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## Board games: How states pursue preferences in international organizations

### *Abstract:*

Decision-making of most international organizations is based on consensus, rather than voting. This raises the question of how, exactly, member-states pursue their preferences. In this paper, we develop four strategies used by powerful member-states in everyday decision-making: If state representatives have well-defined preferences, they may lead debates themselves or coordinate with allies and affirm the views of peers. Faced with uncertainty and newly emerging issues, powerful member-states may deliberate freely. Finally, on issues with low salience, we argue that powerful member-states articulate little. We apply these modes of governance to the behavior of five major shareholders in the Executive Board of the International Monetary Fund (IMF)—the US, Germany, Japan, France, and the UK (the G5)—between 1995 and 2015. We find that US leadership is the driving factor behind dominant strategies of the G5. However, over time, US leadership has been supplanted by open governance, coinciding with declining power of the US in world politics. In addition, we employ regression analysis to show the consequential nature of these strategies: dominant behavior by the US is associated with more intrusive conditionality—consistent with American preferences towards the spread of structural adjustment. Taken together, our research advances our understanding of state action in intergovernmental organizations; the strategies we outline plausibly extend to other institutions, too, such as non-governmental organizations and hybrid forms of governance.

*Keywords:* International Monetary Fund (IMF); intergovernmental organizations (IGOs); development; decision-making; global governance

# I. Introduction

Powerful member-states can, at times, exert disproportionate influence on international organizations.<sup>1</sup> For instance, the US was the single-most important actor in transforming the International Monetary Fund (IMF) in the 1980s to promote market-oriented policies.<sup>2</sup> Further, allies of the US, Germany, Japan, France, and the UK receive favorable treatment by the IMF.<sup>3</sup> The influence of powerful member-states on international organizations extends well beyond the IMF, and includes organizations such as the United Nations<sup>4</sup> or the World Bank.<sup>5</sup>

While we have good proxies on how state interests, how states articulate ‘hierarchy in practice’ within international organizations is underexplored.<sup>6</sup> Realist scholarship treats international organizations merely as the extended arms of powerful states.<sup>7</sup> The most powerful member-states thus pursue their self-interests by dominating other actors with inferior resources because ‘[i]f the leading power [the U.S.] does not lead, the others cannot follow’.<sup>8</sup> By contrast, others argue that the preferences of the hegemon are ingrained in institutions, thereby reducing, if not obviating, the need of formal, direct influence in operations.<sup>9</sup> Alternatively, the logic of communicative action<sup>10</sup> dictates that international organizations and their governing boards are fora where actors develop their preferences to address a given problem most effectively—with member-states’ strategic interests receding to the background. Each of these theories emphasizes a different logic of behavior by powerful member-states. However, since few international organizations take decisions by votes,<sup>11</sup> we have limited insights into how power manifests in global governance structures in practice. This raises the questions of how powerful actors pursue their preferences in international organizations. What strategies do powerful member-states use in decision-making of international organizations? To what effect do they pursue these strategies?

In this paper, we answer these research questions by focusing on action in formal decision-making. States invest considerable resources in the design of international organizations, including their formal governance structures where their interests are represented. Our first task is to develop four strategies that powerful member-states use to achieve their preferences. To do so, we use the theoretical toolkit of international relations,<sup>12</sup> economic sociology,<sup>13</sup> and conversation analysis.<sup>14</sup> First,

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<sup>1</sup> Vreeland 2019.

<sup>2</sup> Kentikelenis and Babb 2019.

<sup>3</sup> Copelovitch 2010; Vreeland 2019; Dreher, Sturm, and Vreeland 2009b.

<sup>4</sup> Woo and Chung 2018.

<sup>5</sup> Dreher, Sturm, and Vreeland 2009a; Clark and Dolan 2021.

<sup>6</sup> Pouliot 2016.

<sup>7</sup> Jervis 1998; Jervis 1999; Waltz 2000.

<sup>8</sup> Waltz 1979, 210.

<sup>9</sup> Stone 2011; Ikenberry and Kupchan 1990.

<sup>10</sup> Risse 2000; Risse 2018.

<sup>11</sup> Martinez-Diaz 2009.

<sup>12</sup> Gruber 2000; Koppell 2010.

<sup>13</sup> Block-Lieb and Halliday 2017; Halliday, Pacewicz, and Block-Lieb 2013; Kentikelenis and Seabrooke 2017.

<sup>14</sup> Gibson 2000; Gibson 2003; Gibson 2008.

member-states may exercise leadership to directly communicate their preferences and dominate debates. Second, powerful member-states can use behind-the-scenes coordination and draw on their networks to affirm the views of their allies, rather than lead discussions themselves. Third, powerful member-states may deliberate freely and engage in open discussions. Fourth, on topics that are not salient to powerful member-states, we suggest they refrain from engaging in debate.

Empirically, we measure these strategies in 3,111 discussions of the IMF's Executive Board between 1995 and 2015, pertaining to low- and middle-income countries. We first examine the strategies pursued by the US—the only country with veto-power in the IMF. We find that, in 1995, the U.S. exercised leadership in almost 50% of all meetings on low- and middle-income countries. Over time, weak and open strategies have displaced leadership as the most prevalent US strategy (in 2015, US leadership was below 10%). We subsequently investigate whether other major member-states—Germany, Japan, France, and the UK—replaced US leadership. We find no evidence for this, although representatives from the G5 have increased their coordination over time. Overall, these patterns of state behavior in the IMF are consistent with accounts of the declining power of the hegemon, decreased demand for IMF resources after the Millennium, and collective work by the G5.<sup>15</sup>

In addition, we examine whether the strategies employed by the US are consequential for the design of IMF lending programs, one key organizational output. The US, and the G5 more broadly, have successfully pushed for the spread of structural adjustment.<sup>16</sup> Controlling for alternative explanations of IMF programs—including geopolitical interests of the US, economic fundamentals, and sources of bargaining for the country-under-discussion—we find that when the US exercised leadership or network governance, lending programs include more conditionality. By building on a recent methodological innovation and employing a fixed effects counterfactual (FECT) estimator,<sup>17</sup> we show that these effects persist in the medium run.

