Fundação Getulio Vargas
Escola de Economia de São Paulo

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US geopolitical goals and IMF conditionality: Was Cold War relevant?

São Paulo
2019

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Dissertação submetida à Escola de Economia de São Paulo como requisito parcial para a obtenção do grau de Mestre em Economia de Empresas.

Área de Concentração: Economia Política

Orientador: Dr. Leonardo Weller
Co-Orientador: Dr. João Paulo Pessoa

São Paulo
2019

Akerman, Ariel Kessel.
US geopolitical goals and IMF conditionality : was Cold War relevant? / Ariel Kessel Akerman. - 2019.
52 f.

Orientador: Leonardo Weller.
Co-orientador: João Paulo Cordeiro de Noronha Pessoa.
Dissertação (mestrado CMEE) – Fundação Getulio Vargas, Escola de Economia de São Paulo.

1. Fundo Monetário Internacional. 2. Guerra Fria. 3. Empréstimo externo - Aspectos políticos. 4. Estados Unidos - Relações exteriores. I. Weller, Leonardo. II. Pessoa, João Paulo Cordeiro de Noronha. III. Dissertação (mestrado CMEE) – Escola de Economia de São Paulo. IV. Fundação Getulio Vargas. V. Título.

CDU 339.732:327(73)

Ficha Catalográfica elaborada por: Isabele Oliveira dos Santos Garcia CRB SP-010191/O
Biblioteca Karl A. Boedecker da Fundação Getulio Vargas - SP

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Dissertação para obtenção do grau de mestre apresentada à Escola de Economia de São Paulo.

Data de aprovação / /2019
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Agradecimentos

Aos meus orientadores, Leonardo Weller e João Paulo Pessoa, pela confiança e pelo cuidado na realização desta dissertação. Agradeço-lhes por terem acolhido a pesquisa e estimulado-me a nela prosseguir.

Ao professor Bernardo Guimarães, que despertou em mim o entusiasmo pelo tema desta pesquisa. Agradeço-lhe pelos inúmeros comentários e sugestões que permitiram minha chegada até aqui.

Ao professor Thomas Stubbs, que me instruiu na utilização da base de dados tão relevante para esta investigação.

A Felipe Loureiro e Gianfranco Caterina, pela ajuda ao avançar em uma área do conhecimento a mim estranha.

À professora Fernanda Estevan e ao professor Paulo Pichetti, que ofereceram sugestões em versões anteriores deste ensaio. Ao corpo docente da Escola de Economia de São Paulo, pela formação imprescindível na realização dessa tarefa.

Aos meus pais, Zilda e Renato, e ao meu irmão, André, pelo carinho, pela atenção e pela paciência.

Aos meus queridos colegas da Escola de Economia de São Paulo, entre os quais Luis Antonio, Thiago, Tatiana, Nicolas, Gabriel, Victor, João Pedro, Dimitri, pelo apoio e companheirismo.

À Escola de Economia de São Paulo e à Coordenação de Aperfeiçoamento de Pessoal de Nível Superior, pelo suporte financeiro fundamental para a conclusão deste trabalho.

"O presente trabalho foi realizado com apoio da Coordenação de Aperfeiçoamento de Pessoal de Nível Superior - Brasil (CAPES) - Código de Financiamento 001"

Resumo

Durante a Guerra Fria, o Fundo Monetário Internacional era suscetível a pressões políticas estadunidenses? Se sim, a abordagem dos EUA em relação ao Fundo mudou após 1989? Esta dissertação mostra que países estrategicamente interessantes para os Estados Unidos foram favorecidos em negociações de empréstimos condicionais do FMI.

Nós construímos um painel de cerca de 500 *Stand-By Arrangements* para testar se os EUA utilizaram o FMI como instrumento geopolítico durante e após a Guerra Fria. Nós regredimos o número de condições em cada acordo contra a distância da capital do devedor à capital do país comunista ou alinhado à União Soviética mais próxima, controlando por variáveis políticas e econômicas.

Nossa variável dependente (o número de condições) a partir de mais de 300 cartas de intenção, escritas entre 1970 e 1985 e disponíveis digitalmente nos arquivos do FMI. A esse bloco agregamos outra base de dados Kentikelenis et al. (2016), que cobre o período após 1985. Essa pesquisa em fontes primárias nos permite avaliar o papel do Fundo durante a Guerra Fria.

Nossos resultados indicam que *Stand-By Arrangements* acordados com países localizados próximos a países comunistas e linhados à URSS continham, em média, menos condições. Essa conclusão vai ao encontro da hipótese de que o FMI segui os objetivos geopolíticos estadunidenses e favoreceu os países importantes na contenção da expansão comunista.Como testes de robustez adicionais, nós usamos a proporção da fronteira dividida com comunistas e o quociente entre população de países comunistas vizinhos e a população local como regressores. Os resultados gerais sustentam-se.

Palavras-chave: Fundo Monetário Internacional, condicionalidade, Guerra Fria.

Abstract

Was the International Monetary Fund (IMF) susceptible to US political pressure during the Cold War? If yes, has the US approach to the Fund changed after 1989? This dissertation shows that countries strategically interesting to the USA have been favoured when negotiating conditional loans.

We run a panel of circa 500 Stand-By Arrangements to test whether the USA used the IMF as a geopolitical instrument during and after the Cold War. We regress the number of conditions of each agreement on the distance to the capital of the closest communist or soviet-aligned country, controlling for political and economic variables.

We have constructed the dependent variable (the number of conditions) from over 300 Fund's letters of intent written from 1970 to 1985, which are electronically available on the IMF Archives. We have then add it to another database (Kentikelenis et al., 2016), which covers the post-1985 period. This primary-source research allows us to assess the IMF role during the Cold War.

The results indicate that Stand-By Arrangements sealed with countries located closer to communist and soviet-aligned states contained on average fewer conditions. This supports the hypothesis that the IMF acted accordingly to American geopolitical goals and favoured countries that were important in containing the expansion of communism. As additional robustness checks, we use the shared border and the total neighbour population of closest communist and soviet allied countries as regressors. The overall results hold.

Keywords: International Monetary Fund, conditionality, Cold War.

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1 Introduction

In June 27, 1975, the US Secretary of State Henry Kissinger held a meeting with colleagues in Washington to discuss what to do about Zaire. Besides the balance of payments problems, the president Mobutu Sese Seko was struggling to finance his military. This issue was of special interest to the secretaries there present: the developments of the Angolan civil war, with the increasing power of the Soviet-supported movement, presented risks for American and Zairian allies of the right-wing National Liberation Front of Angola. Zaire needed more arms, but the way to finance them was unresolved. At some point, the American ambassador in Kinshasa, Sheldon Vance, proposed: "[w]e have to help them via the International Monetary Fund (IMF) to get over his short-term cash flow problem. Our people think this is reasonable."[1] After many other gatherings at the highest circles of American foreign policy and Kissinger paying a visit to Mobutu, the Zairian dictator reluctantly accepted a proposed Stand-By Arrangement, subject to no binding conditions.[2]

The story above presents interesting aspects. It shows the American successful attempt to exploit the IMF lending facilities to help Zaire. This country was of special relevance not exactly because of its balance of payments deficits or problematic financial situation, but due to its strategic position in fighting Angolan communists. The front supported by the US failed to seize power, Mobutu was eventually abandoned, but the discussion on whether IMF remained susceptible to American interests persisted.

This dissertation discusses whether Zaire's story was widespread. We investigate if the Fund followed US pressures during the Cold War. Specifically, our focus are the conditional lending arrangements that this organization sealed, just like the one the Fund reached with Mobutu.

The IMF's conditional loans have been a controversial subject since the beginning of their implementation. On the one hand, when offering financial help conditional to the approval of policy reform, the Fund would have to be "convinced that extending credit promotes its purposes." This refers to implementing the measures needed to stabilize the balance of payments, promote growth, curb the monetary base growth or reduce poverty in borrower countries (Polak, 1991, 16-33). On the other hand, by engaging in this reform-promotion role, the IMF has often been criticized for proposing too harsh, unfeasible or even ineffective programs (Collier et al., 1997; Dreher, 2009). These criticisms have often taken the form of public protests,[3] and telltale the fuss involving the international organization actions (Kentikelenis et al., 2016, 2).

Noticing these controversial aspects of IMF interventions and, particularly, of the policies chosen to be implemented, a growing debate on the determinants of the Fund's conditionality

[1] *Foreign Relations of the United States*, 1969–1976, Volume XXVIII, Southern Africa, eds. Myra F. Burton (Washington: Government Printing Office, 2011), Document 112.

[2] *Foreign Relations of the United States*, 1969–1976, Volume E-6, Documents on Africa, 1973–1976, eds. Peter Samson and Laurie Van Hook (Washington: Government Printing Office, 2006), Documents 278-300.

[3] Organized, for example, in Argentina in 2018 <https://www.clarin.com/politica/movimientos-sociales-piqueteros-marchan-gobierno-fmi-veto_0_B1lTlzRJ7.html>. On the discussion about the roots of riots against IMF, see Auvinen (1996).

has taken shape. The reasons why the conditions agreed with the Fund vary from country to country are among the main inquiries of researchers. Consequently, a question capable of synthesizing this literature is: why some countries must implement so different adjustment programs to withdraw the same resources from the IMF?

Some answers to this question lie on the political economy roots of IMF arrangements. Empirical findings suggest that the probability of getting a loan agreement from the Fund and the number of conditions agreed are correlated with variables representing political interests of international agents such as the Fund's main shareholders. Dreher and Jensen (2007), for example, find evidence that countries whose voting patterns at United Nations General Assembly (UNGA) were closer to Group of Seven (G7) members received, on average, fewer conditions in IMF loans than less aligned countries. These facts may undermine the Fund's rhetoric, according to which the institution follows technocratic measures only. This conclusion follows what even senior members of the IMF staff admitted: "[t]he proprieties of the Fund contain an unwritten rule that political arguments should be dressed up in economic garb whenever possible" (Polak, 1991, 32).

It is noticeable, though, that the discussion on political pressures on IMF conditionality is concentrated in a relatively short period: from the mid-1990s until the 2000s. This time restriction, perhaps due to some apparent scarcity of information,[4] impedes the investigation of US pressures on IMF during the Cold War, when the United States controlled individually more than one fifth of IMF's voting power. Did important countries to the Western Block strategy receive fewer conditions than the ones who were in less special geopolitical positions? Here, we understand as *important countries* those located closer to communist adversaries and, consequently, more pivotal in ideology diffusion, military support or basing a diplomatic campaign in order to contain the Soviet advancements.

Thus, our main objective is to extend the discussion on whether IMF lending conditionality may follow other than technocratic pressures by enlarging the databases on conditions of agreements and by bringing some Cold War dynamics to the inquiry. To investigate these queries, we rely on a new database on IMF conditionality, constructed from primary sources available at IMF Archives. These documents – circa 300 letters of intent and agreement texts, codified combined with the already existing database of Kentikelenis et al. (2016) – allow us to extend the literature on US politics and the Fund since 1970, comprising more than four decades of IMF conditional loans. With a long, broad and detailed database, we can contribute to the literature on the IMF by extending the analysis to a geopolitically different period.

We ground this verification on a panel of Stand-By Arrangements – the oldest, more frequent and less invariant of the Fund's facilities – from 1970 until 2014. We regress the number of conditions in each agreement against the distances to the closest communist and Soviet-allied countries (our variables of interest) and other controls. The latter comprise macroeconomic

[4]The Monitoring of Fund's Arrangements (MONA), the Fund's conditionality public database, displays no information on agreements sealed prior to 1992.

controls, such as money expansion and exchange rate variation; and political controls such as each country's IMF quota and the alignment to the United States at the United Nations General Assembly.

Our results indicate that Stand-By Arrangements sealed with countries located closer to communist and soviet-aligned states contained on average fewer conditions. This supports the hypothesis that the IMF acted accordingly to American geopolitical goals and favoured countries that were important in containing the USSR. As robustness checks, we use the shared border and the total neighbour population of the closest communist and soviet allied countries as regressors. The overall results hold.

Moreover, we found that communist countries that were not closely allied to the USSR were more relevant to explain conditionality than the ones linked to Moscow. Finally, our results corroborate the most established results in the literature, according to which countries aligned to the United States at the United Nations General Assembly tend to borrow from the IMF with less conditions. This is in line with the conclusion that the IMF is susceptible to US foreign policy.

