

Austerity and Aggression: Government Responses to IMF Conditionality*

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Abstract

The International Monetary Fund (IMF) offers countries emergency financial support in exchange for the implementation of stringent policy conditions that often cause political and economic upheaval in target states. How do leaders in borrower countries respond to the backlash from publics and elites that often emerges in these cases? We argue that leaders seek to divert attention from economic issues under IMF conditionality by employing security-oriented rhetoric and sparking low-cost skirmishes internationally. Such diversionary tactics may help leaders to skirt blame for the short-term economic costs of IMF-imposed structural adjustment by driving a rally-around-the-flag effect. We pair text analysis of ruling party manifestos with regression analysis of the relationship between IMF conditionality and the initiation of interstate disputes, finding support for our argument.

Keywords: IMF; austerity; conflict; domestic policy space; party manifestos

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Research on the domestic consequences of economic globalization has proliferated in recent years, with scholars finding aspects of the international economy such as trade and foreign direct investment can influence prospects for democratization (Gao 2021a), citizen attitudes (Mansfield, Milner and Rudra 2021; Rodrik 2021), and even the rise of extremist parties (Colantone and Stanig 2018). International financial institutions (IFIs) in particular have gained significant sway over domestic economic outcomes, with the International Monetary Fund (IMF) standing out as arguably the most domestically influential of the IFIs. Indeed, the IMF imposes stringent policy conditions on loan recipients, demanding austerity, tax reform, and privatization, among other policy changes (Li, Sy and McMurray 2015; Kentikelenis, Stubbs and King 2016). The IMF accomplishes these objectives via conditionality in the form of structural adjustment programs that have grown increasingly far-reaching and demanding over time (Baab and Carruthers 2008; Dreher 2009).

The short-term domestic consequences of such IMF-imposed austerity, including rising income inequality and negative employment trends, have triggered mounting societal discontent and backlash against the governments that negotiate and implement them. While previous research argued leaders may accept IMF loans to tie their hands to implement welfare-enhancing reforms (Keohane 1984) or to scapegoat the Fund for the short-term economic costs of liberalization (Vreeland 1999, 2005), more recent work suggests scapegoating is ineffective at deflecting blame from the government in cases of stringent conditionality (Kaya, Handlin and Günaydin 2020). IMF conditions are often incredibly salient domestically and can threaten the popularity of leaders and their reelection odds (Vreeland 2005).¹ Indeed, publics and elites alike can lose from IMF programs in the short-run as a result of public sector job and wage cuts, privatization, and the like. If this is the case, how do governments and leaders in these borrower countries respond to the backlash that emerges in the face of stringent IMF conditionality? More generally, how might leaders overcome domestic turmoil wrought by economic globalization?

The IMF's influence over domestic economic policy and its power to impose austerity from abroad present a unique set of challenges to recipient governments. Leaders cannot tailor austerity

¹Cases of public protest against IMF conditions abound. See "Thousands Protest Argentina's Debt Deal with IMF" *France 24*. 2022. <https://bit.ly/3qj0PqP>

programs to their domestic contexts or rollback unpopular liberalization under IMF programs, differentiating such austerity provisions from those with domestic origins. They often lack credible outside options and bargaining leverage given the Fund's role as lender of last resort (Henning 2011; Clark 2022). Therefore, leaders face incentives to reorient voters' attention away from the short-term economic struggles IMF programs engender. In particular, national security, foreign policy, and defense topics may be attractive to such leaders. Ruling elites often pivot to security issues in times of economic stress (Ward et al. 2015; Traber, Denise, Giger, Nathalie and Häusermann 2018; Pardos-Prado and Sagarzazu 2019), and the public tends to be receptive to their cues on these issues (Guisinger 2009; Rho and Tomz 2017; Guisinger and Saunders 2017). Elites can also benefit from a ramping up of military rhetoric and action (Snyder 1991).

Drawing on this research and the diversionary war literature, we argue that leaders in IMF program countries facing particularly stringent IMF programs —namely, those with large numbers of conditions— may use diversionary security rhetoric, and the initiation of small scale interstate disputes, to deflect attention from painful, internationally-imposed economic adjustment. National security issues, and international disputes in particular, can induce a rally-around-the-flag effect domestically (Russett 1990), buoying public and elite support for the government and distracting attention from short-term economic pain. Therefore, leaders should emphasize security topics when cuing the public in the face of stringent IMF conditionality while simultaneously downplaying economic issues. We also argue these leaders are likely to initiate small scale interstate disputes. Though they may prefer to cue on national security issues without initiating new disputes, leaders could look weak for doing so (Fearon 1994; Tomz 2007), and signals are most effective when they carry costs (Fearon 1997). However, we suggest that leaders are careful to keep such costs relatively low, especially because IMF program countries are mostly developing and/or economically vulnerable states. Therefore, we argue these leaders will initiate conflicts that are unlikely to lead to significant material costs (e.g., battle deaths or protracted ground wars) by taking actions less likely to incite a forceful retaliation.

Indeed, there is preliminary evidence IMF program participants initiate these low-cost inter-

state skirmishes in the face of demanding IMF conditionality. Between 1978 and 2014, 397 interstate disputes were triggered by IMF program countries. One such country was Nicaragua — in early 1999, Nicaragua initiated a maritime dispute with Honduras shortly after agreeing to an IMF program that took a toll on its economy.² They then filed disputes against Honduras with the International Court of Justice, World Trade Organization, and Central American Court of Justice, making it a salient topic in the public zeitgeist.³ The conflict with Honduras helped to alleviate public pressure on President Alemán. Honduras was an attractive target for Nicaragua insofar as there was a history of border tensions and low-level skirmishes between the countries,⁴ though a period of relative calm preceded the 1999 flare-up. Moreover, the Honduran and Nicaraguan governments were ideologically opposed for much of the 1980s and 1990s. Therefore, this conflict was likely to be salient among Nicaraguan citizens and stir up public support for the regime, which it ultimately did (Granger 2007). Moreover, Nicaragua suffered no casualties as a result of this dispute.⁵

To test our theory, we employ a multi-method approach. First, we translate and perform structural topic modeling on the entire corpus of party manifestos from the Comparative Manifesto Project database (Volkens et al. 2020), finding that ruling parties revise their platforms to emphasize international relations and conflicts when their government has agreed to burdensome IMF loans, while simultaneously focusing less attention on contentious economic issues such as public spending and tax policy. Next, we pair data on IMF loan programs and conditionality during the period 1978–2014 (Kentikelenis, Stubbs and King 2016) with data on the initiation of militarized interstate disputes (Palmer 2020). We find states are significantly more likely to initiate low-cost interstate disputes, and in particular ones with no casualties, after the onset of stringent IMF pro-

²Nicaragua to Enter IMF Talks to Shrink Debt. *Wall Street Journal*. 1997. <https://www.wsj.com/articles/SB876412846343311000>.

³“UN Court Awards Honduras Sovereignty of Four Cays.” *UN*. 2007. <https://bit.ly/30ih7X1>. Though we focus on the initiation of MIDs in this paper, future research might examine whether approaching other IOs is a common way to initiate disputes.

⁴“An Uneasy Border: Honduran-Nicaraguan Incidents.” *New York Times*, 1988.

⁵Instances such as this have played out in other regions of the world. For example, after entering an IMF program in 1994, in 1996 the Philippines initiated a militarized dispute with China in the South China Sea, the Mischief Reef Incident. The last armed conflict initiated by the Philippines with China prior to this occurred in 1966. The crisis was quite consequential, eventually reviving U.S.–Philippine military ties (Austin 2003).

grams. Though observational and suggestive, these results indicate policymakers may attempt to draw attention away from IMF-imposed austerity in words and deeds by initiating and spotlighting interstate skirmishes.

This paper revises and expands existing literature on elite responses to the domestic consequences of economic globalization, including its ties to conflict (Drezner, Farrell and Newman 2021), by showing that leaders face incentives to pivot to security issues under IMF-imposed economic pressures. More specifically, this paper contributes to extensive work on the domestic politics of IMF lending by exploring strategies leaders pursue to deflect negative public and elite sentiment in the face of intense IMF conditionality. Our theory is especially relevant when IMF conditionality is intrusive since scapegoating often proves insufficient in these cases (Kaya, Handlin and Günaydin 2020). More broadly, our argument extends work highlighting the IMF's shortcomings, many of which result from insufficient tailoring of programs to domestic contexts (Radelet et al. 1998; Goldstein 2003; Montinola 2010; Li, Sy and McMurray 2015), as well as recent work on mounting backlash against the IMF (Dreher and Gassebner 2012; Lee and Woo 2021). We show such backlash can lead conditionality to spillover internationally, with leaders provoking or escalating conflicts to distract from the pains of IMF-imposed economic adjustment. Additionally, we contribute to the diversionary war literature itself — we show that instead of initiating full-blown military conflicts, governments often seek to divert attention from economic woes by initiating low-cost disputes for diversion. Last, we are among the first to consider the security dimension of state engagement with international financial institutions, and we encourage additional research in this vein.⁶

The Domestic Consequences of IMF Austerity

The IMF plays an important role in shaping member states' economic policies. It does so both in a surveillance and consultative role (Goes and Chapman 2021; Clark and Zucker 2022), and by promoting far-reaching policy reforms in borrowing countries via conditionality (Baab and

⁶Though see Davis and Pratt (2021) on how security ties shape membership in economic IOs.

Carruthers 2008; Copelovitch 2010*b*). Indeed, IMF programs have become more intrusive and demanding, with the Fund attaching more conditions covering a growing range of policy areas in recent years (Dreher 2009; Kentikelenis, Stubbs and King 2016). Conditions increasingly pertain to labor markets in the form of wage restrictions, pension reforms, and the mandatory privatization of state-owned enterprises (Gunaydin 2018; Reinsberg et al. 2019). Such reforms are thought to be particularly painful to implement, especially when labor holds significant political sway (Caraway, Rickard and Anner 2012). Both publics and elites can lose from IMF programs, since elites often benefit from rampant corruption and state-owned enterprises (Hellman 1998). Other common reforms pursued by the Fund include limits on public spending and social benefits (Nooruddin and Simmons 2006), currency devaluation, and restrictive fiscal and monetary policy (Dreher and Gassebner 2012).

Scholars have highlighted a range of deleterious short-term domestic consequences of IMF conditionality and corresponding structural adjustments. IMF conditions often require extensive labor market and public spending reforms, many of which have crucial distributional consequences within target states. Indeed, IMF structural adjustment programs have been linked to increased income inequality in borrower states beginning one year after program initiation (Pastor Jr 1987; Garuda 2000; Vreeland 2002; Oberdabernig 2013; Lang 2016). IMF reforms have also been attributed to negative employment trends and waning social cohesion (Steinwand and Stone 2008; Blanton, Blanton and Peksen 2015). Perhaps as a result of these shortcomings, IMF programs have become increasingly unpopular and faced mounting backlash from labor unions, workers, and elites in target countries (Caraway, Rickard and Anner 2012; Gunaydin 2018; Lee and Woo 2021). While the Fund was initially considered an effective scapegoat allowing leaders to implement unpopular but necessary policies (Vreeland 1999), more recent work suggests this scapegoating is often insufficient to deflect blame from the government in cases of particularly stringent conditionality (Smith and Vreeland 2004; Kaya, Handlin and Günaydin 2020).

At its core, IMF backlash is closely linked to the dislocations resulting from IMF-imposed austerity, defined as any restrictive fiscal policy that leads to a reduction in government spending

and public debt and/or an increase in taxation. The last decade and a half has witnessed myriad examples of leaders undertaking austerity to stabilize their economies, especially in the wake of the 2008 global financial crisis (Ortiz et al. 2015). While conventional wisdom suggests politicians will avoid or delay austerity due to the potential negative electoral consequences of these policies (Alesina, Favero and Giavazzi 2018), there is evidence domestic officials do not always shy away from developing their own austerity programs (Ponticelli and Voth 2020) and may even face few electoral consequences from implementing them (Giger 2010; Arias and Stasavage 2019). The lack of public backlash to domestically-imposed austerity has been attributed to governments' ability to craft their austerity packages in ways that accommodate voter preferences and sensitivities, for example by avoiding pension cuts and increases to income taxes that are more likely to trigger protests (Bansak, Bechtel and Margalit 2021). In short, when domestic officials control their economic policies, they may be able to strategically design them to avoid widespread societal discontent. Moreover, in the event these policies are unpopular, governments ultimately have the power to roll them back.

The imposition of austerity policies from abroad, however, creates a unique set of challenges for recipient governments. IMF programs are often insufficiently tailored to the domestic contexts in which they are implemented (Li, Sy and McMurray 2015), and government officials do not have much authority to alter these programs in response to public demands. Indeed, since it is a lender of last resort, countries tend to approach the IMF when they have few options left. A lack of outside options reduces countries' leverage to bargain down the stringency of conditions (Clark 2022). Unable to rescind or renegotiate these policies, we should expect politicians to seek alternative tools to deflect citizen backlash and buoy public support. This raises the question of how leaders and ruling parties can skirt domestic political sanctions when undertaking intrusive IMF loan programs.

Leader Responses to IMF Conditionality

Research on how ruling elites respond to the negative domestic consequences of IMF condi-

tionality is limited, focusing mostly on leaders' efforts to scapegoat the Fund for economic strife (Vreeland 1999). However, work on government responses to globalization more generally is expansive, offering several potential strategies available to elites in IMF target states. IMF conditionality is but one example of economic globalization constraining the set of policies available to governments (Meyerrose 2020; Schneider and Thomson 2023). Economic integration has led to growing demands for economic protections and redistributive policies (Hellwig 2016; Adam and Ftergioti 2019), and globalization can engender significant push-back to liberal economic policies and ideas (Garrett 1998; Leibrecht, Klien and Onaran 2011; Meinhard and Potrafke 2012).

Nevertheless, these demands are often unmet, largely because governments have limited control over economic policy levers in a globalized world. Survey evidence suggests citizens are aware the international economy is increasingly responsible for national economic conditions, though respondents also recognize government policy control varies across issue areas and leaders are viewed as possessing greater leeway when it comes to socio-cultural and national security issues (Hellwig 2014). Cognizant of these dynamics, the public may look to non-economic policy areas, such as security and external relations, when evaluating government performance.

Political elites are also responsive to the economic policy constraints wrought by globalization (Rodrik 2021; Meyerrose and Watson 2023). For example, Ward et al. (2015) find that greater economic integration drives political parties to emphasize non-economic issues during elections to appeal to voters. This may be especially true during economic crises as leaders seek to evade blame for any hardship (Traber, Denise, Giger, Nathalie and Häusermann 2018; Pardos-Prado and Sagarzazu 2019).

We extend and revise this literature, arguing elites seek to shift the political focus away from economic issues when constraints are imposed from abroad, and specifically when their country comes under a stringent IMF structural adjustment program. Though most IMF programs today are considered stringent, we draw on work on IMF conditionality to specifically define stringent programs as those with relatively large numbers of conditions (Copelovitch 2010*b*; Kentikelenis, Stubbs and King 2016; Clark 2022). In these cases, scapegoating is often ineffective (Kaya, Han-

dlin and Günaydin 2020), leaving leaders to search for other ways to deflect blame. Building on the diversionary war literature, we contend one way in which elites can shift attention to non-economic issues when implementing these stringent IMF programs is by changing the public discourse to focus on national security and other international issues. They may also back up this rhetoric by initiating small-scale, low-cost interstate skirmishes.

Scholars argue that leaders facing domestic hardships, such as a weak economy (James and Oneal 1991), rising unemployment (Fordham 1998), or low approval ratings (DeRouen Jr. 2000), might engage in conflict or other uses of military force abroad to divert public attention and improve their electoral prospects (Ostrom Jr. and Job 1986; Levy 1998; Schenoni, Braniff and Battaglini 2020). Such conflicts may trigger a rally-around-the-flag effect and convey governing competence on the part of the leader and/or ruling party (Hess and Orphanides 1995; Brulé, Marshall and Prins 2010). They may also help to line the pockets of elites that leaders rely on (Snyder 1991).

Early empirical tests of this theory focused almost exclusively on the use of diversionary tactics by leaders in advanced democracies with extensive military capabilities, finding mixed results (Oneal and Lian 1993; Gelpi 1997; Leeds and Davis 1997; Gowa 1998; Dassel and Reinhardt 1999). More recently, however, scholars have expanded the universe of potential initiators beyond great powers to also include lower and middle-income states by exploring less costly forms of interstate conflict, such as territorial disputes, as potential forms of diversionary behavior (Tir 2010). For instance, Mitchell and Thyne (2010) find states are more likely to initiate militarized disputes over contentious, salient issues, such as disputed claims over territory, maritime areas, and cross-border rivers. By expanding the definition of diversionary war to include a wider range of conflict behavior, scholars have found that both democratic and autocratic leaders initiate these low-cost international disputes framed around domestically salient issues (Pickering and Kisangani 2005).

