

Wintersemester 2009/2010
Masterseminar “The Political Economy of the IMF and the World Bank”

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First Meeting: Tuesday, October 20, 10.15-11.45, Universitätsverwaltung – HDW 2.111

Seminar: Friday, January 15, 08.00-18.00, Universitätsverwaltung – HDW 2.111
Saturday, January 16, 08.00-18.00, Universitätsverwaltung – HDW 2.111

Enrollment: Friday, October 30, 2009 is the deadline. **We will not accept anyone for the seminar after that date.**

Deadline for papers: Friday, January 08, 2009, 23:59

Please send an electronic version of your seminar paper (preferably pdf, otherwise Word) to Seo Young Cho (scho@uni-goettingen.de).

If you fail to meet this deadline, you fail the course!

After the deadline you will receive one of the papers written by another student as a paper for discussion. Please prepare a short critical review of this paper for the seminar meeting.

Grading will be based on:

Your seminar paper (60 percent)

Your presentation and Q&A session (15+10 minutes, 30 percent)

Your discussion of another paper (5 minutes, 10 percent)

Your participation during discussions (at the margin)

(You will only be graded when present during all presentations!)

Language:

Papers have to be written in German or English

Seminar meetings (= presentations) will take place in English

Topics for “The Political Economy of the IMF and the World Bank”

This seminar applies economic principles and political-economy approaches to the International Monetary Fund and the World Bank. The politics of the Bretton Woods Institutions affect an ever-increasing number of people. To understand these effects, we need to study the decision-making processes and patterns of policy making of these organizations in a systematic and detailed fashion.

I. Normative and Positive Theory of International Organizations

1. Do we need international organizations to ensure cooperation among states?

Abbott, Kenneth W. and Duncan Snidal, 1998, Why States Act through Formal International Organizations, *Journal of Conflict Resolution* 42(1): 3-32.

Oudiz, Gilles, 1988, Macroeconomic Policy Coordination: Where should we stand? In: Giersch, H. (Ed.), *Macro and Micro Policies for more Growth and Employment*, Tübingen: 278-291.

Joyce, Joseph P. and Todd Sandler, IMF retrospective and prospective: A public goods viewpoint, *Review of International Organizations*, vol. 3 no. 3, September 2008.

Stiglitz, Joseph, 2003, Democratizing the International Monetary Fund and the World Bank: Governance and Accountability, *Governance* 16 (1): 111-139.

Vaubel, Roland, 1988, Comment by Vaubel, in: Giersch, H. (Ed.), *Macro and Micro Policies for more Growth and Employment*, Tübingen: 296-300.

Vaubel, Roland, 1986, A Public Choice Approach to International Organizations, *Public Choice* 51: 39-57.

2. Why do states delegate part of their sovereignty to international organizations?

Dreher, Axel and Stefan Voigt, Does Membership in International Organizations Increase Governments' Credibility? A Test on the Effects of Delegating Powers, KOF working Paper 193, ETH Zurich, April 2008.

Frattiani, Michele and John Pattison, 1982, The Economics of International Organisations, *Kyklos* 35: 244-261.

Frey, Bruno S., 1984, The Public Choice View of International Political Economy, *International Organization* 38(1): 199-223.

Frey, Bruno S., 1997, The Public Choice of International Organizations, in: Dennis C. Mueller (ed.), *Perspectives on Public Choice*, New York: Cambridge University Press: 106-123.

Tullock, Gordon, 2006, Comment to strengthening the citizens' role in international organizations by Bruno S. Frey and Alois Stutzer, *Review of International Organizations* 1(1): 45-46.

Vaubel, Roland, 1986, A Public Choice Approach to International Organizations, *Public Choice* 51: 39-57.

3. Is there a principal-agent problem in/ with international organizations?

Cupitt, Richard; Rodney Whitlock and Lynn Williams Whitlock, 2001, The (Im)mortality of International Governmental Organizations, in: Paul Diehl (ed.), *The Politics of Global Governance – International Organizations in an Interdependent World*, Boulder 2001: 44-60.

- Frey, Bruno S. and Alois Stutzer, 2006, Strengthening the Citizens' Role in International Organizations, *Review of International Organizations* 1, 1: 27-43.
- Frey, Bruno S. and Alois Stutzer, 2006, Reply to Gordon Tullock, *Review of International Organizations* 1(1): 47-48.
- Vaubel, Roland, 2006, Principal-Agent Problems in International Organizations, *Review of International Organizations* 1(2): 125-138.
- Vaubel, Roland; Axel Dreher and Uğurlu Soylu, 2007, Staff Growth in International Organizations: A Principal-Agent Problem? *Public Choice* 133, 3-4: 275-295.

