

Changing IMF Quotas: The Role of the United States Congress

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Abstract: Increasing IMF quotas (or changing their distribution) requires the approval of the United States, which maintains enough votes at the IMF to block such decisions. Any change in the U.S. quota, in turn, must be approved by the U.S. Congress – a feature of U.S. law which gives Congress a central role in quota determination. In this paper, I analyze congressional votes on legislation to increase the U.S. quota subscription to the IMF. I argue that legislators are more likely to support a quota increase (1) the more “liberal” their ideology, (2) the larger the share of high-skilled “pro-globalization” voters residing in their districts, and (3) the larger the share of campaign contributions they get from banks that specialize in international lending. Statistical tests of congressional voting on requests for quota increases in 1983 and 1998 provide support for these arguments.

1. Introduction

The United States is positioned at the International Monetary Fund (IMF or Fund) to unilaterally veto changes in the size or distribution of “quotas.”¹ This is because altering quotas requires an 85 percent majority in the IMF’s Board of Governors, and the U.S. has never held less than 17 percent of the votes. No matter how intensely other members feel about the need for increasing or redistributing quotas, opposition by the United States alone can block any quota adjustment. On quotas, the U.S. is predominant.

In this paper, I investigate the sources of U.S. policy toward quotas. Rather than treating the United States as a single entity with a unified “national interest” toward the Fund, I consider the preferences of the political actors within the U.S. who exert power over quotas. Specifically, I analyze how members of Congress vote on requests for quota increases. Although many actors within the United States battle to influence U.S. policy toward the IMF – the President, the Treasury Secretary, U.S. officials at the Fund, commercial banks, environmental lobbies, peak associations, think-tanks, etc.– Congress is crucial because its members have the final authority to approve or deny any change in the U.S. quota.²

Voting for a quota increase is a straightforward way to support the IMF – it increases the resources the Fund has for its lending activities. My goal is to explain why some members of Congress vote in favor of such increases while others vote against them. My arguments and evidence suggest that the votes of U.S. representatives in Congress are responsive to personal

¹ Quotas are the capital subscriptions that member governments make to the IMF. Quotas serve as the main resource for IMF lending activities and determine members’ voting power at the Fund.

² The Bretton Woods Agreement Act of 1944 states that “Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States request or consent to any change in the quota of the United States under the Articles of Agreement of the Fund” (U.S.C. Title 22, Section 286c).

ideology, district constituencies, and interest groups. Of these three factors, I find that personal ideology has the largest impact on how members vote on quota increases. Members with conservative ideologies tend to view international organizations like the IMF as remote and opaque bureaucracies that engage in wasteful interventions in the marketplace. I use data on member ideology to estimate the effect of conservative ideology and find that a one standard deviation increase in conservatism decreases the likelihood that a member will vote for a quota increase by 30 percentage points, on average (27 points for Democrats; 33 points for Republicans). The implication is that a more conservative U.S. Congress is likely to be a greater hurdle to changing quotas than a liberal one.

I also find that representatives are responsive to the preferences of voters in their districts. I argue that voters view the IMF as a force for global economic integration, which is good for high-skilled workers, but bad for low-skilled workers, who must compete with the low-skilled workers in developing countries. I reason that the proportion of high-skilled workers in a district should influence a member's vote on increasing the U.S. quota to the IMF. Members of the House of Representatives who represent more low-skilled workers should vote against the IMF, as the IMF supports policies of increased global integration, while those representing high-skilled workers should support the IMF. This hypothesis is supported by the evidence: increasing the share of district population with high-skills by one standard deviation increases the probability a member will support IMF funding by 7.5 percentage points, on average (10 points for Democrats; 5 points for Republicans).

As for interest groups, I focus on “money center” banks that specialize in international lending, such as Citigroup, J. P. Morgan Chase, and Bank of America.³ These banks have an

interest in supporting quota increases because a strong IMF mitigates the risks of lending to developing countries. If the IMF can help rescue countries when they face an economic crisis, there is a better chance that such countries will not default on loans they owe to these banks. Thus, U.S. representatives who rely on campaign contributions from money center banks should be more likely to support U.S. quota increases than members who do not. This is precisely what I find: the greater the proportion of campaign contributions that come from money center banks, the more likely a representative will be to vote in favor of increasing the US contribution to the IMF.

The effects of ideology, the skill-levels of voters, and campaign contributions from banks are surprisingly statistically significant, even when I control for factors such as political party (which is important because Republicans typically oppose contributions to the IMF, while Democrats have by and large supported them). The strength of these findings suggests that the United States does not act as a singular entity on quota changes. While there are members within Congress that are obstacles to quota increases, there are also members that are allies of the IMF – those who want to give the Fund more resources and more authority to stabilize world financial markets. I examine the battle that occurs at the congressional level because, depending upon who wins it, Congress can be just as much an ally as an obstacle to quota reform.

The paper is organized as follows. In Section 2, I provide a summary of the functions and organization of the IMF, emphasizing the role of quotas. Section 3 contains my arguments and evidentiary strategy, and Section 4 is the empirical analysis of congressional roll-call votes. The final section is the conclusion, which discusses implications.

2. Functions of the IMF and the Role of Quotas

³ Money center banks are located in financial centers like New York, Chicago, and San Francisco. Their clients include governments, corporations, and other banks.

The IMF's mandate is to support global trade and economic growth by providing assistance to countries facing balance-of-payments difficulties. IMF assistance is meant to enable countries to rebuild their reserves, stabilize their currencies, and continue paying for imports, while they adjust policies and make reforms to correct their payments problems. There are two main components to Fund programs— financing and conditionality. Access to, and disbursement of, Fund finance is conditioned on the adoption of policy measures negotiated by the IMF with the recipient country. This “conditionality,” usually takes the form of performance criteria (e.g., inflation and spending targets) and policy benchmarks (e.g. tax reform and privatization). The aim is to alleviate the underlying economic difficulties that led to the balance-of-payments problem.

The IMF's financial resources come from members' subscriptions, which are known as “quotas.” Each country's quota is calculated by a formula reflecting the relative size of its economy, using various measures of output and trade. Total quotas in August 2004 were SDR 213 billion, or about \$311 billion.⁴ Quotas are also significant because they determine members' voting power in the organization. Each member has 250 “basic” votes, plus one additional vote for each part of its quota equal to SDR 100,000. As basic votes comprise only a small fraction of total votes, control of the IMF is heavily weighted toward its larger members. To illustrate, the United States, with its quota of SDR 37.1 billion (about \$54.2 billion) has 371,743 votes (17.1 percent of the total), while Palau has 281 votes (0.013 percent of the total). Large members have even greater clout because important decisions are subject to special majorities. The United

⁴ Special Drawing Rights (SDRs) serve as the unit of account of the IMF. Its value is based on a basket of key international currencies

States, with over 17 percent of the votes, has veto power over decisions that require 85 percent approval, such as changing quotas.

