Lobbying for Conditionality

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Abstract

US financial firms are widely believed to influence the politics of the International Monetary Fund, but the effects pose a puzzle: bank influence is believed to increase conditionality that favors banks, but to decrease conditionality for their biggest borrowers. We use LDA data on lobbying in the United States and IMF Monitor data on conditionality to test the hypothesis that lobbying influences conditionality. We find that lobbying by non-bank financial firms is associated with increased numbers of financial conditions, quantitative performance criteria (QPCs), and labor-market conditions. Bank lobbying, in contrast, has both effects. When banks lobby about finance, borrowing countries receive more conditionality; but when banks lobby about banking, borrowers accept less financial conditionality and fewer QPCs. When banks are worried, they lobby about banking, and this undermines the IMF's leverage to obtain the policy reforms that the banks most prefer. We go on to investigate firm-level responses to the initiation of IMF program negotiations and find that US financial firms shift their lobbying efforts when the Fund negotiates with countries where they have investments. Money-center banks and non-banking financial firms shift in opposite directions, which makes their lobbying portfolios converge: banks reduce their lobbying about banking and increase lobbying about finance, while non-bank financial firms decrease lobbying about finance and increase lobbying about banking.

Keywords: IMF, Lobbying, Conditionality, Banks, Non-bank financial firms

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1 Introduction

Previous research has found two robust results about the relationship between IMF conditionality and the interests of leading US banks that seem to be contradictory. On one hand, leading US banks and financial institutions appear to support and benefit from the application of financial conditionality. On the other hand, countries to which US banks have made substantial loans that leave them highly exposed to default risk receive reduced or less onerous conditionality. Do banks lobby for more conditionality, or for less? The evidence on both sides is circumstantial, because none of the existing studies use lobbying data. The current study uses Lobbying Disclosure Act (LDA) data to investigate what banks lobby about and assess whether their lobbying is effective. We find that US banks and non-bank financial firms lobby for deeper financial conditionality, but banks undermine the IMF's leverage and weaken conditionality when they lobby for bailouts for important countries. Previous studies have found that banks are able to secure the inclusion of "bank friendly" conditionality in IMF programs when the Fund relies on their assistance as supplementary financiers, particularly during debt rescheduling episodes (Gould, 2003, 2006). Furthermore, the inclusion of financial conditionality makes it more attractive for US banks and non-bank financial firms such as investment banks and insurance firms to acquire financial affiliates in IMF program countries (Dang & Stone, 2021). There is evidence that the United States has insisted on the inclusion of intrusive financial conditionality over the objections of other Executive Board members in some cases, including Indonesia and Korea in 1997, and this has been attributed to lobbying by US firms (Stone, 2011).

Countries to which US banks are heavily exposed participate in IMF programs more frequently and receive larger loans (Broz & Hawes, 2006; Oatley & Yackee, 2004). These bailouts, in turn, appear to benefit US banks. Event studies suggest that IMF bailouts of heavy borrowers lead to abnormal stock returns for the banks that had lent them funds (Demirguc-Kunt & Huizinga, 1993; Kho et al., 2000). In turn, banks support the IMF. Broz and Hawes (2006) and Broz (2011) use campaign contribution data to explain Congressional votes on funding the IMF and find that members of the House of Representatives who received more contributions from money-center banks were more likely to vote in favor. The result of all the pressure to lend to countries with high bank exposure is to allow those countries to bargain for less extensive conditionality (Copelovitch, 2010a, 2010b; Stone, 2011).

None of this literature uses data on lobbying, so the current paper turns to lobbying data to attempt to adjudicate what IMF policies US banks and financial firms support and how much influence they have. We conjecture that the apparently contradictory findings in previous research arise because US financial firms lobby both for micro policies—focused conditionality that increases the probability of debt repayment or increases market access—and for macro policies, or bailouts for important emerging markets in particularly dire circumstances. Microeconomic lobbying influences Treasury because US financial institutions have specialized information about the borrower-country policies that hinder their business. Treasury frequently passes their proposals to IMF staff, who routinely incorporate them into IMF programs, leading to additional financial conditionality. On the other hand, US financial institutions lobby for bailouts when major emerging markets to which US banks are highly exposed are in danger of financial meltdown, such as Mexico in 1995 or Argentina in 2001. Banks do not lobby for reduced conditionality during crises, but the urgency that they impart to high-profile bailouts puts pressure on the IMF to reach a deal and weakens its bargaining leverage. Consequently, lobbying by banks in normal times is associated with increased conditionality of interest to banks, and surges in bank lobbying during crises are associated with decreased conditionality.

Firm-level lobbying data disclosed under the Lobbying Disclosure Act (LDA) provide several dimensions of variation that allow us to test this hypothesis. First, LDA reports are required to include one or more standardized subject areas and to indicate the agencies that are lobbied. We focus attention on reports of lobbying about banking or finance that are directed to the US Treasury or the US Congress. Second, we focus on lobbying by firms that have affiliates in countries that are negotiating IMF programs. Firms acquire political interests when they make investments (Frieden, 1991). Firms that have already invested in a country are more likely to do so again, so they lobby for financial conditionality that is expected to make it easier and more profitable to expand their market presence. Third, we distinguish between lobbying by banks and by non-bank financial firms. Both types of firms are interested in market reform in IMF program countries, but only banks play the special role in US policy making that undermines IMF bargaining and leads to reduced conditionality.

We match lobbying (LDA) data for Fortune Global 500 countries, which are available beginning in 1999 and specify both the intensity and general topics covered by lobbying, with foreign M&A data from Bloomberg and conditionality data from IMF Monitor. Our results using

two-way fixed effects models (country-year) indicate that lagged lobbying about financial issues or banking by non-bank financial firms that have affiliates in program countries is associated with sharply increased financial conditionality. Similarly, lobbying by banks about finance is associated with increased conditionality. In contrast, lobbying by banks about banking is associated with decreased conditionality.

As an additional mechanism check we reverse our analysis and study the effect of IMF program negotiations on lobbying by US financial firms. We use new data on the initiation of program negotiations provided by Ferry and Zeitz (2024) and use PanelMatch (Imai et al., 2023) to study the differential response of financial firms with and without affiliates in IMF program countries. We find that both money-center banks and non-bank financial firms change their lobbying when IMF program negotiations begin, but they do so differently: banks decrease their lobbying about banking and increase their lobbying about finance, while non-bank financial institutions do the opposite, increasing their lobbying about banking while decreasing their lobbying about finance. We interpret this to mean that banks and non-bank financial firms have similar interests in IMF conditionality, so they rebalance their lobbying portfolios in ways that make their profiles more similar when IMF negotiations begin.

We employ several placebo tests to probe our proposed mechanism. We find no comparable effects of lobbying by non-financial firms on IMF conditionality, which confirms that financial firms play a special role in governance of the IMF, and rules out some potential confounding factors. Nor do we find effects of lobbying by financial firms that is less proximate in time or subsequent to the negotiation of IMF programs, which suggests that variations in lobbying are indeed related to program design. In addition, we reject the hypothesis that financial firms with affiliates in IMF program countries systematically lobby differently than other financial firms in the absence of IMF program negotiations.

2 Argument

The argument that follows builds on a US-centric view of IMF governance (Stone, 2011) and a firm-theoretic model of US foreign economic policy. It assumes that firms, government officials and IMF staff are rational and attempt to maximize straightforward objective functions, and it assumes that the conditionality contracts represented by IMF programs are generated by

bargaining. US financial firms exert substantial influence over the IMF, which reflects their influence within the US political system and the informal influence of the United States over the Fund. This influence leads to two characteristic and sometimes contradictory patterns in IMF conditionality. On one hand, the leading US financial firms lobby for market-oriented reforms in foreign countries that reduce barriers to their business, expand their market access and allow them to acquire affiliates abroad. This leads to increased financial conditionality for countries that are of particular interest to leading US financial firms. On the other hand, bank lobbying can undermine IMF conditionality. Banks have special resources in US politics that non-bank financial firms lack, because the key role that banks play in financial intermediation gives them leverage to lobby for bailouts during crises. When banks are in financial distress, their lobbying generates pressure for the IMF to lend to their clients, which undermines the Fund's bargaining position. This leads to decreased conditionality for countries of particular interest to banks, and this effect is especially pronounced in the categories of economic reform that banks particularly favor.

2.1 Lobbying for Globalization

Until recent decades, most developing countries maintained capital controls and strictly controlled entry into their financial markets. Governments preferred to maintain national banking and finance sectors to maintain monetary policy autonomy and to cultivate opportunities for patronage (Frieden, 1991; McKinnon, 1991), and their domestic financial firms opposed entry by foreign competitors (Pepinsky, 2013). On the other hand, a series of US administrations promoted proposals to liberalize these regulations, which reflected lobbying by US multinational banks and non-bank financial firms that sought broad market access. A turning point in this effort was the US proposal for a General Agreement on Trade in Services (GATS) during the Uruguay trade round. According to the USTR official who worked most closely on US proposals for GATS, a sophisticated lobbying campaign led by James Robinson, CEO of American Express, Maurice Greenberg, CEO of AIG, and John Reed, CEO of Citicorp, succeeded in putting trade in services on the US trade policy agenda (Preeg, 1995, p. 37). The Clinton administration followed up the adoption of the WTO with bilateral negotiations over liberalization of financial services in the 1990s in the framework of GATS. Market-oriented financial reform was incorporated into US preferential trade agreements, bilateral investment treaties, IMF programs, World Bank structural adjustment lending and bilateral financial bailouts.

The United States used its influence over IMF lending to liberalize capital controls as early as the 1976 program for Britain (Helleiner, 1995). At the height of the crisis, Undersecretary of the Treasury Edwin Yeo wrote a memo for President Ford that concluded,

> The best institutional arrangement for producing conditional financing is the IMF. It does not involve Congress, does not impact our budget, and cloaks the conditionality in a multinational mantle that dilutes opposition within a borrowing country to conditions imposed by the US or other outsiders.[1]

The reforms proposed by the IMF provoked a bitter split in the Labor cabinet and Prime Minister James Callaghan's meeting with IMF Managing Director Johannes Witteveen was reported to be "highly unpleasant," but the United Kingdom implemented an IMF program along lines that the Ford administration had outlined months earlier.[2] As the Economics Editor of the Sunday Times noted at the time, "US involvement in drawing up the terms is not unusual in major IMF loans."[3]

The use of the IMF to open financial markets had become quite systematic by the 1990s. The United States had an ambitious agenda to liberalize the Mexican financial sector during the NAFTA negotiations, and it used Mexico's 1995 IMF program to extract concessions that it had not been able to achieve at the negotiating table. US financial firms stood to benefit from the opening of the Mexican financial sector. Similarly, the United States attempted to use Korea's accession to the OECD in 1996 to liberalize the Korean financial sector, which was the most closed in any developed country. Having made limited progress, the United States took a hard line in negotiations during the Asian Financial Crisis over Korea's 1997 IMF program and insisted on rapid financial deregulation. Its informal influence in the IMF gave the United States substantial leverage, and Korea agreed to liberalize its financial sector and allow foreign investors to buy stakes in Korean financial firms (Stone, 2011).

