Partisan Technocrats:
How High Officials Matter at the International Monetary Fund

Mark Copelovitch
Associate Professor
Department of Political Science &
Robert M. La Follette School of Public Affairs
University of Wisconsin – Madison
401 North Hall, 1050 Bascom Mall
Madison, WI 53706
copelovitch@wisc.edu

Stephanie Rickard
Associate Professor
London School of Economics
Department of Government
Houghton Street
London
WC2A 2AE
S.Rickard@lse.ac.uk

For presentation at the 10th Annual Conference
on the Political Economy of International Organizations – January 2017

Abstract

Can high officials in international organizations influence key outcomes? Although a large body of research dating back several decades explores this question, the answer remains unclear because most analyses on this topic are overtly anecdotal. We aim to overcome this limitation by conducting a rigorous investigation of the influence of the top official at the International Monetary Fund (IMF) – the Managing Director. We investigate the extent to which the political ideology of the Managing Director influences IMF lending decisions and particularly the conditions attached to IMF loans. Analyzing a dataset of non-concessional IMF loans from 1983 to 2012, we show that IMF programs contain fewer and less stringent conditions when the Managing Director is politically left-of-center, based on her political background prior to assuming office. We also find that this influence of the MD's political ideology is conditional on other political factors, including the partisan ideology of the Fund's largest shareholders, the degree of geopolitical affinity between major shareholders and an IMF borrower, and the borrower's regime type. While MDs rarely engage in overtly political behavior, they appear to act as "partisan technocrats" whose political ideology shapes IMF lending decisions. This result brings new evidence to the longstanding debate over the extent to which leaders of IOs can influence important outcomes

Introduction

When and to what extent do high officials in international organizations influence key policy outcomes? Although a large body of research dating back several decades explores this question, the answer remains unclear. While some scholars argue that leaders are "the most critical, single determinant" of international outcomes (Cox 1969, p. 206), others contend that leaders of international organizations are virtually powerless (Moravcsik 1998, 1999). The debate remains unresolved to date because most analyses on this topic are "overtly anecdotal" (Moravcsik 1999, p. 273). We aim to overcome this limitation by conducting a rigorous investigation of the influence of the top official at the International Monetary Fund (IMF) – the Managing Director – on IMF loan programs.

In 2015, the IMF provided over $110 billion in loans to its member countries. IMF loans help borrowers tackle balance-of-payments problems, stabilize their economies during financial crises, and restore sustainable economic growth. The terms and conditions of these loans vary across countries and over time. What explains the variation in IMF loan conditions? Can the Managing Director influence the terms and conditions of IMF loans?

Most economists, and even Fund officials themselves, claim that the IMF is a technocratic organization, whose loan terms depend only on the macroeconomic and financial characteristics of borrowers (e.g. Knight and Santaella 1997, Bird and Rowlands 2003). Yet, a large literature in political science casts doubt on this purely technocratic view of IMF decision-making and demonstrates multiple ways in which politics shapes IMF lending outcomes.[1] Some scholars focus on the influence of domestic politics in borrower countries (e.g., Vreeland 2003, Caraway et. al. 2012, Rickard and Caraway 2014). Others highlight the importance of geopolitics for IMF lending (e.g., Thacker 1999, Oatley and Yackee 2004, Barro and Lee 2005, Stone 2002/4/8/11, Broz and Hawes 2006, Dreher and

[1] See Vreeland 2007 and Steinwand and Stone 2008 for excellent overviews.

Jensen 2007, Copelovitch 2010a/b). Still others explore the bureaucratic incentives and normative beliefs of the IMF staff (e.g., Vaubel 1991, Willett 2002, Barnett and Finnemore 2004, Dreher and Vaubel 2004, Chwieroth 2008/10/13/15, Nelson 2014/17). Taken as a whole, this literature provides overwhelming evidence that the IMF's lending decisions are influenced not only by macroeconomic factors, but also by the interests of its borrowers, shareholders, and bureaucrats.

In this paper, we suggest an additional, previously under-explored source of political influence at the IMF: the Managing Director. The Managing Director plays multiple, influential roles at the Fund: s/he is the head of the IMF staff, s/he sets the agenda over IMF policymaking and research, serves as the IMF's representative to the rest of the world and at major global economic summits, and serves as Chairman of the Executive Board, which approves all loans. Given this, s/he is well-placed to influence IMF lending. We speculate that the political ideology of the Managing Director influences the Fund's lending decisions and specifically the conditions attached to IMF loans.

IMF loans come with conditions that stipulate the reforms required of borrowing countries in exchange for Fund financing. Conditions are ultimately the outcome of negotiations between borrowers and the IMF. The IMF's "preferences" – or more precisely those of the MD – may influence loan conditions. We argue that the MD's preferences over loan conditions stem, in part, from her political ideology. Decisions about conditionality map directly onto the classic left/right spectrum: left-wing politicians are generally less concerned about moral hazard – that is the incentive for borrowers to assume additional risk in the expectation of relatively painless future bailouts. Left-wing politicians also tend to be more sensitive to the negative distributional consequences of austerity measures. As a result, we expect that left-leaning MDs will demand fewer and less stringent reform conditions be attached to countries' loans, as compared to right-leaning MDs. Right-leaning MDs tend to

be more concerned about the moral hazard generated by "light condition" loans. They are also generally less troubled by the adverse distributional effects of macroeconomic austerity. Consequently, right-leaning MDs prefer relatively more conditions be attached to IMF financing.

In order to test of the influence of MD's ideology on loan conditions, we analyze a dataset of IMF non-concessional loans from 1983 to 2012. By doing so, we move beyond the anecdotal evidence that "leaders matter" to show precisely how a key personal characteristic of a leader (i.e. ideology) influences an important outcome (i.e. the reforms required in exchange for IMF funding). Our results demonstrate that the MD is able to exert some influence over IMF lending decisions. The conditions attached to IMF loans, arguable one of the most important components of IMF lending, vary systematically with the ideology of the Managing Director. IMF loans agreed when the Managing Director is politically left-of-center include fewer and less stringent loan conditions, all else equal. The MD's influence is most strongly evident for a sub-set of conditions that require reforms to borrowers' labor markets. These labor-related conditions line up especially well with the classic left/right distinction because of their distributive effects and consequently provide suggestive evidence in support of our proposed mechanism: ideology.

At the same time, we find that the Managing Director's influence is conditional on several other political factors. IMF loans include fewer and less stringent conditions under left-of-center Managing Directors, but only when the governments of the Fund's largest shareholders – the "G-5" countries (US, UK, Germany, Japan, France) – are also sufficiently left-of-center. Likewise, IMF loans include fewer and less stringent conditions under left-of-center MDs, but only when a borrower country is sufficiently close geopolitically to the G-5. Finally, the MD's influence in this regard is only significant when a borrower country is sufficiently democratic. Thus, while the MD's political background and ideology clearly

influence Fund lending policies, her influence is conditional on political factors both within the Fund and within the borrower country in question.

In short, the identity of the Managing Director matters for IMF loan conditions under certain conditions. This evidence contributes to a growing body of recent studies that suggest the importance of leaders' attributes for international relations (Colgan 2013, Chiozza and Goemans 2004; Chiozza and Goemans 2011; Rosen 2007; Weeks 2008; Weeks 2012; Horowitz and Stam forthcoming; Saunders 2011; Croco 2011). Our results also bring new evidence to the longstanding debate over the extent to which leaders of international organizations "matter". We briefly outline the contours of this debate before developing our argument.

The Role of Leaders in International Organizations

A large body of research dating back several decades explores the question of whether high officials in international organizations can influence key outcomes. Despite decades of research, the answer to this question remains unclear. Some scholars argue that leaders are "the most critical, single determinant" of international outcomes (Cox 1969, p. 206). Suggestive anecdotal evidence supports this claim. The World Bank's president, for example, is credited with single-handedly shaping the culture at the Bank and its lending practices (Nielson, Tierney and Weaver 2006). Similarly, powerful individuals in the European Union are credited with important outcomes (Tallberg 2010). For example, the chair of the Committee of Permanent Representatives, Gunnar Lund of Sweden, secured a deal on ambitious new rules on public access to EU documents in 2001 (Tallberg 2010). Lund's personal commitment to transparency is believed to have contributed notably to this outcome (Tallberg 2010).

Despite this anecdotal evidence, other scholars argue the institutional structures of international organizations render leaders virtually powerless (Moravcsik 1998, 1999). Institutions set limits on the behavior of individual actors (Smith 2003). These limits may constrain leaders to such an extent that they have little, if any, influence. Even if leaders have the ability to influence outcomes, some suggest that their identity does not matter because they are near-perfect agents of the organization they serve (Tallberg 2010). In this view, supranational leaders embody and promote the political ideals of the international organization they work for (Tallberg 2010). The implication is that the identity of leaders has no meaningful influence on outcomes. Leaders are in a sense "epiphenomenal."

The debate over high officials' influence in international organizations remains unresolved to date because most analyses on this topic are "overtly anecdotal" (Moravcsik 1999, p. 273). We aim to overcome this limitation through a systematic investigation of the influence of the top official at the International Monetary Fund – one of the most important international organizations in the international economy today.

In addition to being an important international organization, the IMF also provides a hard test of leaders' influence. The IMF's top official is selected via appointment. Previous research suggests that when leaders of international organizations are selected via appointment, they typically have less autonomy than leaders chosen via rotation, such as the president of the Council of the European Union (Talberg 2010). Rotation allows for logrolling which encourages members to give the leader greater autonomy (Talberg 2010). Because the IMF's top official is selected via appointment rather than rotation, it provides a hard case for leadership effects. Evidence of leadership effects at the IMF would constitute powerful evidence that high officials in international organizations can influence important outcomes.

IMF Loan Conditions

IMF loans come with conditions requiring reforms in exchange for financing. The number of conditions attached to countries' loans varies widely. Some borrowers receive relatively few conditions. For example, Korea received only 3 conditions in its 1983 loan program. In contrast, Ukraine received a staggering 58 conditions in its 1997 loan. In our sample, the mean number of conditions is 13. In 2001, the IMF attached 13 conditions to Croatia's loan program. In our sample, the median value is 12. Indonesia in 2000 received, for example, 12 conditions.

Conditions themselves vary in content, specificity, and the degree to which they are "binding" on the borrower. Performance criteria (PCs) are mandatory conditions that must be implemented in order for credit to be disbursed. PCs typically specify key macroeconomic targets, such as a minimum level of international reserves or a maximum level of government borrowing. Increasingly, IMF programs have also incorporated "structural" PCs, such as requirements to privatize state-owned enterprises or to remove price controls. Prior actions (PAs) are measures that a country agrees to implement before IMF loan approval; they are designed to "ensure that the program has the necessary foundation to succeed" (IMF 2016). Like PCs, PAs are "hard" conditions: they must be implemented in order for a country to receive IMF credit. Indeed, PAs are, to some extent, "harder" conditions than PCs, since they must be implemented prior to receiving the first instalment ("tranche") of an IMF loan. PCs, in contrast, must be implemented only at subsequent interim reviews.[2] Many Fund loans also often include non-binding conditions, which do not automatically lead to the suspension of a loan if a borrower fails to implement them. Non-binding typically comes in two forms: indicative targets and benchmarks. Benchmarks are used to specify "(often non-quantifiable) reform measures that are critical to achieve program goals and are intended as markers to

[2] PCs but typically set for the later months of a program; and structural benchmarks, which are similar to structural PCs in substance but not stringency.

assess program implementation during a review," while targets are often used when data uncertainty is high and harder PCs cannot be adequately specified (IMF 2016).

