Lobbying for Conditionality

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Abstract

US financial firms play a key role in the politics of the International Monetary Fund, but there have been no quantitative studies that directly assess the effects of lobbying on IMF programs. We use LDA data on lobbying in the United States and IMF Monitor data on conditionality to test the hypothesis that lobbying influences conditionality. We find that lobbying by financial firms that is narrowly focused on banking issues is associated with increased numbers of financial conditions, quantitative performance criteria, debt-related structural benchmarks, and labor-market conditions. On the other hand, broad-based lobbying and lobbying of the House of Representatives by the same firms is associated with decreased levels of conditionality in all of these categories. These findings resolve a long-standing puzzle in IMF studies, where the influence of banks was held to increase conditionality that favors banks but was also believed to decrease conditionality overall. Bank lobbying indeed has both effects. Narrow lobbying increases forms of conditionality that banks favor; broad lobbying campaigns during crises in prominent emerging markets create pressure on the IMF to lend that undermines its bargaining leverage with borrowers.

Keywords: IMF, Lobbying, Conditionality, Banks

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1 Introduction

Previous research has found two robust results about the relationship between IMF conditionality and the interests of leading US banks that seem to be rather contradictory. On one hand, leading US banks and financial institutions appear to support and benefit from the application of financial conditionality. Banks are able to secure the inclusion of "bank friendly" conditionality in IMF programs when the Fund relies on their assistance as supplementary financiers, particularly during debt rescheduling episodes (Gould 2003, 2006). Furthermore, the inclusion of financial conditionality makes it more attractive for US banks and financial institutions (including, for example, investment banks and insurance firms) to acquire financial affiliates in IMF program countries (Dang and Stone 2021). There is evidence that the United States has insisted on the inclusion of intrusive financial conditionality over the objections of other Executive Board members in some cases, including Indonesia and Korea in 1997, and this has been attributed to lobbying by US firms (Stone 2011).

On the other hand, there is substantial evidence that bank lobbying is associated with reduced or streamlined conditionality for countries to which their lending is highly exposed. Countries to which US banks are heavily exposed participate in IMF programs more frequently and receive larger loans (Oatley and Yackie 2004, Broz and Hawes 2006). Event studies suggest that IMF bailouts of heavy borrowers lead to abnormal stock returns for the banks that had lent them funds (Demirguc-Kunt and Huizinga 1993, Kho, Lee and Stulz 2000). In turn, banks support the IMF. Broz and Hawes (2006) and Broz (2011) use campaign contribution data to explain Congressional votes on funding the IMF and find that members of the House of Representatives who received more contributions from money-center banks were more likely to vote in favor. The result of all the pressure to lend to countries with high bank exposure allows those countries to bargain for less extensive conditionality (Copelovitch 2010a, 2010b; Stone 2011).

None of this literature uses data on lobbying, so the current paper turns to lobbying data to attempt to adjudicate what IMF policies US banks and financial firms support and how much influence they have. We conjecture that the apparently contradictory findings in previous research arise because US financial firms lobby both for micro policies—focused conditionality that increases the probability of debt repayment or increases market access—and for macro policies, or bailouts for important emerging markets in particularly dire circumstances. When they lobby

for micro policies they are lobbying about banking and financial issues, which is reported in the lobbying disclosure data. In contrast, when a major emerging market to which US banks are highly exposed is in danger of financial meltdown, such as Mexico in 1995 and Argentina in 2001, US financial institutions engage in a full-court press of lobbying. US banks routinely lobby on foreign aid appropriations, trade agreements, taxation, the farm bill, and a variety of other matters. When their survival is threatened by a major international financial crisis they increase their lobbying across the board to put themselves in front of legislators and administration officials, and they link their support on all of these issues to a bailout. Banks do not lobby for reduced conditionality during crises, but the urgency that they impart to high-profile bailouts puts pressure on the IMF to reach a deal and weakens its bargaining leverage. Consequently, focused financial lobbying by banks in normal times is associated with increased conditionality of interest to banks, and surges in generalized lobbying by banks during crises is associated with decreased conditionality.

We match lobbying (LDA) data for Fortune Global 500 countries, which are available beginning in 1999 and specify both the intensity and general topics covered by lobbying, with foreign M&A data from Bloomberg and conditionality data from IMF Monitor. Our results using two-way fixed effects models (country-year) indicate that lagged lobbying about financial issues by financial firms is associated with sharply increased financial conditionality. In contrast, surges in lobbying on all topics and surges in lobbying the House of Representatives are associated with decreased conditionality in general and also with decreased conditionality in the areas of greatest interest to the banks.

A second hypothesis was that financial firms' interests diverge depending on whether they have already acquired affiliates in an IMF program country. We reasoned that firms that have not invested locally are less likely to do so in the future, and their interests are those of lenders: they lobby for bailouts per se, regardless of the terms. Those that have already invested are interested in expanding their market share in the country, so they lobby for financial conditionality that is expected to make it easier and more profitable to expand their market presence. We do not find evidence to support this divergence hypothesis. Instead, we find a consistent pattern of results across our set of all Global Fortune 500 financial firms and the subset that have in-country investments. This may mean that the large firms that we study lobby consistently and follow the same patterns regardless of their history of investing in program countries. However, we find stronger effects (larger coefficients) in the invested-firm subset, so invested firms explain

approximately 75% of the effects we observe in spite of conducting about 35% of the lobbying.

Our firm-level data allow us to employ several placebo tests to probe our proposed mechanism. We find no comparable effects of lobbying by non-financial firms, which confirms that financial firms play a special role in governance of the IMF, and rules out some potential confounding factors. Similarly, we find no effects of lobbying by financial firms about banking on conditions that do not appear to be relevant to debt repayment or financial openness. Nor do we find effects of lobbying by financial firms that is less proximate in time or subsequent to the negotiation of IMF programs, which suggests that variations in lobbying are indeed related to program design.

There are numerous things that remain to be done. In the next iteration of the paper we plan to address the question of non-random assignment to IMF programs. Next, we can use the rich data from IMF Monitor to further investigate the specific objectives that financial firms lobby for, such as deregulation, privatization, etc. In addition, we plan to reverse our analysis to ask whether the initiation of negotiations for an IMF program leads to increased lobbying, and by which sets of firms. For this purpose we intend to use the Lexis-Nexis web API to determine when IMF program negotiations begin, including both programs that are successfully concluded and those that are not, by searching for the name of the Chief of Mission for each country.