Taken together, these findings advance academic scholarship in distinct ways. Our research moves away from analyses that focus solely on state actors and treat international institutions as passive vehicles in isolation, to understanding governing boards as part of the structure underpinning global economic governance, rather than merely an individual actor. Our analysis has important implications for the regulation and legitimacy of the global economic system. Further, our modes of governance plausibly extend to other institutions, too, such as non-governmental organizations and hybrid forms of governance, and has importance for understanding foreign policy positions of powerful states.

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<sup>15</sup> E.g., Copelovitch 2010.

<sup>16</sup> Kentikelenis and Babb 2019.

<sup>17</sup> Liu, Wang, and Xu 2022.

## 2. A typology of state strategies in international organizations

How can states pursue their preferences in international organizations? To answer this question, we develop four strategies, using the theoretical toolkit of international relations, economic sociology, and conversation analysis. First, scholars of international relations have long studied how powerful states purposively design organizations,<sup>18</sup> including their formal governance structures. Although most theories presuppose that international cooperation is beneficial to all its members, not all states do in fact benefit from joining and participating in international organizations.<sup>19</sup> The unequal distribution of formal voting power and resources allows powerful member-states to further their own interests through these institutions—which is recognized by state delegates.<sup>20</sup> For instance, most IMF Executive Directors acknowledge that deliberations take place in the ‘shadow of voting power’ and that powerful member-states are in a better position to influence discussions.<sup>21</sup> Even with consensus decision-making, powerful member-states can control the operations of international organizations—drawing on a range of resources, including formal, informal, and structural power.<sup>22</sup>

Second, economic sociology advances our understanding of decision-making within governing boards. As demonstrated in research of global trade negotiations in the United Nations Commission on International Trade Law, attendance and participation in meetings are key attributes to understand decision-making.<sup>23</sup> Information on who speaks at meetings and variation in who represents states over time is useful in determining why policy scripts vary from standard assumed interest based on foreign economic policy positions and resources.<sup>24</sup> Further, personal contact and face-to-face diplomacy increase the likelihood of cooperation.<sup>25</sup> By studying intra-organizational processes, these studies can explain how actors with inferior resources may achieve their preferences through skillful argumentation. For example, in the 1990s, a coalition of developing countries successfully challenged IMF staff and powerful member-states to avoid extending the Fund’s mandate in matters of capital accounts.<sup>26</sup> Taken together, such research complements studies of international political economy which emphasize the role of (relatively static) formal governance structures at the expense of studying observable behavior in negotiations.

Third, conversation analysis focuses on procedural aspects in discussions. Those engaged in conversation jockey for position within the ‘attention space’, forging strategies to demonstrate

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<sup>18</sup> e.g., see Koremenos, Lipson, and Snidal 2001.

<sup>19</sup> Gruber 2000.

<sup>20</sup> For a recent review, see Vreeland 2019.

<sup>21</sup> IEO 2018.

<sup>22</sup> Koppell 2010; Stone 2011; Clark and Dolan 2021.

<sup>23</sup> Halliday, Pacewicz, and Block-Lieb 2013.

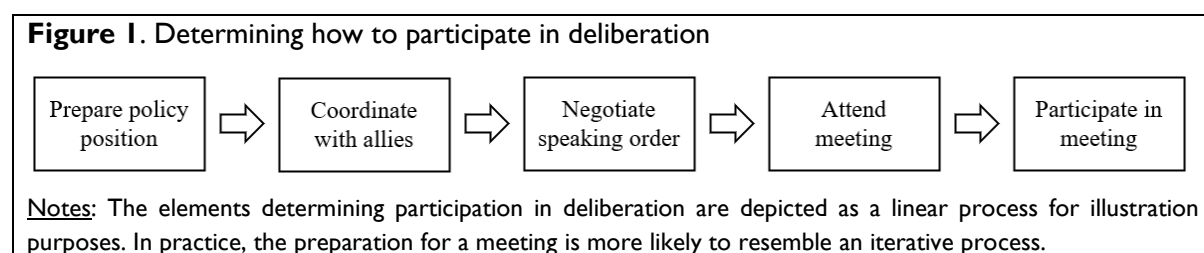
<sup>24</sup> Block-Lieb and Halliday 2017.

<sup>25</sup> Holmes 2013; Linos and Pegram 2016.

<sup>26</sup> Kentikelenis and Seabrooke 2017.

leadership, rally support, foster deliberation, or withdraw.<sup>27</sup> State representatives in world politics face constraints in terms of speaking time, order, and topic,<sup>28</sup> although the precise configuration of these varies by forum. For instance, at the start of every new session at the United Nations General Assembly (UNGA), member-states can address the Assembly in the General Debate. In these speeches, state representatives observe a voluntary 15-minute time limit, the order is determined based on the level of representation, preference, and other criteria (although Brazil and the U.S. normally speak first and second, respectively), and speakers are free to express their preferences.<sup>29</sup> By contrast, in negotiations, representatives can use conversational openings only to the extent that they (broadly) speak to what has been said before.<sup>30</sup> In many governing boards, including the IMF's Executive Board, time limits and speaking order are subject to political influence, favoring the most powerful member-states.<sup>31</sup>

Drawing on these three theories, we postulate the decision-making process described in Figure 1, which summarizes the tasks that states need to consider pursuing their preferences. In day-to-day operations, states need to develop their policy position before potentially exchanging ideas informally with their allies. Depending on the institutional context, powerful member-states may also be able to negotiate the speaking order. As discussed above, this is important since earlier speakers have more power in determining the topic of the discussion. Subsequently, speakers attend the meeting (or not) and participate in those to express their preferences, debate with other speakers, and seek a solution to the problem at hand.



