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In a refreshing way the *Review of International Organizations* unites scholars across academic disciplines—particularly economics and political science. This often leads to synergistic exchanges among researchers who share substantive interests in international organizations but approach the related questions from distinct theoretical perspectives. Occasionally, however, the differences can result in disconnects and dissonance.

To me this appears to have occurred with economist Graham Bird’s (2011) review in *RIO* of political scientist Mark Copelovitch’s book, *The International Monetary Fund in the Global Economy: Banks, Bonds, and Bailouts* (Cambridge: Cambridge University Press, 2010). Bird wrote a largely negative review of the work. But my impressions were quite different, so I present here an alternative perspective. As a political scientist specializing in international financial institutions, I had read Copelovitch’s book closely and found it both insightful and a significant contribution to international political economy scholarship. For its innovative theorizing and thorough empirical analysis, I see it as one of the best books in the field of international organization.

Copelovitch reviews the economics literature on the IMF at length and praises economists for considering key political concerns, such as those reflected, among others, in recipients’ U.N. voting affinity with donors (Dreher and Sturm 2012; Dreher and Jensen 2007) and many borrower-specific political variables (Bird and Rowlands 2003). But those prior works in economics fail to address key political differences among the IMF’s donors and between the Fund staff and the donors as a group.

Copelovitch argues that the IMF is an agent—with significant leeway—that is directed by a collective principal, which is capable of coordination among members but is also prone to preference heterogeneity. The author contends that the interests of all the leading member governments on the IMF executive board—and not merely the hegemonic United States—heavily influence IMF programs. (Copelovitch uses the G-
5 as a proxy for the collective principal at the IMF, but his key results are robust to consideration of the G-7 and G-10 as well.) The politics among members of the board condition the staff’s actions, and heterogeneity of preferences among the G-5 sometimes enables the staff to pursue its goals relatively independent of donor influence.

Indeed, Copelovitch shows that the conventional focus of IMF literature on the U.S. government as dominant over the Fund or on the IMF as a runaway international bureaucracy leads to incorrect predictions about IMF action. However, an expanded view of the politics among the members of the IMF’s collective principal and between the executive board and the staff generates much more accurate estimates of IMF programs in terms of their size and rigor of conditionality. Copelovitch spends the bulk of the book testing his argument—and uncovering ample supporting evidence—through extensive statistical analysis based on original data collection and with thorough, process-tracing case studies of IMF programs for Mexico and South Korea in the 1980s and 1990s.

That a prominent economist and noted IMF scholar like Bird would overlook Copelovitch’s central contribution regarding the IMF’s collective principal may reflect a general disconnect between economics and political science on this point. The concept of a collective principal began with political scientists Kiewiet and McCubbins (1991); Mona Lyne refined the notion by applying it to voters in developing countries (2007, 2008). I had the good fortune of working with Mona Lyne and Michael Tierney to adapt the concept to international organizations (Nielson and Tierney 2003; Lyne et al. 2006, 2009). The core insight is that agents face different incentives when responding to multiple principals acting independently (think of a lawyer with many clients) as opposed to a group of principals who must coordinate their actions collectively before issuing marching orders (think of a prime minister and the majority coalition of parliamentarians in the government).

A simple thought experiment illustrates this idea. Imagine three donor governments trying to compel a multilateral development bank (MDB) to set the loan portfolio at different levels for a given developing country. If the donors are multiple principals that do not coordinate and therefore exert independent influence over the MDB, and Countries A and B want the portfolio set at $100 million but Country C prefers $700 million, the MDB staff will likely set the portfolio somewhere between $100 and $700 million. The average demand of $300 million might provide a focal point, but the actual outcome might end up being more or less depending on the preferences and autonomy of the MDB staff as well as on the relative weights the staff places on the different donor’ preferences. However, if the MDB is governed by a collective principal with majority voting, the marching orders from the winning coalition will be clear: $100 million. Formal rules can thus significantly heighten collective action.