Loan conditions are one of the most important outcomes of negotiations between borrowers and the IMF. Loan conditions have important distributive consequences. Countries that receive IMF loans with more conditions attached must undertake more extensive and stringent economic policy reforms, many of which entail real costs for citizens in the short to medium term. In other words, some borrowers face more "pain" as a result of stringent loan conditions, while others borrow from the IMF with relative immunity. Understanding the source of this variation is important. It speaks to the ongoing debate about the fairness of IMF lending and the potentially deleterious effects of IMF loans for borrowers – including increased income inequality and poverty.

Why focus on the Managing Director?

We argue that the Managing Director (MD) influences IMF loan programs – sometimes directly but more often indirectly. The MD is the most powerful person at the IMF. S/he plays multiple roles at the Fund and is widely viewed as a key political player in global financial governance: "Through his [her] visits to member countries and contacts with ministers, central bank governors, and high officials of members and international bodies, the Managing Director operates continuously at the political level while he is at the same time Chairman of the IMF's Executive Board and head of the staff" (Van Houtven 2002, 16). Given this, we argue that Managing Directors have some degree of autonomy to pursue their own goals and interests.

Anecdotal evidence suggests that the identity of the MD matters for IMF policy positions. For example, the appointment of Dominique Strauss-Kahn (DSK) as MD in 2007 was widely seen as a "game changer" (Ban 2015, 173). DSK fundamentally altered the IMF's

position on fiscal austerity. Shortly after his appointment, DSK stunned participants at the World Economic Forum in Davos by calling for "a new fiscal policy" (Ban 2015). The Financial Times referred to his speech as "the undeniable shift to Keynes" (Ban 2015). DSK reaffirmed his position on fiscal austerity at the G20 summit in Washington in November 2008, where he called on the participants to launch a coordinated fiscal stimulus to the tune of 2% of global GDP (Ban 2015). Similarly, in the 1980s, the Managing Director Jacques de Larosière played a central role in organizing and implementing the IMF's strategy of concerted lending – withholding its financing until commercial banks provided new lending and/or rescheduled existing debts to Latin American countries (James 1996, Boughton 2001). De Larosière also single-handedly expanded the Fund's lending to low income countries during his tenure (Boughton 2001).

The fiercely fought contests for the position of MD suggest that the individual who holds the post has some valuable authority over important outcomes. If s/he didn't, why would candidates and countries jostle so aggressively for this role? While the Bretton Woods era "gentlemen's agreement" – by which the US selects the President of the World Bank and the Europeans select the MD of the IMF – persists, at least for now, leadership contests at the IMF are fraught and countries fight hard for their preferred candidate (Blustein 2016).[3] The notion that different candidates have different preferences that influence IMF lending helps to explain why countries fight so hard for their preferred candidate.

The fiercely contested selection contests also illustrate why ideology is "incentive compatible." Ideology helps to screen potential candidates. A MD may be selected based, in part, on her ideology. By selecting a socialist, for example, member states know what they are getting. Once selected, deviating from these ideologically-informed expectations may

[3] In 2011, Agustin Carstens, Governor of the Bank of Mexico, stood against Christine Lagarde, Europe's choice to replace Dominique Strauss-Kahn. While Lagarde has recently been appointed to a second five-year term as MD, it is quite likely that the Bretton Woods gentlemen's agreement will not endure beyond this term, and that future MD contests will be true contests.

jeopardize a MD's re-selection chances. If MDs don't conform to ex-ante expectations about their ideologically-determined preferences and policy positions, they may be less likely to get re-appointed for a second term as MD. Therefore, MDs have incentives to pursue outcomes compatible with their ideology – not just for ideational reasons but also to maximize their chances of re-selection.

How can the MD exert influence?

The hierarchical nature of international organizations like the IMF gives senior management considerable power (Woods 2006). As the chair of the Executive Board, the MD is "in a position to control the agenda, direct the discussion and by this means influence the board's decisions" (Strange 1973, p. 286, quoted in Martin 2006 p. 148). During Board meetings, formal votes on approving Fund programs rarely occur. Instead, the MD guides the discussion and eventually calls for a consensus resolution "with respect given to the relative voting power of the states" (Mussa and Savastano 1999; IMF 2002; Van Houtven 2002). In her role as Chair, the MD has considerable agenda setting power (Pollack 1997).

The IMF's hierarchical nature also allows senior management to use the authority conveyed by their positions to influence staff hiring and promotion decisions. High officials can use this influence to increase the number of staff that share their views and opinions. At the IMF, the MD exercises substantial control over key personnel decisions at the Fund. For example, shortly after his appointment, Strauss-Kahn secured the appointment of Olivier Blanchard as chief economist of the Fund and director of the Research Department (Ban 2015). By hiring Blanchard, Strauss-Kahn gained an ally in his efforts to change IMF policy. In his previous writings, Blanchard had expressed support for countercyclical fiscal policy – a position that concurred with Strauss-Kahn's views (Ban 2015).

At the IMF, each department head reports to the MD, who is appointed for a five-year term. The department heads, in turn, enjoy a great deal of discretion over the appointment of

personnel to the country teams that directly negotiate IMF programs with prospective borrowing countries. Cognizant of their promotion prospects, IMF staff responsible for drafting the terms of IMF loans work to appease upper management by anticipating their optimal agreement. While the MD herself rarely becomes directly involved in negotiating individual loans,[4] she has ample opportunity to set policy. MDs can shape lending decisions by ensuring that officials sympathetic to their policy views staff key positions throughout the organization. For example, candidates for country missions are often pre-screened by top officials.[5] In this way, the pool of potential candidates is limited not by skill-set or experience but by some other attribute that appeals to high ranking officials, including the MD. We speculate that one such characteristic is ideology.

In sum, MDs can use various mechanisms to influence loan conditions. These mechanisms include coercion, manipulation of information and ideas, and/or persuasion and social learning. Scholars disagree about which mechanism is most compelling. Constructivists, for example, typically argue in favor of persuasion and social learning while realists believe in the power of coercion. On this point, we are agonistic on this point. We believe that successful MDs rely on a combination of persuasion and coercion. Therefore, we do not attempt to mediate empirically between these two mechanisms.

How does an MD's political ideology matter?

The foregoing discussion provides reasons to believe that the Managing Director may have a powerful influence over the content of IMF programs – specifically, over the

[4] A rare and notable except was the direct involvement of Michel Camdessus in the final day of negotiations between the Fund and Korean government during the 1997 Asian financial crisis. See http://www.wsj.com/articles/SB888848234230217000. Also see Blustein 2003, Copelovitch 2010a, and *IMF Survey* 26(23): December 15, 1997.

[5] In person interview with former IMF official. Boston, MA. April 2, 2016

conditions attached to these loans. However, our argument is not simply that the MD "matters," but rather that her political ideology affects the content of IMF loan programs.

Why might partisan identity matter in IMF lending? On the one hand, there are several reasons to believe the ideology of a MD will not matter. First, the IMF prides itself – at least publicly – on being a technocratic organization free from partisan politics. Ostensibly, the IMF is a non-partisan organization staffed by international bureaucrats. Loans are drafted by IMF staff, most of whom are professional economists. IMF staff enjoy substantial autonomy in negotiating and designing loan programs.[6] Despite their diverse national backgrounds, IMF staff members share similar assumptions about how economies function due to their education (Chwieroth 2003, Gould 2006). These facts suggest little room for MD influence.

Second, the IMF has incentives to require the reforms most needed to improve a country's economic circumstances when it borrows from the Fund. The IMF is cognizant of its track record and want its loans to succeed in measurably improving the economies in which it intervenes and returning borrower countries to good standing in global financial markets (Gould 2006). The failure of an IMF program damages the organization's reputation. Given this consideration, ideology may have little influence on the conditions attached to IMF loans. Instead, staff members might include only those conditions most needed to resolve the borrowers' economic difficulties.

Third, the IMF MD has always publically claimed that s/he is above politics and no longer beholden to his or her past partisan affiliations once in office at the Fund. As MD Lagarde recently stated, in line with similar pronouncements by each of her predecessors: "We are not into politics. It is our duty to lay out the facts" (speech, May 13, 2016). We believe this to be true, in a specific and limited sense: IMF MDs are careful not to comment

[6] However, we do not believe that these actors' personal partisanship influences loan conditions. Instead, we argue that IMF staff members are agents of partisan Managing Directors.

on domestic politics in their home country or in borrower countries, and they judiciously avoid taking clear political stands on the IMF's role in global financial governance.

On the other hand, there are several reasons why the MD's partisan ideology may matter a great deal. First, since at least the 1970s, most IMF MDs have arrived at the Fund with extensive prior background in appointed or elected political positions in their home country. In other words, most were not professional economists or technocrats, but rather were elected politicians or high officials in partisan governments. For example, Johannes Witteveen, the IMF MD from 1973-78, was a Dutch politician from the center-right People's Party. Jacques de Larosière, the IMF MD from 1978-87, was director of Valéry Giscard d'Estaing's private office prior to his election as the center-right French President in 1974; following Giscard's election, de Larosière served as Head of the French Treasury in Giscard's administration. De Larosière's successor, Michel Camdessus, was a long-time member of the French Socialist Party and served as Head of the Treasury in Francois Mitterand's administration before becoming Governor of the Banque de France in 1984 (Blustein 2003, 33). Horst Köhler, Camdessus' successor, was Deputy Minister of Finance under Christian Democratic Chancellor Helmut Kohl from 1990-93, before becoming President of the German Savings Bank Association (1993-98) and President of the European Bank for Reconstruction and Development (1998-2000). Rodrigo de Rato was a longtime luminary in the conservative Partido Popular in Spain, rising to become Vice President for Economic Affairs and Minister of the Economy in 1996. Dominique Strauss-Kahn came to the IMF in 2007, after a long and distinguished career in French Socialist politics, including an unsuccessful run for the French Presidency in 2006, and a stint as Minister of Economy, Finance, and Industry from 1997-99, in the government of Socialist Prime Minister, Lionel Jospin. Finally, DSK's successor and the current MD, Christine Lagarde, served in the

French trade, agriculture, and finance ministries from 2005-11, in the government of conservative Prime Minister, François Fillon.