Although the decision-making process of states itself is unobservable, we suggest we can infer the individual elements from the official records of meeting transcripts *ex post*. Indeed, practitioners are cognizant of these dynamics and valorize strategies to overcome these constraints, as the following quote from a former IMF Executive Director illustrates:

<sup>27</sup> Collins 2014, 196.

<sup>28</sup> Gibson 2000; Gibson 2003; Gibson 2008.

<sup>29</sup> Baturo, Dasandi, and Mikhaylov 2017; United Nations 2020.

<sup>30</sup> Gibson 2000; Gibson 2003.

<sup>31</sup> IEO 2018; Lipsy and Lee 2019.

One of the biggest things in the IMF boardroom is when you interjected: the order of your initial statement and then when you came in to comment. If you were trying to cram it down people's throats, you could be [among] the first speakers. If you were going to let three or four countries carry the bag for you and then come it at the end and say "Aha! And the United States says...", you could do that. All of that was carefully crafted, it was not by chance.

*Interviewer:* So, the order of speakers was negotiated in advance?

Yes, you call up and you ask to get yourself on the slot. But if you have a game plan, you figure out what time you wanna be on the slot. So, you tell the Secretary's office, we wanna be speaker 12, 3... And we have already coordinated with the Italians or somebody else to go before us. [...] It didn't always work out, but that was the attempt.

There is also evidence that other member-states recognize the importance of speaking order. A comment by the Austrian Executive Director Hans Prader in a meeting pertaining to a request for a Stand-By arrangement with Iraq illustrates this:<sup>32</sup>

I finally understand why Mr. Shaalan [Executive Director for Iraq] makes his concluding remarks at the beginning of the meeting. His explanation is that he has spent a lot of time in the staff and he knows that if you want to influence a meeting you have to say the relevant things at the beginning and not at the end.

In Table I, we describe these four strategies and suggest an operationalization to infer them from text. First, characteristic of leadership governance is that states overtly exercise power and thus account for a large share to communicate their preferences. By contrast, states may pursue their preferences indirectly by relying on a network of allied states to carry the weight of the discussion. In both leadership and network governance, states have well-defined preferences. In situations in which preferences are yet to be fully developed, such as may be the case in newly emerging topics characterized by high uncertainty, member-states may exercise open governance. Finally, we label as weak governance those instances where states refrain from engaging in intense debates.<sup>33</sup>

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<sup>32</sup> IMF 2010, 46.

<sup>33</sup> These four strategies are mutually exclusive, but not collectively exhaustive. Meetings in which representatives from powerful member-states are amongst the first five speakers, but do not extensively comment (i.e., not placed in top quintile) are not captured by our typology of state behavior.

**Table 1.** Measuring states' strategies

<i>Strategies</i>			
<i>Leadership</i>	<i>Network</i>	<i>Open</i>	<i>Weak</i>
States engage in overt politics and lead debates to pursue their preferences.	States use clandestine politics to pursue their preferences, where states affirm the views of their allies.	States engage in open deliberation to develop their preferences.	States abstain from pursuing or developing their preferences in deliberation.
<i>Operationalization</i>			
Positioned among the top 5 speakers	Any speaker position	Positioned outside the top 5 speakers	Positioned outside the top 5 speakers
Length of speaker comments in top quintile of participants	Affirmation of allies' expressed views	Length of speaker comments $\geq$ proportionate representation	Length of speaker comments $<$ proportionate representation
-	Not leadership governance	Not network governance	Not network governance
<i>Notes:</i> Proportionate representation refers to the total length of the meeting divided by the number of constituencies potentially attending a meeting, i.e., reflecting the length of comments if the speaking time was distributed uniformly across all chairs.			

We empirically investigate these modes of governance in the context of the IMF, one of the leading IOs in global economic governance.<sup>34</sup> Through the Fund's lending programs and surveillance consultations, its policy advice diffuses around the globe with profound distributional consequences.

The IMF's highest decision-making authority is its Board of Governors, comprising senior policymakers—commonly, ministers of finance or central bankers—from all member-states. The Governors meet once or twice a year and are responsible for major decisions affecting the organization, like amending the founding treaty. However, the day-to-day operations of the organization are run by its resident Executive Board (henceforth 'EB'), to which the Governors have delegated extensive decision-making authorities. This includes deciding on general policy issues (like the establishment of new lending facilities), adjudicating over administrative or finance issues, conducting bilateral surveillance of countries' economic policies (so-called Article IV consultations), and discussing loan agreements. The latter two functions account for approximately half of the total discussion topics each year.<sup>35</sup> The EB, meeting approximately three times per week, is composed of 24 state representatives, known as Executive Directors, who represent one or more member-states. Countries with large voting shares have their own representative, while remaining member-states form constituencies with a common representative. The IMF's EB is an example of an intermediate

<sup>34</sup> Babb and Kentikelenis 2018.

<sup>35</sup> IEO 2008; Mountford 2008.

body, which allows powerful member-states—by virtue of appointing their own Executive Director—to wield disproportionate power.<sup>36</sup>

We utilize all EB transcripts from 3,111 discussions on low- and middle-income countries between 1995 and 2015,<sup>37</sup> yielding an adequate number of observations to be used in statistical analyses. We ended data collection in 2015, the latest year for which transcripts were available at the time of data collection. Each transcript identifies all speakers attending a meeting, the speaking-order, and the content of each individual comment. For the purposes of our analysis, we exclude comments by IMF staff and utterances of speakers representing the country-under-discussion; the former attend meetings primarily to answer questions on background papers, whereas the latter speak disproportionately due to their direct involvement in the discussion.