We draw on this expanded definition of diversionary conflict behavior and link it to leaders seeking to avoid domestic backlash under IMF-imposed austerity. While large-scale conflicts are

unrealistically costly for most IMF borrower states, we contend small-scale and low-cost skirmishes that risk few casualties can prove effective distractions from economic hardship. In particular, we predict that leaders in these states will seek to focus domestic attention on salient interstate issue claims both through rhetoric and action. When political elites have limited control over economic policy at home, they have incentives to shift public attention to non-economic issues (Mey-errose 2023), such as national security and external relations (Hellwig 2014). By invoking highly salient issues related to the international domain that will be familiar to their domestic audiences, these leaders can induce a rally-around-the-flag effect to buoy public support for the government in power and distract public attention from short-term economic pain.⁷ This is especially true since voters are susceptible to elite cues on security topics (Lenz 2012; Guisinger and Saunders 2017), and elites can benefit from militarization (Snyder 1991). Therefore, our first prediction is:

Hypothesis 1. *Leaders and ruling parties that are subject to more stringent IMF programs will be more likely to shift their policy platforms to emphasize national security issues while simultaneously de-emphasizing economic policy topics.*

Research suggests these rallying effects may be limited to instances where the external threat is credible (Chapman and Reiter 2004; Chapman 2012). We attempt to address the implications of this both theoretically and empirically. Theoretically, existing research suggests diversionary behavior by lower- and middle-income states — which are the states most likely to receive IMF loans — is more likely to focus on territorial or other disputes that are highly salient to their domestic publics (Mitchell and Thyne 2010). Furthermore, these types of disputes are often centered on some form of cross-border dispute, such as access to a waterway or territorial control. In the era of globalization, threats to border security are increasingly viewed as threats to sovereignty and to the state itself (Simmons and Kenwick 2022); as such, these types of disputes should be viewed as credible by the domestic audience. Empirically, we offer several brief case studies in both the introduction and below illustrating examples of diversionary behavior by IMF loan recipients centered

⁷Note there is evidence these effects are conditional on other factors (Gelpi, Feaver and Reifler 2006), such as media coverage of the event (Baum and Potter 2019).

around international disputes that would be widely recognized and highly salient domestically. Furthermore, in our large- n analysis, the credibility of the external threat likely varies. However, we argue that including threats that are both more and less credible constitutes a hard test for our theory: any effects we find will be biased downward by these non-credible threats.

While shifting their rhetorical emphasis to security topics may temporarily move attention away from economic hardship, we do not expect rhetoric alone to be sufficient to deter societal backlash against intense conditionality. Although state leaders may prefer to cue the public on national security without engaging in interstate disputes, they risk being perceived as weak for doing so insofar as there is inconsistency between words and deeds (Fearon 1994; Tomz 2007; Weeks 2008; Chaudoin 2014; Kertzer and Brutger 2016; Casler and Clark 2021). Moreover, signals such as these are much more powerful and effective when they are associated with costly action, whether the audience is domestic or international (Fearon 1997; Slantchev 2005; Fuhrmann and Sechser 2014).⁸ “Sinking costs” by pursuing military activity in conjunction with security rhetoric may therefore better divert attention from domestic economic woes (Reiter and Poast 2021). Alternatively, leaders may use military action to compensate for an observable loss in their policy competence — since economic policy failures can result in leaders ceding some control over domestic economic policy to the IMF, leaders may wish to signal that they are still in control of other foreign policy tools. They may also wish to convey that economic failures, which are obvious in the context of an IMF program, have not affected military preparedness. Last, leaders might initiate MIDs in an attempt to extract material concessions from foreign opponents to buy off the domestic opposition, either the elite or the masses (Gao 2021*b*), since the opposition often fares well in the face of IMF conditionality.

However, since IMF borrower states have limited financial and military resources at their disposal in most cases, these leaders and ruling parties will be careful to only initiate small-scale conflicts that are unlikely to lead to significant material costs. Furthermore, we expect these leaders to focus on skirmishes that pose little risk of casualties, as these could spark domestic blow-back.⁹

⁸See Casler and Yarhi-Milo (2022) for a review.

⁹While we predict these leaders will favor low-cost skirmishes, there is evidence authoritarian leaders may be less

To ensure these disputes will be low-cost ones, these leaders will initiate actions that entail limited if any militarized engagement, such as mere shows of force, that are less likely to provoke forceful retaliation from the target state. In short, we predict:

Hypothesis 2. *Leaders and ruling parties in states subject to more stringent IMF programs will be more likely to initiate small-scale interstate skirmishes, favoring the types of conflicts that result in few casualties.*

We expect these dynamics to apply in both democratic and authoritarian contexts. While elected officials are undoubtedly more beholden to voters in democracies than in autocracies (Fearon 1994; Gelpi and Griesdorf 2001), public opinion matters in all but the most repressive of autocratic states. Competitive authoritarian and hybrid regimes that hold regular (albeit less free and fair) elections, allow multiple political parties to participate in the political process, and rely on institutions such as legislatures to manage the state, have become increasingly common when compared to more closed personalistic, military, or monarchical autocratic regimes (Levitsky and Way 2002). In those institutionalized autocracies wherein elections, parties, and legislatures are regular parts of the political process, although these pseudo-democratic institutions are neither fully competitive nor representative, leaders nevertheless use these institutions to maintain power by providing regular political rents and co-opting the opposition (Gandhi 2010; Boix and Svobik 2013). One result is that citizens and/or regime insiders in these contexts are better positioned to extract policy concessions, with public opinion and government performance playing important roles (Potter and Wang 2022). Indeed, as Tolstrup (2014, 129) argues: “all political actors, democratic or not, must pay attention to the preferences and interests of the groups that back them.”¹⁰ These groups can include both domestic publics and elites that make up a leader’s selectorate (Morrow et al. 2006).

averse to costly conflicts. We account for this possibility in our analysis below by controlling for regime type.

¹⁰We test this scope condition empirically by interacting our measure of IMF conditions (discussed below) with regime score, operationalized using the Polity indicator (Marshall, Gurr and Jaggers 2016). We find little evidence that democracies and autocracies behave differently in response to IMF conditionality. See Appendix Figure A8.

Illustrative Examples

Examples of our proposed theory have played out across the globe. Here, we provide two such examples for illustrative purposes.

Bolivia

Bolivia, one of South America's poorest countries, implemented a series of structural adjustment programs between 1986 and 2005 to facilitate IMF loans. During this time period, roughly half of Bolivia's public investment was supported by international aid. While the Bolivian government was initially able to resist international pressure for domestically unpopular privatization measures, an economic crisis in the late 1990s dramatically increased Bolivia's fiscal deficits. As a result, in the late 1990s and early 2000s, the IMF placed additional pressure on the Bolivian government to cut public services and impose a flat tax on personal income, arguing these policies would lead to steady economic growth. However, Bolivia's economy grew at a dismal pace, and declining incomes combined with anger over tax increases and cuts to social programs led to increased domestic opposition to the IMF and its market-oriented reforms, with subsequent protests toppling two Bolivian presidents in quick succession.¹¹ First, in October 2003, 500,000 Bolivians marched on the presidential palace, forcing the sitting president, Sánchez de Lozada, to resign and flee to Miami. Lozada's successor, President Carlos Mesa, faced similar pressure from the IMF to implement unpopular neo-liberal reforms, and ultimately resigned in June 2005 in the face of extensive ongoing domestic protests (Kohl and Farthing 2009).

These events paved the way for a staunchly leftist and anti-globalization candidate, Evo Morales, to narrowly win the 2005 Bolivian presidential election. Morales came to power in part on a platform focused on reducing Bolivian dependence on the IMF and other US-dominated financing sources—an objective he eventually achieved when Bolivia finished repaying its debts to the IMF in 2019—and was committed to reversing the deeply unpopular IMF-driven economic policies implemented by his predecessors. While Morales was able to uphold these promises eventually,

¹¹Forero, Juan. "Bolivia Regrets IMF Experiment." *New York Times*. 2005.

in 2006 his administration still faced domestic unrest in the form of strikes and road blocks by protesters who felt the proposed economic reforms were not being implemented quickly enough (Romero 2006).

In the context of this lingering domestic opposition to IMF-imposed policies and two recently deposed presidents, the newly-elected President Morales drew on a highly salient and historically prevalent conflict with neighboring Chile to shore up support for his rule and distract the public (Tir 2010). In an 1879 conflict known as the Saltpeter War, Chile emerged as a regional power and, in the process, took a significant amount of Bolivian territory, including a stretch of Pacific coastline that left Bolivia completely landlocked. Access to this coastline is widely viewed in Bolivia as a key step toward sustained economic growth. Into the present, Bolivian textbooks portray this 1879 conflict as a Chilean land grab, the nation commemorates this loss each year on the Day of the Sea, and a monument near a Bolivian Naval Base shows a Bolivian soldier impaling a Chilean soldier with a bayonet beside the words ““What once was ours, will be ours once more.”” In 2006, Morales revived this conflict by lobbying to regain that coastline from Chile and, eventually, taking his (ultimately unsuccessful) case all the way to the International Court of Justice.¹²

Turkey

We also see examples of diversionary behavior in the form of direct military clashes on the heels of domestic opposition to IMF-imposed austerity. Facing rising inflation, Turkey worked with the IMF to design a three-year stabilization program focused on reducing budget deficits and increasing the pace of privatization in the late 1990s. This program was implemented in December 1999; however, the Turkish lira continued to appreciate, triggering capital flight, a liquidity shortage, inflation rates of several-thousand percent, and, eventually, a full-blown economic crisis that lasted into 2001. In response, the IMF offered additional loans, and the Turkish government, in turn, agreed to cut social spending and public wages (Dufour and Orhangazi 2009). These measures provoked a series of protests. For example, in December 2000, thousands of workers in

¹²Bolivia sea dispute: UN rules in Chile's favour. *BBC*. 2018. <https://www.bbc.com/news/world-latin-america-45708671>.

Ankara walked out on strike against unemployment, low wages, and cuts to social security. Such protests were focused on the IMF-backed inflation-reduction plan, with many protesters wearing pins saying “IMF Get Out. This country is ours!”¹³ These protests continued throughout 2001.¹⁴

In the midst of this domestic unrest, the Turkish government initiated multiple uses of force against Iraq in 2000 and 2001 over shared water rights on the Tigris River (Mitchell and Thyne 2010), an issue that is salient from both a national security and regional development perspective in Turkey. Conflicts over water resources have become particularly pervasive in the water-scarce Middle East in recent decades (Hensel et al. 2008). Furthermore, since the 1950s, Turkey has developed a series of hydroelectric and irrigation projects along the Tigris; such projects have become a symbol of national pride, and therefore are often strategically emphasized by ruling elites seeking to improve their electoral prospects (Çarkoğlu, Eder and Qarkoglu 2001). As such, initiating militarized disputes with Iraq over access to the Tigris proved an effective strategy for the government in power seeking to distract from growing domestic opposition to IMF-imposed policies.

These two cases are consistent with the paper’s argument but could be exceptional. Analysis of panel data, in the next section, enables us to test whether the argument holds more systematically across the universe of available cases.

Data and Results

We test our predictions on a universe of cases that includes all IMF member states from 1978 to 2014. Our research design involves two sets of analyses.¹⁵ We start by showing that ruling parties’ manifestos are reoriented around issues of national security and foreign policy, de-emphasizing economic issues when their countries are under burdensome IMF loans. Then, we conduct regres-

¹³Thousands of Turks protest over IMF plan. *CNN*. 2000. <http://www.cnn.com/2000/WORLD/europe/12/01/turkey.protests/index.html>.

¹⁴Turks protest IMF reforms. *CBC*. 2001. <https://www.cbc.ca/news/world/turks-protest-imf-reforms-1.257469>.

¹⁵All R code necessary to replicate analyses can be found at <https://dataverse.harvard.edu/dataverse/world-politics>.

sion analyses with data on the intrusiveness of IMF programs and IMF member states' initiation of interstate disputes, finding that countries under particularly stringent IMF programs are more likely to initiate these conflicts than countries that are under fewer IMF conditions. We also provide evidence that these disputes are relatively low-cost skirmishes that frequently result in no casualties.

Diversionsary Rhetoric: Party Manifestos

To test our prediction that leaders and ruling parties in states subject to more intensive IMF conditions will shift their rhetoric to emphasize security and foreign policy issues while downplaying economic ones, we use data from the Comparative Manifesto Project (CMP) dataset (Volkens et al. 2020), which includes party manifestos at the party-election year level from 56 countries.¹⁶ These party manifestos provide useful measures of the types of issues parties debate, the relative emphasis they place on different topics, and capture the extent to which an issue is salient to a party (Burgoon 2012).

While the existing CMP dataset codes whether a given manifesto's content covers a number of different issues areas,¹⁷ the data are not amenable to more detailed text analysis since the manifestos are in their country's native language. Moreover, the CMP coding simply tells us whether a given topic is covered in the entire manifesto, which makes it difficult to tell how governments are specifically utilizing language in each area. Therefore, we translate all manifesto texts into English using Google Translate.¹⁸ This enables us to more closely explore how manifesto content changes when states are under stringent IMF programs and to identify which topics become more or less prevalent. The CMP data divide each manifesto in its corpus into quasi-sentences. Our final trans-

¹⁶See Appendix 1 for a list of these countries and their respective number of IMF program years.

¹⁷The major issue areas identified in the CMP dataset are: external relations; freedom and democracy; political system; economy; welfare and quality of life; fabric of society; and social groups.

¹⁸Importantly, manifesto text is available for each manifesto coded in the CMP, so we do not lose observations. Recent work in political methodology shows topic models estimated using machine-translated documents (from Google Translate) are highly similar to ones estimated using human-translated data with respect to topical prevalence and content (de Vries, Schoonvelde and Schumacher 2018) and that combining Google Translate with topic models is an effective strategy (Reber 2019). We run the text through the API twice to ensure all text is translated, and we drop the few pieces of non-English text before conducting analysis. Therefore, we are confident in this approach.

lated English dataset includes 783,797 quasi-sentences drawn from 1,306 party manifestos linked to 440 parties that competed in elections between 1954 and 2020.

Since IMF program implementation, and therefore domestic backlash to these policies, falls primarily within the purview of the ruling party or coalition, we focus exclusively on the translated manifesto data for parties in power. To do so we combine our translated manifesto data with the ParlGov dataset (Döring and Manow 2021), which includes detailed information on parties, elections, and cabinet composition. In our analysis, we operationalize parties in power as those that are represented in the ruling cabinet.¹⁹ Executives and their supporting institutions are often the most important opinion leaders domestically, and therefore the rhetoric espoused by parties represented in this branch of government should be the most influential when it comes to steering public opinion on foreign policy and security issues (Lenz 2012; Guisinger and Saunders 2017).

We use these translated manifestos from parties in power to estimate a structural topic model (STM).²⁰ In this model, we look specifically at the extent to which stringent IMF programs in Fund member states lead parties in power to emphasize issues related to security or foreign policy while de-emphasizing or avoiding economic topics that might remind voters of their ongoing IMF-imposed economic hardships.²¹ Common words associated with each topic from the model are shown in Appendix Figure A2. Representative responses for each of the ten topics can be found in Appendix Table A1.

¹⁹We also considered using the government support (*v2pagovsup*) indicator from the Varieties of Party Identity and Organization (V-Party) dataset to capture if a party supports the government in power, but find that the ParlGov indicator has far fewer missing observations (23) in our data than the V-Party one (2,354).

²⁰To do so, we use the `stm` package in R to tune the number of topics and estimate parameters. We select the number of topics that maximizes semantic coherence and exclusivity (10 topics for the main analysis, see Appendix Figure A1). We pre-process all text by eliminating common English stopwords, numbers, and punctuation. We also lowercase all text.

²¹As noted above, the CMP dataset codes the percent of text devoted to various issues, including a series of “external relations” topics, which encompasses military and foreign relations. For robustness, we conduct a regression of the percentage of manifesto text from cabinet parties devoted to *aggressive* external relations (in the form of support for military action or negative sentiment toward other countries) on the count of binding IMF conditions, including a relevant set of controls, and identify a positive and statistically significant relationship between the two (see Appendix Table A6). We also regress the percent of cabinet parties’ manifestos referencing economic topics related to IMF program conditions on the count of binding IMF conditions and find no significant relationship (see Appendix Table A7); this provides additional support for our argument that ruling parties are likely to avoid emphasizing economic issues while implementing demanding and domestically unpopular IMF conditions. Taken together, these robustness checks suggest the CMP coding is picking up similar trends to our STM, though our test is more comprehensive and systematic.

For our main independent variable, we measure the intrusiveness of IMF conditionality with a count of the number of binding conditions applied in an IMF project–year. To construct this count variable, we use conditionality data from Kentikelenis, Stubbs and King (2016). They conduct extensive archival research, compiling an original database of conditions extracted from IMF source documents such as letters of intent, covering all IMF program-years from 1978 to 2014. Following leading papers on IMF conditionality, our unit of analysis is the IMF member country-year (e.g., Stone 2008; Copelovitch 2010*b*; Clark 2022). Our dataset includes country-year observations for which the number of IMF conditions in effect is zero (i.e., no program). We therefore examine how moving from zero or relatively few conditions to more conditions relates to a country’s propensity to emphasize security and foreign policy issues.