2 Theory

Market actors have influence over the International Monetary Fund through a variety of mechanisms, but first of all because the IMF's responsibility is to calm troubled financial markets. When member countries face balance-of-payment disequilibria because of unsustainable policy choices, loss of market confidence, or exogenous shocks, they have the option of turning to the Fund for assistance. If country authorities reach agreement with the IMF, the Fund proposes policy reforms and provides financing designed to promote orderly policy adjustment and restore confidence. However, the Fund does not provide sufficient resources to fill a member country's financing gap, defined as the difference between the expected current account deficit and anticipated capital inflows and liquidation of reserve assets. In any case, the IMF rarely has sufficient resources to do so for all of the members that require assistance. Instead, it relies on the member to adopt a package of policy measures to restore market confidence and stem capital outflows. The Fund's assistance is intended to make these policy reforms more politically palatable and to tip the balance of incentives

facing the government in favor of macroeconomic restraint. The member country's willingness to comply with its commitments, in turn, is predicated on the assumption that compliance will succeed in restoring market confidence and resolving the crisis. The empirical evidence on this point, however, is mixed (Bird and Rowlands 2002; Mody and Saravia 2003; Edwards 2005; Eichengreen, Gupta and Mody 2006; Steinwand and Stone 2008; Bauer, Cruz, and Graham 2012).

In order for the IMF to perform its basic function, it must be true that IMF lending leads countries to adopt policies that reassure financial markets. That is, the IMF's role as guardian of the international financial system rests on the conjecture that it is in equilibrium (1) for the Fund to propose appropriate policies; (2) for the Fund to enforce conditionality; so that (3) it is incentive compatible for borrowing governments to implement the proposed reforms; and (4) it is rational for market agents to be reassured by IMF programs and adjust their valuation of assets correspondingly. Countries do not always comply with conditionality because they have time-inconsistent preferences, so the IMF must lend them credibility, which means that incentive compatibility requires enforcement on the equilibrium path. However, enforcement is costly to the Fund and to its major shareholders, which are also member states with time-inconsistent preferences, so the credibility of IMF lending is itself in question (Stone 2002). This means that what the IMF can actually achieve in particular countries depends on international politics.

The picture is further complicated because important market actors are strategic players, meaning that they are sophisticated about other actors' strategies and they can anticipate how their own choices affect those of others. The major money-center banks are capable of exploiting their key role as financial intermediaries. If their confidence in government policies is shaken, the government may have to engage in signaling in order to reassure them. Banks have private information about which policies will restore confidence, however, which gives them an opportunity to lobby the Fund. When restoring confidence involves collective action by market actors, as when they engage in collective debt rescheduling, banks can bargain with governments and the Fund about the content of policy conditionality in return for making investments (Gould 2003, 2006). In addition, banks can engage in political activity at home. They can lobby their home governments to bail them out, to influence the Fund, or to pressure borrowers to make policy concessions (Bulow and Rogoff 1989). The world's leading financial institutions are potent players in the domestic politics of the countries that control the Fund, and they put their imprint on its policies.

2.1 Informal governance, credibility, and the role of the United States

The IMF is a member-driven intergovernmental organization, so it inherits the credibility problems of the countries that are its major shareholders. Decisions about when to approve IMF lending programs, the amount of access to Fund resources to be granted in each case, the policy conditionality that is required in return for loan disbursements, and whether to waive conditionality when programs go off track are formally made by the IMF Executive Board, which represents a few of the countries that are the largest shareholders directly and the rest indirectly through elected representatives. The Board is weak, however, so in fact these decisions are made by the IMF Management (the Managing Director, the First Deputy Managing Director, and a few senior staff). Management is largely autonomous in most cases. Its preferences are close to those of the G7 countries, which generally agree on the market-oriented policies that it would be desirable for other countries to implement, so there is no need for them to interfere on a regular basis. However, in special cases the US interest in disbursing funds for political reasons overrides the common interest in promoting market reform. In those cases, the United States is able to exert effective control over the organization because Management closely consults with US officials before bringing proposals to the Board, US officials have special access to otherwise confidential information, and allies defer to US influence (Stone 2011).

This pattern of informal governance is an equilibrium that balances the participation constraints of the United States and the weaker member states, and is legitimate in the limited sense that it receives the tacit consent of the membership. The United States is willing to work through the IMF and cede a substantial degree of control over lending and other policies in ordinary circumstances as long as it is able to exert a controlling interest when it is willing to pay the cost required to do so. Countries with policy preferences close to those of the United States consent to this arrangement because the IMF is more valuable to them if the United States participates intensely. Marginal members refrain from exiting because there is an effective intertemporal exchange, under which they receive greater influence in ordinary times than they would otherwise expect in return for allowing the United States to occasionally override the consensual procedures. However, informal governance works most efficiently when the United States exercises strategic restraint, and the bargain can become strained when US policymakers overreach.

US control of the Fund is not unchallenged, and indeed it is only possible for the United States to steer the Fund as effectively as it does because there is a close community of interests among the countries that control the majority of the votes. The vast majority of decisions are supported by a consensus of the Board. Some authors have emphasized collective leadership of the IMF, arguing that the existence of multiple principals increases IMF autonomy (Martin 2006) or limits US influence when financial interests diverge (Copelovitch 2010a; 2010b). This interpretation is consistent with a game-theoretic model in which multiple principals attempt to control an agent, which gives the agent a degree of autonomy and agenda-setting power (Calvert, McCubbins and Weingast 1989). A similar argument about collective leadership has been made about the World Bank (Nielson and Tierney 2003). However, the standard model of multiple principals does not capture the fact that the United States has a degree of influence over the day-to-day lending activities of the Fund that is unique and qualitatively distinctive from that of other countries. US officials interact with IMF officials continuously at multiple levels and routinely have access to confidential information that is not provided to any of the other Executive Directors. The fact that the Board is weak and routinely approves the lending decisions that Management proposes shifts the locus of decision making to staff and Management and makes these informal contacts decisive. In instances of lending that the United States regarded as important to its interests, including Mexico in 1995, Korea in 1997 and Argentina in 2000 and 2001, the United States was able to determine the size and essential conditions of lending in spite of considerable skepticism and in the face of divergent preferences of other leading members of the Executive Board (Stone 2011). Each of these cases led to calls for reforms to IMF governance by members of the Executive Board who felt that they had been inadequately consulted, which illustrates the fragility of the equilibrium that sustains informal governance.

