Authoritarian States & IMF Conditionality

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The effect of IMF lending conditions on borrower countries has been subject to significant debate. Fulfillment of IMF agreements has been tied to leadership survival (Vreeland 2003, Smith and Vreeland 2001), transparency (Stasavage 2002, 2003), and international reputations (Stone 2002, Tomz 2007). Stone (2008) finds that the scope of lending conditions imposed by the IMF varies depending on such factors as a country's economic vulnerability and its relationship to the United States. Our paper opens a line of inquiry that examines variation across different types of authoritarian regimes in reaching lending agreements with the IMF. We employ a time-series-cross-sectional analysis using data covering the period 1951-2000 to test whether the type of autocracy (monarchy, military, personalist, or single-party) influences the success in rates of signing agreements and approval of loans in IMF agreements. We find that, all else being equal, personalist dictatorships are more likely than the other authoritarian types to enter into an agreement with the IMF, while single-party regimes are most likely to receive funding. Future research will extend this analysis to include variation in the scope and nature of IMF conditionalities across the authoritarian regime types.

1 Overview

The nature of the relationship between the International Monetary Fund (IMF) and a developing country depends on existing economic conditions, the policy objectives of the IMF,

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and the set of domestic political incentives and constraints faced by rulers. IMF loan conditions typically include measures to end subsidization of industries, manipulate exchange rates, adjust budgetary priorities, and to control wages. Rulers, faced with differing sets of political constraints, vary in their flexibility to enter into an agreement with the IMF and to make concessions across these four areas. This paper examines whether the incidence and composition of country agreements with the IMF vary according to the type of authoritarian regime. Different regime types, we suspect, may create particular patterns of constraints on rulers, thus affecting the nature of the concessions they are willing to make in order to receive financing.

We follow previous work in modeling the incidence and content of IMF loan agreements as the outcome of a bargaining process between the IMF and member countries. This work has provided evidence that domestic political factors are an important factor for explaining whether loan agreements are reached (Vreeland 2003 and 2007), the scope of the conditionality in these loan agreements (Dreher and Jensen, 2007; Stone, 2008), and the effects of loan conditionality (Vreeland, 2003; Nooruddin and Simmons, 2006). One debate concerns whether democracy matters. Vreeland (2003) finds that dictatorships are more likely to enter into agreements with the IMF than are democracies, but Stone (2008) differs on this point. We believe there is more to the story than democracy versus dictatorship, however. In particular, authoritarian regimes have different institutional forms, and there has been little systematic examination of whether these forms influence the outcomes of bargaining with the IMF.[2]

The rich and growing literature on authoritarian politics helps us generate predictions regarding how different authoritarian forms affect the nature of constraints on rulers. In authoritarian political systems, just like democracies, there is "factionalism, competition, and struggle" (Geddes, 1991). To maintain power, authoritarian rulers use some combination of repression and policies that build acquiescence or support (Gandhi, 2008). Since authoritarian institutional forms affect both the nature of the constituencies to which rulers must respond and the tools available to them to maintain power, they help define constraints on rulers. We focus on the institutional patterns associated with four authoritarian regime types: single-party, military, personalist, and monarchy.[3] By creating unique sets of political constraints on rulers, these institutional patterns affect the incidence and the content of agreements with the IMF.

[2]Stone, Randall, "The Scope of IMF conditionality," *International Organization*, Vol. 62 (4), (2008): pp. 589-632.

[3]The classification of these regime types comes from Geddes (2003) and Brownlee.

Empirically, this paper tests two main propositions. First, there is variation in the extent to which different authoritarian regime types participate in IMF programs. Given that IMF loan conditionality agreements typically include fiscal austerity measures, rulers with larger "winning coalitions" (Bueno de Mesquita et al., 2003) will face greater difficulty negotiating a deal for IMF financing. For example, single-party regimes, in which a large party organization serves as the ruler's base, will be less likely to reach agreements with the IMF than personalist regimes, in which rulers maintain power through a smaller network of closely-connected supporters.

Second, authoritarian regime type affects the composition of country agreements with the IMF. We examine several categories of IMF policy recommendations: general budget cuts, structural reforms, exchange rate devaluation, monetary policy, and wage suppression. Depending on the regime type, authoritarian rulers are more willing to reach agreements in some of these areas rather than others. At this point, however, our data do not give us the ability to test this proposition.

The next section helps place this research in the context of existing work on the politics of IMF lending. Section 3 builds the theoretical argument of this paper and presents hypotheses. The subsequent section presents large-sample statistical tests of these hypotheses. Following that are illustrative case examples that help provide a fuller context for the statistical results. Section 6 concludes.

2 The IMF and Domestic Political Constraints

As described in Kalher (1993), loan agreements between the IMF and a member country arise out of a bargaining process in which domestic politics of the member country – ideological beliefs, nationalist sentiments, or economic interests – can have a strong influence on the negotiations. Although a country's financial conditions can create incentives for rulers to seek IMF financial assistance, the IMF is not able to fully dictate the terms of these loans to countries. A loan agreement must also fall within "winset" permitted by domestic politics. Vreeland (2003) describes these domestic political constraints as raising the negotiating costs for the IMF. Conway (2006) develops this argument further, noting that the nature of the loan conditionality is a central part of this bargaining.

Kahler describes two dimensions of domestic politics that shape the loan negotiation process: first, the extent to which a technocratic elite is shielded from economic interests; second, the frequency with which elites face political tests, such as elections (1993: 371). A third factor that can raise domestic barriers to reaching a loan agreement is the presence of multiple veto actors, such as the separation of powers or the existence of multiparty governing coalitions. Broadly speaking, these factors imply that dictators will tend to have more negotiating room than democratically-elected rulers. This claim has been the subject of considerable empirical investigation, but the conclusions are mixed.

Vreeland (2003) finds, for example, that the IMF is more willing to enter into loan agreements with dictatorships than with democracies, even though democracies are more likely to seek loans. This outcome is, as he states, consistent with the expectation that the costs of negotiating with dictatorships are lower (p. 102). Nooruddin and Simmons (2006), by contrast, find that the level of democracy makes little difference for overall rate of IMF participation. The statistical findings in Stone (2008), likewise, do not support the conclusion that the IMF is less willing reach loan agreements with countries that have higher levels of democracy. Stone finds that countries with higher levels of democracy are more likely to seek loans and to have these loans approved, but the latter result achieves a lower level of statistical confidence ($p < .16$).[4] With more consistency across studies, the timing of elections also appears to affect the incidence and content of IMF lending agreements. Countries are more likely to seek a loan in the aftermath of an election (Vreeland, 2003; Stone, 2008). Dreher (2003) finds that IMF lending is more likely to be interrupted just before elections, except in countries with high levels of democracy.

Empirical work in this area also examines domestic political differences related to differences in institutional structure. The number of veto actors in a polity is one such factor. When countries have more veto actors able to scuttle a loan agreement, the domestic political winset is smaller and the IMF's negotiating costs are thus higher. Usually, the measure of veto actors is derived by counting the number of parties in a government coalition in countries that have genuine political competition.[5] Vreeland (2003) finds that although countries with higher numbers of veto actors are more likely to seek an agreement, presumably because such an agreement could help commit the government to economic reforms, the IMF is less willing to make an agreement in such cases. The statistical findings in Stone (2008) are not significant with high confidence, but they suggest the same conclusion. Vreeland (2008), conversely, finds that IMF loan participation rises in the number of veto actors, but this model does not control for the level of democracy, which he notes is positively correlated with the number of veto actors.

