

International Negotiations and Domestic Politics:
The case of IMF labor market conditionality

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What role do domestic economic interests play in the design of IMF programs? Recent models point to the potential importance of domestic institutions – particularly constraints on the executive (e.g. Putnam 1988; Haggard & Kaufman 1995; Przeworski and Vreeland 2000, 2003; Vreeland 2003; Stone 2008). However, it remains unclear what role domestic *interests* play in IMF programs.

Our lack of understanding about the role of domestic interests in negotiations over the design of IMF programs is due, in part, to data limitations. The IMF only recently made details of its loan programs publicly available and easily accessible. For every loan, many documents exist containing vast quantities of detail. It is difficult to quantify this immense amount of information in a meaningful way. Previous studies have attempted to do so by focusing on the number of conditions (Dreher 2004; Dreher and Vaubel 2004; Ivanova et al 2003).¹ However it remains unclear how domestic interests might relate to the number of conditions. Given this, it is difficult to test for the potential effect of domestic interests on IMF programs using the number of conditions.

We aim to solve this problem by examining the substance of the loan conditions. Rather than look at the number of total conditions we examine what these conditions say and what they require of recipient governments. We focus our attention on those conditions that require some sort of reform or liberalization in the country's domestic labor market. It is precisely here that we can identify the key domestic actors and their economic interests with respect to IMF conditionality. Using labor market reforms conditions, we test to see if domestic interests influence the design of IMF programs. We find evidence that domestic interests to play an important role

¹ Stone (2008) focuses on the number of categories of conditions. He argues that this captures the scope of conditions.

particularly in democracies. Countries with strong labor tenders see fewer labor conditions. This effect is particularly pronounced amongst democracies.

Some basic facts about labor conditions in IMF programs

It may be useful to set out some basic facts about labor market reform conditions in IMF programs. First, these conditions are becoming increasingly common but are still far from ubiquitous. Figure 1 displays the counts of all IMF programs with and without labor conditions from 1980 to 2000. The height of the bar represents that total number of IMF programs in that year (i.e. 42 in 1993). The lower portion, in gray, represents the number of programs that include conditions on labor market reforms (e.g. 5 in 1993). Only performance criteria are included. These conditions are generally considered the strongest form of conditionality because these conditions must be met in order for the loans to be disbursed (unless the Executive Board grants a waiver).

The upper portion in black represents the number of programs without strong labor conditions (e.g. 37 in 1993). As Figure 1 demonstrates, labor conditions were not included in IMF programs prior to 1987. Since then, the number of labor conditions has increased significantly. On average, about a quarter of the IMF programs throughout that sample after 1987 have labor conditions. Labor conditionality reached a sample peak in 1999 when nearly 44 percent of all IMF programs included at least one labor market reform condition.

Although labor market conditions are increasingly included in IMF programs, they are far from ubiquitous. Even at their most frequent in 1999, the majority of countries under IMF programs did not face labor market reform conditions. This

raises an interesting question – why do some countries’ programs include labor market conditions while others do not?

Second, virtually all labor conditions included in IMF programs are designed to liberalize labor markets, reduce market distortions and increase labor market flexibility. For example, Ecuador’s 2000 program included conditions that explicitly addressed the use part-time labor, probation periods for workers and the functional mobility for workers within firms. Although conditions that explicitly address labor market flexibility as not very common, as demonstrated in Table 1, virtually all labor conditions included in IMF programs push in the direction of increased labor market flexibility and labor market liberalization. IMF programs have included, for example, conditions that require the decentralization of collective bargaining and the reduction or containment of minimum wage levels (Sisson 1986).

Although these types of conditions are relatively infrequently, many labor conditions relate to wage discipline. In fact, nearly 30 percent of the labor conditions examined in this study relate to wage moderation. Of these, nearly 90 percent relate to public sector wages. As reported in Table 1, 689 conditions between 1980 and 2000 had at issue public sector wages. The vast majority of these are soft conditions. However, nearly one fifth are “hard” conditions, such as performance criteria or prior actions. Public sector wage moderation is thought to be a way to bring down budget deficits, facilitate monetary easing and improve external competitiveness. In addition to public sector wage moderation, public sector employment is an issue targeted in many IMF programs. More than 650 conditions sought to restrict and/or reduce public sector employment in IMF programs during 1980 to 2000. For example, India’s 1991 program included (soft) conditions to reduce public sector employment. This was an

attempt to reduce India's consolidated public sector deficit and to shift employment to the private sector.

Further attempts to shift employment to the private sector are evidenced by the large number of conditions relating to privatization. Privatization is by far the most frequent type of condition in our sample. Of the 2800 conditions examined, nearly one-third relate to privatization. The relative frequency of privatization conditions and conditions on public wages and employment is perhaps unsurprising given that these conditions relate most directly to the state's fiscal situation. Selling state-owned assets provides an immediate source of income to the state. Reducing public sector wages and employment reduces states' expenditures.

Third, not all labor conditions are of equal importance in IMF programs. Table x demonstrates the significant variation in the level of labor conditionality. Labor conditions are most frequently soft conditions. In fact, 65 percent of the labor conditions examined here are considered "soft" conditions. Less than half of the labor conditions included in IMF programs from 1980 to 2000 are hard conditions. Amongst these hard conditions significant variation exists. Performance criteria are considered to be the strongest form of conditionality. Performance criteria specify conditions that must be met in order for the loan to be disbursed. If the program country fails to meet the conditions specified by the performance criteria, it will not receive the monies from the IMF (unless the Executive Board grants a waiver). Less than 10 percent of the labor conditions included in IMF programs from 1980 to 2000 consisted of performance criteria. This strongest form of conditionality was used relatively infrequently to advance labor market reforms. Benchmarks were used far more frequently and account for 20 percent of IMF labor conditions. Benchmarks differ from performance criteria in that a failure to meet a benchmark does not

preclude the disbursement of a loan. Given this, benchmarks are not considered to be as strong a condition as performance criteria. Although benchmarks can be either quantitative or qualitative, they tend to be qualitative (e.g. privatization of a state coal company). In contrast, indicative targets are quantitative (e.g. a ceiling on the public wage bill). Indicative targets are generally used for policy areas where “substantial uncertainty” exists about economic trends.² Indicative targets are quite rare for labor issues. We identified only 24 instances of indicative targets. Like benchmarks, a failure to meet an indicative target does not preclude the disbursal of loan monies. Failure to meet an indicative target or benchmark may, however, result in it being upgraded to a performance criteria at a later date. Prior actions are considered hard conditions although they differ from performance criteria, benchmarks or indicative targets in that they require reforms *prior* to the agreement of an IMF loan (or the completion of a review). Prior actions are also relatively rare with respect to labor issues. Only 5 percent of labor conditions required prior action.

To summarize, labor conditions are becoming increasingly common in IMF programs. Despite this, fewer than half of IMF programs include tough labor conditions. This raises an interesting question – which countries get stringent labor conditions and why?

Existing explanations

Quantitative studies of conditionality became feasible only in recent years, with the publication of letters of intent on the IMF web page and the opening of the IMF archives. The opening up of the IMF archives has made available vast amounts of information regarding the contents of IMF programs. Each program consists of

² International Monetary Fund, “Guidelines on Conditionality” (September 2002).

multiple documents that contain immense amounts of detail and information. It is difficult to quantify this information into a single useful variable. Previous studies have attempted to do so by using the number of conditions included in each IMF program. The number of conditions is undoubtedly meaningful; it identifies those countries that are required to make significant reforms. Which countries are these? Which countries are receive more conditions and why?