The Eurozone crisis was an exception to the pattern of US influence because the United States deliberately backed away from directing the Fund during most of the crisis, although it reasserted leadership towards the end. High-handed US leadership during the Asian Financial Crisis of 1997 and the crisis in Argentina in 2001 had strained the legitimacy of the Fund, and the Obama administration strove to demonstrate to its European allies that the United States was committed to multilateralism. Furthermore, the risks of a Greek default primarily threatened European banks, so the Obama administration sought to frame the Greek debt crisis as a European policy problem that should have a predominately European resolution. The involvement of the IMF in the Greek crisis was initially controversial within Europe, but Germany insisted that the IMF

participate in the Greek bailouts of 2010 and 2012 because the Merkel government feared that the European Commission lacked the credibility to enforce policy conditionality (Henning 2017). In the absence of US interference, Germany played a leading role behind the scenes in the negotiations between the troika of the IMF, the Commission and the European Central Bank (ECB), on one side, and a succession of Greek governments on the other. German consent was required for the Commission to make substantial loans to Greece, and Germany exercised a degree of influence indirectly through the ECB and the IMF as well. The Merkel government's hesitation in 2010 because of domestic political constraints raised the cost of the initial bailout, and its unwillingness to contemplate debt write-offs as part of the first program extended the duration of the crisis and allowed it to spread to other Euro countries (Henning 2017, Schneider and Slantchev 2018).

The United States gradually took a more assertive role in the Euro crisis. Administration officials openly criticized the Europeans for refusing to write off Greek debt to resolve the crisis and pushed behind the scenes for a resolution prior to the 2012 US presidential election. As part of the agreement for a second multilateral bailout, Greece reached an agreement with its private creditors in February 2012 that entailed a 53.5% haircut, or reduction in its expected debt payments. IMF officials remained privately skeptical about the sustainability of Greek debt and the harshness of the austerity terms, however, and a document outlining their concerns leaked to the press.[1] In spite of the signing of a European Fiscal Compact in March and the announcement by ECB President Mario Draghi in July that the ECB would "do whatever it takes to preserve the euro," backed up by the launch of an open-ended bond-buying program in September, Greek debt continued to climb as a percentage of GDP, and Greek governments continued to collapse. Meanwhile, its public-sector creditors, the European governments, refused to contemplate a reduction in their claims. The Obama administration eventually weighed in, and in 2015 the IMF refused to participate in further lending until the Eurozone members agreed to substantial debt relief for Greece. The Europeans refused to reduce their official claims, most of which represented aid extended in previous bailouts and Greek bonds purchased by the ECB to extend financial support, and instead negotiated the third Greek bailout without IMF financial participation. Refusing the demands of a coalition that included most of its leading members represented a new high-water mark for the IMF's autonomy, but it was possible only because of firm US support.

The degree of US influence depends on the context, and an important distinction must

[1] Graeme Wearden and Helena Smith, Eurozone reaches deal on second Greece bailout after all-night talks, The Guardian, Feb. 21, 2012.

be made between IMF governance for lending, or "country items" in IMF parlance, and procedures for making general policies. Lending pits the preferences of the borrower against those of the membership as creditors, so the members have relatively homogenous preferences and are willing to delegate substantial discretion to Management. The politics of lending consequently revolve around making exceptions to general rules rather than around the content of the rules, and this puts a premium on informal influence, where the United States has a qualitative advantage. In contrast, the decision-making process for setting general policies conforms closely to the formal rules of IMF governance. An appropriate model for IMF decision making about general policies is spatial voting. In a spatial voting model, agents have ideal policies represented by points on a line or in space, and they evaluate alternative policies depending upon their distance from these ideal points. Member countries of the IMF have distinct ideal points about general policies because countries expect these policies to routinely affect their interests, even if they are unlikely to draw on the Fund's resources themselves. The Executive Board plays a more important role in setting general rules than in designing lending programs; dissenting votes are more common; and decisions correspond closely to the vote shares of the members and the formal voting rules. In particular, US control over general policies is decisive only in the sense that the United States can veto changes that it opposes because its vote share exceeds the threshold required to block action. The United States cannot change general policies without building a broad consensus of support. In contrast, the United States can exert both positive and negative control over lending, as well as determine many of the details of its terms.

The long transition in the Fund's approach to capital controls serves as an illustration both of the influence of banks over US policy positions and of formal governance at work in the creation of general policies. The Fund's Articles of Agreement allowed members to maintain capital controls (a compromise that the United States made at Bretton Woods that was necessary to secure British participation), and Fund staff embraced Keynesian economics in the 1950s and 1960s and generally appreciated the benefits of capital controls in safeguarding fixed exchange rates and insulating monetary policy against financial crises (Chwieroth 2009). The United States came to advocate dismantling capital controls after the Nixon administration departed the Gold standard, but was unable to persuade the membership. In contrast, European countries and Japan relied on capital controls to manage the financial instability of the 1970s and sought a new IMF agreement to strengthen them, but this was blocked by the United States (Helleiner 1994, Chapter 6). A majority gradually formed on the Board in favor of liberalization. The French Socialists turned

against capital controls in 1983 under Francois Mitterand, opening the way for creation of the Single European Market (Moravcsik 1998, 262-63, 269-73, 333-47). The OECD adopted requirements for members to dismantle capital controls, and Michel Camdessus embraced liberalizing capital controls as part of his agenda as IMF Managing Director (Abdelal 2007). The IMF developed an ambitious proposal to assume the authority to approve national capital controls, which had moved through the Executive Board and the Interim Committee and was due to be approved at the spring meetings in 1998, when suddenly the US position on the proposal changed because of Congressional opposition. US House minority leader Richard Gephardt threatened to derail proposed legislation to increase IMF quotas if the measure were adopted, so the Clinton administration withdrew US support, and the proposal lapsed (Stone 2011, 73).

Proposals to liberalize capital controls by a series of US administrations reflected the lobbying of international banks, which stood to profit from the reductions of barriers to their business. At each stage, a supermajority on the Executive Board was required to adopt new Fund policies, so the United States was unable to prevail until its most important allies came around to support its proposals. At each stage, however, the United States was able to veto changes that it opposed, including when the US administration reversed itself.

