and Tierney (this volume).

decision-makers are not defined. IMF officials advance an aggregate goal – their home country's "national interest"– instead of being motivated by individual incentives conditioned on the institutional environment. While there may in fact be personal benefits (costs) that accrue to executive directors that take positions favoring (opposing) allies, these incentives are not identified ex ante, leaving a gap in the logic of the causal 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 research in political economy is often forced by data constraints to resort to indirect evidence, we should be cautious of inferences drawn at one level but tested at another.

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

APPROACH AND ARGUMENT

To avoid this and other problems associated with the lack of transparency of IMF decision-making, we develop our argument from the bottom up. We start with private actors within large shareholding countries like the United States, treating them as potential constituencies of the IMF. 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 east along the chain of delegation to an institutional level in which individual voting on Fund policy *is* formal and observable – the US Congress.[8] We assume that domestic legislators care about re-election and therefore take positions that reflect voter and interest group stakes in the policy. Our results suggest that legislators' positions are indeed shaped by the lobbying activity of banks and other constituency goals.

We then move to the IMF level, where we expect US representatives to advance the interests of American banks, among other things. Since we can't observe this influence directly, we analyze IMF lending *as if* the US

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

delegate was the dominant decision-maker actively pursuing the interests of private US constituencies. We are agnostic on the mechanism by which private actor interests are communicated to the IMF (see figure 3.1), but our results suggest that such communication does take place. We find that the size of an IMF loan to a country is positively and significantly related to the degree of US money-center bank exposure in that country, controlling for other factors. Although such "third-party actors" are not direct principals of the IMF according to the conceptual framework of this volume (Hawkins et al., this volume), our findings suggest that bankers do influence agent behavior.

Private actors and the IMF

Among third-party 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 2004). 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 assume 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 without having to bear their full losses.[9] 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 a result of the bailout. This 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.

[9] The IMF encourages moral hazard, both with creditors and debtor nations, but there is a vigorous ongoing debate on the extent of the problem (Jeanne and Zettelmeyer 2001; Dreher and Vaubel 2001). The International Financial Institutions Advisory Commission, or Meltzer Commission, which Congress chartered to evaluate and recommend US policy toward the IMF after the Asian crisis, viewed moral hazard to be the most important problem in international finance.

IMF bailouts allow private creditors to retain the gains from international lending and distribute at least 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: 477–511). Financial market participants are aware of this risk transfer. Demirguc-Kunt and Huizinga (1993) found that unanticipated increases in US government financial commitments to the IMF caused the market capitalization of exposed US 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"(Demirguc-Kunt and Huizinga 1993: 443). 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 (provide 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) 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 United States 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 United States 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: 267–92) suggest that workers with college degrees or advanced skills support liberalization of international trade, while those with less education and fewer skills resist such initiatives. Our extension to the analysis of 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 would 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.

Congress and the IMF

Although it has delegated some important functions to the executive branch – the President appoints the executive director to the IMF, and the executive director is ordered by law to clear his or her decisions with the secretary of the Treasury – Congress has the final authority to determine the terms of US involvement in the IMF, which originate with the Bretton Woods Act of 1944. While it does not carefully monitor most aspects of Fund behavior, Congress plays an active role on certain issues, especially funding increases.

On major IMF policy changes, such as an increase in the US quota contribution, Congress maintains direct authority. Under Section of the Bretton Woods Act, US participation in a quota increase must be approved by the US Congress (Wertman 1998b). In fact, no general increase in IMF quotas has taken effect without Congress consenting to the US increase (Boughton 2001: 858).

On other issues, Congress is weakly to moderately active in monitoring IMF policy and shaping the agenda that US appointees to the IMF and the Secretary of the Treasury must advance. In 2001, the General Accounting Office reported that Congress had established 60 legislative mandates prescribing US policy goals at the Fund (US 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 US 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: 1–22).[10]

We analyze congressional voting on quota increases because voting to increase quotas is a straightforward way to indicate support for the IMF (more resources allow the Fund to make more stabilization loans).