The adoption of financial conditionality in an IMF program is typically followed by a surge of acquisitions of domestic financial firms by US firms, which reveals the buyers' preference for deregulation (Dang & Stone, 2021). Market opening in finance appears to be the mechanism driving these purchases because IMF programs without financial conditionality do not promote

[1] "Memorandum From the Under Secretary of the Treasury for Monetary Affairs (Yeo) to President Ford," *Foreign Relations of the United States, 1969–1976*, Vol. XXXI, Foreign Economic Policy, 1973–1976, June 24, 1976, Document 146.

[2] Stephen Fay and Hugo Young, "How the Cabinet Embraced the IMF," *Sunday Times*, May 28, 1978, 33.

[3] Malcolm Crawford, "The Price Britain Faces for IMF Aid," *Sunday Times*, 24 Oct. 1976: 1.

mergers and acquisitions (M&As), and financial conditionality does not promote M&As outside the financial sector. Firms from leading IMF shareholders enjoy an advantage in making these acquisitions that is proportional to their countries' respective IMF vote shares, so a US firm is 3.5 times as likely to make an acquisition as a German or Japanese firm of similar size. This is consistent with the interpretation that regulators in borrowing countries give preferential treatment to firms that they perceive to be the key lobbyists pushing for financial deregulation.

2.2 The Special Role of Banks

Banks play a special role in the financial ecosystem because they convert short-term demand deposits including checking and savings accounts into long-term loans to finance investment. This intermediation function supports the money supply, as investment expenditures generate new demand deposits, which in turn finance more loans. Banks hold only a fraction of their liabilities in liquid reserves, so they are inherently vulnerable to bank runs if their depositors lose confidence. To prevent costly financial crises, public authorities offer explicit deposit guarantees and implicit bailout guarantees for insolvent banks. However, these guarantees create moral hazard: banks make profit by taking on risk, and public insurance encourages them to do so. Because the interests of the banks diverge from the interests of the taxpayers, public authorities attempt to enforce prudential regulations on banks. Banks lobby to relax those regulations so they can take on more risk in good times, and they lobby for bailouts in bad times. The interdependence of the largest banks and the monetary authorities gives the banks unparalleled access to key decision makers during crises. For example, the CEO of the largest US bank, Jaime Dimon of J.P. Morgan Chase, was consulted regularly by Treasury Secretary Yellen and Federal Reserve Chairman Jerome Powell during the meltdown of Silicon Valley Bank (SVB) in early 2023. The crisis rapidly spread, leading to the bankruptcy of several other mid-sized banks in the United States and the regulator-led takeover of Credit Suisse by UBS in Switzerland. Banks typically have information advantages over policymakers, and contemporary reporting indicated that Yellen and Powell relied on Dimon's judgment in this case.[4] Dimon played a similarly pivotal role during the 2008 financial crisis, and major banks are routinely consulted and often recruited to help during financial crises abroad. The IMF relies on major financial institutions to support countries in crisis, to reschedule troubled debt and to resume lending after international financing comes to a sudden stop. Collective action by banks

[4]Rob Copeland, Lauren Hirsch, Alan Rappeport and Maureen Farrell, "Biggest US Banks Put up $30 Billion to Rescue Lender," *The New York Times*, March 16, 2023, A1, A13.

can be difficult to achieve, but in some cases, as in Mexico in 1982 and 1995 and Korea in 1997, the US Federal Reserve and other central banks have intervened to enforce collective action to support IMF programs. The reverse side of this equation is that banks have extraordinary influence when their cooperation is required. Erica Gould (2006) found quantitative evidence that IMF programs that involved debt rescheduling were more likely to include "bank-friendly" conditionality, and she found historical evidence that banks successfully lobbied the IMF to include these conditions in IMF programs. IMF programs routinely privilege banks over other classes of creditors when countries turn to the Fund for help rescheduling sovereign debt. Bondholders are expected to absorb "haircuts," or reductions in principal and interest, while bank loans are treated as senior debt (IEO, 2003). One reason is that banks contribute more to solving financing problems during crises. Banks find it easier than bondholders to credibly play contingent strategies, to coordinate among themselves and to offer financing in return for policy concessions and interest payments. In systemically important cases, however, a more important reason is that losses to banks pose greater risks of financial contagion. During the Latin American debt crisis that erupted in 1982 the exposure of the eight largest US banks to the four largest debtors, Mexico, Brazil, Argentina and Venezuela, comprised approximately 150% of their total capital and reserves (FDIC, 1997, p. 191). The major money-center banks play a key role in the US economy, and the collapse of any of these firms would provoke an economic and political crisis. Consequently, when major US banks are heavily exposed to an emerging market that faces a financial crisis, the US Treasury and the White House become involved. Leading money-center banks have a financial interest in promoting crisis lending that subsidizes their risky lending. As Broz and Hawes succinctly put the case, "IMF financial rescues provide de facto insurance to these banks, allowing them to retain the gains from international lending while distributing losses, when they occur, to the public sector" (Broz & Hawes, 2006, p. 374). Major banks make substantial campaign contributions through their political action committees, and banks are active lobbyists that engage with Congress and with multiple executive agencies. In the wake of the 1995 Mexico bailout, Rep. Bernie Sanders proposed three amendments in 1995, 1998 and 1999 to prohibit the president from using the Exchange Stabilization Fund to rescue foreign countries in future financial crises. In a study of roll-call votes on these amendments, Broz (2005) found that House members who received substantial campaign donations from banking PACs were more likely to vote no. Furthermore, increases in PAC contributions were associated with Representatives who changed their votes from support on previous amendments to opposition on subsequent ones.

Votes on IMF appropriations showcase the political influence of major US banks. Congressional approval of IMF quota expansions generally requires difficult votes that require the president to exert substantial effort. Historically, conservatives in both parties were skeptical of funding the IMF, although more recently both the left and the right have found reasons to oppose quota expansions. The Senate is generally more supportive of funding the IMF than the House of Representatives, and financial contributions from leading bank PACs appear to play an important role in getting funding bills through the House. Broz and Hawes (2006) find strong estimated effects of PAC contributions from money-center banks on votes to expand IMF quotas in 1983 and 1998. Broz (2011) uses historical data from 1980 to 2009 and finds that Congressmen who receive more substantial campaign contributions from money-center banks are more likely to vote to approve increases in IMF financing.

The IMF designates financial crises with the potential to cause substantial losses in the leading global financial centers as systemically important and has a special set of rules for handling them. Systemically important countries are subject to more generous financing, extending well beyond the normal credit limit of 300% of a country's IMF quota,[5] and in some prominent cases, programs have been extended in spite of failure to meet the performance criteria in previous arrangements. Quantitative studies indicate that countries to which US banks are heavily exposed participate in IMF programs more frequently and receive larger loans (Broz & Hawes, 2006; Oatley & Yackee, 2004). Critics have been quick to point out that the chief beneficiaries of crisis lending are the international banks, which are routinely rescued, rather than the populations of the borrowing countries, which are left to repay the debt (Bulow & Rogoff, 1989). Demirguc-Kunt and Huizinga (1993) used an event study to show that IMF bailouts of Latin American countries in 1982 and 1983 and the expansion of IMF quotas in 1983 led to substantial abnormal stock returns for highly-exposed US banks. Similarly, Kho et al. (2000) found that banks with high exposure received abnormal returns during financial rescues of Mexico in 1995, Korea in 1997, Brazil in 1998 and Russia in 1998. They estimate that when the IMF program was announced for Brazil, which delayed a devaluation of the Brazilian real for a few months and allowed banks to liquidate their positions (IEO, 2003), banks with high exposure gained market value of $17.8 billion. In contrast, the decision to suspend lending to Russia in August 1998 was associated with estimated stock declines of 4.2% for exposed banks. Indeed, the prospect of rescue creates moral hazard, which

[5]The commitment of Fund resources amounted to 679% of Mexico's quota in 1995, 490% of Indonesia's in 1997, 1,938% of the Republic of Korea's in 1997, 425% of Russia's in 1998, and 800% of Argentina's in 2000.

leads the banks to extend large loans to risky countries in the first place.

The pressure to lend to countries with high bank exposure allows them to bargain for less extensive conditionality and undermines the credibility of the conditionality that they accept (Copelovitch, 2010a, 2010b; Stone, 2011). Banks do not appear to lobby the IMF to reduce the conditionality applied to their clients; indeed, that would contradict their own long-term interests. However, when banks lobby heavily and emphasize the fragility of their own finances, policy makers in Washington become alarmed and push IMF management and staff to accelerate loan negotiations and expand program commitments. This weakens the IMF's bargaining position. Its counterparties probably recognize this. Although the Executive Board exercises weak oversight over the Fund and is sidelined during the most important discussions, it leaks information and makes secrecy difficult to maintain. Bank lobbying for bailouts should particularly undercut leverage to achieve forms of conditionality most keenly desired by banks, because borrowing countries and IMF staff realize that banks are unlikely to criticize lending programs when they are desperate to see them go forward.

2.3 Incentives to Lobby

Reported lobbying is the tip of the iceberg of firm political influence activity. Influence activity also includes informal communication between executives and government officials, participation in the regulatory process, communication with employees, advertising and campaign contributions. Lobbying may convert political capital into policy through *quid pro quo* bargaining (Bombardini & Trebbi, 2020), but it is most effective when it conveys useful information to decision makers that they rely upon to shape policy (Austen-Smith & Wright, 1992; Crawford & Sobel, 1982). Firms acquire political interests when they acquire fixed assets, and they have incentives to engage in political activity because public policy affects the value of those investments (Frieden, 1991). US financial firms become interested in IMF financial conditionality because they are foreign investors in the borrowing countries. Owning affiliates in a particular country gives a firm a stake in its financial regulations. In addition, owning one affiliate in a country makes a firm more likely to acquire additional ones, because there is a fixed cost to expanding operations into a new country. Financial conditionality influences the opportunities and returns to foreign investment, and firms with local affiliates are best positioned to exploit them. Furthermore, having affiliates and market presence in a country involves hiring local staff and acquiring information about the country's policies and politics. This information is often relevant to the design of IMF

conditionality, giving firms with local affiliates valuable information to convey to the US Treasury Department. The combination of special interest and expertise about countries where they have foreign affiliates increases the returns to lobbying.

Multinational firms have both domestic and foreign investments, and a substantial portion of their political activity relates to their domestic assets and activities. For example, financial firms lobby extensively about taxation. We focus on areas of lobbying that are potentially related to IMF conditionality, which relate to finance and banking, but this lobbying still includes an important domestic component. Banking lobbying relates to the core business of banks, including reserve requirements, prudential standards, bank supervision and deposit insurance, while finance includes lobbying about non-banking issues such as insurance, securities trading rules, accounting standards, payment systems and financial technology. Both banks and non-bank financial firms spend more on average on lobbying about banking than on lobbying about finance, but our data indicate that banks spend an average of 4.3 times as much on banking, while non-bank financial firms spend 1.4 times as much on banking. Non-bank financial firms lobby about banking for domestic policy reasons, for example, because they provide financial services similar to those provided by banks but seek to avoid being caught up in the more rigorous financial regulations that apply to firms that accept bank deposits.