Recent studies have attempted to address these questions. In doing so they've arrived at three general explanations for the total number of conditions included in IMF loans. The first focuses on the importance of domestic institutions - particularly political constraints. Political constraints are conceptualized as an institutional or situational factor that impels the government to pay greater attention to the policy preferences of the opposition (Pop-Eleches 2009). There are competing claims about the effect of domestic constraints on the number of conditions. Some argue that highly constrained governments will accept more conditions. In this view, IMF conditions are thought to be a means for leaders to evade the constraints of domestic politics (Vreeland 2000, 2003, 2006). Alternatively, some argue that borrowing countries prefer fewer conditions and will use domestic constraints to reduce the scope of conditionality (Krasner 1985, Dreher and Vaubel 2004).

A second explanation for the observed cross-national variation in the number of loan conditions focuses on a country's economic circumstances. A country in severe economic distress may receive fewer conditions in light of their dire economic situation. Although some have argued that the most vulnerable countries receive the largest number of conditions, in part, because the IMF's objective is to maximize conditionality (Dreher 2003).

Geopolitics have also been ascribed an important role with respect to the number of conditions. Previous studies have demonstrated that countries important to the United States receive fewer conditions (Polak 1991; Dreher and Jensen 2007).

Although we have learned a great deal from studies of the number of total conditions, the potential role of domestic interests remains unclear. In part this is because the interests in the total number of conditions are ambiguous. Citizens are unlikely to care about the total number of conditions. Instead citizens will tend to be interested in only those conditions that directly affect their economic well-being. Given this, it's difficult (as perhaps impossible) to test the effect of domestic interests on IMF programs using the number of total conditions. We aim to solve this problem by examining the contents of IMF loan conditions. Specifically, we focus on those conditions that require and/or relate to labor market reforms.

As discussed above a number of labor conditions has increased significantly over time. However even at their most frequent, labor market reform conditions are far from ubiquitous. Indeed, more than half of loan recipient countries receive no labor market reform conditions. This raises an interesting question - which countries receive labor market reform conditions and why?

Our proposed explanation

We argue that domestic interests are an important explanation for the cross national variation in labor conditions. Labor market conditions typically make workers worse off. For example, some conditions require a reduction in the level of public sector employment. Others require a reduction in wages for both the public and private sector. As such, it is in workers own self interest to lobby against the inclusion of labor market reform conditions in IMF programs. We hypothesize that workers and

labor groups will lobby their national governments in opposition to these types of labor conditions. However, not all workers will be equally capable of persuading the national government to respond to their demands. The responsiveness of national governments to the interests of domestic workers will depend critically on the political power and organization of domestic labor. When labor is well-organized and politically powerful, their opposition to labor market reform conditions will likely have a greater impact on the national governments and international negotiations. Thus our first hypothesis is as follows:

H1: In comparing countries under IMF programs, those with powerful domestic labor will tend to have fewer labor market reform conditions than those with relatively weaker labor.

We assume that the IMF wants programs to be successful. In order for an IMF program to be successful, it must be implemented to the fullest possible extent (Ivanova et al. 2006). Governments may fail to fully implement IMF-supported reforms if these reforms engender significant opposition. Organized opposition to IMF support reforms varies depending on the nature of the reforms themselves and the politics in recipient countries (Mayer and Mourmouras 2005). Building pro-reform coalitions is more difficult when changes threaten the rents of politically powerful groups (Fernandez and Rodrik 1991). The presence of powerful interest groups has been shown to decrease the probability of implementation (Boughton and Mourmouras 2004; Ivanova et al. 2006).

The Fund's interest in the success of their programs makes them sensitive to and cognizant of domestic politics of potential loan recipients. So, for example, the

Fund may refrain from imposing stringent labor market reform conditions in countries where labor is politically powerful. Where labor is politically powerful, national governments will be less willing to impose these type of reforms. As a result, the IMF may be less likely to suggest (or insist upon) these types of reforms in order to maximize the success of the program.

We expect the importance of labor strength to vary across countries. Labor's demands will likely be more influential in democracies where governments are electorally accountable to domestic voters. In contrast, unelected governments have few incentives to respond to the domestic interests and the preferences of labor. Autocratic leaders will be less willing to represent the interests of their citizens at the IMF. Therefore, the power of labor should matter relatively more for labor conditions in democracies as compared to autocracies. This constitutes our second hypothesis.

H2: In comparing countries under IMF programs, the influence of domestic labor on labor market reform conditions will be relatively larger in democracies than a autocracies.

Data

We test these two hypotheses using a new data set coded from loan documents for 120 countries for the period 1980 to 2000. We coded three types of documents: staff reports, arrangement letters, and memoranda of economic policies. The first two documents are prepared by the IMF. Staff reports present detailed analyses of the economy and usually specify the types of conditionality that attach to a loan. Arrangement letters are much shorter and are comparable to contracts that stipulate what a country must do in order to remain in good standing with the IMF. Memoranda

of economic policies present the borrowing country's policy commitments. Countries pledge to carry out a variety of policies, and in most cases they also contain the policy steps to which conditionality attaches. [See Appendix I for a more detailed explanation of coded documents.]

When the IMF first makes a loan, all three documents are present. Conditionality usually changes over the course of a loan as countries go through the review process. But these reviews do not always produce new arrangement letters. Given the large number of reviews that take place, we chose not to code the documents issued at every review. We coded all three documents when reviews produced new arrangement letters, and coded staff reports and memoranda of economic policy once a year in cases where no new arrangement letters were issued during a year that a country had an active loan with the IMF. Consequently, in most cases we coded one set of documents for each year that a country had borrowed under one of the following types of arrangements: stand-by, extended, structural adjustment, enhanced structural adjustment, or poverty reduction and growth fund.

For each document, we coded nine labor conditionality areas: public sector wages, public sector employment, privatization, minimum wages, private sector wages, pensions, social security (other than pensions), labor market flexibility, and collective bargaining decentralization. We coded six types of conditionality: no conditionality, soft conditionality, prior actions, indicative targets, benchmarks, and performance criteria. The tightest conditionality applies to benchmarks and performance criteria. If a performance criterion is not met, the IMF must grant waivers, or the loan could be suspended. Performance criteria are always specified in the arrangement letters. Benchmarks also frequently appear in the arrangement letters, but just as often benchmarks are only present in the staff reports and memoranda of

economic policy. The IMF expects countries to meet these benchmarks, but failure to do so does not require a waiver. Prior actions are steps that a country must take before the IMF agrees to a loan or completes a review. Indicative targets are rare for labor issues and are similar to benchmarks, except that they are always quantitative in nature (e.g. a ceiling on the public wage bill), whereas benchmarks can be both qualitative and quantitative, although they are usually qualitative (e.g. privatize the state coal company). Indicative targets are generally used for policy areas where “substantial uncertainty” exists about economic trends. Both benchmarks and indicative targets are used to assess progress toward the goals formulated for the economic program supported by the IMF loan. Failure to meet a benchmark may, however, result in it being upgraded to a performance criterion or a prior action at a later date. Soft conditionality is a term that we created to capture policy steps that the IMF expected, or to which a country made commitments, but that did not have explicit conditionality attached to them.

Each case in the data set represents a unique country-year. We coded each level of conditionality in each issue area, so for some documents a single issue area may have multiple levels of conditionality. See Appendix A for further details. The data set contains 2,281 cases.