II. International Monetary Fund

4. Who controls the IMF?

- Aldenhoff, Frank-O., 2007, Are economic forecasts of the International Monetary Fund politically biased? A public choice analysis, *Review of International Organizations* 2, 3: 239-260.
- Dreher, Axel and Nathan M. Jensen, 2007, Independent Actor or Agent? An Empirical Analysis of the Impact of US Interests on IMF Conditions, *The Journal of Law & Economics* 50, 1: 105-124.
- Dreher, Axel; Silvia Marchesi and James Vreeland, 2008, The Politics of IMF Forecasts, *Public Choice* 137 (1-2):145-171.
- Dreher, Axel and Jan-Egbert Sturm, 2006, Do IMF and World Bank Influence Voting in the UN General Assembly? KOF Working Paper 137, ETH Zurich.
- Dreher, Axel, Jan-Egbert Sturm and James Vreeland, 2009, Global Horse Trading: IMF loans for votes in the United Nations Security Council, *European Economic Review* 53: 742-757.
- Faini, Riccardo and Enzo Grilli, 2004, Who Runs the IFIs? CEPR Discussion Paper No. 4666.
- Fратиани, Michele and John Pattison, 2005, Who is Running the IMF: Critical Shareholders or the Staff? In: P. de Gijssel and H. Schenk (eds), *Multidisciplinary Economics: The Birth of a New Economics Faculty in the Netherlands*, Berlin: Springer, 279-292.
- Thacker, Strom, 1999, The High Politics of IMF Lending, *World Politics* 52: 38-75.
- Vreeland, James, 2007, *The International Monetary Fund: Politics of Conditional Lending*, Routledge, Chapter 2.

5. A critical assessment of the IMF's non-lending functions

- Aldenhoff, Frank-O., 2007, Are economic forecasts of the International Monetary Fund politically biased? A public choice analysis, *Review of International Organizations* 2, 3: 239-260.
- Dreher, Axel; Silvia Marchesi and James Vreeland, 2008, The Politics of IMF Forecasts, *Public Choice* 137 (1-2):145-171.
- IMF, 1999, External Evaluation of IMF Surveillance: Report: Report by a Group of Independent Experts, Washington DC.
- Lavigne, Robert; Philipp Maier and Eric Santor, 2008, A Vision for IMF Surveillance, *Review of International Organizations*, forthcoming.
- Mussa, Michael, 1997, IMF Surveillance, *American Economic Review* 87, 2: 28-31

6. A critical assessment of IMF Conditionality

- Calvo-Gonzales, Oscar, 2007, Ownership and conditionality in IMF-supported programs: Back to Per Jacobsson's time, *Review of International Organizations* 2, 4: 329-343.
- Dreher, Axel, 2009, IMF Conditionality: Theory and Evidence, *Public Choice* 141, 1-2: 233-267.
- Dreher, Axel and Roland Vaubel, 2004, The Causes and Consequences of IMF Conditionality, *Emerging Markets Finance and Trade* 40, 3: 26-54.
- Marchesi, Silvia and Jonathan P. Thomas, 1999, IMF Conditionality as a Screening Device, *Economic Journal* 109: C111-C125.
- Mayer Wolfgang and Alex Mourmouras, 2008, IMF conditionality: An approach based on the theory of special interest politics, *Review of International Organizations* 3, 2: 105-121.

7. Why do governments and the IMF enter into agreements?

- Barro, Robert J. and Jong-Wha Lee, 2005, IMF-Programs: Who Is Chosen and What are the Effects? *Journal of Monetary Economics* 52: 1245-1269.
- Bird, Graham and Dane Rowlands, 2006, Should it be curtains for some of the IMF's lending windows? Mimeo.
- Dreher, Axel, 2004, The Influence of IMF Programs on the Re-election of Debtor Governments, *Economics & Politics* 16, 1: 53-75.
- Knight, Malcolm and Julio A. Santaella, 1997, Economic Determinants of Fund Financial Arrangements, *Journal of Development Economics* 54: 405-36.
- Sturm, Jan-Egbert; Berger, Helge and Jakob de Haan, 2005, Which Variables Explain Decisions on IMF Credit? An Extreme Bounds Analysis, *Economics & Politics* 17(2): 177-213.
- Vreeland, James, 2001, The institutional determinants of IMF programs, mimeo.