The distinctions between banks and non-bank financial firms diminish when they turn their attention abroad. The distinctions are rooted in US domestic legislation and regulation, many of which trace back to the Glass-Steagall Act of 1933, which separated commercial banks from investment banks. Even after the key provisions of Glass-Steagall were repealed in 1999, six decades of divergent business models and regulatory practices preserved much of the distinction in practice. When they invest abroad, however, banks are permitted to acquire non-bank financial firms such as investment banks and insurance companies, and non-bank financial firms are allowed to acquire foreign banks. As a result, their interests in financial conditionality converge. When they lobby about IMF conditionality, the lobbying profiles of banks and non-bank financial institutions should become more similar.

Financial firms generally support IMF conditionality, but their priorities differ from those of the IMF. The primary objective that both banks and non-bank financial firms seek from IMF conditionality is obtaining financial conditionality that opens up opportunities for them to acquire new affiliates and expand their overseas operations. In addition, they have a secondary interest in quan-

titative restraints on macroeconomic policy that reduce the riskiness of their investments. Neither banks nor non-bank financial institutions have strong interests in the application of labor-market conditionality, however. IMF staff, in contrast, generally seek to apply labor-market conditionality that reduces worker protections, lowers or abolishes minimum wages, reduces employment in state-owned enterprises and weakens collective bargaining (Henning, 2017). These labor-market reforms, which are vigorously opposed by left-leaning governments and those supported by organized labor, are widely viewed by IMF staff as beneficial because they lower the natural rate of unemployment and increase the downward flexibility of wages (Caraway et al., 2012). Flexible labor markets facilitate rapid adjustment of prices and aggregate demand during austerity programs, making it possible to restore balance to the current account with less economic contraction and unemployment. The effects of labor-market reforms accrue in the long term. Banks do not oppose labor-market conditionality, but the effects it has on their profits should be delayed and difficult to demonstrate.

2.4 Hypotheses and Research Design

The foregoing discussion leads to several hypotheses about how lobbying by US financial firms influences the terms of conditionality in IMF programs and how the negotiation of IMF programs influences lobbying by US financial firms. First, financial firms that have foreign affiliates in IMF program countries are expected to seek expanded conditionality, particularly including financial conditionality.

Hypothesis 1 (H1): *Lobbying for conditionality. Lobbying by banks and non-bank financial firms is associated with increased conditionality, particularly including financial conditionality.*

On the other hand, banks (but not non-bank financial firms) lobby in favor of IMF programs for countries where they have substantial assets at risk due to an impending financial crisis, banking crisis or sovereign default. This lobbying is persuasive to US policymakers when banks indicate that their own balance sheets are at risk; but this exerts pressure on the Fund that undermines its bargaining position with the borrowing country. Consequently, lobbying by *banks* about *banking issues* is associated with reduced conditionality.

Hypothesis 2 (H2): *Banks lobbying about banking. Lobbying by* banks *about* banking issues *is associated with decreased conditionality.*

Furthermore, if the mechanism that links bank lobbying to conditionality runs through bargaining, this implies that the areas of conditionality that are most affected should be those of most interest to banks. Countries are generally reluctant to make concessions on financial conditionality; when they do, it is because lobbying by financial firms has stiffened the resolve of US officials to insist on financial reform. When banks undermine the IMF bargaining position by pushing for a bailout, it becomes clear that the United States will not insist on those terms.

Hypothesis 3 (H3): *Bank priorities. Lobbying by banks about banking issues is estimated to decrease conditionality most in areas of priority to banks (e.g. financial conditionality) and least in areas of priority to the IMF but not to banks (e.g. labor market conditionality).*

Furthermore, if we are correct that lobbying by financial firms explains variation in IMF conditionality, firm lobbying strategies should respond to the initiation of IMF program negotiations. Testing this hypothesis calls for firm-level panel data on lobbying.

Hypothesis 4 (H4): *Lobbying response. Banks and non-bank financial firms change their lobbying strategies in the areas of banking and finance when IMF program negotiations begin.*

Banks and non-bank financial firms have different domestic lobbying priorities, but their international policy priorities are very similar. The difference between banks and non-bank financial firms reflects domestic regulations in the United States that segment financial markets. However, when US banks and non-bank financial firms expand into foreign countries they are not limited in the same ways that they are domestically: US banks can buy insurance companies and investment banks abroad, while US insurance companies and investment banks can buy foreign banks. Consequently, their lobbying interests converge when they turn abroad.

Hypothesis 5 (H5): *Lobbying convergence. The lobbying strategies of banks and non-bank financial firms become more similar when IMF program negotiations begin: banks shift emphasis to lobbying about finance, and non-bank financial firms shift emphasis to lobbying about banking.*

3 Empirical Evidence

We evaluate our hypotheses in two steps. First, we use panel data on lobbying by US financial firms and on IMF conditionality to evaluate the hypothesis that changes in lobbying are

associated with changes in IMF conditionality. We look for both increased conditionality associated with focused lobbying and decreased conditionality associated with broad-based lobbying. Second, we return to the lobbying data to evaluate a necessary condition for our mechanism to explain variation in conditionality: that lobbying responds to the initiation of IMF program negotiations. We investigate responses to the initiation of negotiations over IMF programs by both money-center banks and non-bank financial firms in terms of lobbying Congress and Treasury about various financial issues.

3.1 Models of IMF Conditionality

For the first step in our empirical analysis we seek to explain degrees of IMF conditionality, and we correlate variation in lobbying by major US financial firms that are included in the Fortune Global 500 rankings beginning in 1992 with variation in the numbers of conditions included in IMF programs adopted in the subsequent year. Data on firm lobbying in the United States are available since 1999 under the Lobbying Disclosure Act and are collected in LobbyView (Kim 2018). The data provide information about how much individual firms lobby, what they lobby about and which Federal agencies or branches of Congress they lobby. IMF conditionality data are available from IMF Monitor (Kentikelenis and Stubbs 2023), a rich public repository of data on IMF program design and implementation.

The dependent variables for our analyses are counts of IMF conditions of various types. The results presented in the main text use three subsets of IMF conditions: 1) quantitative performance criteria (QPCs) ; 2) financial-sector structural benchmarks; and 3) labor market structural benchmarks. Each of these subsets is conjectured to be of substantial interest to financial firms. QPCs are the most binding conditions, whose violation leads to automatic suspension of IMF credit unless the Executive Board votes to issue a waiver. They specify quantitative targets for macroeconomic policies that are intended to stabilize the economy and improve the ability of a country to repay its foreign debt. Structural benchmarks are not binding, but performance influences the assessment of whether a program is on track. Financial sector SBs relate to financial deregulation, consolidation and resolution of troubled banks, market access for financial services and privatization of state-owned financial institutions. Labor-market conditions can vary widely, but generally are aimed at increasing the flexibility of labor markets (i.e., making it easier to reduce wages). Examples include downward revision of minimum wages and revisions to labor laws that make it

easier to fire workers and that weaken unions' ability to engage in collective bargaining (Rickard and Caraway 2019). Labor market conditionality is of interest to financial firms because it accelerates macroeconomic adjustment and improves a country's ability to repay debt.

We investigate the effects of lobbying by two sets of US financial firms: non-bank financial firms such as investment banks, insurance companies and financing divisions of multinational corporations; and banks. We conjecture that non-bank financial firms categorically prefer more conditionality of all three types. They have no particular incentive to lobby for bailouts, but when IMF programs are proposed, they take advantage of the opportunity to lobby for market access and macroeconomic and labor market policies that reduce their risks. Banks also favor these forms of conditionality, but they have a cross-cutting concern to lobby for bailouts in particular cases where they are highly exposed, and this lobbying is likely to weaken the IMF's bargaining position, leading to less conditionality. Consequently, we conjecture that bank lobbying has mixed effects depending on the urgency of bailouts in particular instances.

Our independent variables are counts of lobbying reports filed by US financial firms that have investments in a particular IMF program country. We count lobbying reports in the quarter in which official negotiations begin with a visit by the IMF Mission to the country's capital (Ferry & Zeitz, 2024) and also lag the count one quarter to account for the fact that informal discussions and preparatory work generally take several months before the mission arrives (Stone, 2011). The results are robust to these alternative specifications. We take advantage of the richness of the Lobbying Disclosure Act (LDA) data to disaggregate the lobbying reports according to whether they report lobbying the US Congress or the Treasury Department. We find that the direction of effects is the same regardless of the agency that is lobbied, but the estimated effects of lobbying Treasury are much stronger than those of lobbying Congress.[6] In addition, we disaggregate lobbying reports according to whether they report lobbying over general financial issues or specifically about the banking industry. As expected, lobbying by non-banking financial firms is consistently associated with higher degrees of conditionality. Similarly, when banks lobby about general financial issues, their lobbying activity is associated with higher degrees of conditionality. In contrast, when banks lobby specifically about their own industry, their lobbying is associated with lower levels of quantitative performance criteria and lower levels of financial SBs. This is consistent with

[6] A single report may indicate lobbying several agencies and with several purposes, and many that report lobbying Executive agencies also report lobbying Congress. Consequently, the estimated effects of lobbying Congress may actually be attributable to lobbying Treasury, but it may also be the case that lobbying Congress is an important part of influencing Treasury.

the interpretation that bank lobbying has inconsistent effects because of the incentive to push for bailouts.

Each of our analyses use OLS with fixed effects for countries and a dummy variable for the post-2008 period, which controls for the common temporal shock of the Global Financial Crisis, the changes to the IMF conditionality paradigm that were introduced at the same time, and changes to US lobbying disclosure law that took effect in 2008. Country fixed effects control for cross-sectional variations in the incidence and type of conditionality. For example, low-income and African countries are more frequently subject to debt-related conditionality and less frequently subject to financial conditionality. Including fixed effects means that we can interpret our estimated coefficients as within-country changes over time in conditionality that are associated with over-time changes in lobbying by US financial firms.

3.2 Conditionality Results

Table 1 presents the results of our analysis of the variation in conditionality. The results for non-bank financial firms are reported in the top panel. As expected, lobbying by non-bank financial firms is associated with increased conditionality across the board, and the results are statistically significant in every specification. This is the case for reports of Congressional lobbying and Treasury lobbying. The estimates are an order of magnitude larger for Treasury lobbying, but Congressional lobbying is an order of magnitude more common than Treasury lobbying, so the marginal effects of a standard deviation increase in lobbying are comparable. The results are approximately the same when non-bank financial firms report lobbying about financial issues or about banking. The estimated marginal effect of a one-standard deviation increase in lobbying by non-bank financial institutions ranges across models from 1.1 to 1.7 additional QPCs, or an increase between 5.8% and 8.6% in the average level of conditionality. The same effect ranges from 2.6 to 3.8 additional financial SBs, or an increase of between 27 and 40 percent. The estimated effect on labor market conditions ranges from 5.7 to 8.6, or from 9.0 to 13.5%. These estimates suggest that the strongest effects of lobbying by financial firms about financial issues concern financial conditionality.