Quotas can be changed in several ways: by increases for all members under a “General Review of Quotas,” by the addition of new members, and by individual members requesting a selective increase due to a change in their position in the world economy. General Reviews are the most common source of increases, and most increases have been equiproportional (equal percentage increase for all members). **Table 1** provides summary information on these reviews.

While General Reviews are occasions to assess the adequacy of Fund resources, they also offer the only real opportunity for countries to try to raise their own *relative* quotas, with an eye toward increasing their voting power. This is because quotas can only go in one direction – with the exception of Honduras in 1948, no country has ever requested a reduction in its quota (Horsefield 1969: 196). Thus, a country trying to increase its voting power will aim for a larger selective share of an overall quota increase during a General Review. As Boughton (2001: 564) put it with respect to the Eighth General Review, “Without a general increase, no redistribution was possible; the larger the increase, the more (in principle) could be accomplished on improving the distribution by allocating increases selectively.” Thus, to redistribute quotas, IMF members must also consent to increase quotas.

General Reviews are held about every five years and have produced eight major increases since 1946.⁵ On each occasion – including those where the IMF’s Board of Governors chose *not* to propose any increase – a major factor affecting outcomes was the difficulty in obtaining authorization from the U.S. Congress for an increase in the U.S. quota.

⁵ Article III, Section 2(a) of the IMF’s Articles of Agreement provides that “the Board of Governors shall at intervals of not more than five years conduct a general review, and if it deems it appropriate propose an adjustment, of quotas of members.”

Although every member country must consent to its quota increase, the procedures for domestic ratification vary and certain countries, such as the United States, require legislative approval and appropriations. Since the U.S. is predominant at the IMF, Congress commands extraordinary leverage in the process of changing quotas. According to Pauly (1997: 113), “Quota increases, although strongly preferred by the Fund, sometimes entail legislative affirmation within member-states. They certainly do in the United States, a reality which has complicated the life of the Fund since the beginning.” Indeed, Boughton (2001: 858-872) cites several cases where quota negotiations at the Fund were influenced by Congress, as in the Seventh General Review, where the size of the quota increase was reduced to expedite congressional approval. Woods (2003) argues that Congress is “recalcitrant” and “feisty” with respect to funding the IMF, and this may increase the influence of the United States at the Fund:

Each time an increase in IMF quotas...has been negotiated, the Congress has used the opportunity to threaten to reduce or withhold the funds, being yet more prepared than even the Executive agencies – Treasury and State Department – to set down special preconditions for U.S. contributions. As a result, other shareholders and officials within the [IMF] have grown used to placating not just the powerful Departments of State and Treasury, but also the feisty U.S. Congress. The overall result seems to have enhanced the capacity of the United States unilaterally to determine aspects of policy and structure within...the IMF.

No general increase in quotas has taken effect without Congress consenting to the U.S. increase (Boughton 2001: 858). Furthermore, anticipation of congressional opposition has affected the size of increases proposed by the IMF. For example, during the Eighth General Review in 1982-83, technical analyses led most of the Fund’s management and membership to favor a 100 percent increase. However, U.S. authorities refused to commit to any increase, due to anticipated congressional opposition. Bowing to the power of the U.S., the IMF’s Board of Governors ultimately voted to raise quotas by 47.5 percent, which was, according to Boughton, “as much as the U.S. authorities were prepared to ask Congress to approve” (2001: 868).

Congress, however, is not a single, unified entity. It is composed of 535 legislators with varied interests and beliefs on the value of funding the IMF. I examine the motivations of legislators because the factors that shape their votes are important to understanding the constraints and opportunities that the U.S. Congress imposes on the process of changing quotas.

In summary, changes to IMF quotas require broad support within the IMF, since 85 percent of the votes are required to approve quota changes. With over 17 percent of the votes, the U.S. is the pivotal actor on quota changes. But U.S. officials at the Fund cannot act independently of Congress. Congress formally approves changes in the U.S. quota, which means that anyone seeking an increase – the President, the Treasury Secretary, the U.S. Executive Director to the IMF, other member governments – must be sensitive to congressional sentiment.

3. Approach and Arguments

Which members of Congress will vote in favor of quota increases? Which will vote against? Legislator positions are influenced by many factors, including partisan identity and expectations about the future consequences of IMF rescues (such as the moral hazard problem). I make the standard assumption that legislator behavior is self-interested and derives, at least in part, from the desire to remain in office. However, because IMF policy is not a “high salience issue” (of concern to most voters, most of the time), legislator’s should have some flexibility to vote on the basis of their personal convictions. Therefore, legislator “ideology” should be very important to legislators’ vote decisions. While factors that affect a member’s re-election prospects should also matter – the preferences of voters and interest group pressures proxied by campaign contributions – personal ideology should matter more.

The average citizen is not likely to be aware of the content or existence of most IMF-related legislation. This lack of knowledge implies, following the “salience hypothesis,” that

legislators need not be perfect agents of constituent preferences – they will have some room to vote their personal beliefs (Miller and Stokes 1963).⁶ What then shapes legislator beliefs about the IMF?

I argue that “ideology” provides legislators with a simple schema for evaluating votes on funding the IMF. Indeed, almost all issues in Congress fall on a single liberal-conservative dimension epitomized by the role of government in the economy (Poole and Rosenthal 1997). Funding the IMF is no different. Conservative politicians that believe in a small role for government regulation of the domestic economy should oppose financing the IMF because Fund programs distort economic incentives in the international economy. Conservatives see IMF programs as “bailouts” that insulate investors and borrowers from the risks of their actions and thereby promote greater instability in international finance. Conservatives also oppose the expansion of the government sector and see international organizations like the IMF as particular prone to waste and inefficiency.⁷ Conversely, liberals focus on market failures at both the domestic and the international levels and see a positive role for IMF “rescues” in mitigating the economic and social costs of financial crises. They also tend to be more optimistic about the operations of international organizations, and the motivations of the officials that inhabit them.⁸ In short, ideology should provide the foundation upon which legislators evaluate the IMF.

⁶ The salience hypothesis holds that voters are more likely to become informed and monitor legislator behavior as salience increases. Legislators respond to constituents’ preferences on salient issues because the probability of retribution at the ballot box is high relative to less salient issues.

⁷ See, for example, Dick Armey (Rep, TX), “The Moral Hazard of IMF Expansion.” Remarks as prepared for delivery on the House Floor, October 2, 1998.