[10] As an international organization, the IMF is exempt from US law, so Congress must work through the secretary of the Treasury to influence IMF behavior.

Principal preferences, structure, decision rules and private benefits

Legislators' positions on quota increases are likely to be shaped by many factors, 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 bind 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 effects. The link to private actors involves both campaign contributions 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 can be helpful in winning support from voters. Legislators thus respond to organized groups with clear stakes in a policy and money to invest in politics (Grossman and Helpman 1994). However, legislators also are 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 (Denzau and Munger 1986; Arnold 1992; Bailey 2001). These calculations occur even in the absence of direct influence and lobbying, meaning that constituents don't actually have to vote on the basis of the policy for this mechanism to be effective.

IMF policy-makers and IMF policy

IMF decision-making procedures give the US executive director extraordinary influence. The absence of roll call voting at the IMF, however, makes it difficult to directly observe US positions and motivations. We cannot resolve this problem. What we can do is determine if IMF decisions are consistent with the motivations we uncover at the level of domestic politics. Specifically, we predict that the IMF will tend to give more support to countries in which US money-center banks have greater exposure. This assumes that the US executive director and/or the secretary of the Treasury are agents of these private actors. Scholars who report 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, or bankers

themselves, communicate these policy goals to the Treasury Department. These paths of influence are depicted in figure 3.1.

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, Congress must ratify the US increase. Historically, these requests for increases in the quota have been the occasion for rigorous congressional examinations of the IMF, its operations, and its loan programs. During these debates, members of Congress are occasionally required to vote. These roll calls provide a window into the politics of the IMF, and an opportunity to determine 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" role call votes could be found.[11] Table 3.1 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 a quota increase would fund a bailout of the commercial banks (Bordo and James 2000: 32). Our three votes were on amendments that would strip the omnibus spending bill of the IMF quota increase.

The fourth and most recent roll call (V109) involved a motion in 1998 to return $18 billion in new funding for the IMF to a House emergency supplemental spending bill. The House had stripped the IMF increase from the bill and the motion instructed the conference committee to return it, thus providing the IMF with $18 billion in new

[11] Congress typically includes IMF funding in large omnibus spending bills, which makes it difficult to isolate legislators' 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. These are "clean" votes in the sense that a vote for or against reflects a member's position on increasing US contributions to the IMF.

Table 3.1. *IMF quota votes in the US 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 (HR 3579)
Congress	98th	98th	98th	105th
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 HR 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 HR 2957 to eliminate provisions in the bill requiring continued US participation in the IMF. [A "no" vote is a vote in favor of the IMF quota increase.]	To amend HR 2957 to strike the language that increases US 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 US 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: = 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

US 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 a member's affinity with money-center banks. Money-center banks are among the most direct beneficiaries of IMF rescues, and legislators with ties to these banks, as proxied by campaign contributions, will support their policy preferences. Second, we expect variation in skill levels of constituents across House districts to influence 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 use the regulatory classification in the Federal Financial Institutions Examination Council's (FFIEC) "Country Exposure Lending Survey." The FFIEC compiles data on the international exposure of US 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. For campaign contributions, we use the Federal Election Commission's data on contributions from Political Action Committees (PACs). Each money-center bank identified by the FFIEC maintains a PAC to channel funds to members of Congress. Our constructed variable is BANK_PAC: the sum of campaign contributions from all money-center banks to a House member in the two electoral cycles preceding the IMF quota vote.

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 Appendix for variable descriptions and sources).