The results for banks are in the bottom panel. The banks in our sample engage in considerably less lobbying than the non-bank financial institutions, and their lobbying is concentrated

Table 1: Firm lobbying and conditionality, OLS with fixed effects

Non-bank US financial firms						
	QPCs		SBs		Labor	
Congressional lobbying	(a)	(b)	(a)	(b)	(a)	(b)
Finance	0.203**	0.093**	0.360**	0.280**	0.895**	0.561**
	(0.017)	(0.013)	(0.052)	(0.031)	(0.112)	(0.065)
Banking	0.201**	0.097**	0.355**	0.286**	0.884**	0.574**
	(0.018)	(0.008)	(0.055)	(0.025)	(0.117)	(0.051)
	QPCs		SBs		Labor	
Treasury lobbying	(a)	(b)	(a)	(b)	(a)	(b)
Finance	1.528**	0.417**	2.619**	1.835**	6.627**	3.301**
	(0.153)	(0.058)	(0.387)	(0.032)	(0.871)	(0.064)
Banking	1.178*	0.348*	2.018**	1.533**	5.107*	2.758**
	(0.454)	(0.114)	(0.843)	(0.368)	(2.075)	(0.675)
Country FE	✓	✓	✓	✓	✓	✓
Post-2008 FE	✓	✓	✓	✓	✓	✓
Lagged($t-1$)?		✓		✓		✓
N	45	37	45	37	45	37
US banks						
	QPCs		SBs		Labor	
Congressional lobbying	(a)	(b)	(a)	(b)	(a)	(b)
Finance	0.988**	0.730**	3.688**	2.767**	6.438**	4.872**
	(0.077)	(0.058)	(0.381)	(0.292)	(0.957)	(0.674)
Banking	-0.025**	-0.019*	-0.076**	-0.057**	0.302**	0.226*
	(0.007)	(0.006)	(0.022)	(0.019)	(0.089)	(0.077)
	QPCs		SBs		Labor	
Treasury lobbying	(a)	(b)	(a)	(b)	(a)	(b)
Finance	4.000**	3.000**	16.000**	12.000**	29.000**	21.75**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Banking	-0.172*	-0.145*	-0.515*	-0.436*	2.059**	1.744*
	(0.055)	(0.055)	(0.164)	(0.166)	(0.657)	(0.663)
Country FE	✓	✓	✓	✓	✓	✓
Post-2008 FE	✓	✓	✓	✓	✓	✓
Lagged($t-1$)?		✓		✓		✓
N	57	50	57	50	57	50

Standard errors clustered at country level in parentheses
*Signif. Codes: **: 0.01, *: 0.05, +: 0.1*

in banking industry concerns rather than general financial issues. When banks lobby on general financial issues, however, the estimated effects are similar in direction to the estimates for non-bank financial firms but larger in magnitude. The estimated marginal effect of a one-standard deviation increase in lobbying by banks on financial issues ranges from 0.7 to 1.8 QPCs, an increase between 4.3 and 10.7% in the average level of conditionality in countries where they have affiliates. The estimated effect on financial SBs is much larger, ranging from 3.0 to 6.4 conditions, or an increase ranging from 21.4 to 46.3%. This is consistent with the view that banks are deeply concerned

about market access and regulation in IMF program countries and exert significant influence over financial conditionality.

In contrast, when banks lobby about banking issues, the estimated effect is a modest decrease in quantitative performance criteria and financial structural benchmarks. A one-standard deviation increase in lobbying about banking is associated with a decrease of 0.25 to 0.3 QPCs and 0.7 to 0.9 financial SBs. Bank lobbying on banking is more than twice as volatile as on financial issues, so these small negative estimated effect sizes are likely the residual of two contradictory effects. As we saw above, banks prefer higher levels of conditionality in terms of QPCs and financial benchmarks, and some of the bank lobbying on banking issues presumably follows the pattern of pushing for traditional bank objectives. On the other hand, when major multinational banks become highly exposed to potential default by particular emerging markets, they lobby for bailouts for their clients on whatever terms are available (Copelovitch 2010, Stone 2011). The results are consistent with the interpretation that pressure to lend to these systemically important countries undermines the Fund's bargaining leverage and allows the borrowers to escape the most stringent forms of conditionality. It appears likely, furthermore, that the banks' intense interest in obtaining a bailout for their clients undermines whatever efforts they might make to secure the special forms of conditionality that they find most attractive.

We find a consistent pattern that lobbying by banks and non-bank financial institutions is associated with increased labor-market conditionality. Labor-market conditions are not traditionally thought to be a significant preoccupation of multinational financial firms, but we conjecture that international bankers favor such reforms because they improve a country's prospects of repaying debt. The IMF frequently seeks to negotiate labor-market reforms as a component of its programs. Increasing labor-market flexibility (which makes it easier for employers to lower wages and layoff workers) complements adjustment programs that seek to reduce aggregate demand in order to restore international competitiveness, particularly in countries that have overvalued exchange rates. This often pits the IMF against left-leaning governments, and there is evidence that countries with governments that enjoy substantial support from organized labor less frequently accept such conditions (Rickard and Caraway 2012). In addition, IMF conditionality that targets public-sector employment has been shown to depress wages (Rickard and Caraway 2019). We estimate significant positive effects of lobbying by banks and non-bank financial firms, of lobbying on banking and finance, and of lobbying Treasury and Congress. The effect sizes range from three to

10.7 labor-related structural benchmarks, or an increase in conditionality ranging from five to 17%.

3.3 Lobbying Results

We now turn to analysis of firm-level lobbying data. Measures of lobbying intensity are quarterly counts of lobbying reports submitted on behalf of firms that report lobbying the US Treasury or the US Congress and that report lobbying about selected financial issues, which are drawn from LobbyView (Kim, 2018). We measure the initiation of IMF program negotiations using a new data set introduced by Ferry and Zeitz (2024), which uses the IMF archives to track IMF Missions that resulted in IMF programs. We hypothesize that well-connected financial firms become aware of negotiations between the IMF and countries where they have affiliates and lobby to influence the outcome. We use PanelMatch (Imai et al., 2023), which combines difference-in-difference estimation with matching, to analyze these data. Our estimated results are within-firm changes over time associated with the beginning of IMF program negotiations with a country in which the firm has an affiliate.

PanelMatch exactly matches treated firms with untreated firms that share identical prior treatment histories over a defined window to create matched sets. In our application, firms are treated if IMF program negotiations begin in the current quarter with a country in which the firm has an affiliate. Thus, the timing of program negotiations provides variation over time, and the distribution of firm affiliates across countries provides variation across firms. PanelMatch then uses propensity score matching to refine the matched sets, lowering the weight placed on control units that are most different from the treated units. We use four time-varying firm-level covariates for propensity-score matching, the number of affiliates a firm has acquired in the United States since 1980, and three lags of the number of lobbying reports a firm filed that recorded lobbying the White House about foreign affairs. Figure 3 in the appendix demonstrates how the process of matching on treatment histories and refinement using propensity-score matching balances the matched sets to ensure that the parallel trends assumption holds. In the plot, the dark lines represent the standardized differences in the dependent variable between the treated and control groups in pre-treatment periods. Lines parallel to the x-axis indicate parallel trends between treatment and control, and small absolute differences indicate pre-treatment balance.

This approach trades off statistical power for credibility. The statistical power of our

estimates is low because the number of financial firms in the Fortune Global 500 is low, the number of banks is lower, and we lose observations because of the need to exactly match treatment histories. Our final estimation sample includes only 11 banks and 30 non-bank financial firms. Nevertheless, we obtain some statistically significant results for the set of non-bank financial firms, and the estimated marginal effects for banks are substantial and point in the same direction.

Our analyses again divide firms into banks and non-bank financial firms, and our dependent variables are numbers of lobbying reports that refer to lobbying Congress and the US Treasury in the areas of banking and finance. As we argued above, although banks and non-bank financial firms pursue different lobbying strategies that reflect domestic regulations in the United States, their strategies converge when they focus on IMF conditionality.

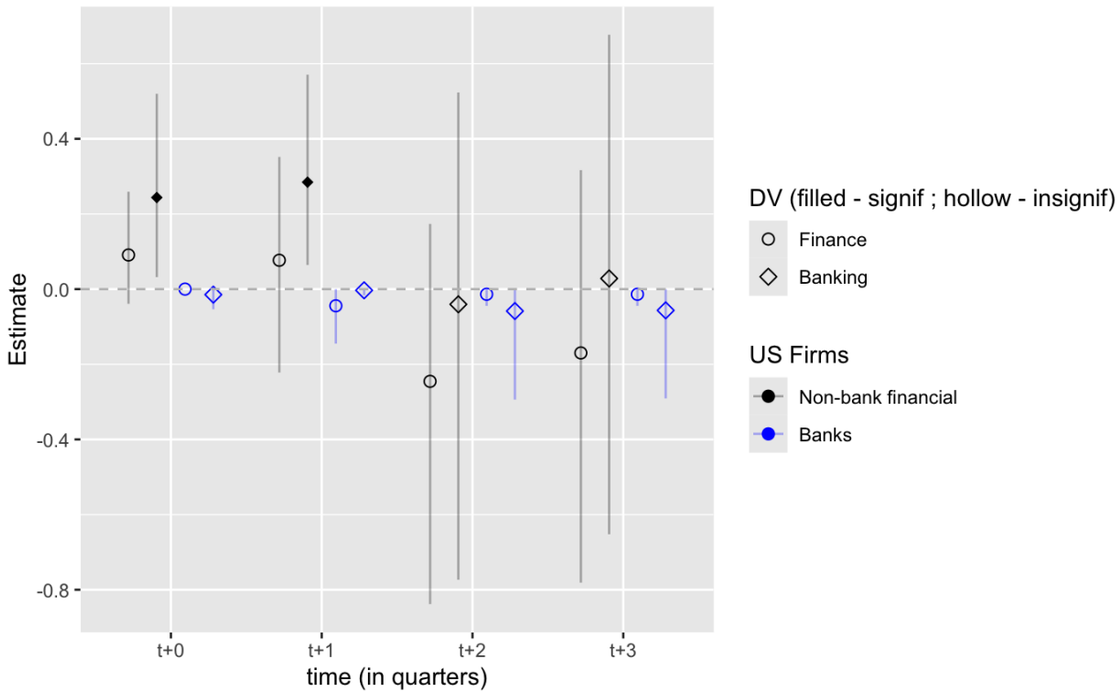

Figure 1: Treasury lobbying & IMF program negotiation

Figure 1 presents the results of our analysis of lobbying the US Treasury. Treasury is the obvious target for lobbying about the IMF, since the US Executive Director of the IMF is a Treasury Department official and that agency holds the portfolio for international financial institutions. The coefficients and confidence intervals are reported in Table 4. Time t is the quarter in which IMF program negotiations begin, and the estimates on the y-axis represent the difference in differences in the average number of lobbying reports filed that report lobbying Treasury about finance or banking, respectively, between the firms that do and do not have affiliates in the country. The bars represent 95% confidence intervals, and for ease of interpretation the symbols representing the estimates are filled if the confidence interval does not include zero. Estimates for banks are in blue

and estimates for non-bank financial firms are in black; circles indicate lobbying about finance and diamonds indicate lobbying about banking.