While personal ideology matters, legislators are not completely unrestrained by constituent and interest groups pressures. To a limited degree, they must also consider how IMF quota increases will affect them electorally. This means they have to be responsive to the preferences of voters and special interest groups. To derive these preferences, I ask: who benefits and who loses from IMF policies? I look to the economics literature on economic globalization and financial rescues to derive such distributional effects.

With respect to voter preferences, I expect members representing districts with greater proportions of net “winners” from economic globalization to be more likely to favor increasing the IMF’s resources. This is because the IMF, by pursuing its mandate to protect the world economy from financial shocks, encourages globalization and its attendant distributional consequences. Stolper and Samuelson (1941) and Mundell (1957) identified the winners and losers from economic globalization in terms of factors of production, such as high-skilled and low-skilled labor, from which factor owners derive their incomes. Owners of locally abundant factors tend to gain more than average from globalization, while owners of scarce factors tend to lose. In the United States, the relatively scarce factor is low-skilled labor, and thus the group most likely to lose from globalization is low-skilled labor (Wood 1994). As trade has increased with nations where low-skilled labor is relatively abundant (and hence cheap), organized labor in the U.S. has mobilized against globalization, and received protection in less-skilled intensive industries in return (Haskel and Slaughter 2000; Baldwin and Magee, 2000). By contrast, highly skilled labor is abundant in the U.S. relative to the rest of the world and thereby benefits from globalization. Indeed, individual-level data from public opinion surveys provide support for the

⁸ See, for example, John J. LaFalce, (Dem, NY), “The Role of the United States and the IMF in the Asian Financial Crisis,” Address before the Institute for International Economics, Washington, DC, January 27, 1998.

argument: workers with college degrees or high skills support further liberalization of international trade while those with less education and fewer skills resist such initiatives (Scheve and Slaughter 2001, O'Rourke 2003, Mayda and Rodrik 2005).

My extension of trade theory to IMF funding recognizes that the IMF's mandate to protect the world economy from financial disorder is a benefit to voters that gain from global economic integration. I thus expect voters with high (low) skills to support (oppose) the IMF. Although these interests are diffuse and unorganized, I expect to see them represented in the electoral calculations of legislators.

Among organized interest groups, money center banks comprise a key constituency for the IMF, and lobby on its behalf. IMF financial rescues provide *de facto* insurance to these banks, allowing them to retain the gains from international lending while distributing losses, when they occur, to the public sector. Thus, I expect campaign contributions from money center banks to have a positive impact on the propensity of a member of Congress to vote in favor of increasing the U.S. quota.

I'm not the first to identify money center banks as an important constituency for the IMF. A radical "dependencista" version dates to the 1960s and a more orthodox variant is currently circulating (Stiglitz 2002, Barro 1998, Soros 1998). Bhagwati (2002: 8-9) speaks of a "Wall Street-Treasury complex," in which bankers rotate in and out of government, influencing IMF programs to the benefit of Wall Street. But I'm less concerned with the reasons why large international banks have influence on the details of IMF programs than with the reasons why such banks might endorse granting more resources to the Fund, via a quota increase. A quota increase gives the IMF greater resources to support the international payments system. It does not dictate how these resources are used or to whom they are allocated. Hence, I emphasize a

broader reason why banks endorse quota increases: they benefit directly from the moral hazard created by Fund financial rescues.

Even if intended to stabilize the international financial system, IMF rescues are a form of insurance for private creditors, and thus a source of “moral hazard” (Bulow and Rogoff 1990, Rogoff 1999). Moral hazard is an action that encourages the very behavior that the action seeks to prevent. With respect to the Fund, moral hazard arises when its crisis assistance encourages banks to take on risks that they might otherwise shun, in an attempt to reap greater financial returns. Creditors may over-lend to emerging economies because of the expectation, based on previous experience, that the IMF will provide the foreign exchange liquidity that will allow them to exit the country in time of crisis, without bearing their full losses. Bird (1996: 489) finds that the financial assistance the Fund provides to debtor countries is often used to repay loans to commercial banks. In fact, in some instances, debt service is an explicit component of IMF programs. Gould (2002: 22) cites the case of a Stand-By arrangement with Ghana in 1983, which required the new IMF loan to be held in the Bank of England and used to service Ghana’s debt to a British commercial bank.

Some evidence suggests financial market participants are aware of the risk transfer to the public sector. Demirguc-Kunt and Huizinga (1993) found that unanticipated increases in U.S. financial commitments to the IMF caused the stock market capitalization of the exposed banks to increase.

While there is ongoing debate on the extent of the moral hazard problem, everyone agrees that it exists.⁹ IMF Deputy Managing Director Anne Krueger sees it as a major concern:

⁹ See e.g. Dell’Ariccia, Schnabel, and Zettelmeyer (2002), Jeanne and Zettelmeyer (2001), and Dreher and Vaubel (2004).

“Private institutions may be encouraged to lend and invest recklessly by the belief that the Fund will ensure that their creditors can repay them.”¹⁰ So did the International Financial Institutions Advisory Commission (the “Meltzer Commission”), which Congress chartered to evaluate and recommend U.S. policy toward the IMF after the Asian crisis.¹¹ Rogoff (1999) has perhaps the most pragmatic view, arguing that some moral hazard is an inevitable consequence of stabilizing the international payments system, a view reflected in policy circles as well. Thomas Dawson, Executive Director for the United States at the IMF from 1989–1993, stated in congressional hearings that “The problem of moral hazard is [that] nobody has figured how you save the system without bailing out at least some investors.”¹² My argument is simply that banks with assets in developing countries are among the most direct beneficiaries of IMF-created moral hazard. I expect these banks to lobby Congress to expand the resources of the IMF.

4. Data and Analysis: Congressional Votes on IMF Quota Increases

The IMF conducts a general review of the adequacy of quota resources at least once every five years. If it determines that a quota increase is needed, the U.S. Congress must first ratify the U.S. increase. Historically, these ratifications have been occasions for rigorous congressional examinations of the IMF. Roll-call votes that occur during such debates provide an opportunity to test my arguments.

¹⁰ Address by Anne Krueger, given at the National Economists' Club Annual Members' Dinner American Enterprise Institute, Washington DC November 26, 2001.

¹¹ Report of the International Financial Institutions Advisory Commission, March 2000.

¹² Thomas C. Dawson, statement to the Subcommittee on General Oversight and Investigations, Committee on Banking and Financial Services, U.S. House of Representatives, “Review of the Operations of the International Monetary Fund,” April 21, 1998, p. 105.

