

## **The Unipolar Fallacy: Common Agency, American Interests, and the International Financial Institutions**

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### **Abstract**

Recent years have seen significant growth in the literature dedicated to the political economy of the international financial institutions (IFIs). Much of this work incorrectly models the relationship between the IFIs and their member states by treating the US as the sole political principal of these organizations. Scholars adopting this “unipolar” approach assume (implicitly or explicitly) that the US is the sole country that can direct lending and policy decisions at the IFIs, either in general or in cases of great geopolitical importance to the US government. However, as we elaborate in this paper, such unipolar arguments are at odds with both the formal rules that govern these institutions and the findings of recent scholarship emphasizing the collective nature of decision-making within the IFIs. Using a new dataset drawn from the AidData project, we show that, while the US exercises substantial influence within the major IFIs, its influence is conditional on sharing common preferences with other major shareholders. When the US and its G5/G7 partners disagree significantly about the geopolitical importance of a borrower country, US preferences are not a significant determinant of either lending probability or aid amount. Our results cast doubt on the relative explanatory power of the unipolar model and suggest strongly that scholars need to more carefully model the intensity and heterogeneity of IFI member-state preferences in order to explain lending outcomes. These findings have important implications for our understanding of policymaking within the IFIs, as well as theories of governance with international organizations (IOs).

## Introduction

Over the last decade, scholars of international political economy (IPE) and international organization (IO) have made significant progress understanding the politics of international financial institutions (IFIs). A central finding of this literature is that both the International Monetary Fund (hereafter IMF, or Fund) and the World Bank are responsive to the political interests of their member-states. More specifically, a large number of studies have presented evidence that American geopolitical, financial, and domestic political interests strongly influence the lending decisions of these and other IFIs.<sup>1</sup> Some scholars have gone so far as to argue that the United States is able to bypass the formal decision-making procedures of the IFIs in order to “exercise a controlling interest in its activities” when its geopolitical interests are at stake.<sup>2</sup> This belief that the US exercises hegemonic influence within the IMF and World Bank is also pervasive in media and policy discussions of the IFIs. Fareed Zakaria’s (2011) description of the Fund and the Bank is characteristic of the conventional wisdom: “These institutions, dominated by U.S. ideas and money, have long been seen as vehicles for American influence.” Similarly, David Sanger has written that the IMF is viewed widely around the world as a “lap dog” for American foreign policy interests.<sup>3</sup> In short, both scholars and the foreign policy commentariat take American hegemonic influence over the IMF and World Bank as a given.

This characterization of global financial governance persists despite broader discussions about America’s declining power and influence in the world. Indeed, one can scarcely pick up a newspaper without reading about an emerging multipolar world and the tectonic shift of power toward China and the other “BRICS” (Brazil, Russia, India, South Africa).<sup>4</sup> The pervasive belief

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<sup>1</sup> For example, Thacker 1999, Nielson and Tierney 2003, Oatley and Yackee 2004, Barro and Lee 2005,

<sup>2</sup> Stone 2012. For related arguments see Anderson et al 2006; Woods 2006; Foot et al 2003;

<sup>3</sup> Sanger 1998

<sup>4</sup> Khanna 2009; Stuenkel 2013.

that the US dominates IFI policymaking is also puzzling when viewed in the context of the broader direction of international relations (IR) scholarship in the last two decades.

Overwhelmingly, IR scholars have abandoned structural realist notions of international institutions as epiphenomenal entities with little to no independent influence on world politics.<sup>5</sup> In their place, we now have a vast body of theoretical and empirical work explaining how and why international institutions “matter,” as well as rich bodies of scholarship on institutional design, delegation and agency within international organizations (IOs), and the politics of decision-making within international organizations.<sup>6</sup>

The assumption of American hegemony within the IFIs has also been challenged in the empirical literature, where a small but growing body of work has shown that US influence over IMF, World Bank, and regional development bank policy making is more circumscribed than the conventional wisdom suggests. Drawing on principal-agent theories of IOs, work in this tradition pays careful attention to the formal decision-making rules, accountability mechanisms, and voting power of the states that exercise collective decision-making authority through the executive bodies of these institutions.<sup>7</sup> Three key findings have emerged from these studies. First, the US rarely – if ever – enjoys unilateral influence over IFI decision-making. In nearly all cases, other large shareholder countries (and, in some cases, coalitions of smaller countries) also exercise substantial influence. Further, IFI lending behavior reflects the geopolitical and economic interests of these other member countries. Second, given the collective nature of decision-making within the IFI Executive Boards, preference heterogeneity among IFI member-

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<sup>5</sup> Mearsheimer 1994. For evidence on the decline of realism over the past 15 years in IR scholarship see Maliniak et al 2011. For evidence that IR scholars in the United States rarely identify themselves as realists in surveys of the discipline, see Maliniak et al 2012.

<sup>6</sup> Martin and Simmons 1998, Koremenos et al 2001, Hawkins et al 2006, Gutner and Thompson 2010.

<sup>7</sup> Copelovitch 2010b; 2010a; Lyne et al. 2006, 2009; Kilby 2006; Hawkins et al. 2006; Schneider and Tobin 2013.

states also strongly influences IFI lending. Finally, member-state control over the IFIs is circumscribed by the substantial authority and autonomy enjoyed by the professional staff of the Fund and Bank.<sup>8</sup> Thus, recent scholarship on the political economy of the IFIs shows clearly that American influence over IFI lending is less systematic and pervasive than is frequently assumed.

Yet in spite of these findings, scholars – with only a handful of exceptions – continue to model IFI decision-making as if the United States were these institutions’ sole principal. As we document below, the overwhelming majority of published works on the politics of the IMF and World Bank in the last decade includes variables measuring only American geopolitical or economic interests and fails to incorporate measures of other states’ interests or preference heterogeneity among IFI shareholders.<sup>9</sup> Thus, despite robust empirical evidence to the contrary – and broad consensus that hegemonic theories of international relations are in decline – IR scholars have not updated their models to incorporate the theoretical and empirical state-of-the-art in the literature.

This paper documents the problems with perpetuating the “fallacy of unipolarity” in studies of the politics of global financial governance. To be sure, the United States exercises substantial influence within both the IMF and World Bank, by virtue of its position as the largest shareholder and as the customary holder of elite management positions (the presidency of the World Bank, the First Deputy Managing directorship at the Fund) within these institutions. Nonetheless, modeling IFI policy making as if the US is the only country that “matters” – while parsimonious and convenient – is usually not correct, and scholars interested in understanding the political economy of the IMF, the World Bank, and other IFIs would do well to pay closer attention to the collective nature of decision-making within these institutions. As we explain in

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<sup>8</sup> Dreher/Vaubel; Willett et al; Martin 2006; Nielson et al 2006; Weaver 2008.

<sup>9</sup> In Table 1 we omit papers written by the authors of this paper.

detail in the remainder of this paper, treating the United States as the single principal of the IFIs is problematic for at least five reasons. First, it ignores or downplays the importance of the formal rules and institutions of IFI decision-making. Second, it ignores the preferences of other IFI member-states, as well as the importance of preference heterogeneity among IFI shareholders in shaping lending decisions and policy decisions. Third, it ignores the agency delegated to the large IFI staffs by the board, and it obscures the way collective principals and their agents interact to produce the outcomes that we observe. Fourth, these unipolar models were developed through the study of just two IFIs, the Bank and Fund, but there are over 40 multilateral financial institutions that allocate finance in the global economy today, and the U.S.' voting power in these institutions varies widely. Fifth, U.S. voting power at the Fund and the Bank is declining over time; consequently, even if unipolar models were appropriate in the past – and we provide evidence against this – such models are less useful now and will become even less appropriate in the future.

We proceed as follows. In the next section, we review recent advances in principal-agent theories of IOs, with an emphasis on clarifying the distinctions between single-principal, multiple principal, and collective principal models of delegation to and policymaking within IOs. We then turn to the empirical literature on the politics of the IMF and World Bank and illustrate the overwhelming bias in empirical work toward econometric specifications that treat the US – either implicitly or explicitly – as the sole principal of the IFIs. We then present qualitative evidence from recent interviews with members of IFI executive boards, which suggest that U.S. dominance of the Washington-based IFIs is overstated and that the relative power of the U.S. within the IMF, the World Bank, and the Inter-American Development Bank (IADB) is declining. Finally, building off our previously published work on the IMF and the multilateral

development banks, we present statistical evidence showing problems with the unipolar approach. Using a new dataset drawn from the AidData project, we show that, while the US exercises substantial influence within the major IFIs, its influence is conditional on sharing common preferences with other major shareholders. When the US and its G5/G7 partners disagree significantly about the geopolitical importance of a borrower country, US preferences are not a significant determinant of either lending probability or aid amount within the IMF, World Bank, or the regional MDBs.

These findings strongly suggest that scholars of the IFIs should abandon the “unipolar fallacy” and more rigorously incorporate common agency models into their theories and empirical analyses. They also indicate clearly that the formal rules of IFI decision-making matter for lending outcomes. While informal governance may occur in some extraordinary cases, its prevalence – both as an explanation of IFI behavior and as a general explanation of IO decision-making – has been overstated. We conclude with a discussion of possible paths for future research, which would further clarify the collective nature of global financial governance, the changing power dynamics within IFIs, and the relative influence of IFI bureaucrats, powerful member-states, and coalitions of smaller countries within these and similar institutions.

### **Principal-agent theories of IO decision-making**

In recent years, a number of scholars have usefully employed the principal-agent (P-A) framework to explain variation in the policies, reform efforts, and lending behavior of the IMF and World Bank.<sup>10</sup> P-A theory provides a useful tool for understanding IOs, since it focuses on situations of *delegation*, which exist when one or more actors authorized to make a decision or

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<sup>10</sup> Copelovitch 2010a; 2010b; Hawkins et al. 2006; Nielson and Tierney 2003; 2005; Martin 2006; Schneider and Tobin 2013

take some action conditionally designate to some other actor(s) to make that decision or take that action on their behalf.<sup>11</sup> Despite the rising importance of non-state actors in providing information and diffusing norms, states remain the ultimate authoritative actors in international relations and within most international institutions. Thus, delegation of authority to international organizations generally implies that states are acting as *principals* and IOs act as their *agents*. More broadly, *principals* are the actors within a hierarchical relationship in whom authority ultimately rests, while *agents* are the actors who are conditionally delegated authority to perform tasks in the name of the principals.<sup>12</sup>

A central tenet of delegation theory is the assumption that agents pursue their own interests, subject to the constraints imposed by their principals.<sup>13</sup> Principals will try to control their agents, but doing so is costly and some degree of “agency slack” is inevitable: agents always possess a certain amount of autonomy due to incomplete contracting and/or the costs associated with monitoring and enforcement by the principal.<sup>14</sup> Agency slack occurs when agents pursue policies that the principal(s) would not have chosen if it/they were acting directly. The problem of agency slack is even more severe in cases of *common agency* (i.e., collective or multiple principals), because the multiple members comprising the agent’s principal may have heterogeneous preferences about the agent’s behavior (Ferejohn 1986). When the members of the collective principal have strongly unified preferences over policy outcomes, their ability and willingness to monitor and control the agent’s behavior will be relatively high; by contrast, when principals’ preferences are heterogeneous, the agent can exploit these differences among the members of the collective principal to pursue its own interests and choose policies that reflect its

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<sup>11</sup> Lyne and Tierney 2002.