The results indicate that non-bank financial firms significantly increased their lobbying about banking by amounts equal to a 50.4% increase in quarter t and a 50.7% increase in quarter $t+1$. The estimates indicate that they probably also increased lobbying about finance by about 30%, but those results are not significant. In contrast, banks did not increase their lobbying of the US Treasury during program negotiations that affected their affiliates. The results indicate that banks with affiliates in program countries probably decreased their lobbying about banking by an estimated 21% relative to other banks in quarter t, although the confidence interval for the estimate includes zero. The estimates indicate no effect or a negative effect on bank lobbying about finance.

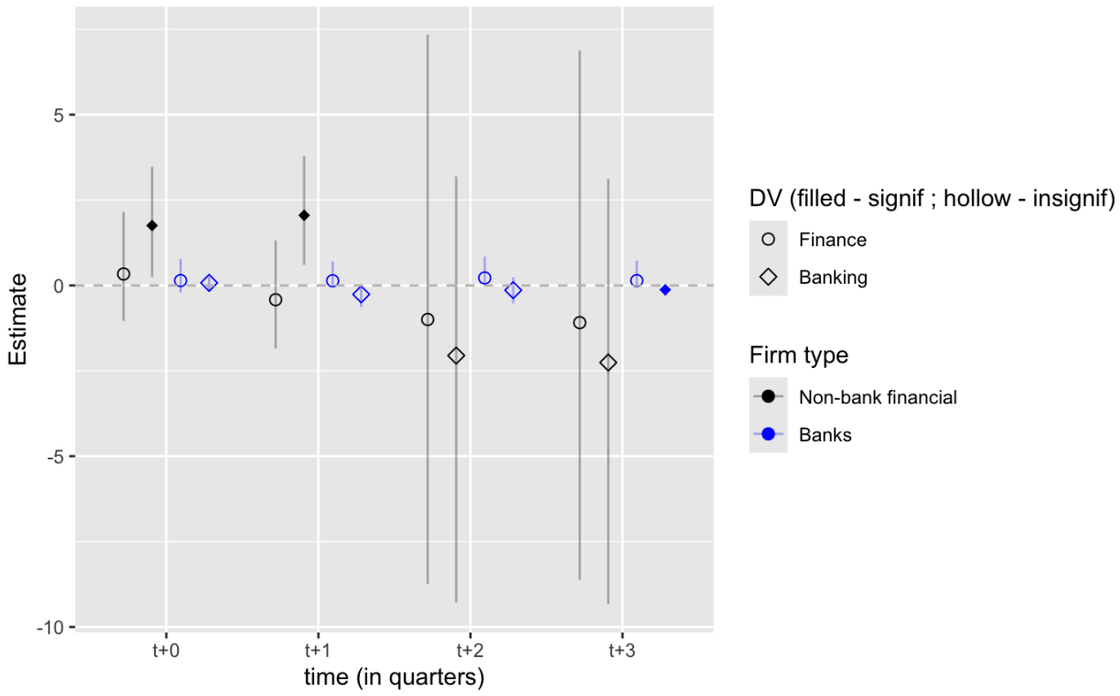

Figure 2: Congressional lobbying & IMF program negotiation

Figure 2 presents the results of a parallel analysis using LDA reports that refer to lobbying the US Congress. Congress is more pliable to corporate lobbying than Executive branches, and firms that lobby the Executive generally lobby Congress as well in order to bring their influence over particular members of Congress to bear on Executive agencies. The results are similar to the results reported above concerning lobbying Treasury. Non-bank financial firms significantly increase their lobbying about banking issues when IMF program negotiations begin. The estimated effect increases Congressional lobbying about banking by 28.5% in the quarter when IMF program negotiations begin and by 34.4% in the following quarter. The level of lobbying appears to return to normal levels in the subsequent quarters, but those estimated effects are not significant. The

estimates for lobbying about finance by non-bank financial firms have confidence intervals that include zero, but again the estimate in quarter t is positive. The estimated effect is an increase in lobbying of 8.9%.

All of the estimated effects for bank lobbying again have confidence intervals that include zero, but the estimated marginal effects are substantial. Banks are estimated to increase their Congressional lobbying on finance by 41.6% and increase their Congressional lobbying on banking by 39.4% in quarter t. Since data limitations and our conservative estimation approach give us low statistical power, it seems appropriate to conclude that banks probably increase their lobbying substantially during IMF program negotiations. The available data do not allow us to draw any confident condlusions, however. With this important caveat, the pattern of results supports the interpretation that the initiation of IMF program negotiations is associated with changes in the lobbying strategies of both banks and non-bank financial firms in Congress as well as at Treasury. The statistical results are strong for non-bank financial firms and more uncertain for the small number of banks.

Combining these results with the results in the previous section brings together a fuller picture of how banks and financial firms lobby about IMF conditionality and what effects their political activity appears to have. As we argued above, while banks and non-bank financial institutions have very different domestic lobbying priorities, they generally share similar objectives abroad, because they are broadly able to invest in the same activities and lines of business. Both kinds of financial institutions lobby to expand their market access, liberalize foreign markets, and privatize foreign financial firms. Both regard IMF programs as an opportunity to crack open restrictive financial markets so they can acquire lucrative investments. As we saw in the previous section, lobbying about finance by both kinds of firms is associated with increased conditionality: more QPCs, more financial structural benchmarks, and more labor-market conditions. In addition, lobbying by non-bank financial firms has similar effects regardless of whether the lobbying is categorized as regarding banking or finance. It is only when banks lobby about banking that we see reductions in QPCs and financial SBs. We now see that when negotiations over an IMF program begin, banks do not increase, and may even reduce their lobbying of the US Treasury. In particular, since bank lobbying about banking is associated with programs with decreased conditionality, exercising restraint during program negotiations is consistent with efforts to promote additional conditionality, leading to financial reform in target countries. On the other hand, the evidence sug-

gests, albeit weakly, that banks sometimes do increase their lobbying of Congress during program negotiations, although this is behavior that would undermine the IMF's bargaining position. A possible interpretation is that banks are reluctant to intervene but are compelled to do so when influential members of Congress are skeptical of bailouts that the banks regard as important.

This interpretation is consistent with the view that banks do not lobby for reduced financial conditionality for IMF program countries, but that their lobbying on banking issues nevertheless undermines the IMF's bargaining position. When IMF program negotiations take place in the context of heavy lobbying by US banks about banking issues, country authorities are aware that US banks are adding their weight to the scale in favor of bailouts for sovereign borrowers. Treasury cannot afford to let the negotiations fail under these circumstances, so it pressures the Fund, and the borrowing countries understand that they do not have to make as many concessions as usual to reach agreement.

4 Conclusion

Leading financial firms, particularly leading US firms, exert substantial influence over the IMF. An extensive literature argues that this influence plays a role in determining the scale of IMF resources, which countries receive loans, how large the loans are, what conditions are attached to them, how rigorously these conditions will be enforced, and how effective IMF lending will be at resolving financial crises.

The results of the current study synthesize two prominent earlier findings that appeared to be contradictory: US banks lobbied for and achieved increases in financial conditionality (Gould 2003, 2006), but countries to which US banks were highly exposed received IMF programs with less ambitious conditionality (Copelovitch 2010a, 2010b; Stone 2011). The solution to the puzzle is that US financial firms lobby both on micro issues (chiefly, conditionality related to their market access) and on macro issues (bailouts for major emerging markets). We identify both patterns of influence by merging data on lobbying and conditionality.

Our analysis distinguishes between banks and non-bank financial firms; we study the effects of lobbying about finance and about banking; and we estimate effects on three types of IMF conditions: financial conditionality, macroeconomic quantitative performance criteria and

labor-market conditionality. We find that lobbying by non-bank financial firms with affiliates in a borrowing country prior to the beginning of an IMF program is uniformly associated with increased conditionality. Lobbying by banks about finance had similar estimated effects: this was associated with increased financial conditionality, additional QPCs and more labor-market structural benchmarks. These findings are consistent with the hypothesis that US financial firms lobby for conditionality. On the other hand, banks appear to undermine the IMF's bargaining position when they lobby heavily about banking, resulting in weaker IMF conditionality. We argued that banks play a special role in the US economy that gives them unique effectiveness when they lobby for bailouts. The areas of conditionality of special interest to banks, especially financial conditionality that allows them to expand their areas of operations abroad, are the areas that are particularly depressed when they clamor for relief.

Further empirical analysis conducted at the firm level complements these results. To date, studies of banks' political behavior vis-à-vis the IMF have been focused at the level of the IMF program or, in a few cases, at the level of individual Congressional votes, but firm-level data can shed light on firms' motivations and strategies. We use PanelMatch (Imai et al., 2023) to investigate the lobbying response of individual firms to the initiation of IMF program negotiations (Ferry & Zeitz, 2024), and we find that US financial firms alter their lobbying strategies when the Fund enters negotiations with countries where they have direct investments. Banks ordinarily devote a greater share of their lobbying activity to banking than do non-bank financial firms, while non-bank financial firms devote a larger share of their activity to other financial issues. The distinction between banks and non-bank firms is largely due to domestic US regulation, however, and when they invest abroad, banks and non-bank financial firms are free to invest in the same foreign firms. Consequently, their lobbying strategies converge when they turn their attentions overseas. We find that non-bank financial firms increase their lobbying in banking and decrease their lobbying in finance, while banks increase their lobbying in finance and decrease their lobbying in banking. Combining this result with the effects of lobbying on conditionality indicates that banks shift their lobbying in ways that are calculated to increase conditionality when IMF programs begin. However, if programs are initiated in bad times for banks, in the midst of heavy bank lobbying campaigns about banking, conditionality is likely to be depressed.