2.2 Catalytic lending

When the United States intervenes to influence IMF lending, it generally reduces the rigor of IMF conditionality. This is not because the United States prefers less sweeping economic reform or less rigorous application of conditionality than other members, but because the United States trades off its interests in economic reform in the borrowing country against other objectives. For example, Zaire and the Philippines received IMF funding in the 1980s in spite of failing to comply with IMF conditions because they played important roles in US Cold War strategy. Egypt received preferential treatment in the late 1980s and early 1990s because of its role in the Middle East peace process and its support for the United States in the first Gulf War. Russia received repeated loans in spite of failing to implement conditionality in the 1990s, as the first Bush and Clinton administrations sought to foster democracy after the Cold War (Stone 2002). As a result of this frequent intervention, quantitative studies of conditionality find that countries that play important roles in US foreign policy receive IMF programs that involve less extensive conditionality (Dreher and Jensen 2007; Stone 2008) and that when their programs go off track because they

fail to implement conditionality, program interruptions are shorter (Stone 2002, 2004) and more performance criteria are waived (Stone 2011).[2]

Stone (2002) models this interaction as an infinitely repeated game involving the IMF, a number of borrowing countries of varying size and a representative market agent. Size in the model is a reduced-form representation of the interests of the IMF's principals, or leading shareholders, so it primarily represents the importance that a particular country plays in current US foreign policy. In the accompanying empirical analysis, size is proxied by US foreign aid. In the model, each country draws a variable temptation to renege on its commitments to the IMF in each period and defects if the temptation is sufficiently high. The IMF defends a reputation for enforcing conditionality by withholding financing from countries that renege, but finds it costly to do so, and the cost is highest for the most important countries. As a result, it is not credible for the IMF to rigorously enforce conditionality for countries over a particular threshold of importance. The best credible reputational equilibrium that the IMF can maintain is to treat different classes of countries differently, playing a rigorous "hold-the-line" enforcement strategy with smaller borrowers and a less rigorous "tit-for-tat" strategy with the most important ones. As a result, the most important countries face weaker incentives to comply with IMF conditionality, so they deviate from their commitments more often. The market agent has rational expectations, so important countries have to pay higher interest rates to compensate for the increased risk of lending. Ironically, this implies that the Fund is least capable of catalyzing private financial flows in the cases that are most important to its principals.

Chapman et al. (2017) investigate this hypothesis empirically by modeling the short-term effects of new IMF program announcements on the yields of short-term sovereign bonds. They argue that IMF programs are heterogeneous treatments that have countervailing effects on market expectations. By providing liquidity and extracting promises to implement conditionality, IMF programs reduce the probability of involuntary default in the short term and improve the country's prospects of repaying its debt in the long term, so the liquidity and conditionality included in an IMF program should reduce bond yields. In contrast, controlling for the mechanisms by which IMF programs exert their calming effects, the program announcement itself reveals bad news to

[2]A note on data: Stone (2002) and (2004) were based on data compiled from the timing of IMF disbursements, which were the only publicly available data on program interruptions at the time. Stone (2008) and (2011) used the IMF's internal MONA database to code the content and implementation of conditionality, program interruptions and waivers of conditionality. Replication data are available from the author, and the MONA data are now available from 2002 forward on the IMF website. Subsequently, a major effort has been made to code IMF conditionality from 1980-2019 based on program documents in the IMF archive, which is available on the IMF Monitor website (Kentikelenis and Stubbs 2023).

the market due to adverse selection (Bas and Stone 2014). Countries are reluctant to accept IMF programs, so willingness to accept IMF discipline reveals that the government has unfavorable private information, which causes bond yields to rise. Further, markets are sophisticated about the political economy of IMF lending, so the adverse inferences that are drawn when a country turns to the Fund are exacerbated for influential borrowers. The estimates indicate that IMF lending catalyzes private capital inflows on average, but lending to particularly important countries such as Russia and Argentina instead causes capital flight and raises bond yields.

Russia was an emblematic case of the failure to enforce IMF conditionality. Russia failed to consistently implement the conditions in its programs in 1992 and 1993 and consequently reaped the worst effects of inflation along with the costs imposed by short-lived periods of austerity. It returned to the Fund for support in 1994, 1995 and 1996, promising reforms and budgetary discipline, failing to implement them, and suffering repeated program interruptions followed by new commitments and new promises. IMF officials who sought to enforce conditionality frequently found themselves overruled by superiors who were being pressed to make concessions by the United States (Stone 2002). For its part, the Clinton administration regarded the survival of democracy in Russia as a high foreign policy priority and identified democracy with the person of Boris Yeltsin. Yeltsin understood that IMF threats to withhold funding were not credible, so he reneged on his promises when he found it politically expedient. By the time the IMF tried to rescue Russia on the verge of its 1998 financial crisis, Russia had accumulated unsustainable debts, overvalued its currency in real terms and leveraged its banking system with a mismatch of ruble assets and hard-currency liabilities. The IMF's largest loan to Russia and Russia's most far-reaching commitments to economic reform came too late, because capital markets at home and abroad had become profoundly skeptical that Russia would carry out its reform program or that the IMF would withhold funding if it failed to do so. Bond yields rose sharply after the program was announced in July 1998, and a few weeks later the Central Bank of Russia was compelled to suspend convertibility and the government defaulted on its domestic-currency debt.

The IMF suffered from similar credibility problems during the crisis in Argentina that unfolded in 2000 and 2001, but for different reasons. Argentina had successfully stabilized its economy in the early 1990s by adopting a currency board and fixing the peso at parity with the dollar. Like Russia, however, Argentina found it difficult to sustain a political commitment to fiscal restraint, and capital inflows during the 1990s financed its growing budget deficits while causing

the peso to become overvalued in real terms. Banks borrowed cheaply in dollars and lent dearly in pesos, accumulating a currency mismatch that made the banking system vulnerable in case of a realignment of the exchange rate. The key to the credibility problem in Argentina was the US banks, which became highly exposed to Argentina. US bank exposure to Argentina averaged 4.5 percent of US foreign exposure during the 1990s, and Argentina became the most important component of the emerging market bond index by 2000. When IMF staff objected to the terms of a three-year arrangement in 1996 because its fiscal provisions were weak, they were overruled. Argentina's debt service rose to 9.9% of GDP in 2000, and when market sentiment abruptly soured, it turned to the Fund to avoid devaluing the peso, a step that would have made the banking system insolvent. The United States was the only G7 country that favored the December 2000 program, but the other members deferred to US leadership. The program almost immediately went off-track, and staff in the Western Hemisphere Department favored suspending it, but Management overruled them (IEO 2004). Doubts were raised in the IMF Executive Board in May, but the decision to waive conditionality had been made at a higher level, by the G7 deputy finance ministers. The government missed more targets in August and requested an $8 billion program augmentation, and the US Treasury took over the negotiations from the Fund and persuaded the G7 to accept the results. The Executive Board approved them, although with unusual rancor, in September. The financial markets were not reassured by IMF lending in 2001, which simply provided a breathing space for heavily exposed banks to withdraw their capital. "The IMF had lost its credibility as an arbiter of sound policies, and as a predictable source of soft financing, it diluted market discipline" (Stone 2011, 204). The exchange rate, the banking system and the government collapsed in January.

