

**International Scrutiny and Pre-Electoral Fiscal Manipulation
in Developing Countries**

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Abstract

Pre-electoral fiscal manipulation—spending more or taxing less prior to an election—is an important tool that governments possess to enhance their chances for reelection. Existing explanations of pre-electoral fiscal manipulation focus primarily on domestic characteristics. We extend this line of inquiry by examining international influences on pre-electoral fiscal manipulation. We find that international scrutiny of the economy and international scrutiny of elections affect pre-electoral fiscal manipulation in cross-cutting ways. Using data from 1990-2004 for 94 developing countries, we show that pre-electoral fiscal manipulation is more likely when international election monitors make direct election manipulation more difficult, and pre-electoral fiscal manipulation is less likely when governments are subject to international economic scrutiny resulting from an IMF agreement.

Pre-electoral fiscal manipulation—spending more or taxing less prior to an election—is an important tool that governments may use to enhance their chances for reelection.¹ Recent studies document that it is employed most often in new democracies (Brender and Drazen 2005) and developing countries (Shi and Svensson 2006).² Existing explanations for why incumbents in these countries engage in pre-electoral fiscal manipulation focus on domestic characteristics, and scholars have shown that pre-electoral fiscal manipulation is more likely the less consolidated the democracy (Akhmedov and Zhuravskaya 2004; Gonzalez 2002), the less transparent the political system (Alt and Lassen 2006), the less independent the media (Akhmedov and Zhuravskaya 2004; Brender 2003), the less aware the voters (Brender and Drazen 2005), and the poorer the country (Schuknecht 2000; Shi and Svensson 2006).

Despite widespread recognition of the impact of the international environment on developing countries' fiscal policies (Mosley 2002; Wibbels 2006), scholars have not examined the effect of the international environment on pre-electoral fiscal manipulation among these countries. In this article, we explore how two potentially cross-cutting sources of international scrutiny influence governments' decisions to engage in pre-electoral fiscal manipulation. Specifically, we argue that international scrutiny of the electoral process increases the likelihood of pre-electoral fiscal manipulation, while international scrutiny of the economy decreases the likelihood of pre-electoral fiscal manipulation.

Politically, developing countries that wish to be considered democratic, as demonstrated through free and fair elections, are increasingly subject to scrutiny of their electoral process from international election monitors. Monitors focus primarily on documenting direct electoral fraud,

¹ For a recent overview of the literature on pre-electoral fiscal manipulation, see Kayser (2005) Franzese (2003), and Drazen (2001).

² The overlap between developing countries and new democracies is high—over eighty percent of new democracies are in developing countries.

and publicize information about election quality to domestic and international audiences. Negative reports frequently trigger negative consequences. Elections declared fraudulent by reputable observers have been used to justify reductions in foreign aid, internationally supported post-election domestic uprising, economic sanctions targeted at the regime, suspension from international organizations, and the withholding of other benefits that would have otherwise been awarded following an internationally certified election.³

Because international election monitors raise the cost of engaging in obvious and illegal (but more direct) methods of gaining votes, the presence of election monitors should reduce the likelihood of direct election fraud (____). In contrast, pre-electoral fiscal manipulation has the advantage of being a legal and often legitimate means of increasing government popularity prior to an election. Fiscal manipulation rarely provokes criticism from international observers.⁴ Therefore, when more direct and illegal methods of stealing an election become more difficult because of election monitors, legal methods of increasing electoral support should become more attractive. Pre-electoral fiscal manipulation should be more likely when international monitors are present.

Developing countries under International Monetary Fund (IMF) agreements also face international economic scrutiny as the IMF determines whether or not these countries meet the conditionality requirements of their programs. Preventing economic manipulation prior to an election is not a particular remit of the IMF. Quite to the contrary, the IMF tries to avoid making

³ Although the cost to governments accused of holding fraudulent elections have not yet been comprehensively documented by researchers, negative consequences resulting from internationally monitored fraudulent elections are detailed in Bjornlund (2004), Bratton (1998), and Crawford (2001).