Note that only countries under IMF programs are included in the sample. Of course, countries are not randomly selected into IMF programs and as a result countries under IMF programs differ from countries not under IMF programs. However, for our interests, the relevant population of countries is precisely those countries under IMF programs. Our sample includes the universe of countries under IMF programs during the period from 1980 to 2000. The question we address is amongst these countries, which receive labour-related conditions and why?

Model

We estimate the effect of labor power on labor conditions using a simple linear regression model with robust errors clustered by country. The dependent variable is the number of labor conditions weighted by the level of conditionality. Performance criteria receive a score of 4, benchmarks and indicative targets a score of 3, prior actions a score of 2, soft conditionality a score of 1, and no conditionality a score of 0. This weighing reflects the relative “hardness” of the conditionality. Since prior actions have already been carried out at the time that the loan is approved, we weigh them less heavily than benchmarks or indicative targets.

Our key explanation is the interests and power of domestic labor. Based on our familiarity with the labor market reform conditions, we assert that virtually all labor market reform conditions included in IMF programs harm labor in the short to medium term. We therefore expect labor to oppose these IMF conditions.

Labor’s ability to influence the national government and to convince the government to represent their interests in negotiations with the IMF varies across countries. We argue here but it varies systematically with labor's power and political influence. However, measuring labor power is difficult - particularly in developing countries, which constitute the vast majority of our sample. The most direct indicator of labor power is unionization rates. However union density and unionization rates are not directly comparable across developing countries. Many developing countries mandate compulsory membership in unions. As a result unionization rates may give an accurate picture of the power of labor in developing countries. For example China has one of the highest union density rates in the developing world yet labor has very little bargaining power (Rudra 2002). Even more problematic, is the fact that

unionization rates simply don't exist for the vast majority of the country-years in our sample.

Rudra (2002) constructs an indirect measure of labor power. This variable labelled labor power (or PLP by Rudra) captures the dynamic nature of labor's influence and is comparable across developing countries. It is measured by the ratio of skilled unskilled workers multiplied by one divided by surplus labor as a percentage of working age population. This measure decreases as the number of low skilled workers increases relative to skilled workers and a surplus labor expands. Rudra demonstrates that this measure of labor power aligns well with other qualitative rankings of labor power. See Rudra (2002) for further details.

We use as a second measure of labor power the ratio of skilled to unskilled workers. The assumption, derived from Rudra and others, is that skilled workers are better able to organize and lobby. Higher values of this ratio indicate greater levels of labor power.

We include several important control variables. *GDP per capita* is included as a proxy for overall economic development. Previous studies consistently find a negative correlation between economic development and the number of IMF conditions (Steinwand and Stone 2008, Table 4).

Debt service, measured as a percent of exports, excluding remittances is also included. Countries that use a large portion of their exports for debt service are likely to be particularly dependent upon non-market sources of financing. Without exception, previous studies have found that high burdens of debt service increase the likelihood of IMF participation (Steinwand and Stone 2008). Also included is the amount of US aid received in a given year, government ideology, the number of veto players, and the country's Polity score.

A simple linear time trend is included to control for alternative theories of change over time. The variable *Year* is coded 0 in 1980 and 20 in 2000. If this variable is significant, then it would suggest that there is an aspect of the underlying process which is not being captured by the explanatory variables in the model. A similar technique is used by Gould (2003) in her seminal study of bank-friendly IMF conditions.³

Results

We find substantial variation in the pattern of labor conditionality across countries.⁴ Labor market reform conditions tend to be more frequent in countries where domestic labor is weak. The more powerful domestic labor, the fewer labor conditions included in IMF programs. This is made clear by several of the results reported in Table x. Both measures of labor power are negative signed and statistically significant at conventional levels. The first, a simple ratio of skilled to unskilled labor, is significant at the 0.01 level and substantively powerful. A one standard deviation increase in this measure of labor power results in 20 percent decrease in the scope of labor conditions. Similarly, the second measure of labor power has a negative and significant effect on labor conditions. A one standard deviation increase over the mean of labor power again results in a 20 percent decrease in labor conditions. This suggest that the cross-national variation in labor conditionality can be explained in part by the power of domestic labor. Where labor is politically powerful, national governments appear to accept fewer labor conditions as part of IMF programs.⁵

³ Including year fixed effects rather than a linear time trend produce very similar estimates. Results not reported here but are available from the authors upon request.

⁴ We also find an upward trend in labor conditionality over time.

⁵ These results are consistent with the finding that left governments tend to receive and accept fewer labor market reform conditions than right and center governments. The negative coefficient is not, however, consistently statistically significant. For example, it is not robust in models estimated with a

Although impressive, these results may understate the importance of domestic labor organization. In countries where labor is relatively weak, pro-market (i.e. anti-labor) reforms are more likely to have occurred prior to an IMF program. This suggests that although there may be relatively less need (or room) for reform in weak-labor countries, this is precisely where we tend to see frequent labor market reform conditions.

It seems reasonable to suggest, however, that the important of domestic labor will likely vary across regimes. Autocratic leaders beholden to only a small selectorate will likely be less beholden and therefore less responsive to the interests of labor – either organized or not. However, democratically elected leaders have greater incentives to respond to the interests of labor – particularly when labor is organized and politically powerful. This suggests that the effect of labor power may be conditional on domestic institutions. To test this hypothesis, we interact our two measures of labor power with a measure of democracy, namely Polity. For ease of interpretation, we transform the original Polity scale (-10 to 10) by adding 10 points to the original score. This gives us a range from 0 (least democratic) to 20 (most democratic).

Polity by itself is negative and statistically significant. This suggests that democratically elected governments are relatively less likely to accept labor conditions. This finding stands in contrast to arguments that government use IMF conditions to implement reforms that they otherwise would not be able to because of domestic constraints. Interestingly, we also find a positive correlation between democracy and labor conditions when a time trend is not included in the estimated model. A simple linear time trend reverses the sign on the coefficient of democracy suggesting that the positive correlation between democracy and conditionality is

linear time trend. However, it is significant at conventional levels in models that include year dummies and in selection models.

perhaps a spurious correlation resulting from the fact that both democracy and labor conditionality have increased over time. When a simple linear time trend is included to account for this, the estimated effect of democracy on labor conditionality is negative. This suggests that more constrained governments accept fewer conditions rather than more conditions as suggested by some (e.g. XXX). Further evidence on this point is provided by the negative and insignificant coefficient on *Checks* in Model 4 of Table 2. The variable, *Checks*, is constructed to capture the number of actors who exercise an opposing force to executive leadership. The measure increases by one for each of the following possible checks on executive autonomy: competitive elections, presidential systems and opposition party control over the legislature. This measure of domestic constraints suggests that if anything governments facing greater constraints accept fewer conditions from the IMF. However, it is important to note that this variable does not reach conventional levels of statistical significance casting further doubt on the explanatory power of domestic constraints for IMF conditions.

As expected, labor strength matters relatively more in democratic states. This is illustrated graphically by Figure 2. The solid line in Figure 2 indicates how the marginal effect of labor power changes across various levels of democracy. The broken lines represent the 95% confidence intervals (for two-tailed tests), which allow us to determine the conditions under which labor power has a statistically significant effect on labor conditions. Whenever the upper and lower bounds of the confidence interval are both above (or below) the zero line, the relationship between openness and spending is statistically significant (Brambor et al., 2006: 76).