<sup>12</sup> Hawkins et. al. 2006.

<sup>13</sup> Kiewiet and McCubbins 1991.

<sup>14</sup> Hawkins et. al. 2006.

own preferences. Similarly, the intensity of the principals' preferences affects agent discretion. When the principal has strong preferences over a particular decision, it has greater incentives to monitor the agent's behavior; conversely, the principal is likely to allow greater discretion to the agent when it has little direct interest in a given policy decision.

The simplest P-A relationships exist when a single actor delegates authority to a single agent to complete some task or set of tasks. Other P-A relationships are more complex, because of how and/or to whom the agent is accountable. When agents are hired to complete some task or set of tasks by a number of different actors to whom the agent is individually responsible, the agent is said to have *multiple principals*. Each principal has an individual contract with the agent and is able to hire, fire, redirect, or sanction the agent at will. Although not common in international politics, these multiple-principal relationships are seen often in American politics, where federal agencies are responsible both to the President and to Congress via separate delegation contracts. Under a variety of conditions, neither the President nor Congress needs the consent of the other to sanction or redirect their agent, the federal agency.<sup>15</sup>

While single and multiple principal models are the most commonly applied in political science generally, the most frequently applicable delegation model for analyzing IOs is that of the *collective principal*, in which the agent is responsible to the negotiated directives of a set of actors (in general for international relations, sovereign states) that collectively constitute the principal. In order to sanction, limit, or expand the agent's activities, the members of the collective principal must agree to a new set of directives for the agent. Figure 1 illustrates these

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<sup>15</sup> For further discussion see Nielson and Tierney 2003. They note, "For example, the president can promote, demote, or fire bureaucrats, and Congress can increase organizational budgets, decrease them, or even eliminate them entirely—each without the cooperation of the other. Among IOs, the European Commission is now responsible to both the Council of Ministers and the European Parliament—a clear case of multiple principals." See also Calvert et al 1998 and Hammond and Knott 1996.



three distinct types of P-A relationships. The collective principal model is the one that most accurately captures the dynamics of the relationship between IFIs and their member states: at the IMF, the World Bank, and other multilateral development institutions (MDIs), the institutions' member states, acting through the executive board (EB) of each organization, form a collective principal that governs directs, monitors, and/or sanctions their agent (the MDIs' staffs) as a group.<sup>16</sup> While the EB acts as a group, not all member states have an equal say in the decisions taken by the board. At both the Fund and the Bank, for example, the five largest shareholders are allowed to appoint one executive director to the board (U.S., Japan, Germany, France, and the UK). The remaining EB seats go to directors who are elected to the board by one or more of the remaining member states.<sup>17</sup> These coalitions are often geographically clustered, but are also formed for political reasons.<sup>18</sup> The varying levels of influence allotted to EDs based on their voting shares is perhaps, in part, responsible for the pervasiveness of the unipolar fallacy. Indeed, at both the Fund and the Bank, the U.S. is the single largest shareholder. Further, amendments to the institutional articles of agreement require support from 85 percent of shareholders at both the IMF and World Bank. These voting shares give the U.S. veto power over changes to the articles of agreement at both institutions. Perhaps more importantly, however, the U.S. vote shares leave it far from the absolute majority needed to control day-to-day operations (including commitment decisions) and even further from the supermajority needed to make unilateral changes to the articles of agreement.<sup>19</sup> Figure 1 illustrates these three distinct types of P-A relationships.

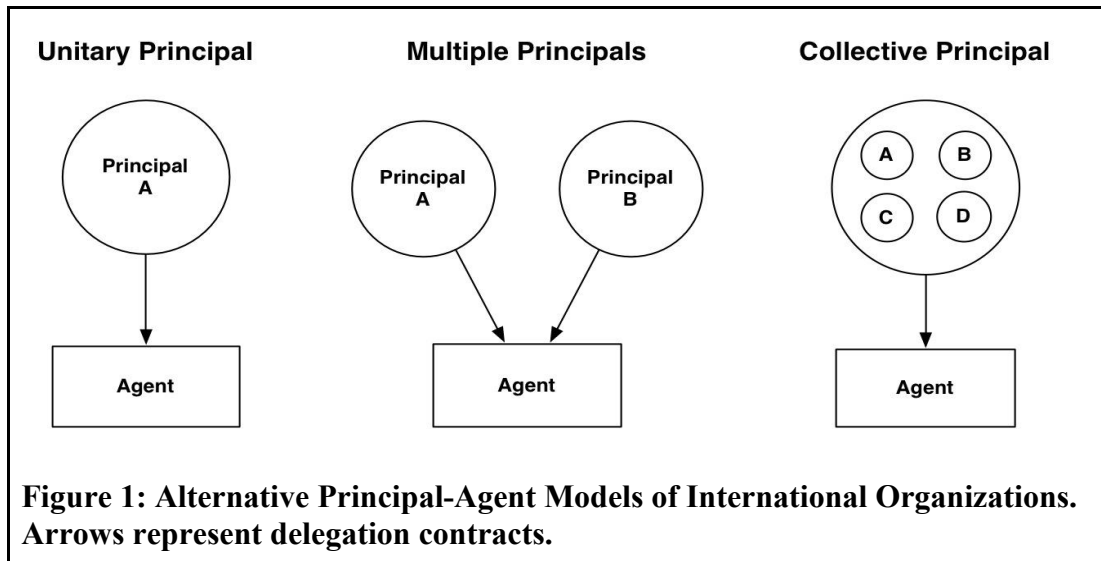
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<sup>16</sup> On the details of IMF policy making, see Copelovitch 2010b. On the World Bank, see Weaver 2008.

<sup>17</sup> At the World Bank, for example, Denmark, Estonia, Latvia, Lithuania, Finland, Norway, Iceland, and Sweden collectively elect an ED to represent them. At the same time, Saudi Arabia "elects" its own ED. This effective appointment is the result of its relatively large voting share.

<sup>18</sup> For more on the politics of ED coalitions, see Vreeland 2010.

<sup>19</sup> At the Fund, the U.S. controls 16.75 percent of all votes on the EB. At the Bank, the U.S. controls only 15.14 percent of votes on the EB.



### Common agency models and IMF/World Bank decision-making

Modeling P-A relationships correctly is important because of the implications it has for the conclusions that scholars and policymakers reach about the determinants of IO behavior and policies. With respect to the IMF and World Bank, treating the US government as the sole political principal fundamentally mischaracterizes the principal-agent relationship that governs the IMF and World Bank. In these institutions, substantial authority has been delegated to the professional staffs, which exercise a high degree of autonomy in designing, negotiating, and implementing lending programs.<sup>20</sup> Ultimately, however, political authority in the IFIs rests with the Executive Board (EB) of each institution. Through the EB, a multi-member body composed of Executive Directors (EDs) (24 at the IMF, 25 at the Bank) representing shareholder governments, member-states have the final say over all IFI policy decisions. However, because member-states' voting power is directly proportional to their quota contributions to the Fund's general resources, the advanced industrialized countries' preferences carry the most weight in

<sup>20</sup> See Copelovitch 2010b, Dreher and Vaubel 2004 and Willett 2000 on agency slack, bureaucratic rent-seeking, and the influence of the IMF staff over policy outcomes.

IMF and World Bank decision-making. In the IMF, for example, the Fund's five largest shareholders, the "G-5" countries (United States, United Kingdom, Germany, Japan, France) are entitled to appoint their own EDs, who hold a combined 38.39% of the votes.<sup>21</sup> This voting structure gives the advanced industrialized countries overwhelming influence within the Fund. The G-5 hold 38.39% of the votes, while EDs from constituencies encompassing the G-7 (G-5 plus Canada and Italy) cast a combined 46.13% of EB votes, and those representing the G-10 (G-7 plus Belgium, the Netherlands, Sweden, and Switzerland) collectively cast nearly two-thirds (62.28%).<sup>22</sup>

Given this institutional framework, analyzing IFI decision-making as if the US is the sole principal of note reflects a fundamental misunderstanding of how these institutions operate. For example, in the IMF, the US – with 16.77% of the votes – only has a unilateral veto over non-lending decisions (including quota increases, the sale of IMF gold reserves, and amendments to the Articles of Agreement) that require EB supermajorities of 70-85%.<sup>23</sup> This veto power does not extend to IMF lending decisions: formally, approval of an IMF loan requires the support of only a simple majority of EB votes, rather than a super-majority. Moreover, the Board's norm is to avoid formal votes on IMF lending decisions whenever possible. Rather, the Board makes lending decisions on a "consensus basis with respect given to the relative voting power of the states" (Mussa and Savastano 1999; IMF 2002; Van Houtven 2002).

At the World Bank, the distribution of voting power is broadly similar to that of the IMF. The U.S. controls 15.14 percent of votes in the EB, giving it veto power over changes to the

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<sup>21</sup> <http://www.imf.org/external/np/sec/memdir/eds.htm>.

<sup>22</sup> The Group of 10 comprises the 11 countries that participate in the major global financial regulatory institutions at the Bank for International Settlements and have made supplementary credit commitments to the IMF through the General Arrangements to Borrow (GAB) and the New Arrangements to Borrow (NAB): <http://www.imf.org/external/np/exr/facts/gabnab.htm>.

<sup>23</sup> See IMF (2001) for a detailed description of these special majority rules.

Bank's Articles of Agreement, which require at least an 85 percent supermajority. At the same time, however, day-to-day operations (including loan/grant commitment decisions) require only simple majorities on the EB. These decision-making rules and norms enable the advanced industrialized countries to *collectively* exercise substantial authority over decisions about the allocation, size, and terms of IFI commitments so long as they have similar preferences. They do not, however, allow the US government to unilaterally dictate policies or to unilaterally veto specific proposed commitments within the EB.

### **The unipolar fallacy: evidence from previous research**

How common is this error? In Chart 1, we list 27 different studies of the IMF and World Bank published in the last 10 years.<sup>24</sup> Each of these studies attempts to account for the interests of the principal of the IMF or World Bank using some proxy for unilateral U.S. interests. In some cases, these analyses rely on geopolitical variables such as voting affinity in the United Nations General Assembly or foreign aid flows from the U.S. to a given recipient country. In others, they rely on how tightly integrated a recipient state is with the U.S. economy by using either trade flows or U.S. bank exposure.

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<sup>24</sup> Roughly speaking, these are the papers/books written on the topic in the positive political economy literature over the past ten years. All but one (Anwar) contain a quantitative model. We generated this sample by doing a Google Scholar search on the term "political economy" and then either "World Bank" or "IMF." We restricted the search to peer reviewed papers and books published over the past ten years.

[Chart 1 about here]

A small subset of the more careful studies also include measures of geopolitical or financial integration with other powerful members of the EBs of the IMF or World Bank (e.g., Breen 2013; Breisslein and Schmaljohann 2014). Often, however, these studies fail to model how the interests of the shareholders interact. Instead, these studies simply assume that the G-5 or G-7 preferences are always aligned. This proves problematic since principal-agent theory suggests that the relative influence of a bloc of members in a particular collective principal will depend not only on their preference intensity, but also on the homogeneity of those preferences. If the G-5 or some other arbitrary bloc of EB members have incompatible preference orderings, the ability of that bloc to affect outcomes at the IFI will be limited at best. With regard to the G-5 in particular, the empirical record shows that members' preferences are often not aligned on a wide variety of indicators including bank exposure, trade relations, and U.N. voting.<sup>25</sup> Failing to account for this non-alignment will lead analysts to draw incorrect conclusions about their influence.