It is difficult to believe that MDs leave all of their politics at the door when entering the IMF. High officials' ideology shapes their understanding of the world. The MD's past political experience, partisan affiliations, and ideological proclivities undoubtedly shape her views on macroeconomic policy, on the IMF's role in managing financial crises, and on the design of specific loans. As a result, it is likely that the MD's partisan affiliation and ideology will directly influence her goals for the IMF and its lending decisions. For example, DSK was a French politician who worked in the Socialist government of Lionel Jospin (1997–2001). Given his political leanings, DSK's support for public investment and his skepticism about the virtues of tax cuts are not surprising. The stance he took as MD regarding fiscal austerity fit closely with his political ideology as a left-leaning socialist.

Similar evidence of the importance of ideology emerges from the World Bank. Robert McNamara, a member of the US Republican Party with a right-leaning ideology, engendered a development philosophy defined by neoclassical economic orthodoxy during his tenure at the Bank in the 1970s, (Nielson, Tierney and Weaver 2006). In contrast, James Wolfensohn, who was nominated by Democratic President Bill Clinton, sought to change the neo-liberal ideology (Nielson, Tierney and Weaver 2006).

Further evidence of the important influence of leaders' ideology in international organizations comes from the European Union. In 2001, the chair of the Committee of Permanent Representatives, Gunnar Lund of Sweden, secured a deal on ambitious new rules on public access to EU documents (Tallberg 2010). Lund was a Social Democrat – a party with a long history of emphasizing the need for transparency (Rothstein 1996). His ideology influenced the position he took at the EU regarding transparency and ultimately the policy outcome. Similarly, Leon Brittan of the United Kingdom and Edith Cresson of France were

strongly motivated by their personal ideologies while serving as European Commissioners in the 1990s (Smith 2003 p. 152). Brittan's neo-liberalism provided the basis for his intervention on both portfolio (competition, external trade) and non-portfolio issues, such as social and environmental policy (Smith 2003). Edith Cresson, driven by a mixture of social democratic theory and Gaullisme, sought to intervene in a top-down manner on a wide range of decisions put before the Commission. This anecdotal evidence suggests that the ideology of the top official can shape the activities and goals of an international organization. Our expectation is that similar dynamics are at work within the IMF.

At the Fund, an MD's ideology may shape his views on one of the central tradeoffs confronting the IMF when it agrees to a loan: the balance between liquidity and moral hazard (Copelovitch 2010a). IMF loans directly benefit a country by providing it with the hard currency (liquidity) needed to continue paying its debts. Indirectly, IMF programs – particularly those to large, systemically important countries – may also enhance global financial stability by preventing a crisis in one country from becoming a larger systemic problem, as we have seen in Europe, East Asia, and Latin America over the last three decades. However, IMF loans also create moral hazard – incentives for borrowers and private international creditors to assume additional risk in the expectation of future bailouts. Indeed, if the IMF stands ready and willing to provide "bailouts" to countries, their incentives to engage in the costly and politically painful policy reforms necessary to fix their balance of payments problems diminishes.

This tradeoff presents the IMF with a difficult choice: lend freely (large amounts with relatively limited conditionality) at the risk of increasing future demand for such bailouts, or lend limitedly (smaller loans with more extensive conditionality) at the risk of having a country default and triggering a broader financial crisis. As the extensive existing literature on the political economy of IMF lending has shown, this choice is not simply economic or

technocratic; rather, the IMF's weighing of the liquidity/moral hazard tradeoff, and its choices about loan size and conditionality, are deeply political and shaped by the bureaucratic and ideological preferences of the IMF staff and the political interests of the Fund's major shareholders. We believe this is also true for the IMF MD, given his or her political background.

The Fund's lending tradeoff maps directly onto the classic left/right spectrum of views on economic policy. Left-wing politicians are generally more activist and less concerned about moral hazard, whereas right-wing politicians are more concerned about moral hazard and more reluctant to engage in large-scale government intervention in the economy. Thus, while the MD may avoid taking overtly partisan positions, her ideological background and past partisan affiliation will likely to color her views on IMF conditionality. Left-leaning MDs will tend to support loans with fewer and less stringent conditions attached, as compared to right-leaning MDs, all else equal.

The second reason that MD political affiliation and ideology should "matter" is that IMF loan conditions have domestic distributional consequences. Some domestic groups are made better off by IMF conditions yet others are made worse off. Distributive concerns are the very bread-and-butter of left/right debates over economic policy. Consequently, MDs of different partisan backgrounds are likely to view the costs/benefits of these policies – and the distributional consequences for borrower countries – quite differently. Left-leaning MDs will be more hesitant to impost large adjustment costs on borrowers, as compared to right-leaning MDs. For these reasons, we hypothesize that loans negotiated in years when the IMF's MD is left-of-center will contain fewer and less stringent conditions, all else equal. At the same time, we expect that the MD's influence over IMF lending policies will be conditional on other political factors, which we explore in further detail below.

Empirical analysis

To test our argument, we analyze an original dataset of conditionality in 209 non-concessional IMF lending programs to 59 countries from 1983 to 2012. Our full dataset consists of 3,171 observations for 130 countries over the same time period.

Dependent variables

Our dependent variables measure the level and stringency of conditions required of borrowers. To construct these variables, we first identify and code the total number of conditions included in countries loan programs. Our dataset builds on and extends that used of Copelovitch (2010a/b). We gather the data on loan conditions taken directly from IMF archival documents, including "Letters of Intent" declaring a country's intent to enter into a Fund program, the attached "Memorandum of Economic Policies," and the "Staff Reports" to the EB. These documents contain detailed tables outlining the specific conditions included in each IMF program in the sample. We focus specifically on the number of conditions set forth at the initial stage of a loan's approval. Although the IMF staff and Executive Board review conditionality prior to disbursing each tranche of an IMF loan, they almost never alter the number of conditions from stage to stage, even if they modify the specific quantitative targets and policies specified in these conditions. For example, if the initial program includes conditions specifying a certain level of central bank reserves, this criterion generally remains in place for the duration of the program, even if the specific target is adjusted over time. In short, the level of conditionality established when the Fund first approves a loan generally remains throughout the duration of the program.

Our first dependent variable, *Total conditions*, is a count of the total number of all types of conditions in the IMF program documents. Our second dependent variable, *Hard conditions*, is a count of "binding" conditions – performance criteria and prior actions –

which must be implemented in order to receive IMF financing. Our third and preferred dependent variable, *Weighted conditions*, is a count weighted by the bindingness or stringency. To generate this variable, we code the number and type of conditions in each IMF program: performance criteria, prior actions, and benchmarks/indicative targets. We weight each condition by its stringency or "binding-ness." Prior actions are weighted most heavily by a value of 3. Prior actions outline steps that a country must take before the IMF agrees to a loan, disburses funds, or completes a review. Performance criteria are conditions that a loan recipient has to meet; failure to do so results in the loan's suspension. Performance criteria are weighted by a value of 2. Benchmarks and indicative targets are weighted less heavily by a value of 1. Benchmarks are conditions that the IMF expects countries to meet, but failure to do so does not result in a suspension of the loan. Indicative targets are similar to benchmarks, except that they are quantitative – for example, a ceiling on the public wage bill. Within this coding scheme, our dependent variable equals the sum of the total number of conditions in a country's loan program, where each condition is weighted by its relative stringency. The dependent variable therefore measures both the level and stringency of conditions included in a country's loan program.

Independent variables

Our key explanatory variable is *Left MD*, a dummy variable that takes the value of "1" for loans agreed during the tenure of an MD with prior ties to a left-wing party in his/her home country, and "0" otherwise. Our sample covers the 1983-2012 period. This sample includes the tenures of Jacques de Larosière (France, 1978-87), Michel Camdessus (France, 1987-2000), Horst Köhler (Germany, 2000-4), Rodrigo de Rato (Spain, 2004-7), Dominique Strauss-Kahn (France, 2007-11), and the beginning of Christine Lagarde's tenure (2011-16). Given their leadership positions or experience in various French Socialist administrations,

Camdessus and Strauss-Kahn are each coded as a left-wing MDs. In contrast, De Larosière is coded as "0," since he was director of Valéry Giscard d'Estaing's private office prior to his election as the center-right French President in 1974, and he served as Head of the French Treasury in Giscard's administration. Likewise, both de Rato and Köhler, given their affiliation with right-wing governments in Spain and Germany, are coded as "0" for this variable. Lagarde, like De Larosière, is coded as "0," reflecting her background in French conservative governments prior to becoming MD.

Using the exact dates for which loans are approved by the Fund's Executive Board, we ensure that we correctly identify the MD in office when the loan was negotiated. For example, Camdessus became the MD on January 16, 1987, so he was sitting in the Chair's seat for most of the loans agreed in 1987. We also take into account the two brief interregnum periods where the First Deputy Managing Director served as Acting MD in between the resignation of one MD and the appointment of a new one. These periods are the four-month tenure of Anne Krueger (March 5-June 6, 2004), and the three-month tenure (May 19-July 4, 2011) of John Lipsky.

Control variables

In addition to *Left MD*, we include a variety of economic and political variables in our models based on the range of findings in the existing literature about the key determinant of the characteristics of IMF lending programs. First, a variable to measure the geopolitical affinity of a borrower, based on the widespread finding that the foreign policy interests of the Fund's largest shareholders strongly influence IMF lending behavior (Thacker 1999, Stone 2004/8/11, Copelovitch 2010a/b). Following previous work, we operationalize the geopolitical preferences of shareholder countries using Strezhnev and Voeten's United Nations General Assembly (UNGA) Voting Data. While most existing studies have used the

"S score" variable (Gartzke 1998), we draw on new data on "ideal points" that addresses several of the weaknesses and anomalies in the S score data (Bailey et. al. 2015). Like S scores, the ideal point data measures the similarity in UNGA voting between countries, which is now widely used in the IR literature as a proxy for the overall geopolitical or foreign policy affinity between countries. However, Bailey et. al. (2015) show that the ideal point measure addresses two key problems with S scores: 1) their high sensitivity/variability year-to-year due to variation in the items on the agenda of the UNGA; 2) several important country-specific anomalies (e.g., S scores do not change in accord with major left/right regime changes in Latin America, such as in Cuba, Chile, and Venezuela over time, and they categorize modern US-Russia relations as more contentious than US-USSR relations at the height of the Cold War). Using these ideal point data, we code *G5-borrower ideal point difference*, the difference between the Executive Board vote-weighted ideal point of the IMF's five largest shareholders (US, Japan, Germany, UK, France) and the borrower country's ideal point. EB. Data on vote shares at the IFIs come from the Annual Reports issued by the IMF and WB. In our sample of IMF loan years, G5-borrower ideal point difference ranges from 0.19 to 1.91, with a mean of 0.86 (smaller numbers indicate closer affinity).

We also include *G-5 partisanship*, a second G-5 vote-weighted index measuring the partisan ideology of the Fund's largest shareholders. To generate this variable, we draw on the World Bank's *Database of Political Institutions*. Specifically, we code *EXECRLC*, the ideological classification of the executive in power in each G-5 country. This variable takes the value of 1 (right-wing government), 2 (center government), or 3 (left-wing government). Using this data, we generate a weighted index based on the G-5 countries' relative voting power in the IMF.

