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Partisan Technocrats: How Leaders Matter in International Organizations

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International organizations make policy decisions that affect the lives of people around the world. We argue that these decisions depend, in part, on the political ideology of the organization's chief executive. In this study, we investigate the influence of the leader of one of the most powerful international organizations: the Managing Director of the International Monetary Fund (IMF). We find that when the Managing Director is politically left of center, the IMF requires less labor market liberalization from borrowing countries in exchange for a loan. We also find evidence suggesting that the Managing Director's influence on labor-related loan conditions is independent of the Fund's most powerful members, including the United States. While Managing Directors rarely engage in overtly political behavior, they appear to act as "partisan technocrats" whose ideology influences international financial rescues and specifically the conditions attached to countries' loans, which shape the distributive consequences of IMF lending.

International organizations (IOs) make decisions that affect the lives of people around the world. Understanding how these decisions are made and who influences them is an important topic of investigation. Although IO leaders and high officials are one probable source of influence, international relations (IR) theorists have generally been slow to acknowledge the potential power of executive heads of IOs (Krcmaric, Nelson, and Roberts 2020).[1] In fact, some scholars argue that leaders of IOs wield very little power because of the constraints imposed upon them by institutional design (Moravcsik 1998, 1999). However, in contrast, other scholars claim that leaders are "the most critical, single determinant" of international outcomes (Cox 1969, 206).

In this article, we contribute new evidence to this longstanding debate by investigating how a key personal characteristic of IO leaders, political ideology, influences key outcomes. By doing so, we seek to move beyond the previous "great man" approach and the general insistence that leaders somehow matter (Krcmaric, Nelson, and Roberts 2020). Instead, we investigate how IO leaders' personal attributes affect outcomes in systematic, predictable, and testable ways. We focus here on one particular attribute—leaders' political ideology—and we do so in the context of one of the world's most powerful IOs: the International Monetary Fund (IMF).

The IMF plays a central role in the global financial system. It acts as the international lender of last resort—making crucial loans to cash-strapped governments facing debt problems or financial crises. Through its lending programs, the Fund helps countries tackle balance-of-payments problems, stabilize their economies during financial crises, and restore access to private international financial markets. In return for its loans, the IMF often demands reforms from borrowing countries. These reforms are stipulated as explicit conditions or "conditionality" in IMF lending programs. Conditionality varies across IMF loans; not all countries receive the same conditions in exchange for IMF financing (Caraway, Rickard, and Anner 2012; Gould 2006). Some countries borrow from the IMF with relative immunity and very few loan conditions. Others must undertake extensive reforms as a result of the numerous and stringent conditions attached to their loan. Some—but not all IMF loans—include conditions explicitly requiring governments to reduce expenditures, cut the number of public sector employees, or deregulate parts of the economy. Understanding why conditions vary across borrowers and over time is important because it speaks to the ongoing debate over both the effectiveness and the fairness of IMF lending (e.g., Vreeland 2003, 2007).

We focus here on the variation in one specific area of conditionality, namely labor-related conditionality. Labor conditions stipulate changes to the country's domestic labor market and/or have direct effects on employment, wages, and social benefits (Caraway, Rickard, and Anner 2012). These types of conditions entail distributive consequences for citizens in borrowing countries (Caraway, Rickard, and Anner 2012; Rickard and Caraway 2019). Labor conditions generally make workers worse off in the short-to-medium term, since they require, for example, cuts to wages or reductions in benefits such as disability provisions, pensions, or unemployment insurance (Caraway, Rickard, and Anner 2012; Rickard and Caraway 2019). Conditions that require reforms intended to increase labor market flexibility typically make jobs more precarious and increase workers' economic vulnerability. At the same time, however, these conditions may benefit capital owners who employ labor to transform their capital into marketable goods and products. As a result of IMF-induced labor market reforms, capital owners may be able to fire workers with greater ease.

[1] Outside of the study of IOs, however, there is a growing literature on leader effects in IR. A number of studies demonstrate, for example, how leaders' personal attributes influence international conflict (e.g., Chiozza and Goemans 2004, 2011; Rosen 2007; Weeks 2008, 2012; Croco 2011; Saunders 2011; Colgan 2013; Horowitz, Stam, and Ellis 2015; Krcmaric, Nelson, Roberts 2020). Much of this literature has centered on the inferential challenges associated with identifying leader effects.

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Because of the distributive consequences of labor conditions, debates surrounding these types of conditions align closely with the classic distinction between left and right political ideologies. Left-wing politicians tend to be more sympathetic to labor's interests, while right-wing politicians tend to be more sympathetic to capital's interests. We therefore expect left-leaning Managing Directors (MDs) to prefer fewer and less stringent labor market reform conditions, as compared to right-leaning MDs.

An MD's preferences regarding labor conditions may influence the terms of IMF lending given her central role at the Fund: she is the executive head of the organization and leads the IMF staff. If the IMF is akin to a national government, as Kahler (1993) suggests, then the MD presides as the "chief of government" and just as the ideology of a national government's head influences economic policy, so too the MD's political ideology may influence the conditions attached to IMF loans.

Although the IMF publicly claims to be a technocratic organization that makes lending decisions based only on borrowers' macroeconomic and financial characteristics (Knight and Santaella 1997; Bird and Rowlands 2003), we find that the labor conditions attached to IMF loans vary systematically with the ideology of the IMF's chief executive, the Managing Director (MD). An analysis of the labor conditions attached to IMF loans over three decades shows that loans agreed when the MD is politically left of center include fewer and less stringent labor market reform conditions, all else equal. Our analysis further suggests that the MD's influence is independent of the Fund's most powerful members, including the United States.

These findings provide suggestive evidence that the MD's political ideology systematically influences a key outcome: conditionality. However, we are cautious about asserting causality based on our results. We cannot, for example, assign MDs with different traits to office. The observational nature of our data limits our ability to make definitive causal claims about the relationship between MD ideology and conditionality. However, the correlation between MD ideology and IMF loan conditions is consistent across multiple measures and robust over a range of models and controls, which suggests that the IMF's chief executive has some ability to influence IMF lending and specifically loan conditions in line with her own ideological preferences.

The conclusion that leaders' ideology matters would not be controversial in domestic politics. However, in the international context, it is more surprising. Many IOs, including the IMF, are explicitly non-partisan in nature and seek to be technocratic bodies offering impartial advice to member-states. By design, the institutional structures of many IOs, like the IMF, constrain leaders and leave little room for them to formally exert influence. Yet despite this, we find that the MDs' identity, and specifically their ideology, systematically influences the conditions attached to international financial rescues.

This study makes two main contributions. First, it generates estimates of leader effects on IMF lending arrangements—a context where the existing literature has made only non-systematic, passing references to the importance of individual MDs on the Fund's activities. Our novel findings about the importance of MDs' political ideology bring new evidence to debates about the role of individuals as actors in international relations and contribute to an improved understanding of when, why, and how formal leadership matters in IOs.

Second, our investigation synthesizes research on political institutions with studies of how leaders of organizations matter. Institutions prescribe roles for, and set limits on, the behavior of individual actors (Smith 2003). However, institutions are empty boxes without the agents that operate them (Leftwich 2010). A complete understanding of institutions and their effects, therefore, requires some knowledge of leaders' personal characteristics and how these characteristics shape the actions of the organizations they lead. Understanding how IO leaders' political ideology influences key outcomes may help to advance research across a range of issue areas including the environment, state-building, and social inclusion where IOs play an increasingly important role (Young 1991; Leftwich 2010).[2]

The Role of Leaders in IOs

A large literature examines how the personal characteristics of *national* leaders matter. For example, Hayo and Neumeier (2016) show that heads of governments from lower socioeconomic-status backgrounds are more likely to increase public deficits in Organisation for Economic Cooperation and Development (OECD) countries. Göhlmann and Vaubel (2007) find that central bankers with prior experience as union leaders tend to be more inflation friendly.