The effect of labor power is conditional on levels of democracy. Labor strength has the largest reductive effect on labor conditions at the highest levels of democracy. When countries are fully democratic (i.e. they obtain the maximum value

on the Polity scale – here 20), an increase in labor power of one standard deviation reduces the expected number of labor conditions by nearly 40 percent. The same increase in labor power in autocratic states (i.e. where the Polity score equal zero) has no robust effect on the expected number of labor conditions. Indeed, when the Polity score falls below -5, labor’s strength is not a robust predictor of IMF labor conditions. In autocracies, the strength and organization of labor does not matter. This is presumably because leaders in autocratic regimes can retain power via the support of a relatively small selectorate, such as the military or landed elite. As a result, they need not be overly responsive to the demands of workers, even when workers are relatively well organized.

As the size of the selectorate increases (i.e. the regime becomes more democratic), the importance of labor strength increases. Strong, well organized labor groups have relatively more influence on the scope of IMF labor conditions in democratic states. This is arguably because democratically elected leaders interested in maximizing the chances of re-election are responsive to demands from strong labor groups to oppose labor market liberalization and wage restraints.

This conditional effect holds for both measures of labor strength. Figure 3 illustrates the marginal effect of labor power across various levels of democracy using the second measure of labor power. Again, labor power has the smallest effect in autocracies. As the level of democracy increases, the reductive effect of strong labor on IMF labor conditions increases. Powerful labor has the largest reductive effect on labor conditions in the most democratic states. An increase in labor power of one standard deviation reduces the average expected number of labor conditions by more than 50 percent. Well organized labor has the opportunity to influence IMF labor

conditions in democratic states. However, even strong labor groups have limited influence in autocratic states.

A few words about the estimated effects of the other variables. Democracy does not appear to have a consistently robust effect on labor conditionality. Checks does not have a robust effect on IMF labor conditions. US aid is consistently negative and often highly significant. It appears that amongst countries under IMF programs, those that receive substantial amounts of US aid tend to have fewer labor conditions. Debt service does not have a consistent effect on labor conditionality. Although debt service is a robust predictor of which countries will enter IMF programs, it does not appear to be a robust predictor of what these programs entail with respect to labor conditions. GDP per capita is consistently negative and frequently statistically significant. Richer countries receive fewer labor conditions, all else equal.

Robustness checks

It is increasingly becoming standard practice to run some sort of selection model when examining IMF programs. This is because IMF programs are not an random treatment effect. Countries only enter into IMF programs when they are experiencing economic difficulties. Therefore to correctly estimate the effects of IMF programs, one must first account for the reasons why countries enter into IMF programs in the first place. This is a compelling reasons to estimate selection models when investigating the effect of IMF programs on observable outcomes such as income inequality or infant mortality. However, it is less clear whether selection models are necessary (or even appropriate) for studies of conditions in IMF programs. Leaving this debate aside, we test to see whether our results are robust to an alternative model specification that first estimates the probability of entering into an IMF program and

then estimates the expected effect of domestic constraints on labor conditions. We do so using a two-step Heckman selection model.

The total reserves in months of imports is used as a proxy of a government's liquidity concerns (Pop-Eleches 2009). Reserves are used in the selection equation but not the outcome equation. Reserves likely affect countries decisions to seek IMF help. However, reserve levels are unlikely to influence labor related conditionality. Labor conditions will generally not help countries overcome critically low foreign reserve levels.

The selection model results are reported in Table 4. As expected, reserves are a robust predictor of IMF programs. Countries with low foreign reserve levels are more likely to enter an IMF program. Countries with high levels of debt service are relatively more likely to enter an IMF program. Richer countries are less likely to be under IMF programs. After correcting for the non-random selection of countries into IMF programs, we find strikingly similar results for labor conditions. As before, countries with strong labor receive relatively fewer labor conditions. The magnitude of the coefficients on both measures of labor power is remarkably similar across the two models. However, the coefficients estimated using the Heckman selection model are slightly larger. As before, increases in labor strength tend to correlate with fewer labor conditions and labor power matters relatively more in democracies than non-democracies. Interestingly, once we correct for selection bias the variable, *Left executive*, reaches conventional levels of statistical significance, albeit at the 10 percent level. The is a simple dummy variable coded 1 for left executives and 0 for right or center executives. It comes from the Database of Political Institutions. As before, the estimated coefficient is negative suggesting that left executives accept fewer labor market reform conditions than right governments. This in further indirect

evidence of the influence of domestic labor on IMF labor conditionality. Labor often makes up an important part of left governments constituents and support base. Left governments may therefore be relatively less willing to take on labor market reforms that are (or are perceived to be) in the interests of capital rather than labor.

As a additional robustness check, we test to see if there are any differences when soft conditions are excluded. Recall that soft conditions differ from hard conditions in that they are less binding. By including them in the full sample, we may have set up a difficult test of our hypotheses as national governments may only work again hard labor conditions and concede to soft conditions. Including soft conditions in the sample might bias against finding results. To test for this possibility, we re-run all models excluding soft conditionality. All measures of hard conditionality are included (i.e. performance criteria, benchmarks, indicative targets and prior actions) and their weightings remain the same as before.

Excluding soft conditions improves our results. Labor power reduces the number of hard labor conditions. Countries with relatively stronger labor organization receive fewer labor market reform conditions. The reductive effect of labor power is relatively larger in democratic states. In autocratic states (i.e. Polity equals zero here or -10 in the traditional scaling), labor power has no statistically significant effect on labor conditionality. However, in democratic states (i.e. those where Polity is greater than zero on the traditional scale) labor's power has a robust negative effect on labor conditionality. This reductive effect is higher at higher levels of democracy. At the highest level of democracy (i.e. Polity equals 20 here or 10 on the traditional scale), an increase in labor power of one standard deviation reduces labor conditions by 72 percent. As expected, labor power matters relatively more for hard conditions.

Up to this point, we have used the number of labor conditions and level of conditionality as reported in IMF staff reports. Staff reports present the Fund's assessment of the country's economic situations. Of course, this may differ from the borrower's analysis of their economic problems. The borrower's position is laid out in policy memoranda – sometimes but not always called Memoranda of Economic and Financial Policy. These papers follow the letters of intent and present the borrower's analysis of their economic programs and lay out the policies that they will carry out to address these problems. We examine these papers and identify the labor conditions that countries identify. Using the labor conditions identified in the Memoranda of Economic and Financial Policy, we test to see if similar patterns emerge. These results are reported in Table 6. Again, we find very similar results.

As an additional robustness check, we examine the labor conditions included in the Arrangement letters. These are essentially the contract for the loan. They spell out the conditions that a country must meet in order to receive the next loan disbursement. They do not include prior actions or soft conditions. The terms of the arrangement letters change over the course of the loan. To capture this, we code every arrangement letter. The effects of domestic politics and labor strength on the actual loan contracts are reported in Table 7. Again, we find very similar results. Amongst countries under IMF programs, those with relatively strong domestic labor groups will tend to have fewer labor conditions included in their arrangement letters. Labor power has a relatively larger reductive effect in democracies, as compared to non-democracies.