Most frequently, tests of non-U.S. member influence are done concurrently or sequentially, with scholars either simultaneously including separate variables for the interests of individual IMF or World Bank shareholders or including these variables separately in alternative regression models.<sup>26</sup> Others test measures of US influence against variables aggregating the collective interests of other large countries.<sup>27</sup> In almost every case, these non-US variables are included as a robustness check or add-on, with the testing of US influence the primary focus of

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<sup>25</sup> For example, in our IMF example below, the coefficient of variation on G-5 bank exposure is 115.77, with a range of 0 to 223.61. The coefficient of variation on the S-Score is .17 with a range of -0.22 to 1.

<sup>26</sup> For example, Stone 2011, Dreher and Jensen 2007, Barro and Lee 2005, Oatley and Yackee 2004.

<sup>27</sup> Barro and Lee use "other major Europe" (2003), while Stone (2011) tests a residual variable of the other G-5 countries, leaving out the US.

the analysis. Frequently, the results for non-US shareholder influence are only mentioned in footnotes, rather than presented in tables of results (e.g., Broz and Hawes 2006).

While these approaches are preferable to only testing for American influence over the IFIs, they, too, suffer from several problems. First, the concurrent approach raises serious problems of collinearity. Indeed, given that bank exposure is often highly correlated with UN voting affinity, and other measures of geopolitical and economic interests of the IFIs' major shareholders, it is difficult to assess the meaning of the significance or insignificance of individual variables.<sup>28</sup> For example, Oatley and Yackee (2004, 41) include measures of US, British, and Japanese bank exposure simultaneously and find that only the US variable is statistically significant. However, it is unclear what the correct interpretation of such results should be: is this a spurious result driven by multicollinearity, or is it a valid result showing that only US influence matters? To our knowledge, few if any scholars have really explored this result with detailed analysis of the correlations between these variables.

The sequential approach is a further step forward but is still problematic. In essence, the problem of collinearity is "solved" at the cost of introducing omitted variable bias: unless one believes that the interests of the IFIs' large shareholders are completely unrelated and affect policy outcomes independently, then models incorporating only one country's interests are misspecified and therefore not appropriate. A second and larger problem, however, is that the latest research on the politics of IFI decision-making demonstrates the critical importance of preference heterogeneity (Copelovitch 2010a, 2010b) and coalitional dynamics (Lyne et al. 2006, 2009) within the IMF, World Bank, and other MDI EBs on policy outcomes. Thus, decisions about loan size and policy conditionality reflect not only the separate intensities of the US and

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<sup>28</sup> As Copelovitch shows in his analysis, for example, the correlation of UN voting affinity scores among the G-5 countries ranges from 0.75 to 0.94 (Copelovitch 2010a). The individual bank exposure variables correlations are similarly high.

other large shareholders, but also the distribution of such preferences.<sup>29</sup> Moreover, as Copelovitch demonstrates, these two variables – preference intensity and preference heterogeneity – interact with each other in important and significant ways. Consequently, models that do not take this interaction into account are not accurately capturing the dynamics of decision-making within the IFI EBs, nor are they correctly specifying the conditional effect of individual shareholders’ influence over specific IFI lending decisions.

Such specification errors – of both the sequential and concurrent variety – remain endemic in the literature. Even the most recent and sophisticated analyses of IFI decision-making, which move beyond testing only variables of US influence, continue to follow these approaches and fail to incorporate either measures of the preference heterogeneity of the IFIs’ Board members or interactions between preference intensity and heterogeneity. For example, in his recent and important work on US “informal governance” of the IMF, Stone (2011, 2008) presents the most well-developed argument and empirical tests to date of US influence over the Fund. Stone finds that IMF loans are larger, contain fewer conditions, and are less stringently enforced when a country is of geopolitical or economic importance to the US; the remaining G-5 countries, he finds, have only weaker or insignificant influence over these same outcomes. Based on these findings, he concludes that the US is able to exercise informal control over the IMF specifically and over IOs more generally: “I describe this situation as conditional delegation: the IMF is autonomous when the borrower is unimportant to the United States or the borrower is unwilling to spend the influence needed to call upon U.S. assistance in dealing with the Fund.”

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<sup>29</sup> Preference heterogeneity among the G-5 countries in the IMF EB, for example, can be quite large. In his 1984-2003 sample of non-concessional loans, Copelovitch (2010a) shows that the average coefficient of variation on bank exposure to IMF borrower countries for the individual G-5 governments (US, UK, Germany, Japan, France) is 115.77, while the average coefficient on UN voting affinity “S” scores (which range from -1 to 1) is 0.17.

Although we do not doubt the U.S. exercises enormous influence within the IMF and other IOs, we are skeptical of the informal governance theory's strong claim that the US is able to suspend the Fund's formal decision-making rules and "assume temporary control of the organization when its core interests are affected" (Stone 2008, 593). To our knowledge, there is no evidence that the Fund's other large shareholders have ever agreed to such conditional delegation. Indeed, in at least two of the cases Stone identifies in support of the informal governance theory (e.g., Korea 1997 and Mexico 1995), active cooperation or conflict (the former in the Korean case, the latter in Mexico) among the five largest IMF shareholders at multiple stages of the Fund lending process played a key role in shaping policy outcomes (Copelovitch 2010b). Moreover, the key causal mechanism underlying the informal governance logic strikes us as unconvincing: "...the United States has a tremendous organizational advantage over other countries because it has a more extensive diplomatic corps, particularly important private financial institutions, numerous advantages in gathering information, and all of the advantages of having the IMF located in the United States capital" (Stone 2011, 57). The geographic proximity of the US Treasury and IMF headquarters aside, the diplomatic and informational resources of the other large shareholders are also formidable, and the private financial institutions of the UK, Germany, Japan, and France are equally (and in some cases, arguable more) systematically important in the modern global economy.

Beyond these concerns about the theory of informal governance, however, our primary concern stems from the dynamics of collective principal decision-making within the IMF and World Bank Executive Boards. In his statistical models, Stone does not incorporate any measures of G-5 preference heterogeneity, nor do his models include the interactions between G-5 preference intensity and heterogeneity that Copelovitch (2010a/b) finds to be critically



important and significant in his empirical analysis. Moreover, Stone commits the same error of sequential testing of individual G-5 countries as previous analyses described above, and his specification of aggregate G-5 interests excludes the US, thereby setting up a competition between the US interest variables and variables measuring the aggregated interests of the non-US G-5 countries. As a result, Stone's specifications effectively "stack the deck" against common agency models by excluding the US from the G-5 itself.<sup>30</sup>

In sum, even the most recent and advanced treatments in the literature continue to adhere to the unipolar approach to IFI decision-making. While parsimonious and clearly in line with the conventional wisdom, this strategy inaccurately models the common agency nature of decision-making within the IMF and World Bank. Moreover, in our view, it does not take the formal decision-making rules and institutions of the IFIs seriously enough. In the remainder of this paper, we bring to bear both qualitative and quantitative evidence illustrating the limits of the unipolar approach and the importance of other shareholders' preferences and preference heterogeneity in shaping policy outcomes in the IMF, World Bank, and regional development banks.

### **Empirical analysis: Qualitative evidence from interviews with current and former EDs**

In order to ascertain the relative influence of the US and other large shareholders within the IFIs, we interviewed 17 current or former Executive Board (EB) members at the IMF, World Bank, Asian Development Bank and the Inter-American Development Bank over a three-week

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<sup>30</sup> Thus, Stone's coding sets up a multiple principals test (i.e., the US vs. the other G-5 countries), rather than testing a collective principal approach. The latter requires treating the US as a member of the G-5 and incorporating measures of G-5 preference heterogeneity based on including all five countries as members of the collective principal.

period from July 18 to August 10, 2013.<sup>31</sup> We asked each official between 10 and 15 questions in an effort to establish certain facts about the process of decision making, participants' perceptions of influence within the organization, and to ask them directly why they made particular decisions.<sup>32</sup> On the broad question of U.S. influence within the four IFIs we studied, and especially the IMF and the World Bank, there was general agreement that the U.S. had "a great deal of influence" or even "the most influence" on policies and on lending decisions. At both the Fund and the Bank we repeatedly heard that "If the U.S. ED has a problem with a project, staff usually try to amend it before bringing it to the Board." Respondents frequently mentioned "the U.S. veto" when referring to any effort to change the Articles of Agreement or the basic composition and purpose of these institutions. However, when it came to specific cases of Board decisions to approve a loan or adopt a new policy, Board members from all four institutions quickly recalled examples where the U.S. "lost" and was unable to impose its will in a specific case. Many expressed the view that, while the U.S. once dominated politics on the Board, its influence had waned in recent years. According to one long-serving European ED at the IMF, "The Americans spend much more time today trying to build coalitions on the Board. The U.S. Chair has to work harder today because there are more varied and powerful groupings today as compared to the past." There was also consensus on the composition of these groups. Americans, Asians, and Europeans agreed that the most organized caucus within the different Bretton Woods Organizations was the EU group, whose chairs largely succeeded in coordinating

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<sup>31</sup> We interviewed five EDs or AEDs who represented the United States, two from the UK, three from continental European countries, three from Asia, three from Latin America, and one from the Middle East. This also meant that some represented individual countries while other chairs represented a grouping of countries.

<sup>32</sup> See Appendix 1: "Interview Questions for Board Members."

their policies prior to Board meetings.<sup>33</sup> While most agreed that the Europeans were the most coherent group, there was disagreement about which other countries and/or groups were increasing their influence within the IFIs. The two most frequently named countries were China (mentioned by 7 interviewees), which has its own chair in most of these IFIs, and Brazil (mentioned by 5 interviewees), which frequently represents a constituency of multiple countries.

On the issue of consensus among the G-7 countries, there was a widely held view among our interviewees that the U.S., Japan, Canada and Europe tended to vote together more often than not, but that on particular issues, they would disagree. According to one ED within the IaDB, “The Japanese and the Canadians usually vote with the U.S., but you can often get Europeans to peel off and vote with the Latin American bloc.” While both participants and scholars frequently invoke a norm of “consensus” on these IFI Boards, we heard this much more frequently from board members at the Fund and the Bank than at the AsDB or the IaDB.