### 3. How powerful member-states govern the IMF

In this section, we present descriptive evidence on the strategies used by representatives of the US, Germany, Japan, France, and the UK (collectively, the G5), based on the operationalization discussed in Table 1. The US is the only country with veto power in the IMF and, as such, has repeatedly been able to further its interests through the Fund.<sup>38</sup> In addition, the US merits detailed discussion due to its role in world politics as the hegemon.<sup>39</sup> However, the G5 also regularly act as collective principal and together, these five countries command more than 35% of the IMF's votes.<sup>40</sup>

Out of the total of 3,111 discussions on developing countries between 1995 and 2015, delegates of the US participated in 2,870 (or 92.2%) of meetings. By contrast, Japan contributed in less than two of every three meetings (2,000, or 64.3%), following established logics of “emphasizing consensus building behind the scenes rather than aggressively seeking the limelight.”<sup>41</sup> As depicted in Figure 2, the US exercised leadership in 16.0% of all meetings during the two decades under consideration. This is almost as much as all other G5 countries together—Germany (5.8%), Japan (2.6%), France (5.8%), and the UK (5.2%). Further, while the most prevalent strategy for the US is open deliberation, the other major member-states are most likely to engage in weak participation. All of which is consistent with the unique role that the US plays in the IMF. Finally, the relative high incidence of coordination by France (16.6%) and the UK (16.8%) is also noteworthy, which is in fact mutually constitutive—between 2005 and 2015, these two countries have issued more than 120 joint-statements.

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<sup>36</sup> Koppell 2010.

<sup>37</sup> Forster, Honig, and Kentikelenis 2022.

<sup>38</sup> Stone 2011; Kentikelenis and Babb 2019.

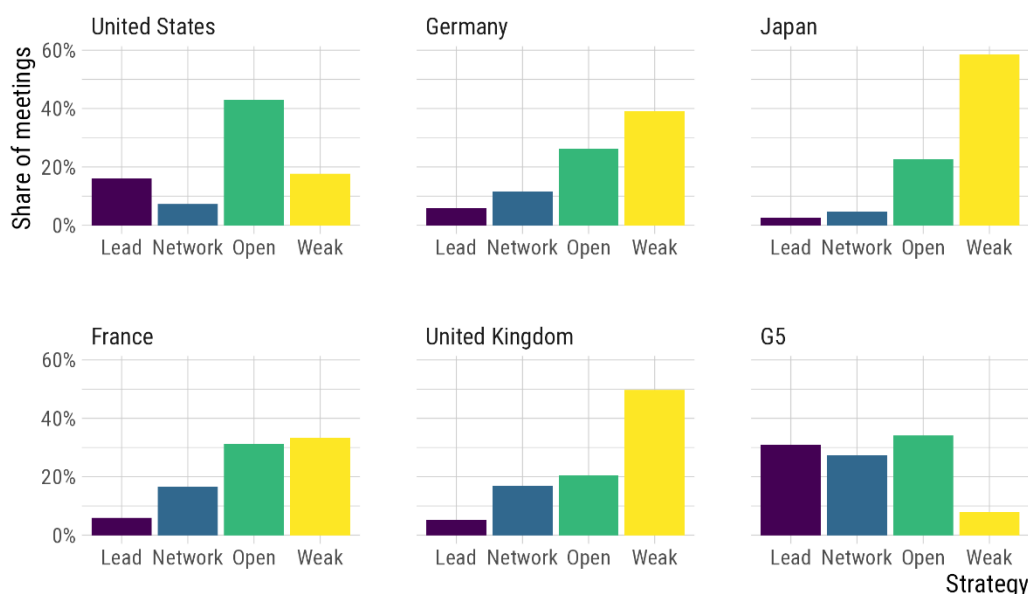
<sup>39</sup> Layne 2006; Layne 2009.

<sup>40</sup> Copelovitch 2010.

<sup>41</sup> Lipsy 2020, 115.



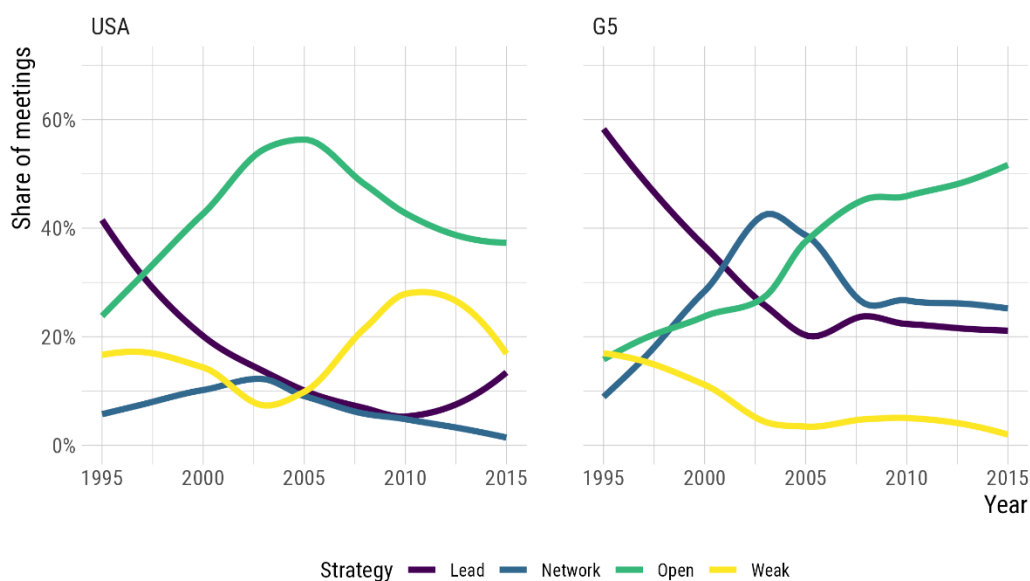
**Figure 2.** How powerful member-states behave in the IMF Executive Board



**Notes:** All 3,111 formal EB meetings pertaining to low- and middle-income countries between 1995 and 2015 are included. G5 strategies are defined if at least one country exercised leadership, network, open, or weak strategies, with more dominant strategies taking precedence (i.e., if the US engaged in leadership and Japan deliberated openly, the meeting is classified as ‘Leadership’).