[4]These scholars measure democracy differently. For Vreeland, regime type is a dichotomous variable as described in Przeworski (2000). Nooruddin and Simmons and Stone, on the other hand, uses the *Polity* index.

[5]For example, Vreeland uses the Checks1a variable from Beck et al. (1999), which assumes a baseline level of electoral competition. Stone counts the number of parties in a government coalition.

Domestic institutional differences can also affect the scope of loan conditionality. Stone (2008) finds that presidential systems and polities with multiparty coalitions tend to receive fewer loan conditions, all else being equal. Likewise, Dreher and Jensen (2007) find that the number of loan conditions imposed by the IMF decreases when an election is looming and countries are aligned with the United States as measured by UN voting.

To date, accordingly, most of the large-sample empirical research that examines the role of domestic politics is focused on either the democracy-dictatorship distinction or ways in which democracies differ from each other. Even variables that may at first seem to capture factors that can vary in both democratic and authoritarian regimes, such as the number of veto actors, measure differences across democracies by and large. Differences between authoritarian regimes receive comparatively little attention. As far as we know, there is no systematic investigation in the literature that takes differences in the form of institutions of authoritarian systems into account. We seek to fill this gap in the literature.

3 Theoretical Framework

Even if they do not face elections, authoritarian rulers face political pressures that serve to limit their policy flexibility. Additionally, just as variation in the level and form of democracy shapes the natures of these pressures, differences in authoritarian forms matter as well. Since the existing literature demonstrates that variation in domestic political constraints may help explain differences across democracies in terms of their relationship with the IMF, these differences should be explored more fully in the authoritarian context. The literature on authoritarian politics has grown substantially in recent years, creating greater recognition of the variety of authoritarian political institutions and the effects of these institutions on outcomes. We expect that the patterns of incentives and constraints facing authoritarian rulers in regimes of various types produce characteristic interactions between the IMF and ruler. Accordingly, differences in authoritarian forms will help explain both the incidence of IMF loans and the nature of their conditionality.

We first discuss the general types of binding conditions that appear in IMF loan agreements and consider their economic effects on different constituencies in the polity. Following this discussion, we outline the four authoritarian regime types and make some general claims about the patterns of political constraints they create on rulers. We then develop some hypotheses about the relative difficulty for rulers of different regime types to reach an agreement the the IMF and the nature of the loan conditions that will be contained in these agreements.

Finally, we examine some of the politics of the implementation of loan agreements and the continued disbursement of funds by the IMF.

3.1 Loan Conditionality Categories

In exchange for supplying funds to help countries address a balance of payments crisis, the IMF requires that countries implement measures to reduce demand in the economy. This goal can be achieved through multiple means. One category involves policies to tighten monetary policy. A second category of policies includes fiscal austerity measures, such as general spending cuts, wage reductions for public employees, and military budget reductions. A third category involves changes to exchange rate policy, leading to devaluation of the currency or floating of the exchange rate. Finally, the IMF may call for structural reforms, such as privatization or subsidy reductions. Crucially, the distributional consequences of these various policy tools can be quite different.

A major claim made by IMF critics such as Sachs (1997, 2002) and Stiglitz (2003, 2006) is that, for borrower states, depreciation, exchange rates floats, and high interest-rate policies of the IMF tend to have domestic economic and political consequences.[6] Authoritarian states, however, generally do not have flexible monetary policies, making exchange rate stability a moot goal. It is because of this that IMF officials can only look at the interest rate to predict likelihood of default for most authoritarian states.[7] Moreover, interest rate policies are also tied to keeping worker wages under control. A periodic rise in civil worker wages, for example, can lead to future expectations of inflation in that state.[8] For all these reasons, we see that the IMF can have direct domestic impacts, which lead us to further investigate the domestic groups various policies may affect. Building on Stone (2002)'s argument for IMF demands on loan disbursements, we consider what types of domestic political constraints affect the types of loan conditions that arise from negotiations with the IMF.[9]

Of these types of conditions, monetary policy conditions are among the most commonly included in loan conditionality arrangements (Gould, 2006; Stone 2008). These can come in the form of controls over domestic credit, increases in reserve requirements, or interest rate

[6]Sachs, Jeffrey, The IMF is a power unto itself, The Financial Times, Dec 11, 1997; Sachs, Jeffrey, 'Resolving the Debt Crisis of Low-Income Countries,' *Brookings Paper on Economic Activity*, Vol. 1, 2002: pp. 1-28 ; Stiglitz, Joseph, E., *Making Globalization Work*, NY: W.W. Norton, 2007.

[7]Drehel, Axel and Stefanie Walter, "Does the IMF help or hurt? The Effect of IMF Programs on the Likelihood and Outcome of Currency Crises," *World Development*, Vol. 38 (1), (2010): pp. 1-18.

[8]The logic being that a rise in wages generally implemented to keep up with increases in inflation, are going to fuel future inflation expectations by the populace.

[9]Stone, Randall, "The Scope of IMF conditionality," *International Organization*, Vol. 62 (4), (2008) : pp. 589-632.

Table 1: Domestic Economic Groups Hurt by Monetary-Fiscal Policy Choices

	SUBSIDY CUTS ≻ BUDGET CUTS	BUDGET CUTS ≻ SUBSIDY CUTS
WAGE CUTS≻ ER FLOAT	Agriculturalists Workers	Consumers Workers
ER FLOAT ≻ WAGE CUTS	Agriculturalists Traders	Consumers Traders

changes. The purpose is to maintain inflation targets and slow down business activity. Those most strongly affected by interest rate increases are debtors with large debts dominated in the local currency. These interests prefer currency devaluation to monetary policy tightening (Walter, 2008).

With respect to exchange rate adjustment, a close look at domestic politics is required to assess a ruler's willingness to move to floating or crawling pegs. Frieden (1991, 2002), for example, notes the importance of interest group influences on exchange rate policies and how this affects the tradeables and non-tradeables sectors in opposite ways.[10] Walter (2008), likewise, argues that societal vulnerabilities influence the outcomes of exchange rate policy choices. Knowing that a monetary tightening might be harmful to certain groups, the government may choose to devalue the currency instead of hurt those groups. If the monetary and fiscal policy requirements of IMF's Article IV agreements are the main comparison points across IMF members, there are two choices within these two substitutes: maintain fixed exchange rates, with the effect of suppressing wages, or devalue and/or float exchange rates.[11] The differences between authoritarian regime types come from differences in the structure of political incentives and constraints characteristic of these regimes.

3.2 Authoritarian Regime Types

In this section, we draw upon the literature to develop archetypical descriptions of the preferences of the ruler's political coalition in four authoritarian regime types: personalist dictatorships, monarchies, military juntas, and single-party dictatorships. Geddes (2003) defines regimes as authoritarian if opposition parties have been banned or face serious institutional

[10]Frieden, Jeffry A, "Invested Interests: The Politics of National Economic Policies in a World of Global Finance," *International Organization*, MIT Press, Vol. 45(4), pages 425-51, Autumn, 1991; Frieden, Jeffry A.,"Real Sources of European Currency Policy: Sectoral Interests and European Monetary Integration," *International Organization*, Vol. 56(4), (Jul 2003), pages 831-860.