The STM models (and subsequent MID’s analyses) also include a battery of theoretically-relevant covariates, as well as country and year fixed effects. We control first for ethnic fractionalization (Drazanova 2020), which may influence regime stability and therefore propensity to engage in armed conflict and promote security-oriented rhetoric. We also control for a state’s ability to initiate conflicts with a measure of military capabilities using countries’ scores on the Composite Index of National Capabilities (CINC). State size has been linked to military capabilities, so we control for population size as well. Furthermore, since research on authoritarian regimes suggests executive tenure influences their probability of inciting conflict, we also include a variable measuring the number of years the current executive has been in power (Cruz, Kefer and Scartascini 2020). Although heavily contested, the democratic peace literature overwhelmingly finds a relationship between regime type and conflict behavior; therefore, we control for regime type (Marshall, Gurr and Jagers 2016). A related body of work identifies a capitalist peace. In line with this literature, we anticipate more developed countries with more open economies should be less likely to initiate conflicts; therefore, we also control for GDP per capita and trade openness (Gartzke 2007). Last, we control for ideal point distance between each country and the U.S. on important votes in the United Nations General Assembly (Bailey, Strezhnev and Voeten 2017).²² Those that are close to

²²We focus on important votes since these are the ones that Congress is briefed on and should therefore be most likely to shape the behavior of U.S.-led IFIs (Clark and Dolan 2021).

the U.S. may be able to ignore IMF conditions (Stone 2012). Notably, while the manifesto data contain both OECD and non-OECD countries, the inclusion of country fixed effects allows us to isolate the impact of IMF conditions within affected countries.²³

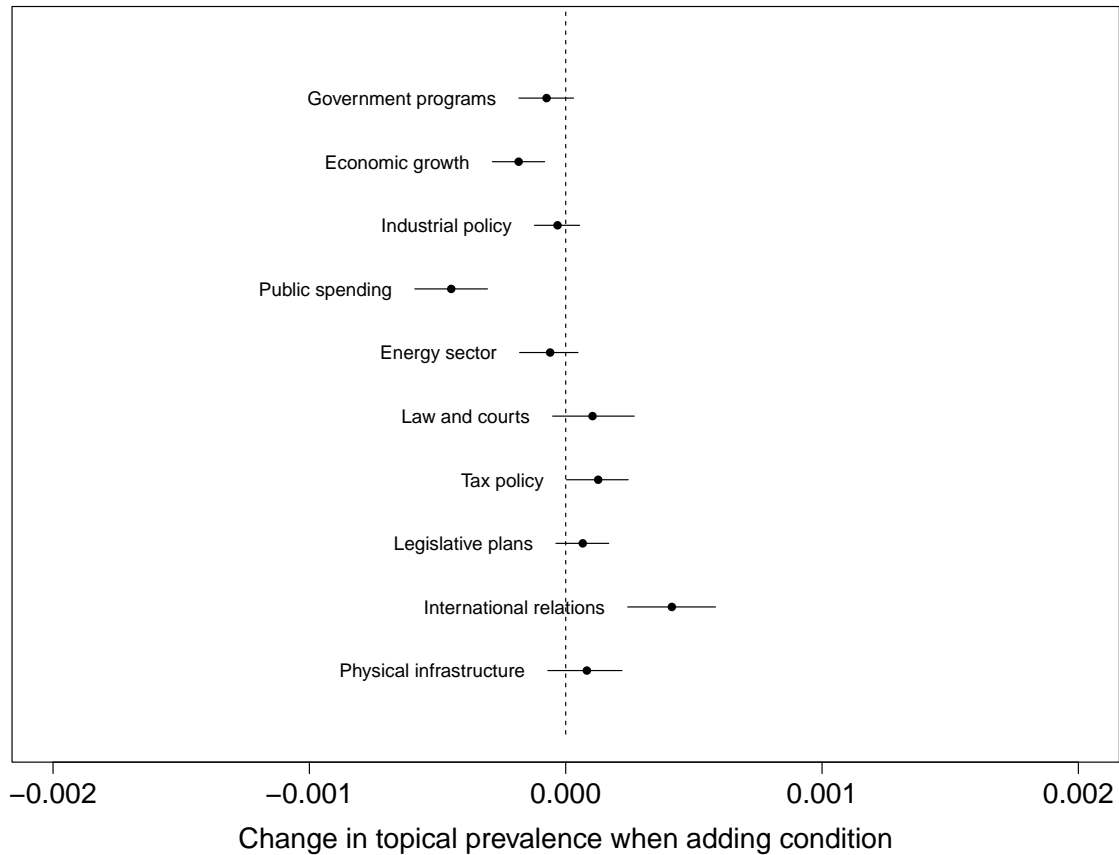


Figure 1: **Structural Topic Model Results (Main Analysis)**. Substantively, the effect size corresponds to the change in the proportion of the text relevant to a given topic when one IMF condition is added. The topics are further illustrated in the Appendix (Table A1 and Figure A2). The plot depicts 90 percent confidence intervals.

The results from this analysis can be found in Figure 1.²⁴ In accordance with our theory, we find manifestos are significantly more likely to emphasize international issues when countries are under demanding IMF programs ($p < 0.05$). The model allows us to evaluate what types of statements from the manifestos fall under each of the three statistically significant topics in the

²³The complete list of countries included appears in Appendix 1.

²⁴Appendix Table A2 reports the full results of the STM analysis.

model. Looking at the “International relations” topic, we find the representative examples do in fact reference issues related to conflict and international security. For example, one party states: “the time of military force is not over in Europe [...] defense policy should be based on credible national defense.” This excerpt is notable because it explicitly mentions a need for the use of military force. Another reads: “The conflicts in the Middle East, the war in Syria, the terrorist power in Iraq, Syria, and Lebanon, and the conflict between Israel and Palestine are clear threats to international peace and security,” and this is used to justify increased military presence in the Middle East. These and other excerpts²⁵ give us confidence the topics the model has identified are broadly capturing our concepts of interest.²⁶ While there is economic as well as security content present in the vignettes most associated with this topic, security issues are relatively more prominent than economic ones.²⁷

We also find ruling parties in states under stringent IMF conditions are *less* likely to discuss an array of economic issues affected by IMF programs, namely public spending and economic growth. The IMF often mandates dramatic cuts to public spending in areas such as education and healthcare; the curtailing of public services; and other policies that impede short-term growth. It might pay for parties in power to de-emphasize such topics in favor of international security issues.

For robustness, we also examine how *opposition* parties’ manifestos shift in response to IMF conditionality.²⁸ We anticipate that the opposition will not pivot to international security issues under IMF programs, instead focusing on economic or other topics.²⁹ The results for this analysis appear in Figure 2, and they again accord with expectations. While the prevalence of a number of topics shifts under IMF programs, opposition parties are no more likely to emphasize international security issues. Instead, they become more likely to discuss civil liberties (e.g., self-determination

²⁵See Appendix Table A1 for representative responses for all topics.

²⁶The broader set of representative responses in Appendix Table A1 capture international issues rather than domestic topics such as law and order that often use similar language.

²⁷Only 27 of the 100 documents with the highest proportion of content assigned to the international relations topic contain economic themes as denoted by the presence of words including “econ” in them. However, because this is an unsupervised approach, not all excerpts deal perfectly with security, and some economic foreign relations content is present. We also further probe the relative weight of economic and international security issues in a robustness check, as is discussed subsequently.

²⁸We define opposition parties as those not represented in the cabinet.

²⁹Diagnostics for this test are presented in Appendix Figure A4; common words from the topics appear in Appendix Figure A5; representative responses can be found in Appendix Table A4; and full regression results are reported in Appendix Table A5.

and non-discrimination). They are also prone to discuss tax policy and economic growth, both of which are impacted by IMF programs in ways that can be harmful to the public’s pocketbooks in the short-term, and therefore may weaken public and elite support for parties in power. We also find opposition parties downplay several other issues, including education, healthcare, and industrial policy in order to emphasize these IMF-related topics.

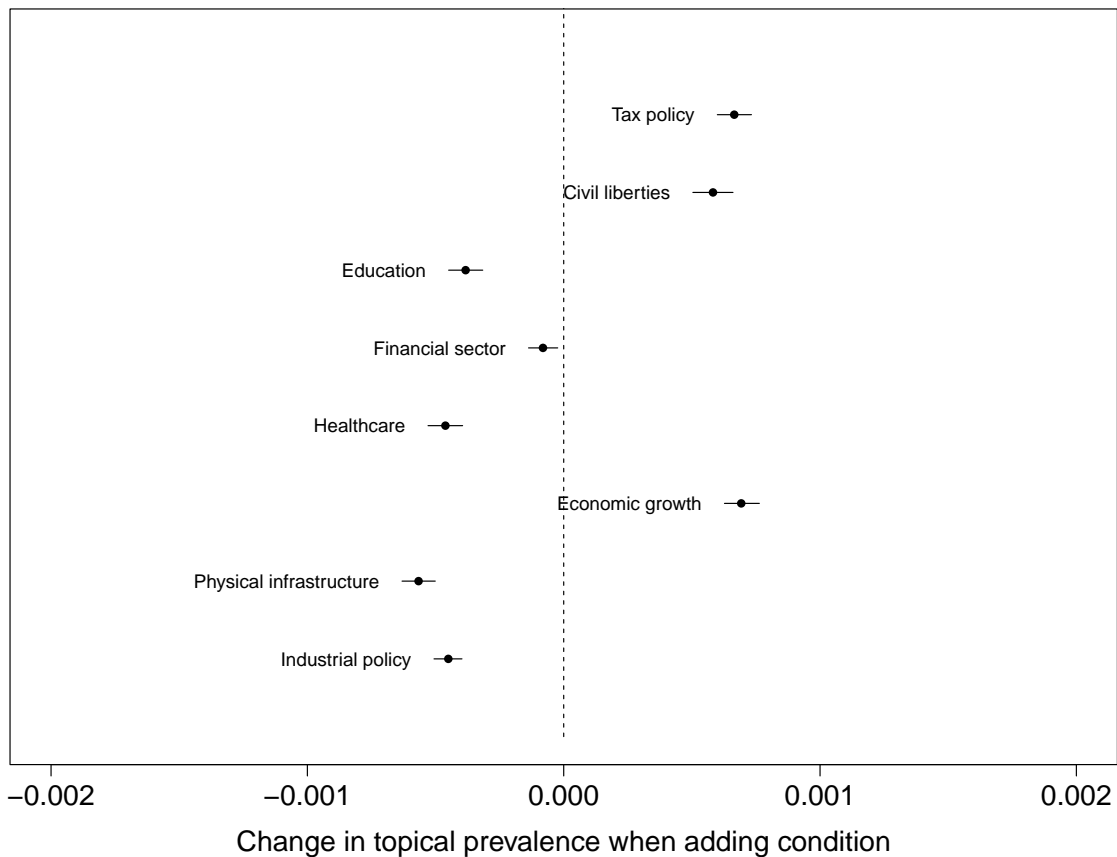


Figure 2: **Structural Topic Model Results (Opposition Analysis)**. Substantively, the effect size corresponds to the change in the proportion of the text relevant to a given topic when one IMF condition is added. The model was fitted to eight topics. Additional information about the topics can be found in the Appendix (Table A4 and Figure A5). The plot depicts 90 percent confidence intervals.

While these results are encouraging, the main model does not allow us to directly account for the temporal sequence of events (i.e., whether manifestos are released before or after IMF programs are launched). If our theory is correct, we would expect an IMF program and related conditions to

take effect *prior* to the release of ruling parties’ manifestos, though IMF negotiations often span several months and become salient domestically before a program begins (and appears in the data). Therefore, we perform additional robustness checks. First, we repeat the main STM with a one-year lagged measure of the count of IMF conditions, and results are similar.³⁰ Additionally, we estimate regression models using the hand-coded topical prevalence for international issues versus economic issues in the CMP dataset and lag all independent variables by one year to ensure the IMF programs precede the manifestos.³¹ Here we find further evidence in support of our theory — ruling parties are more likely to discuss international issues and downplay economic topics that are often severely constrained by IMF programs in manifestos published after IMF conditions take effect.³²

In short, we find that ruling parties in states under demanding IMF programs are more likely to emphasize international issues while at the same time downplaying economic ones. These findings are supported by a placebo analysis that analyzes the content of opposition parties’ manifestos, as well as additional models accounting for the temporal sequence of events. Since STM models rely on somewhat restrictive assumptions, we also use the existing CMP coding of manifestos to estimate standard regression models, finding results consistent with those from the STM models. As shown in Appendix 1, 30 countries for which manifesto data are available were under an IMF program for at least one year during the time period we analyze. However, the CMP dataset only includes data from a subset of relatively stable countries that have received IMF loans. Therefore, although in our models we control for relevant domestic factors, the dynamics we identify in our STM analysis may only be relevant to certain types of countries. Moreover, STM itself has limitations; results are often quite sensitive to the number of topics chosen and to how the text is pre-processed. While we follow conventional wisdom and verify the appropriateness of our choices with diagnostics in the Appendix, it is important to acknowledge the limitations of this type of text analysis.

³⁰See Appendix Figure A3 and Table A3.

³¹Versions of these models without lags appear in Appendix Tables A6 and A7.

³²See Appendix Tables A8 and A9.

Diversionsary Action: Militarized Interstate Disputes

In the previous section, we provided evidence that ruling parties in states under strict IMF conditionality are more likely to re-orient their policy platforms to emphasize international security while de-emphasizing economic issues when compared to ruling parties in countries under fewer or no IMF conditions. We further argue that ruling governments have incentives to match their words with actions, bolstering the credibility of their signals to domestic and international audiences. For our conflict initiation test, the primary dependent variable is the number of militarized interstate disputes (MIDs) initiated by a given country in a given year (Palmer 2020). These data cover the entire period for which we have IMF conditionality data (1978–2014). The MIDs dataset codes the “primary initiators,” or the “states that are involved in a dispute when it begins on the side that first takes action” (Leeds 2003, 431). In cases where a dispute escalates, the primary initiator remains the country that issued the first provocation. We are therefore confident that this coding captures the true initiator of a given dispute. Notably, the disputes are mostly low cost, rarely involving casualties (only 3 percent of MIDs in our sample involve casualties), and therefore accord with our theoretical framework predicting the low and middle-income states subject to IMF conditionality will engage in small-scale international skirmishes, rather than full scale wars.

Figure 3 shows the distribution of the types of disputes initiated by IMF borrower countries in our dataset. Of the 22 types of actions coded in the MIDs dataset, 15 are represented in our data. With the exception of four instances of states either declaring or joining interstate wars, the most common actions are relatively low-cost maneuvers, such as small clashes and even more passive shows of force, that leaders may consider unlikely to provoke retaliation.

As before, our key independent variable is a count of the number of binding conditions applied in an IMF project–year. Since the MIDs measure is overdispersed, we employ a negative binomial model as our primary specification. Moreover, the MIDs data exhibit significant temporal and geographic variation, illustrated in Appendix Figures A6 and A7. To account for any time- or country-specific shocks, we therefore include country and year fixed effects in all models. The covariate set is the same as in the above STM tests; we standardize all continuous covariates to

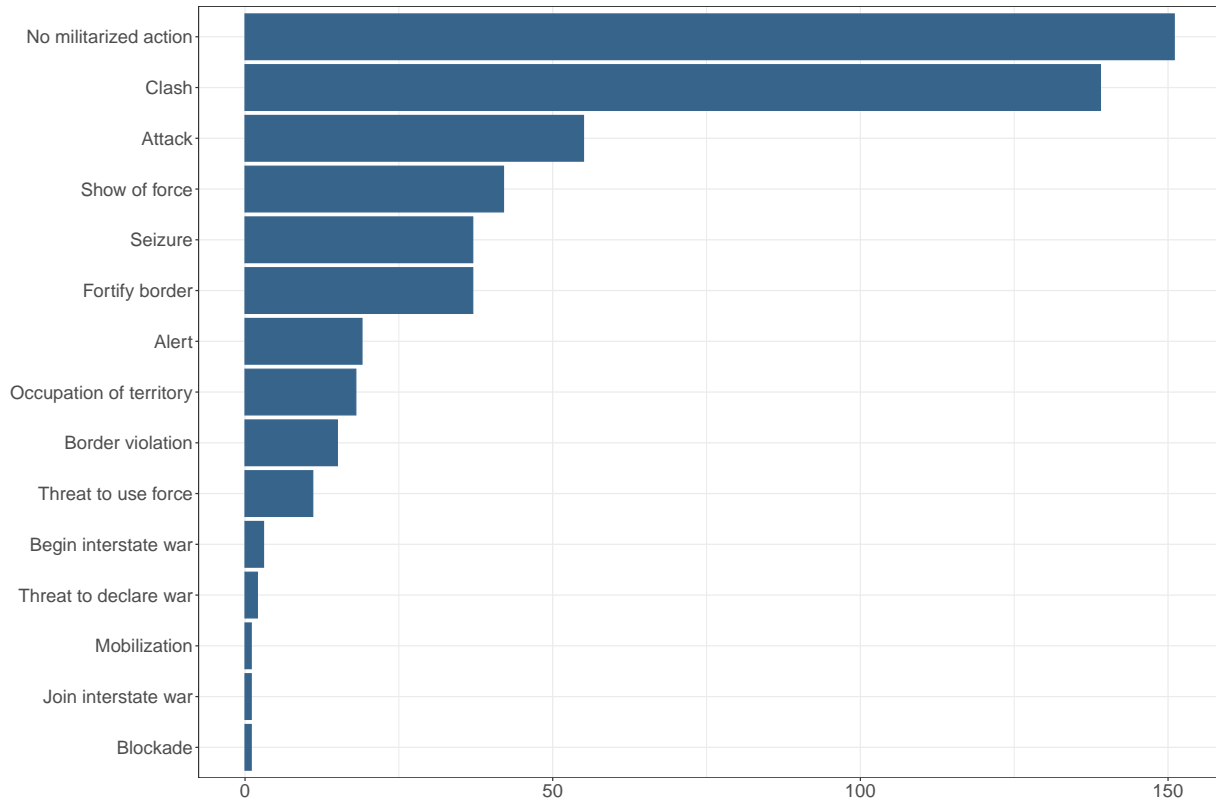


Figure 3: Frequency of Military Actions by Initiating IMF Borrower Countries 1978–2014.

assist with model convergence, and we cluster robust standard errors at the country-level.