I analyze congressional votes in 1983 and 1998 on quota increases. These are the only quota increases for which “clean” roll-call votes were taken. Usually, when Congress considers a quota increase, it does so by including IMF funding in a big omnibus spending bill, which makes it impossible to isolate legislator positions’ on the IMF issue. However, I identified three amendments to a 1983 spending bill and one motion in 1998 that dealt exclusively with IMF quotas. These are clean votes, in the sense that a vote for or against captures a member’s position on increasing U.S. contributions to the IMF, and nothing else.

Table 2 provides summary information on these roll-call votes. Three of the votes (V286, V287, and V313) occurred in 1983 following the IMF’s Eighth General Review. The context was the Latin American debt crisis, which provoked worries among some conservatives that a quota increase would fund a bailout of commercial banks (Bordo and James 2000: 32). These members were reluctant to provide more resources to the IMF without also tightening regulatory control over commercial banks. This they did with the International Lending Supervision Act of 1983, which required banks to maintain minimum levels of capital.¹³ This Act was conjoined in single bill (H.R. 2957) that, in addition to funding the IMF, also extended the authority of the Export-Import Bank, encouraged worldwide economic growth, and provided for continued U.S. participation in the multilateral development banks. Just before this omnibus bill passed the House by a close vote of 217-211, several members proposed amendments that would strip the bill of the IMF quota increase. I analyze votes on these three amendments.

The fourth vote (V109, 105th Congress) came in 1998 during the Asian financial crisis and involved a motion to an emergency supplemental spending bill (H. R. 3579). What prompted the motion was that the House and the Senate were considering two different versions

¹³ The Act was also a precursor to the bank capital standards of Basle Accord in 1988.

of the same bill. The Senate version included funding for the U.S. peacekeeping missions in Bosnia and the Middle East, disaster relief for storm victims in the U.S., as well as \$18 billion for an IMF quota increase and to fund the establishment of the IMF's New Arrangements to Borrow (NAB). However, the House broke these funding requests into two separate bills: H.R. 3579 included funding for Bosnia, the Middle East, and disaster relief while H.R. 3580 funded \$18 billion for the IMF/NAB, and provided \$500 million to pay down U.S. arrears to the United Nations.

With the House bill diverging from the Senate's, IMF funding was under threat. Procedure requires that for a bill to reach the President for signature, it must pass both houses of congress in identical form. In an attempt to reconcile the legislation, David Obey (D-WI), ranking member of the House Appropriations Committee, offered a motion to instruct conference committee members to put the IMF money back in the emergency bill. This would allow the House and Senate to pass identical bills, providing the IMF with \$18 billion in new commitments. On April 23, 1998, Congress defeated Obey's motion by a vote of 186 to 222, stalling the appropriation of funds for the IMF and the NAB for another six months. The spread of the crisis to Russia and Brazil, along with President Clinton's admonishment of congressional foot-dragging as "irresponsible," finally helped convince opponents that they would be blamed if a global recession took place (Frankel and Roubini 2001: 36).

I have three hypotheses. First, I expect legislators with conservative ideologies to oppose new funding requests for the IMF. Conservative members should oppose increasing the quota because they see the IMF as a remote bureaucracy whose interventions create moral hazard. Second, I anticipate that the higher the skill level of constituents in a congressional district, the more likely a member will be to support a quota increase. This captures my argument that

members see the IMF as an organization that promotes global economic integration, and take positions that reflect the impact of globalization on the real incomes of constituents. Third, I expect the probability a member will vote in favor of funding the IMF to increase with a member's affinity to money center banks. This affinity is proxied by the amount of campaign contributions each member receives from these banks.

My proxy for legislator ideology is the first dimension of the DW-NOMINATE score (Poole and Rosenthal 1997). The scores ranges from -1 to +1, from most liberal to most conservative, and is based on the member's voting behavior on issues related to government expansion.¹⁴ I measure constituent skill levels in two ways: by educational attainment and by occupational classification. COLLEGE is the share of district population with four years or more of college. SKILLS is the percentage of district workers in executive, administrative, managerial, professional, and professional specialty occupations. To identify money center banks, I use the regulatory classification in the Federal Financial Institutions Examination Council's (FFIEC) "Country Exposure Lending Survey." Because the FFIEC identifies the specific banks that comprise the money center group, I was able to obtain a list on which to base the collection of campaign contribution data.¹⁵ For campaign contributions, I use the Federal Election Commission's data on contributions from Political Action Committees (PACs). My constructed variable is BANK_PAC: the sum total of money center bank contributions to each House member, as a percentage of that member's total receipts in the previous electoral cycle.¹⁶ See **Appendix A and B** for variable descriptions, sources, and summary statistics.

¹⁴ Similar results obtained using interest group ratings of legislators.

¹⁵ See the Data Appendix for the banks that make up this group.

Table 3 presents results of Probit analyses of the three 1983 votes. Models 1-3 contain my three variables of interest, all of which are correctly signed and highly statistically significant even when controlling for a members' political party affiliation. Model 4 includes controls for INCOME (median district household income) and MEXICAN ORIGINS (share of district population of Mexican ancestry). The latter control is intended to capture any effect that proximity to Mexico – the first victim of the debt crisis – might have on member voting. My core results are not affected by the inclusion of these controls. **Table 4** contains results after substituting SKILLS (share of population working in high-skills industries) for college attainment. The findings are robust to this alternative specification.

The vote on Obey's 1998 motion (V109) should be difficult for my arguments since members voted very strongly along party lines. Nevertheless my main variables are signed correctly and significant in several alternative models, as shown in **Table 5**. Model 1 includes my three variables of interest. Model 2 substitutes SKILLS for COLLEGE, and Model 3 controls for other potentially relevant district characteristics. MEXICAN+KOREAN+THAI is the share of district population of ethnic groups originally from three countries that suffered major currency crisis in the 1990s. My estimates do not support a relationship. NET IMPORTS and NET EXPORTS capture the effect of district industrial characteristics. Since the IMF pursues an essentially pro-trade mandate, members representing districts that face strong import competition might be expected to oppose funding the IMF. Members with export-oriented

¹⁶ Alternate specifications of the variable – the amount of money-center bank contributions to each member, or the share of members' total receipts that come from the financial industry in general – provide nearly identical results.

industries in their districts, on the other hand, might support IMF funding.¹⁷ These results are only suggestive, at best: the coefficients are correctly signed but insignificant.