⁴ A thorough reading of available reports from international observers revealed no cases in which pre-electoral fiscal manipulation was criticized, although some observers criticize the misuse of state resources for campaign activity.

big decisions or releasing sensitive information about a country prior to an election. Nonetheless, the IMF does monitor governments' finances and emphasizes the implementation of sustainable macroeconomic policies, generally conceived of as an improvement in the government's budget deficit. A country under an IMF agreement experiences increased attention to government expenditures, which may make it more difficult to engage in pre-electoral fiscal manipulation. As a result, governments under an IMF agreement should be less likely to engage in pre-electoral fiscal manipulation. Note that we do not argue that IMF scrutiny is the only form of international scrutiny with the potential to reduce pre-electoral fiscal manipulation. Rather, we think that it is a useful proxy for heightened international attention to a government's fiscal stance.

The central contribution of this article is to examine whether a government's decision to engage in pre-electoral fiscal manipulation is affected by international political and economic scrutiny. The evidence supports the argument that governments are more likely to manipulate the economy prior to an election when international election monitors constrain their ability to engage in direct electoral fraud. In contrast, governments are less likely to engage in pre-electoral fiscal manipulation when the country is under an IMF agreement, as scrutiny by the IMF makes pre-electoral fiscal manipulation more difficult. Taken together, these two effects suggest that pre-electoral fiscal manipulation is most likely when incumbents are subject to international political scrutiny from election monitors, but are not subject to international economic scrutiny resulting from an IMF agreement. Previous research has demonstrated that developing countries are predisposed to engage in pre-electoral fiscal manipulation. This article builds on this research by showing that among developing countries, international political and economic scrutiny are important factors mediating when governments choose to manipulate the economy in order to enhance their chances for reelection.

International Scrutiny and Pre-electoral Fiscal Manipulation

Politicians enjoy a wide range of tools that can be used to bias an election in their favor. Andreas Schedler has called this set of options the “menu of manipulation” (2002). Some forms of election manipulation are direct and are therefore more certain ways to guarantee an election victory, such as widespread stuffing of the ballot box, banning opponents from electoral competition, or falsifying vote totals. Other forms of manipulation are less direct and therefore less certain ways to assure an electoral victory, such as monopolizing state-owned media, spreading false information about opponents, vote-buying, or, as highlighted here, increasing public spending or decreasing taxation in advance of the election (pre-electoral fiscal manipulation). Within this set of options, pre-electoral fiscal manipulation is both uncertain (because it does not guarantee victory) and expensive (because it typically requires significant government funds), but represents a legal means by which a government can increase its own probability of victory in the run-up to an election.

Leaders wish to guarantee their reelection while minimizing the cost, both financially and reputationally, of doing so. This tradeoff between the certainty and costliness of electoral victory influences which option a leader chooses from the menu of manipulation. When leaders are not constrained in their use of election fraud, either normatively by their own commitment to democracy or procedurally through oversight mechanisms that would detect and punish such manipulation, such as those that exist in consolidated democracies, leaders should be more likely to use direct electoral manipulation because it is a more direct and therefore more certain tactic. As constraints on extra-legal electoral manipulation are introduced, such as international election monitoring and the associated enforcement of standards for democratic elections, leaders should abandon direct electoral manipulation in favor of less certain but legal options in order to avoid

international condemnation.⁵ Pre-electoral fiscal manipulation should become a more likely choice for increasing their reelection chances when international election monitors are present.

Until the 1990s, election monitoring was a rare practice, and most leaders did not consider inviting international election monitors. Since the early 1990s, most governments in the developing world have invited official delegations of foreign observers to judge the quality of their elections. Refusing to invite observers has become a signal that the government has something to hide, and unmonitored elections are widely viewed with suspicion by international and domestic actors (Bjornlund 2004; Kelley 2008; Rich 2001). To illustrate, in 2003 observers were not invited to elections in Cuba, Guinea, Jordan, Kuwait, Mauritania, North Korea, Oman, Syria, Turkmenistan, and Yemen—countries widely perceived to be nondemocratic. Although election monitoring existed in the 1960s and 1970s, it was rare and usually inconsequential. As it spread throughout the developing world, international observers have improved their methods of fraud detection and increased their willingness to criticize problematic elections (Bjornlund 2004; Carothers 1997). The tradeoff between election fraud and electorally motivated fiscal manipulation has been documented by other scholars. As Pepinsky writes, “political manipulation of the economy may be less costly politically, both domestically and internationally, than electoral fraud... Even a low probability event of public outcry in response to rigged elections is likely to be far costlier for the regime than subtle—and perhaps more welcome—fiscal policy manipulation.” (2007, 142).

