The Power of International Bureaucrats

Individual-level Evidence from IMF Mission Chiefs

Valentin Lang ¹
Lukas Wellner ²,³
Alexander E. Kentikelenis ⁴

¹ Mannheim University
² University of Göttingen
³ Heidelberg University
⁴ Bocconi University

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Motivation

New IMF delegate Luis Cubeddu is knowledgeable in Argentina since he was in Buenos Aires between 2002/04, during a similar financial pre-default situation.

The International Monetary Fund has named as head of its mission in Argentina, Luis Cubeddu, 53, replacing Italian born Roberto Cardarelli. Cubeddu is knowledgeable in Argentina since he was in Buenos Aires between 2002/04, during a similar financial pre-default situation, as a member of the IMF representation.

"To ensure a fluid transition and continuity in the current IMF mission negotiations, Roberto Cardarelli will remain in Buenos Aires during this period.

The decision to reassign the Venezuela born economist to Argentina is part of the IMF routine rotation of its top staff, and takes advantage of the current political transition that has frozen all negotiations with Argentina, according to sources from the multilateral organization."
Motivation

Who controls international organizations?

- **Powerful governments** introduce political biases in decisions of IOs
  Kilby 2009, Schneider and Tobin 2013, Carter and Stone 2015,
  Kersting and Kilby 2016, Clark and Dolan 2021, Dreher et al. 2022

- **Independent, technocratic bureaucracy** as main counterweight

- **The real but constrained power of IO bureaucracies:**
  - Governments interfere informally when strategic interests are at stake
  - IO bureaucracy ensures adherence to formal rules in normal times

⇒ But are international technocrats politically neutral?
International organizations: theories on IO staff

Principal-Agent Theory
- IO staff as agents  
  Nielson and Tierney 2003, Hawkins et al. 2006
- High supervision costs and imperfect control leads to agency slack

Public Choice Theory
- IO staff as rent-seekers  
  Vaubel 1986, 2006
- Bureaucratic incentives to expand remit and power

Organizational Sociology
- IO staff derive power from rational-legal authority and from expertise
- Bureaucratic cultures can lead to organizational pathologies and biases
Our argument

- IO bureaucracies are not unitary actors, bureaucrats are heterogeneous.
- IO bureaucrats are not politically neutral, they have political preferences.
- IO bureaucrats do not live up to the promise of neutrality, they introduce political biases in IO policy output.
Empirical Setting: Design of IMF Conditionality

We make use of an institutional feature of the IMF:

- For each member country, there is one member of staff with primary responsibility for the IMF's activities toward this country.
- This individual's role is particularly important when IMF conditions are designed.

The role of IMF mission chiefs

- If a country applies for a program, staff team visits the country
- Staff team is led by the mission chief (MC), who is responsible for output
- MC "needs to participate in events to make them significant."
- Approval of program by Executive Board absolves MC's "personal responsibility for getting it right." Harper 1997
H1: IO staff influence IO policy output.

Design of IMF conditions differs systematically across IMF mission chiefs.
Hypotheses

H1: IO staff influence IO policy output.
Design of IMF conditions differs systematically across IMF mission chiefs.

H2: IO staff influence IO policies according to their ideological preferences.
Political preferences of MCs affect quantity & ideological leaning of IMF conditions.
Hypotheses

**H1: IO staff influence IO policy output.**
Design of IMF conditions differs systematically across IMF mission chiefs.

**H2: IO staff influence IO policies according to their ideological preferences.**
Political preferences of MCs affect quantity & ideological leaning of IMF conditions.