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Appendix

Table 2: Descriptive statistics: program-level

Congressional lobbying	Mean	SD	Min	Max	*N*
Finance	3.814	8.784	0	44	102
Banking	11.94	18.993	0	82	102
Treasury lobbying	**Mean**	**SD**	**Min**	**Max**	***N***
Finance	0.490	1.115	0	6	102
Banking	1.559	2.535	0	12	102
Conditionality	**Mean**	**SD**	**Min**	**Max**	***N***
QPCs	17.58	6.835	5	36	102
SBs	10.1	8.642	0	27	102
Labor	61.59	27.513	19	124	102

**Lobbying aggregated at program country level*

Table 3: Descriptive statistics: firm-quarter level data

Non-bank US financial firms					
Congressional lobbying	Mean	SD	Min	Max	*N*
Finance	4.595	6.780	0	51	2,458
Banking	5.921	8.027	0	55	2,458
Treasury lobbying	Mean	SD	Min	Max	*N*
Finance	0.417	0.768	0	5	2,458
Banking	0.564	0.910	0	6	2,458
US banks					
Congressional lobbying	Mean	SD	Min	Max	*N*
Finance	0.243	0.594	0	5	830
Banking	0.330	1.069	0	12	830
Treasury lobbying	Mean	SD	Min	Max	*N*
Finance	0.052	0.243	0	2	830
Banking	0.081	0.367	0	4	830

With bootstrapped standard errors, PanelMatch automatically uses percentile confidence intervals. In cases where every bootstrap replicate is positive but are highly dispersed, the empirical 2.5% and 97.5% quantiles are well above zero even though standard errors are huge.

Figure 3: PanelMatch: Covariate balance plot

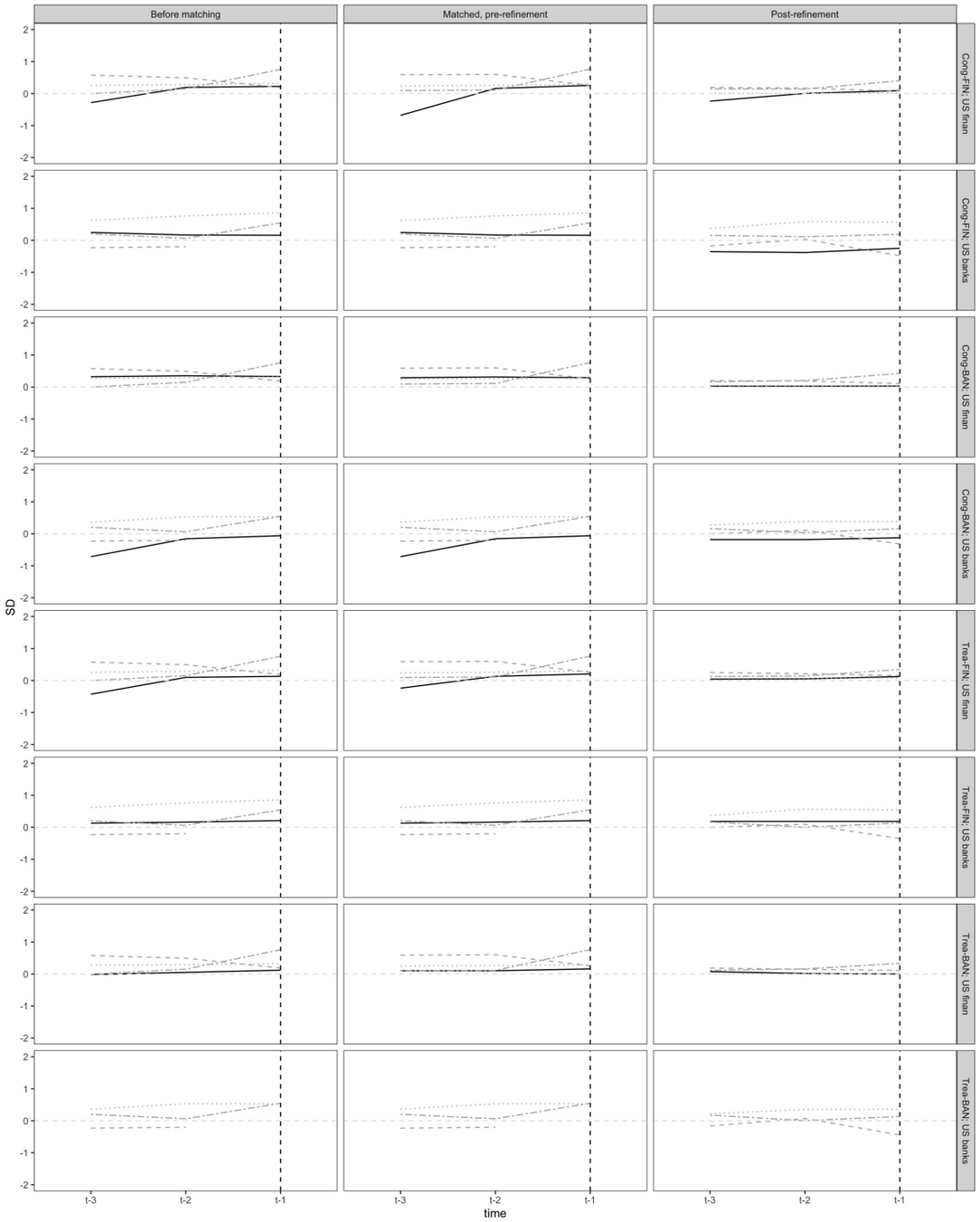


Table 4: PanelMatch Results

Congressional lobbying		
	(1) Finance	(2) Banking
Non-bank financial firms		
t	0.366	1.753
	[-1.037, 2.156]	[0.248, 3.478]
$t+1$	-0.418	2.053
	[-1.846, 1.321]	[0.601, 3.793]
$t+2$	-0.997	-2.054
	[-8.740, 7.340]	[-9.286, 3.190]
$t+3$	-1.089	-2.257
	[-8.619, 6.883]	[-9.329, 3.119]
Banks		
t	0.143	0.075
	[-0.203, 0.773]	[-0.182, 0.245]
$t+1$	0.137	-0.261
	[0.000, 0.704]	[-0.632, 0.007]
$t+2$	0.219	-0.139
	[0.000, 0.841]	[-0.527, 0.240]
$t+3$	0.141	-0.126
	[0.000, 0.723]	[-0.303, -0.004]
Treasury lobbying		
Non-bank financial firms		
t	0.091	0.244
	[-0.039, 0.259]	[0.032, 0.520]
$t+1$	0.077	0.285
	[-0.222, 0.352]	[0.064, 0.571]
$t+2$	-0.245	-0.030
	[-0.838, 0.174]	[-0.773, 0.523]
$t+3$	-0.170	0.028
	[-0.781, 0.317]	[-0.652, 0.677]
Banks		
t	0.000	-0.015
	[0.000, 0.000]	[-0.054, 0.000]
$t+1$	-0.044	-0.003
	[-0.145, 7.491×10^{-7}]	[-0.016, 0.000]
$t+2$	-0.014	-0.058
	[-0.045, 7.491×10^{-7}]	[-0.294, 0.000]
$t+3$	-0.014	-0.057
	[-0.045, 7.491×10^{-7}]	[-0.291, 0.000]

95% confidence intervals reported in brackets

Figure 4: IMF program treatment history plot - US non-bank financial firms

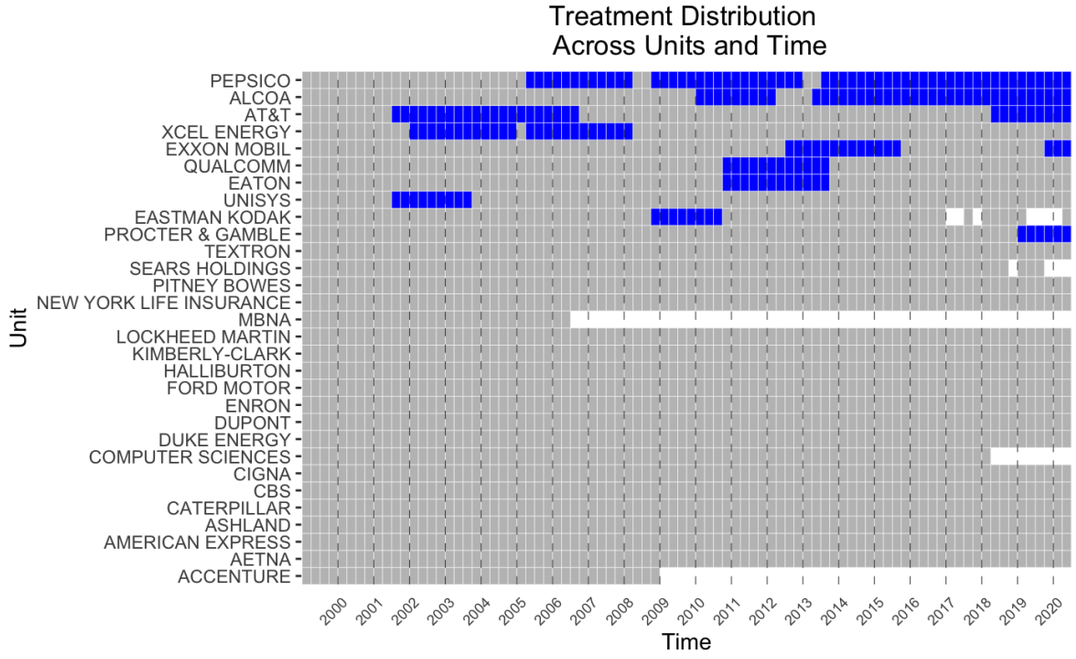
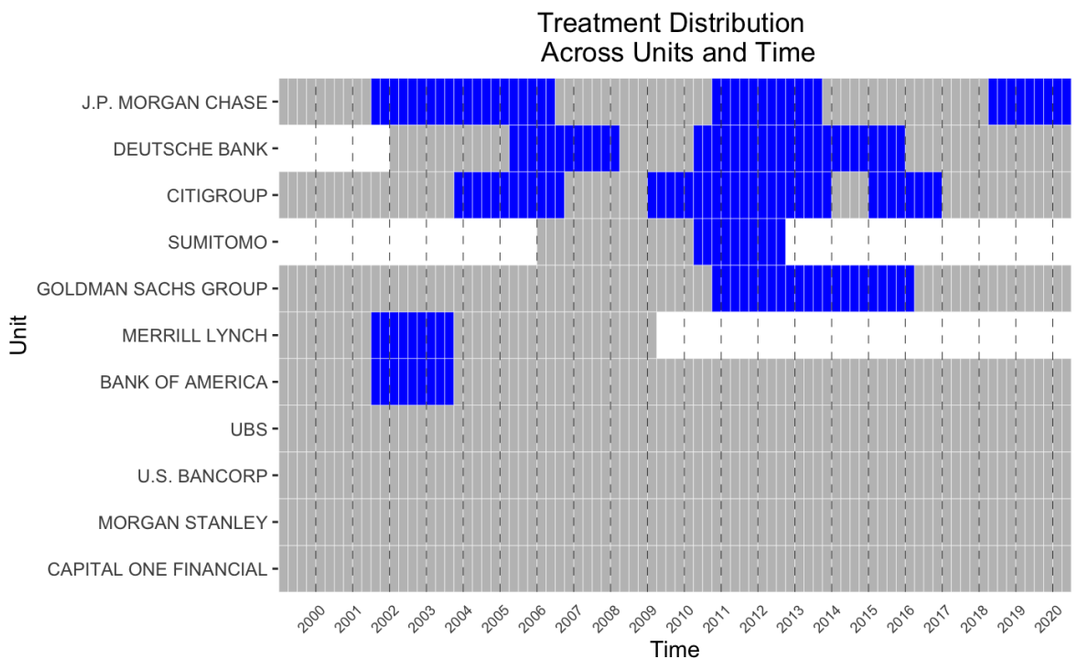
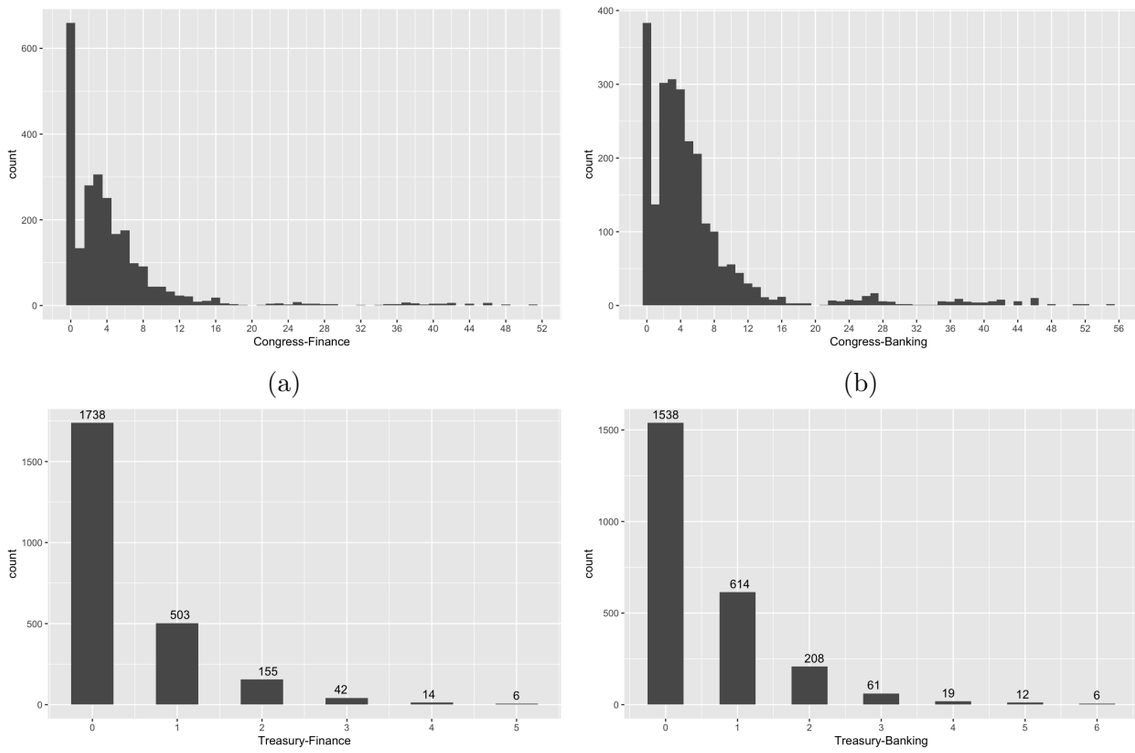