2.3 Financial firms

Major financial firms play a decisive but generally indirect role in IMF governance, and American financial institutions are far more important than those of other countries because of the special US role in the institution. There are several sources of private influence. First, the IMF depends on leading banks for supplementary financing of its crisis programs, particularly in cases of debt rescheduling or lending to systemically important countries. Second, US banks exert indirect influence because international financial crises can have consequences in the United States, and US policymakers intervene to protect them. Major US financial firms are too big to be allowed to fail, and a number of them play important roles in international lending. Third, US banks

are powerful actors in the US political system that make substantial campaign contributions and engage in extensive lobbying. For example, the IMF depends upon the support of US banks to win Congressional approval of periodic quota expansions and administration support for acting as the global lender of last resort. Finally, US financial firms benefit when IMF borrowers give them preferential treatment in the expectation that they might require US intervention if their programs unexpectedly go off track. The organization of financial markets and interest groups ensures that IMF policy favors the major US money-center banks rather than foreign banks, bond holders or other stakeholders.

The Fund relies on major financial institutions to support countries in crisis, to reschedule troubled debt and to resume lending after international financing comes to a sudden stop. The evidence is mixed as to whether the IMF can stem the tide of capital outflows and stimulate the revival of confidence in bond markets, but it is clear that the IMF can mobilize collective action by major banks and official creditors. Banks find it easier than bondholders to credibly play contingent strategies, to coordinate among themselves and to offer financing in return for policy concessions and interest payments. When sentiment becomes unfavorable, bondholders can only credibly flee; banks can credibly extend further credits in order to cut their losses. Collective action by banks can also be difficult to achieve, but under some circumstances, as in Mexico in 1995 and Korea in 1997, the Fund can help to organize exceptional intervention by the US Federal Reserve and other central banks to enforce collective action. The reverse side of this equation is that banks have extraordinary influence when their cooperation is required. Erica Gould (2003, 2006) found that IMF programs that involved debt rescheduling were more likely to include "bank-friendly" conditionality, and she found historical evidence that banks successfully lobbied the IMF to include these conditions in IMF programs.

More generally, banks exert indirect influence over the IMF when they expose themselves to losses due to financial instability. The major money-center banks play a key role in the US economy, transforming savings into investment, providing businesses with working capital and supporting the short-term money market. The collapse of any of these institutions would provoke an economic and political crisis, as the collapse of Lehman Brothers did in 2008. Consequently, when major US financial institutions are heavily exposed to an emerging market that faces a financial crisis, the US Treasury and the White House become involved. Financial crises with the potential to cause substantial losses in the leading global financial centers are designated as systemically

important, and the IMF treats crises in systemically important countries differently than ordinary crises. Systemically important countries are subject to more generous financing, often extending well beyond the normal credit limit of 300% of a country's IMF quota,[3] and in some prominent cases, programs have been extended in spite of failure to meet the performance criteria in previous arrangements. Quantitative studies indicate that countries to which US banks are heavily exposed participate in IMF programs more frequently and receive larger loans (Oatley and Yackie 2004, Broz and Hawes 2006). In addition, the pressure to lend to countries with high bank exposure allows them to bargain for less extensive conditionality and undermines the credibility of the conditionality that they accept (Copelovitch 2010a, 2010b; Stone 2011).

Critics have been quick to point out that the chief beneficiaries of this crisis lending are the international banks, which are routinely rescued, rather than the populations of the borrowing countries, which are left to repay the debt (Bulow and Rogoff 1989). Demirguc-Kunt and Huizinga (1993) used an event study to show that IMF bailouts of Latin American countries in 1982 and 1983 and the expansion of IMF quotas in 1983 led to substantial abnormal stock returns for highly-exposed US banks. Similarly, Kho, Lee and Stulz (2000) found that banks with high exposure received abnormal returns during financial rescues of Mexico in 1995, Korea in 1997, Brazil in 1998 and Russia in 1998. They estimate that when the IMF program was announced for Brazil, which delayed a devaluation of the Brazilian real for a few months and allowed banks to liquidate their positions (IEO 2003), banks with high exposure gained market value of $17.8 billion. In contrast, the decision to suspend lending to Russia in August 1998 was associated with estimated stock declines of 4.2% for exposed banks. Indeed, the prospect of rescue creates moral hazard, which leads the banks to extend large loans to risky countries in the first place.

Leading money-center banks exert political influence directly as well as indirectly, and they have a direct financial interest in promoting crisis lending that subsidizes their risky lending. As Broz and Hawes succinctly put the case, "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" (Broz and Hawes 2006, 374). Major banks make substantial campaign contributions through their political action committees, and banks are active lobbyists that engage with Congress and with multiple executive agencies. In the wake of the 1995 Mexico

[3]The commitment of Fund resources amounted to 679% of Mexico's quota in 1995, 490% of Indonesia's in 1997, 1,938% of the Republic of Korea's in 1997, 425% of Russia's in 1998, and 800% of Argentina's in 2000.

bailout, Rep. Bernie Sanders proposed three amendments in 1995, 1998 and 1999 to prohibit the president from using the Exchange Stabilization Fund to rescue foreign countries in future financial crises. In a study of roll-call votes on these amendments, Broz (2005) found that House members that received substantial campaign donations from banking PACs were more likely to vote no. Furthermore, increases in PAC funding were associated with Representatives who changed their votes from support on previous amendments to opposition on subsequent ones.

Votes on IMF appropriations showcase the political influence of major US banks.[4] Congressional approval of IMF quota expansions are generally difficult votes that require the president to exert substantial effort. Historically, conservatives in both parties were skeptical of funding the IMF, although more recently both the left and the right have found reasons to oppose quota expansions. The Senate is generally more supportive of funding the IMF than the House of Representatives, and financial contributions from leading bank PACs appear to play an important role in getting funding bills through the House. Broz and Hawes (2006) find strong estimated effects of PAC contributions from money-center banks on votes to expand IMF quotas in 1983 and 1998. Broz (2011) uses historical data from 1980 to 2009 and finds that Congressmen who receive more substantial campaign contributions from money-center banks are more likely to vote to approve increases in IMF financing, and the substantive effect of a one standard-deviation increase in contributions is comparable to a similar shift in constituency skill levels, net imports or net exports.