Conclusions and implications

Although critics allege that the IMF imposes uniform policies across countries regardless of countries individual characteristics and circumstances, we find evidence

to the contrary. In fact, we find evidence that IMF programs are responsive to the interests of key domestic groups including labor. The interests of workers are reflected in the design of IMF programs. Where workers are politically powerful, their interests are represented by the national governments in negotiations with the IMF as a result countries with strong labor receive fewer labor market reform conditions in countries with weaker labor. We argue this is because labor market reform conditions are opposed by domestic workers; these conditions frequently entail losses in the short to medium term for workers. When labor is powerful, they are able to persuade national governments to oppose these conditions in IMF programs. The power of labor matters relatively more in democracies. Democratically elected leaders have a greater incentive to be responsive to powerful labor. By working on behalf of organized labor, democratically elected leaders hope to maximize their chances of re-election. Thus, domestic interests matter relatively more for IMF programs in democracies, as compared to autocracies. A potential policy implication of this finding is that those concerned with the contents of IMF programs and their effects on labor may be better served by working for the promotion of democracy rather than the reform of the IMF.

Our results suggest that national governments do not use the Fund for political cover. Recent theories have suggested that this may be the case. The logic is that national governments facing institutional constraints are willing to accept more conditions from the Fund in order to overcome these domestic constraints. We find no evidence of this. In fact, we find that national governments are beholden to and responsive to the interests of domestic voters even in the face of economic crises. National governments represent domestic interests at the international bargaining table.

Our findings have important implications for studies of the effects of IMF programs. Many studies attempt to estimate the effects of IMF program on important economic outcomes. Several have focused specifically on outcomes relevant for workers. For example, Vreeland (2002) studies the effect of IMF programs on the labor share of income for manufacturing. Nooruddin and Vreeland (2010) examined the effect of IMF programs on public wages and salaries. These studies and others like them assume that the distribution of labor market reform conditions is uniformly and/or randomly distributed across countries. This assumption is needed to justify their use of a simple dichotomous variable indicating a IMF program. However our research is shown that not all IMF programs contain labor market reform conditions. Furthermore the distribution of labor market reform conditions is neither randomly more uniformly distributed across IMF programs. If conditions matter, then one must account for the conditions in IMF programs to accurately explain the effect of IMF participation on economic outcomes. IMF programs with labor market reform conditions will likely have different effects on economic outcomes than IMF programs without labor market reform conditions. To accurately estimate the effect of IMF programs on labor related outcomes, such as wages, it is necessary to account for the systematic variation in labor market reform conditions demonstrated here.

Appendix I

I. Documents Coded

We coded three types of documents: memoranda of economic and financial policy, staff reports, and arrangement letters.

Policy memoranda are prepared by the borrower. They are usually, but not always, called Memoranda of Economic and Financial Policy. These policy papers follow the letters of intent and present the borrower's analysis of the economic problems that the country faces and lays out the policies that it will carry out to address them.

Code: MEFP

Staff reports present the IMF's assessment of the country's economic situation. These reports are prepared at the time a loan is requested and at the end of each review period. They are lengthy analyses that include a proposed decision about alterations to the arrangement letter. Ideally we would code all reviews completely, but since we are short on time, we will only code staff reports that are made at the time of the initial loan request.

Code: SR

Arrangement letters are essentially the contract for the loan. They spell out the conditions that a country must meet in order to receive the next loan disbursement. The terms of the arrangement letters change over the course of the loan. We coded every arrangement letter. Arrangement letters usually appear as a separate file. For loans that extend across multiple years, some issue new arrangement letters yearly while others do not.

Code: ARR

II. Loan types

<u>Type of loan</u>	<u>Code</u>
Stand-by arrangement	SBA
Extended arrangement	EXA
Structural adjustment loan	SAL
Enhanced structural adjustment facility	ESA
Poverty reduction and growth facility	PRGF

III. Coding of conditionality

We track four different types of conditionality: performance criteria (PC), benchmarks (BM), prior actions (PA), indicative targets (IT), and soft conditionality (SC).

Performance criteria, benchmarks, indicative targets, and prior actions are laid out explicitly in the documents. Performance criteria are the strongest form of conditionality, followed by benchmarks and indicative targets. Prior actions are steps that a country must take before a loan is given or before the next stage of the program. Soft conditionality refers to policy expectations (by the IMF) or policy commitments

(by the borrowing country) that are less binding than performance criteria and benchmarks.

<u>Level of conditionality</u>	<u>Code</u>
Performance criterion	4
Benchmark	3
Indicative targets	3
Prior actions	2
Soft conditionality	1
None	0

Note: Arrangement letters never have soft conditionality or prior actions.

IV. Labor issue areas

We track nine issue areas and code EACH LEVEL of conditionality for each issue area. If there are multiple actions at the same level of conditionality for a particular issue-conditionality pair, then only count it once. If there are performance criteria, benchmarks, and/or indicative targets in an issue area in a document, do not code for soft conditionality for that issue area in that document.

Public sector wage levels (PSW)

Public sector employment levels - includes capitalization and outsourcing/contracting of functions formerly within a public enterprise (PSE)

Privatization - includes reorganization, denationalization, divestiture (PRI)

Minimum wages - private sector (MIN)

Private sector wage restraint other than minimum wages (PRW)

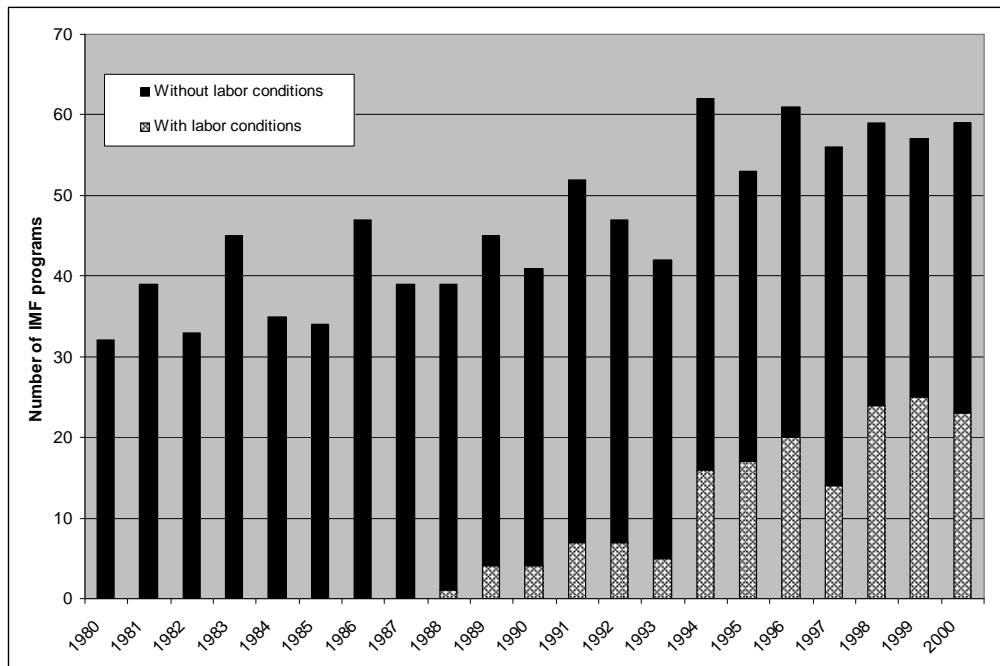
Social security - reducing social security provisions, including health care, disability provisions, unemployment insurance and payroll taxes (SOC)

Public pension reforms - reducing costs and changing public pension system (PEN)

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” (FLE)