Figure 5: IMF program treatment history plot - US money-center banks



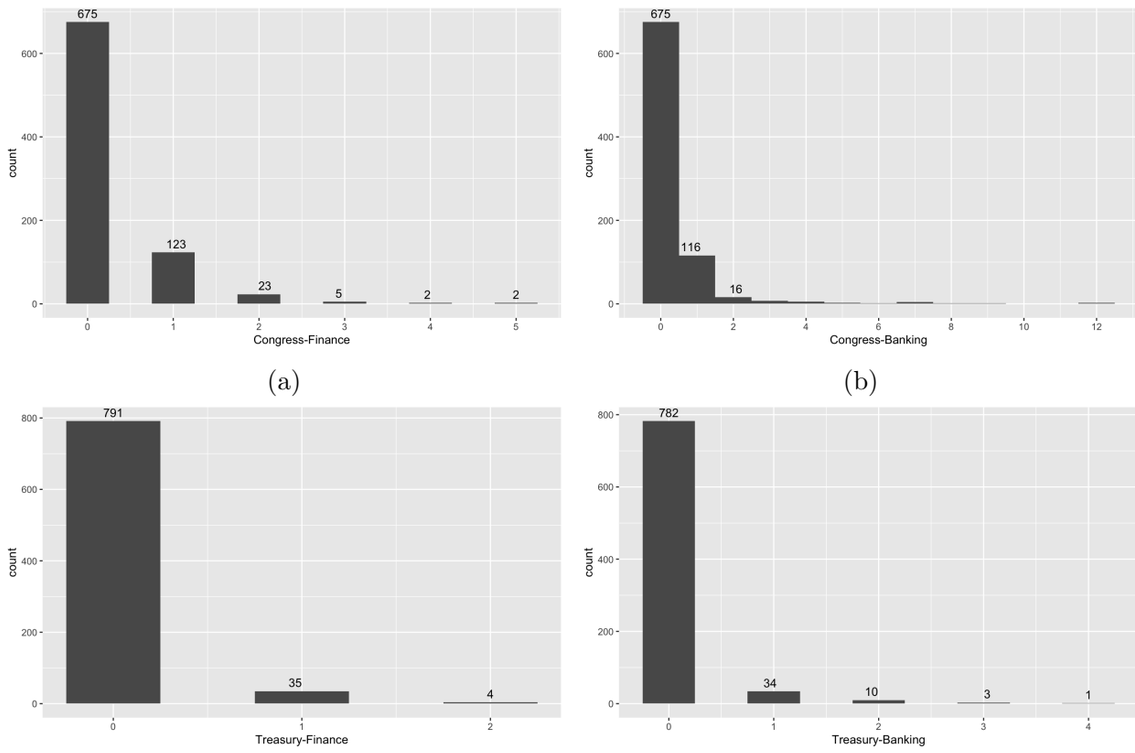
Figures 4 and 5 span years from 1999 to 2018, broken down into 4 quarters for each year. Blue shaded squares represent treated units, gray untreated, and empty missing observations.



(a) (b)

(c) (d)

Figure 6: Distribution of lobbying by non-bank US financial firms



(a) (b)

(c) (d)