[11]Walter, Stefanie, "A new approach for determining exchange-rate level preferences," *International Organization*, (Summer 2008), v. 63 (3): pp. 405-434.

disadvantage and if the ruling party maintained control of the executive and two-thirds of the parliament in all elections before 1985. Following 1985, regimes are considered to remain authoritarian until there has been a turnover in executive power. Within the authoritarian category, Geddes classifies regimes as single-party when a party organization retains some control over policy as well as access to government jobs, and the party maintains local-level organizations. Personalist regimes, by contrast, are defined as those in which the ruler has consolidated personal power over policy and recruitment, thus marginalizing the power of others from the military and/or party. Military regimes are those governed by an officer, or a retired officer, with the support and routine participation of the military establishment in policymaking. Geddes also classifies various hybrids of these three forms. Brownlee expanded the Geddes data to include a coding for monarchies.[12]

We argue that these regime types differ in their relative costs of using repressive versus loyalty-building measures to maintain power (Wintrobe, 1998; Gandhi, 2008; Gallagher and Hanson, 2009). The mixture of carrots and sticks that rulers employ depends upon the institutional structure of the regime and the nature of the political constituencies that rulers must satisfy. An extensive party organization, for example, gives rulers of single-party regimes different institutional tools to maintain power compared to rulers of personalist regimes. Additionally, the party organization is a political constituency whose interests serve to constrain the ruler's room to maneuver when making policy.

In general terms, the ruler's coalition can be described using two characteristics: its size and its composition. We use the concept of the size of winning coalition from Bueno de Mesquita, Morrow, Siverson and Smith (2003) to help describe the fiscal policy preferences of the political base on which the ruler depends for survival. The size of the winning coalition determines both the size of the fiscal burden the ruler must bear to maintain political survival and the composition of the spending. As the selectorate theory predicts, rulers can maintain the support of small winning coalitions through supply of particularistic, private goods. As winning coalitions grow in size, however, provision of private goods becomes too expensive in aggregate, and rulers must shift to public goods to maintain support. Rulers in small winning-coalition systems thus have a stronger interest in maintaining particularistic subsidies and thus have greater opposition to structural reforms, while rulers of large winning-coalitions systems will make a stronger effort to fend off general budget cuts.

We part with Bueno de Mesquita et al., however, in arguing that the composition of the rulers coalition is just as important as its size. The selectorate theory unrealistically

[12]The authors thank Geddes and Brownlee for making their data available.

assumes members of society are homogeneous in their preferences. Although simplification from reality can be useful in crafting parsimonious theories, the parsimony is not helpful if it renders the theory's predictions inaccurate. Specifically, with respect to the present research, different measures to address a balance of payments crisis distribute the pain of adjustment to different sectors of the polity: debtors, traders, public employees, laborers, consumers, etc. We expect that the IMF and rulers will be unable to reach agreement on loan conditions that would adversely affect the ruler's coalition or otherwise threaten the ruler's grip on power. In other words, we would observe either the inability of the IMF and ruler to reach any sort of agreement, or we would find that an agreement is reached but it does not contain conditionalities that would harm the coalition. This logic explains why the political leader would agree to certain concessions when signing a deal with the IMF.[13]

To the extent that authoritarian regimes of the same type have ruling coalitions of similar composition, they should have similar patterns of binding conditions in loan agreements. Descriptions of these regime types provide thus the basis for hypotheses that state our expectations regarding the ability of rulers in different authoritarian regimes to reach an agreement with the IMF and the nature of the loan conditionality present in any agreements reached. We draw from a range of works that help identify rulers' preferences for different mixtures of monetary and exchange rate policies across the four authoritarian regime types. These descriptions, although general and archetypal, give us a starting point for explaining variation in the presence and composition of agreements with the IMF.

3.3 Regime Types and Loan Conditionality

When negotiating over policy alternatives with the IMF, we suspect, authoritarian rulers will shift the distributional burden away from key political constituencies as much as possible. If they cannot do so, they will be less likely to reach a loan agreement with the IMF.

Personalist dictators, who have concentrated power vested in their person, rather than dependence on a large party organization, are assumed to have a comparatively small winning coalitions. Rulers maintain the support of these coalitions by supplying private goods to coalition members such as state interventionist policies that yield rents. Loan conditions that would impose structural reforms thus tend to target the very policies that are the lifeblood of rulers with small winning coalitions. We expect a high level of resistance to structural reforms in these regimes. By comparison, personalist dictators thus face relatively

[13]Mosley, Layna, *Global Capital and National Governments*, NY: Cambridge University Press, 2003: pp. 53-67.

fewer political constraints in enacting general budget cuts than they do in curtailing subsidies and implementing structural reforms. This leaves personalistic rulers with greater political maneuvering room to address economic crises. As Geddes states, "It may be easier to keep damage to the economy below the meltdown threshold, and thus increase the likelihood of regime survival, if the predatory group is relatively small" (1991: 133).

Each regime type is placed into a category depending on its most-likely policy concessions. The model categorizes states by authoritarian regime type and the choices of their leaders to forego wage suppression for exchange rate floats, and cutting of subsidies for reductions of the overall budget. Following this classification system, we present some expectations about which countries should exhibit each combination of policy choices. These expectations are presented in Table **??**.

On the opposite end of the spectrum are single-party regimes, which are expected to have large winning coalitions by virtue of the power of the extensive party organization that stretches in to local levels. Co-optation of potential opponents to the regime is a common practice. Rulers in single-party regimes depend upon the party organization for survival, and they must distribute benefits widely to maintain their power. Maintaining a coalition of this size is costly. Compared with personalist rulers, then, rulers of single-party systems face a higher level of political constraints when it comes to fiscal policy. They will be less able to accept loan conditionality agreements that produce significant cuts in the general budget and/or suppress public sector wages. In general, when negotiating with the IMF, rulers of single-party regimes are more constrained by domestic politics.

For military regimes, the one policy preference that unites the ruling elite is the survival of the military itself (Geddes, 1991). As long as the military budget is protected, fiscal austerity measures pose less of a problem. Additionally, with respect to the mix of loyalty-building and repression employed by rulers, military regimes, by their nature, are expected to find use of repression relatively less costly than do other regime types. The greater ability of these regimes to employ repression may permit them to agree to loan conditionality agreements that involve suppression of wages or other measures that involve broad economic sacrifices.

Monarchs also have a built-in base of support for the regime, as well as an important constituency to satisfy, in the form of the dynastic family. As Gandhi notes, dynastic families serve both as a form of constraints on rulers as well as a structure that helps the regime survive (p. 23). Family members must be appointed to governmental posts, and provision of particularistic benefits in the form of rents is also common. We thus expect monarchies to oppose structural reforms that would reduce rents that accrue to family members.

We now use these descriptions to make some general predictions about the ability of rulers of these different regime types to reach a loan agreement with the IMF and the nature of the conditions that are contained in these load agreements.

As a first cut in our analysis, we present the following hypotheses:

H1: Among authoritarian states, personalistic regimes are more likely to sign an agreement than single-party regimes.

H2: Among authoritarian states, personalist regimes are more likely to sign an agreement than monarchist regimes.

H3: Among authoritarian states, personalist regimes are more likely to receive continued funding than single party regimes or monarchies.

H4: Loan conditionality agreements with single-party regimes are less likely to contain binding conditions on fiscal policy than agreements with personalistic or militaristic regimes.

H5: Loan conditionality agreements with personalistic regimes are less likely to contain binding conditions on structural reforms than agreements with single-party regimes.

3.4 Implementation of Loan Agreements

The logic above also suggest that some regimes will be better able to implement the binding conditions that appear in IMF loan agreements due to greater domestic political flexibility. Other factors matter as well. For example, the presence of additional income sources like natural resources and an apolitical labor force can facilitate implementation of conditions. Political opposition, which is sure to arise in this implementation process, can be thwarted by using budgetary resources.