Next, we focus on variation over time. Figure 3 depicts the strategies by representatives from the US and the G5 separately. In 1995, the US exercised leadership in more than 2 out of 5 meetings; members of the G5 collectively did so in almost 3 out of 5 meetings. Over time, however, the dominant behavior by the US declined quickly and remained low until very recently. In place of leadership governance, the share of meetings in which the US engaged in open discussions or in which it participated only marginally (weak governance) have increased. Importantly, the behavior of the G5 is driven mostly by the US; that is, we see a comparable decline of leadership over time. Between 2000 and 2005, the G5 were considerably more likely to use coordination. Overall, the four strategies are consistent with the literature on recent developments in global governance, including the declining power of the hegemon (possibly indicating that the US failed to cultivate the relevant networks in view of the rise of emerging markets), lower demand for IMF services post-2000, and increased calls for transparency—which may induce powerful member-states to revert to behind-the-scenes coordination as opposed to overt leadership.

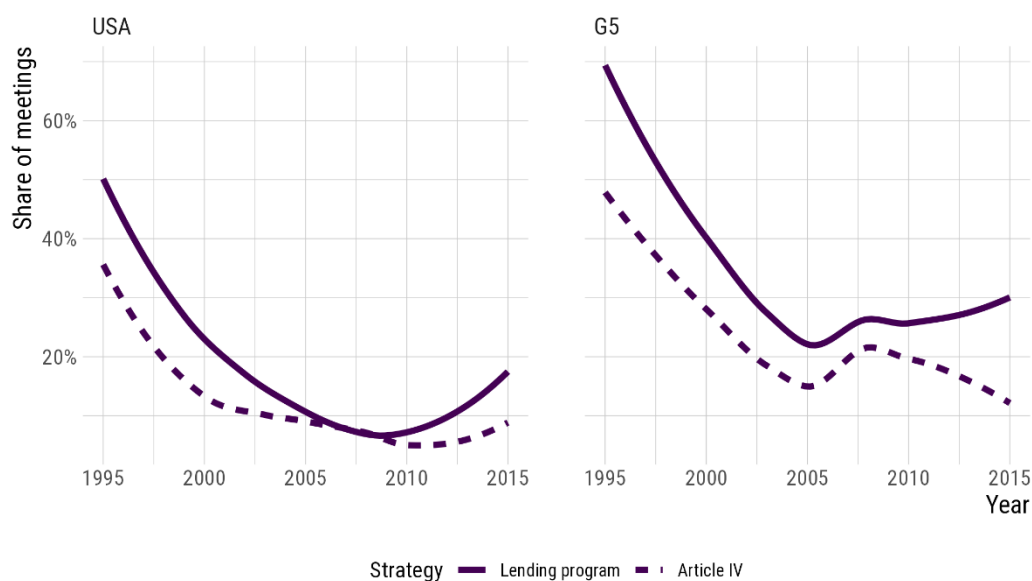
**Figure 3.** US and G5 strategies over time



Notes: All 3,111 formal EB meetings pertaining to low- and middle-income countries between 1995 and 2015 are included. Strategies are aggregated by year and fitted lines are estimated using locally-weighted regression.

Finally, we present evidence on differences between lending programs and Article IV consultations in Figure 4. The latter are periodic assessments of the public policies of IMF member-states that are conducted by the organization’s staff. The timetable for these discussions does not depend on external events, but rather to bureaucratic scheduling of the surveillance missions as per organizational mandate. While leadership declines similarly over time across both topics, there are important differences in levels for both US and G5. In the more ‘consequential’ discussions on lending programs, the decline in US power—as approximated by leadership governance—is more pronounced.

**Figure 4.** US and G5 leadership by topic



**Notes:** All 3,111 formal EB meetings pertaining to low- and middle-income countries between 1995 and 2015 are included. Leadership strategies are aggregated by year and fitted lines are estimated using locally-weighted regression.

Taken together, the overall trends of governance in the IMF identified map onto real-world events, suggesting that we can infer the micro-foundations of state action from their observable behavior in governing boards.

## 4. Why does this matter?

### 4.1 Research design

Having documented the US and G5 strategies in the IMF, we turn our attention to examine whether these matter for outcomes. To do so, we focus on one particularly contested aspect of the IMF's policy advice: the structural reforms mandated through its lending programs (so-called conditionality). Although these reforms share their orientation towards increasing the role of the market, individual lending programs differ in loan size, stringency of conditionality, and policy reforms. For example, lending programs with allies of the US and other Western member-states include less stringent conditionality.<sup>42</sup> Overall, however, the US has been a focal proponent of structural adjustment, and tends to push for the inclusion of more, rather than less, conditionality.<sup>43</sup> Extending such scholarship,

<sup>42</sup> e.g., Copelovitch 2010.

<sup>43</sup> Kentikelenis and Babb 2019; Gould 2003.

we hypothesize that the US may exercise leadership or network strategies—which we collectively refer to as a dominant strategy—to push for more stringent lending programs.

To test this conjecture empirically, we estimate the following Poisson models:

$$\begin{aligned} \text{CONDITIONALITY}_{i,t} = & \alpha + \beta_1 \text{DOMINANT GOV.}_{i,t} + \beta_2 \text{UNGA VOTING AFFINITY}_{i,t} + \\ & \beta_3 \text{ECONFUNDAMENTALS}_{i,t} + \beta_4 \text{POLINSTITUTIONS}_{i,t} + \text{FIXEDEFFECTS} + \varepsilon_{i,t} \end{aligned} \quad (1)$$

Our dependent variable, *CONDITIONALITY*, corresponds to the total number of binding conditions mandated in a lending program of country-under-discussion *i* in year *t*, and  $\alpha$  is the constant. The Fund places most weight on the implementation of binding conditions; failure to comply with binding conditions may result in delayed or deferred disbursements of loan installments.<sup>44</sup> We therefore focus on the total count of binding conditions applicable in a given year in our baseline models; in robustness checks, we also consider the total count of any conditions.