8. What are the effects of IMF programs?

- Barro, Robert J. and Jong-Wha Lee, 2005, IMF-Programs: Who Is Chosen and What are the Effects? *Journal of Monetary Economics* 52: 1245-1269.
- Boockmann, Bernhard and Axel Dreher, 2003, The Contribution of the IMF and the World Bank to Economic Freedom, *European Journal of Political Economy* 19, 3: 633-649.
- Conway, Patrick, 1994, IMF Lending Programs: Participation and Impact, *Journal of Development Economics* 45: 365-91.
- Dreher, Axel, 2004, The Influence of IMF Programs on the Re-election of Debtor Governments, *Economics & Politics* 16, 1: 53-76.
- Dreher, Axel, 2006, IMF and Economic Growth: The Effects of Programs, Loans, and Compliance with Conditionality, *World Development*, 34, 5: 769-788.
- Dreher, Axel and Martin Gassebner, 2008, Do IMF and World Bank programs induce government crises? An empirical analysis, mimeo.
- Dreher, Axel and Roland Vaubel, 2004, Do IMF and IBRD cause moral hazard and political business cycles? Evidence from panel data, *Open Economies Review* 15, 1: 5-22.
- Dreher, Axel and Stefanie Walter, 2010, Does the IMF Help or Hurt? The Effect of IMF programs on the likelihood and outcome of currency crises (with Stefanie Walter), *World Development* 38, 1 (forthcoming).

- Goldstein, Morris and Peter J. Montiel, 1986, Evaluating Fund Stabilization Programs with Multicountry Data: Some Methodological Pitfalls, *IMF Staff Papers* 33: 304-344.
- Przeworski, Adam and James Vreeland, 2000, The Effect of IMF Programs on Economic Growth, *Journal of Development Economics* 62: 385-421.
- Vreeland, James, 2003, *The IMF and Economic Development*, New York: Cambridge University Press, chapter 5.
- Vreeland, James, 2007, *The International Monetary Fund: Politics of Conditional Lending*, Routledge, Chapter 4.

9. Does the IMF's "seal of approval" catalyze capital flows?

- Bird, Graham and Dane Rowlands, 2004, Financing Balance of Payments Adjustment: Options in the Light of the Illusory Catalytic Effect of IMF Lending, *Comparative Economic Studies* 46, 3.
- Javier Díaz-Cassou; Alicia García-Herrero and Luis Molina, 2006, What Kind of Capital Flows does the IMF Catalyze and When? Banco de Espana Research Paper No. WP-0617
- Ashoka Mody and Diego Saravia, 2003, Catalyzing Capital Flows: Do IMF Programs Work as Commitment Devices? IMF Working Paper No 03/100.

10. Compliance with IMF conditionality. Measurement, Evidence, Reforms

- Bird, Graham, 2007, The implementation of IMF programs: A conceptual framework, *Review of International Organizations* 3, 1: 41-64.
- Bird, Graham; Mumtaz Hussain and Joseph P. Joyce, 2004, Many Happy Returns? Recidivism and the IMF, *Journal of International Money and Finance* 23, 2: 231-251.
- Bird, Graham and Thomas D. Willett, 2004, IMF Conditionality, Implementation and the New Political Economy of Ownership, *Comparative Economic Studies* 46, 3.
- Dreher, Axel, 2003, The Influence of Elections on IMF Program Interruptions, *The Journal of Development Studies* 39, 6: 101-120.
- Ivanova, Anna; Wolfgang Mayer; Alex Mourmouras and George Anayiotos, 2005, What Determines the Implementation of IMF-Supported Programs? In: Ashoka Mody and Alessandro Rebucci (eds.), *IMF-Supported Programs: Assessing Program Design, Implementation, and Effectiveness*, Washington DC: International Monetary Fund, forthcoming.
- Mercer-Blackman, Valerie and Anna Unigovskaya, 2004, Compliance with IMF Program Indicators and Growth in Transition Economies, *Emerging Markets Finance and Trade* 40, 3: 55-83.
- Vreeland, James, 2006, IMF Programs Compliance: Aggregate Index versus Policy Specific Research Strategies, *Review of International Organizations* 1, 4: 359-378.

11. Should the IMF be reformed and, if so, how?

- Bordo, Michael and Harold James, 2009, The Past and Future of IMF Reform, mimeo.
- International Financial Institution Advisory Commission, IFIAC, 2000, *Report of the International Financial Institution Advisory Commission*. Washington, DC: U.S. Government Printing Office.