In **Table 6**, I provide a substantive interpretation of the results. Using models from Tables 3 and 5, I simulated the predicted probability of observing a vote in favor of an IMF quota increase for both Democrats and Republicans and then examined how these probabilities change as each explanatory variable is increased by one standard deviation above its mean.¹⁸ The effects are substantively large. For example, a one standard deviation increase in DW-NOMINATE reduces the likelihood of a Republican supporting the IMF by as much as 48 percentage points (V286). The effect of conservatism is also large for Democrats: the average effect across all votes of moving a Democrat one standard deviation toward conservatism is to reduce his/her chance of voting for IMF funding by 27 percentage points. Note that conservatism has a smaller (but always significant) impact on members of both parties during the 105th Congress, due to strong party-line voting on V109.

I also obtain large substantive effects for COLLEGE and BANK_PAC. Increasing the share of district population with a college diploma by one standard deviation increases the probability a member will support IMF funding by as much as 14 percentage points (V313). Although the effect is evident for members of both parties, Democrats are about twice as sensitive to these factors than Republicans. Increasing the share of workers with college degrees yields a 10 percentage point increase in the probability a Democratic member will vote to fund the IMF but just a 5 percentage point increase for a Republican, on average. Similarly, increasing campaign contributions from international banks by one standard deviation hikes the

¹⁷ See the Appendix for the construction of these variables.

¹⁸ The simulations were performed with “Clarify” (Tomz et al 1998; King et al 2000).

probability that a Democrat will support the IMF by 12 percentage points on average, but the same change in contributions to a Republican yields but a 6 percentage point increase in the likelihood of voting in favor of funding the IMF. These partisan differences in the responsiveness to district skill-levels and campaign contributions from money center banks probably reflects the fact that Democrats have had historical ties to anti-globalization unions and a populist distrust of big finance. This would suggest that increases in pro-globalization workers and campaign money banks would have a larger impact on Democrats than on Republicans.

5. Discussion

Few aspects of the International Monetary Fund are as contentious in the United States as requests for new resources and, due to a feature of U.S. law that requires any change to the U.S. quota to be approved by Congress, few are as directly observable. I've analyzed these roll-calls and found that three political factors influence the votes of legislators: (1) legislator "ideology" with respect to the role of government in the economy, (2) the impact of globalization on worker incomes within a congressional district, and (3) the share of campaign contributions legislators receive from banks that specialize in international lending. Each factor has implications for increasing (and perhaps redistributing) IMF quotas.

According to my estimates, economic conservatism is an important source of anti-IMF sentiment in the U.S. Congress. Conservatives view the IMF as a profligate bureaucracy that distorts incentives in international financial markets. To quote Newt Gingrich, the 1998 quota increase was "typical liberal foreign policy...we're not turning over \$18 billion to a French Socialist to throw it away."¹⁹ Although extreme, Gingrich's position is not uncommon in

¹⁹ The "French Socialist" is Michel Camdessus, Managing Director of the IMF from 1987-2000. Speech before the Christian Coalition, September 18, 1998, Washington, DC. Quoted in Walter Shapiro, "Newt the Plagiarist," *Slate*.

Congress and conservatism does appear to have a negative impact on the willingness to support the IMF independent of political party affiliation.

Does a more conservative Congress actually make it more difficult for the IMF to increase quotas? Do officials at the Fund consider congressional conservatism when they determine the size of the quota increase they will support at the Board of Governors? These are complicated questions because many factors – economic and political – shape Fund requests for quota increases. But historical evidence from Boughton (2001, Chapter 17) suggests that there may be a relationship between the timing and size of IMF quota increases and the average level of conservatism in Congress. **Table 7** plots the percentage increase in quotas (left axis) from all IMF General Reviews since 1950 against the average ideological position of the U.S. House of Representatives (right axis).²⁰ The proxy for ideology is DW-Nominate, averaged for all members, and ranges from -1 (very liberal) to 1 (very conservative). Four General Reviews produced “no increase” in quotas: the First (1950), Second (1955), Tenth (1995), and Twelfth (2003). Note that these reviews occurred during periods when Congress was markedly conservative. Conversely, all of the large quota increases between the Third and Ninth General Reviews (1960-1990) came during liberal Congresses. The only exception is the Eleventh Review (1998), in which a 45 percent increase occurred during a conservative Congress. Arguably, the new resources needed to cope with the Asian financial crisis swamped the effect of conservatism in this instance – if conservatives in Congress had rejected the increase, and the Asian crisis took a turn for the worse, liberals might have blamed them in the next election. Further research might explore the extent to which conservatism in the U.S. Congress (and other

²⁰ I thank Mark Farrales for suggesting this graph.

parliaments) set limits on the timing and level of support the IMF can muster within powerful member countries.

My second finding, relating to the Stolper-Samuelson theorem, is also relevant to the process of changing IMF quotas. Convincing Congress to increase support for the IMF is a difficult political challenge, especially in light of the current “backlash” against globalization in the United States. Indeed, my estimates suggest that political divisions on the IMF mirror divisions on globalization more generally: members representing districts with large numbers of high (low) skilled workers are more likely to vote in favor (against) funding the IMF. My inference is that legislator positions on the IMF are shaped by the relative wage effects of globalization, which the IMF promotes. In future research, I intend to explore the inference directly by analyzing survey data; if it is valid, I should find a correlation between individual attitudes toward trade and the IMF.

An alternative possibility is that my inference is flawed, and that my skill-level estimates have a different interpretation. It might be that more educated/skilled constituents are more “cosmopolitan” intellectually, and have better knowledge about the need for the IMF. But while a college education or a high-skill occupation could give rise to an internationalist outlook, there is no compelling reason why these attributes imply support specifically for the IMF. Academic economists are highly divided on whether the IMF does more harm than good, with several taking public stances against the IMF on moral hazard grounds (Barro 1998, Calomiris 1998, Meltzer 1998, Schwartz 1998). While more education might make people more likely to support trade liberalization, where the overwhelming majority of academic opinion favors free trade, it should not make people more apt to support the IMF, because no such unanimity exists. Therefore, it is difficult to attribute my results to constituents’ intellectual capacity.

My third finding, on the impact of money center bank contributions, should resonate with scholars and policymakers that suppose banks are active in the politics of the IMF (Stiglitz 2002, Bhagwati 2002). To my knowledge, however, this is the first analysis showing that representatives in Congress that are supported by banks are more likely to approve increased funding for the IMF. This finding extends the established research on the role of private financiers by showing that banks are active politically at multiple levels: on the specifics of IMF programs, they communicate directly with IMF officials and staff (Gould 2003, Oatley 2002, and Oatley and Yackee 2004). But on matters of funding the IMF, they work through Congress, which controls the purse strings.