Our explanatory variable of interest is the indicator for *DOMINANT GOVERNANCE* by US representatives, i.e., a dummy which is equal to 1 if the US exercised leadership or network strategies; and 0 otherwise. We treat these two together because our argument does not hinge on whether the US pursues its preferences through direct or indirect means. Since our dependent variable is the number of binding conditions mandated by the IMF, we infer *DOMINANT GOVERNANCE* only from meetings on lending programs. In our baseline specification, we model the relationship between *DOMINANT GOVERNANCE* and *CONDITIONALITY* contemporaneously—reflecting the fact that the formal EB meeting represents the last step of a decision-making process, where a number of informal meetings may have preceded the formal decision-making. At the same time, formal EB meetings also have a crucial forward-looking function—Executive Directors also intervene to guide future proposals and behavior by staff. We therefore expect the effects to persist over the medium term. To test this conjecture, we utilize a new fixed effects counterfactual (FECT) estimator,<sup>45</sup> as discussed below.

There are many well-established determinants of conditionality in the literature,<sup>46</sup> which we control for to avoid omitted variable bias. First, we utilize voting positions in the UN General Assembly<sup>47</sup> to control for the fact that the US may attempt to reward its allies with more lenient lending programs.<sup>48</sup> Second, we consider both economic and political factors that affect the bargaining power of the IMF vis-à-vis borrowing countries. Systemically important countries, which we operationalize by GDP (log) and GDP per capita (log),<sup>49</sup> may be able to resist demands by the IMF due to potential spillover

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<sup>44</sup> Stubbs et al. 2017.

<sup>45</sup> Liu, Wang, and Xu 2022.

<sup>46</sup> see Steinwand and Stone 2008.

<sup>47</sup> Voeten 2012.

<sup>48</sup> Clark and Dolan 2021.

<sup>49</sup> IMF 2019.

effects.<sup>50</sup> Further, we approximate for political institutions by including a variable for the level of democracy because democracies tend to receive fewer conditions.<sup>51</sup> In addition, liberalizing reforms are costly to incumbents when implemented close to elections,<sup>52</sup> which is why we include a dummy variable for upcoming elections (legislative or executive). Finally, per IMF mandate, economic fundamentals of borrowing countries likely impact the number of conditions. We therefore control for current account balance (% of GDP), general government gross debt (% of GDP), and inflation (annual %).<sup>53</sup>

The control variables enter the model contemporaneously. All models cluster standard errors at the country-under-discussion. To correct for overdispersion, we estimate quasi-Poisson models. In our preferred specification, we also apply year and country-under-discussion fixed effects. The former absorbs annual shocks common to all countries, such as the global financial crisis; the latter accounts for time-invariant country-specific characteristics, such as institutional quality. However, there is an emerging methodological consensus<sup>54</sup> that such two-way fixed effects models ‘unhelpfully combines within-unit and cross-sectional variation in a way that produces un-interpretable answers’<sup>55</sup> and that it ‘does not represent a design-based, nonparametric estimation strategy for causal inference’.<sup>56</sup> The new fixed effects counterfactual (FECT) estimator promises to address this problem by imputing counterfactuals of treated observations and allowing for treatment effect heterogeneity.<sup>57</sup> In practical terms, the FECT allows us to infer the effect of dominant US strategies in the EB on conditionality over time.

## 4.2 Results

In Table 2, we present the estimates from our Poisson regressions. In Model 1, we include our variable of interest—a dummy for US leadership or network strategies—along with UNGA voting affinity between the US and the country-under-discussion. In Model 2, we separately account for sources of bargaining power of the borrowing country, including economic size and political institutions. In Model 3, we control for economic fundamentals that may explain variation in the number of binding conditions as per the Fund’s mandate. In Model 4—our preferred specification—we include all these control variables. Throughout all specifications, the estimate of the coefficient on dominant governance is positive, indicating that if the US exercises leadership or coordinates its behavior with G5 allies, lending programs entail more conditionality, *ceteris paribus*. As expected, dominant strategies allow the

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<sup>50</sup> Woods 2006.

<sup>51</sup> Stone 2008.

<sup>52</sup> Alesina et al. 2020; Rickard and Caraway 2014.

<sup>53</sup> IMF 2019.

<sup>54</sup> Blackwell and Glynn 2018; De Chaisemartin and d’Haultfoeuille 2020; Imai and Kim 2021; Kropko and Kubinec 2020; Liu, Wang, and Xu 2022.

<sup>55</sup> Kropko and Kubinec 2020, I.

<sup>56</sup> Imai and Kim 2021, 405.

<sup>57</sup> Liu, Wang, and Xu 2022.

US to further its interests. Holding all variables at the mean, the estimates in our preferred specification imply that a lending program includes 5 additional binding conditions if the US exercises a dominant strategy. The mean number of binding conditions in our sample is 22; the effects are therefore also economically significant. Even though most of the controls are as expected (e.g., the point estimate on UNGA voting affinity is negative in Model 1 indicating that US allies receive better lending terms) we refrain from interpreting their point estimates.<sup>58</sup>

As discussed above, the two-way fixed effects model does not allow us to infer the effect on conditionality over time. Further, there may be methodological concerns as to the interpretation of the estimates. In Figure 5, we therefore plot the average treatment effect on the treated from the FECT estimator. The estimates similarly show that in the year in which the US exercises a dominant strategy, the number of binding conditions is expected to be higher. These models include the same controls mentioned above, but impute the counterfactuals of treated observations. Now we can see that the effect of US leadership persists over several years—notice that the number of observations three years after the treatment is very low and the estimates therefore become less precise. These estimates are therefore consistent with the dual role of formal decision-making: Executive Directors speak on the record and pursue preferences already expressed in informal meetings, but they also seek to influence the design of subsequent lending programs and reviews.