Third, we include a range of country-specific economic and political variables. As a measure of regime type, we use the *Unified Democracy Score* (Melton et. al. 2010), which synthesizes ten measures of regime type into a single index. In our sample, the UDS ranges from -1.1 (China 1986) to 1.96 (Ireland 2008). *Current account deficit* is the ratio of the current account deficit to GDP, expressed as a percentage and rescaled such that positive numbers indicate deficits. Data are taken from the World Bank's online public database. Public debt is the ratio of gross government debt to GDP, expressed as a percentage and taken from the IMF's *Historical Public Debt Database* (Broner et. al. 2013). *Banking crisis* is a dummy variable indicating whether or not a country experienced a systemic banking crisis in year t. These data are an updated version of the widely-used Laeven/Valencia data and are drawn from the World Bank's *Global Financial Development Database*.

Fourth, we include two measures controlling for a country's past experience with the IMF. *Years since last IMF program* is a count of the number of years since a country was last under an IMF program. We also include the square and cube of this variable in the logit models used to calculate propensity scores (Signorino and Carter 2009). Data for these variables is taken from the IMF's online lending arrangement database. *Use of IMF credit* is the logged amount (in millions of dollars) of money currently owed by a country to the IMF under previous Fund programs. Data for this variable is taken from the World Bank.

Fifth, we include *Propensity score*, which is the predicted probability that a country will enter an IMF program in year *t*. As IMF scholars have long acknowledged, statistical analyses of IMF lending must also address the problem of selection effects (Przeworski and Vreeland 2000; Vreeland 2003). The basic problem is that selection into IMF programs may be non-random: the same variables that explain variation in IMF conditionality also may explain a country's initial decision to request a loan. In order to address this problem, we employ nearest-neighbor propensity score matching (Abadie and Imbens 2006). This

approach matches each "treated" observation (in this case, each country-year observation of an IMF loan) with a "control" observation for which the values of the explanatory variables are as close to identical as possible. For each observation, this generates a propensity score ranging from 0 to 1, which measures the predicted probability that a country will enter an IMF program given the observed values of the covariates. Including the propensity score in the analysis minimizes selection bias on our observed explanatory variables.

Sixth, we include two variables to control for the state of global macroeconomic conditions that might lead a larger number of countries to borrow from the IMF in a particular year. *US real interest rate* is a proxy for global monetary conditions and the cost of borrowing on global financial markets. We expect countries to be less likely to borrow from the IMF when benchmark global interest rates are low and the cost of private capital is low. *OECD growth* is the average GDP per capita growth rate (2005 constant $) across the advanced industrialized countries and serves as a proxy for the overall state of the global economy. Countries are expected to be more likely to borrow from the IMF when OECD growth is low, indicating a broader recession or slowdown in global growth. Data for both variables are taken from the World Bank.

Finally, we include regional and income-group dummy variables to control for other unobserved factors explaining variation in IMF lending behavior across cases. The regional dummies correspond to the World Bank's regional classifications: Latin America, Eastern Europe/post-Communist transition countries, Middle East/North Africa, East Asia/Pacific, and South Asia. The income group variables are also taken from the World Bank: High income OECD, High income non-OECD, Upper middle income, and low middle income.[7] While country-fixed effects would more fully control for unobserved heterogeneity in our

[7] North America and Sub-Saharan Africa are omitted from the country dummies, since no countries from these regions are included in the loan sample. Likewise, low income countries are omitted from the income dummies, since these countries qualify for concessional IMF loans rather than the standard non-concessional facilities.

data sample, they would not allow us to focus on explaining cross-country variation in IMF conditionality. Moreover, year effects would not allow us to isolate the impact of global monetary and macroeconomic conditions, such as US interest rates and OECD growth rates.

Models and results

As expected, left MDs are associated with fewer and less stringent loan conditions. In the raw data, changing from a right or center MD to a left MD reduces the stringency of loan conditions, as measured by *Weighted conditions,* by 7.3% percent. This result is robust to fully specified models with numerous control variables as reported in Table 1.

[Table 1 about here]

Column 1 of Table 1 presents the results of a logit model used to generate the propensity scores estimating the probability that a country enters an IMF program in a given year. These results closely mirror the large existing literature: many of the economic and political variables identified in previous studies are significant in this specification. Notably, the indicator for a left MD is also positive and significant. Countries are more likely to enter IMF programs when there is a left MD in charge of the Fund.

Columns 2-4 in Table 1 present the results of negative binomial regressions estimating loan. As expected, the estimated coefficient on *Left MD* is negative in all three models and statistically significant in both models 3 and 4. In other words, *Left MD* has a negative and significant effect on the number of "hard" conditions included in an IMF program and the weighted total conditions metric. These results suggest that left-leaning MDs push back against conditionality, and most especially "hard" conditions (performance criteria and prior actions), which are most stringent and binding on borrower countries.

This effect is substantively significant, as well. For example, in model 4, moving from a non-left MD to a left MD, holding all other variables constant at their sample means,

reduces the weighted conditionality index from a value of 26.3 to a value of 21.0 – a 21.2% reduction in conditionality. As we explore further below, the MD's impact is conditional on other political factors. These initial results, however, suggest that the identity of the IMF's highest official has a clear and significant impact on the content of IMF lending programs. Conditionality – especially "hard" conditionality – is significantly lower, all else equal, under the leadership of left-of-center MDs (in our sample, the tenures of Michel Camdessus from 1987-2000, and of Dominique Strauss-Kahn from 2007-11) than under the watch of right/centrist MDs (in our sample, the tenures of Jacques de Larosière from 1983-7; Horst Köhler from 2000-4; Rodrigo de Rato from 2004-7; Christine Lagarde from 2011-12; and the two interregnum tenures of Anne Krueger and John Lipsky).

Further Evidence: Labor market conditions

How can we be sure that the political ideology of MDs is driving the differences in conditionality? Of course, we cannot randomly assign MDs or MD ideology to nail down causality. Instead, we conduct a plausibility probe by examining a sub-set of loan conditions that are likely to be particularly sensitive to ideology: labor conditions.

Labor conditions stipulate reforms to a borrower's labor market and/or have direct effects on employment, wages, and social benefits (Caraway et al. 2012, Rickard and Caraway 2014). Such conditions typically make workers worse off in the short to medium term. For example, public-sector reforms such as privatization, reductions in the size of government, and freezes on government salaries, have direct, negative effects on workers, since they result in layoffs and reduced wages for state employees. Demands to control minimum wage or private-sector wage increases negatively affect worker incomes in the private sector. Structural reforms to public pensions and health care systems often reduce benefits for workers covered by these programs receive. Enhancing labor market flexibility

by reducing the cost of firing workers, legalizing nonpermanent labor contracts, or decentralizing collective bargaining also negatively affects workers by making jobs more precarious and/or by weakening unions' bargaining power.[8]

Given the unambiguous distributional consequences of labor conditions, left-leaning MDs are more likely to oppose labor conditions than right-leaning MDs. Right MDs are more likely to see labor conditions as a necessary or appropriate solution to countries' economic ills, as compared to left-leaning MDs. Anecdotal evidence supports this idea. For example, the Socialist MD DSK worked to make IMF lending more labor-friendly. To this end, DSK organized a joint conference between the IMF and the pro-labor International Labor Organization (http://osloconference2010.org/index.htm) (http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_104030/lang--en/index.htm). The paper produced as a result of the joint conference stated that the IMF and ILO need to come together to find a "better way to shape a fairer globalization." DSK himself called for closer cooperation between the IMF and the ILO. (Citation: The International Monetary Fund Managing Director Dominique Strauss-Kahn called for increased cooperation between the IMF and the International Labor Organization) http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_104030/lang--en/index.htm). In a speech on the Global Jobs Crisis delivered in Washington, 13 April 2011, DSK said "we must get past the binary and unhelpful contrast between "flexibility" and "rigidity" in labor markets and ask instead if policies are effective in creating and sustaining jobs. (ITUC Background paper 2013). DSK said "Having the input of.... workers and employers – is crucial for the IMF." DSK also spoke of the importance of "social conditionality" to minimize the risk of social unrest (ILO Press Release 23 March 2009).

[8] In general, the IMF does not include "labor-friendly" policies in its programs. Although the IMF has endorsed the International Labor Organization's core labor standards since the mid-1990s, this support has not resulted in their inclusion as loan conditions. Core labor standards pertain to freedom of association and collective bargaining, forced labor, discrimination, and child labor (Anner and Caraway 2010).

In contrast, when the right-leaning Christine Lagarde took over from DSK as MD, she reoriented the Fund away from the more labor-friendly policies introduced by DSK. The IMF's position on labor underwent a marked change after Lagarde took office in July 2011. The change is obvious in IMF Staff and Working Papers. For example, in March 2012 the IMF released a Working Paper that established that reforms to make labor markets more flexible resulted in unemployment. However, the paper concluded the unemployment effects were only short to medium term in nature and therefore negligible. (Source: ITUC Background paper 2013). Despite identifying labor market issues as a relatively minor constraint on economic growth, more than half of the specific reform measures put forward in the 2012 paper concerned labor market and social program reforms. (Source: ITUC Background paper 2013). In June 2012, the IMF' European Department issued a Staff Discussion Note that highlighted the beneficial effect of labor market deregulation (Source: ITUC Background paper 2013).

This anecdotal evidence suggests that loans negotiated during the tenure of a left-leaning MD will likely contain fewer and less stringent labor conditions than loans negotiated under right-leaning MDs. We test this hypothesis using data on labor-related loan conditions from Caraway et al. (2012) and Rickard and Caraway (2014). Conditions are coded as "labor-related" if they refer to one of nine issue areas: public sector wage levels; public sector employment levels - including capitalization and outsourcing/contracting of functions formerly within a public enterprise; privatization - including reorganization, denationalization, divestiture. minimum wages - private sector ; private sector wage restraint other than minimum wages; social security - reducing social security provisions, including health care, disability provisions, unemployment insurance and payroll taxes; public pension reforms - reducing costs and changing public pension system; labor market flexibility – includes facilitating layoffs, reducing severance pay, the easing of limitations on fixed-term

contracts, the easing of conditions for labor supply/outsourcing, and rationalization, modernization, deregulation, or other "general labor reforms"; and collective bargaining decentralization.

As in the previous analysis, we test multiple measures of labor conditionality. The first is *Total labor conditions*, measuring the number of all types of conditions included in the IMF program. The second variable, *Hard labor conditions*, includes only labor-related performance criteria and prior actions. Finally, we generate *Weighted labor conditions*, using the same coding scheme outlined above for overall conditionality: we weight each labor condition by its relative stringency with prior actions weighed by a value of 3, performance criteria weighted by 2 and benchmarks/indicative targets weighted 1. The resultant value measures the level and stringency of labor-related conditions included in a country's loan program. We re-estimate the empirical models reported previously after substituting these labor-related condition metrics as alternative dependent variables, replacing the total number of conditions. The results are reported in Table 2.