We note that political difficulty in fulfilling conditions can also be a cause for disbursement of funds from the IMF.[14] For authoritarian states, supplementary financial assistance from the IMF will go towards keeping winning-coalitions intact. The exact way in which this is conducted, or the process, is not explored here. Our goal in this section is to present theory as to how composition of winning-coalitions will matter to getting approval for monetary

[14] Vreeland, James R., *The IMF and Economic Development*, Cambridge University Press, NY, (2003); Jensen, Nathan M., *Nation-States and the Multinational Corporation: A Political Economy of Foreign Direct Investment*, Princeton University Press: NJ, 2008.

loans from the IMF once loan agreements have been reached.

Specifically, rulers that face higher levels of domestic political constraints will be less likely to agree to loans with a wide scope of loan conditions. If they do agree, however, the IMF has an incentive to supply greater funds in order to facilitate implementation of the agreements. Following this logic, regimes that face the least amount of domestic political pressure to sign agreements, will receive lower levels of funding. Conversely, rulers that face a high level of domestic political constraints (those autocracies that have larger winning-coalitions, for instance) will receive greater funding to help facilitate implementation of the agreement. Although the autocracies are by no means electorally responsible to obtain political support, there is something to be said the amount of domestic force or repression a leader will have to utilize to be able to introduce belt-tightening measures by the IMF.[15] This is also necessary to keep domestic critics at bay, since most authoritarian leaders will have a general ideological commitment to anti-western and anti-capitalist policies.

Mukherjee and Singer (2009) present the compensation of losers from IMF programs, as financial liberalization is a major feature of IMF loan agreements. Their argument that the loans actually play a political role in the implementation of IMF agreements resonates with the composition of the coalition matters argument we are making here. The results of the first section revealed that the smaller winning-coalition regimes (personalist dictatorships) are more likely to sign agreements than those with larger winning-coalition regimes (single-party regimes). We follow this up with the claim that the closer a regime is to democracy, there might be more of a need to back up IMF agreements with funds so that conditionalities may be fulfilled.[16]

Additionally, loan agreements tend to lend credibility to a state for economic growth and global investment purposes. Monetarist policies dealing with interest rates and exchange rate policies were more important for debt financing costs and trade openness, but it is fiscal policy that more invariably controls the default risk of a state or its sustainability of debt.[17] It does not mean the IMF endorses only monetary or only fiscal targets, because the state ultimately chooses the one to follow, given the state of each borrower economy. The IMF

[15] Dodge, Toby, *Inventing Iraq: The Failure of Nation Building and a History Denied*, NY: Columbia University Press, 2003: pp. 34-36.

[16] Ostry, Jonathan D. and Jeromin Zettelmeyer, "Strengthening IMF Crisis Prevention," WP/05/206, November 2005: pp. 10-14.

[17] Other applications of this idea are available with regards to the European Monetary Union by various authors under Frieden, Jeffry, Daniel Gros, and Erik Jones, eds., *The Political Economy of the EMU*, Oxford, UK: Rowman & Littlefield, 1988: pp. 34-37, 118-121; and more recently Hallerberg, Mark and Guntram B. Wolff, "Fiscal Institutions, fiscal policy and sovereign risk premia in EMU," Public Choice, Vol. 136 (3-4), (2008): pp. 379-396 have made use of this observation.

staff trust both can be followed with equal scrutiny, driven mostly by stagflation concerns in borrower economies.

The first stage of the empirical analysis will focus on testing the tendency of four types of authoritarian regimes to reach an agreement with the IMF. Future research will test whether there exists variation in the extent and type of loan conditions across different authoritarian regime types and whether the IMF supplies higher levels of funding where domestic political constraints are higher.

4 Quantitative Empirical Analysis

For the quantitative analysis, we start with the dataset on country participation in IMF lending agreements compiled by Vreelend (2003). These annual data cover 85 countries for the period 1951-2000. By using the same dependent variable and set of control variables employed by Vreeland, we have some ability to compare the substance of our results to this existing work, despite the use of a different estimation technique. From Geddes (2003) we add the coding of authoritarian regime types, as augmented by Brownlee.[18]

Table 2: Proportion of Country-Years in IMF Agreement

Regime Type	# Country-Years	Proportion with Agreement
Military	163	.44
M-P Hybrid	89	.51
Personalist	453	.46
SP-P Hybrid	224	.34
Single Party	659	.24
M-P-SP Hybrid	140	.25
Monarchy	152	.20
	$\chi^2_{(6)} = 94.2$	$p <.001$

Table 2 provides an initial look at the level of IMF participation across the various types of authoritarian regimes. The middle column lists the total number of country-years in the dataset for each regime type, and the rightmost column lists the proportion of these years in which the regime was under a lending agreement with the IMF. According to these data, there is not much difference between military and personalist regimes in terms of

[18]We thank Vreeland, Geddes, and Brownlee for making these data available.

participation in IMF programs. Each regime type is under an IMF agreement for a little bit under one-half the country-years. Single-party regimes and monarchies, however, participate at a much lower rate, comprising less than one-quarter of the time in each case.

A more comprehensive test is needed to control for other factors that make it more likely that countries will seek and receive IMF loans. These control variables, all lagged by one period, come from Vreeland (2003: 89). First is a set of economic variables that affect a country's decision to seek IMF financing. *Reserves* measures a country's foreign exchange reserves in terms of the size of its import requirements. A country's fiscal condition is captured by *BudgetBalance*, which is the size of the budget surplus as a percentage of GDP. *DebtService* is the total debt service obligation as a percentage of GDP. The variable *BOP·Size* measures a country's balance of payments in absolute value. The rationale is that the IMF is more inclined to address balance-of-payments crises that are large in magnitude. Lastly, two variables are intended to capture the political costs of lost sovereignty from participating in an IMF program. *YearsUnder* is the number of past years a country has already participated in an IMF agreement, and *NumberUnder* is the number of other countries participating during that year. Countries are expected to be more likely to participate in an agreement if they, or many other countries, are already doing so.

We estimate a population-averaged probit model with random effects.[19] The form of this model is expressed in Equation 1. In the first test, we use the full sample of countries, including those not classified as authoritarian. In this case, the non-authoritarian regimes serve as a base against which the four authoritarian regime types are compared.[20] In the second test, we limit the sample to only the authoritarian regimes. In this case, the *SingleParty* category is left out and serves as the point of comparison for the other regime types.

Authoritarian Model 1 (H1-H2):

$$\begin{aligned} Pr(\text{Agreement}) \quad = \quad & f\big[\beta_0 + \beta_1(\text{Reserves}) + \beta_2(\text{BudgetBalance}) + \beta_3(\text{DebtService}) \\ & +\beta_4(\text{Investment}) + \beta_5(\text{YearsUnder}) + \beta_6(\text{NumberUnder}) \\ & +\beta_7(\text{BOPxSize}) + \beta_8(\text{Personalist}) + \beta_9(\text{Military}) \\ & +\beta_{10}(\text{Monarchy}) + \beta_{11}(\text{SingleParty}) + \varepsilon\big], \end{aligned} \tag{1}$$

The results are present in Table 3. In both tests, personalist regimes are found to be much more likely to be in an agreement with the IMF after controlling for a variety of factors that affect the likelihood that such an agreement will be sought and reached. In the first

[19]This is the xtprobit command in Stata 10.1

[20]In the case of hybrid regimes, we code the country as part of each type. For example, a military-personalist hybrid would receive a code of .5 for *Military* and .5 for *Personalist*.

model, when holding the control variables constant at their mean, the probability that a personalist regime will be in an agreement with the IMF is .38 higher than that of non-authoritarian regimes ($p < .001$). By contrast, the probability that single-party regimes will be in an agreement with the IMF is only .12 points higher than for non-authoritarian regimes ($p < .1$). The predicted effects for *Military* and *Monarchy* cannot be distinguished from zero with high confidence.