But even in the most consensual of all the institutions, the IMF, all participants acknowledged that consensus did not mean unanimity and that individual chairs could either “abstain, express disagreement, or vote no” if he/she chose to do so. One specific question that was asked of every interviewee was, “Which ED votes no or expresses opposition to proposals most often in your experience?” The answers to this question were telling. Five interviewees refused to answer either by claiming that they were new or that revealing the identities of “no voters” would be violating a confidentiality norm. Apparently, the vast majority of EDs did not get the memo on confidentiality, since they were more than willing to answer the question. Of the remaining twelve respondents, two indicated that the Brazilian ED abstained or voted no

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<sup>33</sup> While other caucus groups were mentioned (GRULAC and even BRICS), no interviewee suggested that any other group was as coherent as the European group. However, several suggested that the “BRICS” were ascendant even though their representatives did not meet as a group on a regular basis prior to board meetings.

most frequently, while the remaining ten all said that the United States voted no and/or abstained most frequently. Most also indicated that the U.S. ED usually accompanied any “no” vote with a written explanation of the decision.<sup>34</sup>

In addition to voting no most frequently, *the U.S. is also the country that loses most frequently* within the Fund’s Board. To quote the U.S. ED, “We are, by far, the most frequent ‘no’ vote on the Board.” When asked how often these no votes were successful in halting some program or preventing a policy from being passed by the Board, the response was immediate and unequivocal, “We lose every time that we vote no.” In the words of a different ED who represented the U.S. at another MDB, “We faced a growing number of legislative mandates to vote no on any loan to a country supporting terrorism, trafficking in women, promoting nuclear proliferation, or any infrastructure project that did not contain the proper environmental studies. So, we voted no a lot and we got rolled every time. It was a little embarrassing.”<sup>35</sup> This fact is worth repeating and thinking about a bit harder. The alleged hegemon, the United States government, believes that certain issues (such as terrorism, environmental degradation, and nuclear proliferation) are so important that Congress passes a law instructing its IFI representatives how to vote; these laws sometimes insist that the U.S. representative must use his or her “voice and vote” in an effort to build a coalition to block such loans from passage.<sup>36</sup> And yet, every time that U.S. representatives report voting no, they lose the vote. One can interpret

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<sup>34</sup> These explanations of the voting behavior of all U.S representatives at IFIs are reported to the Treasury Department which is required by law to provide them to the U.S. Congress. See Treasury 2013.

<sup>35</sup> Interview with former U.S. ED, June 2005, Washington DC.

<sup>36</sup> In 1992 the U.S. Congress passed the “Pelosi Amendment,” which required all U.S. representatives at IFIs to vote no on certain types of project proposals that did not include an Environmental Impact Assessment. By 2003 Congress was requiring not only a no vote on loans to certain types of countries, but also required the U.S. ED to lobby his/her colleagues in an effort to persuade them to vote no as well. According to interview data from both U.S. representatives (lobbyists) and other chairs on the board (targets of lobbying), this legislative mandate to form blocking coalitions has not succeeded in changing outcomes on IFI boards.

this evidence in many ways, but given these outcomes, it is difficult to conclude that unipolar control of the IMF and other IFIs is taking place.

### **Empirical analysis: Quantitative analysis of IFI lending, 1980-2010**

Although our qualitative analysis is only preliminary and limited in scope, it strongly suggests that the unipolar model overlooks important aspects of the politics of IFI decision-making. In order to more rigorously and extensively test the unipolar approach against the common agency perspective on IFI policymaking, we have also conducted time-series-cross-sectional statistical analysis of the determinants of IFI lending over the last three decades. We test our argument at the country-institution level. Each observation is a country-year for a particular IFI. Our data on multilateral grants and loans comes from AidData.org's Research Release 2.1. The data sample includes all concessional and non-concessional grants and loans from the IBRD, IDA, AsDB/F, AfDB/F, IaDB, and IMF for the period 1980-2010.

#### *Dependent variables*

Our main analysis focuses on two different dependent variables. First, we record whether or not a given country received a grant or loan in a given year from a given MDB in our sample. This binary variable takes on a value of one if at least one grant or loan is listed for that country-year-institution combination in the project-level data from AidData. Second, we record the natural log of the total amount of funding that that a given country received in a given year from a given IFI in our sample. For example, if the World Bank made two commitments of \$1 million

each to Mexico in a given year, the total value of this variable before deriving the natural log would be \$2 million dollars.<sup>37</sup>

### *Explanatory variables*

Our core independent variables are measures of the geopolitical affinity of a borrower country to various shareholders in the IFIs in our sample. Following previous work, we first operationalize the geopolitical preferences of shareholder countries using Strezhnev and Voeten's United Nations General Assembly Voting Data. We take the S-score (S3UN) between the shareholder country and the recipient country. The S-score between two countries measures the relative affinity of the two countries based on their voting record in the U.N. General Assembly.<sup>38</sup> For the unipolar case, we take the S-score between the U.S. and the recipient country. When we analyze the role of other shareholders we take the mean S-Score between the shareholders of interest and the recipient country weighted by the vote share of each shareholder. In the weighted analyses below, we weight S-scores by the relative vote shares of member states of interest. For example, to calculate the weighted S-score of the G5, we multiply the S-score of

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<sup>37</sup> For both variables above, we allow for any country in the international system as defined by the Correlates for War to be eligible for a loan or grant from all institutions. In principal, our analysis should be limited to a subset of these countries eligible for concessional and non-concessional funding based on the World Bank's IBRD and IDA GNI thresholds. The World Bank lays out the GNI thresholds here: <http://data.worldbank.org/about/country-classifications/a-short-history>. The regional MDBs use the World Bank thresholds as their guidelines. In many cases, however, we found that countries received funding from IDA, AsDF, or AfDF funding despite being over the specified GNI threshold for that year. Similarly, many countries received funding from non-concessional arms despite being significantly below the IBRD threshold. For these reasons, we leave all countries in the sample. The results we present below do not appear to be affected by this decision.

<sup>38</sup> Values for S scores range from -1 to 1, with higher values indicating closer affinity between two countries. In order to calculate coefficients of variation for these S scores, we rescale the data to range from 0 to 2.

each G5 constituent by its vote share, sum the resulting values, and divide by five. Data on vote shares at MDBs come from the Annual Reports issued by the MDBs in our sample.<sup>39</sup>

Our second – and preferred – independent variable employs the new “ideal point” data developed by Bailey, Strezhnev, and Voeten (2013, hereafter BSV). BSV highlight several problems with S-scores and propose their new metric as an alternative. First, they note that S-scores are highly sensitive to substantive variation in the items on which the UN votes each year, resulting in frequent large shifts in values from year to year. Second, they note the failure of S-scores to capture important left/right regime changes in a number of important cases (notably countries such as Cuba, Chile, and Venezuela in Latin America); thus, Cuba pre- and post-Castro sees relatively little shift in affinity with the US, suggesting problems with using S-scores as a broad measure of geopolitical affinity. Third, the authors note that S-score calculations yield values suggesting that US-Russia ties now are more acrimonious than at the height of the Cold War; again, this casts doubt on whether S-scores are actually picking up the type of foreign policy/geopolitical affinity that scholars generally seek when using them as a proxy in analysis.

The ideal point variables, by coding identical issues across years, are better able to separate “agenda changes from changes in preferences” (BSV 2013), and they yield a more plausible “rank-order” of countries, as indicated in Table 1 below.

[Table 1 here]

Using these new data, we calculate and test four specific independent variables. The first two variables test the unipolar approach: 1) the “raw” US-borrower ideal point difference; and 2) the vote-weighted US-borrower ideal point difference, which more accurately captures both US

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<sup>39</sup> Annual reports were not available from a given institution in a given year. When this occurred, we used linear interpolation to calculate vote share data using Stata’s `ipolate` function. In the case of the IMF, we have not yet gathered historical vote share data. For years prior to 2001, we used IBRD vote shares as a proxy for IMF vote shares. The two are highly correlated historically. We will fill in these missing data in future revisions.

affinity and influence within each specific IFI. The second two variables test the common agency approach and model the ideal point “gap” between the US and the G4 and G6 – the remaining G5 and G7 countries, respectively. In each case, these latter two variables are calculated as the difference between the US-borrower ideal point difference and the G4-borrower (or G6-borrower) ideal point difference. Illustrative values of the US-G4 “gap” variable are also provided in Table 1.

### **Control variables**

In the models below, we also include a several additional independent variables that previous analyses show to be correlated with both lending decisions and the relative affinity of states in the state system. These include level of democracy, level of development, economic growth, external debt/GNI, and the current account balance. We use Polity2 as our measurement of level of democracy. As a proxy for level of development, we use the GDP per capita data from the World Development Indicators (WDI). For economic growth, we use GDP growth also from the WDI. Finally, we control for temporal dependence in the data by including the number of years since a country’s last loan from each IFI in the sample, along with its square and cube (Signorino and Carter 2009). All of our models also incorporate country and year fixed effects to control for unobserved heterogeneity across time and space that may also affect the probability of loans and the amount of aid provided.

### *Unipolar results*

We begin our analysis by testing the most basic observable implication of the unipolar model: a positive correlation between US affinity with a borrower country and both the



probability that it receives a loan and the overall amount of aid it receives from the IFIs in our sample in a given year. We begin with the S-score metric models. In Table 2, we present the results of two conditional logit models testing the unipolar model of IFI governance with country and institution fixed effects.<sup>40</sup> The first model uses the raw S-score between the US and the borrower country, while the second employs a vote-weighted S-score. In model 1, the S-score is not statistically significant, and it is only significant at the 90% confidence level in model 2.

[Table 2 about here]

Table 3 replicates both the weighted and unweighted S-score results, subsampled by specific IFI. Once again, the results are not supportive of the unipolar model. In Table 3, only the vote-weighted S-score in the World Bank sample is statistically significant, yet the sign is negative – indicating that *countries with higher levels of affinity to the US are less likely to receive a World Bank loan*. This is the opposite outcome predicted by the unipolar model. Thus, the initial results using S-score measures cast significant doubt on the prevailing conventional wisdom in the literature.

[Table 3 here]

The results using our preferred independent variable, the BSV ideal point metric, are not substantially more encouraging for the unipolar approach. Tables 4 and 5, which show “raw” and vote-weighted ideal point differences between the US and borrower countries for both the full sample of countries/IFIs and each IFI-specific subsample.

[Tables 4 and 5 here]

The coefficient on the ideal point difference gap between the US and a borrower country is negative, indicating that a greater gap in geopolitical affinity/preferences between the US and a borrower country reduces the probability of that country receiving a loan. But the coefficient is

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<sup>40</sup> IMF is reference category.

only statistically significant (at the 90% confidence level) in the IMF subsample. This result is mirrored in both the full sample and IMF subsample models of Table 5, which employs the vote-weighted ideal point differences rather than the “raw” differences. These results are significant at the 90% confidence level and are substantively important. For example, in the full sample model, a one standard deviation increase in the ideal point difference (from 0.47 to 0.72) reduces the predicted probability of a loan by 1.3%, a sizeable amount given the mean predicted probability of a loan of 7.4%. Likewise, in the IMF sample model, the corresponding increase (from 0.55 to 0.65) reduces the predicted probability of a loan by 3.3%, against a mean predicted probability of 12.2%. Nonetheless, these results are offset by the insignificant coefficients in the World Bank and ADB models in Table 5, and by the *positive* and significant coefficient in the AFDB model. This latter finding is perhaps not too surprising, given that AFDB borrowers are overwhelmingly African countries that have some of the lowest overall affinity scores with the US in the world. Yet, the result is once again at direct odds with the standard unipolar model articulated in the literature, where closer affinity increases the probability of aid. Thus, while the result may indeed tell us something important and novel about the politics of AFDB lending, it casts further doubt on the universal applicability of the conventional unipolar model of IFI decision-making.