However, much less is known about the influence of *international* leaders. The personal characteristics of executive heads of IOs have received relatively little attention from scholars of international relations (Kille and Scully 2003; Tallberg 2010). Inattention to leaders' characteristics may result from IR's long-standing focus on the structural determinants of international outcomes. As early as the 1960s, IR scholarship began to emphasize the structure of the international system at the expense of leaders (Krcmaric, Nelson, and Roberts 2020). Research on the IMF, for example, focused on the structural determinants of lending decisions, including US hegemony (Stone 2002) and international capital flows (Copelovitch 2010a). The emphasis on structural determinants of collective outcomes in the international sphere has diverted "attention from the roles that individuals play as leaders" (Young 1991, 287).

Another reason for the relative paucity of research on international leaders' influence may be the institutional constraints often faced by IO executives. Frequently, IO leaders have little room to independently influence policymaking or outcomes (Moravcsik 1998, 1999). The UN Secretary-General, for example, has limited legal and policymaking authority. Similarly, the European Council Presidents' "opportunity to promote initiatives or to deliver to domestic expectations is heavily constrained" (Hayes-Renshaw and Wallace 1997, 146). Furthermore, the structural dominance of certain member-states, and particularly the large states, may render active leadership by executive heads of IOs either marginal or futile (Moravcsik 1998, 1999). In short, IO leaders' powers generally fall "far short of those wielded by the president or prime minister of a country" (Finger and Saltzman 1990, 41).

Nonetheless, we find evidence that the executive head of the IMF matters. In this way, our analysis contributes to a growing body of research that investigates how leaders at *other* IOs matter. At the United Nations, for example, research finds that Secretaries-General with more expansionist leadership styles display a greater willingness to try to enhance the status of the United Nations (Kille and Scully 2003). At the World Bank, studies find that Presidents shape both the Bank's culture and its lending (Nielson,

[2] See Metcalfe (1998), Odell (2005), and Blavoukos, Bourantonis, and Tsakonas (2006).

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Tierney, and Weaver 2006). In the European Union (EU), the President of the Council has been shown to enjoy scheduling and agenda-setting powers (Tallberg 2003, 2010; Häge 2017) and when the President of the Council is a citizen of a country's former colonizer, the country is allocated considerably more foreign aid than other countries (Carnegie and Marinov 2017). And at the World Trade Organization (WTO), the chairmanship appears to be a source of independent influence (Tallberg 2010).

Our study further contributes to a body of literature that demonstrates multiple ways in which politics shapes IMF lending.[3] This literature largely overlooks the influence of the MD. Scholars instead focus on the influence of domestic politics in borrower countries (Vreeland 2003; Caraway, Rickard, and Anner 2012; Rickard and Caraway 2014). Others highlight the importance of geopolitics for IMF lending (Thacker 1999; Stone 2002, 2004, 2008, 2011; Oatley and Yackee 2004; Barro and Lee 2005; Broz and Hawes 2006; Dreher and Jensen 2007; Copelovitch 2010a, 2010b). Still others explore the bureaucratic incentives and normative beliefs of the IMF staff below the level of chief executive (Vaubel 1991; Willett 2002; Barnett and Finnemore 2004; Dreher and Vaubel 2004; Chwieroth 2008, 2010, 2013, 2015; Nelson 2014, 2017). This literature provides overwhelming evidence that the IMF's lending decisions are influenced not only by macroeconomic factors, but also by the political interests of its borrowers, shareholders, and bureaucrats. In this paper, we suggest an additional and previously underexplored source of political influence at the IMF: the MD.

Why the MD?

We argue that the MD influences loan conditions—sometimes directly but more often indirectly. The MD is the most powerful person at the IMF. She plays multiple roles at the Fund and is widely viewed as a key political actor in global financial governance: "Through his [her] visits to member countries and contacts with ministers, central bank governors, and high officials of members and international bodies, the MD operates continuously at the political level while he is at the same time Chairman of the IMF's Executive Board and head of the staff" (Van Houtven 2002, 16). She sets the agenda over IMF policymaking and research, serves as the IMF's representative to the rest of the world and at major global economic summits, and serves as Chairman of the Executive Board, which approves all loans. Given this, we argue that MDs have some degree of autonomy to pursue their own preferences and their preferences are shaped, in part, by their political ideology.

Since at least the 1970s, MDs have arrived at the Fund with extensive prior background in appointed or elected partisan political positions in their home country. Johannes Witteveen, the IMF MD from 1973 to 1978, was a Dutch politician from the center-right People's Party. Jacques de Larosière, the MD from 1978 to 1987, was director of Valéry Giscard d'Estaing's private office prior to his election as the center-right French President in 1974; following Giscard's election, de Larosière served as Head of the French Treasury in Giscard's administration. De Larosière's successor, Michel Camdessus, was a long-time member of the French Socialist Party and served as Head of the Treasury in Francois Mitterand's administration before becoming Governor of the Banque de France in 1984 (Blustein 2003, 33). Horst Köhler, Camdessus' successor, was Deputy Minister of Finance under Christian Democratic Chancellor Helmut Kohl from 1990 to 1993, before becoming President of the German Savings Banks Association (1993–1998) and President of the European Bank for Reconstruction and Development (1998–2000). Rodrigo de Rato was a longtime luminary in the conservative Partido Popular in Spain, rising to become Vice President for Economic Affairs and Minister of the Economy in 1996. Dominique Strauss-Kahn (DSK) came to the IMF in 2007, after a long and distinguished career in French Socialist politics, including an unsuccessful run for the French Presidency in 2006, and a stint as Minister of Economy, Finance, and Industry from 1997 to 1999, in the government of Socialist Prime Minister, Lionel Jospin. Finally, DSK's successor, Christine Lagarde, served in the French trade, agriculture, and finance ministries from 2005 to 2011, in the government of conservative Prime Minister, François Fillon.

In short, MDs are political animals and it is difficult to believe they leave their politics entirely at the door when entering the IMF. Their ideology likely shapes an MD's understanding of the world and the Fund's role in global financial governance. The MD's past political experience, partisan affiliations, and ideological proclivities may also shape her views on macroeconomic policy and, as we argue, on the design of loan conditions.

However, MDs have always publicly claimed to be above politics and no longer beholden to their past partisan affiliations once in office. As former MD Lagarde recently stated, in line with similar pronouncements by each of her predecessors: "We are not into politics. It is our duty to lay out the facts."[4] This is true, we argue, only in a very specific and limited sense: MDs are careful not to comment on domestic politics in their home country or in borrower countries, and they judiciously avoid taking political stands on the IMF's role in global financial governance. This does not mean that MDs cease viewing economic policy through the lens of political ideology once they assume leadership at the IMF. Indeed, this seems implausible, precisely because MDs are selected, at least in part, on their domestic political backgrounds in economic policymaking.

While the long-standing agreement—by which the United States selects the World Bank President and Europeans the IMF MD—persists, at least for now, IMF leadership contests are fraught (Blustein 2016).[5] These tense leadership contests suggest that the individual who holds the post of MD has some valuable authority over key outcomes. The notion that different candidates have different preferences that influence IMF lending helps to explain why countries fight hard for their preferred candidate.

The fierce MD selection contests also illustrate why ideology is "incentive-compatible." Ideology helps to screen potential candidates. By selecting a socialist, for example, member-states know what they are getting. Once selected, deviating from these ideologically informed expectations may jeopardize an MD's re-selection chances. If MDs do not conform to ex-ante expectations about their ideologically determined preferences and policy positions, they may be less likely to get reappointed for a second term as MD. Therefore, MDs have incentives to pursue outcomes compatible with their ideology—not just for ideational reasons but also to maximize their chances of reselection. As a result, MD's ideological proclivities may influence the design of loan conditions.

[3] See Vreeland (2007) and Steinwand and Stone (2008) for excellent overviews.

[4] Christine Lagarde. May 13, 2016. Quoted in https://www.businessinsider.com.au/imf-report-says-brexit-would-lower-house-prices-and-londons-financial-position-2016–5.

[5] In 2011, Agustin Carstens, Governor of the Bank of Mexico, stood against Christine Lagarde, Europe's choice to replace DSK.

