American Influence in the International Financial Institutions

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Abstract
This study uses descriptive statistics to test whether the United States is able to use its formal and informal influence in the manner Stone suggests. The first task was to gather data on all items the United States did not support in the MDBs. Data were obtained from Strand and Zappelli’s (2013) study, and the U.S. Department of Treasury data to create a dataset with over 12,000 positions taken by the U.S. in the MDBs. A dataset of those items the U.S. did not support was created, resulting in over 1,500 individual positions taken by the U.S. over the period of 2004 to 2011. Using empirical data analysis to examine the outcome of loans not supported by the U.S., the study tracks loan information from several different IOs. Information was gathered by searching project databases for the MDB examined in this study. For the World Bank, its project database included both the IBRD and the IDA. Data on other MDBs loan projects were gathered from individual sites for MIGA, the IFC, and the various regional development banks. The dataset contains several columns of data needed for this study. The first column in the file is the date the item was considered. The second column is the IO and the third column is the specific lending window. Then the country, project title, and project number, if available, are listed. The key data for this study is the status of loan and other items considered by the MDBs. If an item opposed by the U.S. ultimately passed, the variable was coded “1” and if the item did not pass the variable was coded “0”. To determine if an item passed or not, an attempt was made to track the exact dates, amount, and country. If it was unsure, the study’s mentor looked into it. In total there were 1,217 items that have been coded and verified. Stone’s theory and the conventional wisdom suggest that if the U.S. does not support a loan or other items that we would expect that item not to be approved. Preliminary analysis of items coded to date reveals that more than 50% of the items not supported by the United States still passed. The first column is total votes that lending window made within that particular year, the second column portray the amount of items that passed, the third column portrays items that failed, the fourth column contains percentage of items that passed, and the last column is the year in which the loan requests were brought forth. To better provide a more accurate analysis of the overall loans that were passed without U.S. support on a year-to-year basis, the total pass percentage rates of each lending window by each year together were added. By combining the pass percentages of the WB, BRD, IDA, IFC, MIGA, EBRD, IDB, and ADB the following average totals were produced: 54.37% for 2004, 51.1% for 2005, 63.23% for 2006, 70.41% for 2007, 58.13% for 2008, 67.97% for 2009, 69.87% for 2010, and 54.04% for 2011. As seen by these statistics, more than half of the loan requests brought forth to these IOs are passed with either the U.S. abstaining or voting against them. The pass rate seemed to only increase for four consecutive years until it had hit another low in 2008 and then rose back up for two years until it dropped again in 2011.

Methodology
Using the pass percentages for the year-by-year statistics from the descriptive data analysis, the research question can now be answered: whether or not the United States is able to block loans and other items that it does not support. Clearly the results are mixed across the various lending windows, but given the results the U.S. has not been able to block unsupported items. This conclusion runs counter much of the conventional wisdom. Moreover, as the data shows, the U.S.’ informal influence may be declining. More than half of unsupported loans and other items passed within the World Bank and the regional development banks in 2004, the first year that loan data became available from the U.S. Treasury. It is interesting to note that the loan passing rate within these IOs continued to gradually rise until 2008 where it dipped from 70.41% to 58.13%. This could have been caused by the Great Recession in the U.S. and the European Debt Crisis that both dramatically weakened the world economy. Other indicators behind these annual passing rates are bilateral trade relations, regime need, and regime type in which the U.S. strongly supported. If the host country requesting the loan did not align with any of these categories then there was much lower support from the U.S. if any.

Conclusion
As the world becomes more globalized and the prosperity of new, rising powers begins to challenge that of long-standing powers, many scholars and policy-makers have begun to examine America’s place in the global political economy. Ongoing changes in the world political economy such as the flourishing economies in the BRICS countries (Brazil, Russia, India, China, and South Africa), continued integration in Europe, as well as questions about economic policies derived from American dominated neoliberal ideology have raised many doubts regarding how long the United States can remain the world leader. The conventional wisdom holds that the United States has enough influence in these international organizations to both pass items the U.S. supports and block items that it opposes. This broader context of influence within international financial institutions leads to the more specific research question addressed in this study: is the United States able to block loans and other items that it does not support? Clearly the results are mixed across the various lending windows, but given the results the U.S. has not been able to block unsupported items. This conclusion runs counter much of the conventional wisdom.

Literature Review
Over the years IOs have become significant actors in international politics and states remain the fundamental actors in IOs. Stone’s model of formal governance explains why weaker states participate in IOs even if the policies simply reflect the preferences of the powerful. Through informal governance, weak and powerful states mutually cooperate with both parties benefiting. The weak states have ample authority within the formal governance structure to provide them meaningful voices within the IOs and benefit from their policies enacted by the leading states. Powerful states on the other hand realize that IOs are only useful to them when they elicit voluntary participation; hence they are willing to share power. Unfortunately, the most powerful states participate only when they are assured that they can assume control when they deem that their core interests are affected. Informal governance itself continues to struggle constantly because of the leading states’ ability to override policy. Stone’s model is a cycle of balance and it better helps explain the reason why weak and powerful states cooperatively exist within IOs, which ultimately helps explain the U.S.’s dominant influence within IOs like the MDBs and the IMF.

References