Table 3.2 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 a member's first dimension DW-NOMINATE score (Poole and Rosenthal

Table 3.2. *Probit analyses of IMF quota votes in the 98th Congress*

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

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

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 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 on the regression coefficients – 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

Table 3.3. *Probit analyses of IMF quota votes in the 98th Congress (robustness)*

	(1)	(2)	(3)	(4)
DV: 1 = Yes 0 = No (a no vote *favors* IMF quota)	V286	V287	V313	V313 (add'l controls)
Constant	1.334***	1.156***	1.247***	1.118***
Party	−0.670***	−0.621***	−0.756***	−0.759***
	(0.136)	(0.136)	(0.134)	(0.136)
Bank_PAC	−0.217***	−0.234***	−0.190***	−0.193***
	(0.052)	(0.057)	(0.049)	(0.049)
Skills	−2.645***	−2.227***	−2.522***	−2.517***
	(0.758)	(0.801)	(0.719)	(0.785)
Income				0.006
				(0.02)
Mexican Origins				0.722
				(0.713)
Observations	409	404	423	423
Prob > chi^2	0.0000	0.0000	0.0000	0.0000
Log likelihood	−252.851	−250.786	−256.952	−256.385
Robust standard errors in parentheses				

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

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 3.3 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 Republicans 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 3.4. 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 for

Table 3.4. *Probit analyses of IMF quota vote in the 105th Congress*

	(1)	(2)	(3)
DV: 1 = Yes 0 = No (a yes vote *favors* IMF quota)	V109	V109	V109
Constant	−0.508**	−2.186***	−1.854***
	(0.236)	(0.288)	(0.359)
DW-Nominate	−2.678***		
	(0.215)		
Party		2.526***	2.519***
		(0.177)	(0.18)
Bank_PAC	0.015**	0.021***	0.020**
	(0.007)	(0.008)	(0.008)
College	2.120*	3.539***	2.908**
	(1.125)	(1.127)	(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 > chi^2	0.0000	0.0000	0.0000
Log likelihood	−151.497	−140.859	−138.867
Robust standard errors in parentheses			

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

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 Appendix for construction of these variables). Our results provide partial support for this argument, as NET IMPORTS is both negative and significant.

In table 3.5, we provide a substantive interpretation of the results and a sense of the magnitude of the effects. Using models from tables 3.3

Table 3.5. *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 2, Model 1	0.179***	0.112***	−0.267***	
V287 (98th Cong) Table 2, Model 2	0.194***	0.117***	−0.262***	
V313 (98th Cong) Table 2, Model 3	0.146***	0.098***	−0.258***	
V109 (105th Cong) Table 4, Model 1	0.059**	0.07*	−0.344***	
V109 (105th Cong) Table 4, Model 2	0.079***	0.115***		−0.788***

Notes: 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).

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

and 3.5, 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.[12] 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 3.2, 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.

We obtain similarly large substantive effects for COLLEGE, ourmeasure 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

[12] The simulations were performed with Clarify, a statistical software program (Tomz et al. 1998; King et al. 2000).

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).

Discussion

The positive relationship between campaign contributions from money-center banks and member support for the IMF clashes with research on contributions from special interests more generally: there is little evidence that campaign money influences member voting (Hall and Wayman 1990; Snyder 1992; Wright 1996). One possibility is that contributions from banks are different than money from other sources. For example, the banking industry is one of the largest contributors to member campaigns. Commercial banks rank in the top ten in terms of total giving (PAC, individual, soft money) to Congress among more than 80 industries (Makinson 2003). This may help explain why our study and others (e.g. Kroszner and Stratmann 1998) find an effect of bank money on congressional roll call voting. However, our estimates on bank campaign money may also be inflated due to some unmodeled constituency effect. Perhaps member voting is tied to the importance of international banking activity in a district. To control for this, we added a dummy variable for districts that are home to money-center banks (in downtown New York, Chicago, Boston, and San Francisco). We also created a variable to capture the importance of banking in employment terms, as the share of a district's population employed in large commercial banks. Neither of these variables was significant, and their inclusion did not affect the size or significant level of BANK_PAC.

A broader concern is whether special interests target members with similar positions or "buy votes" when they give contributions (Hall and Wayman 1990; Bronars and Lott 1997). We are agnostic on this issue. It makes little difference to our argument whether banks give money to reward members who share their policy preferences or give money to sway their votes; either way, the money is an observable indication of a relationship in which members are more likely to vote the way banks want. Nevertheless, the relatively small sums involved do not suggest that banks are directly buying votes. With members receiving $952 on average from banks in the 1981–84 electoral cycles (with a maximum of $20,200), they would be selling their votes very cheaply relative to the benefits. In light of these small numbers, campaign contributions might be understood as a form of political participation, like voting or attending a political rally (Ansolabehere, et al. 2003).