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IMF Loan Conditions

IMF loans come with conditions that require reforms in exchange for financing. Conditions differ in number, content, and specificity. The number of conditions attached to countries' loans varies widely. For example, Korea received only three conditions in its 1983 loan program. In contrast, Ukraine received fifty-eight conditions in their 1997 loan. Not all conditions are equally binding. Performance criteria (PCs) are mandatory conditions that must be implemented in order for credit to be disbursed. Prior actions (PAs) are measures that a country agrees to implement before IMF loan approval (IMF 2016). Like PCs, PAs are "hard" conditions: they must be implemented in order for a country to receive IMF credit. PAs are arguably "harder" conditions than PCs, since they must be implemented prior to receiving the first installment or "tranche" of an IMF loan. Many loans also include nonbinding conditions, which do not automatically lead to the suspension of a program if not implemented. Nonbinding conditions typically come in two forms: indicative targets and benchmarks. Benchmarks are used to specify "(often non-quantifiable) reform measures that are critical to achieve program goals and are intended as markers to assess program implementation during a review" (IMF 2016). Indicative targets are often used when data uncertainty is high and other types of conditions cannot be adequately specified (IMF 2016).

We focus on loan conditions—both binding and nonbinding—that stipulate changes to the country's domestic labor market and/or have direct effects on employment, wages, and social benefits (Caraway, Rickard, and Anner 2012). These labor-related conditions entail distributive consequences for citizens in borrowing countries. Labor conditions generally make workers worse off in the short-to-medium term (Caraway, Rickard, and Anner 2012). They may require cuts to wages and reductions in benefits, such as disability provisions, pensions, and unemployment insurance. Loan conditions intended to increase labor market flexibility typically make jobs more precarious and increase workers' economic vulnerability. At the same time, however, these conditions benefit capital owners who employ labor to transform their capital into marketable goods and products. Capital owners may be able to fire workers with greater ease as a result of IMF-induced labor market reforms.

Because of the distributive effects of labor conditions, these types of conditions align closely with the classic distinction between left and right political ideologies. Left-wing politicians tend to be more sympathetic to labor's interests, while right-wing politicians tend to be more sympathetic to capital's interests. We, therefore, expect left-leaning MDs to prefer fewer and less stringent labor market reform conditions, as compared to right-leaning MDs who are more likely to see labor conditions as a necessary and appropriate solution to countries' economic ills.

Potential Mechanisms of MD Influence

The MD may influence conditionality in line with her own ideological preferences in several ways and at several stages of the policymaking process (Woods 2006). First, as the chair of the Executive Board, the MD is "in a position to control the agenda, direct the discussion and by this means influence the board's decisions."[6] During Board meetings, formal votes on approving Fund programs rarely occur. Instead, the MD guides the discussion and eventually calls for a consensus resolution "with respect given to the relative voting power of the states" (Mussa and Savastano 1999; Van Houtven 2002). Thus, the MD enjoys considerable agenda-setting power.

Second, the MD enjoys substantial autonomy to hire and promote staff who share her policy views and opinions. For example, shortly after his appointment as MD, Strauss-Kahn secured the appointment of Olivier Blanchard as Chief Economist of the Fund and Director of the Research Department (Ban 2015). By hiring Blanchard, Strauss-Kahn gained an ally in his efforts to change the IMF's position on fiscal policy. In his previous writings, Blanchard had expressed support for countercyclical fiscal policy—a position that concurred with Strauss-Kahn's own views (Ban 2015).

Moreover, IMF department heads report to the MD and, in turn, enjoy a great deal of discretion over the appointment of personnel to the country teams that directly negotiate IMF loans with borrowing countries. Cognizant of their promotion prospects, IMF staff responsible for drafting the terms of these loans work to appease upper management by anticipating their optimal agreement. Although the MD herself rarely becomes directly involved in negotiating individual loans,[7] she has ample opportunity to set policy and pre-screen candidates for country missions.[8] Thus, MDs can shape lending decisions by ensuring that officials sympathetic to their ideology and policy views hold key positions throughout the organization.

Third, as the historical record indicates, MDs are deeply involved in the private and informal discussions between the IMF, borrowing countries, major shareholders, and private creditors that have been part and parcel of the IMF's crisis management in every major rescue package dating back to the Latin American debt crisis in the 1980s. As noted above, DSK's role in these discussions during the Eurozone crisis steered the Fund toward less austerity and ultimately debt relief for Greece. Similarly, Jacques De Larosière's direct meetings and negotiations with both Mexico's bank creditors and Silva Herzog, the Mexican finance minister, in the second half of 1982 successfully pressured the banks to provide new lending to Mexico that directly shaped the terms of the IMF's own program. de Larosière's interventions also set a crucial precedent for how the IMF would handle subsequent lending to Brazil, Argentina, Venezuela, and other countries that shaped the size and terms of IMF lending throughout the 1982–1989 period (see Copelovitch 2010a, 157–60; Boughton 2001, Chapter 7).

In short, the MD has access to various strategies and mechanisms to influence a wide range of IMF policies, including the scope and content of loan conditions. For the purposes of this analysis, we remain agnostic as to which of these mechanisms is most influential, in large part because they are observationally equivalent in terms of our dependent variable of interest: labor conditionality. Instead, our goal here is to provide initial evidence that MD ideology—independent of other economic and political variables previously identified in the literature—influences the scope and content of IMF conditionality.

We emphasize that our argument is not that the MD enjoys complete autonomy over the design of IMF conditionality, nor do we claim that the preferences and ideological beliefs of the Fund's staff and its major shareholders are not

[6] Susan Strange as quoted in Martin (2006, 148).

[7] A rare and notable exception was the direct involvement of Michel Camdessus in the final day of negotiations between the Fund and Korean government during the 1997 Asian financial crisis. See http://www.wsj.com/articles/SB888848234230217000. Also see Blustein (2001), Copelovitch (2010a), and *IMF Survey* 26(23): December 15, 1997.

[8] Personal interview with former IMF official. Boston, MA. April 2016.

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(also) key variables shaping Fund lending decisions. Indeed, the large literature on the politics of IMF lending highlights how both the material interests and ideological beliefs of the Fund's major shareholders and the IMF staff also influence the size and terms of IMF loans (e.g., Vaubel 1991; Barnett and Finemore 2004; Stone 2004, 2008, 2011; Dreher and Jensen 2007; Chwieroth 2010; Copelovitch 2010a, 2010b; Nelson 2017). Moreover, both the MD and the IMF staff are professional bureaucrats interested in safeguarding the resources and mission of the Fund. Ultimately, the IMF's goal is to return borrowing countries to good standing in global financial markets. The failure of a program to achieve this goal damages the organization's reputation. Given this consideration, country-specific and global economic conditions inevitably play a central role in shaping the terms of IMF programs.[9]

Qualitative Evidence of MD Influence

Historical evidence illustrates that MDs have shaped the Fund's broad policy agenda by proposing and advocating new initiatives to both the IMF staff and the Fund's shareholder governing bodies during their tenure. For example, in the 1980s, de Larosière played a central role in organizing and implementing the IMF's strategy of concerted lending—withholding its financing until commercial banks provided new lending and/or rescheduled existing debts to Latin American countries (James 1996; Boughton 2001; Kentikelenis and Babb 2019). In addition to working to establish concerted lending as the IMF's default strategy for crisis management in the 1980s, de Larosière also played a decisive role in convincing the Fund's shareholders to establish a new lending program to help poor countries finance food imports (Boughton 2001, Chapter 1). Likewise, his strong advocacy of more lending to the world's poorest countries pushed the IMF staff and shareholders toward increasing the scale and scope of IMF lending with longer maturities starting in 1979–1980 (Boughton 2001, Chapter 13, esp. 562–64).

In 2007, the appointment of DSK as MD was widely seen as a "game changer" (Ban 2015, 173). DSK fundamentally altered the IMF's position on fiscal austerity. Shortly after his appointment, DSK stunned participants at the Davos World Economic Forum by calling for "a new fiscal policy" (Ban 2015, 173). The *Financial Times* referred to his speech as "the undeniable shift to Keynes" (Ban 2015, 173). DSK reaffirmed his position on fiscal austerity at the G20 summit in Washington in November 2008, where he called on the participants to launch a large coordinated fiscal stimulus (Ban 2015, 173). Recent insider accounts of DSK's tenure shed further light on how his "less-traditional" views about macroeconomic policy differed from his predecessors and moved the IMF away from its ardent support of austerity—a position that put him and the Fund at odds with the other members of the "Troika" (the European Central Bank and the European Commission) managing the global response to the Eurozone crisis in 2010–2011 (Blustein 2016, 109–16).