**H3: IO staff influence is lower when strategic shareholder interests at stake**
IMF’s largest shareholders intervene and reduce MC discretion when strategic political interests are at stake.
Data

New IMF Mission Chief data

- New data on deployment of 835 IMF mission over time chiefs expanding Beaudry & Willems 2022
- New data on MC characteristics: gender, nationality, education, fund entry

IMF Conditionality Data

- New data on IMF conditionality:
  - Spending limits: reduction in public spending
  - Tax increase: mandating an increase in taxes
  - Pro-market: expanding the remit of markets
Mission chief deployment over time within the IMF Western Hemisphere department.
Mission chief deployment over time within the IMF Western Hemisphere department, three exemplary mission chiefs.
Estimating the Effects of Mission Chief on IMF Conditionality

- Generate “Mission Chief Fixed Effect” following Kling 2006

- How much variation of IMF conditions is explained by the MC identifiers?

\[
IMFcondition_{i,t} = \alpha_t + \delta_i + \sum_{k=1}^{m} \beta_k MC^k_{i,t} + \epsilon_{i,t}
\]  

- \(IMFcondition_{i,t}\): the (number and type of) conditions for country \(i\) in year \(t\)
- \(\alpha_t\): year fixed effects, \(\delta_i\): country fixed effects
- \(MC^k\) are the MC fixed effects, indicating who is responsible for country \(i\) in year \(t\)
- The \(\beta_k\)'s estimate the effect of MC \(k\).
Results (H1)

H1: IO staff influence IO policy output.

The design of IMF conditions differs systematically across IMF mission chiefs.

<table>
<thead>
<tr>
<th></th>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DV: Number of Conditions per IMF Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>MC^k FE</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Wald F-stat</td>
<td>15.9</td>
<td>5.1</td>
<td>3.2</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Wald p-value</td>
<td>0.00000</td>
<td>0.00000</td>
<td>0.00000</td>
<td>0.00000</td>
<td>0.00000</td>
</tr>
<tr>
<td>Observations</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
<td>994</td>
</tr>
<tr>
<td>Year FE</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Country FE</td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Region-year FE</td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Macroeconomic controls</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>R^2</td>
<td>0.436</td>
<td>0.487</td>
<td>0.627</td>
<td>0.695</td>
<td>0.701</td>
</tr>
<tr>
<td>R^2 without MC^k FE</td>
<td></td>
<td>0.198</td>
<td>0.436</td>
<td>0.517</td>
<td>0.521</td>
</tr>
</tbody>
</table>

We regress the number of conditions on the MC specific dummy variables and test for joint significance of the dummies. As the p-values show, the mission chief specific dummies are jointly significantly different from zero.
Estimating the Effect of the Mission Chief’s Bias

Problem: MC fixed effects contain information from country \( i \) itself
Solution: Leave-One-Country-Out Procedure (Jackknife)

Jackknife

Estimate (1) with MC’s previous and future appointments in countries \( j \neq i \):

\[
IMF\text{conditions}_{j,t} = \alpha_t + \delta_j + \sum_j \gamma_{k,i} MC_{j,t}^k + \epsilon_{j,t}, \forall j \neq i
\]

Store \( \gamma_{k,i} \) as \( MCbias_{i,t}^k \): the mission chief’s bias towards a specific type of conditionality

Test if the mission chief’s bias predicts conditions

\[
IMF\text{conditions}_{i,t}^k = \alpha_t + \delta_i + \beta MCbias_{i,t}^k + \epsilon_{it}
\]
Data structure: jackknife
Data structure: mission chief bias
Results (H2)

H2: IO staff influences IO policies according to their ideological preferences

The political preferences of IMF MCs affect the quantity (H2a) of IMF conditions.

<table>
<thead>
<tr>
<th></th>
<th>(1) All conditions</th>
<th>(2) (ln)</th>
<th>(3) Scope all conditions</th>
<th>(4) Scope hard conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MC Bias</strong></td>
<td>0.0770*** (0.0260)</td>
<td>0.0679*** (0.0258)</td>
<td>0.304*** (0.101)</td>
<td>0.300*** (0.0950)</td>
</tr>
<tr>
<td><strong>Observations</strong></td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
</tr>
<tr>
<td><strong>R-squared</strong></td>
<td>0.371</td>
<td>0.454</td>
<td>0.533</td>
<td>0.606</td>
</tr>
<tr>
<td><strong>Mean DV</strong></td>
<td>37.509</td>
<td>37.509</td>
<td>6.113</td>
<td>6.113</td>
</tr>
<tr>
<td><strong>Country FE</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Year FE</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Region-year FE</strong></td>
<td>.</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

We regress the number of conditions on the MC bias measure. Scope of conditions counts the number of different policy areas of an IMF program. Treatment variable is our MC bias measure calculated with country and year fixed effects. As can be seen, MCs affect the quantity of IMF conditions.
## Results (H2)

### H2: IO staff influences IO policies according to their ideological preferences

The political preferences of IMF MCs affect the quality (H2b) of IMF conditions.