Our other finding, that higher district skill levels increase the probability a member will support the IMF, is also open to alternative explanations. Our interpretation is that member positions on rescues reflect the relative wage effects of globalization on district constituencies. However, the result also could suggest that more educated constituents are more "cosmopolitan," and therefore better able to understand the need for international financial rescues. But while a college education or a high skill occupation could give rise to an internationalist outlook, there is no compelling reason why these attributes imply support for rescues. Academic economists are divided on the issue, with a handful taking public stances against rescues on moral hazard grounds (Calomiris 1998; Meltzer 1998; Schwartz 1998). More education might make people more likely to support other foreign economic policies, like trade liberalization, where the overwhelming majority of academic opinion favors free trade. But on rescues, no such unanimity exists. Therefore it is difficult to attribute the results on skill endowments to the constituents' level of education.

Our argument also requires that constituents and members of Congress understand the connections between IMF rescues and economic globalization, and between globalization and relative income shares. Do people really connect the dots that run from the IMF bailouts preserving global economic integration to economic integration having distributional consequences? Evidence from peak organizations, industry groups, and congressional testimony suggest they do. For example, organized labor connected the dots when the executive council of the AFL-CIO adopted a resolution in 1998 urging Congress to reject US participation in the IMF unless borrowers adopted strict labor standards: "The IMF defines its mission narrowly, as protecting the interests of international capital". . . it should be reformed to ensure that bailout programs serve a broader set of social and economic goals, including "commitment to and vigorous enforcement of international labor and human rights." Corporate organizations and export interests connect the dots by taking pro-IMF stances, as when the US Chamber of Commerce included a Senate vote on IMF funding (S 1768) in its 1998 legislator ratings. The Chamber strongly supported IMF funding "as a way to aid financially troubled nations whose economic health impacts businesses in the United States" (US Chamber of Commerce 1998: 4). Socialist Congressman Bernie Sanders of Vermont also connected the dots:

> What precedent is this [Asian] bailout setting, and what does it say about our role in the globalization of the international economy? If the U. S. Government cannot

protect millions of workers, small business people, and family farmers in this country . . . should we really be responding to every bank and business failure throughout the world? America must rethink the nature of our relationship to the global economy – and our obligation to millions of needy Americans. (Sanders 1997)

IMF LENDING PATTERNS

We have shown evidence suggesting a relationship between campaign contributions by money-center banks and congressional voting on IMF issues. In this section, we check to see if money-center bank influence carries through to IMF policy decisions. Our findings suggest that IMF lending decisions are correlated with the size of US commercial banks' loans outstanding in IMF member countries. Our analysis focuses on the relationship between US banks and the IMF, but not exclusively. As decision-making in international organizations is often the product of collective bargaining between powerful members (Lyne, Nielson, and Tierney, this volume), we begin with US banks, and then extend the analysis to include the loan exposures of banks from other major IMF donors (England, France, Germany, and Japan).

Two questions about IMF behavior motivate the analysis. First, does the extent of commercial bank loan exposure make the IMF more likely to bail out a country facing a currency or debt crisis? Second, with all other factors being equal, does greater private bank loan exposure induce the IMF to provide larger loans to a country? In order to examine these questions, we adopt a two-stage approach. In the first stage, we look solely at the decision by the IMF to offer assistance; in the second we examine the amount of assistance approved by the IMF. We treat the decision to lend as separate from the actual amount of assistance because of the potential for endogeneity: the decision to support a country may serve as a "seal of approval," inducing further lending from the private sector.