Most recently, current MD Kristalina Georgieva admits that her own experience growing up in communist Bulgaria, as well as her personal political ideology, influences her view on important policy issues such as austerity (*Financial Times*, October 9, 2020). In a break from the Fund's traditional stance, Georgieva argues the adjustments people have to make during periods of austerity are part of the problem—not the solution (*Financial Times*, October 9, 2020).

Qualitative evidence also supports the proposition that the MD's ideology influences labor-related issues. For example, the Socialist MD DSK worked to make IMF lending more labor-friendly. To this end, DSK organized a joint conference between the IMF and the pro-labor International Labor Organization (ILO).[10] The resultant paper stated that the IMF and ILO needed to come together to find a "better way to shape a fairer globalization," and DSK called for closer IMF/ILO cooperation.[11] In a speech on the Global Jobs Crisis delivered in Washington on April 13, 2011, DSK said "we must get past the binary and unhelpful contrast between 'flexibility' and 'rigidity' in labor markets and ask instead if policies are effective in creating and sustaining jobs" (ITUC 2013). DSK also spoke of the importance of "social conditionality" to minimize the risk of social unrest.[12]

The IMF's position toward labor underwent a marked change after Christine Lagarde took office in July 2011. When the right-leaning Lagarde took over from DSK, she reoriented the Fund away from the more labor-friendly policies DSK had introduced. This change is discernable in IMF Staff and Working Papers. In 2012, the IMF released a Working Paper that demonstrated that labor market reforms often resulted in increased unemployment. However, the paper concluded that the unemployment effects were only short-term effects and therefore negligible (ITUC 2013). More than half of the specific reform measures put forward in the 2012 paper concerned labor market and social program reforms, despite the fact that the paper identified labor market issues as only a minor constraint on economic growth (ITUC 2013). In 2012, the IMF's European Department issued a Staff Discussion Note that highlighted the beneficial effect of labor market deregulation (ITUC 2013). And Lagarde herself highlighted the benefits of labor market reforms in speeches she made while serving as MD. On October 5, 2017, in a speech at Harvard University, Lagarde cited Spain as a success story where "both employers and employees have been given more workplace flexibility." She also praised reforms in Mexico where rules were revised to "allow young people to more easily enter the formal job market."[13]

The two MDs' varied approaches to labor materialized in the conditions attached to Greece's loan programs. In the 2010 program agreed during the tenure of left-leaning DSK, only four labor-related loan conditions were included. In contrast, eleven labor conditions were included in the 2012 program, which was agreed during the tenure of right-leaning Lagarde. Furthermore, the share of labor conditions among the binding loan conditions in the 2010 Greek program was 0, while it was 41 percent in the 2012 program. This evidence demonstrates a substantial difference, in line with our theory: labor conditions were more prevalent and

[9] Previous research also shows that the power of labor in borrowing countries influences the stringency of IMF labor conditionality (Caraway, Rickard, and Anner 2012). Governments from both the left and right of the ideological spectrum are responsive to the power of domestic labor when negotiating with the IMF over labor conditions. However, labor has a relatively greater influence on IMF loan conditions in borrower countries with left-leaning governments (Caraway, Rickard, and Anner 2012). Building on this finding, an extension of our study might productively explore how labor conditions vary when the MD's ideology is (or is not) aligned with the ideological position of the borrowing government.

[10] http://osloconference2010.org/index.htm.

[11] http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_104030/lang—en/index.htm.

[12] ILO Press Release. March 23, 2009. http://www.ilo.org/global/about-the ilo/newsroom/news/WCMS_104030/lang—en/index.htm.

[13] https://www.imf.org/en/News/Articles/2017/10/04/sp100517-a-time-to-repair-the-roof.

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more binding in the Greek program agreed when the MD was right-leaning than in the Greek program agreed when the MD was left-leaning. The Greek loans are, of course, only two cases among many, but evidence from this case suggests that during the tenures of two different MDs, labor conditionality in a single country varied systematically with MD ideology.

Of course, MDs cannot unilaterally determine IMF conditionality, nor do we believe that her political ideology is the only factor driving her behavior. But we do believe it matters, and as suggested by the Greek case, we propose the following hypothesis: loans negotiated when the IMF's MD is politically left of center will contain fewer and less stringent labor conditions, all else equal. We systematically test this hypothesis below; however, we cannot randomly assign MDs or MD ideology to identify causality. Instead, we conduct a plausibility probe on observational data by examining a subset of IMF loan conditions that are likely to be sensitive to political ideology: labor-related conditions.

Quantitative Evidence of MD Influence

Models and Dependent Variables

We analyze an original dataset of IMF labor conditions in up to 197 non-concessional IMF lending programs to sixty-three countries from 1983 to 2012. We examine non-concessional lending for several reasons. First, looking only at one type of loan ensures that we are comparing like with like. Non-concessional loans are balance-of-payments financing/crisis lending facilities aimed at short-term debt financing and adjustment, with the goal of returning middle- and upper-income countries to their normal status of borrowing on private global financial markets through sovereign bond and bank loan financing. In contrast, concessional loans are aimed at low-income countries, which are frequently heavily dependent on public capital flows (foreign aid and multilateral lending) and are designed for longer-term structural adjustment and macroeconomic development. Consequently, the purposes and content of conditions in these two types of loans are very different.

Second, we focus on non-concessional borrowers because these loans are much larger in size than concessional programs and constitute the overwhelming share of IMF lending in terms of special drawing rights (SDR) commitments: non-concessional loans, since the 1980s, constitute well over 90 percent of IMF commitments, even though they comprise only about one-half of Fund loans in terms of the number of programs. It is these loans where concerns about the content of loan conditions and their consequences for borrowing countries are most hotly debated in policy circles, especially in the key cases such as Argentina, Greece, Mexico, and other major borrowers.

Finally, we focus on non-concessional borrowers because it tends to be this sample of countries where the traditional left-right political spectrum most closely maps on to the distributive politics of labor conditionality. Thus, the linkage between the partisan ideology of MDs and the scope/content of IMF conditionality will be most closely aligned.

Our core dependent variable is labor market conditions in IMF programs. Data on labor-related loan conditions comes from Caraway, Rickard, and Anner (2012) and Rickard and Caraway (2014). Our dependent variables measure the level and stringency of labor-related loan conditions. Following Caraway, Rickard, and Anner (2012) and Rickard and Caraway (2014), we classify conditions as "labor-related" if they refer to any one of nine issue areas: public sector wage levels; public sector employment levels—including capitalization and outsourcing/contracting of functions formerly within a public enterprise; privatization—including reorganization, denationalization, divestiture; minimum wages—private sector; private sector wage restraint other than minimum wages; social security—reducing social security provisions, including health care, disability provisions, unemployment insurance, and payroll taxes; public pension reforms—reducing costs and changing public pension system; labor market flexibility—includes facilitating layoffs, reducing severance pay, the easing of limitations on fixed-term contracts, the easing of conditions for labor supply/outsourcing, and rationalization, modernization, deregulation, or other "general labor reforms"; and collective bargaining decentralization.

Our first dependent variable, *Total labor conditions*, is a count of the total number of labor-related conditions in the IMF program documents. Our second dependent variable, *Hard labor conditions*, is a count of "binding" labor-related conditions—PCs and PAs—which must be implemented in order to receive IMF financing. Our third and preferred dependent variable, *Weighted labor conditions*, is a count of the number of labor-related conditions weighted by the bindingness or stringency. To generate this variable, we code the number and type of labor conditions in each IMF program: PCs, PAs, and benchmarks/indicative targets. We weight each condition by its stringency or "binding-ness." PAs are weighted most heavily by a value of 3. PAs outline steps that a country must take before the IMF agrees to a loan, disburses funds, or completes a review. PCs are conditions that a loan recipient has to meet; failure to do so results in the loan's suspension. PCs are weighed by a value of 2. Benchmarks and indicative targets are weighed less heavily by a value of 1. Benchmarks are conditions that the IMF expects countries to meet, but failure to do so does not result in a suspension of the loan. Indicative targets are similar to benchmarks, except that they are quantitative—for example, a ceiling on the public wage bill.