[Table 2 about here]

As expected, *Left MD* is negatively correlated with labor conditions, although it is only statistically significant in the *Hard labor conditions* model (model 2). Loans negotiated while a left-leaning MD heads the Fund contain fewer labor-related performance criteria and prior actions, all else constant. This correlation provides further evidence in support of our proposed mechanism: ideology.

Further Evidence: Conditional Influence

While the MD enjoys substantial agenda-setting power within the IMF, chairs Executive Board meetings, and can influence loan conditions, she is not entirely autonomous. Indeed, as an extensive literature in political science has illustrated, the IMF's major

shareholders frequently exert substantial influence over Fund lending decisions by virtue of their substantial voting shares on the EB. In addition, the MD may decide not to use her influence to influence outcomes in a particular lending case. As a result, there are good reasons to believe that the MD's partisan identity only influences conditionality decisions in some loan cases.

We explore three possible ways in which MD influence may be conditional in Tables 3 and 4, which present the results of models testing the conditional effect of *Left MD* by interacting it with three variables: the G-5 vote-weighted partisanship score, the G-5-borrower vote-weighted ideal point difference, and the Unified Democracy Score. Respectively, these three interactions test the degree to which MD partisan ideology is mediated by the partisan ideology of the governments representing the Fund's largest shareholders; the closeness of geopolitical ties between a borrower country and the G-5; and the regime type of the borrower country. Table 3 illustrates the results of these interactive models for overall conditionality, while Table 4 shows the results of models using labor-related conditionality as the dependent variable. In each table, we focus on the "weighted total" metric described earlier as our preferred dependent variable.

[Tables 3 and 4 about here]

Since these models are testing for interactive effects, one cannot simply interpret the individual regression coefficients on the interaction terms and their components.[9] Rather, the coefficients on *Left MD* must be assessed at different values of each modifying variable. Figures 1 through 6 illustrate these conditional marginal effects for each dependent variable in Tables 3 and 4.[10]

[9] See Brambor, Clark, and Golder 2006; and Braumoeller 2004.

[10] Interpreting and graphing conditional marginal effects in non-linear models, such as negative binomial regressions, is not straightforward. For ease of interpretation, the conditional marginal effects graphed in Figures 1-6 are generated from identical OLS models using the log of weighted total conditions and weighted labor conditions (rather than the discrete count). We add a constant of 1

Collectively, the results of these interactive models strongly suggest that the influence of MD ideology on Fund conditionality is conditional on politics, both within the IMF and within the borrower country in question. Figures 1 and 2 show that a left-wing MD is associated with reduced overall and labor conditionality, but only when the governments representing the Fund's largest shareholders are, themselves, sufficiently left-wing. In contrast, when the G-5 countries are represented by more right-wing governments, MD ideology has no significant effect on conditionality. This effect is particular strong for labor-related conditionality, suggesting that a left-wing MD is particularly sensitive to the costs of an IMF program on labor within borrowing countries.[11] In Figure 2, we see *Left MD* becoming negative and significant at roughly a weighted G-5 DPI score of 1.7-1.8, equivalent to the configuration of G-5 governments in power in 2012 or 2003.

Figures 3 and 4 illustrate the conditional marginal effect of *Left MD* at different values of geopolitical affinity between the G-5 shareholders and a borrower country, as measured by the UNGA ideal point difference. Again, we see here that MD influence is conditional on the political positions of the Fund's largest shareholders, and we see that this conditional effect is clear primarily for labor-related conditionality. When a borrower country is sufficiently close geopolitically to the Fund's major shareholders, a left-wing MD is associated with a significant reduction in the amount and stringency of labor-related conditionality in an IMF program. In contrast, when a borrower country does not enjoy close geopolitical affinity with the G-5, *Left MD* is not statistically significant. In Figure 4, *Left MD* ceases to have a negative and significant effect at an ideal point difference of 1, equivalent roughly to G-5 ties to Slovenia in 1998, or Argentina in 1984.

---

to zero values before taking the natural log, so as not to lose these observations in the OLS specifications.

[11] We note that the graph for Figure 1 using 90% confidence intervals does not overlap zero at the maximum values of G-5 DPI.

Finally, in Figures 5 and 6, we see clear evidence that left-wing MDs only use their influence to reduce conditionality (both overall and labor-related) when a borrower country is above a certain threshold of democracy. *Left MD* becomes negative and significant in both figures at a Unified Democracy Score of about 0.3 or 0.4, equivalent roughly to countries such as Latvia (1992), Macedonia (1995), or Turkey (2002). Below this level, *Left MD* has no significant effect on conditionality. These results suggest that IMF MD's are willing and able to use their influence to reduce conditionality only when the Fund is providing credit to reasonably democratic countries.

In sum, these conditional, interactive models strongly suggest that the MD's partisan ideology influences conditionality decisions, but that this influence itself is conditional on both the political interests of the IMF's largest shareholders and the political orientation of the particular borrower country in question. These findings dovetail nicely with past work in the field emphasizing the importance of both powerful states' political interests and domestic institutions in borrower countries on IMF lending. In addition, they help us to understand the scope conditions of our argument about MD ideology. Taken together, these results show that the identity of the MD "matters" but is not deterministic. Under certain conditions, the identity of the Fund's highest official influences the design of IMF programs, but this depends critically on the identity and political orientation of the other key actors – borrowing countries and major shareholders – involved in the process of IMF lending.

Conclusion

The ideology of the IMF's Managing Director systematically influences IMF lending programs. Loans negotiated during the tenure of ideologically left-leaning MDs contain fewer and less stringent conditions than those negotiated under right and center MDs. This finding calls into question the IMF's image as a technocratic lender free from national-level

politics. Although the MD may not be taking public, visibly political stances, she appears to act as a "partisan technocrat," whose views on conditionality are shaped not only by the specific economic circumstances of borrower countries, but also by her ideological beliefs about moral hazard, government intervention in the economy, and the distributional consequences of austerity policies. This finding closely mirrors those of recent studies of national central bankers – notably, the work of Adolph (2013) and Clark and Arel-Bundock (2013) – which have found that the policy views and decisions of economic technocrats are shaped by their past career experience and political leanings. Thus, at both the national and international levels, the technocrats in charge of public monetary institutions may be more political than previously believed.

Our results bring new evidence to a long-standing debate over how much leaders of international organizations matter. The debate remained unresolved to date because much of the evidence addressing this question was anecdotal in nature. In this paper, we undertake a rigorous empirical test of the effect of a Managing Director on IMF loan programs. To this end, we analyzed a dataset of all non-concessional IMF loans from 1983-2012. Our results indicate that IMF loans contain fewer and less stringent conditions when the IMF Managing Director is politically left-of-center based on her political background prior to assuming office. Notably conditions requiring reforms to a borrower's labor market are less stringent in loans negotiated during the tenure of left-leaning MDs, as compared to right-leaning MDs. In short, leaders' ideology matters.

The conclusion that leaders' ideology matters would not be controversial in domestic politics. However, in the international context, it is surprising. Many international organizations, including the IMF, are explicitly non-partisan in nature and seek to be technocratic bodies offering impartial advice to member-states. Yet despite the IMF's self-styled reputation as a technocratic institution, we find evidence that Managing Directors do

not leave their ideologies at the door when they take over at the Fund. When appointed, individuals bring with them their political ideologies, which shapes their goals for the organization they serve.

Our study of IMF leaders embraces the lessons of new institutionalism, but attempts to move beyond some of its limits (Smith 2003). Institutions matter. They prescribe roles for, and set limits on, the behavior of individual actors – including IMF Managing Directors (Smith 2003). However, institutions are empty boxes without the agents that operate them (Leftwich 2010). An understanding of institutions and their effects therefore requires at least some knowledge of leaders' preferences and potential influence. IR theorists have been slow to acknowledge the power of high officials in international organization.[12] Yet, to engage seriously with issues like economic growth, state-building and social inclusion where IOs play an increasing important role (Leftwich 2010) – an improved understanding is needed of when, why, and how formal leadership matters in IOs (Young 1991, 285).[13] We take an important step to addressing this question. We show that leaders' ideology systematically influences international outcomes, specifically the substantive content of IMF loan programs. However, leaders' influence varies depending on the political and economic importance of the country sitting across the negotiating table. In this way, our paper contributes to the growing interest in individuals as actors in international relations and the global economy.

[12] However, a growing body of recent studies suggests the importance of leaders' attributes for international relations (Colgan 2013, Chiozza and Goemans 2004; Chiozza and Goemans 2011; Rosen 2007; Weeks 2008; Weeks 2012; Horowitz and Stam forthcoming; Saunders 2011; Croco 2011).

[13] However, for rare contributions, see Metcalfe (1998), Odell (2005), and Blavoukos, Bourantonis, and Tsakonas (2006).

Table 1: Estimated effect of Left Managing Director on IMF loan conditions

Variable	IMF loan (logit)	Total conditions	Hard conditions	Weighted total conditions
Left Managing Director	**1.028**	-0.143	**-0.197**	**-0.221**
	(0.182)***	-0.097	**(0.095)****	**(0.095)****
G-5 vote-weighted Executive partisanship (DPI)	-0.062	0.547	0.162	0.383
	-0.192	(0.076)***	(0.082)**	(0.078)***
G-5 borrower vote-weighted ideal point difference	-0.614	0.166	0.177	0.110
	-0.454	-0.206	-0.199	-0.209
Unified democracy score	-0.316	0.130	0.070	0.104
	(0.153)**	-0.097	-0.091	-0.091
Current account balance/GDP (%)	0.013	-0.012	-0.025	-0.017
	(0.004)***	-0.009	(0.008)***	(0.008)**
Public debt gdp (%)	-0.001	0.001	0.002	0.001
	-0.001	-0.001	(0.001)**	-0.001
Years since last IMF loan	-0.178	0.016	0.015	0.016
	(0.078)**	(0.007)**	(0.007)**	(0.007)**
Years since last IMF loan^2	-0.008			
	-0.008			
Years since last IMF loan^3	0.000			
	(0.000)**			
Use of IMF credit (log)	0.037	0.004	-0.001	0.000
	(0.015)**	-0.007	-0.006	-0.007
Banking crisis (World Bank)	0.733	0.073	0.141	0.128
	(0.206)***	-0.108	-0.105	-0.106
US real interest rate (%)	0.204	-0.154	-0.059	-0.090
	(0.050)***	(0.052)***	-0.048	(0.049)*
OECD average per capita GDP growth rate (%)	-0.055	0.092	0.074	0.063
	-0.042	(0.035)***	(0.033)**	(0.033)*
East Asia/Pacific	0.357	-0.171	-0.341	-0.417
	-0.591	-0.225	-0.223	(0.198)**
Europe/Central Asia	1.423	0.215	0.394	0.240
	(0.633)**	-0.209	(0.177)**	-0.178
Latin America/Caribbean	1.376	-0.445	-0.309	-0.511
	(0.587)**	(0.216)**	(0.170)*	(0.163)***
Middle East/North Africa	0.821	-0.095	-0.167	-0.186
	-0.615	-0.255	-0.234	-0.244
South Asia	-0.251	-0.406	-0.956	-0.687
	-0.696	(0.229)*	(0.227)***	(0.243)***
High income OECD	-0.246	-0.591	-1.003	-0.879
	-0.468	(0.220)***	(0.194)***	(0.235)***
High income non-OECD	0.460	-0.235	-0.478	-0.446
	-0.399	-0.202	(0.186)**	(0.224)**
Upper middle income	0.243	-0.251	-0.317	-0.326
	-0.276	(0.151)*	(0.149)**	(0.172)*
Propensity score		0.675	0.521	0.635
		-0.516	-0.494	-0.532
Constant	-4.090	2.201	2.132	3.116
	(0.868)***	(0.411)***	(0.377)***	(0.392)***
Alpha (ln)		-1.769	-2.226	-1.644
		(0.128)***	(0.183)***	(0.116)***
Log-likelihood	*-590.430*	*-647.800*	*-548.590*	*-751.120*
Observations	*3171*	*206*	*201*	*201*
Countries	*130*	*59*	*59*	*59*
Percent correctly classified	*93%*			