When limiting the sample to authoritarian regimes, as can be seen in the second model, personalist regimes are more likely to be involved in an IMF agreement than are the other authoritarian regime types. Specifically, compared with the base category of single-party regimes, the predicted probability that a personalist regime will have reached an IMF agreement is .34 points higher ($p < .01$), holding all the control variables at their means. Once again, the effects of the *Military* and *Monarchy* variables cannot be distinguished from zero with high confidence. In other words, single-party regimes, military regimes and monarchies are statistically similar when it comes to entering into IMF agreements, but personalist regimes are significantly different. Therefore, we cannot reject the first and second hypotheses (H1 & H2) at the 95 percent confidence level.

5 Illustrative Cases

The periodic evaluations by the IMF does take into account additional sources of budget revenues when evaluating programs and loans that back them up.[21] If the regime is having difficulties meeting fiscal targets, sources of income such as natural resource revenues may serve to make up for them. This is another reason why the IMF insists on transparency and full disclosure on budget-related questions with members. IMF staff would like to know where the additional national income is sourced. Therefore, having a resource such as oil, gas or minerals can become an asset in program reviews or budgetary consultations with the IMF. [22] The second control variable, that of proportion of immigrant workers seeks to determine the advantages regimes which suppress workers demanding better pay, severance packages or a new job may do to make their voices heard to their political leaders.[23]

[21] Sachs, Jeffrey D., "Resolving the Debt-Crisis of Low-Income Countries," *Brookings Paper on Economic Activity*, Vol. 1, 2002: pp. 10-18, 19-21.

[22] A narrative critique of the lending conditions of the World Bank is also examined in Ranis, Gustav, "Ownership, Dutch Disease, and the World Bank," in *Globalization and the nation state: the impact of the IMF and the World Bank*, by Gustav Ranis, James R. Vreeland and Stephen Kosack, NY: Routledge, 2006: pp. 420-428.

[23] Bhagwati, Jagdish, *In Defense of Globalization*, NY: Oxford University Press, 2004: 208-265.

Table 3: Autocratic Regime Type and IMF Participation

	(1) *Agreement with IMF*	(2) *Agreement with IMF*
Reserves	-0.11^{**}	-0.05
	(0.03)	(0.05)
BudgetBalance	-0.01	-0.04^{**}
	(0.01)	(0.01)
DebtService	0.10^{**}	0.14^{**}
	(0.02)	(0.03)
Investment	-0.03^{**}	-0.04^{**}
	(0.01)	(0.01)
BOP·Size	-0.00^{**}	-0.00^{*}
	(0.00)	(0.00)
NumberUnder	0.00	0.00
	(0.01)	(0.01)
YearsUnder	0.01	0.04^{*}
	(0.01)	(0.02)
Personalist	1.00^{**}	0.86^{**}
	(0.19)	(0.28)
Military	0.23	-0.21
	(0.22)	(0.39)
Monarchy	-0.04	-0.43
	(0.59)	(0.68)
SingleParty	0.33	
	(0.24)	
Constant	-0.60^{*}	-1.09^{**}
	(0.29)	(0.41)
Sample	Full	Autocracies
N	1057	625
Countries	85	61
Log-likelihood	-552.49	-313.22

^ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$

Population-averaged probit model with random effects.

Using these control variables we make three claims regarding the control variables: (1) Militarist regimes will not be able to control labor prescriptions from the IMF, because they do not employ as much immigrant labor as Monarchist regimes; (2) Single-Party regimes will not be able to introduce floating exchange rate prescriptions from the IMF, because they do not have as much natural resource incomes as Personalist Dictatorship regimes; (3) Neither Militarist nor Single-Party regimes will be as effective in fulfilling conditionalities as Monarchists or Single-Party regimes because they have relatively larger winning-coalitions.

In the comparisons we draw in this second section, natural resource incomes serve as control variables in the amount of funding made available to militarist and single-party regimes. This is because most militarist and single-party regimes exist where there is no such revenue. Argentina in the late 1970s as a single-party regime, did not possess this income. It is a stark contrast with monarchist regimes such as Jordan, Thailand and Lesotho, who were able to clamp down on workers wages. The seeming overall support for reformist policies were the result of repression of workers and rural agriculture between 1976 and 1983. This militarist government was inadvertently supported by IMF funding to prevent social outburst, after an already shaky and violent transition. Since the first government fell due to economic problems, the second government had to seek economic reform. The tough IMF policies which were not able to be implemented during a time of chaotic adjustment to democracy — among the various factions of the previous government, were introduced during the junta years. The IMF approved a \$100 million disbursement to the junta the day after take over of the government and coup followed by a \$250 million loan a half a year later.[24]

Especially in Argentina, the junta of Videla sought to place agricultural interests above that of manufacturing. In his efforts to shift the economy to benefit the landowning oligarchs, he suppressed the workers and unions. This made it possible to use the IMF loans to benefit its exchange rate policies in support of traders. So, in monetary policy, Videla chose to sacrifice the narrow coalition in favor of the large coalition members. Since the junta was a militarist state, their IMF agreement also featured a cut in agricultural subsidies. This is a stark contrast with Argentina in the 1980s. After transition to a more democratic government, Cavallo chose to spare Argentina's workers choosing to instead crack-down on the exchange rate. The multiparty democracy period after 1983 brought strong resistance from Argentina's leaders toward the IMF. The IMF rightfully asked for reform in labor mobility including removal of the legal obstacles to firing and hiring of workers. They further

[24] Pion-Berlin, David, "Political Repression and Economic Doctrines: The Case of Argentina," *Comparative Political Studies*, Vol. 16 (1), 1983: pp. 37-45.

demanded a cut in the pension burden on the country's budget. This signaled the start of a difficult relationship with the IMF.[25]

Prior to both multiparty democracy and the junta, Peron's democratic government had for a long time refused to privatize and remove the almost lifetime employment in state enterprises, as requested by the IMF.[26]. The transition to democracy ensured that the rights of workers and agriculturalists would be protected to a greater extent. The IMF funding to Argentina was approved partly to remove the social dissatisfaction from economic strife in the country, which had led to the chaotic military takeover in the first place. However, the shift in government was also accompanied by a change in the economic policies. This included agreement to IMF conditionality in favor of agricultural and cattle production over manufacturing. This meant the domestic groups which would have been hurt by the IMF conditionalities now shifted to accommodate the junta's own political base.[27] This junta left in 1982 with no progress on the economic front, except attempts at reform through IMF funding. The pressure to privatize, liberalize trade, and increases in interest rates (to defend the overvalued currency) set the stage for Cavallo's policies in the 1990s. It was this combination of supportive funds and repressive measures against unions that allowed for changing of orientation of the economy with no sign of progress.

What we also see is that monarchist regimes by agreeing to repress workers and consumers. Monarchies are more likely to curb wages and interest rates, forcing the burden onto workers. Political leaders of Monarchies are less politically hurt by this policy, because workers are outside of their winning-coalition structures. Part of the reason for this is that immigrants tend to make up most of the inhabitants under worker status, in monarchy states. Jordan, as a state that receives major IMF funding has workers, but does not have strong political rights.[28] Between 1989 and 1998, Jordan's increase in loans for the two consecutive IMF programs came in order to appease labor opposition to budget cuts and reduction in wages. It is said that the links between the farming lobby and the urban Islamists (workers

[25]Ibid., pp. 37-66; Sikkink, Kathryn, *Ideas and Institutions: Developmentalism in Brazil and Argentina*, NY: Cornell University Press, 1991: pp. 72-263.