The economics literature has overlooked this key distinction. Economics has travelled a different road, and excellent work has advanced the idea of multiple principals or what the literature calls “common agency” (see Bernheim and Whinston 1986; Dixit et al. 1997). Common agency builds on an auction framework and sees collective action among the different principals as problematic. The auction model thus has atomistic foundations and conceives of the interaction among principals as fundamentally competitive.
Alternatively, rationalist political science is more inclined to focus on the rules that bind actors together and that compel collaboration. And cooperation among the principals is at the heart of most delegation by complex principals. Among many others, examples include corporate boards delegating to executives, voters delegating to politicians, and countries delegating to international organizations. In all cases formal rules govern the interactions among principals and enable—indeed, compel—coordination.

This is the departure point for Copelovitch, and he uses the insight to derive a set of innovative hypotheses to explain the shape of IMF programs. The author emphasizes that the IMF faces a tradeoff: On the one hand, the leading donors and the Fund’s staff want to provide loans to countries facing balance-of-payments crises in order to bolster liquidity, which may avert large financial losses and possible contagion to other countries. On the other hand, the donors and IMF staff seek to avoid the moral hazard that the bailouts might engender: the promise of insurance against financial losses might induce risky behavior. In balancing these pressures, the IMF makes quite different decisions case-by-case, and Copelovitch notes that there is significant variation in IMF program size and conditionality across both time and space. What explains the variation?

Copelovitch argues that when leading states’ commercial banks are exposed in crisis countries, G-5 board members will intervene to protect their constituents’ interests by promoting larger bailouts with fewer conditions. The urgency grows when banks from more than one leading donor are exposed and increases with the threat to every additional G-5 board member. High and equal exposure among multiple members of the G-5 induces coordination in the collective principal and sends clear marching orders to the Fund staff, which follows through with large loans and few conditions. However, the professional IMF staff also influences the Fund, and their need to “prime the pump” for private catalytic lending with large, stringent loans increases when bonds and other private capital flows—as opposed to loans from large commercial banks—dominate the borrowing of recipients. Bond-holders’ difficulties in coordination require strong signal sending and focal-point generation that only the IMF can provide.

In developing this argument, Copelovitch is, to my knowledge, the first scholar to provide a sophisticated model of a collective principal combined with a fully developed model of agent autonomy in an international organization—or any organization, for that matter. To date some scholars have modeled collective principals or agent autonomy in IOs, but not both (see Lyne et al. 2006, 2009; Hawkins and Jacoby 2006, 2008). And Copelovitch does all of this with careful, substantively rich integration of theory with strong mixed-methods empirics.

The empirical analysis is especially impressive. When the author introduced a measure or method in the statistical analysis, including pooled time series and propensity score matching, a reflexive list of objections immediately occurred to me. But as the author elaborated on the choices, each objection was eliminated serially, with very few exceptions. This is scholarship of high skill and polish. Copelovitch made analytical choices that are consistent with the best practices in political economy scholarship.

On the basis of the strong empirics alone—even without the significant conceptual and theoretical contributions—I would recommend this as an outstanding contribution to...
the international political economy literature. If possible, the case studies were even more impressive in their scale and scope, providing detailed process-tracing evidence from the histories of IMF lending to both Mexico and South Korea. The cases enabled the unpacking of the causal sequences and buttressed the statistical analysis with very persuasive qualitative data. Both the statistics and the case studies provided compelling evidence that high and balanced bank exposure among G-5 constituents produced large loans with few conditions but private capital dominance allowed IMF staff to ratchet up conditionality.

I hope this counterpoint review gives readers new cause to examine the work. The *International Monetary Fund in the Global Economy: Banks, Bonds, and Bailouts* provides a fresh and insightful way of thinking about one of the most consequential international organizations, and it tests the argument with very careful, thorough, and persuasive empirical analysis. It should be held up as a model for future scholarship on international financial institutions specifically and international organizations more generally.

**References**