Figure 7: Distribution of lobbying by US banks

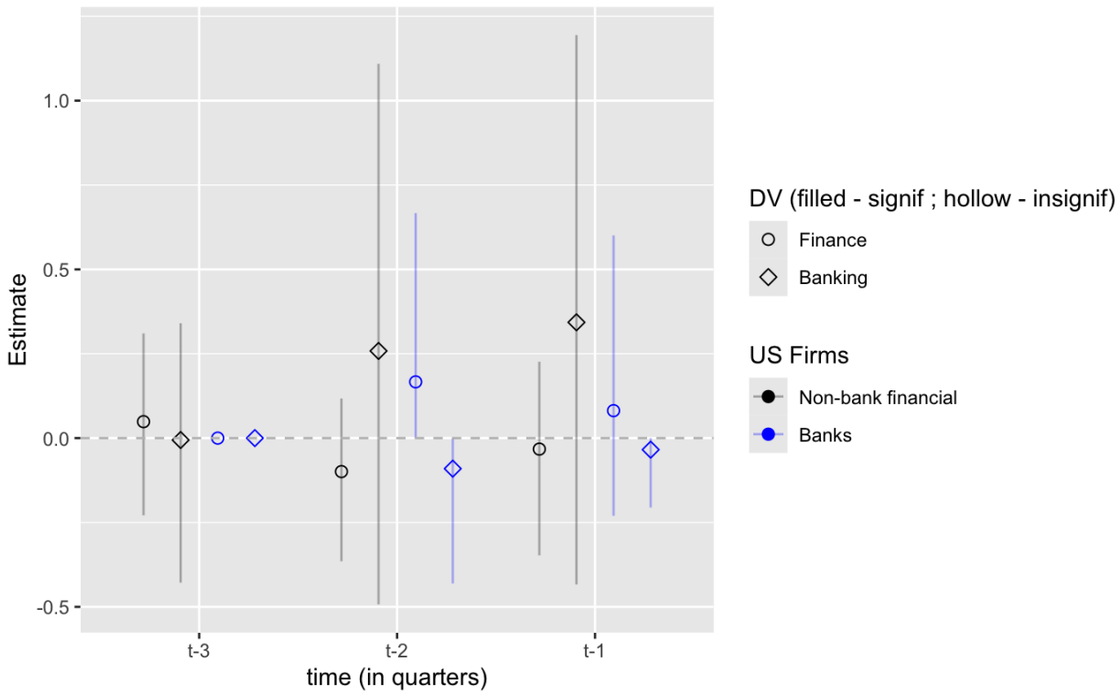


Figure 8: Treasury lobbying placebo tests

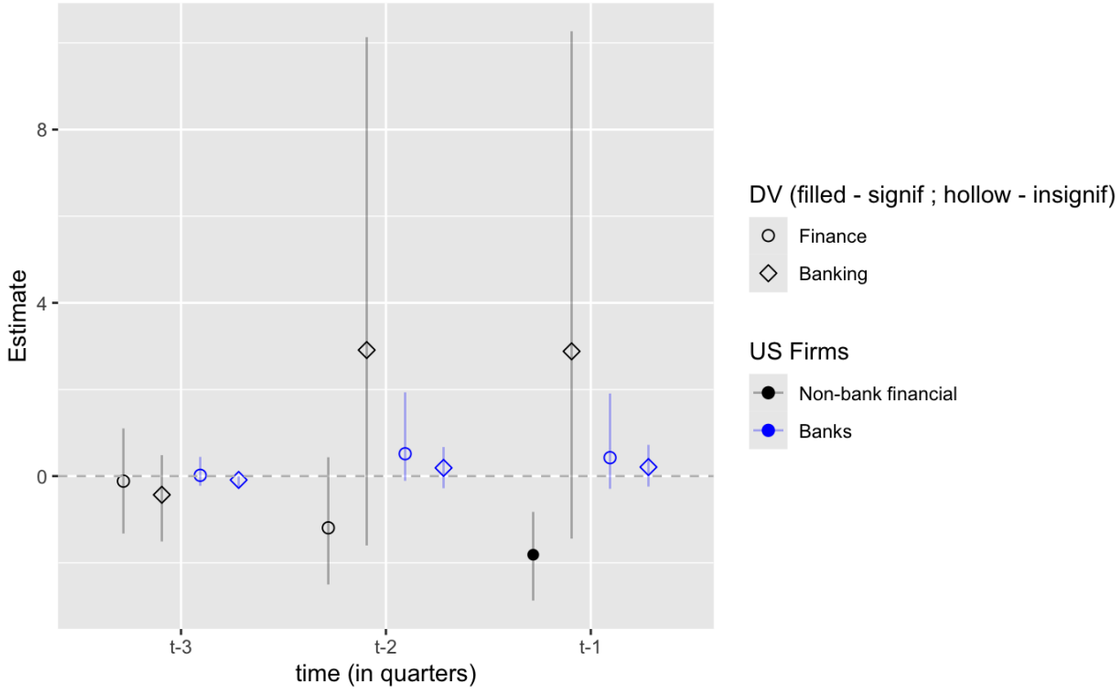


Figure 9: Congressional lobbying placebo tests

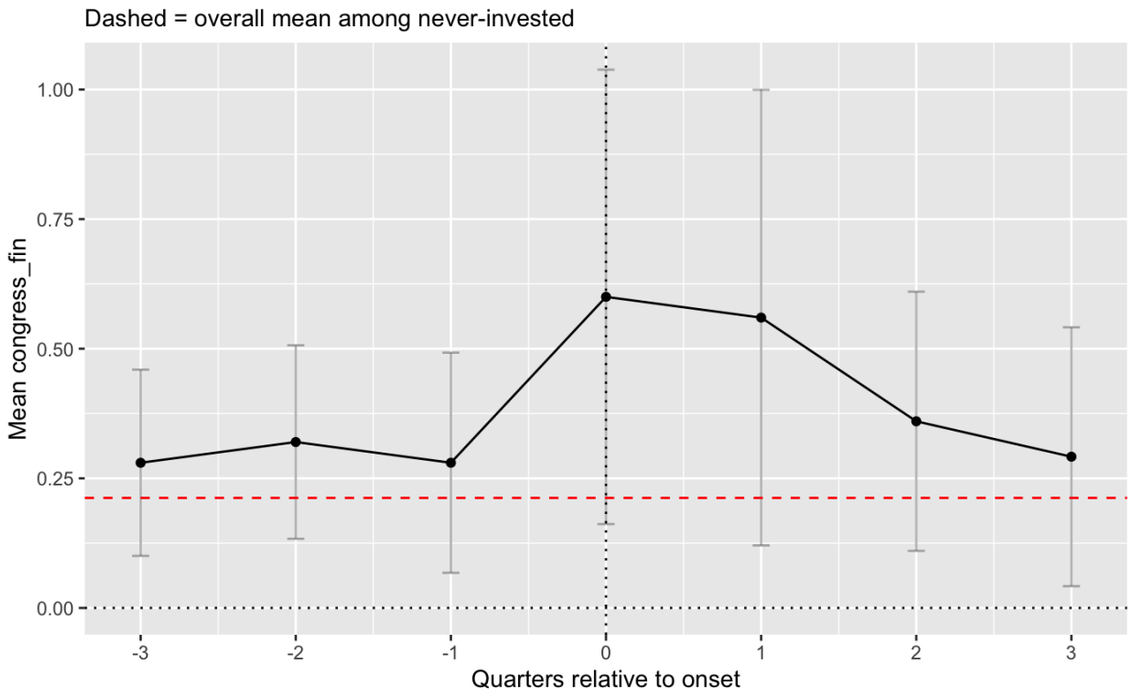


Figure 10: Mean level of Congressional lobbying (issue: finance) around IMF program onset

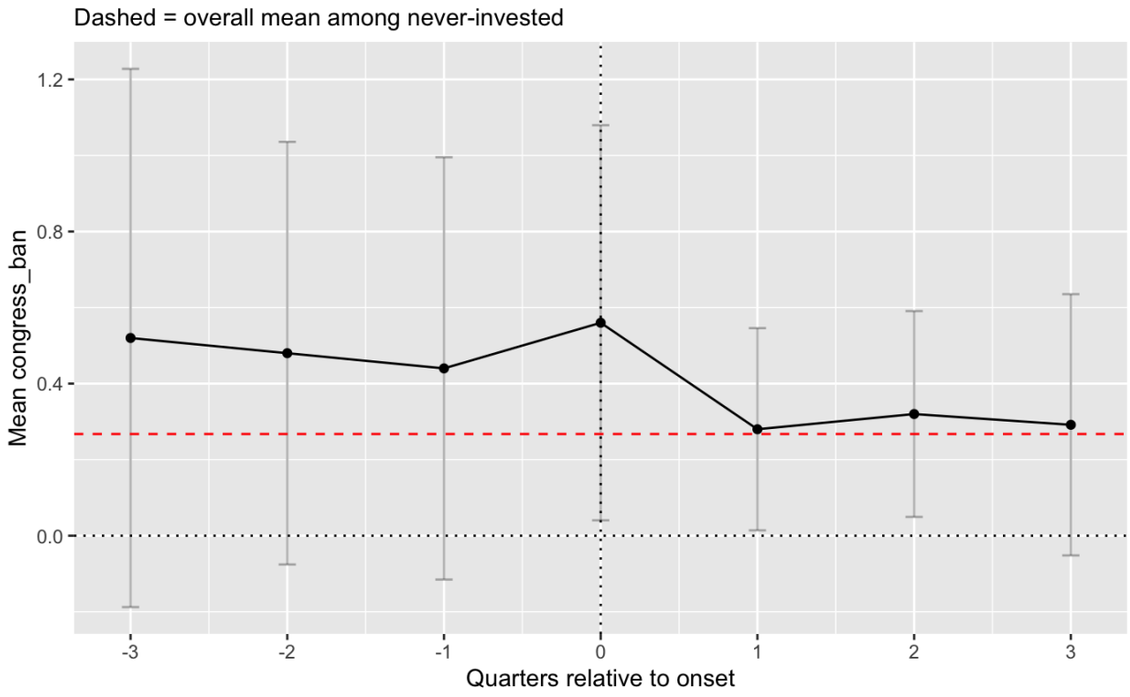


Figure 11: Mean level of Congressional lobbying (issue: banking) around IMF program onset

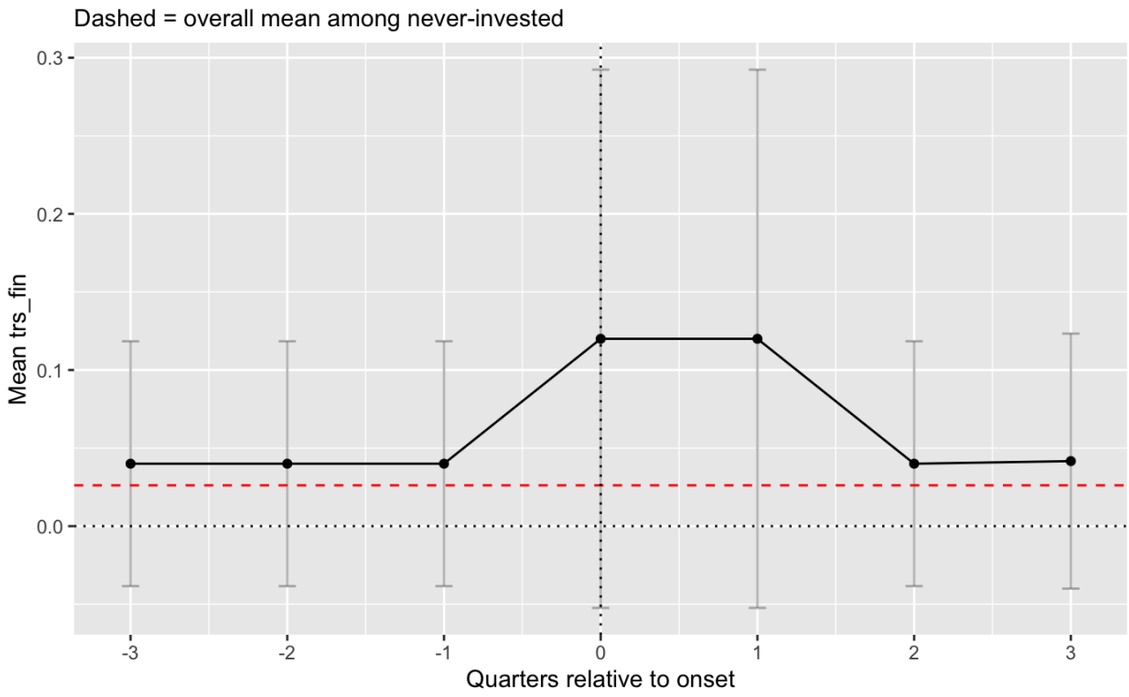


Figure 12: Mean level of Treasury lobbying (issue: finance) around IMF program onset

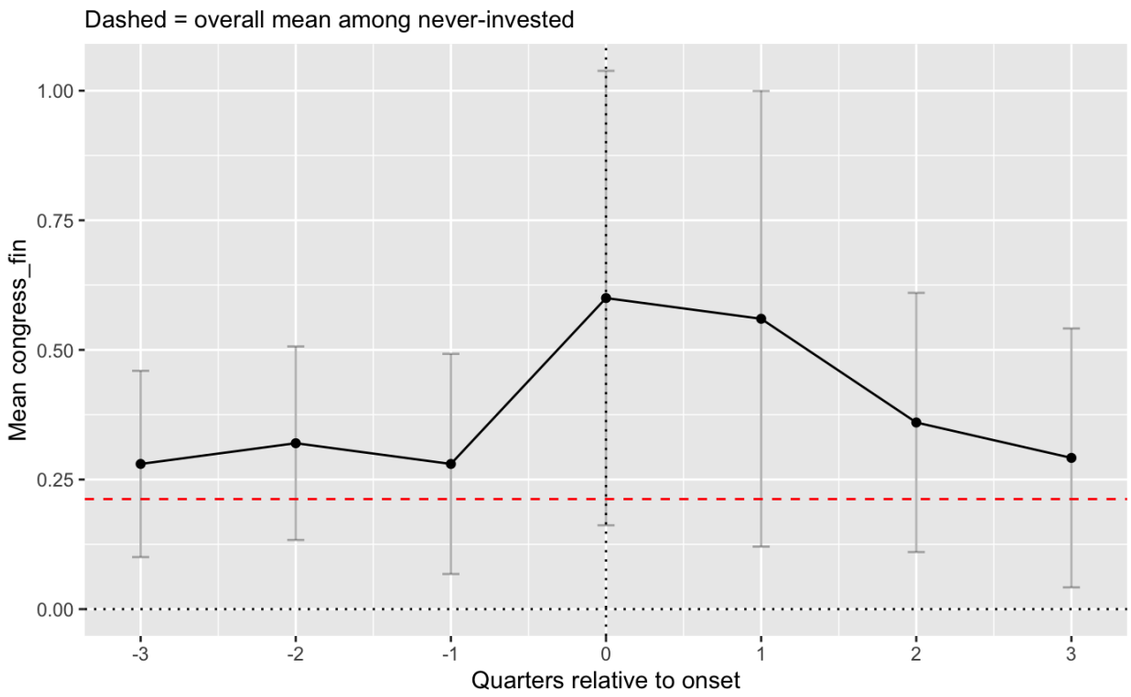


Figure 13: Mean level of Treasury lobbying (issue: banking) around IMF program onset