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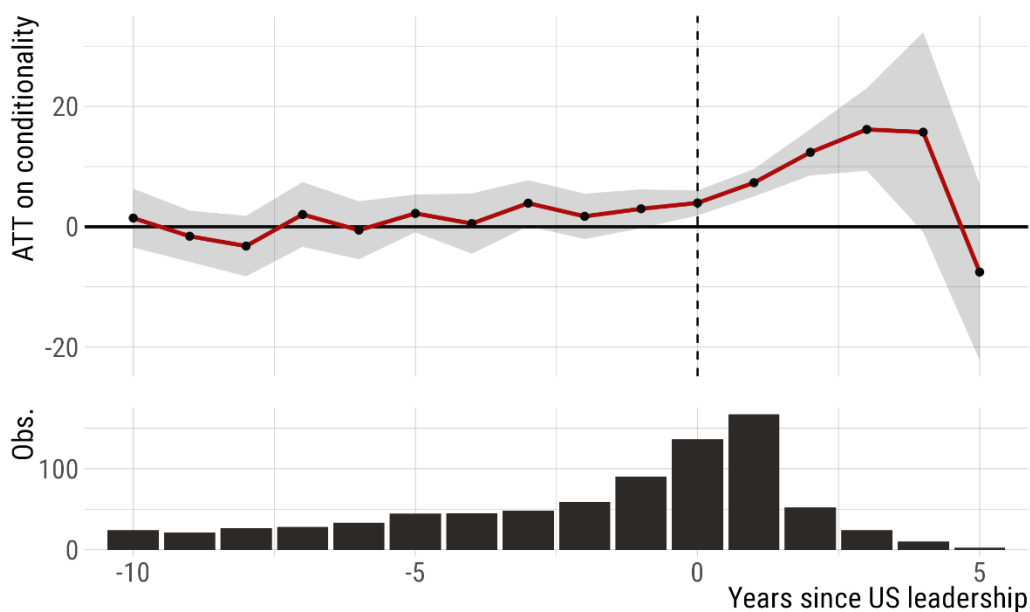
<sup>58</sup> Keele, Stevenson, and Elwert 2020.

**Table 2.** Baseline analysis: US dominant strategies and binding conditions

	<i>Dependent variable:</i>			
	Total number of binding conditions			
	(1)	(2)	(3)	(4)
<b>US dominant governance</b>	<b>0.239***</b> <b>(0.040)</b>	<b>0.244***</b> <b>(0.040)</b>	<b>0.217***</b> <b>(0.040)</b>	<b>0.207***</b> <b>(0.042)</b>
UNGA affinity with US	-0.548* (0.325)			0.122 (0.466)
UN Security Council membership		-0.058 (0.060)		-0.086 (0.071)
GDP (log)		-0.037 (0.162)		0.489 (0.365)
Democracy index		-0.330 (0.226)		-0.251 (0.222)
Upcoming elections		-0.001 (0.001)		-0.097*** (0.034)
GDP per capita (log)			-0.184 (0.148)	-0.545* (0.281)
Current account balance (% of GDP)			0.0004 (0.003)	0.001 (0.003)
General govt. gross debt (% of GDP)			0.003* (0.002)	0.003 (0.002)
Inflation (annual %)			0.0001 (0.0005)	0.001 (0.0004)
Estimation	Poisson	Poisson	Poisson	Poisson
Country-under-discussion FEs	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Observations	1,804	1,755	1,563	1,417

**Notes:** Standard errors in parentheses, clustered on discussion country. \*p<0.1, \*\*p<0.05, \*\*\*p<0.01

**Figure 5.** US dominant strategies and IMF conditionality over time



Notes: Years since US leadership refers to either leadership or network strategies. The underlying model is specified as the baseline model (see Table 2). The 10 years prior to the treatment indicate that there are no pre-trends—no statistical significant difference between treated units and imputed counterfactuals.

We also subject these results to a number of robustness checks. In Table 3, we re-estimate the Poisson models using the total count of conditions as our dependent variable (rather than the subset of binding conditions). Our results are substantively the same.



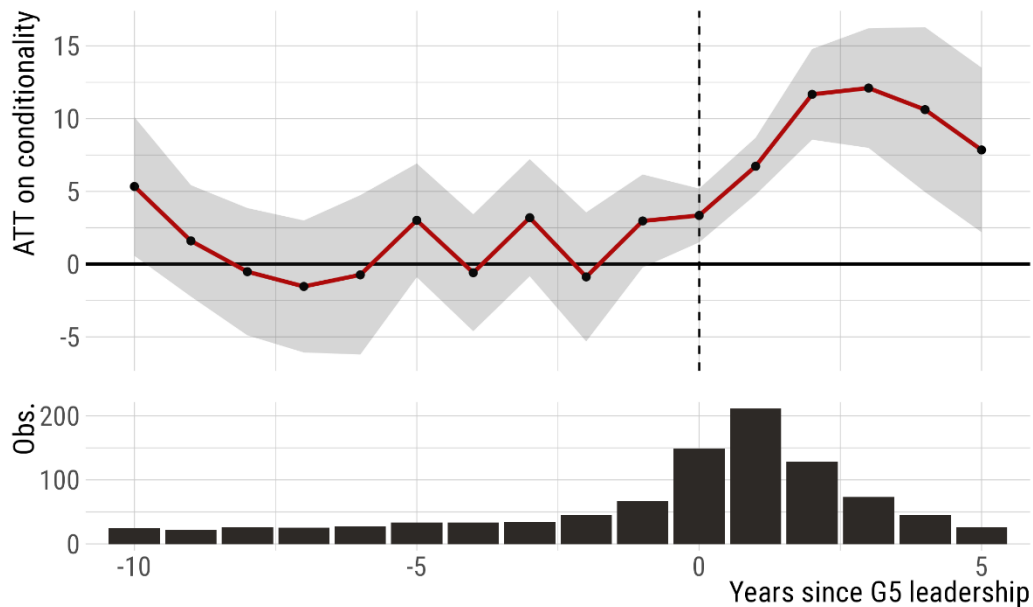
**Table 3. Robustness: US dominant strategies and total conditions**