The increased rigor and comprehensiveness of election monitoring has made direct election fraud more costly. As a result, all else held equally, the presence of observers should

⁵ This is not to say that the presence of observers eliminates election fraud. International observers sometimes catch election fraud, and leaders sometimes commit election fraud without being caught by international monitors.

make pre-electoral fiscal manipulation a more attractive option. This leads to Hypothesis 1.

H1: Pre-electoral fiscal manipulation is more likely when election monitors are present.

International political scrutiny from election monitors is not the only form of international attention that can influence the government's decision to manipulate fiscal policy prior to an election. International economic scrutiny, in the guise of IMF monitoring, may have the opposite effect on the use of pre-electoral fiscal manipulation. This influence may occur in two ways. First, IMF conditionality may constrain governments' ability to engage in pre-electoral fiscal manipulation. Second, IMF reporting on governments' fiscal policies plays an informational role that may dissuade some from engaging in pre-electoral fiscal manipulation.

Countries that enter into IMF agreements to borrow money are subject to conditionality. One key component of programs' conditionality is the adoption of sustainable macroeconomic policies, which generally means a reduction in the government's budget deficit (Fischer 2004). As a result, if implemented, conditionality constrains government finances, making it difficult for governments to engage in the expansionary policies that are the cornerstone of pre-electoral fiscal manipulation.

It is unclear, however, that countries actually implement conditionality, and recent studies have found relatively low levels of compliance.⁶ This suggests that government finances may not be as constrained as IMF conditionality implies. That said, even when controlling for compliance rates, countries that are under IMF agreements do appear to have an improvement in their fiscal balance (Dreher 2005).⁷ Additionally, individual country studies suggest that governments are concerned about an IMF agreement constraining their ability to engage in pre-electoral fiscal

⁶ See Bird (2007) for a review of recent literature on IMF compliance rates.

⁷ This discontinuity in results in part reflects the difficulty in measuring compliance. For a discussion of current measures and their shortcomings, see Bird and Willett (2004).

manipulation (Pepinsky 2007; Treisman and Gimpelson 2001). This suggests that, even when governments do not fully comply with conditionality, government expenditures are constrained under IMF agreements.

Moreover, recent economic studies have shown that IMF monitoring has an informational role beyond the conditionality of an IMF agreement.⁸ As Eichengreen, Kletzer and Mody (2006, 1337) argue, “the monitoring that accompanies the core conditionality in all IMF programs helps creditors gain confidence in the likelihood of reduced policy variability.” Thus, IMF monitoring provides an important signal to international markets about a government’s commitment to sound macroeconomic practices. To engage in pre-electoral fiscal manipulation, governments must either increase spending or decrease revenues, calling into question the soundness of their finances. Therefore, pre-electoral fiscal manipulation may jeopardize a favorable IMF report, potentially reducing the country’s access to international capital—both from the IMF itself and from international bond markets.

A few examples help illustrate this dynamic. Russian President Boris Yeltsin came under criticism from the IMF in 1996 for ordering the transfer of central bank money to government coffers in order to cover his pre-election spending and tax breaks.⁹ In contrast to the previous year in which Russia was praised by the IMF for successful implementation of their fiscal austerity program (and received an additional \$525 million loan), the 1996 spending provoked stern IMF warnings and drew attention to Yeltsin’s electorally motivated change of course.¹⁰

⁸ For the theoretic foundation for the IMF’s delegated monitor role, see Tirole (2002) and Cottarelli and Giannini (2006). For empirical support for the importance of IMF signalling to international bond markets, see Bordo, Mody and Oomes (2004), Eichengreen, Kletzer and Mody (2006), and Mody and Saravia (2006).