<table>
<thead>
<tr>
<th></th>
<th>(1) Debt</th>
<th>(2) Finance</th>
<th>(3) Governance</th>
<th>(4) External</th>
<th>(5) Privatization</th>
<th>(6) Austerity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MC Bias</strong></td>
<td>-0.0114</td>
<td>-0.00234</td>
<td>0.0653**</td>
<td>0.0523**</td>
<td>0.0723***</td>
<td>0.0715**</td>
</tr>
<tr>
<td></td>
<td>(0.0397)</td>
<td>(0.0383)</td>
<td>(0.0285)</td>
<td>(0.0235)</td>
<td>(0.0258)</td>
<td>(0.0301)</td>
</tr>
<tr>
<td><strong>Observations</strong></td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
</tr>
<tr>
<td><strong>R-squared</strong></td>
<td>0.338</td>
<td>0.384</td>
<td>0.556</td>
<td>0.683</td>
<td>0.456</td>
<td>0.419</td>
</tr>
<tr>
<td><strong>Mean DV</strong></td>
<td>2.025</td>
<td>1.676</td>
<td>0.638</td>
<td>0.973</td>
<td>0.365</td>
<td>0.205</td>
</tr>
<tr>
<td><strong>Country FE</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Region-year FE</strong></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

Dependent variables are indicated in column titles. In all columns, we subset the number of conditions used to calculate the MC bias to hard conditions in the respective policy area. The effect is driven by non-core IMF policy areas.
H2: IO staff influences IO policies according to their ideological preferences

The political preferences of IMF MCs affect the quality (H2b) of IMF conditions.

<table>
<thead>
<tr>
<th></th>
<th>(1) Spending limit</th>
<th>(2) Tax increase</th>
<th>(3) Pro-market</th>
</tr>
</thead>
<tbody>
<tr>
<td>MC Bias</td>
<td>-0.0231 (0.0357)</td>
<td>0.103*** (0.0327)</td>
<td>0.0527** (0.0214)</td>
</tr>
<tr>
<td>Observations</td>
<td>1,097</td>
<td>1,097</td>
<td>1,097</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.608</td>
<td>0.559</td>
<td>0.471</td>
</tr>
<tr>
<td>Mean DV</td>
<td>0.898</td>
<td>0.319</td>
<td>0.256</td>
</tr>
<tr>
<td>Country FE</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Region-year FE</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

We regress the number of conditions on the MC bias measure. In all columns, we subset the number of conditions used to calculate the MC bias in 2 and 3 to hard conditions in the respective ideology area. Treatment variable is our MC bias measure calculated with country and year fixed effects. As can be seen, MCs affect the quality of IMF conditions.
**H3: IO staff influences is lower when strategic shareholder interests at stake**

Influence of MCs on conditions is lower when strategic political interests of the IMF’s largest shareholders are at stake.

We regress the number of conditions on the MC bias measure, interacting the bias with the idealpoint distance of voting similarity with the US in the UN General Assembly. The marginsplot indicates that staff influence is larger where states vote against the US, indicating that conditional delegation increases staff influence.
Conclusion

The Power of International Bureaucrats

- International bureaucrats are **influential** actors.
- IO bureaucrats are not neutral, they have **political** preferences.
- IO bureaucracy is not a unitary actor, bureaucrats are **heterogeneous**.
- Bureaucrats **bias IO policy output** according to their political preferences.
Thank you.
lukas.wellner@uni-goettingen.de  elwellner