In our last two tables, we switch focus to the (logged) amount of aid provided as the dependent variable, rather than the probability of a loan. Consequently, these results employ OLS models with country and year fixed effects and robust standard errors clustered on country. Table 6 again shows full sample and IFI subsamples using the “raw” US-borrower ideal point differences, while Table 7 shows the same samples using the vote-weighted ideal point differences. Here again, the results are broadly discouraging for the unipolar approach. In Table 6, the ideal point difference is not significant in any of the models. In Table 7, it is significant

and correctly signed in the full sample model but not significant in a single IFI-specific subsample. This latter finding is substantively important: the same one standard deviation increase in the weighted ideal point difference (from 0.47 to 0.72) reduces the expected amount of aid provided to the borrower country by \$70.6 million a year. Given that the mean predicted amount of aid is \$108.3 million, this is a large and significant effect. Yet, the fact that this result cannot be replicated in the other nine models in Tables 6 and 7 once again casts doubt on the generalizability of the unipolar approach as a model for explaining the politics of decision-making across space and time within the universe of MDBs.

*Common agency models: US preferences and the “gap” between US and G4/G6 preferences*

In sum, the evidence in support of US-only models of IFI decision-making from our initial analysis is weak at best and in two models runs directly counter to the predictions of the unipolar approach. As we have argued above, we do not find this surprising, since existing unipolar models have, in our opinion, paid too little attention to the formal rules and institutions of specific IFIs and have not adequately incorporated measures of the preferences of a broader set of shareholders in each institution. In the longer term, we are working toward a full solution to this problem, which will incorporate measures of the specific formal voting power of each member of each IFI’s Executive Board and calculate gaps between US preferences and the Board mean preference in each lending case. In the interim, however, we test and present here results which show that US influence is conditional on sufficiently close affinity with the other large shareholders in the IFIs: the other members of the “G-5” (US, UK, Germany, Japan, France) and the “G-7” (US, UK, Germany, Japan, France, Italy, and Canada).

In order to do this, we add one additional variable to the preceding models and interact it with the measures of US preferences. This variable, as noted above, is the ideal point “gap” between the US and the G4 and G6 – the remaining G5 and G7 countries, respectively. In each case, these latter two variables are calculated as the difference between the US-borrower ideal point difference and the mean G4-borrower (or mean G6-borrower) ideal point difference. The idea here is to capture simultaneously the distance between the US and a potential borrower country and the degree of preference heterogeneity among the largest shareholders within the IFIs’ Executive Boards. Our expectation is that, in these models, the expected but rare result from the unipolar models will be clearer but conditional in the new specifications: namely, that larger ideal point differences between the US and a borrower country will reduce both the probability of a loan and the amount of aid received, but *only if the mean position of the remaining G4 and G6 countries is sufficiently close to that of the US*.

Given space and the weakness of the S-score results, we focus here only on the vote-weighted ideal point models from above (Tables 5 and 7) and only on the full sample results. For simplicity, we present only the graphical results of the marginal interactive affects in four models: loan (logit, G4), loan (logit, G6), aid amount (OLS, G4), and aid amount (OLS, G6). These charts are shown in Figures 1-4 below.

[Figures 1-4 here]

Broadly, the results provide robust support for our argument that a common agency perspective is analytically and empirically superior to the unipolar approach. In Figure 1, we see that larger ideal point differences between the US and borrower do reduce the probability of a loan, but only when the “gap” between the US-borrower ideal point difference and the mean G4-borrower ideal point difference is sufficiently small – specifically, lower than approximately 1.25. In other

words, the US is only able to achieve its desired outcome – preventing loans within the IFIs to countries with whom it does not share geopolitical affinity – when the other large shareholders also broadly share the same views about the geopolitical affinity of the borrower. We see a similar, though weaker result in Figure 2, which shows the US-G6 loan model result. Here we present the 95% significance level interaction, which is not significant, but a corresponding 90% significance chart appears almost identical to Figure 1. Thus, the loan model results provide initial evidence in support of the common agency perspective.

However, as Figures 3 and 4 illustrate, the clearest evidence in support of the common agency perspective comes from the aid amount models. In both figures, the clear importance of US influence is evident, but the limits of this influence are also abundantly clear. Countries that do not share close geopolitical affinity with the US (i.e., larger ideal point differences) receive substantially smaller loans (in line with the non-interactive result presented above), yet this marginal effect clearly loses statistical significance as the gap in preferences between the US and G4 or G6 becomes larger. The implication here is clear: the US is frequently able to get its way within the Executive Boards of the IMF, World Bank, and regional MDBs, but it cannot simply do so alone. Absent the agreement of the other large shareholders, US influence does not significantly affect lending outcomes.

In sum, we find the empirical evidence against the unipolar model to be quite strong and the evidence in support of the common agency perspective compelling. Our results here, while preliminary and limited only to the large shareholders of the IFIs, show clearly that formal voting power matters. Indeed, the results of the unipolar models are strongest in the vote-weighted samples, and our G5/G7 models show clearly that vote-weighting matters across time and space. Second, our results show that preference (mis)alignment between the US and other large

shareholders also matters: divergent preferences between the US and G4/G6 reduce the significance of US influence and result in American interests not having a significant effect on lending decisions. Models that do not incorporate these measures – such as the widely-used unipolar approach predominant in the literature – overlook both of these facts and are, therefore, missing important aspects of the politics of IFI decision-making across time and – and perhaps more importantly – across different IFIs.

### **The unipolar fallacy: Why is the error so common?**

Building on recent findings in the literature, the qualitative and quantitative evidence here cast substantial doubt on the merits of unipolar theories of IFI decision-making. Nonetheless, as we have already noted, this approach remains pervasive in the political economy literature. Why is this the case? In our view, there are at least three reasons for this behavior. The first reason is that scholars interested in parsimonious theory and empirical analysis use U.S. interests as “shorthand” for the influence of large Western countries as a group within the IMF and World Bank. One sees evidence of this frequently: most scholars advancing US-centric arguments about the IFIs include phrases such as “the US and other large shareholders” when developing their theories, even as they include US-only variables in their empirical tests.<sup>41</sup> While we believe that parsimony is a worthwhile objective, this is true only when parsimony doesn’t diminish the ability of our models to yield accurate predictions about outcomes, and when it does not lead analysts to spurious conclusions about causal relationships. As we demonstrate above, standalone measures of U.S. foreign policy or geopolitical interests are limited in their explanatory power and do not accurately reflect the coalitional politics of IFI Executive Boards.

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<sup>41</sup> Two of the authors of this paper are guilty as charged. See Nielson and Tierney 2003.

The limited utility of the U.S.-only models is a direct result of failing to adequately model the formal institutional decision making rules at the IFIs. If we take these rules seriously – and several decades of institutional literature in both domestic and international politics suggests that we should – we cannot simply ignore other IFI members’ preferences or the heterogeneity of preferences in particular lending cases. And yet, in relying on measures of U.S. interests as a proxy for the preferences of “large shareholders,” this is precisely what most scholars working in the field continue to do in their research. Under certain limited conditions (e.g., when there is broad consensus among all large IFI shareholders about the geopolitical or economic importance of a borrower country) this empirical strategy may be appropriate. In general, however, it is not, and analysts risk drawing inaccurate conclusions about preferences and outcomes in IFI decision-making by perpetuating the unipolar fallacy. As we saw in the qualitative evidence above, the Japanese, and more frequently the Europeans, would split with the U.S. and vote in favor of loans and policies that the United States opposed. Instead of assuming that IFI shareholders will share interests and vote together – or that other large countries will abdicate authority to the U.S. when its interests are most intense – we should find ways to measure the interests of all member states and we should also measure their behavior on the IFI boards, whether through formal votes (as at the IaDB) or recorded abstentions and minutes (at the IMF and the World Bank).

Alternatively, a second reason for the dominance of US-centric unipolar approaches to analyzing IFI decision-making is that scholars sincerely believe that the US exercises hegemonic influence over IMF and World Bank lending behavior. As noted above, this is problematic insofar as scholars fail to recognize that they are importing power and hegemony-based arguments into otherwise neoliberal or institutionalist models. If scholars actually believe that

U.S. hegemony and power are determinant in these institutionalized settings, then they should be more explicit about exactly how and to what extent this power matters in their theoretical models and then demonstrate that these models perform better than common agency models that do not employ hegemony as an explanatory variable.

Finally, the third reason that scholars have gravitated toward the hegemonic model may stem from the fact that – at the time the IMF and World Bank were created – their Boards actually reflected a hegemonic distribution of power in the international system.<sup>42</sup> Many of the written and unwritten rules (e.g., the Euro-Atlantic duopoly on the Managing directorship of the IMF and the presidency of the World Bank) of these institutions were designed to enable the United States to successfully pursue its policy goals. However, the vast majority of IFIs were created after 1960 and/or have undergone a series of reforms that actually enshrine formal voting and open debate within the Board. For example, while the IMF and the World Bank rarely use the voting machinery installed in the Boardroom and most decisions are “taken by consensus,” the IaDB requires formal votes on every loan and every policy. Further, according to one former ED from a Latin American country, “The majority of projects that come before the Board are contested. If we had to approve loans based on a consensus rule, we would approve far fewer than we do today.”<sup>43</sup> Thus, despite the built in advantages that the U.S. enjoys at the IMF and the World Bank, the world has changed so much that once-plausible hegemonic models now seem increasingly obsolete. Today, the U.S. does not have the nearly 50 percent of the voting shares it had in the late 1940s in the Bretton Woods institutions. Furthermore, there are now more than 40 different IFIs that allocate various types of development finance and balance of payments assistance, and the United States’ voting power in these institutions varies widely.

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<sup>42</sup> The increasing economic power of states like China, India, Mexico, and Brazil has led to an erosion of both formal and informal U.S. power in the IFIs over time.

<sup>43</sup> Interview with former board member of the IaDB, Washington DC, July 19, 2013.



Many new institutions (e.g., the GEF and Climate Fund) also have double-majority voting, which enhances the power of developing countries and further restricts the U.S. ability to exercise formal or informal control over lending decisions. Equally as important, many IFIs with rapidly growing capitalizations, such as the Islamic Development Bank, the Latin American Development Bank (CAF), the OPEC Fund for Development (OFID), and the proposed BRICS development bank, all explicitly exclude the U.S. from participating. In this new institutional environment, we can expect that whatever explanatory power the hegemonic model had historically, it is likely less useful going forward. If we want models that are generalizable – both as explanations of IFI lending behavior and as explanations of IO decision-making more broadly – then they must be flexible enough to take account of variation in the formal rules, voting power, and the identity of the actors. Each of these factors varies in the real world and hegemonic models do a poor job of capturing this variation. If we want models that can travel across time, institutions, and issues areas, we should develop the collective principal model.

### *Conclusion*

Scholars have made substantial progress over the last decade exploring the political economy of IFIs in particular and IOs more broadly. As we argue above and in previous work, lending outcomes and reform efforts at the IFIs can be explained only if we take seriously the politics of delegation and agency, where no single member state has the authority (or power) to unilaterally direct the IO agent. By taking the formal rules and governance structures seriously – and consequently conceiving the principal-agent relationship between IFIs and their member states as that of a collective principal – we can better account for traditionally puzzling variation at the IMF, World Bank, IaDB, AsDB, and similar institutions. Despite the demonstrated advantages of this approach, the vast majority of studies continue to model IO outcomes as if the

U.S. were the sole principal of these IO agents. In short, the “unipolar fallacy” persists as the conventional wisdom within the IPE literature and in the international affairs commentariat more broadly.