⁹ Marielle Eudes. “Yeltsin reaches into central bank’s coffers in pre-election spree.” June 6, 1996. *Agence France Presse*.

¹⁰ “Financial Focus: IMF loan boost for Yeltsin.” *Lloyd’s List*. September 16, 1995.

Similarly, following an IMF projection that pre-election spending would bloat the budget deficit, the Philippine government sought to reassure investors, arguing that government spending would be “a matter of socioeconomic priority and not a matter of political expediency.”¹¹ In other cases IMF officials have also used high levels of pre-election spending to justify caution in extending post-election loans, as in Sri Lanka,¹² or to apply pressure on governments to cancel pre-election promises of tax cuts, as in Croatia.¹³ This pattern of reaction by the IMF is visible to other leaders facing similar forms of international scrutiny.

In keeping with this dynamic, several scholars have argued that governments prefer not to be under IMF agreements during elections. Focusing on the decision to enter into an IMF agreement, Przeworski and Vreeland (2000) demonstrate that governments are more likely to enter into IMF agreements after elections. Entering an IMF agreement early in a government’s term increases the likelihood that “the stigma of signing an agreement will be forgiven or forgotten before the next elections” (Przeworski and Vreeland 2000, 394).¹⁴ It also increases the likelihood that the short-term pain of an economic reform program will be forgotten or superseded by the benefits of the reforms by the next election.

Although governments may prefer not to enter into new IMF agreements until after an election, the majority of elections in the developing world are held while countries are already under an IMF agreement. Many countries use IMF facilities for prolonged periods of time (Bird 2007; Conway 2007). In fact, the average time a given country is under an IMF agreement is

¹¹ “Philippine FY deficit will not be bloated by election spending – Boncodin.” February 3, 2003. *AFX-Asia*.

¹² Amal Jayasinghe. “Sri Lanka looks to raise new foreign loans as budget slips.” May 23, 2004. *Agence France Presse*.

¹³ “Croatia postpones reduction in value-added tax.” May 26, 2004. *Deutsche Presse-Agentur*.

¹⁴ Of the 269 elections included in the analyses, 9 (3%) are countries that were not already under an IMF agreement but entered into one in the six months prior to an election.

more than five years, with many countries continuously under IMF agreements for ten years or more (Vreeland 2007, 56-58). In the included sample of developing countries, more than half of all elections were held during periods in which countries were under IMF agreements.¹⁵

Incumbents therefore often campaign during periods in which government expenditures are constrained by IMF scrutiny. It should be more difficult for countries to engage in pre-electoral fiscal manipulation when under an IMF agreement than when not under an IMF agreement. As a result, lower levels of pre-electoral fiscal manipulation are expected when countries are under an IMF agreement. This logic is reflected in Hypothesis 2.

H2: Pre-electoral fiscal manipulation is less likely when countries are under an IMF agreement.

As expressed in Hypothesis 2, the presence of an IMF agreement should reduce the likelihood of pre-electoral fiscal manipulation. This should only matter, however, if the government would have been likely to engage in pre-electoral fiscal manipulation in the absence of an IMF agreement. Whether or not the government manipulates the economy prior to an election is influenced by other variables, particularly the other options available to the government for increasing its electoral chances. In particular, when the government plans to commit direct electoral fraud, it should be less likely to engage in pre-electoral fiscal manipulation. There is less need to persuade voters with social spending or tax breaks if, for example, all opposition parties have already been banned or if they stand little chance of winning due to election fraud. As a result, the impact of an IMF program on pre-electoral fiscal manipulation should depend on whether election monitors are present. In the absence of election monitors, the constraint imposed upon government finances by IMF conditionality may be

¹⁵ Of the 269 elections included in the analyses, 153 (57%) occurred while the country was under an IMF agreement.

irrelevant—they were unlikely to engage in pre-electoral fiscal manipulation anyway. In contrast, when election monitors are present, pre-electoral fiscal manipulation becomes a more likely policy choice. Therefore, the constraining effect of an IMF agreement on pre-electoral fiscal manipulation will be much greater when election monitors are present than when election monitors are absent. This leads to Hypothesis 3.