Weighted labor conditions is our preferred dependent variable, since it simultaneously measures both the overall level and stringency of conditions included in a country's loan program. Since each of these dependent variables is discrete and heavily skewed, we employ negative binomial count models in our analysis, with robust standard errors clustered by country. In our sample, *Total labor conditions* range from a minimum of 0 to a maximum of 11, with a mean of 1.04. *Hard labor conditions* range from 0 to 7, with a mean of 0.47, and *Weighted labor conditions* range from 0 to 25, with a mean of 1.53.

Independent Variables

Our key explanatory variable, *MD Ideology*, indicates the ideology of the MD, based on her political affiliation prior to joining the IMF. We code MD ideology using data from the Manifesto Project Main Dataset.[14] This project analyzes the content of political parties' manifestos to identify their positions on key issues. We use these data to estimate the MDs' position on economic policy. We identify the political party to which each MD belonged prior to joining the IMF using a range of sources. Most MDs held political office before coming to the IMF, which makes identifying their party straightforward. For example, Rodrigo de Rato was a longtime luminary in the conservative Partido Popular in Spain,

[14] Data available at https://manifesto-project.wzb.eu/datasets.

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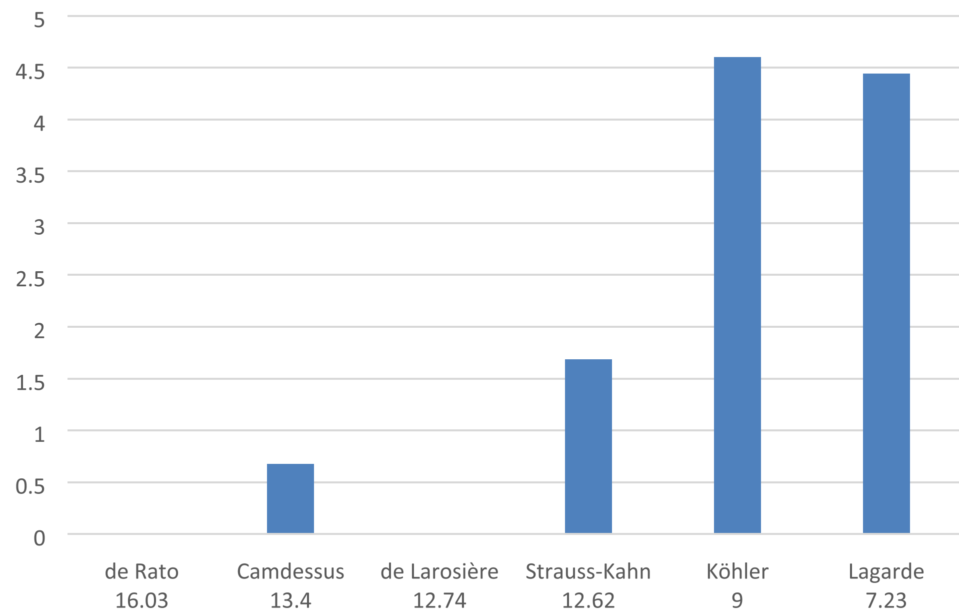

Figure 1. Weighted labor conditions (mean) by MD, 1983–2012.
Notes: *Left-leaning* score for each MD is reported below their name; higher values indicate more left-leaning economic positions. The *y*-axis reports the mean number of weighted labor conditions included in loans negotiated by the MD during their tenure.

rising to become Vice President for Economic Affairs and Minister of the Economy in 1996. Similarly, Christine Lagarde served in the government of conservative Prime Minister, François Fillon, before going to the IMF.

We then identify each MD's party's position regarding the economy using the Manifesto Project's Party Manifesto data for the year *closest to but before* the MD's appointment to the IMF. Our rationale is that the MD's ideology is unlikely to continue to track their political party's positions after they have joined the Fund, given their new position in a global organization and the fact that they have stepped away from national party policies. As a result, her parties' past economic policy positions are likely to be more relevant for the MD than her former party's current ideological positions.

The Manifesto Project calculates party positions for a wide range of policy areas. We focus here on the party's economic policy positions, since these are of greatest relevance for analyzing the effect of MD ideology on IMF conditionality. The Manifesto data include sixteen different variables classifying parties' economic policy positions, measured as the percentage of quasi-sentences in a party manifesto expressing favorable views on each coded topic. Using these data, we construct a measure of MD's ideology, which we label *Left Leaning*.[15] Higher values of this variable indicate more left-leaning ideological positions, including pro-labor positions on government spending and wages. More specifically, the values of this variable equal the total share of the platform of the MD's former political party that expresses positive support for left-wing economic policies in the year before she assumed office at the IMF.[16]

To be sure, this variable may not perfectly reflect the MD's personal opinion on economic policy in general or IMF program conditionality in particular. Neither may it perfectly reflect the MD's beliefs about a specific country's economic policies or the content of a particular loan program. However, we believe that it serves as a plausible proxy for the MD's relevant ideological position. MDs are unlikely to belong to a political party whose views on the economy are at odds with their own. Furthermore, any misalignment between a party's position and an MD's position will bias *against* finding evidence in support of our hypothesis.

Figure 1 reports the *Left-Leaning* scores for each MD in our dataset below their name. The measure enjoys face validity, capturing both cross-national variations in what it means to be a left-wing party, as well as overtime variation within specific countries' political spectrums—especially the evolution of what it means, in terms of economic policy positions, to be a French socialist or conservative from the 1970s until now. For example, Horst Köhler, a German Christian Democrat, scores very low on *Left Leaning* as one would expect, whereas Jacques De Larosière, a member of Valery Giscard-d'Estaing's centrist UDF—the more liberal non-Gaullist center-right party in France in 1978—scores high on *Left Leaning*. De Larosière's score contrasts notably, as one would expect, with that of Lagarde, a member of the more conservative Gaullist UMP. Likewise, one sees that Rodrigo de Rato, whose Spanish conservative party has historically been more liberal than its French and German counterparts, actually receives the highest *Left-Leaning* score.

Using the exact dates for which loans are approved by the Fund's Executive Board, we ensure that we correctly identify the MD in office when the loan was negotiated. We also take into account the two brief interregnum periods where the First Deputy MD served as Acting MD in between the resignation of one MD and the appointment of a new one. These periods are the four-month tenure of Anne Krueger (March 5–June 6, 2004), and the three-month tenure (May 19–July 4, 2011) of John Lipsky. The Fund did not enter any loan agreements during Krueger's tenure, and only entered one (Portugal, May 20, 2011) during Lipsky's, on the day after

[15] Complete details about the construction of this variable can be found in the online appendix.

[16] We also create a corresponding index (*Right Leaning*) summing the "right-wing" variables. These results are reported in the online appendix. Higher values of *Right Leaning* indicate a party's stronger support for right-wing economic policies, including fiscal austerity and deregulation.

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he temporarily replaced DSK. Consequently, we use DSK's ideology score for this loan, given that the negotiations over the program and conditionality took place entirely under DSK's tenure.

Figure 1 illustrates the mean value of weighted labor conditions in IMF loans negotiated during each MD's tenure. Each MD's *Left-Leaning* score is reported below their name. MDs are arranged from left to right with the most left-leaning MD, de Rato, on the far left of the horizontal axis and the least left-leaning MD, Legarde, on the farthest right. As figure 1 illustrates, more left-leaning MDs are associated with fewer and less stringent labor-related loan conditions on average. During Lagarde's tenure, the mean value of weighted labor conditions is more than twice as high as under DSK's tenure. The highest value of mean weighted labor conditions occurred under Köhler, a German Christian Democrat. These raw data provide initial evidence that MD's ideology does indeed matter for labor conditionality. To be more systematic, we estimate fully specified models with the following control variables.

Control Variables

We include a variety of economic and political variables in our regression models based on existing findings in the literature on IMF lending. First, we include a linear time trend and its square to capture structural trends in IMF conditionality over time, especially the observed increase in labor-related conditionality over time from the 1980s into the 2010s (Caraway, Rickard, and Anner 2012). We model this quadratically to flexibly control for long-term trends without imposing a strict linear assumption on the data.