Finally, in some models, we impute missing covariate data, as is common in work focusing on international financial institutions (Schneider and Tobin 2020; Clark 2022). Doing so allows us to avoid “advanced democracy bias,” which occurs since many countries that do not report data are low capacity countries with weak political institutions (Lall 2016). While imputation can introduce bias when observations are not missing at random (Pepinsky 2018), it is beneficial when missingness affects auxiliary variables as opposed to the main independent variables of interest and when missingness is largely a factor of observed characteristics such as development and state capacity (Lall 2016; Arel-Bundock and Pelc 2018). However, we also replicate our results on a non-imputed sample.³³ Descriptive statistics for both our imputed and non-imputed samples can be found in Appendix Tables A10–A11.

³³See Appendix Table A12. Around 40 percent of observations are lost in this test. As such, though the results are similar, it is not our preferred specification.

	Number of MIDs		
	Model 1	Model 2	Model 3
Conditions	0.049*** (0.016)	0.044*** (0.017)	0.004*** (0.001)
GDPPC		-0.073 (0.077)	-0.076 (0.100)
Trade openness		-0.070 (0.052)	-0.065 (0.057)
Population		0.004 (0.096)	0.269 (0.370)
CINC		0.031 (0.036)	0.176*** (0.049)
Major power		0.602* (0.335)	1.036*** (0.398)
Polity2		-0.076 (0.048)	-0.151*** (0.054)
Executive years in office		-0.008 (0.025)	0.001 (0.031)
Ethnic fractionalization		0.099 (0.074)	0.184* (0.110)
UN voting (ideal pt dist from US)		-0.155*** (0.040)	-0.035 (0.050)
Predicted prob of IMF program	No	No	Yes
Country fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Model type	Negative binomial	Negative binomial	Negative binomial
N	7397	7397	6474

***p < .01; **p < .05; *p < .1

Table 1: **Main Results.** Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing covariate data imputed by multiple imputation. In Model 3, we correct for endogeneity of the number of conditions and program participation in an instrumental variable approach using compound instruments: the interaction of the within-country average of the number of conditions with the IMF budget constraint; and the interaction of the within-country average of IMF program participation with the IMF budget constraint. First stage results can be found in Appendix Tables A22-A23.

We begin with a parsimonious model that regresses the number of MIDs initiated by a given country on the count of conditions measure (Model 1 in Table 1). We then incorporate our full cohort of covariates described above (Model 2 in Table 1).

Next, we instrument for selection into IMF programs (Model 3 in Table 1). We do so to address endogeneity concerns. First, nations facing security challenges may pursue policies, such as inflationary military spending, that invite a balance of payments crisis and an IMF program. It is also possible that countries that are most likely to enter IMF programs are both likely to receive stringent conditions and to start conflicts, perhaps as a result of economic insecurity or volatility. To address this, we utilize the compound instrument from Forster et al. (2019).³⁴ The compound instrument consists of two interaction terms — one accounting for endogeneity of IMF program participation and one accounting for endogeneity of IMF conditionality. The former is operationalized via the interaction term of the budget constraint of the IMF (as measured by the ratio of member states receiving support from the Fund in a given year) and a country’s likelihood of drawing on Fund support (as measured by the ratio of years in the data that a country has participated in an IMF program). The latter is operationalized via the interaction term of the budget constraint of the IMF and cross-sectional variation in the average number of conditions a country receives. As Stubbs et al. (2020, 46) suggest, this compound instrument meets the exclusion restriction because: “country-specific changes in conditionality that deviate from its long-run average are brought about only by decisions of the IMF that do not pertain to any given country, such as the introduction of social spending floors in the late-1990s or the streamlining initiative of the early 2000s.” They further suggest the primary barriers to identification are the “potential direct effects of the general propensity of a country to obtain a specific amount of conditions in any given year on the outcome variable,” but such effects are absorbed by country fixed-effects. The first stage models also include an array of covariates common in selection models in the literature.³⁵ Notably, the compound instruments each pass weak instrument F tests. The first-stage results appear in Appendix Tables A22–A23 with test statistics.

³⁴This is similar to the approach taken by Lang (2016) and defended as excludable by Stubbs et al. (2020).

³⁵See e.g., Reinsberg, Stubbs and Kentikelenis (2021).

In all models in Table 1, we identify a statistically significant relationship between IMF program stringency and the initiation of MIDs. Specifically, we find a one standard deviation increase in the number of IMF conditions applied corresponds to around a five percent increase in the number of MIDs initiated by the program country in columns 1 and 2. When accounting for endogeneity in column 3, the effect size is attenuated to a 0.4 percent increase.

For robustness, we replicate our main analysis with the “scope” of conditionality as our main independent variable. This measure captures the number of policy areas to which conditionality applies in a given year; IMF programs with more conditions covering more policy areas are thought to be more cumbersome for leaders (Stone 2008). The results with the alternate stringency measure can be found in Table 2, and they once again offer support for our theory — a one standard deviation increase in the number of policy areas covered by an IMF program corresponds to around a three percent increase in the number of MIDs initiated by the IMF program country.³⁶

Next, we test whether our framework applies across various regime types, as we argue it should given the importance of elites and publics in opposing IMF conditionality. To do so, we conduct two tests. First, we interact Polity2 scores with our conditionality measure, otherwise replicating our main model specification. We find few differences in government responses to conditionality by regime type. Second, we interact a measure of labor rights and organization with our conditions measure (Pond 2018). Countries with strong labor groups (a measure of mass power) often oppose IMF programs (Caraway, Rickard and Anner 2012), and so we might expect the masses in these countries to exert stronger diversionary pressures on leaders. However, we again find no significant interaction effect.³⁷ On the whole, these results suggest that leaders may be seeking to divert elite attention as much as mass attention. Indeed, IMF programs are harmful to elites that benefit from state-owned enterprises and corruption, and so diversionary conflict may be an attempt to maintain

³⁶The compound instrument utilized in column 3 includes the interaction between the IMF’s budget constraint and a country’s propensity to draw on Fund resources (as with the count of conditions DV) and the interaction between the IMF’s budget constraint and cross-sectional variation in the average number of categories of conditions a country receives. The coefficient on our variable of interest increases when accounting for endogeneity in Table 2, which may indicate limitations to this approach. See Lal et al. (2021).

³⁷Interaction plots for these tests can be found in Appendix Figures A8–A9, and full regression results appear in Appendix Table A26.

	Number of MIDs		
	Model 1	Model 2	Model 3
Conditions	0.023** (0.009)	0.021** (0.009)	0.039*** (0.011)
GDPPC		-0.072 (0.077)	-0.061 (0.096)
Trade openness		-0.069 (0.052)	-0.059 (0.056)
Population		0.003 (0.096)	0.219 (0.363)
CINC		0.028 (0.036)	0.181*** (0.048)
Major power		0.606* (0.337)	1.036*** (0.398)
Polity2		-0.079* (0.048)	-0.151*** (0.053)
Executive years in office		-0.007 (0.025)	0.001 (0.031)
Ethnic fractionalization		0.095 (0.074)	0.187* (0.109)
UN voting (ideal pt dist from US)		-0.155*** (0.040)	-0.041 (0.049)
Predicted prob of IMF program	No	No	Yes
Country fixed effects	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes
Model type	Negative binomial	Negative binomial	Negative binomial
N	7397	7397	6474

***p < .01; **p < .05; *p < .1

Table 2: **Alternate Stringency Measure Robustness Check.** Robust standard errors clustered at country-level. Missing data imputed with multiple imputation. In Model 3, we correct for endogeneity of the number of categories and program participation in an instrumental variable approach using compound instruments: the interaction of the within-country average of the number of categories with the IMF budget constraint; and the interaction of the within-country average of IMF program participation with the IMF budget constraint. First stage results can be found in Appendix Tables A22-A23.

elite support in the midst of stringent IMF conditions.

We argue that while states subject to IMF conditionality will be more likely to engage in diversionary conflict, the type of conflicts they initiate will be relatively minor yet salient to their

domestic audience. Since recipients of IMF programs are predominantly low and middle-income countries, they lack the material resources to engage in full-scale war. Leaders also wish to avoid the potential political pitfalls associated with conflicts that are costly in terms of financial and human capital. Therefore, these states are more likely and able to engage in low-cost conflicts such as territorial and border disputes. As we illustrated in Figure 3, various types of border clashes and shows of force are indeed the predominant types of conflict in our data.

Nevertheless, as an additional test we re-estimate our main models with dependent variables that distinguish between the number of MIDs with and without casualties initiated by a given country. When we regress the number of MIDs with *no* casualties initiated by a country on its count of conditions (Model 1 in Table 3), we identify an even larger and statistically significant relationship between IMF conditions and conflict initiation than in our baseline models. However, when we look exclusively at conflicts that resulted in casualties (Model 2 in Table 3), we find no significant relationship between IMF program severity and conflict initiation. With number of casualties as a proxy for the cost of a conflict, we find support for our prediction that leaders in IMF target states who adopt diversionary tactics will favor relatively low-cost interstate disputes.

This result is important because it addresses concerns about potential reverse causality — conflictual foreign policy can contribute to economic difficulties if it results in damage to critical infrastructure (such as during bombing campaigns) or large-scale economic sanctions (in retaliation for military activity). However, such strong retaliation is unlikely in cases where countries favor low-cost diversionary activity over more escalatory military actions, and the former types of diversionary tactics clearly drive our results.

We also perform a series of additional robustness checks to ensure that our findings are not driven by our particular specification. First, we repeat our main analysis from Table 1 on unimputed data (Appendix Table A12). Second, because our theory pertains primarily to conditions associated with IMF austerity, we restrict the sample of IMF conditions to those dealing explicitly with austerity, e.g., cuts to public spending, tax increases, and privatization (Appendix Table A13). Next, we adjust our conditionality measure by dropping conditions that were eventually waived by

	MIDs w/o casualties	MIDs with casualties
	Model 1	Model 2
Conditions	0.049** (0.020)	0.065 (0.056)
GDPPC	-0.041 (0.065)	-0.271 (0.560)
Trade openness	-0.002 (0.054)	-0.035 (0.154)
Population	0.098 (0.088)	0.413* (0.247)
CINC	0.037 (0.033)	-0.285** (0.128)
Major power	0.311 (0.238)	-26.804 (204875.000)
Polity2	-0.053 (0.050)	-0.166 (0.123)
Executive years in office	-0.010 (0.023)	-0.011 (0.046)
Ethnic fractionalization	0.065 (0.072)	0.485** (0.188)
UN voting (ideal pt dist from US)	-0.178*** (0.039)	0.100 (0.113)
Country fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Model type	Negative binomial	Negative binomial
N	7397	7397

***p < .01; **p < .05; *p < .1

Table 3: **Severity of MIDs.** Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing covariate data imputed by multiple imputation.

the IMF; this measure then captures the number of conditions that were enforced by the Fund in a given country-year (Appendix Table A14). Fourth, we drop the OECD countries from the sample to show relatively powerful states are not biasing the core findings (Appendix Table A15). Fifth, we control for IMF program type since not all programs are traditional stand-by arrangements. We specifically implement a binary indicator for programs that are more concessional (Appendix Table A16). Sixth, we replicate the model with the data restricted to IMF program participants (Appendix Table A17).

Additionally, since our primary models are relatively parsimonious, we include additional covariates of interest in a robustness check. These include measures of the current economic situation (current account to GDP ratio, FDI to GDP ratio, inflation, and financial crisis), lagged MIDs, U.S. aid, and a binary measure of state fragility (Appendix Table A18).³⁸

Next, we swap country and year fixed effects for random effects (Appendix Table A19). We also exchange country fixed effects for region fixed effects to ensure the results are not being driven by specific regional skirmishes or characteristics (Appendix Table A20). In each of these tests, results remain robust.

We also perform sensitivity analysis to examine how strong an unobserved confounder would have to be to change the qualitative conclusions of the analysis (Cinelli, Ferwerda and Hazlett 2020). This is important since our analysis is observational and endogeneity concerns remain even when utilizing instrumental variables (Lal et al. 2021). We find that confounders would need to be stronger than the reference set of all covariates included in our main analysis (Appendix Table A21), which is encouraging. Still, in absolute terms, the results indicate some sensitivity to omitted variables since only 1.4 percent of the residual variance of both the treatment and the outcome would need to be explained by an omitted variable to make the treatment effect insignificant at the 0.05 level. As such, our collection of results offer suggestive evidence to support our theory.

Finally, we conduct two placebo tests. The first utilizes data on World Bank conditions in place of IMF conditions. World Bank conditions, administered through Development Policy Financing,

³⁸Fragile countries and those with weaker economies and a history of MIDs may be more likely to initiate conflicts. Aid is another proxy for closeness to the United States.

are relatively soft (Clark and Dolan 2021), pertaining to issues like reporting requirements and climate change that are less likely to cause domestic political and economic turmoil. As such, our theory would anticipate little if any need for diversionary conflict in the face of more stringent World Bank conditionality. The results swapping a count of binding World Bank conditions for IMF conditions can be found in Appendix Table A24. We find a positive but statistically insignificant relationship between the burdensomeness of World Bank conditionality and state initiation of interstate disputes. Second, we examine lending from regional financing arrangements, which are regionally-focused balance-of-payments organizations that do not attach costly conditions to their loans (Clark 2022). We swap the count of IMF conditions for a measure of the volume of lending states received from regional financing arrangements outside of IMF loan agreements in a given year. The results can be found in Appendix Table A25, and we once again identify no significant relationship. This result suggests that any incentives to launch a diversionary conflict are linked to particularly stringent or costly loan conditions, namely those imposed by the IMF, rather than the receipt of emergency lending itself, or the presence of an economic crisis that necessitates such funding.

Strategic Importance and MID Initiation

A large literature emphasizes how strategically important countries, such as U.S. allies, receive special treatment from the IMF (Copelovitch 2010a; Stone 2011; Nelson 2017). This comes in the form of more lenient conditionality packages, or the ability to simply ignore conditions altogether. In additional tests, we therefore examine whether U.S. allies drive our results, perhaps flexing their foreign policy muscles amidst IMF programs.

While we control for UN voting proximity with the U.S. in all models, we also interact this measure with the count of conditions for robustness. The interaction plot appears in Figure 4, while the regression results in table form can be found in Appendix Table ???. We detect no statistically significant interaction effect, though the figure suggests countries that vote with the U.S. less often at the UN may be more susceptible to our hypothesized mechanism.

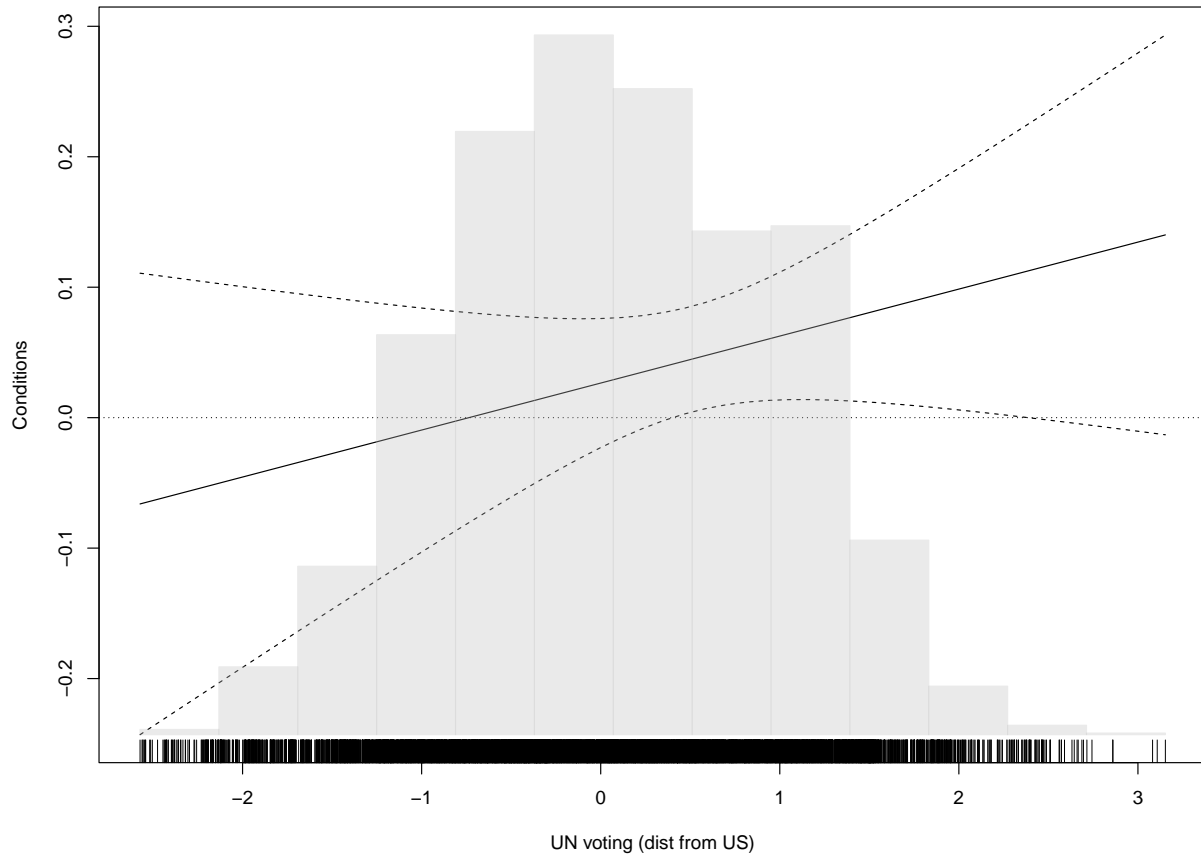


Figure 4: **UN Voting (ideal pt dist from US) Interaction with IMF Conditionality.** Full regression results and model description can be found in Appendix Table ??.

