

Aligned Austerity: Impacts of Political Alignment on Government Expenditure Allocations for IMF Program Countries

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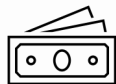
Conclusions

Background



What is the IMF?

The Fund was founded in 1944 as part of the Bretton Woods Agreement to establish international economic stability in the wake of World War II.



What does the IMF do?

The IMF provides emergency loans, technical oversight, and policy recommendations to countries facing monetary and fiscal distress.



How is the IMF governed?

Comprised of 191 member states, countries are given weighted voting power based on their monetary contribution to Fund operations.



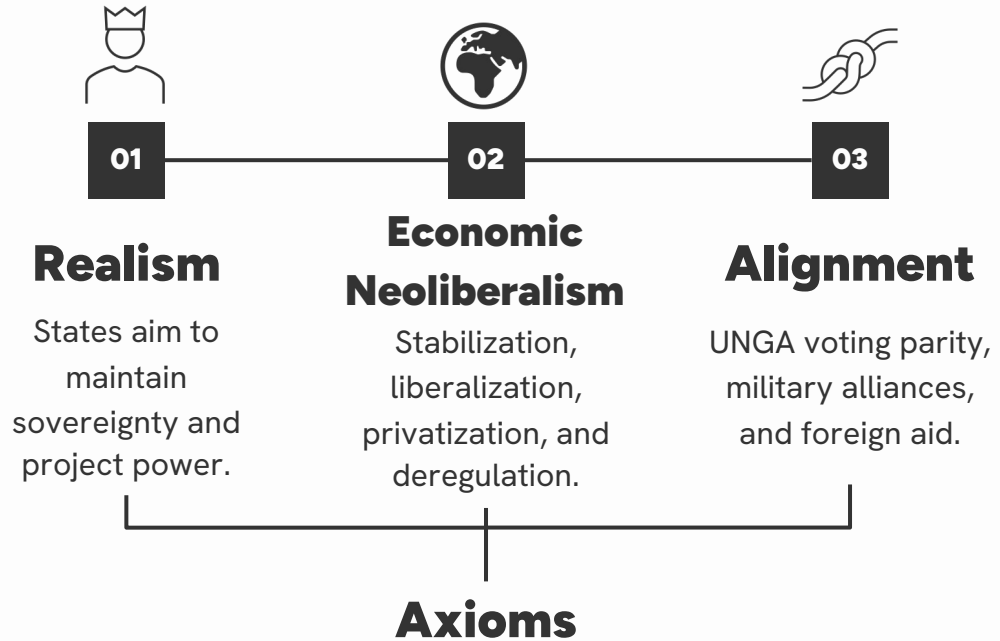
What are the payoffs of alignment on the international stage?

How does an increase in alignment towards the United States effect allocations of government expenditure for IMF program countries?

Hypotheses

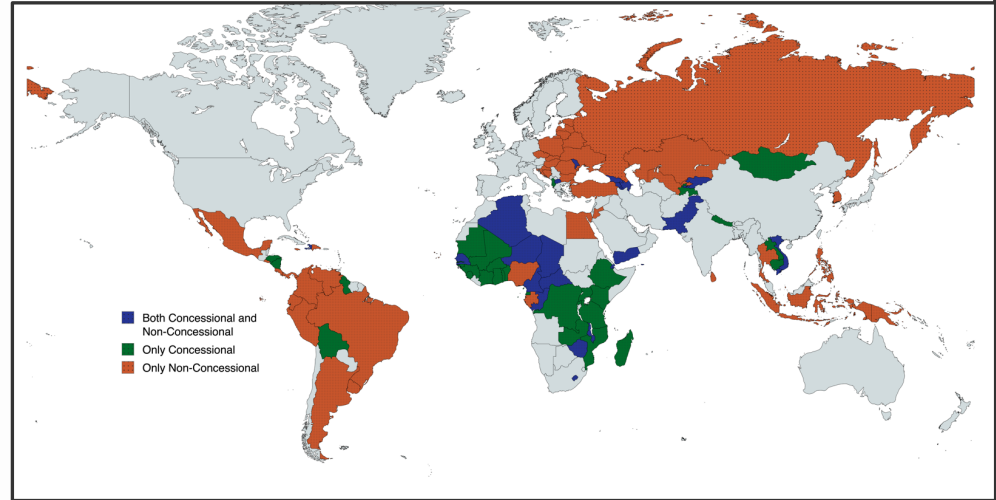
Framework

States seek to maintain sovereignty and assert power. In the wake of economic neoliberalism, the Fund adopted a philosophy of austerity to quell financial distress. As the US has outsized power within the Fund, we expect a difference in economic outcomes for US-aligned program countries.



Methodology & Empirics

- Panel data from 1993 to 2010 across 316 entities, 94 IMF program countries
- Moderated Ordinary Least Squares regressions employed
- Novel alignment index created
- Dependent variables:
 - Education spending as a % of GDP, Military spending as a % of GDP, education-to-military spending ratio



Change in Alignment (moderated by IMF Participation) → Spending Outcomes

Findings

- A one standard deviation shift in alignment towards the US is associated with a 0.38 percentage point increase in educational spending
- A one standard deviation shift in alignment towards the US is associated with a 11.34% increase in the ratio of education-to-military spending
- Effects were larger for concessional loan program countries

Results are congruent with the hypotheses that changes in alignment shift spending preferences. The more a country aligns itself with the US, the more they allocate towards education and away from their military in the face of IMF-imposed austerity.

Discussion



Payoffs of alignment are not relegated to bilateral relations

Effects of political alignment on the world stage can be realized through multiple avenues. Its interplay can be seen in



IGOs are not independent actors

Though they must operate through their chartered bureaucracies, hegemony instrumentalize IGOs to pursue their foreign policy objectives.



Importance of prioritizing local needs

A blanket prescription of austerity without consultation of country leaders is a misdiagnosis. Achieving sustained economic health requires more than macroeconomic policy impositions



Thank You