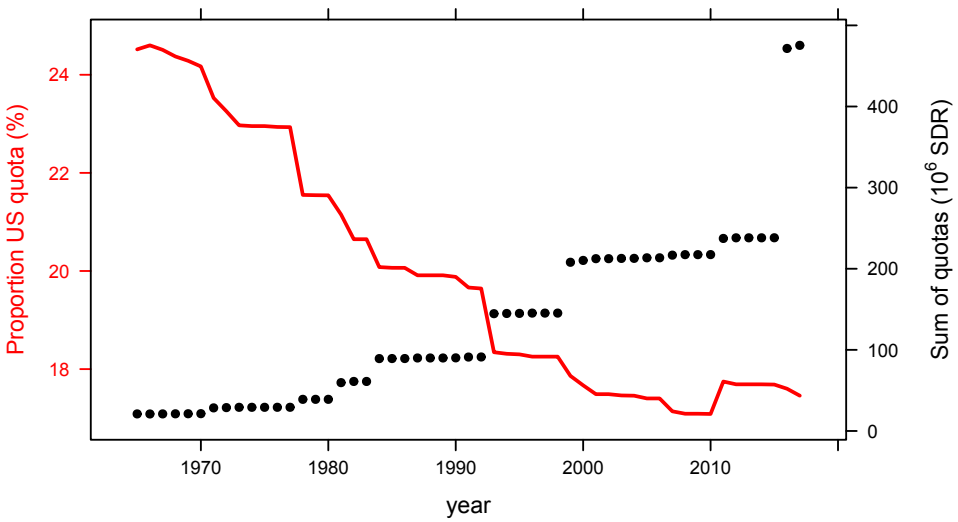
This text proceeds as follows. In the section 2, we present what is IMF conditionality, the literature on it. Section 3 comprises the data, including how we constructed the conditionality database. In section 4, we expose and discuss our results. Finally, in section 5 we conclude.

2 The IMF and political pressures

The IMF is one of the Bretton Woods institutions whose role is to support international financial stability and to promote international trade and international monetary cooperation (International Monetary Fund, 2011, 13). It reunites representatives of all member countries, whose voting powers in decision boards are proportional to their quotas – the resources provided to the institution according to a series of internal rules.

In 2018, 189 countries contributed to 476 million Special Drawing Rights. The United States has always owned the largest share – more than one fifth of the total quota until the early 1990s –, but their relative position has shrunk during the fifteen revisions set amid the last fifty years, as figure 1 displays. This movement was responsible for the curtailment of the G7 share, from 55% in 1970 to 43% in 2017, identified in figure F.1. Most of the time nominal quotas changes are increases; the cuts in proportional quotas come from the admission of new members of the Fund and smaller relative quota adjustments.

Figure 1: Evolution of total IMF quota and US relative position



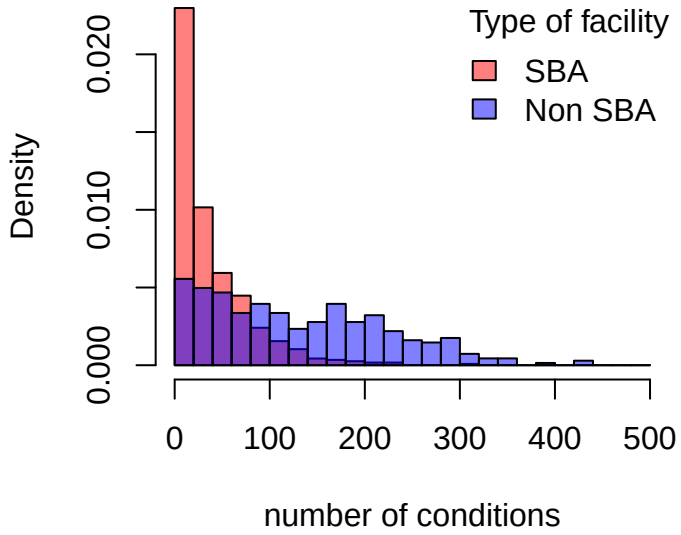
Source: Self-elaboration using hand collected data from IMF Annual Reports.

The Fund offers loans to countries that pass through difficulties concerning the balance of payments, growth or even development. Different problems, indeed, require different IMF facilities.

The oldest and most used IMF facility is the Stand-By Arrangement (SBA), which usually consists of one year loans. SBAs are usually conditioned on structural reforms or fiscal and economic goals. Other facilities exist to deal with other problems, implicate distinct sets and quantities of conditions and have other terms.[5] We see these differences in number of conditions

[5]See Gould (2006, 37-72,216-218). The differences between facilities and their objectives are patent in IMF factsheet table, reproduced in figure G.1 (International Monetary Fund, 2018).

Figure 2: Distributions of conditions by SBA and non-SBA arrangements



Source: self-elaboration using a set merging Kentikelenis et al. (2016) and data we collected from IMF Archive documents. We used the criteria of Kentikelenis et al. (2016) to map conditionality.

and terms in figures 2 and F.2. The shorter terms and lower numbers of conditions lead us to consider only SBA arrangements, clearly shorter and containing fewer conditions, in our econometrical exercises.

The process of sealing most of IMF agreements starts when a potential borrower formally requests a loan.[6] The Fund and the government then negotiate the type of loan, its amount – usually proportional to the borrower's quota –, the term and the conditions of the contract. Next, the IMF's Executive Board, representing all members of the institution must approve them. After that, the agreement, usually formalized in a Letter of Intention and a Memorandum of Economic Policy synthesizing the country's compromises as a debtor, is set. Then, the borrower may start accessing the funds under a determined schedule.

The formalized documents usually explicit every condition and rule the borrower must follow. This includes what the Fund understands by conditionality: "the policies the Fund expects a member to follow in order to avail itself of credit from the Fund" (Polak, 1991, 1). These policies have been used since the first SBA, in 1952, and belong to three different categories: Prior Actions, Structural Benchmarks and Quantitative Performance Criteria. These categories are intrinsically different: structural privatizations, for example, are elementally distinct from quantitative fiscal deficit targets.

The approval of an agreement by the board and the subsequent sealing of a loan contract with the IMF do not mean that the borrower will follow all its rules until the end of the term. Many agreements are subject to intra-term revisions to check whether the debtor sustains its

[6] Gould (2006).

compromises and conditions. If the borrower stops fulfilling any of them, it may simply lose the right to access the loan's funds without the need of approval by the Executive Board (International Monetary Fund, 2002). According to Stone (2004), political pressures may affect the rate of suspension, and this relate to the reason why the rate of compliance of conditions was under 60% (Polak, 1991; Ivanova et al., 2003). The IMF has a large discretionary margin when negotiating and sustaining lending agreements, often susceptible to political pressures.

The discretionary margin is relevant, even though the Fund sustains a technical rhetoric, often grounded on the cooperation between IMF staff and borrowers (Independent Evaluation Office of the International Monetary Fund, 2007). We sustain so because, above all, the IMF is a large institution where decisions can be vetoed, agreements can be easily suspended and conditions on loans are defined in restricted meetings.

A broad literature investigates whether countries politically closer to the largest shareholders of the Fund reach better or more frequent agreements than the countries that rest on a more *distant* instance. The questions, then, are how to measure the degree to which the IMF can be harsh or soft on borrowing countries, and how to understand *proximity*. There are multiple answers for these questions, but the approaches are similar.

Concerning the first, some authors try to identify the determinants of different probabilities of reaching an agreement with IMF (Thacker, 1999; Barro and Lee, 2005; Andersen et al., 2006); others discuss what determines different sizes of loans (Oatley and Yackee, 2004; Reynaud and Vauday, 2009); and many others, mentioned further ahead, seek to understand why some agreements include more conditions than others.

Proximity, here, usually relates to the political pressures that may affect IMF lending behaviour. The variables used to capture these pressures are, for example, the borrower's quotas and how many of its citizens work as IMF staff (Barro and Lee, 2005), debt owed to the United States (Oatley and Yackee, 2004), geopolitical attractiveness (Reynaud and Vauday, 2009), the contemporaneous activity of the World Bank (Dreher, 2004; Dreher and Vaubel, 2004c) and the borrower's participation as a member of the United Nations Security Council (UNSC) at the time of the arrangement (Dreher et al., 2009, 2015a).

These investigations share important methodological traits. The most patent of them is how they try to identify the relation between the political factors and the IMF lending variables. All of them ground their arguments on ordinary least squares regressions of the IMF lending variables against the potential political determinants, usually controlling by economic conditions of the borrower. The samples are different, mainly due to the nature of the estimations. Thacker (1999), that investigate the correlates of the probability of reaching an IMF agreement, use samples of every country eligible to a loan; Oatley and Yackee (2004), discussing the determinants of the size of loans, base themselves on a sample of agreements. Nevertheless, these authors and the ones mentioned above suggest that higher proximity to IMF staff, higher stakes at the UN, higher geopolitical interested aroused or the absence of contemporaneous World Bank loans are correlated with a higher probability of reaching an agreement with IMF, higher IMF loans and,

usually, fewer conditions.

We generally resort to this approach, as detailed in section 3. Before moving into it, however, we discuss briefly some important issues of the literature on IMF lending. The first issue concerns the measure of alignment to the IMF's main shareholders at United Nations General Assembly voting, a recurring variable of interest in the literature. Thacker (1999) pioneered the test of a proportion of alignment to US, the owner of the biggest IMF quota, at UNGA as a potential determinant of the probability of reaching a Stand-By Arrangement from 1985 to 1995. He finds a positive correlation between both variables, favouring the "politics-oriented IMF" hypothesis.[7] Other economic factors are also statistically relevant. Andersen et al. (2006) reaches the same results with another sample. Finally, Dreher and Jensen (2007) use the alignment to the G7 at UNGA, but investigate how coordinating with the richest countries at this forum relates to conditionality. They conclude that more aligned countries seal agreements containing on average fewer conditions, favouring the hypothesis that there may some exchange between votes and fewer conditions. Our work follows most of their methodology[8] and include a measure of alignment to US as a political control.

It is not clear, indeed, how Dreher and Jensen (2007) counted conditions that were applied more than once a year. This issue is relevant and, unfortunately, widespread in the literature: many articles that find evidence about the effects of the World Bank, the participation at the UNSC or the alignment at UNGA at *the number of IMF conditions* avoid making the criteria used to sum conditions explicit.[9] This is especially relevant since, as we saw above, conditions may be structurally different, and may refer to different periods, even if sealed at the same agreement. We present in section 3 how we deal with this issue.

It is noticeable that the literature on IMF conditionality grounds itself on the hypothesis that the burden of an agreement is positively correlated with the number of conditions it contains. Nevertheless, Guimaraes and Ladeira (2018) shows that alignment with the G7 at the UNGA is negatively correlated with the sum of conditions, but not with the fiscal adjustment prescribed in these arrangements – another comparable measure of the required effort in a program. This suggests that the number of conditions is not a clear measure of duty. Nevertheless, authors such as Steinwand and Stone (2008, 137) found empirical support for the hypothesis that 'international investors, powerful shareholder countries, and the IMF's own organizational imperatives" influence conditionality, despite the issues that different conditions arouse.

Our main contribution to the literature relates to the analysed period. The research on IMF

[7]The Fund, thus, would implicitly work as parallel US aid agency. The IMF, however, would be more agile, since it acts without US congressional approval (Stone, 2008, 594)

[8]This methodology, incidentally, relates to the work of Gould (2003, 2006), who uses a sample of circa 250 agreements sealed between 1952 and 1995 to test whether other financiers in IMF arrangements influence the number of "bank-friendly conditions" there.

[9]Such as Gould (2003, 2006), Dreher (2004), Dreher et al. (2009), Dreher and Vaubel (2004c), Dreher et al. (2015b). The exception is Stone (2008), who constructs an index of the burden of an agreement by counting the number of areas of policy the conditions touch: the more areas of reform included in a program, the larger is the effort to accomplish them. For him, less US aid and higher financial fragility leads to broader conditionality.

conditionality and its potential politics determinants concerns to a restricted period. Gould (2003, 2006) considers only a reduced section of agreements from 1952 until 1995. Most of the other authors mentioned mentioned above assess the short period from mid-1990s to the beginning of the 2000s, with rare exceptions.

We extend the period of analysis to 1970-2014 combining the work of Kentikelenis et al. (2016) to primary documents digitally available on the IMF Archives. Our new database enable us to assess whether the United States used the IMF to achieve geopolitical goals in the period of the Cold War.

We also contribute to a small literature on the IMF and the Cold War. Some diverse qualitative research on IMF lending during the Cold War that shows the complexity of this institution's behaviour. Kedar (2015, 2017) relates to this by critically examining Chilean events. She shows that socialist Allende and the Fund's technicians sustained some collaboration, beneficial for both parts, despite American disapproval. Moreover, Pinochet's Chicago-trained economists struggled to sustain IMF support. Stiles (1990) shares this approach, mentioning interesting cases concerning how the IMF negotiated. One of them concerns Zaire's late 1970s loans. Despite the absence of complaining with IMF's agreements, the Fund offered continuous support for Mobutu's government – who was an important ally in a region where US foreign policy was suffering setbacks. The main issue then was that Angola had just stood as communist republics under a Soviet umbrella (Westad, 2005, 207-249). The IMF support, thus, was essential.

Thacker (1999) and Oatley and Yackee (2004) analyse IMF lending during the Cold War quantitatively. Both studies identify that the trading of loans for votes aligned to US was not statistically relevant before 1990. They rely on the hypothesis that along the Cold War United States' main adversaries could not access IMF's funds. Thus, there would be no need of micro-management of alignment in a non-Soviet forum. This conclusion, however, is not sustained by our work. We will show they are inaccurate in the remaining of this dissertation.

3 Data and Method

3.1 The data

3.1.1 Measuring conditionality

We measure conditionality as *the sum of conditions in an agreement*. We stick to this choice despite its potential flaws. One of them relates to summing policies that are different at heart: it may sound odd to synthesize the burden of a program including a fiscal budget target and a privatization of a state-owned enterprise as a single-dimension, natural number. Furthermore, the number of conditions may not be correlated with the fiscal burden in an agreement. This proxy may not capture how taxing an IMF program is — our main interest when discussing the subject.