As an additional test, we account for U.S. troop deployments. Existing research shows that countries hosting U.S. troops are more likely to experience financial crises, more likely to take IMF loans, and that the presence of U.S. troops alters states' foreign policy positions (Machain and Morgan 2013; Aklin and Kern 2019). We therefore control for the presence of U.S. troops in a robustness check (Appendix Table A27) and interact U.S. troops with the count of IMF conditions (Figure 5 and Appendix Table ??). Our results are robust to the inclusion of U.S. troops as a control variable, but we detect a highly statistically significant interaction effect when we interact U.S. troops with IMF conditionality. Figure 5 shows that countries that do not host American military personnel in large numbers are more likely to initiate MIDs under stringent IMF programs, while countries where a large number of U.S. troops are stationed appear no more likely to do so.

This is perhaps because countries that are strategically important to the U.S. receive breaks on IMF conditions, meaning these programs produce fewer domestic economic hardships. These findings generally align with our expectations, since only the most stringent and burdensome IMF programs should be associated with diversionary conflict by recipient states. Nonetheless, we encourage future research to better disentangle the relationships between IMF conditions, strategic importance, and conflict behavior.

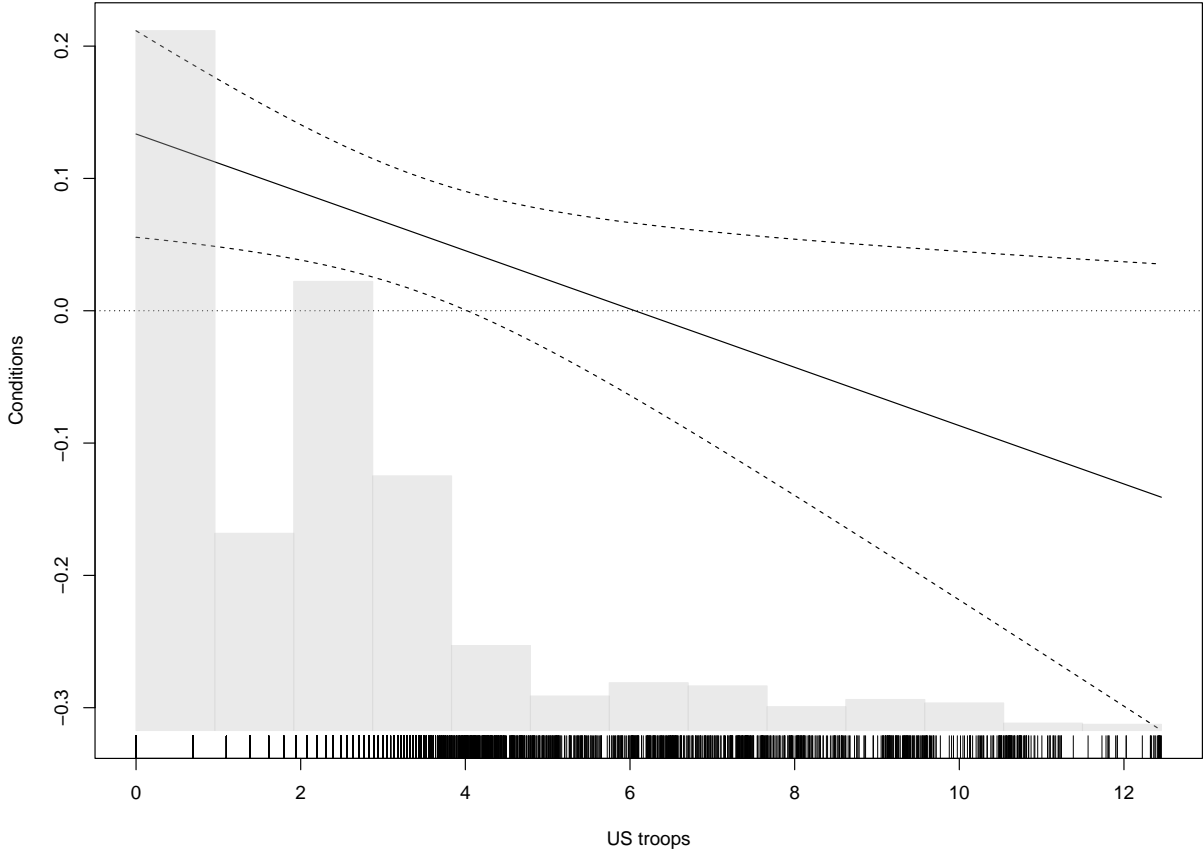


Figure 5: **U.S. Troops Interaction with IMF Conditionality.** Full regression results and model description can be found in Appendix Table A27.

Conclusion

The IMF combats moral hazard concerns by linking its emergency lending to conditionality, which frequently entails costly policy reforms. Short-term economic dislocations from such reforms spark domestic backlash against governments that enter into agreements with the Fund. These programs, imposed from abroad, present challenges to domestic governments because they lack the ability to curtail unpopular policies to alleviate discontent. Ruling governments in IMF target states thus employ alternative means to maintain public and elite support. Drawing on the logic of diversionary conflict, we show that ruling parties seek to distract these groups from the economic pains associated with IMF programs by pivoting to security and foreign policy issues. These governments can employ escalatory rhetoric and initiate low-cost disputes in an attempt to insulate themselves from political blow-back as they implement IMF loan programs. A multi-method approach offers support for this framework, showing that governments and ruling parties shift their policy platforms away from economic affairs and toward external relations while also initiating low-cost interstate disputes when they are under stringent IMF programs.

This piece makes several important contributions. Scholars of diversionary war have mostly examined whether leaders can benefit from inciting interstate conflicts to avert blame for domestic issues with domestic causes, finding overall conflicting evidence (Gelpi 1997; Gowa 1998; Levy 1998; Schenoni, Braniff and Battaglini 2020). They have also focused primarily on costly wars. In this paper, we shift the focus to domestic strife imposed from abroad by examining the IMF, and we focus in particular on smaller scale disputes. In doing so, we build on the extensive literature interested in government responses to globalization and the backlash that has accompanied it; globalization often ties the hands of governments, imposing economic costs that are unevenly distributed across the populace (Rodrik 2021). Future work could probe whether diversionary tactics are more effective at helping leaders skirt blame for IMF-imposed economic pain than scapegoating the Fund (Vreeland 1999), or whether such strategies can be complementary. More generally, this research highlights the importance of examining the strategic interaction between domestic and international politics, and the ways in which elites in countries subject to significant

international interference in their domestic economy respond to these challenges.

While these findings offer insight into one tool elites may use to divert discontent brought on by the IMF, they also point to several fruitful areas for additional research. Having established that leaders and parties adopt these diversionary tactics, it is important for scholars to explore the extent to which they are effective at distracting public and elite attention. Does this diversionary behavior lead to shifts in public opinion? Are elites less likely to challenge rulers? In the case of states that hold elections, do these small-scale conflicts increase incumbents' prospects for re-election under IMF programs? Next, scholars might expand the scope of conflicts beyond MIDs; our motivating example from Nicaragua suggests that states might leverage international organizations like the World Trade Organization and International Court of Justice to initiate disputes, for instance. The evidence presented here also raises questions related to international peace and stability. Under what circumstances, if any, do these small-scale skirmishes escalate into serious conflicts? Even when leaders attempt to keep provocations relatively small, it is difficult to tell *ex ante* when conflicts might escalate, and at what cost.

Last, this research carries consequential (and potentially worrisome) policy implications. Our findings suggest that IMF programs, and specifically the stringent conditionality imposed on countries by the Fund, might unintentionally trigger inter-state conflicts. Though we find that such conflicts tend to be relatively low-cost in terms of casualties, the IMF would certainly prefer not to increase tensions between member states. This piece therefore echoes a large body of work encouraging the IMF to consider the domestic consequences of its reform packages and better tailor conditionality to countries' unique circumstances (e.g., Li, Sy and McMurray 2015).

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Austerity and Aggression: Government Responses to IMF Conditionality

Online Appendices

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1 Comparative Manifesto Project Countries

The following countries are included in the Comparative Manifesto dataset (Volkens et al. 2020) that we translate using Google Translate: Sweden, Norway, Denmark, Finland, Iceland (4), Belgium, Netherlands, Luxembourg, France, Italy, Spain, Greece (7), Portugal (6), Germany, Austria, Switzerland, United Kingdom, Northern Ireland, Ireland (4), Malta, Cyprus (3), United States, Canada, Australia, New Zealand, Japan, Israel, Sri Lanka (20), Turkey (22), Albania (20), Armenia (25), Azerbaijan (13), Belarus (8), Bosnia-Herzegovina (14), Bulgaria (17), Croatia (11), Czech Republic (1), Estonia (13), Georgia (22), German Democratic Republic, Hungary (16), Latvia (17), Lithuania (13), North Macedonia (17), Moldova (18), Montenegro, Poland (5), Romania, Russia (9), Serbia (6), Slovakia (3), Slovenia, Ukraine (18), South Korea (9), Mexico (13), and South Africa (2).

NOTE: The numbers in parentheses denote the number of years in our data that a given country is under an IMF conditionality program. 30 of the 56 countries in the Comparative Manifesto dataset have had at least one year of an IMF program.

2 STM Diagnostics and Supporting Material

Please note that our STM results only replicate exactly on Mac. Results differ when using machines with Windows OS. Please see our replication materials for additional information.

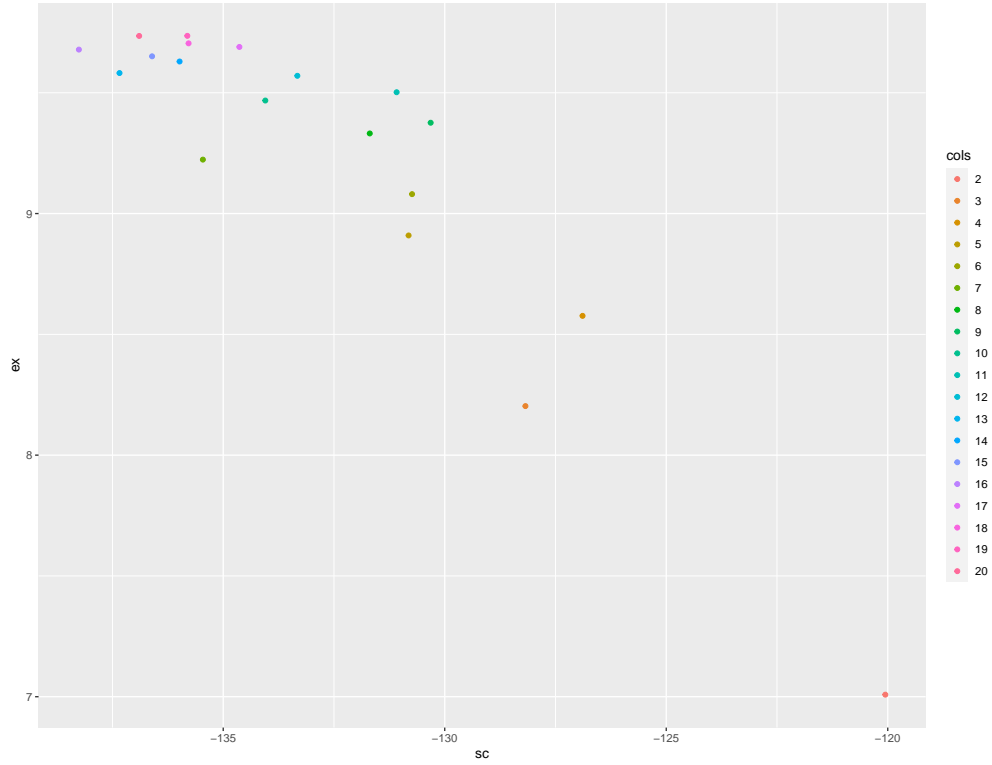


Figure A1: **STM Topic Number Selection (Main Analysis)**. This plot shows semantic coherence and exclusivity for STM models fitted to 2–20 topics on our ruling party manifesto corpus. We select 10 topics to jointly maximize the two statistics.

<p>Government programs govern, year, provid, fund, increas, million, rate, commit, cost, programm</p>
<p>Economic growth peopl, can, job, new, time, futur, way, now, chang, better</p>
<p>Industrial policy will, communiti, industri, local, encourag, labour, support, hous, respons, crime</p>
<p>Public spending work, educ, must, need, care, school, health, famili, employ, children</p>
<p>Energy sector nation, will, area, use, also, sector, protect, promot, energi, access</p>
<p>Laws and courts will, system, order, institut, ensur, establish, law, administr, effect, field</p>
<p>Tax policy reduc, tax, busi, world, make, one, pension, compani, countri, end</p>
<p>Legislative plans servic, new, continu, plan, will, includ, level, introduc, ensur, develop</p>
<p>International relations social, cultur, countri, state, econom, societ, develop, secur, import, creat</p>
<p>Physical infrastructure develop, public, invest, polici, support, product, region, implement, project, increas</p>

Figure A2: **Common Words in STM Topics (Main Analysis).** This plot illustrates the most common words appearing in each STM topic.

Topic 1: Government programs

1. Tasmania also benefiting from coalition's commitment to extend 2019 number programmes and fund upgrades to local roads including roads – 400 million per year maintenance, 350 million per year black spots, 60 million per year bridges renewal, 60 million per year heavy vehicle safety, 40 million per year programmes.
2. Our recent agreement with the states and territories under the Turnbull government will boost funding for public hospitals by around 29 billion – an increase of 65 percent per year over the next three years

Topic 2: Economic growth

1. Since the beginning of 1994, Canada has generated 3 million net new jobs.
2. In the fast changing world, here's one thing that hasn't changed: Canada's manufacturing sector is absolutely vital to the growing economy
3. Working people must have money in their pockets to save, invest, grow the economy, and benefit from it.
4. The Trans-Pacific Partnership is a historic agreement that will protect and create jobs and grow Canada's economy now and in the future.

Topic 3: Industrial policy

1. We will support the film industry, which has resulted in great British films and encouraged Hollywood's finest to flock to the UK
2. We will support the long-term sustainable fishing and seafood processing industry in Ireland's coastal communities.

Topic 4: Public spending

1. Funding for school health care and mental health services for children and young people need to be increased.
2. Every elderly person has a right to a safe old age and good care regardless of how they live.
3. The quality of higher education needs to be raised.
4. Families need to be able to care for young children in the home supported by a reasonable basic income.
5. As the population ages, we need funding for health care services increased.

Topic 5: Energy Sector

1. We will ensure electricity supply consistently meets demand.
2. We must abandon the production of energy that contributes to pollution and use clean energy sources.

Topic 6: Law and courts

1. Necessary legal administrative arrangements will be made and effective institutional structure will be established, eliminating the lack of organization and coordination.
2. We will set the minimum number of judges in the court and will certainly ensure the random selection of each judge with the possibility for specialization of judges.

Topic 7: Tax policy

1. We should lower the tax burden; taxation as a percentage of gdp has fallen by 361 percent since 1989-90 and 335 percent since 1992-93; it is projected to fall by around 330 percent of gdp by 1995-96. .
2. Reducing the share of indirect taxes (SCT, VAT) so that tax revenues and the tax burden on workers will be reduced.

Topic 8: Legislative plans

1. We will pass the Canadian environmental assessment act of 1994 to improve public involvement in environmental assessments.
2. The party will examine reforms to the tribunal system in light of the Leggatt review.

Topic 9: International relations

1. Threats to the National Security of the Republic of Lithuania: Activities of the Russian Regime and Other States Against the Republic of Lithuania – Efforts to Influence the Political System, Military Capabilities, Social and Economic Life, Cultural and Historical Identity of the Republic of Lithuania, Intelligence Services of The Republic of Lithuania.
2. Our security doctrine is based on military strength, alert capabilities, alertness and determination.
3. We will ensure our peace and security and also make a contribution to the peace and security of the world by protecting the values of freedom and democracy in all parts of the world and defend freedom and peace.
4. We must strengthen political and economic ties among the Baltic and Scandinavian countries to stand up to Russia.
5. The Croatian Democratic Union guarantees Croatia will be a country that stands for security and justice against threats.

Topic 10: Physical infrastructure

1. Reconstruction of the Maria Valerie bridge significantly helped the recovery of the region's economy.
 2. In addition, we will complete the Ilisu hydroelectric power plant project and the Yusufeli dam hydroelectric power plant projects.
-

Table A1: Representative Responses in Each Topic (Main Analysis). Two responses were selected from among the most representative responses for each topic (i.e., those with the highest proportion of content assigned to that topic); additional topics are provided for those that have a statistically significant relationship with the count of IMF conditions, denoted in red. Responses are adjusted for typos and brevity.