Negative binomial regressions, robust standard errors clustered by country
**p<.10; **p<.05; ***p<.01*

Table 2: Estimated effect of Left Managing Director on IMF labor-related conditions

Variable	Total labor conditions	Hard labor conditions	Weighted labor conditions
Left Managing Director	-0.368	**-0.909**	-0.447
	-0.244	**(0.449)****	-0.305
G-5 vote-weighted Executive partisanship (DPI)	1.987	1.543	2.075
	(0.239)***	(0.462)***	(0.286)***
G-5 borrower vote-weighted ideal point difference	1.096	2.477	1.626
	(0.501)**	(1.161)**	(0.578)***
Unified democracy score	-0.156	0.015	-0.161
	-0.263	-0.513	-0.291
Current account balance/GDP (%)	-0.011	-0.062	-0.020
	-0.030	-0.052	-0.034
Public debt gdp (%)	-0.002	-0.003	-0.005
	-0.004	-0.005	-0.005
Years since last IMF loan	-0.001	-0.045	-0.015
	-0.015	-0.037	-0.019
Use of IMF credit (log)	0.032	0.037	0.035
	(0.015)**	-0.025	(0.016)**
Banking crisis (World Bank)	0.552	1.126	0.654
	(0.295)*	(0.425)***	(0.325)**
US real interest rate (%)	-0.349	-0.462	-0.458
	(0.100)***	(0.185)**	(0.119)***
OECD average per capita GDP growth rate (%)	0.037	-0.062	0.005
	-0.066	-0.134	-0.075
East Asia/Pacific	-0.624	-1.086	-0.962
	-0.629	-0.988	-0.748
Europe/Central Asia	1.134	1.340	1.157
	(0.486)**	-0.894	(0.641)*
Latin America/Caribbean	-0.215	-1.064	-0.697
	-0.484	-0.726	-0.572
Middle East/North Africa	-0.771	-1.474	-1.083
	-0.472	(0.661)**	(0.558)*
South Asia	-19.108	-24.184	-16.631
	(0.990)***	(1.511)***	(1.107)***
High income OECD	0.515	0.281	0.751
	-0.549	-0.821	-0.566
High income non-OECD	0.635	1.220	0.959
	-0.530	-0.785	(0.531)*
Upper middle income	0.245	0.790	0.516
	-0.415	-0.553	-0.402
Propensity score	-1.516	-2.975	-1.755
	-1.102	-2.251	-1.357
Constant	-3.510	-3.600	-2.867
	(0.934)***	(1.763)**	(1.151)**
Alpha (ln)	-1.039	0.606	0.087
	(0.495)**	-0.457	-0.230
Log-likelihood	*-205.680*	*-101.710*	*-245.580*
Observations	*209*	*209*	*209*
Countries	*59*	*59*	*59*

Negative binomial regressions, robust standard errors clustered by country
**p<.10; **p<.05; ***p<.01*

Table 3: Estimated conditional effect of Left Managing Director on IMF conditions

Variable	Weighted total conditions	Weighted total conditions	Weighted total conditions
Left Managing Director	-0.137	-0.129	-0.137
	-0.450	-0.690	-1.310
G-5 vote-weighted Executive partisanship (DPI)	0.414	0.389	0.345
	(3.18)***	(4.83)***	(3.94)***
G-5 weighted DPI*Left MD	-0.048		
	-0.300		
G-5 borrower vote-weighted ideal point difference	0.110	0.189	0.077
	-0.520	-0.650	-0.360
G-5-borrower weighted ideal point diff*Left MD		-0.109	
		-0.520	
Unified democracy score	0.100	0.103	0.268
	-1.080	-1.130	(1.86)*
Unified democracy score*Left MD			-0.233
			(1.86)*
Current account balance/GDP (%)	-0.017	-0.017	-0.017
	(2.00)**	(1.96)**	(1.96)**
Public debt gdp (%)	0.001	0.001	0.001
	-1.250	-1.260	-1.090
Years since last IMF loan	0.016	0.016	0.016
	(2.29)**	(2.30)**	(2.22)**
Use of IMF credit (log)	0.000	0.000	0.000
	-0.030	0.000	-0.030
Banking crisis (World Bank)	0.130	0.127	0.139
	-1.200	-1.200	-1.380
US real interest rate (%)	-0.087	-0.094	-0.075
	(1.77)*	(1.80)*	-1.510
OECD average per capita GDP growth rate (%)	0.060	0.066	0.053
	(1.79)*	(1.92)*	-1.520
East Asia/Pacific	-0.407	-0.406	-0.403
	(2.04)**	(2.03)**	(1.94)*
Europe/Central Asia	0.246	0.247	0.213
	-1.400	-1.370	-1.120
Latin America/Caribbean	-0.507	-0.504	-0.526
	(3.11)***	(3.06)***	(2.92)***
Middle East/North Africa	-0.184	-0.181	-0.203
	-0.760	-0.740	-0.860
South Asia	-0.683	-0.674	-0.710
	(2.79)***	(2.81)***	(2.83)***
High income OECD	-0.882	-0.885	-0.845
	(3.76)***	(3.78)***	(3.60)***
High income non-OECD	-0.450	-0.445	-0.441
	(2.02)**	(2.00)**	(1.97)**
Upper middle income	-0.325	-0.329	-0.310
	(1.88)*	(1.92)*	(1.78)*
Propensity score	0.641	0.617	0.653
	-1.210	-1.170	-1.220
Constant	3.050	3.050	3.097
	(7.06)***	(7.15)***	(7.98)***
Alpha (ln)	-1.644	-1.645	-1.662
	(14.11)***	(14.31)***	(13.48)***
log-likelihood	*-751.080*	*-751.020*	*-749.600*
Observations	*201*	*201*	*201*
Countries	*59*	*59*	*59*

Negative binomial regressions, robust standard errors clustered by country
**p<.10; **p<.05; ***p<.01*

Table 4: Estimated conditional effect of Left Managing Director on Labor conditions

Variable	Weighted labor conditions	Weighted labor conditions	Weighted labor conditions
Left Managing Director	1.176	-0.564	-0.229
	-1.060	-0.800	-0.540
G-5 vote-weighted Executive partisanship (DPI)	2.598	2.066	2.007
	(7.47)***	(7.25)***	(6.97)***
G-5 weighted DPI*Left MD	-0.825		
	-1.620		
G-5 borrower vote-weighted ideal point difference	1.513	1.515	1.534
	(2.60)***	-1.640	(2.58)***
G-5-borrower weighted ideal point diff*Left MD		0.147	
		-0.170	
Unified democracy score	-0.232	-0.156	0.210
	-0.790	-0.540	-0.470
Unified democracy score*Left MD			-0.505
			-0.980
Current account balance/GDP (%)	-0.022	-0.020	-0.026
	-0.650	-0.600	-0.780
Public debt gdp (%)	-0.005	-0.005	-0.006
	-0.970	-1.140	-1.230
Years since last IMF loan	-0.017	-0.014	-0.013
	-0.810	-0.720	-0.650
Use of IMF credit (log)	0.030	0.035	0.036
	(1.75)*	(2.17)**	(2.35)**
Banking crisis (World Bank)	0.743	0.650	0.679
	(2.18)**	(1.99)**	(2.09)**
US real interest rate (%)	-0.449	-0.457	-0.431
	(3.80)***	(3.84)***	(3.55)***
OECD average per capita GDP growth rate (%)	-0.016	0.002	-0.019
	-0.210	-0.030	-0.260
East Asia/Pacific	-0.776	-0.980	-0.909
	-1.070	-1.260	-1.230
Europe/Central Asia	1.246	1.130	1.130
	(2.04)**	-1.600	(1.70)*
Latin America/Caribbean	-0.562	-0.710	-0.688
	-1.010	-1.200	-1.180
Middle East/North Africa	-0.943	-1.065	-0.934
	(1.75)*	(1.99)**	(1.75)*
South Asia	-18.877	-17.261	-15.763
	(17.21)***	(15.15)***	(14.08)***
High income OECD	0.682	0.762	0.816
	-1.210	-1.340	-1.390
High income non-OECD	0.845	0.952	0.988
	-1.540	(1.76)*	(1.81)*
Upper middle income	0.540	0.523	0.577
	-1.330	-1.310	-1.370
Propensity score	-1.689	-1.681	-1.776
	-1.200	-1.150	-1.280
Constant	-3.889	-2.755	-2.953
	(3.22)***	(2.01)**	(2.53)**
Alpha (ln)	0.075	0.087	0.075
	-0.330	0.380	0.330
log-likelihood	*-244.470*	*-245.560*	*-245.070*
Observations	*209*	*209*	*209*
Countries	*59*	*59*	*59*

Negative binomial regressions, robust standard errors clustered by country
**p<.10; **p<.05; ***p<.01*

Figure 1: Conditional effect of Left MD on weighted total conditions by G-5 partisanship*