Our observations from over a decade of attending conferences and workshops on the political economy of international organizations and reading the publications presented in Table 1 suggest that most scholars do not actually mean to advance variations of “stealth realism” when analyzing outcomes at IFIs. Instead, they likely fall into the “shorthand” camp described above where the hegemonic model “works” because U.S. preferences clearly do explain some of the variance in lending that we observe (we see stars in regression tables). Yet even if it is unintentional or simply a shortcut given available data, this is problematic. Perpetuating the unipolar fallacy leads to inaccurate and/or incomplete conclusions about the causal relationships between geopolitical power and outcomes at the IFIs. To be clear, we do not argue that the power of the U.S. and its geopolitical interests never matter in these institutions. Instead, we argue that to understand how and when the U.S. exercises outsized influence in the IFIs – and to understand when and to what extent other countries and groupings also influence lending outcomes – we must more accurately model the decision-making dynamics of these institutions. In our view, future research on these institutions must account for the role of non-U.S. member states and develop better measures of the aggregate preferences of IFI boards and the dispersion of preferences among IFI member-states. This is especially important as the relative power of the United States within these institutions declines, as G-7 interests diverge, and as the number of alternative sources of finance increases.

Chart 1

Citation	Institution	Shareholder Interests Considered	Operationalization of shareholder interests	Governance Model	How is relative influence of shareholders tested?	Primary goal of study is to understand the role of shareholder interests	Weights shareholder influence by voteshare	Accounts for preference distribution?
Andersen et al 2006	WB	U.S.	U.N. voting affinity.	Unipolar	U.S. Only	Yes	No	No
Andersen et al 2006	IMF	U.S.	U.N. voting affinity.	Unipolar	U.S. Only	Yes	No	No
Anwar 2006	ASDB, IMF, WB	U.S. and Japan	Bilateral trade levels	Multiple Principals	Concurrent	Yes	No	No
Barro and Lee 2005	IMF	France, Germany, U.K., U.S.	U.N. voting affinity and bilateral trade levels	Multiple Principals, collective principals	Sequential and concurrent	Yes	No	No
Breen 2010	IMF	France, Germany, Japan, U.K., U.S.	Bilateral trade and bank exposure.	Multiple Principals	Sequential(?)	Yes	No	No
Breßlein and Schmaljohann 2014	WB	France, Germany, Japan, U.K., U.S.	Bilateral trade	Multiple Principals	Concurrent	Yes	No	No
Broz and Hawes 2004	IMF	France, Germany, Japan, U.K., U.S.	Bank exposure, U.N. voting affinity	Multiple Principals	Concurrent	Yes	No	No
Dreher et al 2008	IMF	U.S., UNSC members	U.N. voting affinity	Unipolar	Concurrent	Yes	No	No
Dreher and Jensen 2007	IMF	U.S., G7	U.N. voting affinity	Unipolar, multiple principals	Sequential, concurrent	Yes	No	No
Dreher and Strum 2012	World Bank	U.S., G7	Size of grant or loan from World Bank and IMF, conditions on IMF packages.	Unipolar, collective principals	Sequential, concurrent	No	No	No
Kilby and Fleck 2006	IMF	U.S.	U.S. Bilateral trade, U.S. financial flows, U.S. foreign aid	Unipolar	U.S. Only	Yes	No	No
Reynaud and Fratzscher	IMF	U.S., E.U.,	U.N. voting affinity with U.S. and E.U., U.S. military presence, finance links with U.S, UNSC membership,	Unipolar and multiple principals	Concurrent	No	No	No
Gould 2003	IMF	U.S.	Grants and loans from U.S.	Unipolar	Concurrent	No	No	No
Harrigan, Wang, and El Said	IMF and WB	U.S. (by proxy)	Relationship with Israel	Unipolar	U.S. interests only	Yes	No	No
Kilby 2009	WB	U.S., G7, "like-minded donors"	U.N. voting affinity with U.S., G7,	Unipolar, Multiple principals	U.S. interests only, concurrent	Yes	No	No
Kilby 2013	WB	U.S., G7, "like-minded donors"	U.N. voting affinity with U.S., G7, U.S. military aid, U.S. economic aid	Unipolar, Multiple principals	U.S. interests only, concurrent	Yes	No	No
Moser and Sturm 2011	IMF	U.S.	U.N. voting affinity with U.S. bilateral trade	Unipolar	U.S. interests only	No	No	No
Oatley and Yackee	IMF	U.S., U.K., Japan	Bank exposure, U.N. voting affinity, military aid	Unipolar, Multiple principals	Concurrent	Yes	No	No
Reynaud and Vauday	IMF	U.S.	U.S. troop deployments	Multiple Principals	Concurrent	No	No	No
Stone 2004	IMF	U.S., France, U.K.	Foreign aid, membership in postcolonial international institutions, U.N. voting affinity	Unipolar	Concurrent	Yes	No	No
Stone 2008	IMF	U.S.	U.S. foreign aid, U.N. voting affinity, OECD foreign aid	Unipolar	U.S. interests only	Yes	No	No
Sturm, Berger, and De Hann	IMF	U.S. and other large shareholders	U.S. bank exposure, bilateral trade	Unipolar, Multiple Principals	U.S. interests only	No	No	No
Vreeland 2005	IMF	U.S.	U.N. voting affinity with U.S.	Unipolar	U.S. interests only	No	No	No
Breen 2013	IMF	G5	U.N. voting affinity, bilateral trade with U.S.	Multiple Principals	Concurrent	Yes	No	No
Pop-Eleches 2009	IMF	U.S., E.U.	U.N. voting affinity, bilateral trade		Sequential	Yes	No	No
Edwards 2005	IMF	U.S.	U.S. foreign aid	Unipolar	U.S. interests only	No	No	No
Dreher 2004	IMF and WB	U.S.	U.S. loans, U.S. military aid	Unipolar	U.S. interests only	No	No	No
Thacker 1999	IMF	U.S.	U.S. bilateral trade, U.S. FDI, U.N. voting affinity with U.S.	Unipolar	U.S. interests only	Yes	No	No
Dreher 2006	IMF	G7	U.N. voting affinity	Collective principal	Concurrent	No	No	No
Bird and Rowlands	IMF	U.S., France	Bilateral trade	Multiple Principals	Concurrent	Yes	No	No

**Table 1 – Comparing S-scores and Ideal Points, Selected Countries, 1980-2010**

Country	US-borrower ideal point difference	US-G4 "gap"	US-borrower UN voting affinity ("S-score")
Israel	0.53	(0.32)	0.63
Canada	1.37	1.01	0.18
Netherlands	1.40	1.07	0.15
Denmark	1.59	1.22	0.07
Australia	1.61	1.33	0.11
Latvia	1.64	1.28	0.08
Spain	1.78	1.29	0.01
Finland	1.78	1.26	(0.01)
Sweden	1.82	1.33	(0.02)
Ireland	1.84	1.37	(0.01)
New Zealand	1.87	1.38	(0.01)
Switzerland	1.89	1.57	(0.11)
Turkey	2.15	1.42	(0.12)
Poland	2.48	1.25	(0.11)
Argentina	2.60	1.41	(0.29)
Chile	2.72	1.42	(0.34)
Ukraine	2.86	1.55	(0.13)
Cote d'Ivoire	2.86	1.42	(0.36)
Brazil	2.94	1.42	(0.41)
South Africa	3.05	1.63	(0.37)
Russia	3.09	1.44	(0.30)
Thailand	3.14	1.42	(0.44)
Kenya	3.16	1.42	(0.45)
Mexico	3.19	1.42	(0.44)
Venezuela	3.27	1.41	(0.47)
China	3.31	1.42	(0.48)
Morocco	3.33	1.42	(0.45)
Ghana	3.38	1.42	(0.48)
Pakistan	3.40	1.42	(0.46)
Nigeria	3.42	1.42	(0.48)
Saudi Arabia	3.43	1.42	(0.48)
India	3.45	1.42	(0.49)
Egypt	3.58	1.41	(0.47)
Algeria	3.81	1.42	(0.53)
Afghanistan	3.86	1.43	(0.52)
Iran	4.00	1.41	(0.54)
Syria	4.25	1.42	(0.58)
Cuba	4.31	1.42	(0.59)
North Korea	4.34	1.60	(0.66)

**Table 2: The Unipolar Model (dependent variable: IFI loan), S-scores**

<b>Variable</b>	<b>S-score</b>	<b>Vote-weighted S-score</b>
US voting affinity with borrower	0.297 [0.420]	2.148 [1.296]*
POLITY score	0.015 [0.007]**	0.012 [0.008]
GDP per capita (log, constant \$2005)	0.000 [0.000]	0.000 [0.000]
GDP growth (%)	0.008 [0.005]*	0.010 [0.007]
External debt/GNI (%)	0.000 [0.001]	0.000 [0.001]
Current account deficit (%)	0.005 [0.003]	0.000 [0.005]
World Bank	1.577 [0.074]***	1.328 [0.091]***
ADB	0.888 [0.203]***	0.565 [0.231]**
AFDB	0.941 [0.068]***	0.730 [0.132]***
IADB	1.320 [0.171]***	0.915 [0.222]***
Years since last loan	-0.929 [0.055]***	-0.967 [0.060]***
Years since last loan <sup>2</sup>	0.056 [0.007]***	0.06 [0.008]***
Years since last loan <sup>3</sup>	-0.001 [0.000]***	-0.001 [0.000]***
Constant	-0.513 [0.353]	0.022 [0.399]
Observations	18,461	11,747
Number of countries	98	95
Percent correctly predicted	89.65%	89.14%

Conditional logit model grouped by recipient country. Standard Errors clustered by recipient country.

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 3: The unipolar model, sub-sample analysis (dependent variable: IFI loan), S-scores**

Variable	IMF	IMF	WB	WB	ADB	ADB	AFDB	AFDB
US voting affinity with borrower	1.642		-1.401		1.389		0.304	
	[1.047]		[0.676]**		[1.601]		[0.706]	
US voting affinity with borrower (vote-weighted)		10.775		-5.364		-13.184		29.091
		[6.971]		[4.932]		[13.483]		[11.150]***
POLITY score	0.034	0.077	0.038	0.032	-0.010	-0.088	0.003	-0.014
	[0.022]	[0.037]**	[0.013]***	[0.015]**	[0.038]	[0.057]	[0.014]	[0.014]
GDP per capita (log, constant \$2005)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	[0.000]***	[0.000]	[0.000]***	[0.000]	[0.000]	[0.000]	[0.000]	[0.000]
GDP growth (%)	-0.035	-0.023	0.020	0.020	-0.010	-0.065	0.019	0.022
	[0.014]**	[0.020]	[0.011]*	[0.016]	[0.018]	[0.021]***	[0.010]*	[0.011]*
External debt/GNI (%)	0.000	0.001	0.001	0.001	0.003	0.008	0.001	0.000
	[0.001]	[0.001]	[0.001]	[0.002]	[0.007]	[0.013]	[0.000]	[0.000]
Current account deficit (%)	0.000	-0.038	0.010	0.008	0.022	0.052	0.000	-0.004
	[0.010]	[0.024]	[0.007]	[0.010]	[0.012]*	[0.031]*	[0.004]	[0.006]
Years since last loan	0.458	0.653	-1.320	-1.215	-2.027	-2.053	-0.688	-0.626
	[0.081]***	[0.188]***	[0.093]***	[0.112]***	[0.292]***	[0.409]***	[0.084]***	[0.129]***
Years since last loan <sup>2</sup>	-0.050	-0.100	0.093	0.082	0.205	0.217	0.051	0.045
	[0.010]***	[0.041]**	[0.012]***	[0.013]***	[0.040]***	[0.055]***	[0.011]***	[0.022]**
Years since last loan <sup>3</sup>	0.002	0.006	-0.002	-0.002	-0.006	-0.008	-0.001	-0.001
	[0.000]***	[0.003]**	[0.000]***	[0.000]***	[0.002]***	[0.002]***	[0.000]***	[0.001]
Constant	-5.937	-5.122	1.896	1.616	0.259	3.583	1.155	0.736
	[1.037]***	[1.319]***	[0.725]***	[0.851]*	[1.092]	[2.299]	[0.537]**	[0.648]
N	1,998	888	4,580	3,397	976	478	2,138	1,714

Conditional logit model grouped by recipient country. Standard Errors clustered by recipient country.