The banking industry has long been one of the largest contributors to congressional campaigns and commercial banks rank in the top ten in terms of total giving (PAC, individual, soft money) to Congress among over 80 industries (Makinson 2003; Kroszner and Stratmann 1998). In addition, money center banks appear to carefully target members with particular influence over banking and financial policy. **Table 8** shows that all but two of the top twenty recipients of bank contributions in my 1983 sample were members of the Committee on Banking, Finance, and Urban Affairs. Eighteen of twenty also voted in favor of the IMF quota increase. This targeting may derive from the decentralized nature of congressional decision making: bankers may understand that money allocated to the banking committee is more efficiently spent (Grier and Munger 1991). It may also reflect an understanding of the committee assignment process: banks are more likely to find a sympathetic audience in this committee (Shepsle 1978).

This analysis also speaks to the question of how international public goods are financed. While the IMF's capacity to stabilize financial markets – a global public good – depends on

contributions from member countries, the incentives that drive large members to bear a disproportionate share of the financial burden have not been clearly identified. It's long been suspected that the U.S. uses its voting power at the IMF to advance its own interests, which might explain why the U.S. executive has a stake in funding it. But Congress controls the purse, not the executive, and members of Congress tend to be motivated by local, as opposed to national or diplomatic, concerns. To specify the motivations of the political actors that formally decide levels of U.S. funding, I identified two constituencies – money-center banks and high-skilled citizens – that benefit from a well-funded IMF and tested to see if connections between these pro-IMF groups and Congress shaped member voting. My strong, positive results suggest that the United States funds the IMF at least partly because private actors have individual stakes in seeing the IMF funded.

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Table 1: General Reviews of Quotas, 1950-2003

(1) Review of Quotas	(2) Board of Governors' Adoption of Resolution	(3) Equiproportional Increase in Quotas (percent)	(4) Overall Increase in Quotas (percent)	(5) Entry into Effect
First (1950)	No increase proposed	0	0	
Second (1955)	No increase proposed	0	0	
Third	February 2, 1959	50	60.7	April 6, 1959
Fourth	March 31, 1965	25	30.7	February 23, 1966
Fifth	February 9, 1970	25	35.4	October 30, 1970
Sixth	March 22, 1976	Increases determined on the basis of different groups of countries	33.6	April 1, 1978
Seventh	December 11, 1978	50	50.9	November 29, 1980
Eighth	March 31, 1983	19	47.5	November 30, 1983
Ninth	June 28, 1990	30	50.0	November 11, 1992
Tenth (1995)	No increase proposed	0	0	
Eleventh	January 30, 1998	33.75	45.0	January 22, 1999
Twelfth (2003)	No increase proposed	0	0	

Notes: The IMF conducts general quota reviews about every five years. Quota increases comprise an equiproportional percentage increase for all members and a selective increase, which adjusts certain members' quota shares in order to align them with their relative economic size. Column 4 is the sum of the equiproportional increase and the selective increases.

Source: Updated from Richard N. Cooper et al. 2000. *Report to the IMF Executive Board of the Quota Formula Review Group*. IMF, Washington D.C. (September).

Table 2: IMF Quota Votes in the U.S. Congress

Roll call number	V286 H.AMDT. 306 (HR 2957)	V287 H.AMDT. 307 (HR 2957)	V313 H.AMDT.341 (HR 2957)	V109 Motion to Instruct Conferees (H R 3579)
Congress	98 th	98 th	98 th	105 th
Date	7/29/1983	7/29/1983	8/3/1983	4/23/1998
Sponsor	McCollum (R-FL)	Patman (D-TX)	Corcoran (R-IL)	Obey (D-WI)
Summary	To amend H.R. 2957 to strike the language authorizing the Governor of the IMF to consent to an increase in the quota of the United States. [A “No” vote supports the IMF quota increase.]	To amend H.R. 2957 to eliminate provisions in the bill requiring continued U.S. participation in the IMF. [A “No” vote supports the IMF quota increase.]	To amend H.R. 2957 to strike the language that increases U.S. participation in the IMF General Arrangements to Borrow from \$2 billion to \$4.25 billion, and authorizes the Secretary to consent to an increase of the U.S. quota in the IMF. [A “No” vote supports the IMF quota increase.]	To allow the House and Senate to pass identical spending bills, providing the IMF with \$18 billion for a quota increase and to establish the New Arrangements to Borrow (NAB). [A “Yes” vote supports the IMF quota increase and the NAB.]
Result	Y=182 N=227	Y=178 N=226	Y=174 N=249	Y=186 N=222
Partisan split	Dem: Y=90, N=158 Rep: Y=92, N=69	Dem: Y=89, N=155 Rep: Y=89, N=71	Dem: Y=82, N=177 Rep: Y=92, N=72	Dem: Y=164, N=28 Rep: Y=22, N=193

Table 3: Probit Analyses of IMF Quota Votes in the 98th Congress

	(1) V286	(2) V287	(3) V313	(4) V313
DW-Nominate	- 4.267*** (0.489)	-4.437*** (0.510)	- 3.352*** (0.440)	- 3.454*** (0.461)
College	12.464*** (3.664)	13.456*** (3.727)	11.644*** (3.467)	15.870*** (4.227)
Bank_PAC	59.276*** (15.432)	74.695*** (20.241)	37.765** (16.464)	37.738** (16.833)
Party	1.918*** (0.320)	2.085*** (0.327)	1.294*** (0.294)	1.374*** (0.305)
Income				- 0.432* (0.026)
Mexican Origins				- 0.725 (0.759)
Constant	- 1.590*** (0.264)	- 1.725*** (0.262)	- 1.127*** (0.230)	- 0.638* (0.364)
Observations	405	400	419	419
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Log Likelihood	-194.464	-189.393	-216.896	-215.100
Pseudo R2	0.301	0.310	0.240	0.242

Robust standard errors in parentheses, * $p < .10$, ** $p < .05$, *** $p < .01$

Dependent variable: 0 = Yes, 1 = No (a “No” vote *supports* funding the IMF)

DW-Nominate: First dimension; higher values denote a more conservative ideology.

College: Share of district population with four years of college.

Bank PAC: Campaign contributions to candidates from money center bank PACs in the previous electoral cycle, divided by the total receipts per candidate from the previous cycle.

Party: 0 = Democrat; 1 = Republican.

Income: Median household income in a district.

Mexican Origins: Share of district population of Mexican ancestry.