Nevertheless, we chose the sum of conditions as a measure of a program's burden due to two reasons. First, despite these faults, sums of conditions are an intuitive and easily understood way to approach what an adjustment program means. Additionally, since this criterion is widespread in the literature, our results become comparable. Second, the measure we propose is a clear criterion, with well-defined rules. Gould (2003, 2006), Dreher and Vaubel (2004a), Dreher and Jensen (2007) and Stone (2008), for example, do not make explicit whether indicative – non-binding – conditions are considered. We also find it hard to identify if the quarterly targets that are usually applied in some quantitative performance criteria are counted as one or as multiple conditions. Thus, the literature presents problems in two main directions when counting conditions: first, it does not explain the criteria used to define its conditionality variables; second, it is ambiguous when considering quarterly targets. Our criterion considers these two blind spots. First, we define transparently how we counted conditions. Moreover, we are explicit on how to consider intra-year targets.

We collected hundreds of letters of intent and memoranda of economic policy from IMF Archives. Then, following strictly Kentikelenis et al. (2016), we considered the number of conditions in an agreement as the sum of every condition described in its text, each one of them multiplied by the number of times it was supposed to happen.

Following this approach,[10] we build our dependent variable from 923 agreements from 1970 to 2014. For the period from 1986 to 2014, we relied on the tables codified by Kentikelenis et al. (2016). These tables include every condition in every available document – letters of intent and Executive Board decisions, mainly – in the IMF Archives. We expand their work by reading and classifying circa 300 agreements from 1970 to 1985, available as digital files in the archives of the Fund.[11] We start our database in 1970 since there was a major revision in

[10] In the appendix, we also present similar results using other ways to sum conditions. Our main conclusions are robust to alternative specifications of the dependent variable.

[11] The method we used, as well as the steps of the process and the type of documents we read, are cautiously presented and exemplified in appendix A. There, we also discuss additional information we collected on the agreements.

Table 1: Statistics of the sum of conditions

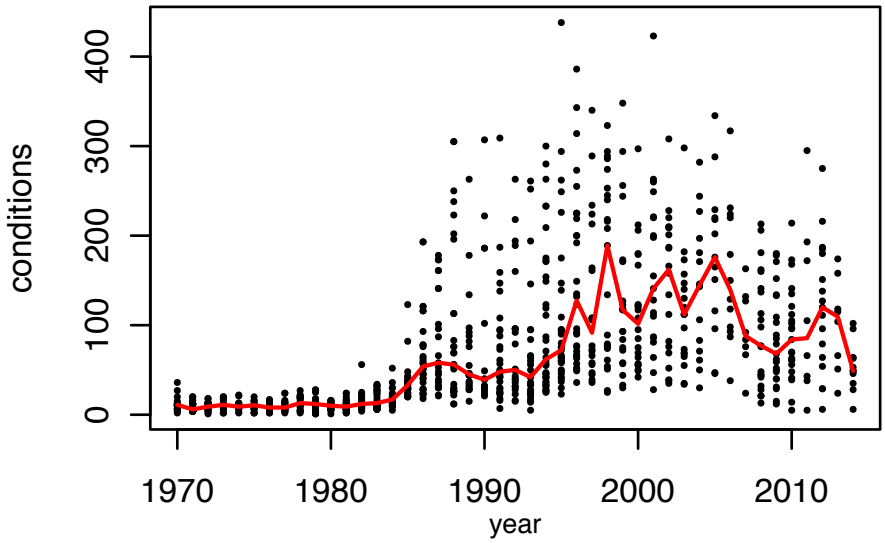
n	mean	s. d.	skewness	kurtosis
923	72.87	79.26	1.54	1.92

IMF conditionality in late 1960s (Gould, 2003) and we wished to make our data comparable throughout the decades.

The database we built is as far as we are aware the most complete aggregations of information on conditionality for the period. IMF's MONA, which presents complete and precise information on every Fund condition, does not consider any agreement reached before 1992. Other tables that comprehend such a long period – e. g. Gould (2003, 2006) – consider only samples of agreements and a few dimensions of conditions.

Figure 3 plots the distribution of the number of conditions we identified along the decades here discussed.

Figure 3: Conditions in IMF arrangements, 1970-2014



Source: self-elaboration using a set merging Kentikelenis et al. (2016) and hand-collected data. The red line indicates the median by year.

Table 1 presents the summary statistics of the sum of conditions. We also notice that the work of Gould (2006) is consistent to our criterion of measuring conditionality. According to her, whose main argumentation relies on the sum of certain categories of conditions,[12] the mean of conditions by loan slowly increased from the 1970s until the beginning of the 1990s. Moreover, the sample of conditions we collected has a mean proportional to its standard deviation.[13]

To allow the comparability between agreements, we consider only SBA facilities in our econometric exercises. This choice leaves circa 500 maximum observations in our sample. It is

[12] She considers only binding conditions, apparently.

[13] See table B.1 to compare with other possible ways to sum conditions.

a smaller, but more homogeneous set of loan agreements.

3.1.2 The variable of interest

Our variable of interest is the distance of the country's capital to the closest communist capital. A second variable, used in some exercises, considers the distance to members of the Warsaw Pact (WP) or Council for Mutual Economic Assistance (Comecon), the highest groups of the Soviet alliance. This distinction is relevant since WP and Comecon members were more integrated to other Soviet economies and experienced different forms of intervention by USSR. They were usually more formally, effectively and strongly controlled by the Soviet Union than other communist states.

We constructed our variable of interest using the following steps:

1. For each year and country, we used the database made by Weidmann et al. (2010) to calculate the geographical distance of its capital to every other capital in the world.

2. For each country, we determined the smallest distance from its capital to a communist country capital. To identify communist countries, we relied on Haywood (2011) for a first approach, complemented by Westad (2005) and more precisely defined from Kinder and Hilgemann (2003). For countries considered communist or soviet-aligned, the distance value is 0.

3. Finally, we repeated the previous step, but now by determining the smallest distance from its capital to the closest Comecon or Warsaw Pact country capital. We also calculated the closest distance to communist non WP-Comecon member countries.

Our choice of this variable depends on the belief that it captures part of the importance of the country in the strategy of curbing the communist or Soviet expansion during the period. To justify this creed, we rely on some concatenated assumptions.

First, we hold that during the Cold War, the main objective of the United States foreign policy was containing the Union of Soviet Socialist Republics advances and occasionally conquering its space of action. The standard, widespread understanding of the Cold War period is such that the world was divided in a bipolar order and the two superpowers disputed their influence among other countries. Considering this, avoiding Soviet power expansion was on the North of American agenda (Westad, 2005; Gaddis, 2006).

Second, the geographical characteristics of containment are based on a broad literature on international relations. From them, we know that distance and contiguity between two countries are important determinants of a wide range of phenomena involving the relations among them. Trade, the probability of conflict, ideology spreading, and mutual diplomatic representation are larger the closer the countries are (Oneal and Russett, 1999; Neumayer, 2008; Head and Mayer, 2014). If these results are consistent, the closer a country is to a superpower's enemies, the more "strategic" it would appear to the superpower's eyes. A state located in a position closer

to the adversary could serve as a pivot of ideology diffusion, a base for the organization of a military intervention or the fulcrum of a diplomatic campaign.

Thus, to the Department of State of the United States,

> [g]eographical proximity to the Soviet Union was considered to be the prime source of infection and as such neighboring states would not only have to be vigilant but also prepared to fight the spread of communism. (Dodds, 2003, 209)

We must recognize, however, that the distance variable we included presents some fragile spots. First, geographical distance may not be correlated with the true separateness between two countries. Topographic accidents may represent tougher obstacles for the movement of troops, for example, than an airplane-distance variable, like ours, can capture.

To mitigate this potential flaw, in the robustness checks section we provide the same investigation but with alternative proxies for the strategic importance of a country during the Cold War. Mainly we propose the utilization of proportion of border shared with communist or soviet-aligned countries and sum of population of neighbour communist and soviet-aligned countries divided by local population. As we will see, alternative approaches do not contradict our results.

Moreover, some aspects of American foreign policy on Soviet containment changed during the Cold War. The 1980s represented a radical change in the method towards the Third World states seen as allied to USSR. The "Reagan offensive" altered the tone and increased aggressiveness if compared to the strategy played by Nixon, Ford and Carter, shaping US actions in military, aid and international institution dimensions (Westad, 2005, 331-363). Thus, since some aspects the American foreign policy transformed during our Cold War period, the interpretation of the distance variable we propose may also change. To avoid this potential fault, we will discuss ways to segment our analysis along the decades.

It remains to present the main hypothesis to be tested along this investigation. Based on the discussion above, we assume that the United States favours its allies and other strategic countries in terms of its foreign policy. If the IMF is susceptible to its pressures, we expect that *during the Cold War, countries located closer to communist and soviet-aligned states received on average fewer conditions when reaching an agreement with IMF*. As we will see, our results generally favour our hypothesis.

3.1.3 The political variables

We add to our model a series of political controls that may help us identifying our correlations of interest and, consequently, providing evidence concerning the hypothesis on political pressures. Most of them have already been widely used in the literature, and the assumptions we state about their relationship with the number of conditions come from the already described effects. Here, the work of Steinwand and Stone (2008) is an excellent source.

This block consists of variables of political proximity to the US recurrent in the literature reviewed. They allow us to start from the discussions already made and compare our results to the ones reached by previous authors.

The most relevant variable of this block is a measure of proximity to US in United Nations General Assembly voting, erected from Strezhnev and Voeten (2013). We ground this measure on the literature that precedes us because

> the early cold war, the United Nations – especially the General Assembly – became an arena of sorts where the superpowers and their allies squared off against one another, each trying to score points against its adversary and earn the allegiance of the global audience. (Sayward, 2013, 4)

To construct our measure, for each country-year we calculated the average of dyadic votes a country cast in accordance to United States. According to the literature, we would expect negative correlation between conditionality and alignment. This may happen despite the fact, identified by Strand and Zappile (2015), that the US vote is not decisive in many international fora – which do not include the IMF.

We also include the proportional quota each member has on the institution, hand collected from the IMF annual reports. The quota each country has, determined in annual assemblies, is proportional to its voting power in IMF decision-making, but not necessary caused by it. Furthermore, the size of loans if usually measured in quota terms. We expect that more quota means more power, and that may lead to fewer conditions.

We also propose two additional proxies of proximity to US, often used in the literature about American aid to underdeveloped countries: the proportion of exports to US of a country divided by its total exports, and the proportion of imports of a country from US divided by its total imports. This information comes from UN-Comtrade. These two variables may capture American influence on the country (Steinwand and Stone, 2008; Berger et al., 2013), and, potentially, fewer conditions.

3.1.4 The economic variables

To control for other possible determinants of IMF conditionality, we include as controls variables that capture economic fundamentals of the countries that reach agreements with IMF. The main reasoning behind this inclusion relates to what, according to the Fund, conditionality serves for: guaranteeing that the reforms capable of stabilizing an economy are implemented. If this reasoning is correct, we should expect more conditions for countries in worse economic or financial situation.[14] Thus, the variables we add to our investigation control for some weaknesses and fluctuations experienced by the borrower country.

[14] Another way to arrive at the same assumption comes from the expectation that a vulnerable country would have less bargain power with the Fund since fewer alternative lenders would reach an agreement. If the IMF is interested in compromised with a package of conditionality, a weaker country would not have force to alleviate its burden.

From IMF International financial statistics, we included as controls the following variables: the nominal exchange rate variation (in p. p.) and the inflation of consumer prices (in p. p.).

From the World Bank Databank, we included the real yearly gross domestic product growth (in p. p.), the real GDP *per capita* in thousands of US 2010 dollars and the rate of growth of broad money (in p. p.).

The summary statistics of all these variables are also presented in appendix C.

3.2 The method

We conduct ordinary least squares regressions in which our regressand is our measure of conditionality and the "political" and "economic" variables are the regressors. Given the many limitations of our data set and research question, we explore mainly the correlations between the proxy for conditions and the proxies for American strategical interest and alignment to US votes at UNGA. We do not expect to imply any kind of causation from the estimation presented below solely.

Since we propose to decompose the variations on the number of conditions and this variable is only relevant under agreements, our units of observation are the arrangements. Our dependant variable is discrete and positive, so we use its logarithm in the left side of the equation. Thus, our OLS-estimated model, for each arrangement i, is

$$\begin{aligned}\log \text{conditions}_i = \beta_0 + \text{DistanceVariable}_i\beta_1 + \text{VotesAtUNGA}_i\beta_2 \\ + \text{PoliticalControls}_i\beta_3 + \text{EconomicControls}_i\beta_4 + \text{Error}_i \quad (1)\end{aligned}$$

We are most interested in the estimated value for β_1. It represents the correlation between our proxy of geopolitical interest and the conditionality variable.

We also include time indicators in the right side of the equation. We do so to minimize the heterogeneity arising from time changes, such as transformations in IMF rules of lending or in American foreign policy guidelines. For each specification, we consider five different scenarios for time controls. The first is the absence of any time dummy; the second includes a fixed dummy for each year; the third is a dummy indicating the post-Cold War period (e. g., from 1992 until 2014); the fourth is an indicator that equals 1 if the contemporaneous president of the United States belonged to the Republican Party; the fifth is the inclusion of both the post-1991 and the Republican dummies.