Our data set spans twenty years, from 1983 to 2002. During this period, the IMF approved 369 loans under the Stand-By and Extended Fund Facilities (EFF) programs, with an average loan size of 636 million Special Drawing Rights (SDRs). In the first stage of our analysis, our dependent variable is a binary variable, representing whether or not a member country received an IMF loan in a given year. In the second stage, we analyze the size of IMF loans approved for member countries.

As our prior analysis focused on the ties between money-center banks and the US Congress, the chief explanatory variable for this part of the

analysis is the country exposures of these same money-center banks abroad. For reasons of confidentiality, individual banks do not disclose the geographic profile of their foreign loans. However, the Federal Financial Institutions Examination Council (FFIEC) does collect, aggregate, and publish this information for the *group* of money-center banks, in order to track the overall lending behavior of these banks. Thus, our key independent variable is the amount owed to US money-center banks by each IMF member country (US_BANKS).[13] Furthermore, since the United States is not the only major international lender with a strong voice in IMF decision-making, we also include the foreign lending behavior of major banks from England, France, Germany, and Japan.

Our theory does not lead us to predict that increased private-sector bank will necessarily *cause* a country to require IMF assistance, but rather, that of those countries experiencing debt or currency crises in a given year, the IMF will be more likely to provide assistance to those members with larger debts to banks in the Fund's top-five donor countries. Consequently, in order to predict IMF lending behavior, we must include in our model the principal variables used to predict and identify sovereign debt and currency crises that might lead countries to need IMF assistance in the first place.

Economists at the IMF and elsewhere have developed models of currency and debt crises in order to establish an Early-Warning-System (EWS) that can be used by the Fund in its surveillance of the world's economies. EWS models use economic and political variables in order to predict economic crises before they occur. Kaminsky, Lizondo, and Reinhart (1997) critically review EWS models and identify the economic indicators that yield the best predictive power. Drawing on their conclusions, we include several economic indicators related to the countries' overall debt, debt profile, international reserves, and economy in our analysis to obtain a more accurate and realistic model of IMF lending behavior. We also include an indicator of financial crises, generated by Caprio and Klingebiel (2003). Since receipt of IMF assistance is an indication of economic instability, and since that instability may persist

[13] These figures represent the total amount of loans by US money-center banks outstanding in the IMF member country. As there is significant annual variation in total money-center bank lending, while lending patterns to individual countries remain relatively constant, we have elected *not* to scale this variable as a percentage of the total banks' annual lending portfolio, instead opting for the more stable actual dollar amounts.

beyond the duration of the Fund's assistance, we also include a dummy variable representing whether a member country has received any Stand-By or EFF loans over the prior decade.

International politics may also affect IMF decision-making. To control for these influences, we follow Barro and Lee (2002) and include UN voting affinity scores for Fund member countries vis-à-vis the major powers.[14] Similarly, we include loans from the World Bank, on the grounds that IMF might be more willing to lend to countries that are receiving development assistance from the World Bank. A set of additional controls round out the model: year dummies, a time trend, and dummy variables for regions and economic groupings (e.g. Latin America, Africa, developed countries, as well as countries belonging to the British Commonwealth and the French *Francophonie*).

Data and analysis: IMF outcomes

We expect greater commercial bank exposure to increase the likelihood of IMF assistance for countries in economic crises. To evaluate this claim, we ran a time-series cross-section Logit model of our binary dependent variable (if a member country received an IMF loan in a given year) on our independent variables and controls. The results, presented in table 3.6, provide modest support for our argument.[15] The baseline model includes all variables except UN affinity scores, our proxies for "international politics." Note that including UN affinity scores has little substantive effect on our results. In both models, the exposure of US money center banks (US_BANKS) is positively and significantly (at the 10 percent level) related to the likelihood that the IMF will provide a loan to a country, other factors considered. Substantively, the estimate suggests that a one standard deviation increase in US bank loan exposure (roughly $4 billion) increases the probability of receiving an IMF loan by approximately 3.4 percent.

When we consider the loan exposures of banks from Britain, France, Germany, and Japan, the results are less consistent. While the coefficient for German private bank loan exposure (GERMANY_BANKS) is

[14] Affinity scores for Germany are unavailable.