The United States was able to use its influence over IMF lending at key junctures to advance the interests of its financial institutions in liberalizing capital controls. The United States had an ambitious agenda to liberalize the Mexican financial sector during the NAFTA negotiations, and IMF officials confirmed that the United States inserted conditions into Mexico's 1995 IMF program to extract concessions that it had not been able to achieve at the negotiating table. US financial firms stood to benefit from the opening of the Mexican financial sector. Similarly, the United States attempted to use Korea's accession to the OECD in 1996 as an opportunity to extract promises to liberalize the Korean financial sector, which was more closed than that of any other developed country. Having failed to achieve all of its goals in the OECD accession negotiations, the United States took a hard line in negotiations during the Asian Financial Crisis over Korea's 1997 IMF program, insisting on rapid financial deregulation. The Korean central bank faced a run on its reserves and the IMF program was viewed by the IMF staff as under-financed, so a Second

[4]Contributions to IMF capital have not always been treated as subject to the appropriations process, but have been treated as requiring approval by the House and the Senate since 1980 (Lavell 2024).

Line of Defense was cobbled together to reassure the market using bilateral commitments. The US commitment was key to the strategy because other contributors were willing to participate only if the United States did so, and this gave the United States substantial leverage. In return for the US commitment, Korea agreed to far-reaching steps to liberalize its financial sector and allow foreign investors to buy stakes in Korean financial institutions (Stone 2011).

When IMF conditionality succeeds in liberalizing the financial sector in a borrowing country, the result is a surge of foreign acquisitions of financial firms (Dang and Stone 2021). This is in marked contrast to other sectors, where IMF programs do not promote foreign direct investment, so it does not appear to be driven by an improvement in market confidence associated with an IMF program, or by some other omitted variable that is correlated with the crises that bring IMF programs about. Furthermore, a surge in financial mergers and acquisitions only occurs when an IMF program includes explicit financial-sector conditionality, so the effect appears to be due to the dismantling of restrictive financial regulations and investment rules. Many developing and emerging market countries have extensive restrictions on foreign investment in their financial sectors—indeed, finance is the most heavily protected sector in most economies—so the opportunities for foreign investors are rich when the barriers are dismantled. The surge in investment when restrictions are removed indicates a revealed preference to invest in these protected markets.

Dang and Stone (2021) find that IMF financial conditionality overwhelmingly creates opportunities for US firms to acquire domestic financial firms, rather than for European or Japanese firms. They argue that the special role that the US Treasury plays in monitoring IMF programs creates incentives for borrowing countries to use their regulatory discretion to favor US financial institutions over those of other major shareholders. Borrowing countries regard IMF programs as risky, because in addition to the inherent risks of a financial crisis, they run the risk that the program is suspended because they miss IMF performance criteria. This could occur either voluntarily, because they choose not to implement a condition when the political costs of implementation spike, or involuntarily, because there are stochastic gaps between the policies that are chosen and the responses of economic variables. In either case, close cooperation with the United States provides insurance against IMF program suspensions. Borrowing countries are aware of the role that the US Treasury plays in pushing for financial conditionality and the importance of lobbying by US banks, so it is a reasonable inference for them to make that successful acquisition of domestic financial firms by US firms will buy them some goodwill with the United States, which could be helpful if

they later require assistance dealing with the IMF. In short, the United States and the IMF do not have to calibrate program enforcement to the success of US banks in acquiring affiliates in program countries in order for US influence over the IMF to create incentives that give US firms a competitive advantage. In some cases, as in Korea in 1997, the program explicitly called for foreign acquisition of Korean financial institutions, and it was hard for the Koreans to miss the fact that the US Treasury had insisted on the inclusion of that condition.

2.4 Synthesis

The existing literature finds broad evidence of the influence of US financial firms over the IMF, but it appears to disagree about the effects of that influence over IMF conditionality. On one hand, US bank exposure is associated with reduced IMF conditionality (Copelovitch 2010a, 2010b, Stone 2011), but on the other hand, US bank influence is traced to conditions that favor bank interests (Gould 2003, Dang and Stone 2021). We argue that the resolution of the contradiction is that banks lobby both for micro policies (IMF conditions that improve debt sustainability or market access in financial services) and for macro policies (bailouts for important emerging market economies in hard times). Banks do not lobby for decreased conditionality when they favor a bailout, but in practice the increased urgency that they convey to US policy makers about bailouts leads to informal influence over the IMF. IMF Management is compelled to reach an expeditious agreement on bailout terms, which undercuts its bargaining leverage and leads to less conditionality in programs for "systemically important" countries. In what follows, we identify variations in bank lobbying of both sorts and correlate them with variations in conditionality in IMF programs.

3 Empirical Evidence

3.1 Data & Identification

We correlate variation in lobbying by major US financial firms that are included in the Fortune Global 500 rankings beginning in 1992 with variation in the numbers of conditions included in IMF programs adopted in the subsequent year. Data on firm lobbying in the United States are available since 1999 under the Lobbying Disclosure Act and are collected in LobbyView (Kim 2018).

The data provide information about how much individual firms lobby, what they lobby about and which Federal agencies or branches of Congress they lobby. IMF conditionality data are available from IMF Monitor (Kentikelenis and Stubbs 2023), a rich public repository of data on IMF program design and implementation.

The dependent variables for our analyses are counts of IMF conditions of various types. The results presented in the main text use three subsets of IMF conditions: 1) the sum of quantitative performance criteria (QPCs) and financial-sector structural benchmarks (SBs); 2) the sum of financial-sector and debt-sustainability structural benchmarks; and 3) labor market structural benchmarks. Each of these subsets is conjectured to be of substantial interest to financial firms. QPCs are the most binding conditions, whose violation leads to automatic suspension of IMF credit unless the Executive Board votes to issue a waiver. They relate to quantitative targets for macroeconomic policies that are intended to stabilize the economy and improve the ability of a country to repay its foreign debt. Structural benchmarks are not binding, but performance influences the assessment of whether a program is on track. Financial sector SBs relate to financial deregulation, consolidation and resolution of troubled banks, market access and privatization of state-owned financial institutions. Debt-related SBs include limits on taking on additional foreign or domestic debt and frequently include provisions forbidding the country from entering into new arrears on its debts. Labor-market conditions can vary widely, but generally are aimed at increasing the flexibility of labor markets (i.e., making it easier to reduce wages). Examples include downward revision of minimum wages and revisions to labor laws that make it easier to fire workers and that weaken unions' ability to engage in collective bargaining (Rickard and Caraway 2019).

Our independent variables are counts of lobbying reports filed by US financial firms. "General" reports indicate the total number of reports filed. In addition, we report estimates using "House of Representatives" reports, which are counts of lobbying reports that acknowledge lobbying the House, and "Banking" reports, which are counts of lobbying reports that indicate that the subject of lobbying concerned the banking industry and bank-related policy. Our hypothesis is that variations in General and HR lobbying reflect emergencies in emerging markets and should be associated with reduced conditionality. In contrast, variation in reports related to Banking reflect interest in specific bank-related policies, including the design of bank-friendly conditions in IMF programs. Banking reports should be associated with increased conditionality. Of course, banks lobby about numerous policies other than IMF programs, and this should depress any effects that

we find.