4 Results

4.1 Main results: distance to communist countries

Our first exercise considers the whole sample of Stand-By Arrangements we collected, from 1970 to 2014. This larger dataset allows a first approach to the questions here proposed. We state so because, although we encompass in our sample almost three decades of the post-Cold War period, it permits the comparability of our results with prior studies in the literature. Thus, the period of 1992-2014 is the link between our work and much of the previous investigations on this affair.

The results of this first approach, presented in table 2, are of great interest to the discussion of our hypotheses.

First, concerning directly the discussion on the geopolitical interest to US and its relationship with conditionality, our proxy for how strategic a country is based on its distance to the closest communist country is positively correlated with the number of conditions. This relation – statistically significant at the level of 1 percent under all specifications there presented – does not undermine the reasoning discussed in the previous section. Ultimately, a positive coefficient is not incoherent with the story that countries located closer to communist states are *favoured* in IMF negotiations. Indeed, we acknowledge that these are nothing but correlations: this table (as well as every other presented in this text) cannot head any direct conclusion on causality.

We also highlight the magnitude of the distance variable correlation. To do so, we consider as an example the SBA that IMF arranged with Malawi in 1982. Following the steps described in the previous section and detailed in the appendix, we identified 4 conditions in this arrangement. Since our model is not excellently fitted, it predicted approximately 18 conditions for a country with Malawi's characteristics at the time. To illustrate our model, if we supposed that Mozambique was not communist at the time, and the closest communist capital to Lilongwe (Malawi's capital) was Luanda, in Angola, how would the prediction change? To determine so, we substitute the values attributed to the distance variable – we consider now 2.3 thousand km, instead of 1.3 – and the predicted number of conditions is 21, following the first column specification. Thus, in this case, "adding" 1000 km in distance to communism would increase the number of conditions by 3.

A second example considers the average of the variables discussed in the table 2 for our SBA sample of 264 country-years. If we increase the distance to the closest communist country using the average of observations by 1000km, the predicted number of conditions increases from 26 to 32. Again, this result runs from the model estimated in the first column of the table, the regression without any time control.

A second result we derive from table 2 is the negative correlation between the number of conditions and the alignment with the United States at UNGA. This is in line with previous results of Dreher and Jensen (2007), Dreher and Vaubel (2004b) and Guimaraes and Ladeira (2018).

Table 2: Baseline results
Number of conditions and distance to closest communist country: 1970-2014

	Dependent variable: log(Number of conditions)				
	(1)	(2)	(3)	(4)	(5)
Distance to Communist	0.184***	0.061***	0.072***	0.173***	0.075***
	(0.021)	(0.021)	(0.021)	(0.020)	(0.021)
Alignment to US	−2.744***	−0.372	−1.890***	−2.897***	−1.937***
	(0.229)	(0.460)	(0.212)	(0.223)	(0.227)
Exchange rate variation	−0.001	−0.0002	−0.001	−0.001	−0.001
	(0.001)	(0.0004)	(0.0005)	(0.001)	(0.0005)
Consumer prices variation	−0.001	−0.001	0.002	−0.001	0.002
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
GDP growth	0.005	−0.0002	0.011	0.012	0.012
	(0.009)	(0.007)	(0.008)	(0.009)	(0.008)
GDP per capita (2010)	0.042***	0.010	0.018*	0.044***	0.019*
	(0.012)	(0.011)	(0.010)	(0.011)	(0.010)
Broad money growth	0.003	0.003	0.0005	0.002	0.001
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
Proportion of quota	0.114	0.072	0.144	0.153	0.148
	(0.115)	(0.093)	(0.097)	(0.110)	(0.098)
Proportion of exports to US	−0.005	0.002	−0.0003	−0.004	−0.0004
	(0.004)	(0.003)	(0.003)	(0.003)	(0.003)
Proportion of imports from US	0.015***	0.004	0.007*	0.015***	0.007*
	(0.005)	(0.004)	(0.004)	(0.005)	(0.004)
year >1991			1.080***		1.045***
			(0.108)		(0.124)
Republican dummy				−0.447***	−0.057
				(0.095)	(0.096)
Time controls	No	year	year > 1991	US party	year> 1991 & US party
Period	1970-2014	1970-2014	1970-2014	1970-2014	1970-2014
N	264	264	264	264	264
R^2	0.509	0.779	0.648	0.549	0.649
Adjusted R^2	0.490	0.724	0.633	0.529	0.632

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. Standard errors in brackets. *Distance to Communist* measured in thousands of kilometres. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

Nevertheless, the negative correlation between alignment and the number of conditions offers us another dimension of the suspected IMF susceptibility to American interests. If countries that vote with the United States receive fewer conditions, we cannot reject the existence of some "horse-trading" effect. A subtle exchange between votes and conditions is compatible with this result.

Finally, the post-Cold War dummy is positive. The simplest explanation comes from the changes in conditionality rules that happened since the mid-1980s. This conclusion follows from the figure 3 and from the description of IMF's changes in conditionality that Gould (2003, 2006) made. It may also imply a higher sensibility in terms of conditions to changes in voting at the UNGA and, potentially, a larger margin for micro-management.

A second step to evaluate our results consists of restricting the sample to the period when the strategies sustained by the US during the Cold War were manifested. We propose, thus, to curb our database to the Stand-By Arrangements sealed between 1970 and 2001. In addition to the Cold War period, we chose to include the 1992-2001 years because during them both the United States and the IMF kept policies related to the previous period. In the 1990s, many former socialist economies joined the IMF and started enjoying favourable lending facilities. Moreover, the United States kept conducing its foreign aid policy very similarly to the Cold War years – and different from what would come after 2001, during the War on Terror (Fleck and Kilby, 2010). Finally, the 1990s decade, despite not having something like the USSR as a pole, saw repeated struggles during the transitions to market economies (Westad, 2005, 396-407). Thus, the risks aroused by proximity to communism may not have been completely extinguished during the Soviet collapse.

We present the results of this estimation in table 3 and notice that they are almost the same as we found in the previous table. The estimated coefficient for the distance to closest communist capital continues positive and statistically different from zero under high levels of significance. Its magnitude is not far from the one we estimated above. This favours our hypothesis about IMF's susceptibility to American pressures in the context of the Cold War.

We propose to extend these exercises and include another dimension of Cold War dynamics in our analysis. In this second, more complete step, we account for one central issue concerning American strategy: the difference of perception of communist states according to their alignment with the USSR. More specifically, we intend to discuss whether the correlations with the distance-to-communist proxy originate from the containment of the Soviet Unions and its allies or, instead, from communist countries in general.

The relevance of this difference of alignment comes from the fact that some self-proclaimed communist states did not cultivate ties with the Soviet Union. China and Yugoslavia are examples of countries that passed through communist revolutions and did not belong to USSR highest international instances during the period here discussed. Yugoslavia was only an associate member of Comecon, China left this organization in 1961, and none of these countries ever belonged to the Warsaw Pact (Kinder and Hilgemann, 2003; Westad, 2005). Yugoslavia's

Table 3: Baseline results
Number of conditions and distance to closest communist country: 1970-2001

	Dependent variable: log(Number of conditions)				
	(1)	(2)	(3)	(4)	(5)
Distance to Communist	0.143***	0.033	0.046*	0.121***	0.050*
	(0.026)	(0.025)	(0.025)	(0.025)	(0.026)
Alignment to US	−2.652***	−0.695	−2.029***	−2.781***	−2.135***
	(0.256)	(0.648)	(0.236)	(0.242)	(0.248)
Exchange rate variation	−0.001	−0.0002	−0.001	−0.001	−0.001
	(0.001)	(0.0004)	(0.0005)	(0.001)	(0.0005)
Consumer prices variation	−0.0003	−0.002	0.002	−0.0003	0.001
	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
GDP growth (%)	0.008	−0.0003	0.009	0.010	0.010
	(0.011)	(0.008)	(0.009)	(0.010)	(0.009)
GDP per capita (2010)	0.055***	0.005	0.019	0.046**	0.021
	(0.020)	(0.020)	(0.018)	(0.019)	(0.018)
Broad money growth	0.003	0.005**	0.002	0.003	0.002
	(0.003)	(0.002)	(0.003)	(0.003)	(0.003)
Proportion of quota	0.080	0.108	0.151	0.151	0.164
	(0.125)	(0.100)	(0.109)	(0.119)	(0.110)
Proportion of exports to US	−0.003	0.002	0.001	−0.002	0.001
	(0.004)	(0.003)	(0.004)	(0.004)	(0.004)
Proportion of imports from US	0.012**	0.005	0.007	0.013***	0.008*
	(0.005)	(0.005)	(0.005)	(0.005)	(0.005)
Constant	3.278***	2.459***	3.126***	3.716***	3.269***
	(0.145)	(0.463)	(0.127)	(0.161)	(0.166)
year >1991			1.068***		0.951***
			(0.133)		(0.158)
Republican dummy				−0.543***	−0.157
				(0.106)	(0.117)
Time controls	No	year	year > 1991	US party	year> 1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
R^2	0.424	0.730	0.567	0.492	0.571
Adjusted R^2	0.395	0.664	0.543	0.463	0.544

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. Standard errors in brackets. *Distance to Communist* measured in thousands of kilometres. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

non-alignment, indeed, also meant that Tito's country was a receiver of American aid (Gaddis, 2006, 124-125, 281).

Considering this, the United States did not treat every communist state the same way, but in many times discriminated between the ones who aligned to Moscow and the ones who did not do that. This position, that came and go along the almost five decades of Cold War, is explicit in the following excerpt:

> as former ambassador to the Soviet Union Walter Bedell Smith had put it in March of that year, "that the United States does not fear communism if it is not controlled by Moscow and not committed to aggression." (Gaddis, 2005, 69)

Table 3 shows the results with two separate variables of interest: the distance to the closest Warsaw Pact or Comecon member capital, and the distance to the closest capital of a communist country that did not belong to Warsaw Pact nor to Comecon. Now, for each SBA-year, we will have one proxy representing how strategic a country is in the containment of the hard core of Muscovite communism and another one to depict the curbing of less USSR-aligned communist states.

Using the Warsaw Pact (WP) and Comecon membership to define a variable, however, imposes some restrictions to the comparability of this exercise with the ones above. Ultimately, both these organizations were extinct with the dissolution of the Soviet Union in 1991. To maintain a link to previous analyses and keep a sample that comes from 1970 until 2001, we propose a small modification on how we calculate distance to WP-Comecon and non-WP-Comecon during the 1990s. To the arrangements sealed between 1992 and 2001 for country j, we fix the distance to closest WP-Comecon country as the minimum distance that country j's capital ever experienced to a WP-Comecon member capital. We define the non-WP-Comecon members distances analogously.[15] We chose to fix these values using the minimum distance because this measure may capture the geopolitical interest a country possibly has aroused in the US along the Cold War era. This approach has the counterpart of forcing values, but allows the comparability with prior results and the capture of post-Cold War realignments. Moreover, since these distances are not much volatile during the 1970-1991 sample, the use of minimum distances does not overrun the interpretation of their meanings.

We present the results of this estimation in table 4. The correlations between the distance to communist states that did not belong to Warsaw Pact or Comecon and conditionality are mostly positive and statistically different from zero. We do not see the same result for the correlation between conditionality and distance to the closest Soviet allies, whose estimated values are not statistically distant from nullity.

A first interpretation of these results would indicate that most of what the high US Foreign Department establishment said about containing Soviet communism was misplaced or that

[15] We, again, rely on the same sources and methodology we used before (Weidmann et al., 2010; Kinder and Hilgemann, 2003; Haywood, 2011; Westad, 2005) to determine these values.