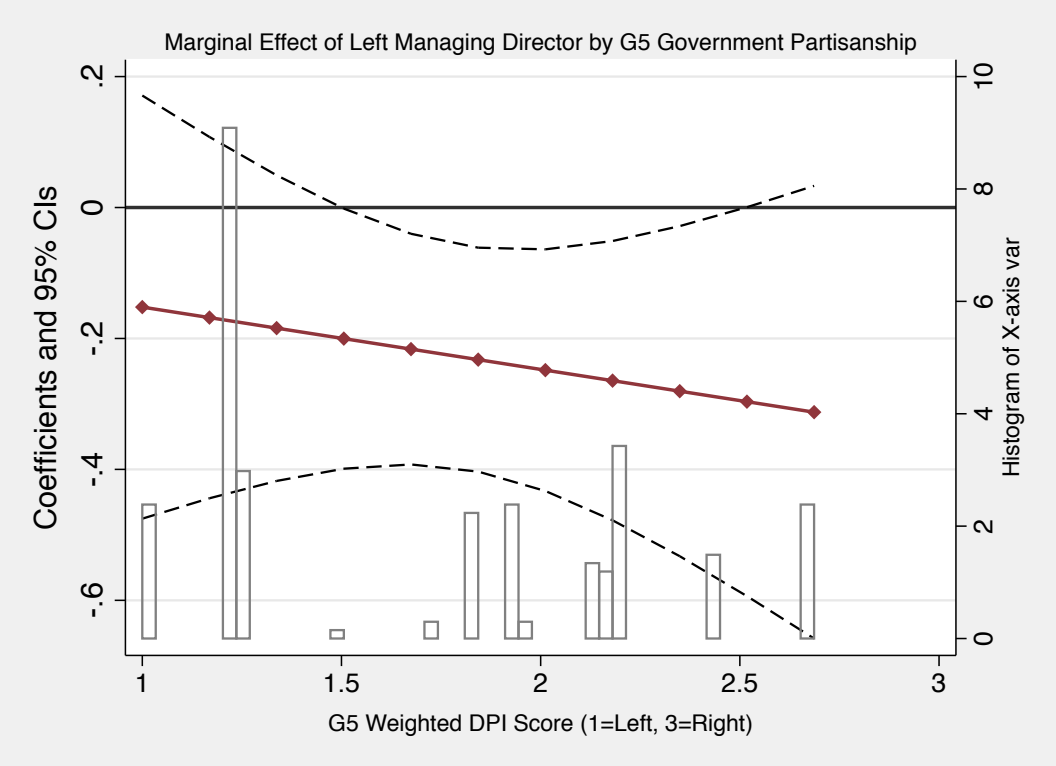
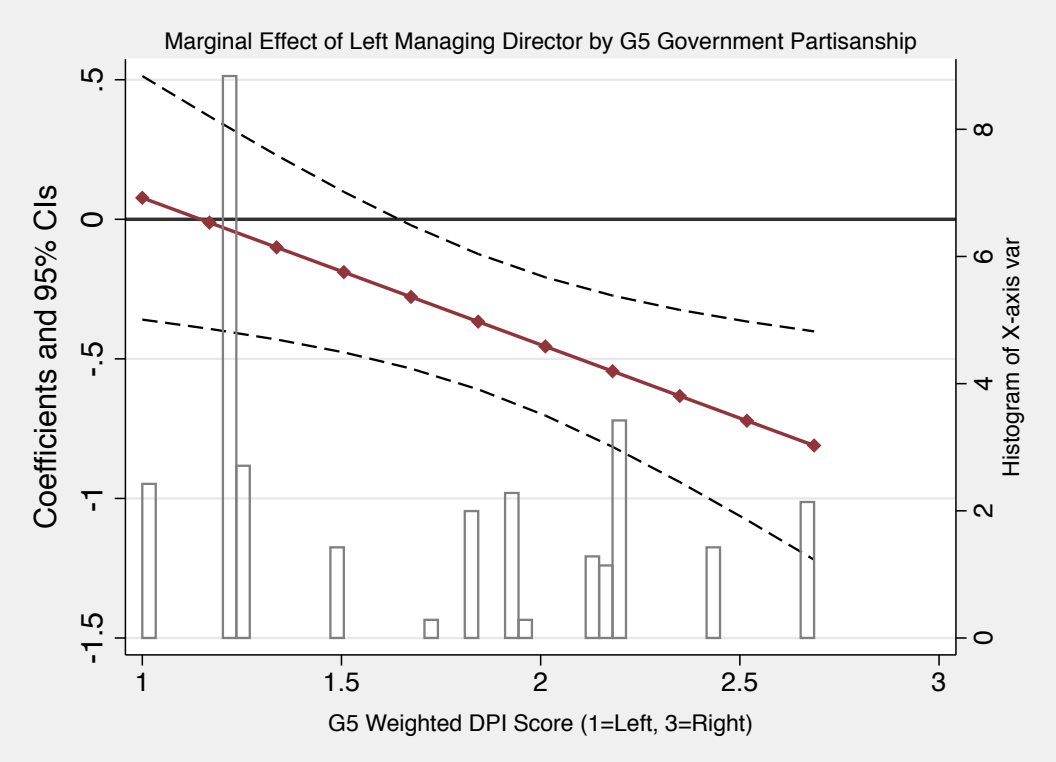


Figure 2: Conditional effect of Left MD on weighted labor conditions by G-5 partisanship



*95 percent confidence intervals shown with dashed lines

Figure 3: Conditional effect of Left MD on weighted total conditions by G-5-borrower geopolitical affinity

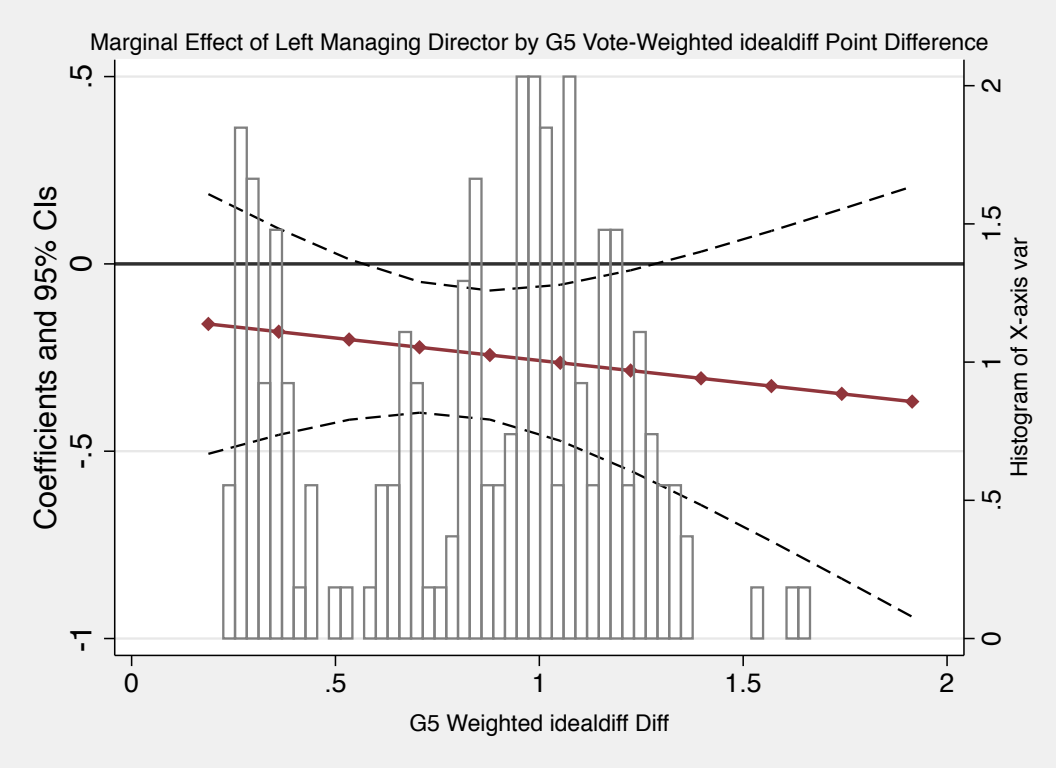


Figure 4: Conditional effect of Left MD on weighted labor conditions by G-5/borrower geopolitical affinity

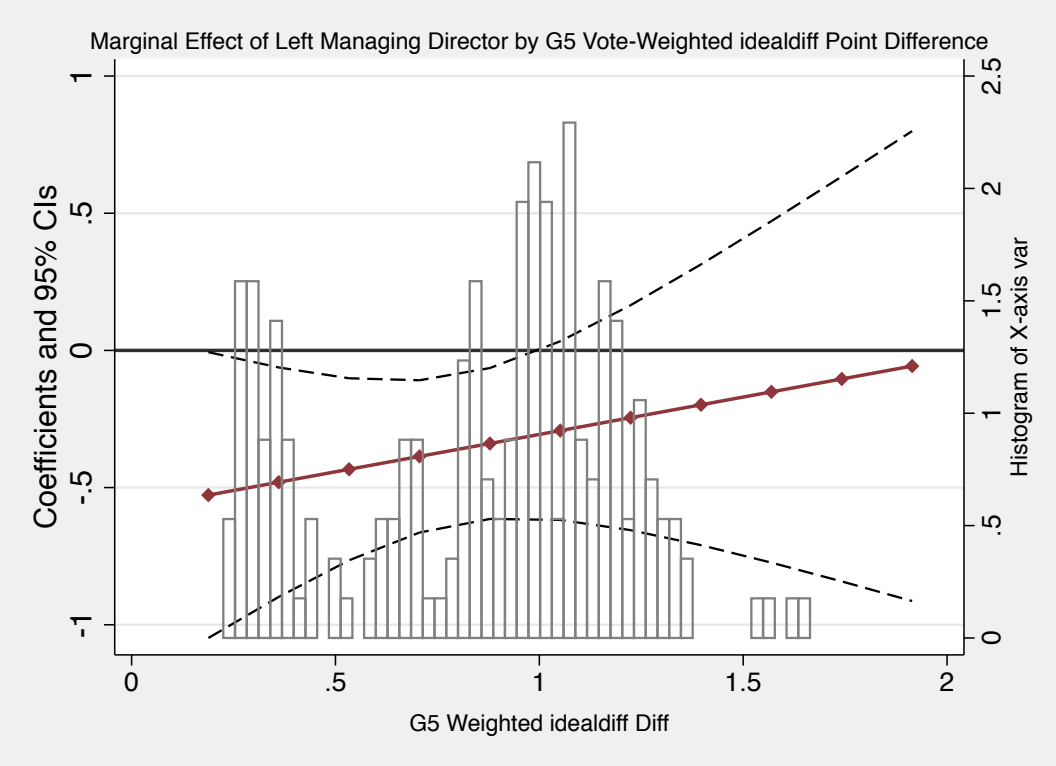


Figure 5: Conditional effect of Left MD on weighted total conditions by Borrower Democracy Score