Table 4: Probit Analyses of IMF Quota Votes in the 98th Congress

	(1) V286	(2) V287	(3) V313	(4) V313
DW-Nominate	- 4.196*** (0.485)	- 4.344*** (0.508)	- 3.278*** (0.452)	- 3.305*** (0.462)
Skills	2.376*** (0.847)	1.868** (0.913)	2.214*** (0.804)	2.287*** (0.879)
Bank_PAC	59.864*** (15.874)	75.425*** (21.050)	38.955** (16.288)	39.141** (16.598)
Party	1.906*** (0.320)	2.079*** (0.329)	1.278*** (0.296)	1.291*** (0.305)
Income				- 0.009 (0.023)
Mexican Origins				0.916 (0.733)
Constant	-1.713*** (0.318)	- 1.621*** (0.333)	- 1.224*** (0.292)	- 1.085*** (0.384)
Observations	405	400	419	419
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Log Likelihood	-196.799	-193.586	-219.222	-218.436
Pseudo R2	0.293	0.294	0.227	0.230

Robust standard errors in parentheses, * $p < .10$, ** $p < .05$, *** $p < .01$

Dependent variable: 0 = Yes, 1 = No (a “No” vote *supports* funding the IMF)
Skills: Share of district population aged 16 years and over employed in executive, administrative, managerial, and professional specialty occupations.

Table 5: Probit Analyses of IMF Quota Vote in the 105th Congress

	(1) V109	(2) V109	(3) V109
DW-Nominate	-1.098*** (0.405)	-1.082*** (0.402)	-1.022*** (0.397)
College	3.508*** (1.163)		3.121** (1.242)
Skills		3.507*** (1.387)	
Bank_PAC	24.965*** (8.144)	25.087*** (8.130)	24.505*** (8.194)
Party	-1.675*** (0.360)	-1.650*** (0.361)	-1.726*** (0.352)
Net Imports			-1.472 (1.128)
Net Exports			1.194 (2.029)
Mexican+Korean+Thai			0.326 (0.739)
Constant	-0.089** (0.279)	-0.307 (0.386)	0.125 (0.374)
Observations	403	403	403
Prob > chi2	0.0000	0.0000	0.0000
Log Likelihood	-133.839	-135.636	-132.873
Pseudo R2	0.518	0.511	0.521

Robust standard errors in parentheses, * $p < .10$, ** $p < .05$, *** $p < .01$

Dependent variable: 0 = No, 1 = Yes, (a “Yes” vote supports funding the IMF)

Net Imports: Percent district population employed in net import industries.

Net Exports: Percent district population employed in net export industries.

Mexican+Korean+Thai: Share of district population of Mexican, Korean, and Thai ancestry.

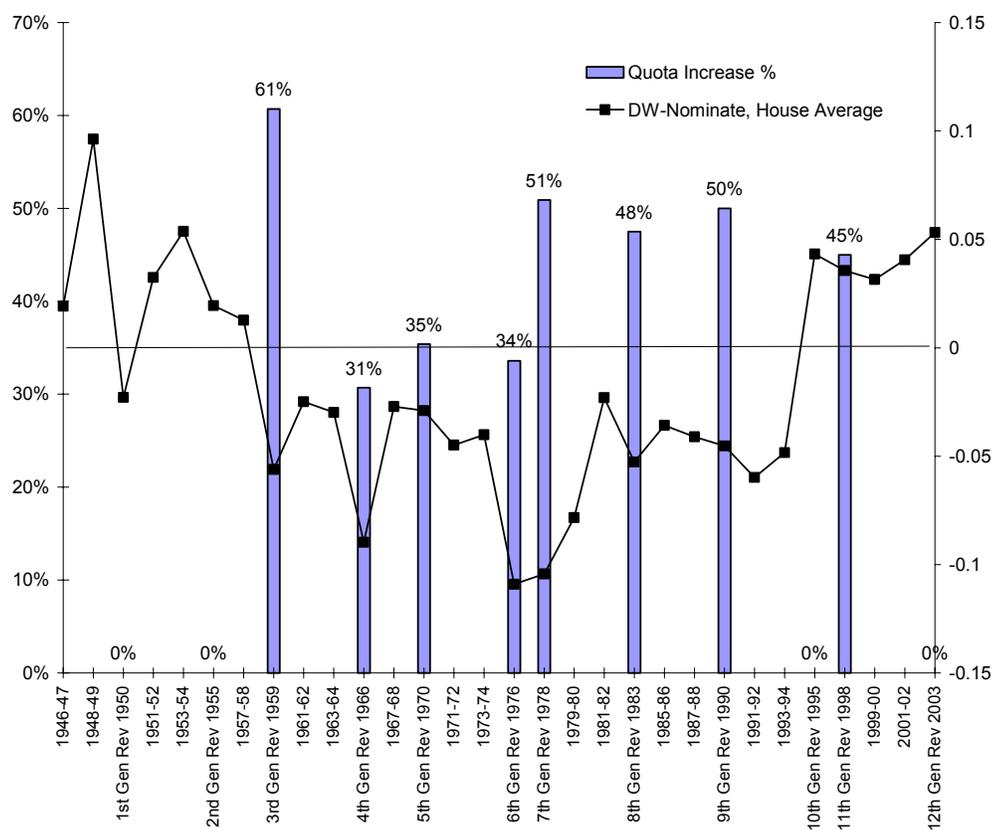
Table 6: Substantive Effects of Campaign Contributions from International Banks, District Skill Levels, and Member “Ideology”

	DEMOCRATS			REPUBLICANS		
	<i>Bank_PAC</i>	<i>College</i>	<i>DW-Nominate</i>	<i>Bank_PAC</i>	<i>College</i>	<i>DW-Nominate</i>
V286 (98th Cong) Table 3, Model 1	0.158***	0.104***	-0.287***	0.047***	0.035***	-0.481***
V287 (98th Cong) Table 3, Model 2	0.197***	0.111***	-0.279***	0.044***	0.030***	-0.471***
V313 (98th Cong) Table 3, Model 3	0.102***	0.104***	-0.342***	0.0482***	0.050***	-0.413***
V313 (98th Cong) Table 3, Model 4	0.101***	0.141***	-0.342***	0.0485***	0.058***	-0.417***
V109 (105th Cong) Table 5, Model 1	0.074***	0.078***	-0.186***	0.073***	0.079***	-0.103***
V109 (105th Cong) Table 5, Model 3	0.071***	0.068***	-0.164***	0.072***	0.067***	-0.093***
Average effect:	0.117***	0.101***	-0.267***	0.055***	0.053***	-0.330***

Notes: Values represent the change in the predicted probability of voting in favor of an IMF quota increase, as each variable of interest is increased by one standard deviation over its mean, holding other variables at their means. For Democrats, “Party” is held to zero; for Republicans “Party” is held to 1.

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

Table 7: Average “Ideology” of the U.S. House of Representative and IMF Quota Increases, 1950-2004



Notes: DW-Nominate (right scale) is the average ideological score of the U.S. House of Representatives on the broad issue of government intervention in the economy. Higher values denote a more conservative ideology. IMF quota increases (left scale) are quota increases approved by the IMF’s Board of Governors during a General Review of Quotas.