Table 4: Extension
Conditions and distances to communist countries, by alignment: 1970-2001

	Dependent variable: log(Number of conditions)				
	(1)	(2)	(3)	(4)	(5)
Distance to Communist non-WPC‡	−0.009	0.031*	0.054***	0.041*	0.063***
	(0.022)	(0.019)	(0.019)	(0.022)	(0.019)
Distance to Communist WPC‡	−0.029	−0.0001	−0.005	−0.009	−0.001
	(0.037)	(0.027)	(0.029)	(0.034)	(0.029)
Alignment to US	−2.475***	−0.904	−2.107***	−2.901***	−2.283***
	(0.291)	(0.669)	(0.235)	(0.278)	(0.250)
Exchange rate variation	−0.001	−0.0003	−0.001	−0.001	−0.001
	(0.001)	(0.0004)	(0.0005)	(0.001)	(0.0005)
Consumer prices variation	−0.001	−0.002	0.001	−0.002	0.001
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
GDP growth (%)	0.006	−0.0005	0.007	0.008	0.008
	(0.011)	(0.008)	(0.009)	(0.010)	(0.009)
GDP per capita (2010)	0.052**	0.010	0.023	0.053**	0.026
	(0.022)	(0.021)	(0.018)	(0.021)	(0.018)
Broad money growth	0.007**	0.005**	0.003	0.006**	0.003
	(0.003)	(0.002)	(0.003)	(0.003)	(0.002)
Proportion of quota	0.016	0.122	0.165	0.131	0.186*
	(0.135)	(0.100)	(0.108)	(0.126)	(0.108)
Proportion of exports to US	0.003	0.002	0.002	0.001	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
Proportion of imports from US	0.004	0.0001	−0.003	0.002	−0.003
	(0.007)	(0.005)	(0.005)	(0.006)	(0.005)
Constant	3.668***	2.584***	3.217***	4.171***	3.426***
	(0.187)	(0.484)	(0.155)	(0.192)	(0.188)
year >1991			1.297***		1.163***
			(0.122)		(0.140)
Republican dummy				−0.718***	−0.232*
				(0.120)	(0.119)
Time controls	No	year	year > 1991	US party	year> 1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
R^2	0.336	0.732	0.578	0.439	0.586
Adjusted R^2	0.299	0.665	0.552	0.404	0.558

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. ‡ indicates fixed values by country, from 1992 to 2001. Standard errors in brackets. *Distances...* measured in thousands of kilometres. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

American strategies.[16] However, it is more in line with the fact that

> that the most important aspects of the Cold War were neither military nor strategic, nor Europe-centred, but connected to political and social development in the Third World. Westad (2005, 396)

Such a conclusion means that the factors correlated with the number of conditions was not distance to Moscow or Prague, but how far a country was from Angola's or Kampuchea's capitals. These countries differed from the already established Soviet orbit of Comecon and Warsaw Pact members. Considering this and the role of the IMF in financing the countries in development, the positive and statistically significant estimated coefficients for the distance to non-Warsaw Pact or Comecon members communist states is understandable. What is more, our exercise is in line with previous analyses on Cold War themes.

4.2 Robustness checks

In this section we explore other proxies that may also capture the relation of geopolitical interest towards American foreign policy.

The first variable is, for each country-agreement i, the population of communist neighbour countries divided by local population or, in other words,

$$\text{Quotient of population}_i = \frac{\sum_{j \neq i} \text{Population}_j \cdot \text{Communist Indicator}_j}{\sum_{j \neq i} \text{Population}_{i,j}}. \tag{2}$$

This measure may be relevant to understand some geopolitical issues because the size of a country's population also plays a role in the perception of risk and destruction of a land-based conflict. This is patent in the evaluations of Department of State about the potential difficulties that China's huge population – and, consequently, army – imposed on Nixon's containment strategy to South Asia. Any step would have to consider the hundreds of millions that Mao could summon in a land-based conflict (Gaddis, 2005, 277-296).

We plug the population ration variable in the place of the distance variable, using the same specification as the one used in table 3. Additionally, given the large size of Chinese population, in this exercise we do not include China as a communist country. Table 5 presents the results with this specification, and table D.1, in the appendix, presents the results of estimations where we included China.

Overall, the estimations we present in table 5 corroborate our previous results. Concerning the variable of interest, the ratio of populations and conditionality are negatively correlated – and that it is statistically different from zero at high levels of significance under some specifications. This implies that countries facing a more intense communist population pressure are also

[16] Some issues that have orbited American foreign policy on this issue since Kennedy's administration concerned, for example, in the words of (Gaddis, 2005, 210), "[i]f communism was no longer a monolith, who then was the enemy?"

Table 5: Robustness test
Conditionality and ratio of populations: 1970-2001

	Dependent variable: log(Number of conditions)				
	(1)	(2)	(3)	(4)	(5)
Ratio of population (Communist/home)†	-0.139^{**}	0.002	-0.022	-0.136^{**}	-0.031
	(0.066)	(0.051)	(0.056)	(0.061)	(0.056)
Alignment to US	-2.562^{***}	-0.681	-1.944^{***}	-2.732^{***}	-2.032^{***}
	(0.272)	(0.652)	(0.233)	(0.253)	(0.244)
Exchange rate variation	-0.001	-0.0003	-0.001	-0.001	-0.001
	(0.001)	(0.0004)	(0.0005)	(0.001)	(0.0005)
Consumer prices variation	-0.001	-0.002	0.001	-0.001	0.001
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
GDP growth (%)	0.006	-0.0002	0.009	0.009	0.010
	(0.011)	(0.008)	(0.009)	(0.010)	(0.009)
GDP per capita (2010)	0.064^{***}	0.004	0.018	0.053^{***}	0.019
	(0.021)	(0.021)	(0.018)	(0.020)	(0.018)
Broad money growth	0.006^{*}	0.005^{**}	0.003	0.005^{*}	0.003
	(0.003)	(0.002)	(0.003)	(0.003)	(0.003)
Proportion of quota	-0.019	0.105	0.136	0.076	0.144
	(0.134)	(0.101)	(0.112)	(0.125)	(0.112)
Proportion of exports to US	0.001	0.003	0.003	0.001	0.003
	(0.004)	(0.003)	(0.004)	(0.004)	(0.004)
Proportion of imports from US	0.002	0.004	0.004	0.005	0.004
	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)
Constant	3.696^{***}	2.542^{***}	3.206^{***}	4.149^{***}	3.345^{***}
	(0.152)	(0.465)	(0.135)	(0.161)	(0.180)
year >1991			1.171^{***}		1.074^{***}
			(0.120)		(0.146)
Republican dummy				-0.633^{***}	-0.138
				(0.109)	(0.118)
Time controls	No	year	year> 1991	US party	year> 1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
R^2	0.348	0.728	0.560	0.443	0.563
Adjusted R^2	0.315	0.661	0.535	0.412	0.536

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. †China is not considered communist.The alternative specification is in table D.1 *Ratio...* has no unit. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

the ones who seal less burdened Stand-By Arrangements. Such a conclusion is coherent with the hypothesis that the IMF was susceptible to American interests in containing communism. We can also identify the plausibility of this conclusion in the negative and statistically strong correlation between alignment to the US at the UNGA and conditionality.

Nevertheless, the facts we present in table 5 are not exclusively subject to the removal of China. Table D.1 includes this country as communist and presents roughly the same results in terms of sings and magnitudes of the estimated coefficients. The only difference is a loss of statistical significance in the correlation between conditionality and the variable of interest.

As an additional robustness check we use the proportion of border a country shared with Warsaw Pact-Comecon members or with communist states that did not belong to these organizations as the variable of interest. We construct this variable using the same sources we used for the distance variables. Broadly speaking, the proportion of border shared with Warsaw Pact or Comecon (WPC) is defined as the following:

$$\text{Proportion of border WPC}_i = \frac{\sum_{j \neq i} \text{Border}_{i,j} \cdot \text{WPC Indicator}_j}{\sum_{j \neq i} \text{Border}_{i,j}}, \tag{3}$$

where $\text{Border}_{i,j}$ represents the extent of the border between countries i and j and the WPC Indicator_j equals 1 if the country j belonged to Comecon or Warsaw Pact at the time of that agreement. The definition of the proportion of border shared with communist and non-WPC members is reciprocal.

To allow the comparability with previous results, we also consider the sample of agreements sealed between 1970 and 2001. From 1992 to 2001, we fix the value of the variable as the maximum border shared with countries that fulfilled the indicator conditions. This is also valid for countries created after 1991.

We show the results of this estimation in table 6. They are near to what we expected, but weak. First, the correlation between proportion of border shared with non-WPC communist countries is negative, even if statistically insignificant. This is in line with the interpretation that Cold War mainly involved Third World countries, and that the American strategy of contention focused on them and their neighbours.

Moreover, the estimated coefficient related to the shared border with WPC countries is positive and statistically different from zero under some specifications, but not all of them. This result suggests that IMF *punished* with more conditions countries that shared longer borders with Soviet-aligned states. However, the difference of signs and absence of clear statistical significance undermines such a conclusion.

Of course, both these conclusions are subject to potential flanks that the borders variable may present. One of them relates to the fact that we can calculate the distance between any two capital cities on Earth's surface but there are some insular countries that do not have borders. Cuba is one of them and – despite its great relevance to the Cold War development, especially in Latin America (Westad, 2005, 170-206) – we cannot account its influence by the shared border

Table 6: Robustness test
Conditionality and border shared with communists, by alignment: 1970-2001

	Dependent variable: log(Number of conditions)				
	(1)	(2)	(3)	(4)	(5)
Prop. border with Communist non-WPC‡	−0.231	−0.413	−0.464	−0.517	−0.513
	(0.427)	(0.331)	(0.354)	(0.401)	(0.355)
Prop. border with Communist WPC‡	1.774***	−0.003	0.589	1.361**	0.593
	(0.624)	(0.526)	(0.530)	(0.585)	(0.529)
Alignment to US	−2.570***	−0.814	−1.978***	−2.748***	−2.073***
	(0.270)	(0.688)	(0.231)	(0.253)	(0.242)
Exchange rate variation	−0.001	−0.0002	−0.0005	−0.0003	−0.0004
	(0.001)	(0.0004)	(0.0005)	(0.001)	(0.0005)
Consumer prices variation	−0.003	−0.002	0.001	−0.002	0.001
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
GDP growth (%)	0.009	−0.001	0.010	0.011	0.010
	(0.011)	(0.008)	(0.009)	(0.010)	(0.009)
GDP per capita (2010)	0.056***	0.005	0.016	0.045**	0.017
	(0.021)	(0.021)	(0.018)	(0.020)	(0.018)
Broad money growth	0.007**	0.005**	0.003	0.006**	0.003
	(0.003)	(0.002)	(0.003)	(0.003)	(0.003)
Proportion of quota	0.036	0.102	0.143	0.122	0.155
	(0.132)	(0.100)	(0.110)	(0.124)	(0.110)
Proportion of exports to US	0.003	0.003	0.003	0.002	0.003
	(0.004)	(0.003)	(0.004)	(0.004)	(0.004)
Proportion of imports from US	0.005	0.003	0.003	0.007	0.004
	(0.006)	(0.005)	(0.005)	(0.005)	(0.005)
Constant	3.550***	2.687***	3.254***	4.070***	3.406***
	(0.167)	(0.480)	(0.141)	(0.180)	(0.184)
year >1991			1.157***		1.056***
			(0.120)		(0.143)
Republican dummy				−0.623***	−0.150
				(0.110)	(0.117)
Time controls	No	year	year > 1991	US party	year> 1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
R^2	0.362	0.730	0.567	0.451	0.571
Adjusted R^2	0.327	0.662	0.541	0.418	0.542

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. ‡ indicates fixed values by country, from 1992 to 2001. Standard errors in brackets. *Prop. of borders...* measured in thousands of percentage points. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

proxy.[17] Thus, we may lose part of this proxy relevance. This result, indeed, may stem from the fact that the countries that share borders with members of the Comecon or the Warsaw Pact were no more than a dozen, and part of them did not resort to the IMF frequently. The large number of zeros to this variable, thus, may lead to these results.

Even so, using the proportions of borders shared as interest variables, our overall results hold. This is particularly true for the different perceptions about communist countries. Moreover, the established result about the correlation between alignment at UNGA and conditionality is still negative and strong.

We finish this section by briefly considering an alternative functional form for the econometric exercises here presented: Poisson regressions. We include them as additional robustness checks due to the positive, discrete nature of our dependent variable, the number of conditions. We present and comment the estimations in the appendix E. The results constitute a general corroboration of our results. There is one exception, though. We do not find the correlation between border shared with communist non-WPC members and conditionality negative in our Poisson specification. Although this difference of results menaces our interpretation about how the United States dealt with communist countries, depending on their alignment, it remains remembering that other extensions concerning this relation corroborated our prior results.

[17] Madagascar, is another example of an insular country that experienced a communist government. Here, from 1975 to 1991.

5 Conclusion

This work contributes to the analysis on IMF conditionality by analysing manifestations of the Fund's susceptibility to American pressures during the Cold War. We relied on a new database, that covers the period of 1970 to 1992 to the discussion, an original task. The chance of working with data from the Cold War permitted the exploration of aspects of its geopolitical dynamics into the conditionality issue. On this ground, evaluated whether countries located in *more strategic* geopolitical position sealed Stand-By Arrangements containing fewer conditions.

In the first block of exercises, we used the distance to closest communist countries as a proxy to the American geopolitical interest. Our results suggest that closer – and, consequently, more geopolitically interesting – countries sealed agreements containing fewer conditions. This is in line with the hypothesis that the IMF was susceptible to American foreign policy interests. Such a conclusion was robust to different periods and proxies of analysis. We used samples of SBA from 1970 to 2001, Poisson regressions and alternative variables of interest that could represent a measure under American strategy of containment. Under all of them, our results roughly held.

Moreover, we extended this discussion by decomposing communist countries in two groups: the countries that were closely aligned to the USSR, belonging to the Warsaw Pact and the Comecon; and the others. Our results showed a positive correlation between conditionality and non-WPC Communist countries. Despite the fact that some robustness checks for this section did not present statistically strong results, this approach provides evidence that distance to non-aligned communist countries was usually more relevant to explain conditionality, in such a way that closer-to-communist countries sealed less conditional SBAs. This conclusion is coherent with the perception that the Cold War was mostly disputed in Third World countries, and that containment was most relevant around them. The story about the American pressure for Zaire to seek a loan during the civil war in Angola, thus, fits this narrative.