	Topic 1	Topic 2	Topic 3	Topic 4	Topic 5	Topic 6	Topic 7	Topic 8	Topic 9	Topic 10
	Government programs	Econ growth	Industrial policy	Public spending	Energy sector	Law & courts	Tax policy	Legislative plans	Int'l relations	Physical infrastructure
Conditions	-0.00 (0.00)	-0.00** (0.00)	-0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)
GDPPC	-0.00*** (0.00)	-0.00* (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00*** (0.00)	-0.00** (0.00)
Trade openness	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00*** (0.00)	-0.00*** (0.00)	0.00 (0.00)	0.00* (0.00)	-0.00*** (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
Population	0.00** (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00** (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00* (0.00)	-0.00 (0.00)	-0.00*** (0.00)
CINC	2.43** (0.92)	-2.32* (1.03)	0.24 (0.79)	0.56 (1.14)	0.21 (0.78)	-1.23 (1.08)	1.00 (1.01)	0.70 (0.81)	-3.61** (1.15)	2.02* (0.88)
Major power	-0.25 (15.94)	-0.04 (15.89)	-0.11 (13.03)	-0.08 (21.44)	0.17 (14.70)	0.23 (19.11)	0.01 (15.67)	-0.06 (14.04)	0.28 (21.87)	0.06 (17.42)
Polity2	0.00* (0.00)	0.01*** (0.00)	0.00** (0.00)	0.00 (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	0.01*** (0.00)	-0.01*** (0.00)	0.00 (0.00)	-0.01*** (0.00)
Executive years in office	0.00*** (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00* (0.00)	-0.00 (0.00)	0.00* (0.00)	-0.00*** (0.00)	-0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)
Ethnic fractionalization	0.05** (0.02)	-0.05** (0.02)	-0.03* (0.01)	-0.06** (0.02)	0.04** (0.02)	-0.09*** (0.02)	-0.04* (0.02)	0.09*** (0.02)	-0.03 (0.02)	0.12*** (0.02)
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	131149	131149	131149	131149	131149	131149	131149	131149	131149	131149

***p < .001; **p < .01; *p < .05

Table A2: **STM Table Output.** DV: number of MIDs. Model fitted to ten topics.

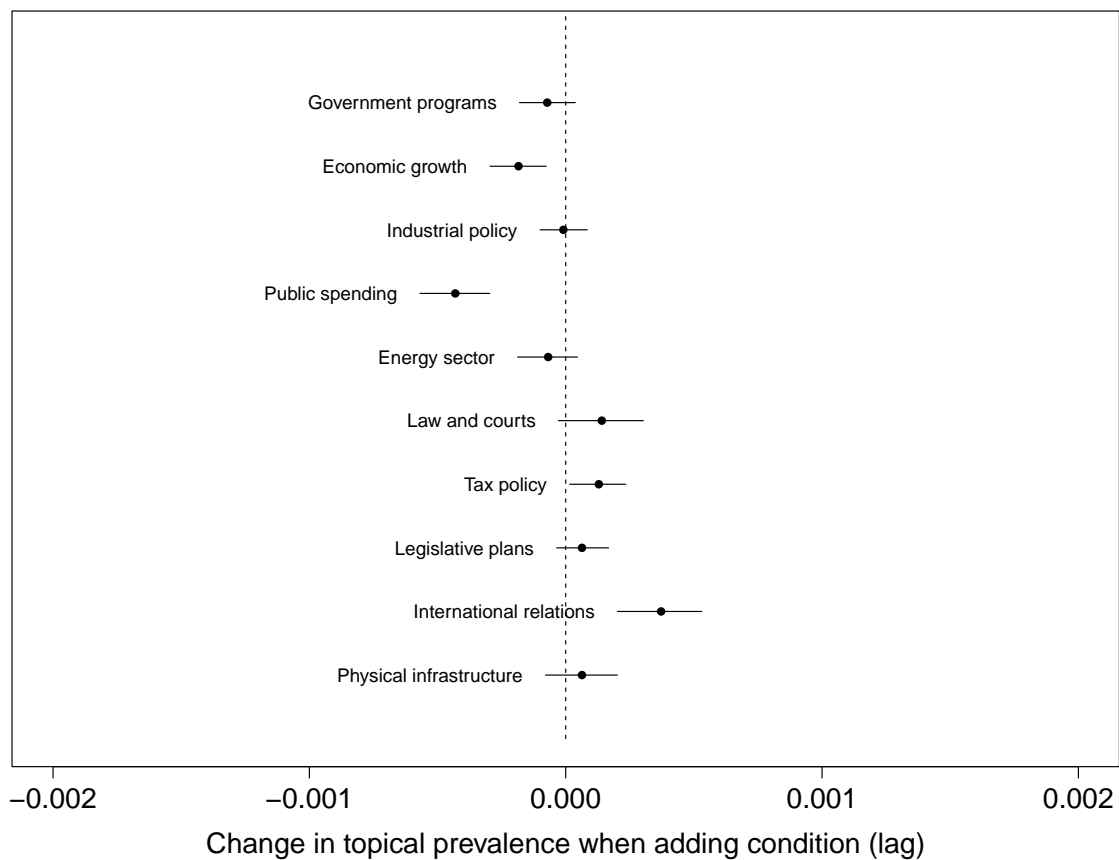


Figure A3: **Structural Topic Model Results (Lag Robustness Check)**. Substantively, the effect size corresponds to the change in the proportion of the text relevant to a given topic when one (one-year lagged) IMF condition is added. The plot depicts 90 percent confidence intervals.

	Topic 1	Topic 2	Topic 3	Topic 4	Topic 5	Topic 6	Topic 7	Topic 8	Topic 9	Topic 10
	Government programs	Econ growth	Industrial policy	Public spending	Energy sector	Law & courts	Tax policy	Legislative plans	Int'l relations	Physical infrastructure
Conditions (1 year lag)	-0.00 (0.00)	-0.00** (0.00)	-0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00* (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)
GDPPC	-0.00*** (0.00)	-0.00* (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)	-0.00 (0.00)	0.00*** (0.00)	-0.00** (0.00)
Trade openness	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00*** (0.00)	-0.00*** (0.00)	0.00 (0.00)	0.00* (0.00)	-0.00*** (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
Population	0.00** (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00 (0.00)	-0.00** (0.00)	-0.00 (0.00)	0.00 (0.00)	-0.00* (0.00)	-0.00 (0.00)	-0.00*** (0.00)
CINC	2.44* (0.95)	-2.29* (1.03)	0.31 (0.81)	0.60 (1.15)	0.18 (0.76)	-1.09 (1.05)	1.03 (0.94)	0.68 (0.81)	-3.79** (1.16)	1.92* (0.91)
Major power	-0.14 (16.06)	-0.10 (15.97)	-0.20 (13.20)	0.22 (21.28)	-0.06 (14.59)	-0.14 (19.18)	-0.18 (15.53)	-0.02 (14.11)	-0.16 (21.80)	0.12 (17.38)
Polity2	0.00* (0.00)	0.01*** (0.00)	0.00** (0.00)	0.00 (0.00)	-0.01*** (0.00)	-0.01*** (0.00)	0.01*** (0.00)	-0.01*** (0.00)	0.00 (0.00)	-0.01*** (0.00)
Executive years in office	0.00*** (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00* (0.00)	-0.00 (0.00)	0.00* (0.00)	-0.00*** (0.00)	-0.00 (0.00)	-0.00*** (0.00)	-0.00 (0.00)
Ethnic fractionalization	0.05** (0.02)	-0.05** (0.02)	-0.03* (0.01)	-0.06** (0.02)	0.04** (0.02)	-0.09*** (0.02)	-0.04* (0.02)	0.09*** (0.02)	-0.03 (0.02)	0.12*** (0.02)
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	131149	131149	131149	131149	131149	131149	131149	131149	131149	131149

***p < .001; **p < .01; *p < .05

Table A3: STM Table Output (Lagged Conditions). DV: number of MIDs. Model fitted to ten topics.

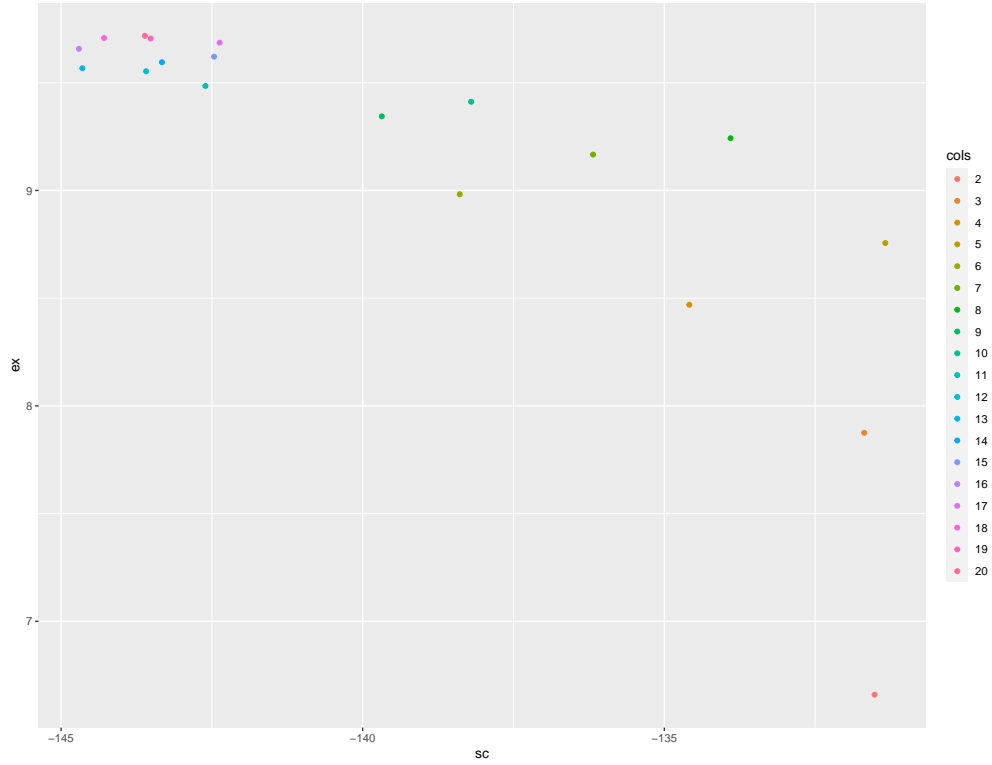


Figure A4: **STM Topic Number Selection (Opposition Analysis)**. This plot shows semantic coherence and exclusivity for STM models fitted to 2–20 topics on our ruling party manifesto corpus. We select eight topics to jointly maximize the two statistics.

<p style="text-align: center;">Tax policy</p> <p style="text-align: center;">tax, year, govern, make, job, will, reduc, incom</p>
<p style="text-align: center;">Civil liberties</p> <p style="text-align: center;">right, parti, nation, polit, world, democrat, futur, power</p>
<p style="text-align: center;">Education</p> <p style="text-align: center;">will, educ, cultur, institut, european, law, republ, implement</p>
<p style="text-align: center;">Financial sector</p> <p style="text-align: center;">will, system, public, fund, state, creat, condit, compani</p>
<p style="text-align: center;">Healthcare</p> <p style="text-align: center;">work, peopl, health, must, need, care, social, famili</p>
<p style="text-align: center;">Economic growth</p> <p style="text-align: center;">develop, econom, state, countri, program, support, economi, polici</p>
<p style="text-align: center;">Physical infrastructure</p> <p style="text-align: center;">use, product, increas, invest, energi, agricultur, area, project</p>
<p style="text-align: center;">Industrial policy</p> <p style="text-align: center;">will, new, ensur, servic, govern, industri, local, communiti</p>

Figure A5: **Common Words in STM Topics (Opposition Analysis)**. This plot illustrates the most common words appearing in each STM topic.

Topic 1: Tax policy

1. Excluding those earning 100000 per year in average income, the taxpayer will pay around 45p extra per week in income tax.
2. We will get small businesses growing by creating more jobs – reducing business costs, cutting taxes, cutting red tape costs – generating 1 billion per year by delivering on a better productivity plan.

Topic 2: Civil liberties

1. These policies imperil our nation’s independence and our regained self-determination.
2. We denounce bigotry, racism, antisemitism, ethnic prejudice, and all religious intolerance.

Topic 3: Education

1. We will bring higher education closer to the citizens by opening new faculties within the existing state universities in several cities.
2. We are implementing an agency – the Ministry of Education Science Center – for vocational education and training in higher education institutions.

Topic 4: Financial sector

1. It is necessary to establish a strong state financial institution that can deposit, budget funds for the central government, assist local and regional self-government, and state-owned enterprises.
2. Introducing systemic changes will facilitate management of the public sphere, deepening decentralization and strengthening our role as well as competences in financing system of self-government.

Topic 5: Healthcare

1. Everyone must have equal rights to access care based on their need regardless of their age, place of residence, and wealth.
2. Health affected life and work habits; a lack of knowledge and motivation to change lifestyles and habits often means medication instead of support that can promote better health.

Topic 6: Economic growth

1. Maintaining our stability in the financial sector is an important factor for the long-term economic growth of our country.
2. In order to ensure a long-term and stable development process in Georgia, it is necessary that economic policy is based on a model of sustainable development.

Topic 7: Physical infrastructure

1. We will revitalize, modernize, and adapt existing thermal production facilities through the combined use of lignite and natural gas energy sources for electricity production.
2. The construction of highways, namely Highway Gradiska, Banja Luka connection road, and Kupres section highway.

Topic 8: Industrial policy

1. The business and industry development division will be given primary responsibility for developing policies that promote business and industry expansion.
2. We will expand industrial research.

Table A4: Representative Responses in Each Topic (Opposition Analysis). Two responses were selected from the most representative responses for each topic (i.e., those with the highest proportion of content assigned to that topic). The count of IMF conditions has a statistically significant relationship with all topics in this model. Responses are adjusted for typos and brevity.

	Topic 1	Topic 2	Topic 3	Topic 4	Topic 5	Topic 6	Topic 7	Topic 8
	Tax policy	Civil liberties	Education	Financial sector	Healthcare	Econ growth	Physical infrastructure	Industrial policy
Conditions	0.00*** (0.00)	0.00*** (0.00)	-0.00*** (0.00)	-0.00* (0.00)	-0.00*** (0.00)	0.00*** (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
GDPPC	-0.00 (0.00)	0.00 (0.00)	0.00*** (0.00)	0.00 (0.00)	0.00*** (0.00)	-0.00 (0.00)	-0.00 (0.00)	-0.00*** (0.00)
Trade openness	0.00** (0.00)	0.00*** (0.00)	-0.00* (0.00)	-0.00*** (0.00)	0.00* (0.00)	-0.00*** (0.00)	-0.00*** (0.00)	0.00*** (0.00)
Population	-0.00*** (0.00)	-0.00*** (0.00)	0.00*** (0.00)	0.00*** (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)	0.00*** (0.00)
CINC	-0.23 (0.23)	-1.77*** (0.25)	0.11 (0.20)	0.65*** (0.17)	-0.42 (0.23)	0.03 (0.20)	1.43*** (0.22)	0.19 (0.17)
Major power	0.27 (19.10)	0.10 (19.39)	-0.14 (19.54)	-0.26 (15.75)	0.28 (19.82)	0.07 (16.62)	-0.28 (20.71)	-0.10 (16.73)
Polity2	-0.00*** (0.00)	-0.01*** (0.00)	0.00*** (0.00)	0.00*** (0.00)	-0.00*** (0.00)	-0.00 (0.00)	0.01*** (0.00)	0.00*** (0.00)
Executive years in office	0.00 (0.00)	0.00*** (0.00)	-0.00*** (0.00)	-0.00* (0.00)	0.00*** (0.00)	-0.00 (0.00)	-0.00*** (0.00)	-0.00*** (0.00)
Ethnic fractionalization	-0.00 (0.01)	0.07*** (0.01)	-0.01 (0.01)	0.03*** (0.01)	0.01 (0.01)	-0.04*** (0.00)	-0.03*** (0.01)	-0.03*** (0.00)
Country fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	418184	418184	418184	418184	418184	418184	418184	418184

***p < .001; **p < .01; *p < .05

Table A5: **STM Table Output (Opposition Analysis)**. DV: number of MIDs. Model fitted to eight topics.

Percent Manifesto Related to External Relations	
Conditions	0.049*** (0.013)
GDPPC	-0.00003 (0.00002)
Trade openness	0.007* (0.003)
Population	-0.00002 (0.00001)
CINC	19.692 (38.352)
Major power	-0.453 (0.624)
Polity2	-0.044 (0.037)
Executive years in office	0.001 (0.0005)
Ethnic fractionalization	-0.481 (0.713)
UN voting (ideal pt dist from US)	-0.207 (0.143)
Constant	6.628*** (0.898)
Country fixed effects	Yes
Year fixed effects	Yes
N	715
R-squared	0.628
Adj. R-squared	0.579
Residual Std. Error	1.456 (df = 630)
F Statistic	12.669*** (df = 84; 630)

*** p < .01; ** p < .05; * p < .1

Table A6: Comparative Manifesto Project (CMP) Data Robustness Check: Cabinet Parties and External Relations Topics. To verify the robustness of our STM model, we further test the relationship between IMF conditions (count) and shifts in parties' manifesto topics by regressing the percentage of manifesto text from cabinet parties that is devoted to External Relations on the count of binding IMF conditions. Specifically we use the following topics from the CMP dataset to create our dependent variable: Domain 102 (Foreign Special Relations: Negative, which includes negative mentions of specific countries); Domain 103 (Anti-Imperialism); Domain 104 (Military: Positive, which includes positive references to external security and defense); Domain 109 (Internationalism: Negative, which captures negative references to international cooperation and favorable mentions of national independence and sovereignty); and Domain 110 (European Union: Negative). The positive and significant relationship between binding IMF conditions and references to international relations and in particular international conflict, give us further confidence in the results from our STM model (Volkens et al. 2020).