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 4: Unipolar Models (Loan), “Raw” Ideal Points, Full sample and subsamples**

<b>Model</b>	<b>Full sample</b>	<b>IMF</b>	<b>World Bank</b>	<b>ADB</b>	<b>AFDB</b>
<b>Variable</b>	<b>Loan</b>	<b>Loan</b>	<b>Loan</b>	<b>Loan</b>	<b>Loan</b>
US-borrower ideal point difference	-0.198 [0.146]	-0.695 [0.376]*	0.057 [0.248]	-0.855 [0.686]	-0.285 [0.215]
GDP per capita (log, constant \$2005)	0.000 [0.000]	0.000 [0.000]***	0.000 [0.000]***	0.000 [0.000]	0.000 [0.000]
GDP growth (%)	0.008 [0.005]*	-0.035 [0.013]***	0.021 [0.011]**	-0.009 [0.018]	0.020 [0.011]*
External debt/GNI (%)	0.000 [0.001]	0.000 [0.001]	0.001 [0.001]	0.004 [0.007]	0.001 [0.000]
Current account deficit (%)	0.005 [0.003]	-0.001 [0.011]	0.010 [0.007]	0.023 [0.012]*	0.001 [0.004]
POLITY score	0.013 [0.007]**	0.025 [0.023]	0.034 [0.013]***	-0.008 [0.038]	0.000 [0.015]
World Bank	1.586 [0.075]***				
ADB	0.900 [0.203]***				
AFDB	0.952 [0.069]***				
IADB	1.328 [0.171]***				
Years since last loan	-0.928 [0.055]***	0.473 [0.082]***	-1.317 [0.093]***	-2.033 [0.291]***	-0.687 [0.084]***
Years since last loan <sup>2</sup>	0.056 [0.007]***	-0.051 [0.011]***	0.093 [0.012]***	0.205 [0.039]***	0.050 [0.011]***
Years since last loan <sup>3</sup>	-0.001 [0.000]***	0.002 [0.000]***	-0.002 [0.000]***	-0.006 [0.002]***	-0.001 [0.000]***
Constant	0.175 [0.456]	-3.053 [1.279]**	0.918 [0.889]	3.262 [1.897]*	2.253 [0.783]***
Observations	18420	1993	4570	976	2138
Number of countries	97	86	96	22	43
Percent correctly predicted	89.70%	80.58%	89.61%	90.16%	74.32%

Conditional logit model grouped by recipient country. Standard Errors clustered by recipient country.

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01

**Table 5: Unipolar Models (Loan), Vote-Weighted Ideal Points, Full sample and subsamples**

<b>Model</b>	<b>Full sample</b>	<b>IMF</b>	<b>World Bank</b>	<b>ADB</b>	<b>AFDB</b>
<b>Variable</b>	<b>Loan</b>	<b>Loan</b>	<b>Loan</b>	<b>Loan</b>	<b>Loan</b>
US-borrower ideal point difference (vote-weighted)	-0.887 [0.492]*	-3.717 [2.076]*	-0.207 [1.364]	-6.433 [5.272]	6.062 [2.236]***
GDP per capita (log, constant \$2005)	0.000 [0.000]	0.000 [0.000]***	0.000 [0.000]**	0.000 [0.000]	0.000 [0.000]
GDP growth (%)	0.009 [0.005]*	-0.035 [0.013]***	0.021 [0.011]**	-0.010 [0.019]	0.022 [0.012]*
External debt/GNI (%)	0.000 [0.001]	0.000 [0.001]	0.001 [0.002]	0.003 [0.007]	0.000 [0.000]
Current account deficit (%)	0.004 [0.004]	0.000 [0.011]	0.010 [0.007]	0.022 [0.012]*	-0.004 [0.006]
POLITY score	0.011 [0.007]	0.026 [0.022]	0.032 [0.013]**	-0.008 [0.038]	-0.003 [0.015]
World Bank	1.569 [0.073]***				
ADB	0.754 [0.221]***				
AFDB	0.577 [0.198]***				
IADB	1.795 [0.315]***				
Years since last loan	-0.919 [0.055]***	0.473 [0.082]***	-1.315 [0.093]***	-2.037 [0.295]***	-0.610 [0.133]***
Years since last loan <sup>2</sup>	0.053 [0.007]***	-0.051 [0.011]***	0.092 [0.012]***	0.205 [0.040]***	0.044 [0.022]**
Years since last loan <sup>3</sup>	-0.001 [0.000]***	0.002 [0.000]***	-0.002 [0.000]***	-0.006 [0.002]***	-0.001 [0.001]
Constant	0.221 [0.355]	-3.301 [1.191]***	1.149 [0.704]	2.986 [1.729]*	0.360 [0.707]
Observations	16,638	1,993	4,570	976	1,714
Number of countries	97	86	96	22	43
Percent correctly predicted	89.49%	80.73%	89.52%	90.06%	74.45%

Conditional logit model grouped by recipient country. Standard Errors clustered by recipient country.

\* p<0.10, \*\* p<0.05, \*\*\* p<0.01



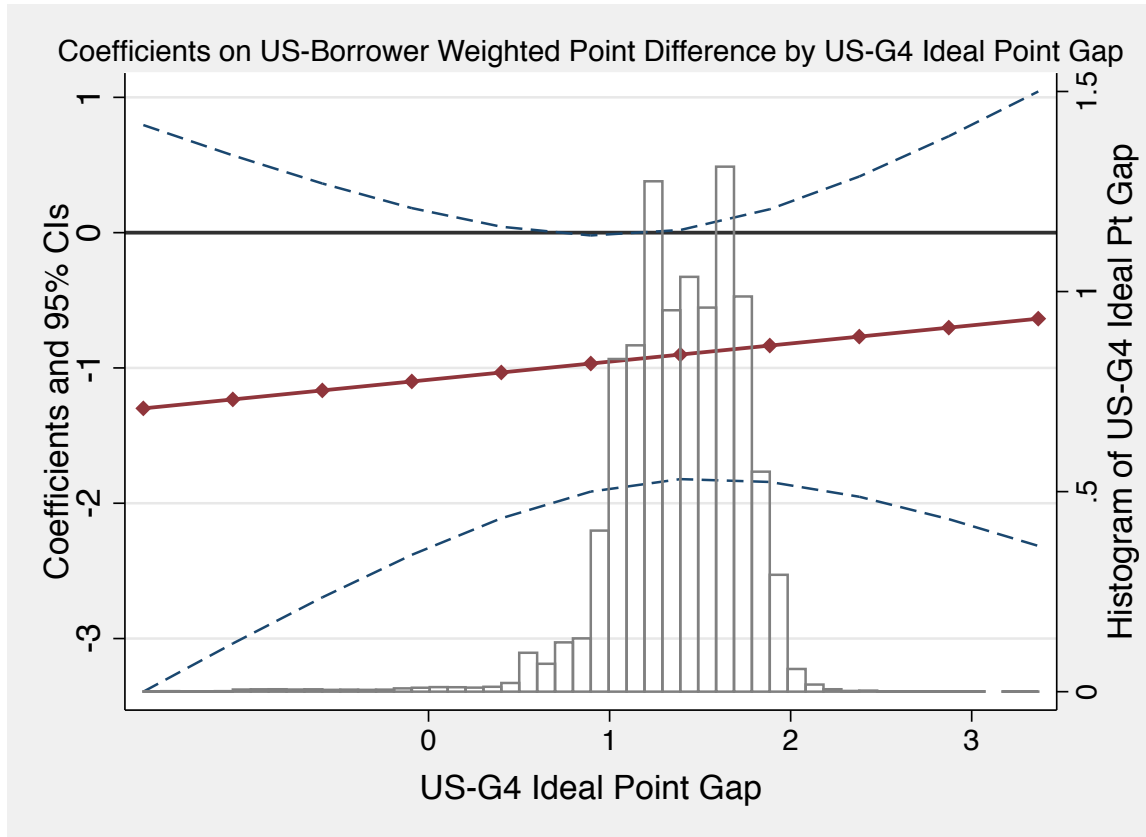
**Table 6, Unipolar Models (Aid Amount), “Raw” Ideal Points, Full sample and subsamples**

Model	Full sample	IMF	World Bank	ADB	AFDB
Variable	Amount (log)	Amount (log)	Amount (log)	Amount (log)	Amount (log)
S-borrower ideal point difference	-0.193 [0.182]	-0.140 [0.140]	-0.100 [0.153]	0.755 [0.614]	0.186 [0.444]
DP per capita (log, constant 2005)	0.000 [0.000]**	0.000 [0.000]***	0.000 [0.000]	0.000 [0.000]	0.000 [0.000]*
DP growth (%)	-0.001 [0.005]	-0.015 [0.009]*	0.006 [0.005]	-0.002 [0.017]	-0.004 [0.013]
External debt/GNI (%)	0.001 [0.000]***	0.002 [0.001]	0.001 [0.000]**	-0.007 [0.006]	0.000 [0.001]
Current account deficit (%)	0.000 [0.004]	-0.008 [0.007]	0.002 [0.004]	0.007 [0.016]	-0.002 [0.009]
QUALITY score	-0.010 [0.010]	-0.021 [0.013]	-0.002 [0.009]	-0.012 [0.030]	-0.003 [0.019]
World Bank	-0.578 [0.150]***				
ADB	-1.388 [0.171]***				
FDB	-1.631 [0.160]***				
ADB	-0.795 [0.202]***				
Openness score	0.658 [0.235]***	0.284 [0.326]	-0.009 [0.225]	0.472 [0.930]	1.282 [0.626]**
Lagged dependent variable	0.038 [0.024]	-0.081 [0.034]**	-0.023 [0.023]	0.021 [0.065]	-0.009 [0.074]
Constant	18.868 [0.462]***	20.035 [1.190]***	20.356 [0.727]***	14.721 [1.609]***	14.66 [2.211]***
Observations	3,914	410	1,897	574	736
Number of countries	97	86	96	22	43
Adjusted R-squared	0.55	0.83	0.67	0.46	0.30