Our results also corroborate a large extent of the literature on the determinants of IMF lending, specially the one that concerns to the negative correlation between conditionality and the alignment to the United States at the United Nations General Assembly voting. It is clear, given the nature of our data and of the models we estimated, that this fact does not imply any form of causation. However, since we used a new dataset and arrived at a similar spot to the one found by the previous literature, the story about exchange of votes and conditions continues plausible.

We can answer the title question, thus, affirmatively. We found evidence that suggests that Cold War geopolitics relates to IMF conditionality.

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Appendices

A How we built our database

We explain below the steps we made to codify the database from 1970 to 1985 and illustrate all of them with a particular case: Brazil's 1972 SBA loan.[18]

To construct our database, the first step was collecting the documents that contained information about the loan agreements that interested us. We completed this step with a program that accessed IMF Archives[19] and downloaded every document indexed under tags that identified an arrangement. Since the program was not refined, it grabbed many uninteresting documents. To get rid of them, we conducted a manual cleaning, restricting our collection of documents mainly to letters of intent. The Fund codifies this set of documents under the "EBS" series, and all of them have a front page like the one presented in figure A.1.

Next, our task was identifying the basic data about the agreement, i.e., the type of loan, the country involved and the date of the document. We see clearly these pieces of information in figure A.1.

Afterward, we identified the amount lent to the borrower country, when was the start date and how long was the loan term. We usually found them the second page of the arrangement document, where the main terms and rules guiding the loan are listed. Figure A.2 exemplifies it. The three pieces of information are exposed in the fourth paragraph.

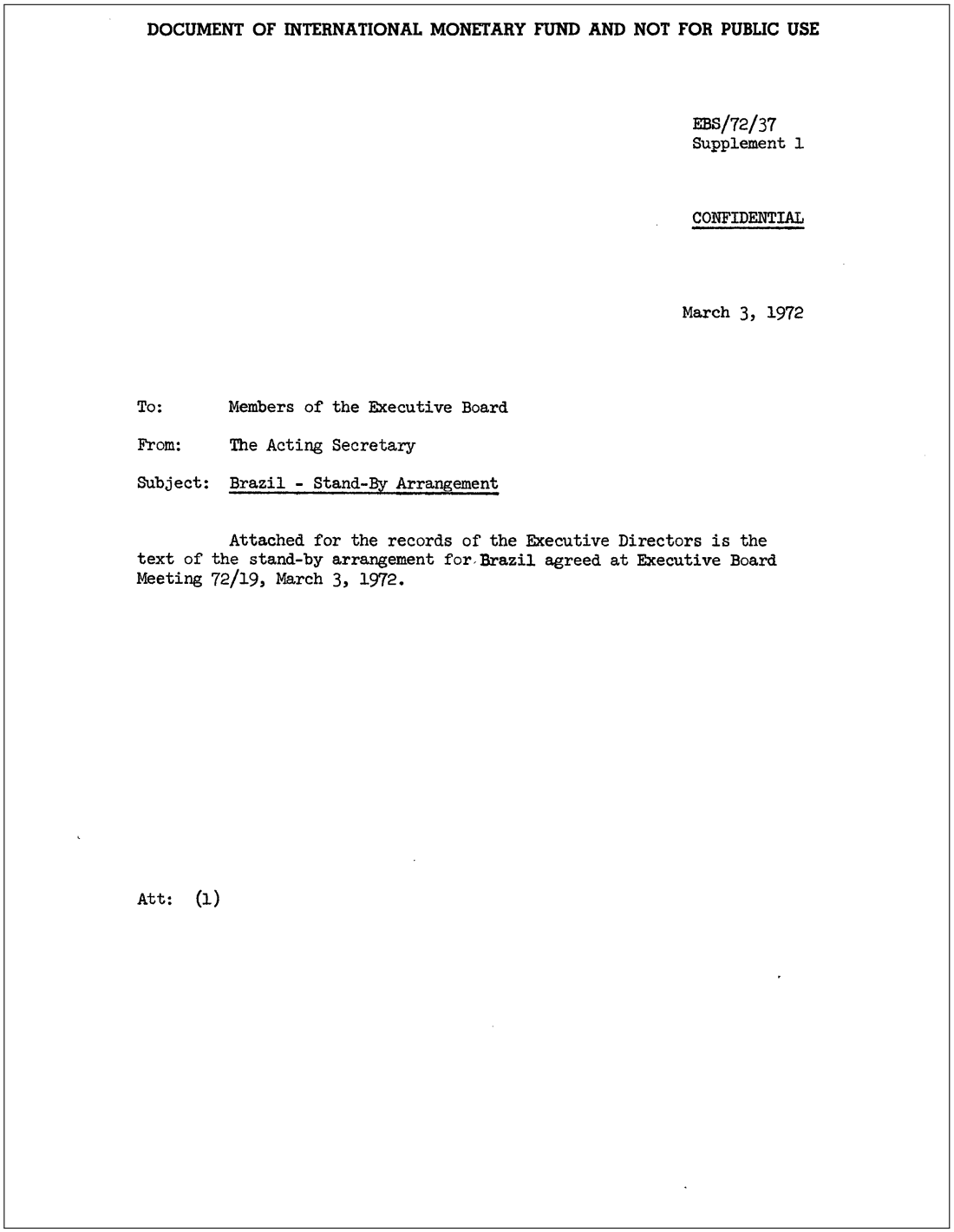
In the terms of the loan, we could also first identify the information about which are the binding or indicative conditions ruling the agreement. Usually, this part of the text exacts which paragraphs in the letter of intent contain every particular condition. Here, in Brazil's letter, we read that the paragraphs 3, 11, 12 and 14 of the letter of intent that are the ones relevant to the agreement. Thus, we only considered the conditions mentioned in this list; we ignored any information presented along other parts of the letter of intent.

The next part consisted of reading the relevant paragraphs and extracting the characteristics of the conditions from them. This includes the type of condition, whether it is binding and the policy area it related to. To exhibit an example, figure A.3 presents the third paragraph of the letter of intent we are discussing.

Since the condition there presented is a ceiling for monetary authorities' net domestic assets, we class it, following the key made by Kentikelenis et al. (2016), as financial sector, monetary policy and Central Bank issues, respectively. Besides that, we read that this ceiling imposes a limit for every quarter of 1972. Thus, the contribution of this net domestic assets limit to the sum of conditions that represents this agreement was 4. Subsequently, we repeated this step for every other paragraph mentioned in the agreements text.

[18] Available at <https://imfbox.box.com/shared/static/646vlsr6g853hy99xa8u09l5tmvy1cxe.pdf>.

[19] <http://archivescatalog.imf.org/>



DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

EBS/72/37
Supplement 1

CONFIDENTIAL

March 3, 1972

To: Members of the Executive Board

From: The Acting Secretary

Subject: Brazil - Stand-By Arrangement

Attached for the records of the Executive Directors is the text of the stand-by arrangement for Brazil agreed at Executive Board Meeting 72/19, March 3, 1972.

Att: (1)

Figure A.1: Brazil's 1972 SBA front page

Stand-By Arrangement - Brazil

1. Annexed hereto is a letter dated January 27, 1972 from the Minister of Finance of Brazil setting forth the objectives and policies which the authorities of Brazil will pursue.

2. The International Monetary Fund grants this stand-by arrangement to support these objectives and policies.

3. Brazil will remain in close consultation with the Fund during the period of the stand-by arrangement and, in particular, will consult the Fund in accordance with paragraph 14 of the annexed letter and paragraph 5 below. These consultations may include correspondence and visits of officials of the Fund to Brazil or of representatives of Brazil to Washington, D.C. For the purposes of these consultations, Brazil will keep the Fund informed of developments in the exchange, trade, credit, and fiscal situations through reports at intervals or dates requested by the Fund.

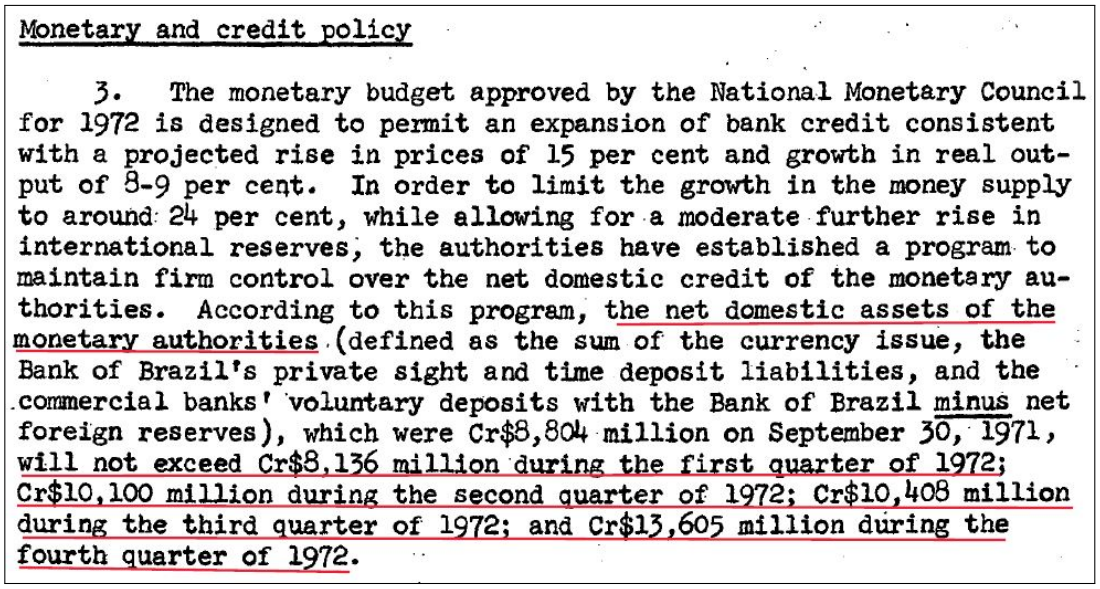
4. For a period of one year from March 3, 1972, Brazil will have the right, after making full use of any gold tranche that it may have, to make purchases from the Fund in the currencies of other members in exchange for its own currency in an amount equivalent to 50 million units of special drawing rights. The amounts available in accordance with this paragraph 4 shall be augmented by amounts equivalent to repurchases in respect of purchases under the stand-by arrangement, unless when any such repurchase is made, Brazil informs the Fund that it does not wish the stand-by arrangement to be augmented by the amount of that repurchase.

5. During any period of the stand-by arrangement in which the criteria in paragraphs 3, 11, and 12 of the annexed letter are not being observed, Brazil will consult the Fund, at the request of the Managing Director, regarding the appropriate measures to be adopted in order to achieve the objectives of the program.

6. Brazil will pay charges for this stand-by arrangement in accordance with Executive Board Decisions Nos. 270-(53/95), adopted December 23, 1953; 876-(59/15), adopted April 27, 1959; and 1345-(62/23), adopted May 23, 1962.

7. Brazil will have the right to engage in the transactions covered by this stand-by arrangement without further review by the Fund. This right can be suspended only with respect to requests received by the Fund after (a) a formal ineligibility, or (b) a decision of the Executive Board to suspend transactions, either generally (under Article XVI, Section 1(a)(ii)) or in order to consider a proposal, made by an Executive Director or the Managing Director, formally to suppress or to limit the eligibility of Brazil. When notice of a decision of formal ineligibility or of a decision to consider a proposal is given pursuant to this paragraph 7, purchases under this stand-by arrangement will be resumed only after consultation has taken place between the Fund and Brazil and understandings have been reached regarding the circumstances in which such purchases can be resumed.

Figure A.2: Brazil's 1972 SBA second page



Monetary and credit policy

3. The monetary budget approved by the National Monetary Council for 1972 is designed to permit an expansion of bank credit consistent with a projected rise in prices of 15 per cent and growth in real output of 8-9 per cent. In order to limit the growth in the money supply to around 24 per cent, while allowing for a moderate further rise in international reserves, the authorities have established a program to maintain firm control over the net domestic credit of the monetary authorities. According to this program, the net domestic assets of the monetary authorities (defined as the sum of the currency issue, the Bank of Brazil's private sight and time deposit liabilities, and the commercial banks' voluntary deposits with the Bank of Brazil minus net foreign reserves), which were Cr$8,804 million on September 30, 1971, will not exceed Cr$8,136 million during the first quarter of 1972; Cr$10,100 million during the second quarter of 1972; Cr$10,408 million during the third quarter of 1972; and Cr$13,605 million during the fourth quarter of 1972.

Figure A.3: Third paragraph of Brazil's 1972 letter of intent

The underlined sections indicate the parts where the condition terms are explicitly stated – quarterly superior bounds for net domestic assets.

After repeating this algorithm of identification and codification of conditions for every documented agreement, and after joining our data with Kentikelenis et al.'s, we finished constructing our database of agreements.

Besides this way of summing conditions, we also organized information on areas on which these conditions focus (e. g. state-owned enterprises, fiscal policy or external sector). However, due to the nature and extent of the present work, we did not advance in the analysis this dimension.

B Other measures of conditionality

We present three other ways to sum conditions.

- C1 is the criterion we used, considering every condition mentioned in the documents as well as the frequency some conditions had to be applied.
- C2 criterion considers every condition mentioned in the documents but ignores the frequency some conditions are applied. A quarterly fiscal target for a year, for example, is counted as 1.
- C3 criterion considers only binding conditions. It also considers the frequency some conditions had to be applied.
- C4 criterion considers only binding conditions and ignores the frequency some conditions had to be applied.