Percent Manifesto Related to Economic Issues	
Conditions	0.010 (0.013)
GDPPC	-0.00004** (0.00001)
Trade openness	0.006* (0.004)
Population	-0.00002 (0.00001)
CINC	102.363** (45.360)
Major power	3.596*** (0.785)
Polity2	-0.015 (0.036)
Executive years in office	0.001** (0.0004)
Ethnic fractionalization	-0.203 (0.810)
UN voting (ideal pt dist from US)	0.594*** (0.139)
Constant	5.691*** (1.085)
Country fixed effects	Yes
Year fixed effects	Yes
N	715
R-squared	0.482
Adj. R-squared	0.413
Residual Std. Error	1.492 (df = 630)
F Statistic	6.992*** (df = 84; 630)

***p < .01; **p < .05; *p < .1

Table A7: Comparative Manifesto Project (CMP) Data Robustness Check: Cabinet Parties and Economic Topics. As an additional robustness check for our STM model, we also test the relationship between IMF conditions (count) and shifts in parties' manifesto topics by regressing the percentage of manifesto text from cabinet parties that is devoted to economic issues that match IMF conditions on the count of binding IMF conditions. Specifically we use the following topics from the CMP dataset to create our dependent variable: Domain 401 (Free Market Economy, which includes favorable references to laissez-faire economics); Domain 505 (Welfare State Limitation, which includes references to limiting state expenditures of social services); and Domain 702 (Labour Groups: Negative). In these models, we identify no significant relationship between binding IMF conditions and references to these economic topics likely impacted by IMF conditionality. This further supports our findings that ruling parties are likely to avoid emphasizing economic issues while under demanding and domestically unpopular IMF programs (Volkens et al. 2020).

Percent Manifesto Related to External Relations, 1-Year Lag	
Conditions	0.061*** (0.015)
GDPPC	0.00000 (0.00002)
Trade openness	0.003 (0.004)
Population	-0.00000 (0.00001)
CINC	4.659 (39.147)
Major power	-0.713 (0.661)
Polity2	-0.058 (0.038)
Executive years in office	0.0004 (0.0005)
Ethnic fractionalization	0.244 (0.763)
UN voting (ideal pt dist from US)	-0.273* (0.141)
Constant	5.894*** (0.937)
Country fixed effects	Yes
Year fixed effects	Yes
N	703
R-squared	0.633
Adj. R-squared	0.584
Residual Std. Error	1.452 (df = 618)
F Statistic	12.716*** (df = 84; 618)

***p < .01; **p < .05; *p < .1

Table A8: Comparative Manifesto Project (CMP) Data Robustness Check: Cabinet Parties and External Relations Topics, 1-Year Lag. Our theory would predict an IMF program and related conditions to take effect *prior* to the release of ruling parties' manifestos. Since the STM model does not allow us to directly account for the sequence of events, as an additional robustness check we re-estimate the regression models using hand coded topics in the CMP dataset, but this time we lag all independent variables by one year to ensure the IMF programs precede the manifestos. As before, we use the following topics from the CMP dataset to create our dependent variable: Domain 102 (Foreign Special Relations: Negative, which includes negative mentions of specific countries); Domain 103 (Anti-Imperialism); Domain 104 (Military: Positive, which includes positive references to external security and defense); Domain 109 (Internationalism: Negative, which captures negative references to international cooperation and favorable mentions of national independence and sovereignty); and Domain 110 (European Union: Negative). These results provide further evidence that ruling parties emphasize external issues and military conflict in their manifestos following the initiation of IMF conditions.

Percent Manifesto Related to Economic Issues, 1-Year Lag	
Conditions	−0.007 (0.008)
GDPPC	−0.00004*** (0.00001)
Trade openness	0.006* (0.004)
Population	−0.00002 (0.00001)
CINC	99.410** (45.186)
Major power	3.845*** (0.809)
Polity2	0.003 (0.036)
Executive years in office	0.0004 (0.0005)
Ethnic fractionalization	−0.210 (0.763)
UN voting (ideal pt dist from US)	0.613*** (0.137)
Constant	5.791*** (1.063)
Country fixed effects	Yes
Year fixed effects	Yes
N	703
R-squared	0.484
Adj. R-squared	0.413
Residual Std. Error	1.497 (df = 618)
F Statistic	6.887*** (df = 84; 618)

*** p < .01; **p < .05; *p < .1

Table A9: Comparative Manifesto Project (CMP) Data Robustness Check: Cabinet Parties and Economic Topics, 1-Year Lag. Our theory would predict an IMF program and related conditions to take effect *prior* to the release of ruling parties’ manifestos. Since the STM model does not allow us to directly account for the sequence of events, as an additional robustness check we re-estimate the regression models using hand coded topics in the CMP dataset, but this time we lag all independent variables by one year to ensure the IMF programs precede the manifestos. As before, we use the following topics from the CMP dataset to create our dependent variable: Domain 401 (Free Market Economy, which includes favorable references to laissez-faire economics); Domain 505 (Welfare State Limitation, which includes references to limiting state expenditures of social services); and Domain 702 (Labour Groups: Negative). This model provides further evidence that ruling parties avoid discussing economic issues in their manifestos following the initiation of IMF conditions.

3 Supporting Statistical Information

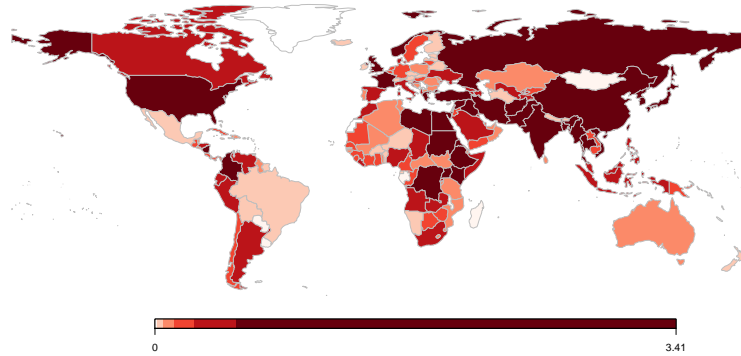


Figure A6: **Average Number of MIDs Initiated by Country 1978–2014.** Data comes from Palmer (2020).

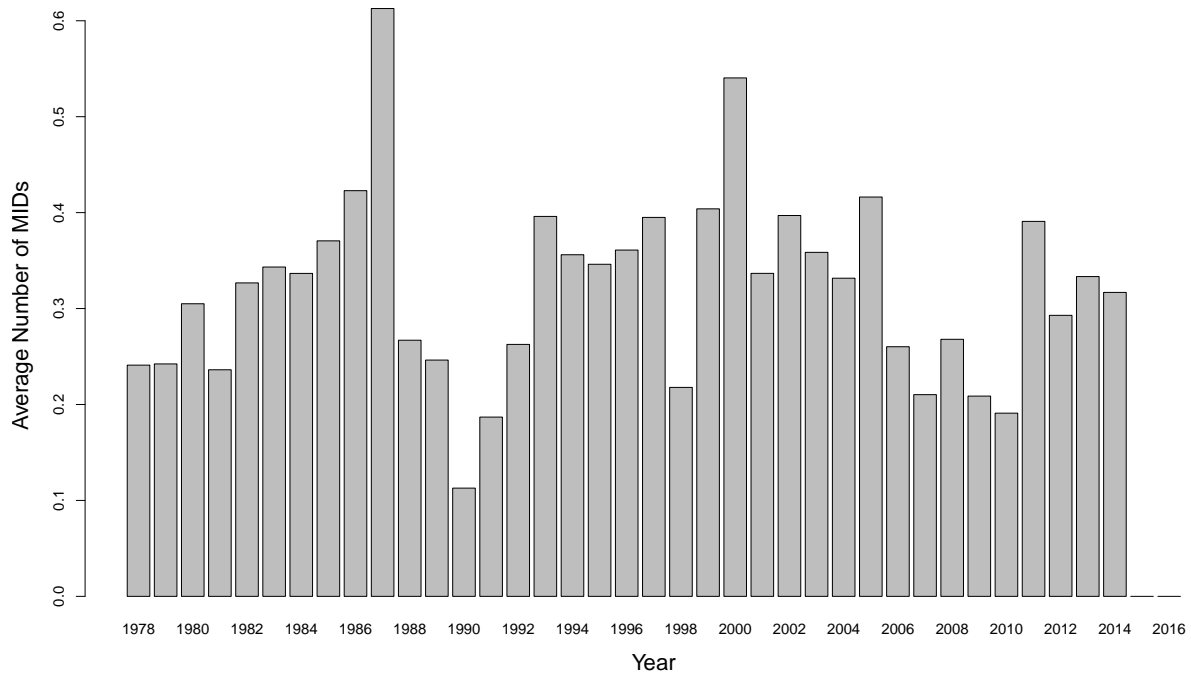


Figure A7: **Average Number of MIDs Initiated by Year 1978–2014.** Data comes from Palmer (2020).

Statistic	N	Mean	St. Dev.	Min	Max
Number of MIDs	7404	0.32	0.83	0	25
Conditions	7404	4.12	8.96	0	113
GDPPC	7404	11009.75	18962.42	133.97	182457.20
Trade openness	7404	83.39	53.29	0.02	437.33
Population	7404	30464.80	114158.10	9	1390110
CINC	7404	0.01	0.02	0.0000	0.23
Major power	7404	0.02	0.15	0	1
Polity2	7404	1.85	7.16	-10	10
Executive years in office	7404	-3.14	103.74	-999	47
Ethnic fractionalization	7404	0.43	0.26	0.001	0.89

Table A10: **Descriptive Statistics (Imputed).**

Statistic	N	Mean	St. Dev.	Min	Max
Number of MIDs	7397	0.32	0.83	0	25
Conditions	7397	4.03	8.87	0	113
GDPPC	6333	11269.63	18540.69	133.97	172177.20
Trade openness	5837	78.83	46.81	0.02	437.33
Population	6699	31636.89	117883.70	9.00	1382793.00
CINC	6699	0.01	0.02	0.0000	0.23
Major power	6699	0.03	0.16	0.00	1.00
Polity2	5825	1.62	7.24	-10.00	10.00
Executive years in office	6072	1.48	78.75	-999.00	47.00
Ethnic fractionalization	5546	0.45	0.27	0.001	0.89

Table A11: **Descriptive Statistics (Not Imputed).**

4 Robustness Checks

	Number of MIDs
Conditions	0.037*
	(0.019)
GDPPC	-0.149
	(0.243)
Trade openness	-0.078
	(0.086)
Population	-1.454**
	(0.650)
CINC	0.093
	(0.057)
Major power	1.113**
	(0.452)
Polity2	-0.150**
	(0.071)
Executive years in office	-0.096***
	(0.033)
Ethnic fractionalization	-0.261
	(0.267)
UN voting (ideal pt dist from US)	0.065
	(0.076)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	3871

***p < .01; **p < .05; *p < .1

Table A12: **No Imputation Robustness Check.** Independent variables lagged by one year. Robust standard errors clustered at country-level.

	Number of MIDs
Austerity conditions	0.036*** (0.013)
GDPPC	-0.073 (0.078)
Trade openness	-0.068 (0.052)
Population	0.009 (0.095)
CINC	0.031 (0.036)
Major power	0.598* (0.334)
Polity2	-0.074 (0.048)
Executive years in office	-0.008 (0.025)
Ethnic fractionalization	0.101 (0.074)
UN voting (ideal pt dist from US)	-0.157*** (0.040)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A13: Austerity Robustness Check. We subset conditions to those dealing with austerity — revenues and tax policy, fiscal policy, privatization, or state-owned enterprises as categorized by (Kentikelenis, Stubbs and King 2016). Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed with multiple imputation.

	Number of MIDs
Enforced conditions	0.034* (0.018)
GDPPC	-0.075 (0.078)
Trade openness	-0.069 (0.052)
Population	0.010 (0.096)
CINC	0.028 (0.036)
Major power	0.599* (0.335)
Polity2	-0.075 (0.048)
Executive years in office	-0.007 (0.025)
Ethnic fractionalization	0.098 (0.074)
UN voting (ideal pt dist from US)	-0.157*** (0.040)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A14: Conditionality Waiver Robustness Check. This test uses data from Kentikelenis, Stubbs and King (2016) to drop conditions that were waived by the IMF, meaning that they did not ultimately have to be met for disbursement for proceed. Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation.

	Number of MIDs
Conditions	0.068*** (0.019)
GDPPC	-0.081 (0.088)
Trade openness	-0.079 (0.054)
Population	0.015 (0.101)
CINC	0.056 (0.038)
Major power	-30.553*** (0.348)
Polity2	-0.106** (0.051)
Executive years in office	-0.007 (0.025)
Ethnic fractionalization	0.110 (0.083)
UN voting (ideal pt dist from US)	-0.191*** (0.045)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	6351

***p < .01; **p < .05; *p < .1

Table A15: **Drop OECD Robustness Check.** We drop OECD countries from this specification. Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation.

	Number of MIDs
Conditions	0.032* (0.018)
GDPPC	-0.068 (0.076)
Trade openness	-0.067 (0.052)
Population	0.0003 (0.096)
CINC	0.027 (0.036)
Major power	0.612* (0.336)
Polity2	-0.082* (0.048)
Executive years in office	-0.008 (0.025)
Ethnic fractionalization	0.099 (0.074)
UN voting (ideal pt dist from US)	-0.156*** (0.040)
PRGF	0.150 (0.104)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A16: **IMF Program Type Control Robustness Check.** Here, we add a binary control for IMF programs labeled as PRGF (formerly SAF, ESAF, and PRGT). Poverty Reduction and Growth Facility (PRGF) programs are more development-oriented and concessional, which may affect average conditionality levels (Dreher, Sturm and Vreeland 2009). Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing covariate data imputed by multiple imputation.

	Number of MIDs
Conditions	0.037* (0.022)
GDPPC	0.175* (0.101)
Trade openness	-0.093 (0.124)
Population	0.567 (0.544)
CINC	-0.262 (0.425)
Major power	0.884 (2.759)
Polity2	-0.213** (0.085)
Executive years in office	-0.087* (0.053)
Ethnic fractionalization	0.034 (0.238)
UN voting (ideal pt dist from US)	0.182** (0.084)
Constant	-0.110 (0.554)
Country fixed effects	Yes
Model type	Negative binomial
N	1921

***p < .01; **p < .05; *p < .1

Table A17: Only IMF Program Participants Robustness Check. Independent variables lagged by one year. Robust standard errors clustered at country-level. Year fixed effects are dropped from this analysis because coefficients are NA on the year dummies when included (due to reduced sample size and rarity of both IMF programs and MIDs).

	Number of MIDs
Conditions	0.037** (0.017)
GDPPC	-0.052 (0.073)
Trade openness	-0.065 (0.051)
Population	0.008 (0.095)
CINC	0.026 (0.036)
Major power	0.467 (0.355)
Polity2	-0.061 (0.048)
Executive years in office	-0.011 (0.024)
Ethnic fractionalization	0.112 (0.074)
UN voting (ideal pt dist from US)	-0.137*** (0.040)
U.S. aid	0.006 (0.028)
Current account / GDP	0.029 (0.031)
FDI / GDP	-0.058 (0.039)
Inflation	-0.008 (0.018)
Fragile state	0.147 (0.149)
Financial crisis	0.045 (0.067)
Lagged MIDs	0.108*** (0.019)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7396

***p < .01; **p < .05; *p < .1

Table A18: **Additional Covariates Robustness Check.** Fragility data comes from the World Bank, which defines a fragile state as possessing “high levels of institutional and social fragility.” See “Classification of Fragile and Conflict-Affected Situations.” *World Bank*. 2022. <https://bit.ly/3KV5uXN>. Economic statistics come from the WDI. Financial crisis data comes from Aklin and Kern (2019). UN voting scores come from Bailey, Strezhnev and Voeten (2017). Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed with multiple imputation.

	Number of MIDs
Conditions	0.050*** (0.001)
GDPPC	-0.025*** (0.001)
Trade openness	-0.079*** (0.001)
Population	0.727*** (0.001)
CINC	-0.019*** (0.001)
Major power	0.456*** (0.001)
Polity2	-0.078*** (0.001)
Executive years in office	-0.008*** (0.001)
Ethnic fractionalization	0.096*** (0.001)
UN voting (ideal pt dist from US)	-0.135*** (0.001)
Country random effects	Yes
Year random effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A19: **Random Effects Robustness Check.** Country and year fixed effects are swapped for country and year random effects. Independent variables lagged by one year. Missing data imputed by multiple imputation.

	Number of MIDs
Conditions	0.056** (0.023)
GDPPC	−0.001 (0.046)
Trade openness	−0.147*** (0.047)
Population	0.927*** (0.042)
CINC	0.053** (0.022)
Major power	−0.067 (0.139)
Polity2	−0.060* (0.036)
Executive years in office	−0.039** (0.020)
Ethnic fractionalization	0.074*** (0.028)
UN voting (ideal pt dist from US)	−0.086** (0.036)
Region fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A20: **Region FEs Robustness Check.** We swap country fixed-effects for regional fixed-effects. Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation.