[26]More recent political science debates also questioned the issue of whether political groups changing sides that were supportive of reform policies of the junta, and whether this was due to the way backlash in ideology changed the institutional balances, from Sikkink, Kathryn, *Ideas and Institutions: Developmentalism in Brazil and Argentina*, NY: Cornell University Press, 1991; Critics claimed that the domestic institutional backlash led to the spread of support for reform by the military government, meaning the ideas spread as a result of the failure of the existing institutional structures themselves

[27]Pozzi, P. A., "Argentina 1976-1982: Labour leadership and Military Government," *Journal of Latin American Studies*, Vol. 20 (1), (1988): pp. 111-138.

[28]Gibney, Matthew J. and Randall Hansen, eds., *Immigration and Asylum: 1900 to the Present*, Santa Barbara, CA: ABC-CLIO Inc., 2005: pp. 404-410; mentions four waves of migrant workers, the second phase of which began in the mid-1970s and was partly driven by the newly recovered national oil industries.

or working class) brought the first agreement to a standstill. Most authoritarian states thus know reform is costly, and somebody will have to pay the price.

King Abdullah of Jordan's own efforts to by-pass the workers in the first IMF agreement of 1989 had been unsuccessful.[29] Seen as an exemplary state in terms of IMF support, the international agreements had to be expanded in scope to increase compensatory funds for social costs to the poor. According to the ILO Labor Watch Reports for Jordan 2008, the 303,000 immigrant labor permits in the country are used by Egyptian workers. These Egyptian workers do not have many of the rights, given to immigrant labor elsewhere such as arbitrary dismissal, unionization, medical insurance programs or pensions.[30] Unemployment, raising of prices of public services, and the reduction of consumer subsidies for wheat (bread) and powdered milk were blamed for the 1989 rioting within Jordan.[31] Jordan, as a monarchist state, is not politically bound to give additional rights to these immigrant workers. Immigrant workers by definition can move elsewhere, where conditions are better.

In Jordan, rising prices due to IMF belt-tightening measures were also seen as a problem for consumers. Yet, Jordan could be seen as an exceptional case, in this regard. It is exceptional because most Monarchist regimes have natural resource incomes.[32] Most Monarchies are are exporters of natural resources such as oil. By balancing the budget, they are able to side-step the fiscal-policy conditionalities which led to the rising prices in Jordan at that time. Jordan's other advantage, however, is that there is a strong level of support in terms of foreign aid from Saudi Arabia, UAE, Iraq and Syria — all oil exporting states of the region and political allies.[33] Jordan can close the gap in its natural resource incomes via foreign aid.

The role of natural resource windfalls in fulfilling IMF conditionalities, can be summed up by the following observation in a recent IMF report. The report emphasizes that for Angola, the non-oil fiscal deficit is large. But, the report also expresses concern that the income contributions of oil exports to the budget, may not be sustainable in periods of low energy prices. The fiscal policy advice given by the IMF in this case is to see to ending the artificial consumer subsidies, and increase the diamond taxation standards for the country. The IMF in giving sound long-term economic advice can only suggest what the Angolan

[29]Some economic history of the period available in Lucas, Russell E., "Deliberalization in Jordan," *Journal of Democracy*, Volume 14 (1), (2003), pp. 137-144; as well as, in Ryan, Curtis R., "Peace, Bread and Riots: Jordan and the International Monetary Fund," *Middle East Policy*, Vol. 6 (2), (1998), pp. 5466.

[30]http://www.labor-watch.net/files/2009/docs/labor_watch_report-Executive_summary2.pdf

[31]IMF Staff Reports and Press Releases, 1995-1996.

[32]Afghanistan, Burkino Faso, Brunei, Bahrain, Kuwait, Qatar, Jordan, Yemen, Tonga, Morocco, Lesotho, Thailand in this group, at one time or another.

[33]IMF Staff Reports and Press Releases, 1995-1996.

government will agree to. Since the regime's main source of income are its natural resource revenues (ie. diamonds and oil) the IMF has to take them into consideration in budgetary plans for following years.[34]

In a similar set up, the current king of Thailand, King Bhumibol Adulyadej has only more recently been influential in obtaining workers rights. The main reason for this two decade delay was that trying to defend against Communist pressure, the rulers neglected strengthening of labor rights.[35] Although labor laws existed, it wasn't until the Junta came to power that labor became organized. The country also boasts a considerable amount of immigrant workers from all over Asia. The immigrants also helped the country minimize costs when transforming itself into one of the Asian Tigers.[36] It was reactions to the 1980s IMF programs requiring privatization, that strengthened labor movements. The labor unions made demands pertaining to length of work hours, association and compensatory pay. The ILO reports further improvements in 1990s, after the 1992 transition into parliamentary government.[37]

Another monarchy of the 20th century, Lesotho has no issue with labor. The main reason for this is most of its migrant workers are employed in South Africa.The income from migrant workers (close to 70% of GDP) is a major budgetary resource.[38] The first time Lesotho signed an agreement with the IMF was in 1988. Then, in 1989 a militarist coup brought the junta. The Militarist rule stayed on until 1996, despite several coups and counter-coups. In the 1980s the regime agreed to IMF deals designed to bring in foreign investment, and encourage economic diversification.[39] The IMF policies of conditionality were thus not so concerned with labor. They have instead focused on fiscal policies of privatization of public works, and the improvement of banking and financial instruments in the 1990s. Part of the reason for this we think has to do with its workers not having any political rights.

The IMF's emphasis on privatization of corrupt and inefficient state enterprises did some-

[34] Gasha, Jose Giancarlo and Gonzalo Pastor, "Angola's Fragile Stabilization," IMF Working Paper, May 2004: pp. 19-23.

[35] http://www.labor-watch.net/files/2009/docs/labor_watch_report-Executive_summary2.pdf; more comprehensive view of the political competition is available in Doner, Richard, *The Politics of Uneven Development: Thailand's Economic Growth in Comparative Perspective*, NY: Cambridge University Press, 2009: pp. 49 and 107-287.

[36] This was until the 1997 financial crisis.

[37] Brown, Andrew, *Labour, Politics, and the State in Industrializing Thailand*, NY: Routledge, 2004: pp. 30-60; Thailand is a major exporter of natural gas, as well as minerals such as tin, and agricultural products like rubber and timber. It is a constitutional monarchy with parliament.

[38] "Lesotho: Ex Post Assessment of Longer-Term Program Engagement," *IMF Country Report*, No. 04/384, (Dec 2004): pp. 9.

[39] Sayan, Serdar, "Business Cycles and Workers Remittances: How Do Migrant Workers Respond to Cyclical Movements of GDP at Home?," IMF Working Paper, No. WP/06/52.

what hurt the labor base of the Lesotho regime. But it was their insistence on budgetary controls and cutting of spending, which had political ramifications. The overhaul of tax and tax collection instruments also created difficulties for consumers.[40] The way Lesotho has dealt with both of these pressures, has been through remittances. The government further supplements this income with exports of minerals and underground springs. Over the last decade the fiscal consolidation efforts of the government has improved as has IMF funding.

The similarities between Argentina and Lesotho (in the 1970s and 1980s) are that neither side conceded privatization efforts to the IMF. The opportunities state owned enterprises provide for corrupt practices also meant political costs to labor. What made them different was that Lesotho was able to employ its labor outside of the country.[41] The Argentine government, which depended on labor as a single-party state under Peron did not have such a smooth transition. It was not until the Junta arrived that effective exchange rate management became a hassle. The junta chose to switch to a currency board. Coincidentally, the junta were able to embark upon privatization. The junta depended on the exporting sectors, which included livestock owners, the steel industry and agriculture.[42] The excuse for the switch was the hyper-inflationary environment created by the Peronists.