Second, we include *G5-borrower ideal point difference* to measure the affinity of a borrower with the G5 countries. We do so because previous research shows that the geopolitical interests of the Fund's largest shareholders influence IMF-lending behavior (Thacker 1999; Stone 2004, 2008, 2011; Copelovitch 2010a, 2010b). Following previous work, we operationalize the geopolitical preferences of shareholder countries using Bailey, Strezhnev, and Voeten's United Nations General Assembly (UNGA) Voting Data. While most existing studies have used the "*S score*" variable, we draw on new data on "ideal points" that address several of the weaknesses and anomalies in the *S score* data (Gartzke 1998; Bailey, Strezhnev, and Voeten 2017). Like *S scores*, the ideal point data measure the similarity in UNGA voting between countries, which are now widely used in the IR literature as a proxy for the overall geopolitical or foreign policy affinity between countries. However, Bailey et al. show that the ideal point measure addresses two key problems with *S scores*: (1) their high sensitivity/variability year to year due to variation in the items on the agenda of the UNGA; (2) several important country-specific anomalies (e.g., *S scores* do not change in accord with major left/right regime changes in Latin America, such as in Cuba, Chile, and Venezuela over time, and they categorize modern US–Russia relations as more contentious than US–USSR relations at the height of the Cold War) (Bailey, Strezhnev, and Voeten 2017).

Using these ideal point data, we code *G5-borrower ideal point difference*, the difference between the Executive Board vote-weighted ideal point of the IMF's five largest shareholders (United States, Japan, Germany, United Kingdom, France) and the borrower country's ideal point. Data on vote shares at the IFIs come from the Annual Reports issued by the IMF and World Bank (WB). In our sample of IMF loan years, G5-borrower ideal point difference ranges from 0.19 to 1.91, with a mean of 0.86 (smaller numbers indicate closer affinity).

Third, we include a range of country-specific economic and political variables associated with variation in IMF conditionality across space and time. As a measure of regime type, we use the *Unified Democracy Score* (Pemstein et al. 2010), which synthesizes ten measures of regime type into a single index. In our sample, the *Unified Democracy Score* (UDS) ranges from −1.1 (China 1986) to 1.96 (Ireland 2008). We include this measure of a country's regime type to control for the widespread finding in the literature that domestic political institutions in a borrower country influence lending outcomes.[17] *Current account deficit* is the ratio of the current account deficit to GDP, expressed as a percentage and rescaled such that positive numbers indicate deficits. Data are taken from the World Bank's online public database. *GDP per capita*, the natural log of real per capita GDP, and *Real GDP growth* are taken from the Penn World Tables (Feenstra, Inklaar, and Timmer 2015). Finally, *Banking crisis* is a country-specific annual dummy variable indicating whether or not a country experienced a systemic banking crisis in year *t*. These data are taken from the updated version of the widely used Laeven/Valencia dataset included in the World Bank's *Global Financial Development Database*.

We also include variables to control for nonrandom selection into IMF programs. As IMF scholars have long acknowledged, statistical analyses of IMF lending must also address the problem of selection effects (Przeworski and Vreeland 2000; Vreeland 2003). The basic problem is that selection into IMF programs may be nonrandom: the same variables that explain variation in IMF conditionality also may explain a country's initial decision to request a loan. Over the years, scholars have adopted a range of approaches to address this problem, including Heckman selection models and propensity score matching. We adopt the approach used in the most recent literature, specifically that of Lang (2020), who uses the interaction of two variables—the IMF's liquidity ratio and a country's past experience with the IMF—as an instrument for selection into IMF programs. *IMF liquidity* is the natural logarithm of the IMF's liquidity ratio, defined as the amount of liquid IMF resources divided by liquid IMF liabilities.[18] This variable controls for the well-known finding that the IMF has both greater capacity and stronger bureaucratic incentives to increase its lending when it has more resources (Barnett and Finnemore 2004; Reinhart and Trebesch 2016; Dreher and Lang 2019). *IMF probability* measures the country's history of participating in IMF programs, defined as the fraction of years since 1973 in which a country has been under a program (Lang 2020). As Lang (2020, 12) describes, "the link between past IMF participation and present IMF participation crucially depends on the IMF's liquidity. In years in which IMF liquidity is relatively low, IMF programs indeed go to countries that have received them more often in the past. But this link is substantially weaker in years in which the IMF's liquidity is relatively high." A key innovation of this approach is that only the interaction effect is used as a source of exogenous variation to control for nonrandom selection into IMF programs (Nunn and Qian 2014), whereas the constituent terms are not assumed

[17] The literature identifies a broad variety of reasons why this might be the case, ranging from arguments about audience costs (Remmer 1986; Vreeland 2007; Pop-Eleches 2008) or veto players (Vreeland 2003) to those about credible commitments and democratic lock-in (Fang and Owen 2011). Our analysis does not attempt to adjudicate between these different causal mechanisms, but rather to control for the possibility that domestic institutions/regime type shapes the design of IMF programs.

[18] We thank Valentin Lang for generously sharing his data on IMF liquidity.

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Table 1. Estimated effect of MD ideology on IMF labor conditions

Model *Variable*	*1* *Total labor conditions*	*2* *Hard labor conditions*	*3* *Weighted labor conditions*
MD ideology (Manifesto "left" index)	-0.263^{***}	-0.415^{*}	-0.282^{***}
	(0.086)	(0.243)	(0.090)
G5-borrower UNGA ideal point difference	1.495^{*}	5.452^{**}	0.562
	(0.909)	(2.450)	(1.181)
Current account deficit/GDP (percent)	0.033	−0.069	0.026
	(0.034)	(0.070)	(0.035)
Real GDP growth (percent)	0.010	0.216^{***}	0.008
	(0.024)	(0.084)	(0.029)
Real GDP per capita (log, constant $)	−1.076	0.928	−0.065
	(1.345)	(2.265)	(1.078)
Banking crisis (dummy)	0.193	3.395^{***}	0.440
	(0.299)	(1.030)	(0.335)
Mean Unified Democracy Score	−0.366	−1.181	-1.043^{*}
	(0.543)	(1.230)	(0.536)
Time trend	0.524^{***}	0.678^{**}	0.488^{***}
	(0.145)	(0.296)	(0.129)
Time trend squared	-0.009^{**}	−0.011	-0.008^{**}
	(0.004)	(0.008)	(0.004)
IMF liquidity ratio (log)	−0.499	−1.907	−0.662
	(0.404)	(1.169)	(0.424)
Past IMF experience	0.197	−0.440	0.056
	(0.182)	(0.363)	(0.187)
IMF liquidity × past IMF experience	−0.030	0.090	−0.004
	(0.034)	(0.068)	(0.035)
Global banking crisis count	0.040^{*}	0.029	0.024
	(0.021)	(0.055)	(0.022)
Constant	11.204	−6.604	2.071
	(12.686)	(21.232)	(10.508)
Observations	151	102	151
Countries	31	18	31
Log-likelihood	−82.56	−25.39	−103.6
Chi-square	64.03	27.38	80.19

Notes: Fixed effects negative binomial models.
Standard errors in parentheses. $^{***}p < .01$, $^{**}p < .05$, $^{*}p < .1$.

to be exogenous but included in the all stages of the regression models as covariates also affecting subsequent outcomes (in this case, the conditionality included in a Fund program).

Finally, we include country fixed effects in all specifications to control for other unobserved factors explaining variation in IMF lending behavior across cases. We do not include year fixed effects, as doing so would not allow us to isolate either MD ideology or the impact of global macroeconomic conditions, such as financial stability, which we use below in our instrumental variables analysis.

Models and Results

Our basic model specification is as follows:

$$DV_{it} = \beta_0 + \beta_1\, MD\, Ideology_t + \beta X_{it} + country\ fixed\ effects + \varepsilon_{it}$$

where i indicates country, t indicates the year, βX_{it} is a vector of control variables and ε_{it} is a robust error term clustered by country. In table 1, we employ fixed effects negative binomial models, given the discrete and over-dispersed nature of our dependent variables. In the instrumental variables models described in further detail below, we employ two-stage least squares (2SLS) specifications, with robust standard errors clustered by country.