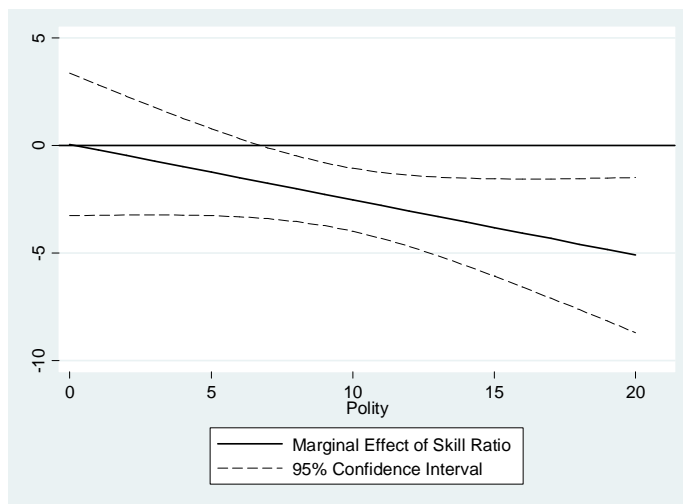
Collective bargaining decentralization (CBD)

Figure 1: Number of IMF programs by year



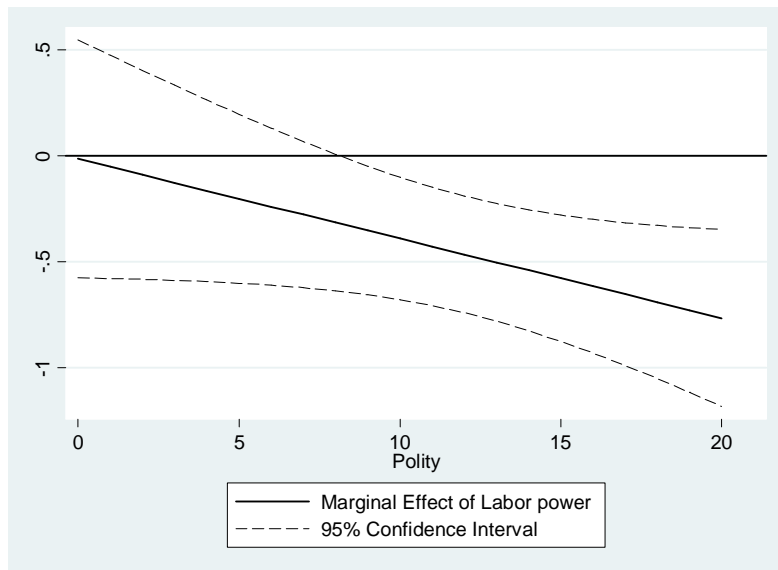
Notes: Labor conditions reported here include only performance criteria coded from staff reports made at the time of the initial loan request.

Figure 2: Marginal effect of skill ratio on labor conditionality



Notes: Estimated using Model 9 from Table x where the dependent variable is the index of total labor conditionality coded using Staff Reports.

Figure 3: Marginal effect of labor power on labor conditionality



Notes: Estimated using Model 11 from Table 1 where the dependent variable is the index of total labor conditionality coded using Staff Reports.

Figure 4: Marginal effect of skill ratio on hard labor conditions

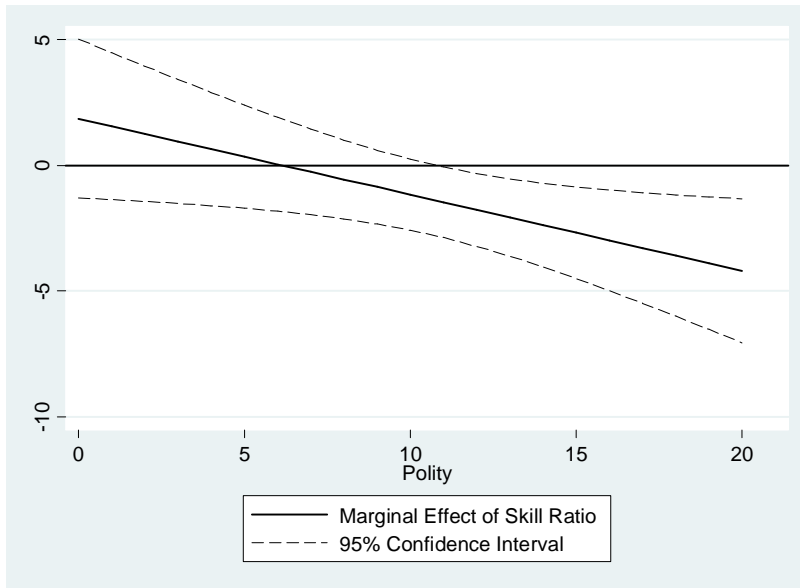


Figure 5: Marginal effect of labor power on hard labor conditions

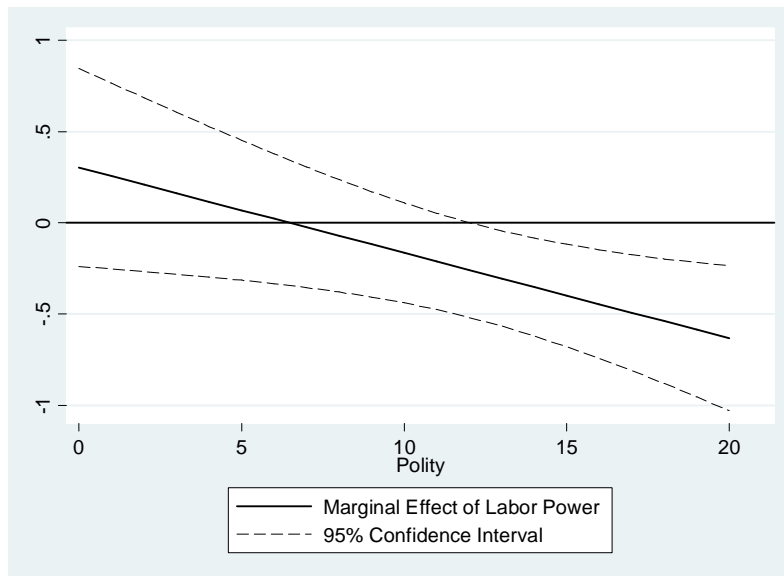


Table 1: Number of conditions by issue area and type of conditionality

	Decentralized Collective Bargaining	Labor Market Flexibility	Minimum Wages	Pensions	Privatization	Private Sector Wages	Public Sector Employments	Public Sector Wages	Social Security	Total
Performance criteria	0	2	1	11	111	2	45	44	4	220
Benchmark	1	17	0	44	298	0	130	66	21	577
Prior Action	0	1	1	11	82	2	27	12	3	139
Indicative Target	0	0	0	0	0	0	0	24	0	24
Soft	20	75	55	112	414	100	459	543	62	1840
Total	21	95	57	178	905	104	661	689	90	2800

Notes: Coded from staff reports made at the time of the initial loan request.