Each of our analyses uses OLS and two-way (country and year) fixed effects. Year fixed effects control for common temporal shocks that affect all countries, such as the Global Financial Crisis, Covid, and changes to the IMF conditionality paradigm. They also control for changes to US lobbying disclosure law, which for example led to increased numbers of lobbying disclosure reports in 2008. Country fixed effects control for cross-sectional variations in the incidence and type of conditionality. For example, low-income and African countries are more frequently subject to debt-related conditionality and less frequently subject to financial conditionality. Including fixed effects means that we can interpret our estimated coefficients as within-country changes over time in conditionality that are associated with over-time changes in lobbying by US financial firms.

3.2 Results

Table 1 presents an overview of our findings. We find a robust pattern of results. Lobbying about banking is consistently associated with an increase in conditionality. This holds for each definition of our dependent variable and holds for total lobbying reports submitted on behalf of the set of all US financial firms and for the subset of US financial firms that have investments (mergers and acquisitions since 1980 according to Bloomberg) in IMF program countries. General lobbying and lobbying in the House of Representatives have consistent negative estimated effects, which are statistically significant in three out of six specifications for general lobbying and in five of six specifications for House lobbying.

Table 1: Overview of main results

	Dependent variable (# conditions)		
Firms	QPCs + FIN SBs	FIN + DEBT SBs	LABOR SBs
All US financial	• **General: (-)** • **House: (-)** • **Banking: (+)**	• General: (-) • **House: (-)** • **Banking: (+)**	• **General: (-)** • **House: (-)** • **Banking: (+)**
US financial invested	• **General: (-)** • **House: (-)** • **Banking: (+)**	• General: (-) • House: (-) • **Banking: (+)**	• General: (-) • **House: (-)** • **Banking: (+)**

Each entry is a (lobbying type):(effect) pair.
Bolded results are significant ($p < .05$). Sign in parentheses.

Our first set of results concerns the highest profile measures of bank-friendly conditional-

ity, the quantitative performance criteria (QPCs) and financial-sector structural benchmarks (SBs). The results are presented in Table 2.

Table 2: US financial firms lobbying and financial conditionality, TWFE OLS results

Dependent Variable:	QPCs + Financial SBs					
Lobbying by:	All US financial firms			Invested US financial firms		
Model:	(1)	(2)	(3)	(4)	(5)	(6)
General	-0.268*			-0.323**		
	(0.099)			(0.087)		
House		-0.393**			-0.434**	
		(0.120)			(0.118)	
Banking			6.587*			13.173*
			(2.696)			(5.393)
Country FE	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
Observations	67	67	67	67	67	67
R^2	0.902	0.905	0.896	0.906	0.906	0.896
Within R^2	0.179	0.202	0.127	0.213	0.215	0.127

Standard errors clustered at country level in parentheses
*Signif. Codes: **: 0.01, *: 0.05, +: 0.1*

Each of the estimated results is highly significant. Lobbying about banking by US financial firms is strongly associated with increased conditionality. An increase equivalent to the average level of lobbying about banking (3.2 reports) by all US financial firms is estimated to account for 20.7 conditions, or 89% of the average number of QPCs and financial SBs. The corresponding figure for the subset of invested firms is 16 conditions, or 69% of the average. In contrast, general lobbying and lobbying of the House are robustly associated with reduced conditionality. An increase equivalent to the average level of total lobbying (70.3 reports) accounts for a reduction of 18.8 conditions, or a reduction of 81% below the average level. Similarly, an increase equivalent to the average level of House lobbying (54 reports) accounts for a reduction of 21.3 conditions, or a reduction of 91.5% of the mean level of conditionality. In both cases, the standard deviation of lobbying is six times larger than the mean, so these seem to be appropriate benchmarks.

The next set of results concerns structural benchmarks related to debt sustainability and the financial sector. Table 3 presents the results. The pattern remains the same as above, but the statistical significance of some of the estimates declines. The estimated effects of lobbying about banking are significant and similar in magnitude to the first set of results. House lobbying by all financial firms is significantly associated with reduced conditionality, and the estimated effect of an

increase in lobbying equal to the mean is a reduction of 14 conditions, or 61% below the average for debt and financial SBs. General lobbying is marginally significant, and the corresponding figures are 11.8 conditions and a 51% reduction. Neither coefficient is significant for invested firms, although the estimated substantive effects are comparable (the standard errors are larger for estimates using the smaller set of firms). These results indicate that the pattern is robust that conditionality that serves banking interests expands when financial firms lobby about banking issues, but that the same types of conditionality decline when firms increase their general lobbying or their lobbying of the House of Representatives.

Table 3: US financial firms lobbying and servicing debt conditionality, TWFE OLS results

Dependent Variable:	Debt + Financial SBs					
Lobbying by:	All US financial firms			Invested US financial firms		
Model:	(1)	(2)	(3)	(4)	(5)	(6)
General	-0.168^{+}			-0.177		
	(0.089)			(0.121)		
House		-0.260*			-0.253	
		(0.114)			(0.155)	
Banking			6.586*			13.172*
			(2.483)			(4.965)
Country FE	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
Observations	67	67	67	67	67	67
R^2	0.879	0.881	0.884	0.878	0.879	0.884
Within R^2	0.052	0.066	0.094	0.048	0.054	0.094

Standard errors clustered at country level in parentheses
*Signif. Codes: **: 0.01, *: 0.05, +: 0.1*

Our third set of results concerns labor market conditions, and the findings are presented in Table 4. Labor-market conditions are not traditionally thought to be a significant preoccupation of multinational financial firms, but we conjecture that international bankers favor such reforms because they improve a country's prospects of repaying debt. The IMF frequently seeks to negotiate labor-market reforms as a component of its programs. Increasing labor-market flexibility (which makes it easier for employers to lower wages and layoff workers) complements adjustment programs that seek to reduce aggregate demand in order to restore international competitiveness, particularly in countries that have overvalued exchange rates. This often pits the IMF against left-leaning governments, and there is evidence that countries with governments that enjoy substantial support from organized labor less frequently accept such conditions (Rickard and Caraway 2012). In addition, IMF conditionality that targets public-sector employment has been shown to depress

wages (Rickard and Caraway 2019).

