

# European or American? A re-examination of the transatlantic influence over the IMF

GV499 Dissertation

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- The International Monetary Fund (IMF) and the World Bank were established toward the end of World War II as part of the Bretton Woods agreement in 1944 (Jensen, 2004).
- Believed US dominance in the beginning,
- “Gentlemen’s agreement”: the IMF managing director being a European, and the World Bank president being an American (Keating, 2024; Weiss, 2023).

Who has more influence over the IMF, the US or Europe?

- US?
  - HQ in the US
  - US veto power
  - US hegemony
  - US deputy
  - Case Study: Mexico
- Europe?
  - European managing director
  - Case Study: Euro Crisis
- Difficulties in comparison
  - Consensus-based governance
  - closed-door negotiations

- Data source/empirical inspiration: Lipsky & Lee (2018) (1980-2010)
  - but their focus is the effect on self-insurance
  - did not separate Europe from the US - 'Western influence'
- Proxies for influence (merged through PCA)
  - IMF direct: nationals employed as economists, IMF quota.
  - US: UN affinity score with US, trade volume with US, US bank lending
  - European: UN affinity score with European powers, trade volume with European powers, European bank lending

- Dependent variables
  - IMF loan to GDP ratio
  - IMF participation rate
  - IMF loan approval
  - IMF conditions
- Independent variables
  - IMF influence (used by Lipsky & Lee (2018) and separated by me into EU, US and IMF)
  - GDP
  - Growth
  - Reserves
  - OECD
- Hypotheses
  - $H_0$ : No difference in the influence of US and Europe over the IMF.
  - $H_1$ : Either the US or EU has more influence over the IMF.
  - Test of equality of the US and EU coefficients.

# Results from (Lipsy & Lee, 2018)

	<i>Tobit: IMF loan to GDP ratio (%)</i>	<i>Tobit: IMF participation rate</i>	<i>Probit: IMF loan approval</i>	<i>Tobit: Total number of IMF conditions</i>
IMF INFLUENCE (PCA VARIABLE)	1.27* (0.33)	0.28* (0.07)	0.55* (0.18)	-4.00* (1.94)
GDP	0.64 (0.57)	0.40* (0.14)	0.94* (0.32)	32.94* (10.83)
GDP <sup>2</sup>	-0.06 (0.03)	-0.02* (0.01)	-0.05* (0.02)	-1.43* (0.51)
GDP PER CAPITA	0.57* (0.17)	0.15* (0.04)	0.38* (0.11)	-1.52 (1.95)
GDP PER CAPITA <sup>2</sup>	-0.07* (0.02)	-0.02* (0.01)	-0.05* (0.01)	0.23 (0.24)
ANNUAL PER CAPITA GDP GROWTH	-0.14* (0.04)	-0.03* (0.01)	-0.05* (0.02)	-0.58 (0.34)
RESERVES	-0.16* (0.06)	-0.03* (0.01)	-0.09* (0.03)	-0.41 (0.41)
OECD	-1.59 (1.11)	-0.50* (0.23)	-1.22* (0.55)	18.66* (4.00)
<i>Constant</i>	-0.24 (2.71)	-1.53* (0.65)	-4.12* (1.47)	-116.39* (53.53)
<i>Observations</i>	517	522	522	93

# Preliminary Results

	Tobit: IMF loan to GDP ratio	Tobit: IMF participation rate	Probit: IMF loan approval	Tobit: number of IMF conditions
US Influence	0.175 (0.229)	0.083 (0.051)	0.135 (0.136)	-2.191 (1.857)
EU Influence	1.403*** (0.405)	0.333*** (0.093)	0.701* (0.346)	0.911 (4.148)
IMF Influence	0.776** (0.283)	0.129* (0.059)	0.236 (0.147)	-4.241 (2.740)
GDP	0.173 (0.610)	0.373* (0.152)	0.883** (0.326)	32.598** (11.344)
GDP <sup>2</sup>	-0.028 (0.033)	-0.021** (0.008)	-0.048** (0.018)	-1.383* (0.540)
GDP <sub>pc</sub>	0.676*** (0.187)	0.157*** (0.044)	0.382** (0.116)	-1.706 (2.220)
GDP <sub>pc</sub> <sup>2</sup>	-0.078*** (0.021)	-0.019*** (0.005)	-0.047*** (0.011)	0.236 (0.256)
GDP <sub>pc</sub> growth	-0.147*** (0.042)	-0.030*** (0.008)	-0.052* (0.022)	-0.526 (0.321)
Reserves	-0.170** (0.060)	-0.034** (0.012)	-0.088** (0.034)	-0.245 (0.401)
OECD	-1.728+ (1.021)	-0.572** (0.221)	-1.387* (0.609)	15.252** (5.041)
(Intercept)	0.865 (2.957)	-1.654* (0.703)	-4.410** (1.518)	-116.597* (55.753)
US=EU	[ <i>p</i> = 0.011]	[ <i>p</i> = 0.016]	[ <i>p</i> = 0.136]	[ <i>p</i> = 0.551]
<i>N</i>	517	522	522	93
Std.Errors	by: Country	by: Country	by: Country	by: Country

+ *p* < 0.1, \* *p* < 0.05, \*\* *p* < 0.01, \*\*\* *p* < 0.001

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