As a Single Party regime, Egypt has had a different relationship with the IMF than either the Militarists or the Monarchists. Just as with other Single Party regimes, by cutting subsidies and controlling wages, they were able to obtain loans from the IMF. In the 1980s, the IMF had been placing serious demands on Egypt. During Mubarak's time, workers and farmers were especially hurt by the increasing prices and cuts in agricultural subsidies. The agreements were signed, irrespective of the major draughts which Egypt experienced.[43] Egypt maintained a fixed exchange rate and chose to control interest rates.[44] Egyptian peasants and farmers (*fellaheen* as they are called), were left out in the cold as a result of agreement to the IMF conditionalities to cut agricultural subsidies. The farmers attempted to express their dissatisfaction through demonstrations, which were suppressed.[45] The exchange-rate policies which accompanied the cuts, also removed much of the privileges provided to ex-

[40] IMF 2001 Article IV Consultation with Lesotho, PIN No. 02/32, March 21, 2002; 'Lesotho: Ex Post Assessment of Longer-Term Program Engagement," *IMF Country Report*, No. 04/384, (Dec 2004): pp. 3-5.

[41] Gilson, Marie-Therese Camilleri, "An Institutional Framework for Comparing Emerging Market Currency Board, IMF Working Paper, WP/04/180, 2004: pp. 28-30.

[42] Stiglitz, Joseph E., *Making Globalization Work*, W.W. Norton & Company, 2003: pp. 200-233.

[43] Kandel, Magda and Hanan Morsy, "Determinants of Inflation in GCC," IMF Working Paper, WP/09/82, 2009: pp. 6-8.

[44] Posusney, Marsha Pripstein, *Labor and the State in Egypt: Workers, Unions and Economic Restructuring*, NY: Columbia UP, 1997.

[45] Kienle, Eberhard, *A Grand Delusion: Democracy and Economic Reform in Egypt*, London: I.B. Tauris, 2001.

porters. The Egyptians maintained some level of protection for exporters through tariffs, but eventually had to reduce the amount of support they afforded exporters through their previously depreciated and fixed exchange rates.[46] This situation was a strange contrast to Nasser's reign. During the 1950s Egyptian agriculture had become state sponsored in all aspects of production and subsidization by Gamal Abdel Nasser.

Thirty years later, in the 1985-1986 IMF agreement, Egypt was trapped in a debt crisis. The IMF had promised to help ease the burden through a $1.5 billion dollars stand-by credit if their new program were followed. The Egyptian cabinet was divided over the issue. Mubarak chose to support a selective depreciation, indexing the price of several agricultural goods. The selected goods included rice, cotton and oil, to a fixed dollar value per Egyptian pound. The rest of the prices rose with encouraging of cheaper exports, and the removal of some of the additional governmental incentives for production.[47] As a result, inflationary pressures increased and the government sought sacrifices from import taxes to enhance the general budget cut targets.[48]

Mubarak's political fears led to only partial fulfillment of conditionalities on exchange rates. This brought an overvalued Egyptian pound crisis, not seen since the 1976 bread riots. The IMF gave only half of the promised amount in 1987 as a result of abandonment of the conditionalities, but Egypt did manage to get most of the Paris Club and commercial debt rescheduled. In addition, because of the international conjecture and the Suez Canal, Egypt became a boon for construction in the Middle East. Our theory says this exceptional behavior was due to the single-party nature of the state.[49] The new program meant cracking down on wages, though maintained a selective framework of conditionalities not so destructive to producers. Single-party control over resources, prevented unions from having a strong political influence. The trade balance tipped in favor of Egypt, as consumers were protected by price controls and rationing.[50] This large winning-coalition regime, unlike monarchies, could not rely on immigrant workers or natural resource incomes when fulfilling conditions. The government hoped the conditionalities would pave the way for continued IMF involvement

[46] Kandel, Magda and Hanan Morsy, "Determinants of Inflation in GCC," IMF Working Paper, WP/09/82, 2009: pp. 4-6.

[47] Later evaluations of such political reactions are available in Bates, Robert H. and Anne Krueger, "Generalizations from the Case Studies," in Robert H. Bates and Anne Krueger, *Political and Economic Interactions in Economic Policy Reform*, Oxford: BasilBlackwell, (1993): pp. 445-500.

[48] Kandel, Magda and Hanan Morsy, "Determinants of Inflation in GCC," IMF Working Paper, WP/09/82, 2009: pp. 7.

[49] Walton, John and David Seddon, *Free Markets and Food Riots: The Politics of Global Adjustment*, Oxford: Blackwell: 1994.

[50] Posusney, Marsha Pripstein, *Labor and the State in Egypt: Workers, Unions and Economic Restructuring*, NY: Columbia University Press, 1997.

and increased FDI inflows. The inflows did not materialize until a decade and a half later.

On the opposite side of our table are Personalist Dictatorships. Personalist Dictatorship regimes are composed mostly of relatively smaller sized winning-coalition states. The regime's main support against political protests of IMF policies are repression and natural resource windfalls. Most of these states are ruled by right-wing, nationalist leaders. These leaders maintain their political strength through economic wealth from exports of oil, natural gas, minerals and other raw materials. Regime leaders who do not have access to such sources, tend to have a difficult time undertaking any additional conditions. One example of this situation are the agreements pledged to by Haiti in the last twenty years.[51]

Table 4: Comparison across Authoritarian Regime cases of adherence to IMF Conditionalities

Militarist *vs* Monarchist		Single-Party *vs* Personalist	
Argentina	Jordan Thailand Lesotho	Egypt	Kazakhstan Nicaragua Haiti

The table of domestic groups hurt by IMF conditions shows that Personalists are a small coalition regime. According to our theory, small coalition regimes hurt the larger special interest groups of consumers and producers. Personalists agree to conditionalities of general budget cuts or comprehensive tax increases. They tend to steer away from conceding to more focused targets of monetary or fiscal policy.[52] Personalist Dictatorships have in the past agreed to IMF loan-conditions based solely on exchange-rate policies and budget balancing. Kazakhstan and Nicaragua are two such dictatorships.

The IMF assessments of October 2003, cites the extraneous spending in Kazakhstan. The report points out that *extrabudgetary accounts* created a serious problem of transparency. The accounts were maintained by the extra income from oil.[53] The IMF was suspicious were used as energy cross-subsidies to households. The country's high income was attributed both to high taxes and oil revenues. An assessment of tax practices revealed that the state was using subsidies to provide social services to special interest groups. Further follow-ups also revealed political corruption in the practice of tax collection.[54] Both of these findings

[51] Sachs, Jeffrey, "Haiti's Road to Recovery," *The Guardian*, Jan 31, 2010.

[52] The IMF will often seek to increase tax revenue and collection procedures, beyond curbing their excessive spending policies.

[53] Lorie, Henri, 'Priorities for Further Fiscal Reforms in Commonwealth of Independent States,' October 2003, *IMF Working Paper No. 03/209*: pp. 36-37.

[54] Ibid., pp. 8-12.

demonstrated small-coalition benefits by the regime. The IMF conditions reinforced the economic support provided for political benefits.