Table 1 presents the results using negative binomial specifications estimating the effect of *Left Leaning* on all three measures of labor-related conditionality in IMF programs. Models 1–3 show the results of these models for each dependent variable (*Total labor conditions, Hard labor conditions, Weighted labor conditions*). Across all three of these models, we see a clear and consistent result: IMF programs contain significantly fewer labor-related conditions when a more left-leaning MD heads the Fund. In Models 1 and 3, the estimated coefficient on *Left Leaning* is negative and statistically significant at the 95 percent confidence level. MD ideology is only significant at the 90 percent confidence level in Model 2 (hard labor conditions), though we note that a large share of labor conditions are "soft" conditions.

The effect is substantively meaningful. For example, in model 1, moving from the minimum value of *Left Leaning* (7.23, corresponding to the ideology for Christine Lagarde) to 13.04, corresponding to the ideology of Michel Camdessus, holding all other variables constant at their sample means, reduces the predicted number of total labor conditions in an IMF program from 4.01 to 2.48. Given that the average number of total labor conditions in an IMF program in the sample is 1.04, this is a significant and substantively meaningful change. Labor-related conditionality

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is significantly lower, all else equal, under the leadership of left-of-center MDs than under the watch of more right-wing/conservative MDs.[19]

Instrumental Variables

While our initial results strongly indicate a correlation between MD ideology and labor-related conditions in IMF programs, one might question whether the MD really has an independent influence on IMF program decisions. Because the MD is selected by the Fund's Executive Board, her political background may simply reflect the political ideology of the IMF's shareholder countries—especially the ideology of the United States and other "G5" major shareholders that exert substantial influence over IMF lending behavior. If this is the case, then we should find no significant effect of MD ideology on IMF program conditionality once we control for the influence of the partisan ideology of the Fund's major shareholders on the selection of the MD.

In order to explore this possibility, we re-estimate our initial models using a 2SLS instrumental variables approach. In the first stage, we estimate MD ideology as a function of four additional variables: the average political ideology of the IMF's five largest ("G5") shareholders, whether the previous MD was French, the tenure (in years) of the previous MD, and the total number of banking crises worldwide in the previous year. We code G5 ideology as the weighted average (using IMF Executive Board relative vote shares) of the "*EXECRLC*" variable coding the partisan identity of the chief executive in each country (United States, United Kingdom, Germany, Japan, France) as left (1), center (2), or right (3) (Scartascini et. al. 2017). We do not rely on the Manifesto Data here because of the periodic presence of divided government in the presidential systems of the United System and France, and because we are not specifically concerned with the detailed economic policy positions of the G5 for the purposes of this analysis. Higher values of G5 executive ideology indicate more right-wing orientation of the Fund's major shareholders in a given year. We include the dummy variable for whether the previous MD was French, since the longstanding agreement by which the European countries have selected the IMF MD implies a quasi-rotation of nationalities, which has likely had important implications for MD ideology (most notably, the shift to the Fund's most conservative modern MD, Horst Köhler). Likewise, past MD tenure may influence the ideology of a new MD by increasing pressure during the selection process to course correct or change direction with the new MD. Finally, global macroeconomic conditions—specifically, the overall prevalence of banking crises and financial instability—may influence MD ideology by shifting member-states' views about both prevailing economic ideology and the content of IMF conditionality, as well as the relative need for a more reformist/interventionist IMF.

In the second stage of the IV model, we estimate labor conditionality in IMF programs, using the same set of independent variables as described above in the single-stage models and the Left-Leaning index as our preferred measure of MD ideology. Table 2 presents the results of these 2SLS models. In the first stage, we see that G5 executive ideology, a previous French MD, and global financial instability all influence MD ideology: the MD less likely to be left-wing in years when G5 governments lean to the right and when the last MD was French, and more likely to be left-wing in the wake of broader global financial instability. In the second stage, we find confirming evidence of the results in our initial single-stage analysis. In all three models of table 2, we see that MD ideology is negatively and significantly associated with lower levels of labor-related conditionality; these results are significant at the 95 percent confidence level or greater in all three models (*Total labor conditions, Hard labor conditions, Weighted labor conditions*). As the first-stage *F*-statistic (21.68) and the Kleibergen-Papp and Hansen statistics in table 2 confirm, our model specification survives the standard tests for weak instruments and under-/overidentification in 2SLS specifications.

These results indicate that the MD's political ideology is indeed partly endogenous to the political orientation of the IMF's major shareholders, as well as global macroeconomic conditions and the past ideology and tenure of previous MDs. At the same time, however, the second-stage results indicate that MD's ideology subsequently influences the content of conditionality in new IMF programs once she is in office. These findings confirm the robustness of our results in table 1. Moreover, they suggest that, while the MD acts partly as the agent of the Fund's major shareholders, she nonetheless also exerts some autonomous influence over the conditions included in IMF programs. MDs are not simply the puppets of European governments, in general, or their home country, in particular. This finding is consistent with broader findings from the literature, which show that the Fund staff (of which the MD is the chief member) act as the imperfect agent of its member-state principals throughout the life cycle of IMF programs (e.g., Nielson and Tierney 2003, 2005; Hawkins et al. 2006; Martin 2006).

Our results also correspond with qualitative evidence from the 2010 Euro crisis, when DSK actively pushed back, in private meetings, against German and French finance ministry opposition to debt relief for Greece (Blustein 2016, 114). Similarly, during Ireland's Eurozone crisis, DSK actively opposed both then-ECB President Jean-Claude Trichet and key EU governments on the question of whether Irish bondholders should take haircuts as part of the Troika/IMF "bailout" (Blustein 2016, 172).[20] DSK also later publicly opposed IMF participation in a loan for Portugal until and unless the EU developed a more comprehensive policy strategy for resolving the Eurozone crisis (Blustein 2016, 186). Although he ultimately lost the battle on each of these issues (though not the "war" on Greek debt relief)[21], DSK's willingness to publicly and aggressively stake out policy positions at odds with both major European governments and (on the question of Irish bondholder haircuts) the United States indicates the degree to which the IMF MD is not merely the puppet of the Fund's most powerful states.

Instead, like the Federal Reserve chairman, the IMF MD enjoys substantial autonomy over both day-to-day operations of the Fund and its broader policy direction, and she frequently takes positions, in both public and private, which are at odds with her "principals."[22] She, of course, can be removed or forced to resign (as in the case of DSK) for

[19] We replicate the results of table 1 using a coding of MD ideology that captures right-leaning ideology. These results are reported in table A1 in the online appendix.

[20] https://www.bbc.com/news/world-europe-33185690.

[21] The February 2012 Greek program—for which discussions began under DSK's tenure—included a 53.5 percent debt relief component, and insider accounts strongly suggest that DSK's active advocacy of this component played a key role in its inclusion in the second Greek "bailout" package (Blustein 2016). However, DSK himself left office in disgrace in May 2011, as a result of sexual assault allegations.

[22] A further example of this is Michel Camdessus' opposition and ultimately dismissal of coordinated European opposition within the IMF Executive Board to

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Table 2. Estimated effect of MD ideology IMF labor conditions (IV/2SLS)

Second stage results			
Model	*1*	*2*	*3*
Variable	*Total labor conditions*	*Hard labor conditions*	*Weighted labor conditions*
MD ideology (Manifesto "left" index)	−0.404***	−0.280**	−0.810***
	(0.104)	(0.112)	(0.282)
G5-borrower UNGA ideal point difference	0.143	0.808**	1.053
	(0.294)	(0.317)	(0.673)
Current account deficit/GDP (percent)	0.008	−0.010	−0.007
	(0.021)	(0.012)	(0.034)
Real GDP growth (percent)	−0.014	0.000	−0.021
	(0.014)	(0.006)	(0.021)
Real GDP per capita (log, constant $)	−1.957**	−0.648	−3.049
	(0.904)	(0.760)	(2.150)
Banking crisis (dummy)	0.149	0.359***	0.614*
	(0.188)	(0.121)	(0.345)
Mean Unified Democracy Score	−0.247	−0.191	−0.553
	(0.198)	(0.192)	(0.444)
Time trend	0.131***	0.029	0.160*
	(0.040)	(0.038)	(0.095)
Time trend squared	0.000	0.000	0.001
	(0.002)	(0.001)	(0.004)
IMF liquidity ratio (log)	−0.732***	−0.041	−0.920**
	(0.265)	(0.162)	(0.463)
Past IMF experience	−0.105	−0.086	−0.268
	(0.115)	(0.084)	(0.250)
IMF liquidity × past IMF experience	0.022	0.017	0.053
	(0.023)	(0.017)	(0.050)
Observations	197	197	197
Countries	44	44	44
Log-likelihood	−232.7	−174.5	−372.8
R-squared	0.450	0.278	0.380
F-statistic, first stage	21.68	21.68	21.68
F-statistic, p-value	0.000	0.000	0.000
Kleibergen-Papp (underidentification) statistic	18.04	18.04	18.04
Kleibergen-Papp statistic, p-value	0.001	0.001	0.001
Hansen J statistic (overidentification)	1.446	5.499	1.434
Hansen J statistic, p-value	0.695	0.139	0.697