- Krueger, Anne O., 1997, Wither the World Bank and the IMF? *Journal of Economic Literature* 36(4): 1983-2020.
- Krueger, Anne O., 2006, A response to Allan Meltzer, *Review of International Organizations* 1, 1: 61-64.
- Meltzer, Allan H., 2006a, Reviving the Bank and the Fund, *Review of International Organizations* 1, 1: 49-59.
- Meltzer, Allan H., 2006b, Reply to Anne Krueger, *Review of International Organizations* 1, 1: 65-67.
- Momani, Bessma, 2007, IMF staff: Missing link in fund reform proposals, *Review of International Organizations* 2, 1: 39-57.
- Vreeland, James, 2003, *The IMF and Economic Development*, New York: Cambridge University Press, chapter 7.
- Vreeland, James, 2007, *The International Monetary Fund: Politics of Conditional Lending*, Routledge, Chapter 6.

12. Do we still need the IMF?

- International Financial Institution Advisory Commission, IFIAC, 2000, *Report of the International Financial Institution Advisory Commission*. Washington, DC: U.S. Government Printing Office.
- Krueger, Anne O., 1997, Wither the World Bank and the IMF? *Journal of Economic Literature* 36(4): 1983-2020.
- Krueger, Anne O., 2006, A response to Allan Meltzer, *The Review of International Organizations* 1, 1: 61-64.
- Meltzer, Allan H., 2006a, Reviving the Bank and the Fund, *The Review of International Organizations* 1, 1: 49-59.
- Meltzer, Allan H., 2006b, Reply to Anne Krueger, *The Review of International Organizations* 1, 1: 65-67.
- Momani, Bessma, 2007, IMF staff: Missing link in fund reform proposals, *Review of International Organizations* 2, 1: 39-57.
- Vreeland, James, 2003, *The IMF and Economic Development*, New York: Cambridge University Press, chapter 7.
- Vreeland, James, 2007, *The International Monetary Fund: Politics of Conditional Lending*, Routledge, Chapter 6.

III. The World Bank Group (IBRD, IDA, IFC, MIGA)

13. Who controls the World Bank?

- Andersen, Thomas B.; Henrik Hansen and Markussen, Thomas, 2006, US politics and World Bank IDA-lending, *Journal of Development Studies*, 42(5):772-794.
- Dreher, Axel and Jan-Egbert Sturm, 2006, Do IMF and World Bank Influence Voting in the UN General Assembly? KOF Working Paper 137, ETH Zurich.
- Dreher, Axel; Jan-Egbert Sturm and James Vreeland, 2006, Development Aid and International Politics: Does membership on the UN Security Council influence World Bank decisions? *Journal of Development Economics*, 88: 1-18.
- Faini, Riccardo and Enzo Grilli, 2004, Who Runs the IFIs? CEPR Discussion Paper No. 4666.
- Frey, Bruno S. and Friedrich Schneider, 1986, Competing Models of International Lending Activity, *Journal of Development Economics* 20, 3: 225-245.
- Kaja, Ashwin and Eric Werker, 2008, Institutionalized Insiders: Board membership and loan commitments at the World Bank, mimeo.

14. A critical assessment of World Bank Conditionality

- Dreher, Axel, 2002, The Development and Implementation of IMF and World Bank Conditionality HWWA-Discussion Paper 165.
- Mosley, Paul; Farhad Noorbakhsh and Alberto Paloni, 2003, Compliance with World Bank Conditionality: Implications for the Selectivity Approach to Policy-Based Lending and the Design of Conditionality, CREDIT Research Paper No. 03/20.
- Operations Evaluation Department, 2005, Review of World Bank Conditionality, World Bank, Washington DC.
- World Bank, 2007, Conditionality in Development Policy Lending, Washington DC.

15. Why do governments and the World Bank enter into agreements?

- Abouharb, M. Rodwan and David L. Cingranelli, 2007, The Effects of Structural Adjustment Agreements on Government Respect for Workers' Rights, 1981-2003, mimeo.
- Dasgupta, Dipak and Dilip Ratha, 2000, What factors appear to drive private capital flows to developing countries? And how does official lending respond? Policy Research Working Paper Series 2392, The World Bank.
- Morrison, Kevin M., 2004, The Determinants of World Bank Flows to Africa, 1977-1998, Presented at 2004 International Studies Association.
- Ratha, Dilip, 2005, Demand for World Bank Lending, *Economic Systems* 29(4):408-421.
- Schneider, Friedrich; Bruno S. Frey; Henrik Horn and Torsten Persson, 1985, A Formulation and Test of a Simple Model of World Bank Behavior, *Weltwirtschaftliches Archiv* 121, 3: 438-447.