	<i>Dependent variable:</i>			
		Total number of conditions		
	(1)	(2)	(3)	(4)
<b>US dominant governance</b>	<b>0.193***</b> <b>(0.034)</b>	<b>0.188***</b> <b>(0.034)</b>	<b>0.185***</b> <b>(0.036)</b>	<b>0.180***</b> <b>(0.036)</b>
UNGA affinity with US		-0.225 (0.258)		
UN Security Council membership			-0.075 (0.055)	
GDP (log)			-0.176 (0.126)	
Democracy index			-0.015 (0.200)	
Upcoming elections			-0.0003 (0.001)	
GDP per capita (log)				-0.247* (0.127)
Current account balance (% of GDP)				0.001 (0.002)
General govt. gross debt (% of GDP)				0.002 (0.002)
Inflation (annual %)				0.0001 (0.0003)
Estimation	Poisson	Poisson	Poisson	Poisson
Country-under-discussion FEs	Yes	Yes	Yes	Yes
Year FEs	Yes	Yes	Yes	Yes
Observations	1,804	1,755	1,563	1,417

**Notes:** Standard errors in parentheses, clustered on discussion country. \*p<0.1, \*\*p<0.05, \*\*\*p<0.01

In Figure 6, we present the FECT estimator applied to G5 leadership and network, as opposed to a singular focus on the US. Again, the results remain very similar. In fact, the effects seem to persist a little bit longer. We believe this indicates that the collective power of the G5 is larger than that of the US alone.

**Figure 6.** G5 dominant strategies and IMF conditionality over time



**Notes:** Years since G5 leadership refers to either leadership or network strategies by any of the G5 representatives. The underlying model is specified as the baseline model (see Table 2). The 10 years prior to the treatment indicate that there are no pre-trends—no statistical significant difference between treated units and imputed counterfactuals.

## 5. Discussion and Conclusion

In the absence of voting records, we have limited insights into how states pursue their preferences in international organizations. By developing a typology of strategies and measuring them for the US and the G5 in the IMF, this study enriches our knowledge of governance of international organizations. Our theoretically-motivated typology draws on scholarship in international relations, economic sociology, and conversation analysis. In addition, they speak to distinct literatures in political science. By discussing leadership, we provide a possible mechanism to explain results from large  $N$ -analyses that rely on country-level proxies for the power and interests of member-states.<sup>59</sup> Network governance operationalizes informal governance of powerful member-states and therefore facilitates an integration of both qualitative and quantitative approaches to questions of the governance and

<sup>59</sup> Dreher, Sturm, and Vreeland 2009b; e.g., Copelovitch 2010.

decision-making of international organizations.<sup>60</sup> We also recognize that strategic interests of powerful member-states may recede to the background. Future research can elaborate on both the determinants of open governance as well as the conditions under which such discussions lead to different outcomes, thereby advancing scholarship in deliberative democracy.

Our analyses offer three key lessons. First, our findings elaborate on how powerful member-states pursue their preferences in international organizations. The strategies introduced plausibly extend to other settings, too, such as non-governmental organizations,<sup>61</sup> benchmarking,<sup>62</sup> and hybrid forms of governance such as private transnational regulatory organizations.<sup>63</sup> Further, forms of deliberation are important to understand in a period in which intergovernmental organizations are opening up.<sup>64</sup> The ordering discussed is also important in how states maintain hierarchies<sup>65</sup> and how leadership is exercised to stabilize hegemonic orders, including their ideological underpinnings.<sup>66</sup>

Second, our findings suggest a relationship between leadership dynamics in IMF Executive Board discussions and the global economic system. In particular, US leadership is more prominent when access for middle-income to international lending is more restricted. We can estimate this through a simple measure on the interest rate of new external debt for low- and middle-income countries for our time period, 1985-2015. Simply put, as lending becomes easier through lower interest rates, the US leads less.<sup>67</sup>

Third, our findings speak to recent policy debates beyond international institutions. For instance, the Obama doctrine of 'leading from behind' is testimony to counter-hegemonic tendencies in foreign policy.<sup>68</sup> Our strategies anticipated such dynamics in the realm of global economic governance.

Why does it matter? Our evidence on the IMF suggests that the strategies introduced are associated with changes in the design of IMF programs, and are therefore valuable to understand state action in world politics. The IMF's Executive Board is part of the structure underpinning global economic governance, rather than merely an individual actor. Our analysis has therefore important implications for the regulation and legitimacy of the global economic system. By developing how powerful member-states pursue their preferences, scholars, policy-makers, and civil society actors can direct their attention to the workings of international organizations in practice, thereby complementing approaches that focus on the formal distribution of power.

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<sup>60</sup> Stone 2013.

<sup>61</sup> Stroup and Wong 2017.

<sup>62</sup> Kelley and Simmons 2019.

<sup>63</sup> Abbott, Green, and Keohane 2016.

<sup>64</sup> Tallberg et al. 2013.

<sup>65</sup> Pouliot 2016; Mattern and Zarakol 2016.

<sup>66</sup> Allan, Vucetic, and Hopf 2018; Mattern and Zarakol 2016.

<sup>67</sup> Gallagher 2015; Kentikelenis and Seabrooke 2017.

<sup>68</sup> Löffmann 2019.

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