[15] Our substantive results are stable across methodological specifications. We obtained nearly identical results (in sign, magnitude, and level of significance) for our indicator of US bank lending using robust standard-errors, fixed-effect estimators, and controls for temporal auto-correlation.

Table 3.6. *Random effects logit of IMF decisions to lend*

DV: IMF decision to lend (1 = Yes, 0 = No)	(1) Baseline model	(2) Base with UN affinity scores
US_Banks	.155*	.172**
	(.080)	(.088)
UK_Banks	−.122	−.029
	(.090)	(.100)
France_Banks	−.053	.016
	(.121)	(.141)
Germany_Banks	.296***	.260**
	(.102)	(.110)
Japan_Banks	−.143	−.060
	(.096)	(.088)
Prior IMF loans	.790**	1.30***
	(.347)	(.380)
Financing	.103**	.056
	(.048)	(.052)
IBRD loans	.200	.084
	(.179)	(.127)
Short-Term Debt	−.029**	−.054***
	(.013)	(.017)
Reserves/Imports	.019	−.042
	(.051)	(.057)
Debt	−.379	−.393
	(.310)	(.300)
Money_Supply/Reserves	.014*	.010
	(.008)	(.007)
Trade	.011**	.010**
	(.005)	(.005)
Debt_Service	.385*	.182
	(.221)	(.219)
US_TBill	.183	.268
	(.123)	(.193)
Reserves (Change)	2.40e-11	9.22e-12
	(3.40e-11)	(5.29e-11)
Economic Crisis Dummy	.637	.275
	(.259)	(.291)
US_UN_Affinity		2.15
		(1.80)
UK_UN_Affinity		−2.52
		(5.47)
France_UN_Affinity		−.042
		(5.57)
Japan_UN_Affinity		4.33
		(3.45)

(continued)

Table 3.6 *(continued)*

DV: IMF decision to lend (1 = Yes, 0 = No)	(1) Baseline model	(2) Base with UN affinity scores
Observations	951	675
Groups	96	89
Log likelihood	−375.02	−252.2
Standard errors in parentheses		

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

positive and significant, those for Britain, France, and Japan vary in sign, and are statistically insignificant. These results appear to suggest that the United States and Germany exert a dominant influence on Fund decision-making. However, these indicators exhibit a high degree of multicollinearity. Britain, France, Germany, and Japan are all home to major international banks with lending portfolios that strongly reflect US bank lending. Correlations between US lending and these others countries' bank lending range from $r = 0.45$ to $r = 0.60$. Despite this overlap, which may lead to underestimation of foreign influence in Fund decision-making, we include these other countries' lending exposures because it is unrealistic to assume that these countries do not affect IMF decisions. Combined, they constitute another 23 percent of voting rights on the IMF, endowing them with clout similar to that of the United States in Fund decision-making.[16]

Our second hypothesis relates to the *size* of IMF loans given to countries that receive Stand-By or EFF assistance. Using the same economic indicators and control variables, we expected to see a positive relationship between the amount of US (and other contributors') bank lending to a country and the size of the loan it receives from the IMF. As our cases are now limited to just those countries receiving IMF assistance, our sample size drops to 165.

The results, presented in table 3.7, suggest that the amount of IMF support a country receives is positively and significantly (at the .05 level) related to US commercial bank exposure.[17] According to this model, an

[16] Pooling the lending portfolios of Britain, France, Germany, and Japan into a single "foreign lending" indicator does not substantially alter the results for our key explanatory variable (in sign, magnitude, or level of significance).

[17] As with our first-stage analysis, our statistical results are stable across alternate specifications.