First stage results (same for all three models in stage 2)	
Variable	*MD ideology (Manifesto "left" index)*
G5 executive ideology (World Bank DPI)	−1.224***
	(0.192)
Previous MD from France	−1.053**
	(0.480)
MD tenure (years)	0.062
	(0.062)
Global banking crisis count	0.091***
	(0.019)
G5-borrower UNGA ideal point difference	0.250
	(0.282)
Current account deficit/GDP (percent)	0.016
	(0.020)
Real GDP growth (percent)	0.012
	(0.015)
Real GDP per capita (log, constant $)	0.855
	(0.882)
Banking crisis (dummy)	−0.037
	(0.164)
Mean Unified Democracy Score	−0.005
	(0.190)
Time trend	0.212*
	(0.117)
Time trend squared	−0.010***
	(0.004)
IMF liquidity ratio (log)	0.332
	(0.388)
Past IMF experience	0.056
	(0.121)
IMF liquidity × past IMF experience	−0.015
	(0.023)
Observations	197
Countries	44

Notes: Instrumental variables (2SLS) models.
Robust standard errors clustered on country in brackets.
$^{***}p < .01$, $^{**}p < .05$, $^{*}p < .1$.

criminal activity, and the member-states can choose not to renew her appointment once her five-year term expires. However, as with all principal–agent relationships, ex-post control of agents by political principals is incomplete and often ineffective. Some degree of agency slack is inevitable, as agents inevitably pursue their own interests once authority has been delegated to them (Kiewiet and McCubbins 1991; Hawkins et al. 2006). Agency slack is more pronounced in cases of common agency, where multiple or collective principals (as in the case of the IMF's Executive Board) frequently have heterogeneous preferences and agreement on sanctioning or "reining in" the agent is difficult to achieve (Ferejohn 1986).

Further Robustness Checks

In addition to the instrumental variables analysis presented in table 2, we run two further robustness checks. First, in table A1 in the online appendix, we present the results of our 2SLS models using a simple dummy variable, *Left MD*, which takes the value of "1" for loans agreed during the tenure of an MD with prior ties to a left-wing party in his/her home country, and "0" otherwise. Data are taken from the Inter-American Development Bank's *Database of Political Institutions*, based on the dataset's coding of party's

multiple aspects of the Fund's 1995 rescue package for Mexico. See Copelovitch (2010a, 222–26).

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left/right/center positioning. This coding of MD ideology sacrifices the nuance of the Manifesto indices, but the results show that our findings are not dependent on the choice of a particular classification of Left versus Right ideology.

Next, we re-estimate the IV models using data from Kentikelenis et al. (KSK 2016) in place of our own coding of labor conditionality. KSK define labor conditions more narrowly than we do. According to their codebook, they count as labor conditions only those conditions related to: "wage and employment limits, pensions, social security institutions, and any other measures affecting labour." Their measure excludes conditions "related to personnel in social sectors and salary, wage and income taxes." It also excludes privatizations. In contrast, we code nine issue areas related to labor (and code each level of conditionality for each issue area). We believe our measure better captures the full range of labor market reform conditions that if implemented would liberalize labor markets and/or have negative consequences for at least some segments of the borrowers' labor market. However, as a robustness check, we use the KSK data. Table A2 in the online appendix presents these results. Once again, we find that MD ideology is negatively and significantly associated with fewer labor-related conditions in non-concessional IMF programs, demonstrating that our results are not dependent on our coding strategy.

In sum, our empirical analysis, across a range of estimation and coding strategies, offers clear and robust evidence that the ideology of the IMF MD is correlated with the design of IMF loan conditions, specifically labor-related conditions. Our results are robust to a wide range of model and variable specifications, including alternative codings of both the dependent and independent variables. Our IV models also suggest that, while the MD is not a fully autonomous actor, she exerts substantial influence over IMF conditionality over time and across lending cases.

Looking beyond the IMF

In this study, we focus exclusively on the IMF. Although a full investigation of other IOs is beyond the scope of this paper, a brief exploration of the World Bank suggests that our findings may generalize beyond the IMF to other IOs. By longstanding agreement, the president of the World Bank has always been an American. Since 1968, all but two of the Bank's chief executives have been nominated by Republican administrations. Nonetheless, there is some variation in the partisan ideology of the World Bank president given that James Wolfensohn and Jim Yong Kim were appointed by Democratic presidents Bill Clinton and Barack Obama, respectively.

Previous studies of the World Bank suggest that the President can exert influence over important outcomes. Former Bank President Robert McNamara, a member of the Republican Party with a right-leaning ideology, played a central role in driving the Bank's embrace of a development philosophy defined by neoclassical economic orthodoxy during his tenure in the 1970s (Nielson, Tierney, and Weaver 2006). In contrast, James Wolfensohn, who was nominated by Democratic President Bill Clinton, sought to change the neoliberal ideology underlying the Bank's policies at the time (Nielson, Tierney, and Weaver 2006).

Exploratory analysis of available data on World Bank conditionality suggests that these instances are more than anecdotal. Using data from the World Bank's Development Action Database, we construct an indicator of the labor market conditions included in World Bank programs. To draw the most direct possible comparison with our data on IMF labor conditions, we use the World Bank's theme code 51, which refers to reforms intended to "improve labor markets." These codes are assigned by World Bank after identifying the main objective(s) of the required reforms. Conditions coded as being intended to "improve labor markets" (theme code 51) include, for example, a prior action in Bulgaria's 2007 World Bank program (project ID P094967) that required flexibility of working time and fixed-term and part-time contracts. The World Bank's data on loan conditions include only PAs, while the IMF data also include other types of conditions, such as benchmarks and PCs.

Using these data, we find a similar, albeit suggestive, pattern of leaders' influence on labor-related loan conditions at the World Bank. In 2007, under the tenure of right-leaning chief executive Robert Zoellick, explicit labor market reform conditions were included in World Bank programs for the first time. Under Zoellick's tenure, there were, on average, 8.4 conditions requiring labor market reform every year from 2007 until 2011 (excluding 2008 when World Bank lending was much lower because of the global financial crisis). In contrast, when left-leaning Kim was president in 2013, there were just four labor-related conditions in World Bank loan programs. This pattern is consistent with our hypothesis: binding labor conditions in World Bank loan programs were twice as frequent under a right-leaning chief executive (Zoellick) than under a left-leaning one (Kim). Of course, these averages are only suggestive and assessing the generalizability of our results for other IOs remains an important task for future research. Further extensions might also usefully explore the impact of other personal traits of IO leaders, such ascriptive characteristics like gender and/or racial/ethnic identity, on IO decision-making and policies. In short, we hope that this study will spark a new research agenda that brings the "personal biography approach" to IOs (Krcmaric, Nelson, and Roberts 2020).

Conclusion

Leaders of IOs and their personal attributes influence important outcomes in systematic and predictable ways. The IMF's MD sways the content of loan programs—specifically the conditions attached to IMF loans—despite robust institutional constraints and powerful principles. Controlling for the ideology of the major stakeholders, the MD's own political ideology systematically correlates with IMF loan conditions. Loans negotiated during the tenure of ideologically left-leaning MDs contain fewer and less stringent labor market reform conditions than those negotiated under right-leaning MDs, all else equal. This finding calls into question the Fund's image as a technocratic lender, free from politics. Although the MD may not take public political stances, she appears to act as a "partisan technocrat," whose views on conditionality are shaped not only by the specific economic circumstances of individual borrowers, but also by her ideological beliefs about government intervention in the economy and the distributional consequences of reform.

Supplementary Information

Supplementary information is available at the *ISAGSQ* data archive.

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