Table 2: Total labor conditions from staff reports with linear time trend

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
GDP per capita (nl)	-0.576*** (0.18)	-0.536*** (0.18)	-0.580*** (0.18)	-0.609*** (0.19)	-0.466** (0.20)	-0.802*** (0.24)	-0.796*** (0.24)	-0.0367 (0.20)	-0.0634 (0.21)	-0.0804 (0.21)	-0.105 (0.21)
Debt service	-0.0118 (0.013)	-0.0103 (0.013)	-0.00952 (0.014)	-0.00727 (0.016)	-0.00832 (0.015)	0.00113 (0.018)	-0.0007 (0.019)	0.0349* (0.019)	0.0365* (0.019)	0.0277 (0.019)	0.0259 (0.019)
Reserves		-0.112 (0.077)									
US aid			-2.494*** (0.88)	-2.232*** (0.79)	-2.235*** (0.67)	-1.722 (1.54)	-1.596 (1.49)	-0.168 (0.75)	-0.308 (0.72)	-0.372 (0.73)	-0.477 (0.69)
Checks				-0.0484 (0.15)							
Polity					-0.0671* (0.037)	-0.00683 (0.039)	0.0209 (0.064)	-0.0560 (0.048)	0.0186 (0.069)	-0.0503 (0.049)	0.00220 (0.061)
Left executive						-0.776 (0.47)	-0.115 (1.11)				
Polity*Left executive							-0.0452 (0.079)				
Skill ratio								-2.956*** (0.84)	0.0489 (1.69)		
Polity*Skill ratio									-0.257 (0.16)		
Labor power										-0.526*** (0.14)	-0.0152 (0.29)
Polity*Labor power											-0.0375* (0.020)
Year	0.371*** (0.030)	0.382*** (0.030)	0.365*** (0.031)	0.378*** (0.035)	0.393*** (0.037)	0.340*** (0.042)	0.343*** (0.043)	0.326*** (0.055)	0.329*** (0.057)	0.338*** (0.058)	0.343*** (0.060)
Constant	5.014*** (1.22)	4.914*** (1.22)	5.264*** (1.24)	5.367*** (1.25)	4.845*** (1.31)	6.961*** (1.74)	6.480*** (1.91)	1.676 (1.21)	0.958 (1.27)	1.878 (1.23)	1.368 (1.23)
Observations	820	803	770	716	714	379	379	252	252	252	252
R-squared	0.28	0.28	0.29	0.29	0.29	0.29	0.29	0.29	0.31	0.30	0.31

Table 3: Total labor conditions from staff reports with year fixed effects (suppressed)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
GDP per capita (nl)	-0.568*** (0.177)	-0.528*** (0.182)	-0.568*** (0.182)	-0.602*** (0.190)	-0.469** (0.202)	-0.867*** (0.248)	-0.862*** (0.250)	0.00549 (0.206)	-0.0170 (0.217)	-0.0564 (0.213)	-0.0750 (0.216)
Debt service	-0.0116 (0.0136)	-0.00987 (0.0137)	-0.00902 (0.0145)	-0.00664 (0.0156)	-0.00734 (0.0155)	-0.00248 (0.0200)	-0.00364 (0.0208)	0.0394* (0.0209)	0.0410* (0.0215)	0.0319 (0.0208)	0.0316 (0.0214)
Total reserves		-0.113 (0.0770)									
US aid (billions)			-2.398*** (0.849)	-2.154*** (0.780)	-2.199*** (0.690)	-2.153 (1.672)	-2.066 (1.643)	-0.240 (0.732)	-0.381 (0.709)	-0.445 (0.723)	-0.540 (0.696)
Checks				-0.0436 (0.153)							
Polity					-0.0634* (0.0378)	0.00484 (0.0398)	0.0231 (0.0638)	-0.0614 (0.0493)	0.00355 (0.0680)	-0.0544 (0.0498)	-0.0108 (0.0648)
Left executive						-0.947* (0.499)	-0.502 (1.167)				
Polity*Left executive							-0.0303 (0.0792)				
Skill ratio								-2.798*** (0.832)	-0.183 (1.671)		
Polity*Skill ratio									-0.223 (0.152)		
Labor power										-0.459*** (0.153)	-0.0393 (0.310)
Polity*Labor power											-0.0308 (0.0227)
Constant	5.595*** (1.215)	5.563*** (1.236)	5.737*** (1.224)	5.965*** (1.237)	5.357*** (1.313)	8.627*** (1.860)	8.267*** (1.992)	1.763 (1.267)	1.170 (1.310)	2.075 (1.281)	1.707 (1.277)
Observations	820	803	770	716	714	379	379	252	252	252	252
R-squared	0.297	0.295	0.300	0.304	0.305	0.318	0.318	0.353	0.361	0.355	0.360

Table 4: Heckman selection model of total labor conditions from staff reports

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Second stage:										
Total (staff reports)										
GDP per capita (nl)	-0.344 (0.224)	-0.317 (0.285)	-0.378 (0.270)	-0.171 (0.419)	-0.872*** (0.287)	-0.863*** (0.276)	0.351 (0.971)	0.464 (1.328)	0.414 (1.236)	0.493 (1.503)
Debt service	-0.0510 (0.0323)	-0.0437 (0.0353)	-0.0411 (0.0369)	-0.0482 (0.0562)	-0.120 (0.293)	-0.117 (0.282)	0.196 (0.384)	0.256 (0.526)	0.232 (0.488)	0.274 (0.594)
US aid (billions)		-2.329** (0.921)	-2.065** (0.945)	-2.187** (0.930)	-1.970 (1.749)	-1.850 (1.694)	-0.108 (1.120)	-0.237 (1.532)	-0.296 (1.410)	-0.393 (1.716)
Checks			-0.0618 (0.103)							
Polity				-0.0702*** (0.0254)	-0.0105 (0.0395)	0.0142 (0.0599)	-0.0578 (0.0387)	0.0221 (0.0873)	-0.0525 (0.0489)	0.00356 (0.0836)
Left executive					-0.806* (0.447)	-0.222 (1.205)				
Polity*Left executive						-0.0395 (0.0757)				
Skill ratio							-2.977*** (1.102)	0.258 (3.234)		
Polity*skill ratio								-0.278 (0.246)		
Labor power									-0.537** (0.214)	0.0119 (0.648)
Polity*Labor power										-0.0404 (0.0425)
Year	0.383*** (0.0238)	0.374*** (0.0245)	0.389*** (0.0271)	0.401*** (0.0274)	0.349*** (0.0383)	0.351*** (0.0369)	0.328*** (0.0479)	0.332*** (0.0654)	0.341*** (0.0614)	0.347*** (0.0749)
Constant	7.589*** (2.233)	7.016*** (1.993)	7.155*** (2.112)	6.884** (2.988)	18.07 (25.88)	17.22 (24.95)	-13.74 (36.30)	-20.14 (49.77)	-17.70 (46.21)	-22.45 (56.31)
Observations (censored)	803	754	701	698	375	375	252	252	252	252

First stage: IMF program

GDP per capita (nl)	-0.0739**	-0.108***	-0.101***	-0.117***	0.00651	0.00651	0.0736*	0.0736*	0.0736*	0.0736*
	(0.0294)	(0.0298)	(0.0303)	(0.0302)	(0.0358)	(0.0358)	(0.0405)	(0.0405)	(0.0405)	(0.0405)
Debt service	0.0170***	0.0181***	0.0200***	0.0194***	0.0246***	0.0246***	0.0306***	0.0306***	0.0306***	0.0306***
	(0.00261)	(0.00269)	(0.00278)	(0.00274)	(0.00320)	(0.00320)	(0.00370)	(0.00370)	(0.00370)	(0.00370)
Total reserves	-0.0352**	-0.0314**	-0.0326**	-0.0149	-0.00104	-0.00104	-0.000354	-0.000354	-0.000354	-0.000354
	(0.0139)	(0.0140)	(0.0143)	(0.0142)	(0.0166)	(0.0166)	(0.0182)	(0.0182)	(0.0182)	(0.0182)
Constant	0.229	0.384*	0.259	0.316	-1.029***	-1.029***	-1.845***	-1.845***	-1.845***	-1.845***
	(0.201)	(0.202)	(0.206)	(0.205)	(0.243)	(0.243)	(0.283)	(0.283)	(0.283)	(0.283)
lambda	-4.214	-3.454	-3.126	-3.694	-7.187	-6.915	7.232	9.869	9.182	11.15
	(3.104)	(3.239)	(3.074)	(4.901)	(16.95)	(16.32)	(16.89)	(23.13)	(21.50)	(26.18)
Observations	904	904	904	904	904	904	904	904	904	904