Table 3.7. *OLS panel estimates of the size of IMF loans*

DV: Amount of IMF loan	(1) Baseline model	(2) Base with UN affinity scores
US_Banks	.119**	.124*
	(.053)	(.069)
UK_Banks	.026	.046
	(.061)	(.086)
France_Banks	−.142*	−.201
	(.076)	(.135)
Germany_Banks	.049	.031
	(.064)	(.088)
Japan_Banks	−.006	.057
	(.057)	(.074)
Prior IMF Loans	−.503**	−.392
	(.214)	(.252)
Financing	.092***	.086**
	(.035)	(.042)
IBRD	−.189	−.137
	(.129)	(.169)
Short-Term Debt	−.023***	.019
	(.008)	(.015)
Reserves/Imports	.007	−.016
	(.038)	(.046)
Debt	.402**	−.345
	(.195)	(.281)
Money_Supply/Reserves	−.004	−.003
	(.004)	(.005)
Trade	−.007**	−.007
	(.003)	(.005)
Debt_Service	.467***	.375*
	(.149)	(.210)
US_TBill	.108	.079
	(.098)	(.148)
Economic Crisis Dummy	.436***	.174
	(.155)	(.192)
US Bank Total Lending	−.712***	−.657*
	(.264)	(.395)
US_UN_Affinity		−1.91
		(1.22)
UK_UN_Affinity		2.44
		(3.68)
France_UN_Affinity		−1.44
		(4.36)
Japan_UN_Affinity		1.29
		(2.55)

(continued)

Table 3.7 *(continued)*

DV: Amount of IMF loan	(1) Baseline model	(2) Base with UN affinity scores
Observations	165	116
Groups	58	50
Prob > Chi^2	0.00	0.00
Standard errors in parentheses		

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

increase in the size of US lending of one standard deviation yields an increase in the IMF loan of approximately 1.5 million SDRs. The results for other countries' lending portfolios were inconsistent across models, and statistically insignificant. This seems to suggest that the IMF policies do reflect the interests of major private actors within its powerful members, and that lending practices of US banks may have greater influence on Fund decision-making than that of their foreign counterparts.

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 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 funds. Judging from our 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 provide some support for the argument that the IMF acts in ways that reflect the interests of money-center banks, our evidence is modest and indirect. We have no direct evidence showing that the US executive director at the Fund is a dutiful agent of Congress. We have no direct evidence that Congress compels the US delegate to advance the interests of private

international banks. In fact, we have ignored a level of delegation that is probably crucial to IMF outcomes: the delegation from Congress to the executive branch that gives the US Treasury secretary and the US executive director the predominant authority for 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. Is this how the supposed "Wall Street connection" actually operates to promote 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 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 US Congress must work through their agents at the IMF to influence Fund policy. In researching this chapter, we found dozens of US laws formally requiring the US executive director to use his "voice and vote" at the IMF to pursue congressional goals. Our sense of the anecdotal evidence is that the US executive director has a good deal of flexibility in deciding how to interpret and implement these mandates. In short, the US executive director is far from a perfect agent of Congress. Yet, even though the chain of delegation may be long and indirect, the evidence we found suggests that domestic politics may influence policy-making by international organizations.

Appendix: data and sources

Africa: Dummy variable indicating African countries.
ASEAN: Dummy variable indicating countries that are a member of the Association of South East Asian Nations.
Bank_PAC: Campaign contributions from money-center bank political action committees to candidates in the two electoral cycles preceding the roll call votes. Money-center banks are identified by the Federal

Financial Institutions Examination Council (FFIEC), *Country Exposure Lending Survey*. PAC contributions are from the Federal Election Commission.

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

Commonwealth: Dummy variable indicating countries that are members of the British Commonwealth (http://www.thecommonwealth.org/).

Debt: Total external debt owed to non-residents repayable in foreign currency, goods, or services. Includes publicly guaranteed and private non-guaranteed long-term debt, IMF credit, and short-term debt (debt with a maturity of one year or less and interest in arrears on long-term debt). In current US dollars (*World Development Indicators* (WDI)).

Debt_Service: Public and publicly guaranteed debt service. The sum of principal repayments and interest paid on long-term obligations of public debtors and long-term private obligations guaranteed by a public entity. In current US dollars (WDI).

Developed Countries: Dummy variable for developed economies.