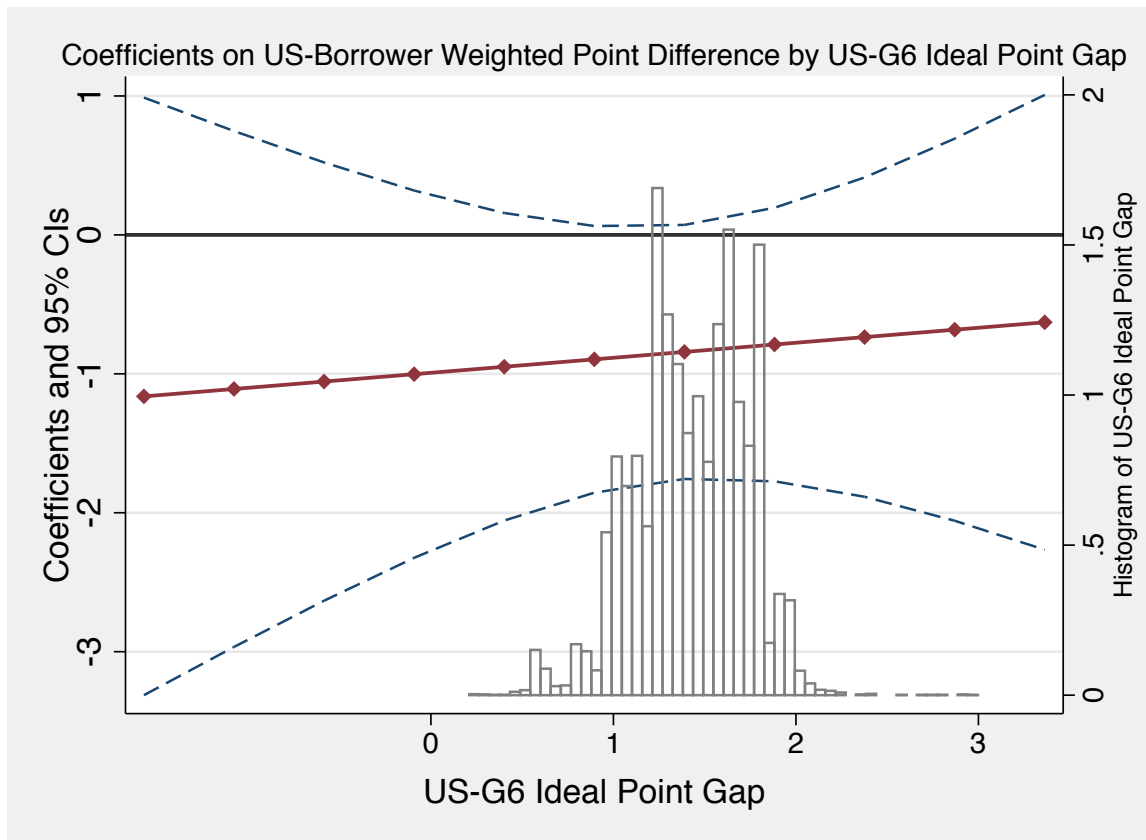
**Table 7, Unipolar Models (Aid Amount), Vote-Weighted Ideal Points, Full sample and subsamples**

<b>Model</b>	<b>Full sample</b>	<b>IMF</b>	<b>World Bank</b>	<b>ADB</b>	<b>AFDB</b>
<b>Variable</b>	<b>Amount (log)</b>	<b>Amount (log)</b>	<b>Amount (log)</b>	<b>Amount (log)</b>	<b>Amount (log)</b>
US-borrower ideal point difference (vote-weighted)	-1.578 [0.624]**	-0.703 [0.759]	-0.250 [0.729]	5.442 [4.626]	0.679 [1.864]
GDP per capita (log, constant \$2005)	0.000 [0.000]***	0.000 [0.000]***	0.000 [0.000]	0.000 [0.000]	0.000 [0.000]*
GDP growth (%)	0.000 [0.005]	-0.015 [0.009]*	0.006 [0.005]	-0.001 [0.016]	0.000 [0.012]
External debt/GNI (%)	0.001 [0.000]***	0.002 [0.001]	0.001 [0.000]**	-0.007 [0.006]	0.000 [0.001]
Current account deficit (%)	-0.001 [0.004]	-0.008 [0.007]	0.002 [0.004]	0.007 [0.016]	-0.001 [0.009]
POLITY score	-0.011 [0.010]	-0.021 [0.013]	-0.001 [0.009]	-0.012 [0.030]	-0.004 [0.021]
World Bank	-0.619 [0.150]***				
ADB	-1.598 [0.182]***				
AFDB	-2.246 [0.296]***				
IADB	-0.071 [0.299]				
Propensity score	0.679 [0.235]***	0.287 [0.327]	-0.003 [0.228]	0.454 [0.924]	1.291 [0.675]*
Lagged dependent variable	0.030 [0.023]	-0.081 [0.034]**	-0.023 [0.023]	0.022 [0.065]	-0.012 [0.080]
Constant	21.184 [0.604]***	15.204 [1.607]***	20.119 [0.611]***	15.035 [1.500]***	13.622 [1.748]***
Observations	3,903	410	1,897	574	725
Number of countries	97	86	96	22	43
Adjusted R-squared	0.55	0.83	0.67	0.46	0.30

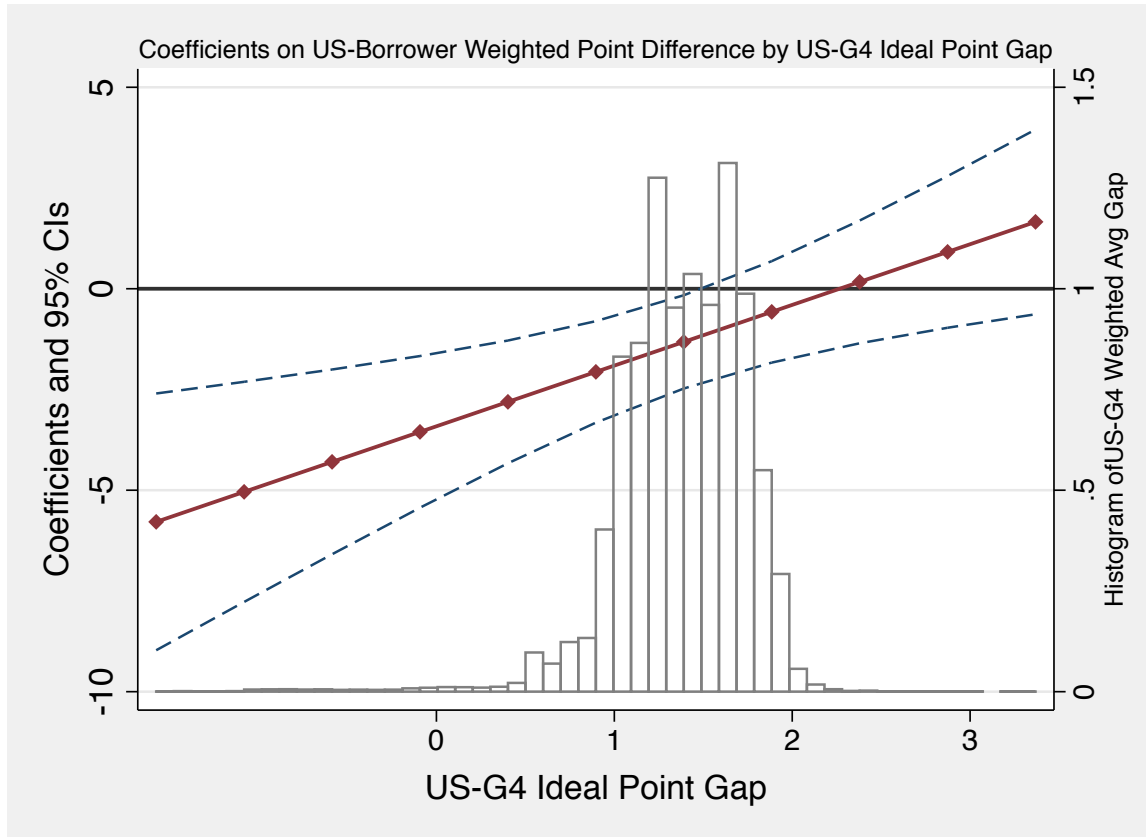
**Figure 1 - Conditional Marginal Effect of US-Borrower Weighted Ideal Point Difference by US-G4 Ideal Point Gap ((Loan)**



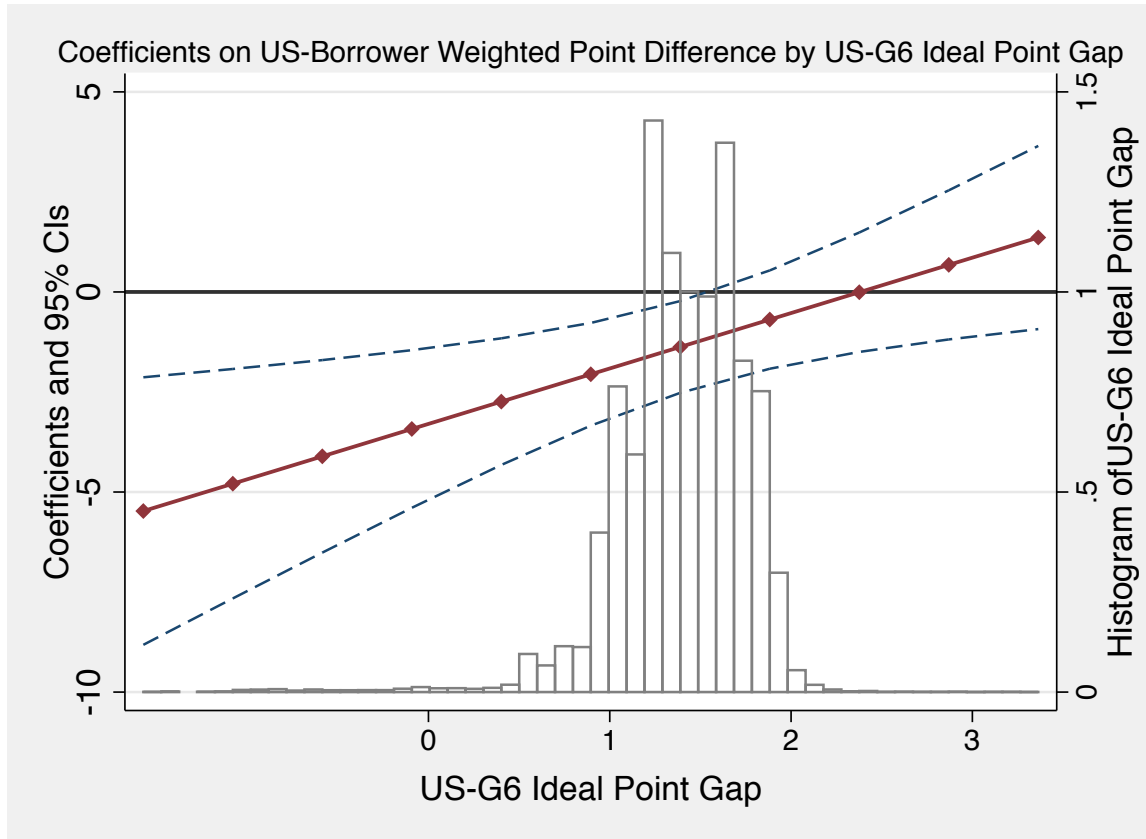
**Figure 2 - Conditional Marginal Effect of US-Borrower Weighted Ideal Point Difference by US-G6 Ideal Point Gap ((Loan)**



**Figure 3 - Conditional Marginal Effect of US-Borrower Weighted Ideal Point Difference by US-G4 Ideal Point Gap ((Aid Amount))**



**Figure 4 - Conditional Marginal Effect of US-Borrower Weighted Ideal Point Difference by US-G6 Ideal Point Gap ((Aid Amount))**



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