16. What are the effects of World Bank involvement?

- Abouharb, M. Rodwan and David L. Cingranelli, 2006, The Effects of Structural Adjustment Agreements on Government Respect for Workers' Rights, 1981-2003, mimeo.
- Boockmann, Bernhard and Axel Dreher, 2003, The Contribution of the IMF and the World Bank to Economic Freedom, *European Journal of Political Economy* 19, 3: 633-649.
- Dreher, Axel and Martin Gassebner, 2008, Do IMF and World Bank programs induce government crises? An empirical analysis, mimeo.
- Dreher, Axel and Roland Vaubel, 2004, Do IMF and IBRD cause moral hazard and political business cycles? Evidence from panel data, *Open Economies Review* 15, 1: 5-22.
- Easterly, William, 2005, What did structural adjustment adjust? The association of policies and growth with repeated IMF and World Bank adjustment loans, *Journal of Development Economics* 76, 1-22.
- Edwards, Sebastian, 1997, Trade Liberalization Reforms and the World Bank, *American Economic Review* 82(2): 43-48.
- Nielson, Daniel and Tierney, Michael, 2003, Delegation to International Organizations: Agency Theory and World Bank Environmental Reform, *International Organization* 57, 2: 241-276.

17. Should the World Bank be reformed and, if so, how?

- Einhorn, Jessica, 2006, Reforming the World Bank, *Foreign Affairs*, January/February.
- International Financial Institution Advisory Commission, IFIAC, 2000, *Report of the International Financial Institution Advisory Commission*. Washington, DC: U.S. Government Printing Office.
- Krueger, Anne O., 1997, Wither the World Bank and the IMF? *Journal of Economic Literature* 36(4): 1983-2020.
- Meltzer, Allan H., 2006a, Reviving the Bank and the Fund, *The Review of International Organizations* 1, 1: 49-59.
- Stiglitz, Joseph E., 1999, The World Bank at the Millennium, *Economic Journal* 109: 577-597.
- Williamson, John, 1999, What Should the Bank Think About the Washington Consensus? Institute for International Economics, July.

Guideline for Seminar Papers

Editing

You may use any word processing software that you feel comfortable with. Preferentially make use of LaTeX in case you decide to use a lot of formulas in your paper. Papers have to be submitted by Email in PDF format.

Style

- Font Size: 12 pt
- Line Spread: 1.5pt
- Alignment: justified
- border: 2.5cm

Length

The seminar papers should not exceed 12 pages excluding references, tables and title page.

Organization

- Cover (Include name, student number, title)
- Table of Contents: Number headings in the table of contents and the text identically.
- Table of Figures: List all figures (if any) with number and heading.
- List of Tables: List all tables with number and heading.
- (Table of Symbols: List all symbols and variables (if any) with their definitions.)
- Content: The introduction leads to and defines the subject, the body deals with the subject and the summary sums up the results in a critical manner. Number content, table of contents, table of figures, the list of tables, and the table of symbols. Reduce the number of footnotes to a minimum. Abbreviations have to be explained. Number only important equations that you refer to. Within the text argue in economic terms and not with variables. Orthography, grammar, and style are taken into account. Refrain from excessive bulleting and numbering.
- References
- (Appendix)

Quotations, References and Plagiarism

Quotations: use Harvard style, i.e. quote within the text and not in footnotes (e.g., as has been shown by Sturm (2006)...).

References: all studies that you have quoted in the text have to appear in the reference list. Anything that you have only read, but that is not quoted in the text, must NOT appear in the list of references. There are no restrictions on the reference style. However, consistency is required.

Plagiarism: any text parts (of more than two words) or ideas that are not strictly your own have to be marked. That means that the text has to be phrased in a way that makes unambiguously clear which parts are your own thoughts and which part repeats ideas from other persons. Failure to do so will result in the rejection of your paper, i.e. you fail the course, and possible further disciplinary measures by the Georg-August University Göttingen. Don't even think about copy/pasting your paper from the internet. Each paper will be tested in that respect.

Finding Literature

The references that you get from us are only a starting point (and we will not provide these articles). You are supposed to do your own literature research. The first step in the search for relevant literature is to check the reference lists of the literature that we gave you. Good sources for economic literature, among others, are:

- <http://ideas.repec.org>
- <http://www.jstor.org>
- Business Source Premier and EconLit (via the university library website)
- <http://www.nber.org>
- <http://www.cepr.org>

A rule of thumb is that the list of references should have about as many entries as there are pages in the seminar paper, e.g. 20 pages, 15-25 references. Be prepared to read about the double amount of papers that finally make it into the list of references. Wikipedia is NOT a scientific source.

Deadlines

Make sure that you hand in your paper *exactly* on time. If you miss the deadline, the rules are strict and you will not pass the course.

Interaction with your supervisor

It is recommended that you meet your supervisor (at least once, but better twice) in order to discuss the progress of your paper.