This view is also expressed in an IMF assessment of Nicaragua from 2000. The report claims the exchange rate choices of Nicaraguan authorities of the time are not readily explained by economic factors. The IMF staff instead attribute the conditions of IMF agreements to the political and institutional setting in the state.[55] The Nicaraguan peg is said to have prevented greater economic problems in the face of expanded spending. Budgetary deficits only came about due to serious natural disaster like Hurricane Mitch, which took place in 1998. The stability of the exchange rate was welcomed, however because of the potentially dire consequences of the resulting inflationary pressures.

The difficulties both Kazakhstan and Nicaragua have been having with workers and agriculturalists, are only alluded to in these reports. The IMF policy prescriptions have focused more on the political obstacles to financial reform, than the unemployment and underdevelopment problems of either state. In Nicaragua the chosen policies were seen as supportive of Ortega; against the more radical left-wing government of the Sandinistas.[56] For Kazakhstan, the Fund thought that it was enough the Personalist Regime had agreed to come under IMF discretion and seek sound economic advice.[57] The passing of the land-reform bill in Nicaragua was supported, because it broke up a small group of tribesman, who owned the majority of the share of land. The political struggle in and outside parliament was silenced, benefiting from the lack of a free press.[58] But overall, the existing leaders of Kazakhstan and Nicaragua enjoyed support from the IMF, despite their unwillingness to fulfill loan conditionalities.[59]

Personalist Dictatorships like Haiti's, have non-diversified economies, highly dependent on natural-resource revenues and external remittances.[60] This means their producers/traders

[55]Eichengreen, Barry and Peter Lindert, *The International Debt Crisis in Historical Perspective*, Cambridge, MA: MIT Press, 1989: pp. 1-46; Rogoff, Kenneth S., Aasim H. Husain, Ashoka Mody, Robin Brooks, and Nienke Oomes, *Evolution and Performance of Exchange Rate Regimes*, Washington D.C.: International Monetary Fund, 2004: pp. 10-16.

[56]There is a debate about US involvement in lending conditions, Stone, Randall, *Lending Credibility: The International Monetary Fund and the Post-Communist Transition*, Princeton: Princeton University Press, 2002.

[57]Lorie, Henri, 'Priorities for Further Fiscal Reforms in Commonwealth of Independent States,' October 2003, *IMF Working Paper No. 03/209*: pp. 10-20.

[58]Ibid., pp. 24.

[59]The Carter administration's positive impact on Sandinista renegotiation of debt over the counter-guerillas was evident according to Lipson, Charles in "International Debt and National Security: Comparing Victorian Britain and Postwar America," in Barry Eichengreen and Richard Portes, eds., *The International Debt Crisis in Historical Perspective*, (2004): pp. 208-227.

[60]One can claim a similarity with other personalist dictatorships in terms of economic development policies, Van de Walle, Dirk, *A History of Modern Libya*, NY: Cambridge University Press, 2006.

will not be as affected by IMF policy prescriptions, as would a militarist regime. Their leader depends on the consumers and workers for political backing. The IMF conditionalities in Haiti were widely criticized for having caused price-hikes. The maintenance of low pay-standards for workers of industry to keep up with the depreciations have also cause social upheaval. The insistence by Jean Bertrand Aristide to not carry out a liberalization of the economy, brought the Haitian economy to a standstill not more than 5 years ago. His refusal to privatize the corrupted state enterprises further exacerbated the economic problems. The inefficiencies of markets, proclivity to natural disasters, and lack of democracy have left Haiti with a disastrous agricultural sector. As a result, 80% of the country is in poverty status requiring debt relief and food aid.[61]

Looking over the forty years of previous militarist rule under the corrupt regime of the Duvaliers, the Haitian government went from a Militarist regime to Personalist Dictatorship. This is observable in their choice of IMF conditions as well. The Duvaliers initially agree to suppressing workers and agriculturalists. They then switched, along with the domestic regime, to under-cutting their traders and consumers. The move to Personalist Dictatorship doing away with broader measures of price controls and exchange rate depreciations. Whereas, as a Militarist regime they had conceded to efficiency wages for industrial labor and reductions in farmers subsidies.[62] This shift in conditions have unfortunately been ineffective in bringing about economic stability. As a result, the IMF has also had to change its general stance toward Haiti, from loan-giving to loan-relief.

The Personalist Dictator of Haiti has also not done much to fulfill those conditionalities. The prevailing view is that Aristide agreed to carry out selective privatizations only after the 1995 agreement in Paris. He agreed to do so, provided he was given additional and extensive social safety nets for those losing their jobs.[63] The IMF reports from 1996 onwards reveal, the budgetary controls and exchange rate issues have yet to be resolved. Aristide did however, make the transition from Personalist Dictatorship to Democracy in 1994.[64] He had gone as far as he could with his populist economic policies. They benefited only the urban poor, but did nothing for consumers.

Similar conditions are prevalent across other continents. In Asia, we see the same pattern of domestic coalition support for Bangladesh, Cambodia, Sri Lanka and Pakistan in

[61] Buss, Terry, *Haiti in the Balance: Why Foreign Aid has Failed and What We Can Do About It*, Washington, DC: The Brookings Institution, 2008: pp. 20-100; Some comparative history with DR is available in Diamond, Jared, *Collapse: How Societies Choose to Fail or Succeed*, NY: Viking Press, 2003: pp. 329-357.

[62] *World Bank Report - Trends in Developing Economies*, Washington, D.C.: World Bank Institute, 1995.

[63] "Haiti - Recent Economic Developments," IMF Staff Report No. 98/101, Oct 13, 1998.

[64] Some colonial history from Girard, Philip, *Paradise Lost: Haiti's Tumultuous Journey from Pearl of the Caribbean to Third World Hotspot,* NY: Palgrave Macmillan, 2005: pp. 110-200.

Militarist regimes; Afghanistan, Burkino Faso, Brunei, Thailand in Monarchist regimes; Vietnam, Mongolia, Nepal, Russia in Single-Party regimes; and Azerbaijan, Armenia, Belarus, Kyrgyz Republic, Turkmenistan, Philippines, Malaysia, and N. Korea in Personalist Dictatorships. In Africa, the same went for Suriname, Nigeria, CAR, Congo (Zaire), Sudan, Mozambique, Namibia, Cote d'Ivoire, Myanmar in Militarist states; Tonga and Lesotho in Monarchies; Tunisia, Madagascar, Malawi, Tanzania, Algeria, Burundi, Cape Verde, Chad, Congo, Djibouti, S. Africa, Zambia in Single-Party regimes; and in Angola, Benin, Comoros, Ethiopia, Gabon, Gambia, Kenya, Guinea-Bissau, Swaziland, Uganda, Libya, Mauritania, Equatorial Guinea, Ghana, Liberia, Zimbabwe and Mali in Personalist Dictatorships. In Latin America, the same would be the case for Bolivia, Guatemala, Peru, El Salvador and Honduras in Militarist governance; Mexico, Uruguay in Single-Party regimes; and Haiti, Venezuela in terms of Personalist Dictatorships.

6 Conclusion

This paper makes the argument that variation in the incidence and content of lending agreements between authoritarian regimes and the IMF is a function of the type of authoritarian regime. Preliminary tests concerning the incidence of agreements indicate that personalist dictatorships are significantly more likely to enter into an agreement with the IMF. This is consistent with the notion that personalist dictators have greater political flexibility when it comes to fiscal austerity measures than do regimes with larger winning coalitions. The same test, however, provided evidence contrary to the prediction that monarchies would be more likely to reach agreements with the IMF than single-party or military regimes.

Looking forward, we plan additional empirical work to test hypotheses concerning the content of the loan agreements. These data, by clarifying what kinds of agreements are possible, may also help provide a fuller understanding of why personalist regimes are more able to reach agreements with the IMF than the other three regime types.

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