We see that all these measures are highly correlated (table B.2) and are reasonably proportional (table B.2).

Table B.1: Descriptive statistics among different counts

	n	mean	sd	skew	kurtosis	se
C1	923	72.87	79.26	1.54	1.92	2.61
C2	923	24.34	25.72	2.02	5.63	0.85
C3	923	44.72	44.59	1.46	1.98	1.47
C4	923	12.94	14.66	2.92	13.10	0.48

Table B.2: Correlations among different counts

	C1	C2	C3	C4
C1	1	0.8668822	0.9224243	0.7449528
C2		1	0.8483255	0.8812597
C3			1	0.8450591
C4				1

C Descriptive statistics

Here we present the descriptive statistics tables of the data sample used. They comprehend only the complete observations, e. g., the data on agreements for which all the analysed variables were available.

Table C.1: Descriptive statistics for the whole sample of SBA – 1970-2014

	n	mean	median	max.	min.	std.dev.	skew.
Number of conditions	264	42.621	27.500	305	1	44.092	2.259
Alignment to US	264	0.370	0.295	0.972	0	0.212	0.701
Distance to communist	264	2.939	1.779	10.292	0	2.508	1.205
Exchange rate variation	264	28.876	4.858	1,400.000	-99.995	112.053	9.473
Consumer prices variation	264	21.144	10.798	374.735	-3.113	40.708	5.911
GDP growth (%)	264	2.404	3.504	18.665	-24.049	5.300	-0.993
GDP per capita (2010)	264	3.604	2.664	46.531	0.167	4.263	4.934
Broad money growth	264	22.549	15.730	334.008	-20.621	35.021	5.460
Proportion of quota	264	0.178	0.081	4.785	0.002	0.434	9.193
Proportion of exports to US	264	23.384	18.607	88.415	0	19.505	0.708
Proportion of imports from US	264	20.042	15.820	74.476	1.311	15.621	0.733

Next, we present the descriptive statistics for the Cold War data, only. Again, they refer to complete observations, only.

Table C.2: Descriptive statistics for the Cold War period sample of SBA – 1970-1991

	n	mean	median	max.	min.	std.dev.	skew.
Number of conditions	167	21.329	14	305	1	27.289	7.061
Alignment to US	167	0.421	0.427	0.972	0.091	0.236	0.314
Distance to Communist	167	1.957	1.598	8.687	0	1.556	1.618
Distance to WPC	167	2.928	2.617	10.479	0.750	1.742	1.228
Exchange rate variation	167	35.786	6.947	1,400.000	-21.174	136.892	8.038
Consumer prices variation	167	24.964	12.663	374.735	-3.113	47.216	5.478
GDP growth (%)	167	2.667	3.774	14.577	-24.049	5.381	-1.331
GDP per capita (2010)	167	2.770	1.712	20.190	0.167	3.215	3.448
Broad money growth	167	24.125	17.469	334.008	-20.621	40.229	5.281
Proportion of quota	167	0.211	0.090	4.785	0.004	0.532	7.671
Proportion of exports to US	167	23.643	19.333	75.146	0	18.662	0.517
Proportion of imports from US	167	20.865	19.016	70.679	1.311	14.287	0.535

D Additional results

Table D.1: Robustness test
Conditionality and ratio of populations, China included: 1970-2001

	Dependent variable: log(Number of conditions)				
	(1)	(2)	(3)	(4)	(5)
Ratio of population (Communist/home)	−0.002	−0.004	−0.005	−0.001	−0.004
	(0.006)	(0.005)	(0.005)	(0.006)	(0.005)
Alignment to US	−2.536***	−0.687	−1.926***	−2.709***	−2.002***
	(0.275)	(0.650)	(0.231)	(0.257)	(0.242)
Exchange rate variation	−0.001	−0.0003	−0.001	−0.001	−0.001
	(0.001)	(0.0004)	(0.0005)	(0.001)	(0.0005)
Consumer prices variation	−0.001	−0.001	0.002	−0.001	0.002
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
GDP growth (%)	0.006	−0.0003	0.009	0.009	0.010
	(0.011)	(0.008)	(0.009)	(0.010)	(0.009)
GDP per capita (2010)	0.058***	0.003	0.015	0.047**	0.016
	(0.022)	(0.020)	(0.018)	(0.020)	(0.018)
Broad money growth	0.006**	0.005**	0.003	0.006**	0.003
	(0.003)	(0.002)	(0.003)	(0.003)	(0.003)
Proportion of quota	0.016	0.100	0.142	0.111	0.152
	(0.134)	(0.100)	(0.110)	(0.126)	(0.110)
Proportion of exports to US	0.002	0.003	0.003	0.002	0.003
	(0.004)	(0.003)	(0.004)	(0.004)	(0.004)
Proportion of imports from US	0.004	0.003	0.004	0.007	0.004
	(0.006)	(0.004)	(0.005)	(0.005)	(0.005)
Constant	3.594***	2.576***	3.202***	4.047***	3.317***
	(0.146)	(0.461)	(0.125)	(0.157)	(0.167)
year >1991			1.187***		1.104***
			(0.117)		(0.142)
Republican dummy				−0.635***	−0.123
				(0.111)	(0.117)
Time controls	No	year	year > 1991	US party	year> 1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
R^2	0.334	0.729	0.561	0.429	0.564
Adjusted R^2	0.300	0.662	0.537	0.397	0.537

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. *Ratio...* has no unit. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

E Poisson regressions

We propose another specification for the econometric exercises we conducted section 4. Since the sum of conditions is a natural number, we model the determinants of the number of conditions using a Poisson regression. This means that we ground ourselves on the following model for country-agreement i in an IMF arrangement:

$$\log \mathbb{E}(\text{conditions}_i|\text{IndepVar}_i) = \beta_0 + \text{DistanceVariable}_i\beta_1 + \text{VotesAtUNGA}_i\beta_2 + \text{PoliticalControls}_i\beta_3 + \text{EconomicControls}_i\beta_4, \quad (4)$$

where $\mathbb{E}(\cdot|\cdot)$ represents the conditional expectation operator and IndepVar_i represents the independent variables we include in the right side of the equation.

Considering this model, we use it to estimate the correlations between proxies of geopolitical interest to the United States and the number of conditions in SBA agreements.

We proceed exactly in the same order as we do in the previous parts of this section. First, we consider the full sample of SBAs, from 1970 to 2014, and estimate Poisson regressions using the distance to closest communist capital as interest variable. This exercise's results – five regressions under different time controls – are in table E.1.

Then, we restrict the sample to SBAs sealed between 1970 and 2001 to estimate the correlation between conditionality and distance to closest communist capital using four different specifications of Poisson regressions. The differences among them concern the time controls only. We present these results in table E.2.

The third step consists of fixing again the sample as the SBAs sealed between 1970 and 2001, but now discriminating between the distances to WPC members and non-WPC communist members. The results of this exercise are presented in table E.3.

We also include two blocks of estimations that relate to the robustness investigations of this section. We do so by conducing Poisson estimations using as interest variables the proportion of the quotient of populations between communist neighbour and the home country and border shared with WPC and communist non-WPC countries. These exercises are, respectively, depicted in tables E.4 and E.5.

Generally, the results of the Poisson regressions we indicated above are coherent with the previous results we found. Concerning the correlations between conditionality and our proxies of geopolitical interest, the results corroborate the ones we reached during the main section of this chapter. The only exception concerns the Poisson estimation using the proportions of border shared with communist neighbours, by alignment (table E.5). There, the coefficients related to the border shared with non-WPC communist countries are positive and insignificant, countering the working hypothesis that these countries were where the Cold War was fought. Nevertheless, most of the other estimated correlations follow our hypothesis that countries con-

sidered more *strategic* by the US would seal fewer conditions in arrangements with the IMF. Such a conclusion is reasonably sustained by alternative specifications and different proxies for geopolitical interest.

Table E.1: Poisson extension
Number of conditions and distance to closest communist country: 1970-2014

	Dependent variable: number of conditions				
	(1)	(2)	(3)	(4)	(5)
Distance to Communist	0.153***	0.036*	0.058***	0.137***	0.058***
	(0.024)	(0.020)	(0.019)	(0.024)	(0.018)
Alignment to US	−2.448***	−0.088	−1.787***	−2.671***	−1.744***
	(0.300)	(0.444)	(0.369)	(0.312)	(0.404)
Exchange rate variation	−0.001*	−0.00001	−0.001**	−0.001*	−0.001**
	(0.001)	(0.0003)	(0.0003)	(0.001)	(0.0003)
Consumer prices variation	−0.002	−0.00003	0.002	−0.001	0.002
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
GDP growth (%)	0.005	−0.001	0.012	0.012	0.011
	(0.011)	(0.007)	(0.009)	(0.011)	(0.009)
GDP per capita (2010)	0.024***	0.011*	0.013***	0.029***	0.012**
	(0.007)	(0.006)	(0.005)	(0.007)	(0.005)
Broad money growth	0.002	0.001	−0.0002	0.002	−0.0002
	(0.003)	(0.002)	(0.002)	(0.003)	(0.002)
Proportion of quota	0.175	0.072	0.209*	0.208*	0.205*
	(0.110)	(0.120)	(0.109)	(0.112)	(0.110)
Proportion of exports to US	−0.010***	−0.001	−0.005*	−0.009***	−0.005*
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Proportion of imports from US	0.015***	0.001	0.006*	0.014***	0.006*
	(0.004)	(0.004)	(0.003)	(0.004)	(0.003)
Constant	3.843***	2.403***	3.494***	4.152***	3.451***
	(0.195)	(0.347)	(0.244)	(0.217)	(0.301)
year >1991			0.970***		0.991***
			(0.116)		(0.147)
Republican dummy				−0.333***	0.039
				(0.102)	(0.105)
Time controls	No	year	year>1991	US party	year>1991 and US party
Period	1970-2014	1970-2014	1970-2014	1970-2014	1970-2014
N	264	264	264	264	264
Log Likelihood	−3,377.860	−1,769.143	−2,652.777	−3,255.001	−2,651.377
Akaike Inf. Crit.	6,777.720	3,646.286	5,329.553	6,534.003	5,328.754

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. White's robust standard errors in brackets. *Distances* measured in thousands of kilometres. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

Table E.2: Poisson extension
Number of conditions and distance to closest communist country: 1970-2001

	Dependent variable: number of conditions				
	(1)	(2)	(3)	(4)	(5)
Distance to Communist	0.122***	0.009	0.035*	0.079***	0.033*
	(0.026)	(0.022)	(0.020)	(0.024)	(0.020)
Alignment to US	−2.866***	−1.369**	−2.519***	−3.369***	−2.718***
	(0.366)	(0.544)	(0.411)	(0.393)	(0.441)
Exchange rate variation	−0.001**	−0.0002	−0.001***	−0.001**	−0.001***
	(0.001)	(0.0002)	(0.0002)	(0.0003)	(0.0002)
Consumer prices variation	−0.001	−0.001	0.001	−0.0003	0.001
	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)
GDP growth (%)	0.005	−0.0005	0.007	0.006	0.007
	(0.012)	(0.007)	(0.009)	(0.011)	(0.009)
GDP per capita (2010)	0.059***	0.027*	0.029*	0.056***	0.033**
	(0.022)	(0.016)	(0.016)	(0.020)	(0.016)
Broad money growth	0.003	0.003	0.002	0.002	0.002
	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
Proportion of quota	0.155	0.093	0.238*	0.242*	0.247*
	(0.141)	(0.134)	(0.131)	(0.137)	(0.132)
Proportion of exports to US	−0.009**	−0.004	−0.006**	−0.010***	−0.006**
	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)
Proportion of imports from US	0.010**	0.001	0.004	0.010**	0.005
	(0.005)	(0.004)	(0.003)	(0.004)	(0.003)
Constant	3.890***	3.314***	3.773***	4.582***	4.015***
	(0.231)	(0.408)	(0.242)	(0.245)	(0.280)
year >1991			0.916***		0.774***
			(0.099)		(0.123)
Republican dummy				−0.676***	−0.215**
				(0.092)	(0.095)
Time controls	No	year	year>1991	US party	year>1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
Log Likelihood	−2,118.144	−1,164.529	−1,680.168	−1,849.818	−1,663.008
Akaike Inf. Crit.	4,258.287	2,413.059	3,384.335	3,723.636	3,352.015

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. White's robust standard errors in brackets. *Distances* measured in thousands of kilometres. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

Table E.3: Poisson extension
Conditions and distances to communist countries, by alignment: 1970-2001