Table 8: Top 20 Recipients of Campaign Contributions from Money Center Bank PACs

Name	State	District	Party	Committee	Bank_PAC	Vote on IMF		
						V287	V286	V313
LAFALCE, J	NY	32	Dem	Bank & Fin	0.0642	No	No	No
BARNARD, D	GA	10	Dem	Bank & Fin	0.0474	No	No	No
LUNDINE, S	NY	34	Dem	Bank & Fin	0.0463	No	No	No
ST GERMAIN	RI	1	Dem	Bank & Fin (chair)	0.0451	No	No	No
GREEN, S	NY	15	Rep		0.0333	No	No	No
HUBBARD, C	KY	1	Dem	Bank & Fin	0.0328	No	No	No
ANNUNZIO, F	IL	11	Dem	Bank & Fin	0.0324	.	.	Yes
WORTLEY, G	NY	27	Rep	Bank & Fin	0.0313	No	No	No
TOWNS, E	NY	11	Dem		0.0306	No	No	No
RIDGE, T	PA	21	Rep	Bank & Fin	0.0305	No	No	No
NEAL, S	NC	5	Dem	Bank & Fin	0.0297	No	No	No
WYLIE, C	OH	15	Rep	Bank & Fin (ranking)	0.0264	No	No	No
FISH, H	NY	21	Rep		0.0255	No	No	No
CARPER, T	DE	1	Dem	Bank & Fin	0.0199	No	No	No
ERDREICH, B	AL	6	Dem	Bank & Fin	0.0191	Yes	Yes	Yes
MCKINNEY	CT	4	Rep	Bank & Fin	0.0175	No	No	No
LEVIN, S	MI	17	Dem	Bank & Fin	0.0174	No	No	No
LEHMAN, R	CA	18	Dem	Bank & Fin	0.0144	No	No	No
ROUKEMA	NJ	5	Rep	Bank & Fin	0.0142	No	No	No
BEREUTER	NE	1	Rep	Bank & Fin	0.0140	No	No	No

Notes: A “No” vote *favours* funding the IMF (see Table 2). **Bank_PAC** is the sum of campaign contributions from money center bank PACs in 1981 and 1982, as a percentage of total receipts for the 1981-1982 electoral cycle. **Bank & Fin** denotes a position on the House Committee on Banking, Finance, and Urban Affairs.

Appendix A: Data and Sources

Party: 0 = Democrat; 1 = Republican.

DW-Nominate: The first dimension of the DW-Nominate score, capturing a member's ideological position on government intervention in the economy. DW-Nominate estimates the position of each legislator, using roll call voting and scaling techniques. Scores range from -1 to 1, with higher values denoting a more conservative ideology (McCarty, Poole, and Rosenthal 1997).

Bank PAC: Campaign contributions from money center bank political action committees to candidates in the previous electoral cycle, divided by the total receipts per candidate from the previous electoral cycle. Money center banks are identified by the Federal Financial Institutions Examination Council, *Country Exposure Lending Survey* (various years). In 1983, the FFIEC list includes Bank of America, Bankers Trust, Chase Manhattan Bank, Chemical Bank, Citibank, Continental Illinois, First National Bank of Chicago, Manufacturers Hanover, and Morgan Guaranty. By 1998, consolidations and takeovers had reduced the list of money center banks to J.P. Morgan, Chase Manhattan, Bank of America, Citicorp, First Chicago and Bankers Trust. Bank_PAC in Table 5 was calculated from the contributions of these six banks. PAC contributions are from the Federal Election Commission (<http://www.tray.com>).

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

Skills: Share of district population aged 16 years and over employed in executive, administrative, managerial, and professional specialty occupations (*Congressional Districts of the United States*).

Income: Median household income (Congressional Districts of the United States).

Mexican Origins: Share of district population of Mexican ancestry (*Congressional Districts of the United States*).

Mexican+Korean+Thai: Share of district population of Mexican, Korean, and Thai ancestry (*Congressional Districts of the United States*).

Net Imports: Percent district population aged 16 years and over employed in net import industries. Net import industries are two-digit SIC manufacturing sectors where the ratio of imports to consumption is greater than the ratio of revenues from exports to total industry revenue (Textiles 22, Apparel 23, Lumber 24, Furniture 25, Paper 26, Petroleum 29, Rubber 30, Leather 31, Stone, Clay and Glass 32, Primary metals 33, Fabricated metals 34, Industrial machinery 35, Electronic goods 36, Transportation equipment 37, Other manufactures 39). *County Business Patterns 1997* CD-ROM, Bureau of the Census. County-level employment data was aggregated up to the congressional district level using the following procedure: If a county contains more than one congressional district within its borders, the number of workers from an industry who are in each district is estimated by using the fraction of the county's population residing in each district. For example, if 10 percent of a county's population lives in a district, that district receives 10 percent of the county's workers in each industry. I obtained the geographic information from the MABLE '98/Geocorr v3.0 Geographic Correspondence Engine [<http://plue.sedac.ciesin.org/plue/geocorr>].

Net Exports: Percent district population aged 16 years and over employed in net export industries. Net export industries are two-digit SIC manufacturing sectors where the ratio of revenues from exports to total industry revenue is greater than the ratio of imports to consumption (Food 20, Tobacco 21, Printing 27, Chemicals 28, Instruments 38). See Net Imports and the text for the concordance procedure.

Appendix B: Summary Statistics

	V286, V287, V313 (98th Cong)			
	<i>Mean</i>	<i>Std Dev</i>	<i>Min</i>	<i>Max</i>
DW-Nominate	-.0529	.3707	-.7780	.9870
Party	.3839	.4869	0	1
Bank_PAC	.0026	.0070	0	.0642
College	.0569	.0226	.0100	.2075
Skills	.3534	.0902	.1450	.8540
Income (\$1000s)	16.915	3.560	7.154	28.181
Mexican Origins	.0393	.0891	.0007	.7156
	V109 (105th Cong)			
	<i>Mean</i>	<i>Std Dev</i>	<i>Min</i>	<i>Max</i>
DW-Nominate	.0645	.4637	-.7600	1.150
Party	.4747	.4999	0	1
Bank_PAC	.0044	.0098	0	.0967
College	.2007	.0799	.0530	.5138
Skills	.2584	.0634	.0918	.5282
Mexican+Korean+Thai	.0581	.1154	.0013	.7057
Net Imports	.1353	.0801	.0085	.4263
Net Exports	.0536	.0452	.0002	.4606