Table 5: Hard labor conditions from staff reports

	(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
GDP per capita (nl)	-0.768*** (0.159)	-0.766*** (0.164)	-0.807*** (0.176)	-0.687*** (0.191)	-1.055*** (0.214)	-1.051*** (0.214)	-0.471** (0.189)	-0.503*** (0.186)	-0.482** (0.191)	-0.513*** (0.182)
Debt service	-0.0211* (0.0122)	-0.0204 (0.0128)	-0.0190 (0.0139)	-0.0196 (0.0135)	-0.00743 (0.0186)	-0.00862 (0.0192)	0.00885 (0.0180)	0.0108 (0.0180)	0.00492 (0.0176)	0.00266 (0.0174)
US aid (billions)		-2.318*** (0.655)	-2.015*** (0.646)	-2.088*** (0.718)	-1.100 (1.522)	-1.020 (1.508)	-0.694 (0.551)	-0.858 (0.555)	-0.797 (0.526)	-0.928* (0.520)
Checks			-0.0172 (0.149)							
Polity				-0.0584 (0.0376)	0.0112 (0.0409)	0.0289 (0.0669)	-0.0114 (0.0465)	0.0764 (0.0638)	-0.00863 (0.0468)	0.0569 (0.0568)
Left executive					-0.627 (0.449)	-0.206 (1.083)				
Polity*Left executive						-0.0288 (0.0785)				
Skill ratio							-1.680** (0.795)	1.856 (1.608)		
Polity*Skill ratio								-0.303** (0.136)		
Labor power									-0.335** (0.134)	0.303 (0.277)
Polity*Labor power										-0.0468** (0.0198)
Year	0.382*** (0.0300)	0.377*** (0.0319)	0.390*** (0.0361)	0.404*** (0.0380)	0.352*** (0.0439)	0.354*** (0.0454)	0.243*** (0.0581)	0.247*** (0.0609)	0.251*** (0.0604)	0.258*** (0.0622)
Constant	4.377*** (1.097)	4.582*** (1.131)	4.713*** (1.140)	4.350*** (1.222)	6.355*** (1.427)	6.049*** (1.654)	3.118** (1.377)	2.273* (1.345)	3.178** (1.367)	2.541* (1.300)
Observations	820	770	716	714	379	379	252	252	252	252
R-squared	0.293	0.297	0.302	0.303	0.306	0.306	0.229	0.244	0.236	0.251

Table 6: Total labor conditions from the Memoranda of Economic and Financial Policy

	(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
GDP per capita (nl)	-0.581*** (0.169)	-0.577*** (0.175)	-0.614*** (0.190)	-0.491** (0.195)	-0.743*** (0.243)	-0.735*** (0.244)	-0.00745 (0.182)	-0.0346 (0.186)	-0.0753 (0.198)	-0.0981 (0.199)
Debt service	-0.0240* (0.0131)	-0.0237* (0.0140)	-0.0228 (0.0155)	-0.0219 (0.0148)	-0.0208 (0.0206)	-0.0231 (0.0212)	0.0319 (0.0193)	0.0331 (0.0198)	0.0241 (0.0192)	0.0223 (0.0198)
US aid (billions)		-2.600*** (0.735)	-2.380*** (0.660)	-2.287*** (0.594)	-1.596 (1.577)	-1.436 (1.494)	-0.0224 (0.684)	-0.151 (0.633)	-0.261 (0.669)	-0.351 (0.627)
Checks			-0.0493 (0.150)							
Polity				-0.0618* (0.0361)	-0.0147 (0.0395)	0.0207 (0.0649)	-0.0489 (0.0460)	0.0223 (0.0637)	-0.0420 (0.0468)	0.00428 (0.0576)
Left executive					-0.540 (0.512)	0.306 (1.127)				
Polity*Left executive						-0.0578 (0.0802)				
Skill ratio							-3.157*** (0.744)	-0.284 (1.598)		
Polity*Skill ratio								-0.246* (0.138)		
Labor power									-0.507*** (0.129)	-0.0564 (0.281)
Polity*Labor power										-0.0331* (0.0194)
Year	0.400*** (0.0298)	0.393*** (0.0309)	0.408*** (0.0365)	0.418*** (0.0366)	0.373*** (0.0424)	0.376*** (0.0434)	0.325*** (0.0499)	0.329*** (0.0520)	0.336*** (0.0530)	0.340*** (0.0541)
Constant	4.964*** (1.178)	5.212*** (1.199)	5.411*** (1.233)	4.918*** (1.252)	6.566*** (1.659)	5.950*** (1.782)	1.287 (1.131)	0.617 (1.119)	1.583 (1.175)	1.143 (1.168)
Observations	819	769	715	713	378	378	251	251	251	251
R-squared	0.322	0.325	0.329	0.330	0.322	0.324	0.306	0.316	0.307	0.314

Table 7: Total labor conditionality from Arrangement Letters

	(1)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
GDP per capita (nl)	-0.775*** (0.104)	-0.752*** (0.101)	-0.773*** (0.105)	-0.794*** (0.116)	-1.015*** (0.157)	-1.008*** (0.154)	-0.419*** (0.148)	-0.446*** (0.142)	-0.443*** (0.155)	-0.468*** (0.145)
Debt service	-0.00858 (0.00981)	-0.00736 (0.0104)	-0.00613 (0.0107)	-0.00371 (0.0108)	0.0144 (0.0152)	0.0124 (0.0143)	-0.00214 (0.0171)	-0.0005 (0.0171)	-0.00562 (0.0171)	-0.00738 (0.0172)
US aid (billions)		-2.032*** (0.615)	-1.871*** (0.554)	-1.857*** (0.584)	-2.963*** (1.006)	-2.827*** (1.042)	-0.595 (0.439)	-0.737* (0.405)	-0.697 (0.437)	-0.799* (0.404)
Checks			0.00550 (0.113)							
Polity				0.00229 (0.0269)	0.0426 (0.0345)	0.0726 (0.0600)	0.0196 (0.0314)	0.0953* (0.0532)	0.0225 (0.0320)	0.0736 (0.0447)
Left executive					-0.396 (0.397)	0.319 (0.850)				
Polity*Left executive						-0.0489 (0.0622)				
Skill ratio							-1.429** (0.688)	1.617 (1.090)		
Polity*Skill ratio								-0.261** (0.104)		
Labor power									-0.246** (0.111)	0.251 (0.187)
Polity*Labor power										-0.0365** (0.0155)
Year	0.176*** (0.0235)	0.180*** (0.0248)	0.189*** (0.0259)	0.179*** (0.0256)	0.159*** (0.0334)	0.161*** (0.0340)	0.138*** (0.0320)	0.141*** (0.0341)	0.144*** (0.0337)	0.149*** (0.0350)
Constant	5.064*** (0.731)	5.038*** (0.732)	5.026*** (0.700)	5.164*** (0.768)	6.205*** (0.967)	5.685*** (1.211)	2.943** (1.106)	2.215** (1.005)	3.053*** (1.128)	2.557** (1.046)
Observations	820	770	716	714	379	379	252	252	252	252
R-squared	0.163	0.175	0.183	0.180	0.181	0.182	0.183	0.203	0.186	0.201