	Dependent variable: number of conditions				
	(1)	(2)	(3)	(4)	(5)
Distance to Communist non-WPC‡	−0.045**	0.001	0.034	0.023	0.045
	(0.022)	(0.033)	(0.029)	(0.029)	(0.030)
Distance to Communist WPC‡	−0.060	−0.009	−0.025	−0.034	−0.023
	(0.048)	(0.026)	(0.029)	(0.035)	(0.027)
Alignment to US	−2.620***	−1.435**	−2.511***	−3.515***	−2.802***
	(0.348)	(0.605)	(0.376)	(0.337)	(0.381)
Exchange rate variation	−0.001**	−0.0002	−0.001***	−0.001**	−0.001***
	(0.0004)	(0.0002)	(0.0002)	(0.0003)	(0.0002)
Consumer prices variation	−0.001	−0.001	0.0001	−0.002	−0.0002
	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)
GDP growth (%)	0.009	−0.0003	0.004	0.005	0.004
	(0.013)	(0.007)	(0.011)	(0.012)	(0.010)
GDP per capita (2010)	0.066***	0.028	0.032*	0.069***	0.038**
	(0.021)	(0.019)	(0.017)	(0.021)	(0.017)
Broad money growth	0.006**	0.003	0.003	0.005**	0.003
	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
Proportion of quota	0.023	0.088	0.226*	0.190	0.248*
	(0.138)	(0.121)	(0.129)	(0.134)	(0.129)
Proportion of exports to US	−0.001	−0.004	−0.004	−0.006*	−0.005*
	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)
Proportion of imports from US	0.002	0.0002	−0.003	−0.001	−0.003
	(0.006)	(0.004)	(0.004)	(0.005)	(0.004)
Constant	4.333***	3.415***	3.878***	5.026***	4.175***
	(0.215)	(0.408)	(0.233)	(0.203)	(0.241)
year >1991			1.055***		0.889***
			(0.154)		(0.147)
Republican dummy				−0.833***	−0.284***
				(0.144)	(0.098)
Time controls	No	year	year>1991	US party	year>1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
Log Likelihood	−2,278.979	−1,164.873	−1,675.242	−1,929.507	−1,646.874
Akaike Inf. Crit.	4,581.959	2,415.745	3,376.485	3,885.014	3,321.748

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. ‡ indicates fixed values by country, from 1992 to 2001. White's robust standard errors in brackets. *Distances...* measured in thousands of kilometres. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

Table E.4: Poisson extension
Conditionality and ratio of populations: 1970-2001

	Dependent variable: number of conditions				
	(1)	(2)	(3)	(4)	(5)
Ratio of population (Communist/home)	-0.262^{***}	-0.113	-0.115	-0.239^{***}	-0.131^{*}
	(0.078)	(0.074)	(0.070)	(0.075)	(0.073)
Alignment to US	-2.759^{***}	-1.390^{***}	-2.459^{***}	-3.388^{***}	-2.699^{***}
	(0.349)	(0.529)	(0.423)	(0.367)	(0.456)
Exchange rate variation	-0.001^{***}	-0.0002	-0.001^{***}	-0.001^{***}	-0.001^{***}
	(0.0004)	(0.0002)	(0.0002)	(0.0003)	(0.0002)
Consumer prices variation	-0.002	-0.001	0.001	-0.0005	0.001
	(0.002)	(0.002)	(0.001)	(0.002)	(0.001)
GDP growth (%)	0.005	-0.001	0.006	0.006	0.007
	(0.013)	(0.007)	(0.010)	(0.011)	(0.009)
GDP per capita (2010)	0.085^{***}	0.031^{**}	0.034^{**}	0.074^{***}	0.040^{**}
	(0.019)	(0.016)	(0.016)	(0.017)	(0.015)
Broad money growth	0.005^{*}	0.003	0.002	0.003	0.002
	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
Proportion of quota	-0.018	0.071	0.190	0.137	0.199
	(0.135)	(0.131)	(0.126)	(0.129)	(0.126)
Proportion of exports to US	-0.005	-0.004	-0.004	-0.008^{**}	-0.005^{*}
	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)
Proportion of imports from US	-0.004	-0.001	-0.0001	0.001	0.001
	(0.004)	(0.003)	(0.003)	(0.003)	(0.003)
Constant	4.328^{***}	3.455^{***}	3.906^{***}	4.990^{***}	4.195^{***}
	(0.210)	(0.384)	(0.246)	(0.205)	(0.295)
year >1991			0.948^{***}		0.774^{***}
			(0.118)		(0.143)
Republican dummy				-0.769^{***}	-0.250^{**}
				(0.096)	(0.098)
Time controls	No	year	year>1991	US party	year>1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
Log Likelihood	$-2,244.040$	$-1,150.843$	$-1,677.652$	$-1,860.099$	$-1,654.366$
Akaike Inf. Crit.	4,510.080	2,385.685	3,379.303	3,744.198	3,334.732

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. White's robust standard errors in brackets. *Ratio of population* has no unit. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

Table E.5: Poisson extension
Conditionality and border shared with communists, by alignment: 1970-2001

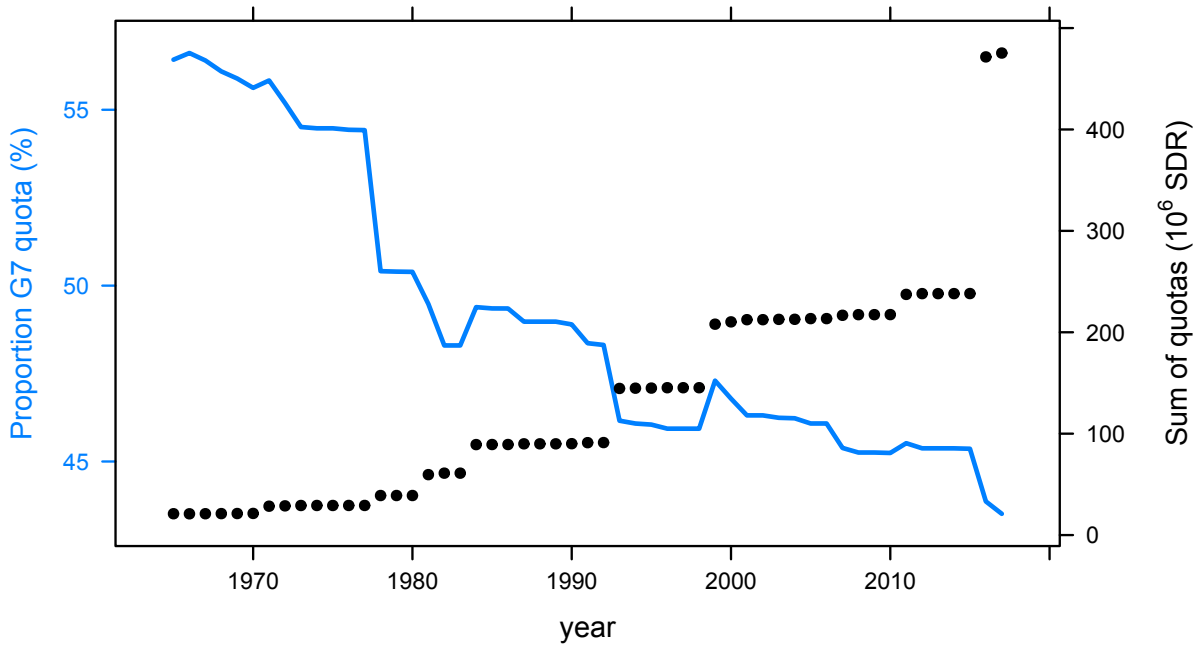
	Dependent variable: number of conditions				
	(1)	(2)	(3)	(4)	(5)
Prop. border with Communist non-WPC‡	0.560	0.294	0.333	0.120	0.230
	(0.695)	(0.539)	(0.678)	(0.708)	(0.696)
Prop. border with Communist WPC‡	1.515***	−0.086	0.682	1.099**	0.665
	(0.553)	(0.367)	(0.423)	(0.456)	(0.418)
Alignment to US	−2.772***	−1.161*	−2.490***	−3.453***	−2.688***
	(0.322)	(0.643)	(0.397)	(0.337)	(0.389)
Exchange rate variation	−0.001*	−0.0002	−0.001**	−0.0004	−0.0005*
	(0.0005)	(0.0003)	(0.0002)	(0.0004)	(0.0003)
Consumer prices variation	−0.004	−0.001	−0.0002	−0.003	−0.0003
	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
GDP growth (%)	0.008	−0.0004	0.009	0.009	0.009
	(0.012)	(0.007)	(0.010)	(0.011)	(0.010)
GDP per capita (2010)	0.077***	0.025	0.030*	0.066***	0.034**
	(0.020)	(0.019)	(0.016)	(0.019)	(0.016)
Broad money growth	0.007**	0.003	0.003	0.005**	0.003
	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)
Proportion of quota	0.064	0.089	0.228*	0.197	0.235*
	(0.144)	(0.137)	(0.136)	(0.141)	(0.136)
Proportion of exports to US	−0.003	−0.004	−0.004	−0.006	−0.005
	(0.004)	(0.003)	(0.003)	(0.004)	(0.003)
Proportion of imports from US	0.004	0.002	0.003	0.005	0.004
	(0.005)	(0.003)	(0.004)	(0.005)	(0.004)
Constant	3.994***	3.188***	3.756***	4.789***	4.001***
	(0.172)	(0.450)	(0.155)	(0.196)	(0.190)
year >1991			0.959***		0.823***
			(0.115)		(0.119)
Republican dummy				−0.760***	−0.203**
				(0.114)	(0.101)
Time controls	No	year	year>1991	US party	year>1991 and US party
Period	1970-2001	1970-2001	1970-2001	1970-2001	1970-2001
N	209	209	209	209	209
Log Likelihood	−2,256.220	−1,161.489	−1,674.211	−1,900.875	−1,659.351
Akaike Inf. Crit.	4,536.439	2,408.978	3,374.421	3,827.750	3,346.701

Notes: *,** and *** represent significance at 10, 5 and 1 percent levels, respectively. ‡ indicates fixed values by country, from 1992 to 2001. White's robust standard errors in brackets. *Prop. of borders...* measured in thousands of percentage points. *Alignment to US* is the proportion of votes at UNGA that were aligned to American votes. *Exchange rate variation* of local currency compared to US dollars, measured in p. p. *Consumer prices variation*, *GDP growth* and *Broad money growth* measured in p. p. *GDP per capita* measured in thousands of 2010 US dollars. *Proportion of quota* is the percentage of total IMF quotas. *Proportions of imports from US* and *exports to US* measured in percentage points. Column 1 includes no time dummies; column 2 includes a dummy for each year; column 3 includes a dummy for post-1991 observations; column 4 includes a dummy if the contemporaneous US presidential mandate is Republican; column 5 includes both Republican and post-1991 dummies. We consider only SBA.

F Additional figures

F.1 Quotas

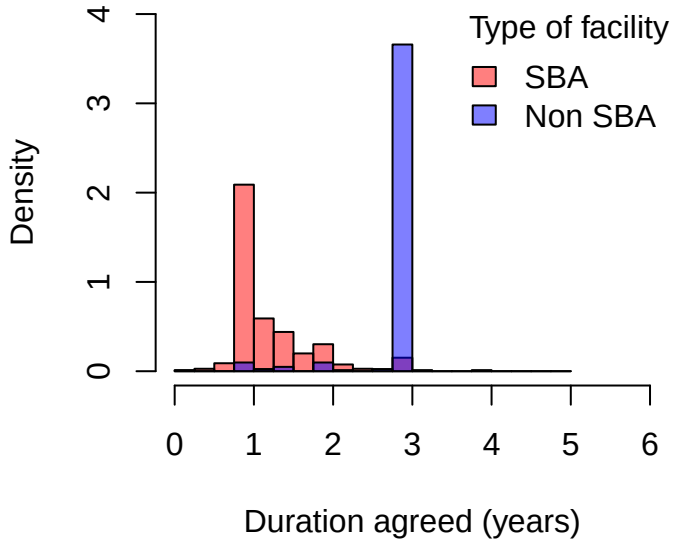
Figure F.1: Evolution of total IMF quota and G7 relative position



Data was hand collected from IMF Annual Reports. As we notice, until the beginning of the 1980s the Group of Seven had more than half of the total quota, a proportional to its voting power share.

F.2 SBA and non-SBA

Figure F.2: Distributions of agreements duration, by type



Self-elaboration using a set that merges Kentikelenis et al. (2016) and data we collected from IMF Archives documents.

G Supplemental Material

Figure G.1: Summary of IMF facilities

Purpose	Facility	Financing	Duration	Conditionality
Present, prospective, or potential BoP need	SBA	GRA	Up to 3 years, but usually 12-18 months	Ex-post
	SCF	PRGT	1 to 2 years	
Protracted BoP need/ medium-term assistance	EFF	GRA	Up to 4 years	Ex-post, with focus on structural reforms
	ECF	PRGT	3 to 4 years, extendable to 5 years	
Actual and urgent BoP need	RFI	GRA	Outright purchase	No Fund-supported program/ex-post conditionality, but prior actions possible
	RCF	PRGT	Outright disbursement	
Present, prospective, or potential BoP need (very strong fundamentals and policies)	FCL	GRA	1 or 2-year	Ex-ante (qualification criteria) and annual reviews for the two-year arrangements
Present, prospective, or potential BoP need (sound fundamentals and policies)	PLL	GRA	6 month (liquidity window) or 1 or 2-year	Ex-ante (qualification criteria) and ex-post
Non-financial/ signaling instruments	PSI	n/a	1 to 4 years, extendable to 5 years	Ex-post
	PCI	n/a	6 months to 4 years	

Table extracted from International Monetary Fund (2018).