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 et al. 1997).

Economic Crisis Dummy: Dummy variable indicating whether or not the country experienced a systemic banking crisis during that year (Caprio and Klingebiel 2003).

Financing: Financing from abroad (obtained from non-residents). Includes all government liabilities (other than those for currency issues or demand, time, or savings deposits with government) or claims on others held by government and changes in government holdings of cash and deposits but excludes government guarantees of the debt of others. Central government only (WDI).

France_Banks: Total foreign claims of French banks on individual countries, in millions of US dollars (BIS).

France_UN_Affinity: Voting affinity score of countries relative to the French position in the United Nations General Assembly (Gartzke and Jo 2002).

Francophonie: Dummy variable indicating countries that are members of the French "Francophonie" (http://www.francophonie.org/membres/etats/).

Germany_Banks: Total foreign claims of German banks on individual countries, in millions of US dollars (BIS).

IBRD: The sum of International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) loans to a country, in current US dollars (WDI).
IMF Loans: Amount of IMF loans approved under the Stand-By and Extended Fund Facilities during the fiscal year, in millions of Special Drawing Rights (IMF Annual Reports 1983–2002)
Income: Median district household income (*Congressional Districts of the United States*).
Japan_Banks: Total foreign claims of Japanese banks on individual countries, in millions of US dollars (BIS).
Japan_UN_Affinity: Voting affinity score of countries relative to the Japanese position in the United Nations General Assembly (Gartzke and Jo 2002).
Latin America: Dummy variable indicating Latin American countries.
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*).
Money/Reserves: Money and quasi money (M2) to gross international reserves ratio (International Financial Statistics (IFS). Gross international reserves include holdings of monetary gold, special drawing rights, reserves of IMF members held by the IMF, and holdings of foreign exchange under the control of monetary authorities (WDI).
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 (*County Business Patterns*, Bureau of the Census). County-level employment data was aggregated up to the congressional district level using the procedure in Baldwin and Magee (2000).
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 (*County Business Patterns*).
Party: 1 = Democrat; 0 = Republican.
Prior IMF Loans: Dummy variable indicating whether or not the country received IMF assistance during the prior ten years (IMF, various years).
Reserves: Change in net international reserves resulting from transactions on the current, capital, and financial accounts. Includes changes in

monetary gold, SDRs, foreign exchange assets, reserve position in the IMF, and other claims on non-residents net of liabilities constituting foreign authorities' reserves, and counterpart items for valuation changes and exceptional financing items. In current US dollars (WDI).

Short_Term_Debt: Short-term debt (percentage of total external debt). Short-term debt includes all debt having an original maturity of one year or less and interest in arrears on long-term debt (WDI).

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*).

Trade: Sum of exports and imports of goods and services, as a share of gross domestic product (WDI).

UK_Banks: Total foreign claims of UK banks on individual countries, in millions of US dollars (Bank for International Settlements, "Consolidated Foreign Claims on Reporting Country Banks on Individual Countries" (BIS).

UK_UN_Affinity: Voting affinity score of countries relative to the British position in the United Nations General Assembly (Gartzke and Jo 2002).

US_Banks: Total amount owed US money-center banks by foreign borrowers (excluding revaluations gains on foreign exchange and derivative products) as of March 31 of the reporting year (FFIEC).

US Bank Total Lending: Total owed to US money-center banks by foreign borrowers (excluding revaluations gains on foreign exchange and derivative products) as of March 31 of the reporting year (FFIEC).

US_TBill: Nominal US Treasury Bill rate (IFS).

US_UN_Affinity: Voting affinity score of countries relative to the US position in the United Nations General Assembly. Voting affinity scores are measured on a −1 to 1 scale using Signorino and Ritter's "S" score, for three categories of voting behavior (with/abstain/against). A score of 1 indicates complete similarity of voting positions with the United States, while a score of −1 indicates complete dissimilarity of voting (Gartzke and Jo 2002).

Year Trend: Time trend variable, in years, from 1983 to 2002 with 1983 equal to 1.