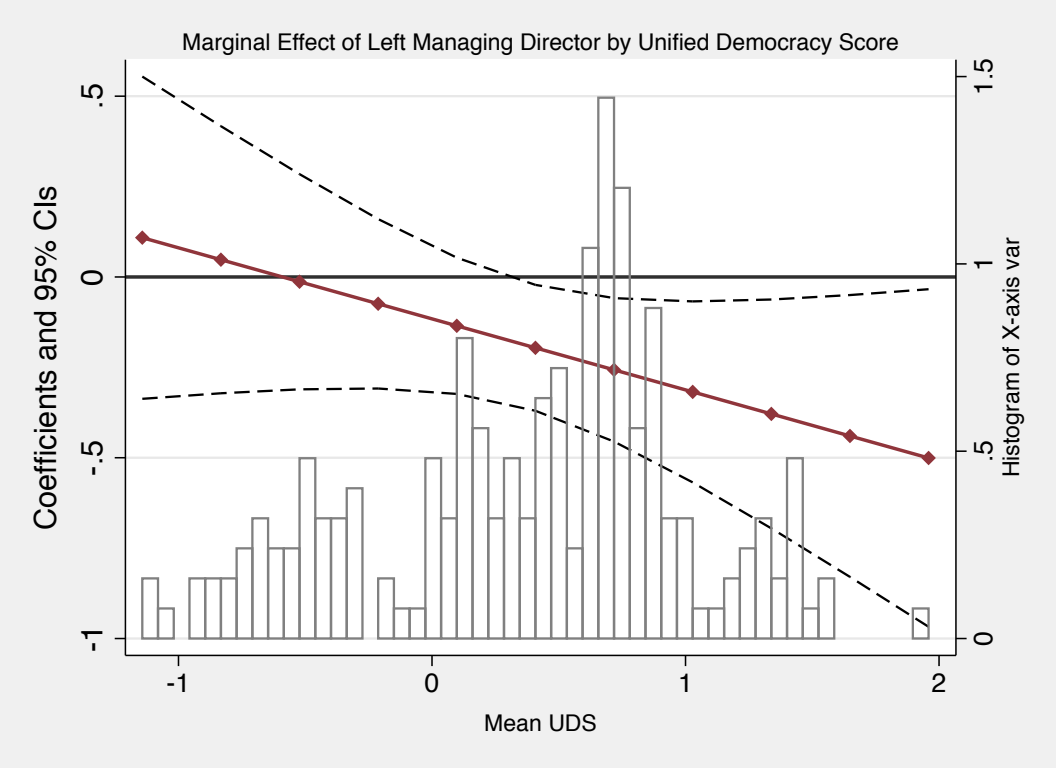
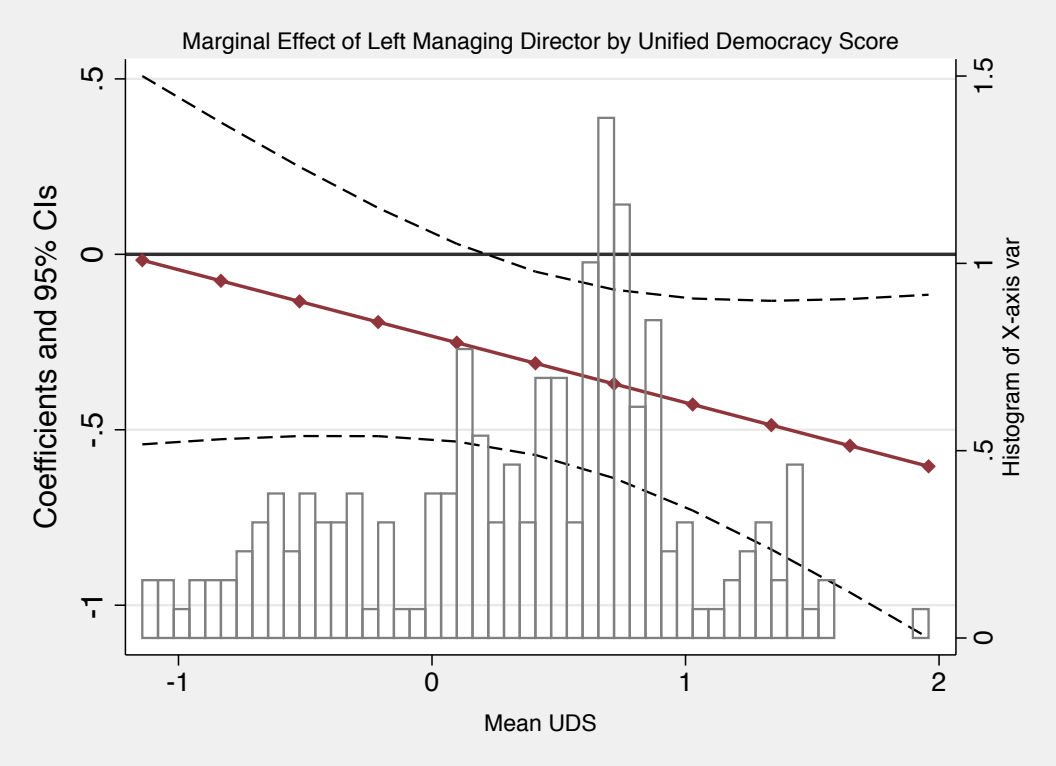


Figure 6: Conditional effect of Left MD on weighted labor conditions by Borrower Democracy Score



References

Abadie, Alberto, and Guido Imbens. 2006. Large Sample Properties of Matching Estimators for Average Treatment Effects. *Econometrica* 74(1): 237-67.

Adolph, Christopher. 2013. *Bankers, Bureaucrats, and Central Bank Politics: The Myth of Neutrality.* New York: Cambridge.

Anner, Mark, and Teri L. Caraway. 2010. International Institutions and Workers' Rights: Between Labor Standards and Market Flexibility. *Studies in Comparative International Development* 45 (2):151–69.

Bailey, Michael A., Anton Strezhnev, and Erik Voeten. 2015. Estimating Dynamic State Preferences from United Nations Voting Data. *Journal of Conflict Resolution*.

Barnett, Michael, and Martha Finnemore. 2004. *Rules for the World: International Organization in Global Politics.* Ithaca: Cornell University Press.

Barro, Robert, and Jong-Wha Lee. 2005. IMF Programs: Who is Chosen and What are the Effects? *Journal of Monetary Economics* 52(7):1245-1269.

Bird, Graham, and Dane Rowlands. 2003. "Political Economy Influences Within the Life-Cycle of IMF Programmes," *World Economy* 26(9):1255-1278.

Boughton, James. 2001. *Silent Revolution: The International Monetary Fund, 1979-1989*. Washington DC: International Monetary Fund.

Blustein, Paul. 2001. *The Chastening: Inside the Crisis that Rocked the Global Financial System and Humbled the IMF*. New York: PublicAffairs.

Broz, J. Lawrence, and Michael Brewster Hawes. 2006. Congressional Politics of Financing the International Monetary Fund. *International Organization* 60(1):367-399.

Caraway, Teri L., Stephanie J. Rickard, and Mark Anner. 2012. International Negotiations and Domestic Politics: The Case of IMF Labor Market Conditionality. *International Organization* 66 (1):27–61.

Chwieroth, Jeffrey. 2008. Normative Change 'From Within': The International Monetary Fund's Approach to Capital Account Liberalization. *International Studies Quarterly* 52(1): 129-58.

_____. 2010. *Capital Ideas: The IMF and the Rise of Financial Liberalization*. Princeton: Princeton University Press.

_____. 2013. "The Silent Revolution": How the Staff Exercise Informal Governance Over IMF Lending." *Review of International Organizations* 8(2): 265-90.

_____. 2015. Professional Ties That Bind: How Normative Orientations Shape IMF Conditionality. *Review of International Political Economy* 22(4): 757-87.

Clark, William R. and Vincent Arel-Bundock. 2013. Independent But Not Indifferent: Partisan Bias in Monetary Policy at the Fed. *Economics and Politics* 25(1): 1-26.

Copelovitch, Mark S. 2010a. *The International Monetary Fund in the Global Economy: Banks, Bonds, and Bailouts*. New York: Cambridge.

_____. 2010b. Master or Servant? Common Agency, Preference Heterogeneity, and the Political Economy of IMF Lending. *International Studies Quarterly* 54(1): 49-77.

Dreher, Axel, and Nathan Jensen. 2007. Independent Actor or Agent? An Empirical Analysis of the Impact of US Interests on IMF Conditions. *Journal of Law and Economics* 50(1):105-124.

Dreher, Axel, and Roland Vaubel. 2004. The Causes and Consequences of IMF Conditionality. *Emerging Markets Finance and Trade* 40(3):26-54.

Gartzke, Erik. 1998. "Kant We All Get Along?: Opportunity, Willingness, and the Origins of the Democratic Peace." *American Journal of Political Science* 42(1):1-27.

Gould, Erica. 2006. *Money Talks: The International Monetary Fund, Conditionality, and Supplementary Financiers*. Stanford, CA: Stanford University Press.

International Monetary Fund. 2016. Conditionality – Factsheet. Available at http://imf.org/external/np/exr/facts/conditio.htm. Last accessed 21 August 2016.

James, Harold. 1996. *International Monetary Cooperation Since Bretton Woods*. New York: Oxford University Press.

Kenen, Peter. 1986. *Finance, Adjustment, and the International Monetary Fund*. Washington DC: Brookings Institution.

Knight, Malcolm, and Julio A. Santaella. .1997. Economic Determinants of IMF Financial Arrangements. *Journal of Development Economics* 54 (2):405-436.

Nelson, Stephen. 2014. Playing Favorites: How Shared Beliefs Shape the IMF's Decisions. *International Organization* 68(2): 297-328.

_____. 2017. *The Currency of Confidence: How Economic Beliefs Shape the IMF's Relationship With Its Borrowers*. Ithaca: Cornell University Press.

Oatley, Thomas and Jason Yackee. 2004. American Interests and IMF Lending. *International Politics* 41(3): 415-429.

Przeworski, Adam, and James Vreeland. 2000. The Effect of IMF Programs on Economic Growth. *Journal of Development Economics* 62: 385-421.

Rickard, Stephanie J., and Teri L. Caraway. 2014. International Negotiations in the Shadow of National Elections. *International Organization* 68(3): 701-20.

Steinwand, Martin, and Randall A. Stone. 2008. The International Monetary Fund: A Review of Recent Evidence. *Review of International Organizations* 3(2):123-149.

Stone, Randall. 2002. *Lending Credibility: The IMF and the Post-Communist Transition.* Princeton: Princeton University Press.

_____. 2004. The Political Economy of IMF Lending in Africa. *American Political Science Review* 98(4):577-591.

_____. 2008. The Scope of IMF Conditionality. *International Organization* 62(4):589-620.

_____. 2011. Controlling Institutions: International Organizations and the Global Economy. New York: Cambridge University Press.

Thacker, Strom. 1999. The High Politics of IMF Lending. *World Politics* 52: 38-75.

Van Houtven, Leo. 2002. Governance of the IMF: Decision Making, Institutional Oversight, Transparency, and Accountability. Pamphlet Series, No. 53. Washington, DC: International Monetary Fund.

Vaubel, Roland. 1991. The Political Economy of the International Monetary Fund: A Public Choice Analysis. In *The Political Economy of International Organizations,* edited by Roland Vaubel and Thomas Willett. Boulder: Westview Press.

Vreeland, James. 2003. *The IMF and Economic Development*. New York: Cambridge University Press.

_____. 2007. The International Monetary Fund: Politics of Conditional Lending. New York: Routledge.

Willett, Thomas. 2002. Toward a Broader Public Choice Analysis of the IMF, in *Organizing the World's Money,* edited by David Andrews, Randall Henning, and Louis Pauly. Ithaca: Cornell University Press.