Table 4: US financial firms lobbying and labor conditionality, TWFE OLS results

Dependent Variable:	Labor Market conditions					
Lobbying by:	All US financial firms			Invested US financial firms		
Model:	(1)	(2)	(3)	(4)	(5)	(6)
General	-0.789*			-0.783+		
	(0.311)			(0.428)		
House		-1.165**			-1.099*	
		(0.398)			(0.536)	
Banking			27.064**			54.129**
			(6.956)			(13.912)
Country FE	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
Observations	67	67	67	67	67	67
R^2	0.884	0.888	0.895	0.878	0.881	0.895
Within R^2	0.202	0.232	0.280	0.163	0.180	0.280

Standard errors clustered at country level in parentheses
*Signif. Codes: **: 0.01, *: 0.05, +: 0.1*

The results confirm that the same pattern holds for labor market conditions as for our other measures of conditions that favor banking interests. Labor market conditions increase markedly when US financial firms increase their lobbying on banking issues. An increase in lobbying about banking equal to the mean for all financial firms corresponds to an increase of 85 conditions, or an increase of 159% of the average number of labor-market conditions contained in a program. The corresponding figures for invested financial firms are 66 conditions and an increase of 123% of the average. Lobbying that is not narrowly focused on the banking sector, in contrast, sharply decreases the pressure on countries to accept labor-market conditions. An increase in all categories of lobbying equal to the mean by all financial firms is estimated to reduce labor-market conditionality by 55 conditions, or a bit more than the mean level, eliminating labor-market conditionality in the average program. An increase in House lobbying equal to its average level corresponds to a decrease in labor conditionality equal to 63 conditions, or 118% of the mean level of conditionality. The corresponding figures for invested firms are reductions of 19.6 conditions (37%) for all forms of lobbying and 21 conditions (39%) for House lobbying. In short, IMF labor-market conditionality is caught up in a class conflict. It is opposed by labor and labor-oriented governments but supported by the international banks upon which the IMF depends for the success of its programs and that provide the key domestic support in the United States for international lending. The pressure for labor-market reform evaporates, however, when banks face the prospect that a major

emerging market to which they are highly exposed may fail. In those circumstances, the leading banks clamor for bailouts, and the pressure from the United States to lend undercuts the IMF's bargaining position.

4 Conclusion

Leading financial firms, particularly leading US firms, exert substantial direct and indirect influence over the IMF. This influence plays a role in determining the scale of IMF resources, which countries receive loans, how large the loans are, what conditions are attached to them, how rigorously these conditions will be enforced, and how effective IMF lending will be at resolving financial crises. Four distinct mechanisms operate. First, high US bank exposure to borrowing countries can undermine the credibility of IMF lending because the United States is expected to press the Fund to extend financing. Second, banks have leverage to negotiate with the Fund when their cooperation is needed to forestall a financial crisis. Third, US banks exert direct influence through Congressional campaign contributions and lobbying. Fourth, US banks exert indirect influence because borrowing countries use their regulatory discretion to benefit US firms. An extensive literature has emerged over the last two decades that tests these relationships with a wide range of data and rigorous methods and finds evidence consistent with the operation of these mechanisms.

The influence of US financial firms can be traced to the IMF's informal governance model (Stone 2011). IMF lending seeks to calm troubled financial markets, and the degree to which it is able to do so depends on the credibility of the loans-for-reform contracts that it concludes with borrowers. The IMF's creditors control the Fund and prefer that these contracts be enforced, but enforcement is costly and subject to time inconsistency, and the Fund inherits the credibility problems of its leading shareholders (Stone 2002). The United States plays a unique role in IMF governance, enjoying unparalleled access, agenda control and deference, so the inconsistency of US policy is the IMF's Achilles' heel. Consequently, US bank exposure is an important constraint on the IMF's ability to reassure troubled markets, and the interests of US firms are strongly represented in the distribution of IMF loans and the design of IMF financial conditionality. As a result, US firms are systematically favored by borrowing countries when they seek to acquire financial assets abroad.

The results of the current study synthesize two prominent earlier findings that appeared to be contradictory: countries to which US banks were highly exposed received IMF programs with less ambitious conditionality (Copelovitch 2010a, 2010b; Stone 2011) and US banks lobbied for and achieved increases in financial conditionality (Gould 2003). The solution to the puzzle is that US banks lobby both on micro issues (chiefly, conditionality related to debt sustainability and market access) and on macro issues (bailouts for major emerging markets). By merging data on lobbying and conditionality we are able to identify surges in both kinds of lobbying, and we show that narrowly focused lobbying is associated with increased conditionality related to debt sustainability, market access and labor market policies, while surges in broadly-defined lobbying are associated with decreased conditionality across the board. Banks do not lobby against conditionality, but the urgency that they impart to bailouts puts pressure on the Fund to reach agreement and undercuts its bargaining leverage.

Further empirical analysis conducted at the firm level is an important area for future research. To date, studies of banks' political behavior vis-à-vis the IMF have been focused at the level of the IMF program or, in a few cases, at the level of individual Congressional votes, but firm-level data exist that could shed light on firms' motivations and strategies. Dang and Stone (2021) points one such direction, using firm-level data on mergers and acquisitions (M&As) to study firms' revealed preferences and the heterogenous constraints on their ability to capitalize on IMF conditionality. Data on firm lobbying in the United States are available since 1999 under the Lobbying Disclosure Act and provide information about how much individual firms lobby, what they lobby about and which Federal agencies or branches of Congress they lobby. Future work can merge the lobbying data with the M&A data to develop a picture of individual firms' motivations and political activity. The creation of a rich public repository of data on IMF program design and implementation in the IMF Monitor (Kentikelenis and Stubbs 2023), meanwhile, provides an opportunity to combine firm-level data with detailed program-level information.

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Appendix

Table 5: Descriptive statistics

Conditionality	Mean	SD	Min	Max	*N*
QPCs	16.11	8.78	0	52	84
FIN SBs	7.14	7.62	0	44	84
DEB	7.50	3.92	0	20	84
Financial (QPCs + FIN SBs)	23.25	13.13	0	70	84
Debt & Finance (DEB + FIN SBs)	22.95	14.75	0	78	84
Labor (LAB SBs)	53.55	33.92	4	153	84
Lobbying by all US financial firms (count)	Mean	SD	Min	Max	*N*
General	70.30	433.09	0	6,622	1,459
House of Rep.	54.15	334.63	0	5,056	1,459
Banking	3.15	21.81	0	490	1,459
Lobbying by invested US financial firms (count)	Mean	SD	Min	Max	*N*
General	24.98	144.73	0	1,944	1,459
House of Rep.	19.08	110.54	0	1,540	1,459
Banking	1.22	8.52	0	218	1,459