Outcome: *MIDs*

Treatment:	Est.	S.E.	t-value	$R^2_{Y \sim D \mathbf{X}}$	$RV_{q=1}$	$RV_{q=1, \alpha=0.05}$
<i>Conditions</i>	0.028	0.009	3.143	0.1%	3.6%	1.4%
df = 7157	<i>Bound (1x Covariate Set): $R^2_{Y \sim Z \mathbf{X}, D} = 0.3\%$, $R^2_{D \sim Z \mathbf{X}} = 2.4\%$</i>					

Table A21: **Sensitivity Analysis.** Here, we use the `sensemakr` function and linear regression to estimate how strong an unobserved confounder would have to be to change our research conclusions with the *MIDs* DV. The “treatment” variable is *Conditions*, and the covariate profile is the same as our primary analysis. We find that unobserved confounders (orthogonal to the covariates) that explain more than 1.4% of the residual variance of both the treatment and the outcome are strong enough to bring the estimate to a range where it is no longer ‘statistically different’ from 0, at the significance level of $\alpha = 0.05$. We also find that unobserved confounders (orthogonal to the covariates) that explain more than 3.6% of the residual variance of both the treatment and the outcome are strong enough to bring the point estimate to 0. We compare these estimates to the full cohort of covariates included in the main models (Table 1). We find that the introduction of a confounder as strong as all the covariates would not alter the qualitative conclusions of the paper ($0.3\% < 1.4\%$). Still, in absolute terms, 1.4% is small, and so there is some sensitivity to omitted variables.

	Participation in IMF program
Budget constraint X Participation rate	0.766*** (0.147)
Quota	1.214* (0.657)
Time to last IMF program	0.010 (0.010)
Polity2	0.120*** (0.045)
Reserves	-0.448*** (0.070)
GDPPC	-0.749** (0.305)
Current account / GDP	-0.055 (0.037)
UNSC member	-0.233** (0.100)
U.S. aid	0.175*** (0.035)
DAC aid	-0.047 (0.047)
UN voting	-0.262*** (0.068)
FDI / GDP	0.075 (0.074)
Inflation	0.015 (0.027)
Openness	0.059 (0.054)
Debt service / exports	0.277*** (0.037)
Short-term debt / exports	-0.028 (0.029)
War	0.040 (0.073)
Election year	-1.023* (0.611)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Probit
N	6233

***p < .01; **p < .05; *p < .1

Table A22: **First Stage Selection Results.** Binomial probit specification with robust standard errors clustered at the country-level. Data is standardized and independent variables are lagged by one year. Missing data imputed using multiple imputation to ensure that each country in the second stage sample has a fitted probability value. The F statistic is 29 (p = 0.000).

	Conditions	Categories
	Model 1	Model 2
Budget constraint X Average conditions	0.979*** (0.251)	
Budget constraint X Average categories		1.029*** (0.342)
Budget constraint X Participation rate	-0.801* (0.452)	-0.785* (0.435)
Quota	7.979*** (0.943)	5.310*** (0.733)
Time to last IMF program	-0.012 (0.031)	-0.003 (0.018)
Polity2	0.104 (0.068)	0.129** (0.052)
Reserves	-0.621*** (0.107)	-0.423*** (0.061)
GDPPC	-1.279 (0.967)	-1.059** (0.524)
Current account / GDP	-0.014 (0.058)	-0.030 (0.042)
UNSC member	-0.124 (0.135)	-0.067 (0.106)
U.S. aid	0.343*** (0.050)	0.284*** (0.042)
DAC aid	-0.029 (0.080)	-0.033 (0.057)
UN voting	-0.429*** (0.112)	-0.284*** (0.079)
FDI / GDP	0.040 (0.098)	0.049 (0.052)
Inflation	-0.115*** (0.038)	-0.092** (0.036)
Openness	0.078 (0.097)	0.035 (0.069)
Debt service / exports	0.283*** (0.038)	0.248*** (0.031)
Short-term debt / exports	-0.170*** (0.060)	-0.150** (0.066)
Election year	-0.079 (0.092)	-0.054 (0.076)
Country fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Model type	Probit	Probit
N	6211	6211

*** p < .01; ** p < .05; * p < .1

Table A23: **First Stage Selection Results.** Negative binomial specification with robust standard errors clustered at the country-level. Data is standardized and independent variables are lagged by one year. Missing data imputed using multiple imputation to ensure that each country in the second stage sample has a fitted value. For each of these instruments, $F = 4.2$, $p = 0.01$.

	Number of MIDs
Conditions	0.009 (0.007)
GDPPC	-0.075 (0.078)
Trade openness	-0.070 (0.052)
Population	0.019 (0.095)
CINC	0.023 (0.036)
Major power	0.595* (0.336)
Polity2	-0.075 (0.048)
Executive years in office	-0.006 (0.024)
Ethnic fractionalization	0.098 (0.074)
UN voting (ideal pt dist from US)	-0.163*** (0.040)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A24: **World Bank Conditionality Robustness Check.** We look only at prior actions, or binding World Bank conditions in this test, swapping them for IMF conditions as the key independent variable. We find a positive relationship between the stringency of World Bank conditions and conflict initiation, but the relationship is much weaker than for the IMF ($p = 0.19$). We attribute this to the relatively soft nature of World Bank conditions (Clark and Dolan 2021). Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation.

	Number of MIDs
Conditions	−0.384* (0.211)
GDPPC	−0.078 (0.079)
Trade openness	−0.068 (0.052)
Population	0.026 (0.095)
CINC	0.025 (0.036)
Major power	0.595* (0.335)
Polity2	−0.067 (0.048)
Executive years in office	−0.005 (0.025)
Ethnic fractionalization	0.099 (0.074)
UN voting (ideal pt dist from US)	−0.168*** (0.040)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	7397

***p < .01; **p < .05; *p < .1

Table A25: Regional Financing Arrangement Robustness Check. This test swaps the count of conditions variable for a binary equal to one if a country is a part of a loan program at a regional financing arrangement and is not a part of a IMF co-financing arrangement. The RFAs that lend in our data, which comes from Clark (2022), include the Arab Monetary Fund, Eurasian Fund for Stabilization and Development, and Latin American Reserve Fund. We exclude the European RFAs, which also lend during this period, because they only do so as a part of co-financing arrangements with the IMF. We find no significant association between lending from these IOs, which do not attach costly conditions to their funding, and the initiation of interstate disputes.

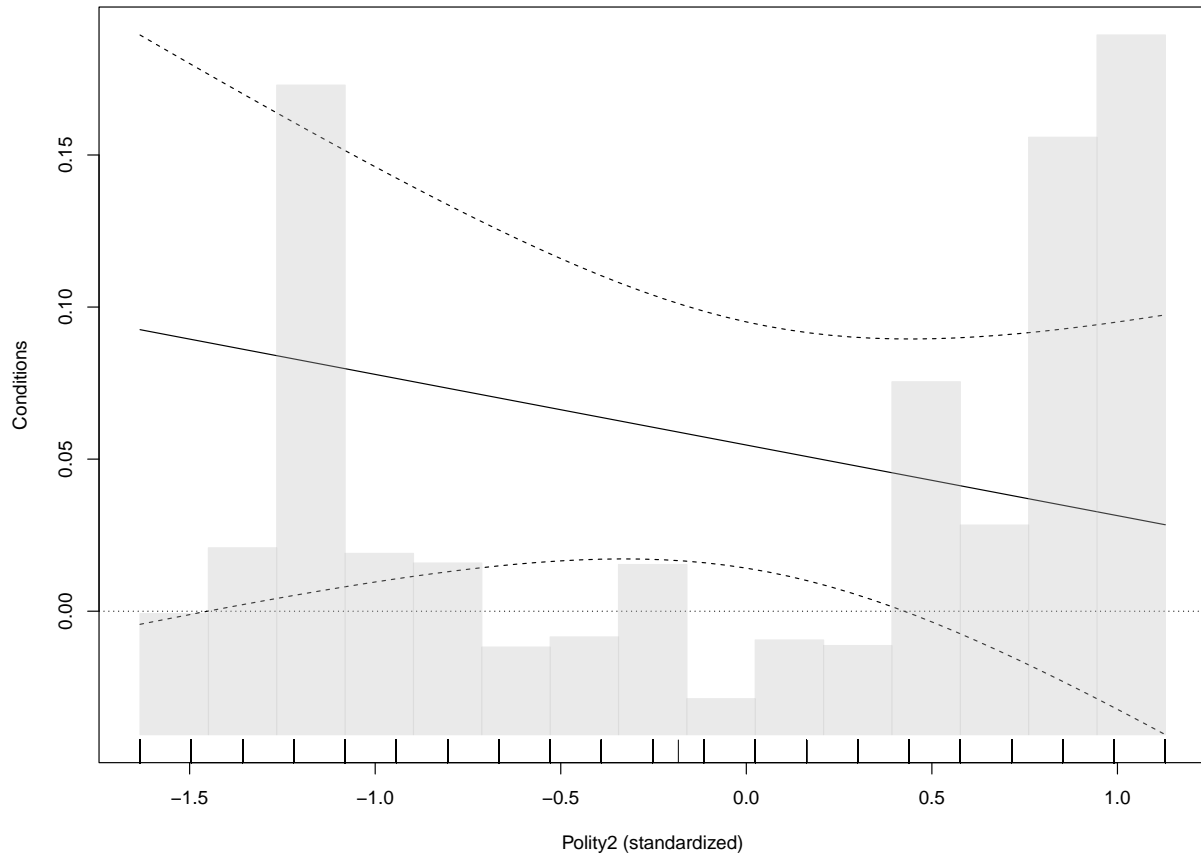


Figure A8: **Interaction plot: Regime type and IMF conditions.** This plot shows the marginal coefficient for IMF conditions at various levels of (standardized) Polity2 scores. The plot is constructed based on a negative binomial regression with country and year fixed effects and all controls from our main models. We argue our theoretical framework applies to both democracies and autocracies, since public opinion can influence leaders’ political prospects in both regime types. To test this, we interact regime type (Polity2) with the number of IMF conditions and find no significant difference in government responses to conditionality across regime type. If anything, our mechanism seems to work best for all but the strongest democracies, perhaps lending some credence to the democratic peace literature. However, we leave a more detailed analysis of these dynamics to future research. Tables results can be found in column 1 of Table A26.

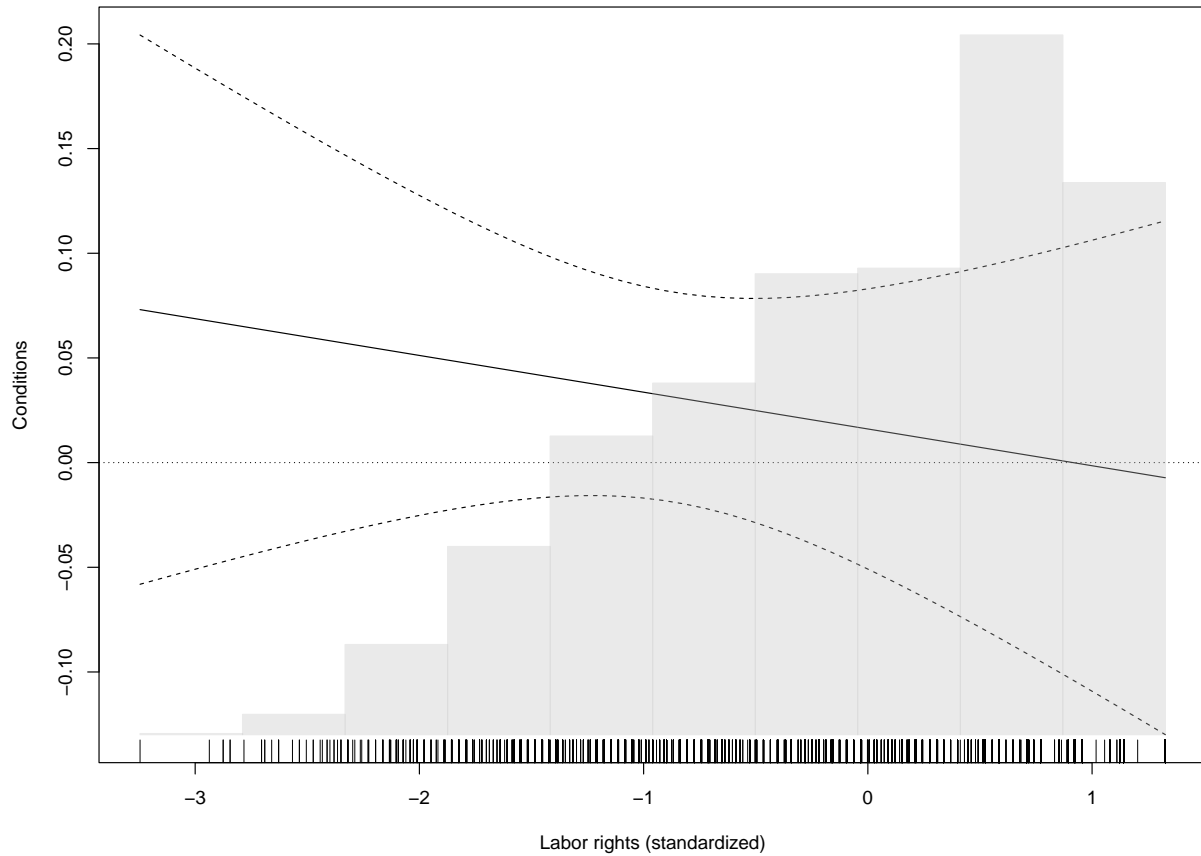


Figure A9: **Interaction plot: Labor rights and IMF conditions.** This plot shows the marginal coefficient for IMF conditions at various levels of (standardized) labor rights scores from Pond (2018). The plot is constructed based on a negative binomial regression with country and year fixed effects and all controls from our main models. We argue our theoretical framework applies in cases where labor rights are both strong and weak, since both elites and publics care about IMF conditions. Labor groups are often one of the more vocal opposers of IMF loans, and so countries with stronger labor rights may have greater public opposition, driving greater diversionary pressures. To test this, we interact labor rights with the number of IMF conditions and find no significant difference in government responses to conditionality across them. We again leave a more detailed analysis of these dynamics to future research. Table results can be found in column 2 of Table A26.

	Number of MIDs	
	Model 1	Model 2
Conditions	0.046*** (0.017)	0.014 (0.030)
Labor rights		0.009 (0.064)
Polity2	-0.074 (0.048)	-0.216** (0.086)
GDPPC	-0.072 (0.077)	0.148 (0.102)
Trade openness	-0.070 (0.052)	-0.139 (0.087)
Population	0.003 (0.095)	-0.315 (0.871)
CINC	0.032 (0.036)	0.149** (0.065)
Major power	0.605* (0.335)	1.171*** (0.451)
Executive years in office	-0.008 (0.025)	-0.019 (0.031)
Ethnic fractionalization	0.100 (0.074)	0.096 (0.245)
UN voting (ideal pt dist from US)	-0.154*** (0.040)	-0.035 (0.074)
Conditions X Polity2	-0.021 (0.023)	
Conditions X Labor rights		-0.018 (0.021)
Country fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Model type	Negative binomial	Negative binomial
N	7397	2777

***p < .01; **p < .05; *p < .1

Table A26: **Interaction models.** These models include interactions between conditions and Polity2 democracy scores (column 1) and labor rights scores from Pond (2018) (column 2). In each case, the goal is to determine if diversionary conflict is more likely in countries where the public exerts greater pressure (more democratic countries and those with stronger labor groups). We find no significant interaction effect, which may be because elites and publics both often oppose IMF conditionality. Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation (aside from labor rights).

	Number of MIDs
Conditions	0.056*** (0.018)
GDPPC	-0.082 (0.084)
Trade openness	-0.051 (0.053)
Population	0.078 (0.103)
CINC	0.038 (0.042)
Major power	0.587* (0.343)
Polity2	-0.052 (0.052)
Executive years in office	-0.020 (0.026)
Ethnic fractionalization	0.106 (0.082)
UN voting (ideal pt dist from US)	-0.183*** (0.043)
U.S. troops	-0.035** (0.017)
Country fixed effects	Yes
Year fixed effects	Yes
Model type	Negative binomial
N	6608

***p < .01; **p < .05; *p < .1

Table A27: **U.S. Troop Deployments Robustness Check.** The troops measure is the logged number of U.S. troops present in a given country-year and comes from Aklin and Kern (2019). Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation. This test only examines the pre-2011 period because Aklin and Kern only code troop deployments through 2009.

	Number of MIDs	
	Model 1	Model 2
Conditions	0.027 (0.020)	0.134*** (0.035)
US troops		-0.033* (0.018)
UN voting (ideal pt dist from US)	-0.150*** (0.040)	-0.177*** (0.043)
GDPPC	-0.073 (0.078)	-0.080 (0.083)
Trade openness	-0.073 (0.052)	-0.049 (0.054)
Population	0.005 (0.095)	0.072 (0.105)
CINC	0.032 (0.035)	0.029 (0.042)
Major power	0.601* (0.333)	0.614* (0.347)
Polity2	-0.076 (0.048)	-0.054 (0.052)
Executive years in office	-0.007 (0.025)	-0.022 (0.026)
Ethnic fractionalization	0.102 (0.074)	0.119 (0.083)
Conditions X UN voting	0.036 (0.025)	
Conditions X US troops		-0.022*** (0.008)
Country fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Model type	Negative binomial	Negative binomial
N	7397	6608

***p < .01; **p < .05; *p < .1

Table A28: **Strategic interaction models.** These models include interactions between conditions and UN voting distance from the US (column 1) and US troop presence (column 2). In each case, the goal is to determine if diversionary conflict is more or less likely in countries where American strategic interests are at stake. We find a significant interaction effect for US troops, with diversionary conflict more likely when they are absent. Independent variables lagged by one year. Robust standard errors clustered at country-level. Missing data imputed by multiple imputation (aside from troops).