H3: The constraining effect of an IMF agreement is stronger when election monitors are present.

Similarly, the effect of election monitors on the use of pre-electoral fiscal manipulation should be tempered by IMF agreements. Governments experiencing both types of international scrutiny must weigh the increased cost of electoral fraud due to election monitors against the constraints of the IMF agreement. As a result, the presence of election monitors should have less of an effect on the use of pre-electoral fiscal manipulation when the country is under an IMF agreement than when the country is not under an IMF agreement. This leads to Hypothesis 4.

H4: When under an IMF agreement, the presence of election monitors will result in a smaller increase in the likelihood of pre-electoral fiscal manipulation.

Taken together, these four hypotheses suggest that pre-electoral fiscal manipulation is most likely when election monitors are present and the country is not under an IMF agreement.

Empirical Analysis

The four hypotheses presented above are explored in this section with a quantitative analysis of pre-electoral fiscal manipulation in 94 developing countries, 1990-2004.¹⁶ The results are consistent with our expectations: pre-electoral fiscal manipulation is most likely when

¹⁶ These countries are listed in Appendix A, available at http://_____. Although we use the term “developing countries,” the complete universe is more precisely defined as developing countries that hold elections but that are not already considered to be consolidated democracies.

elections are internationally monitored and countries are not under IMF agreements. These findings are robust to alternative model specifications, alternative measures of the dependent variable, different data samples, and re-coding of explanatory variables. The sample is limited to developing countries because most IMF loans are made to developing countries and election monitoring is only prevalent outside of the developed democracies. The period 1990-2004 was selected to control for the supply of election monitoring (which was relatively rare before 1990), and to account for the increasing comprehensiveness in IMF conditionality after the 1980s.¹⁷

The baseline model used in this article is similar to Brender and Drazen's (2005) analysis of pre-electoral fiscal manipulation. This model was chosen for two reasons. First, findings from Brender and Drazen (2005) and Shi and Svensson (2006) represent the alternative hypothesis for this project—that developing countries engage in pre-electoral fiscal manipulation unconditionally—and as such, constitute the most appropriate baseline comparison. Second, Brender and Drazen (2005) adopt a well-accepted array of controls for fiscal policy analyses of developing countries.¹⁸ The estimation technique is ordinary least squares regression with panel corrected standard errors.¹⁹

The dependent variable for this analysis is *Change in Government Balance*, which represents a change in the central government fiscal balance. *Change in Government Balance* is positive when there is a positive change in the government's budget—when the current year's

¹⁷ We extend the sample to 1980 as a robustness check. The results are similar to the ones presented below (see Appendix Table 1, Model 1).

¹⁸ We follow Brender and Drazen's specification rather than Shi and Svensson's because it includes a more comprehensive array of control variables.

¹⁹ To ensure that the results are not a function of the specific estimation technique adopted we also run a random effects model, and models with country and year fixed effects. These four models (random effects, year controls, country controls, and country and year controls) are provided in Appendix Table 1, Models 2-5. All four alternative models provide significant support for our argument.

budget is in greater surplus (smaller deficit) than in the previous year. Fiscal manipulation should be inversely related to *Change in Government Balance*—the more fiscal manipulation, the more negative *Change in Government Balance* will be.²⁰ Data for *Government Balance* come from two sources. First, the IMF collects information on government’s revenues, grants and expenditures, and gross domestic product (GDP), publishing this information in their *International Financial Statistics* (IFS). These series are combined $[(\text{Central Government Revenues} + \text{Grants}) - \text{Expenditures}] / \text{GDP}$ to create *Government Balance*.²¹ Second, not all countries’ *Government Balance* data are included in IFS. Brender and Drazen augmented the data published in IFS with information published by the IMF in their *Government Financial Statistics* database, which we also use to substitute for countries where IFS data are missing.²²

²⁰ To the extent that governments can target fiscal expenditures precisely, fiscal manipulation may be less evident in such an aggregate measure. However, employing an aggregate measure for fiscal manipulation should reduce the likelihood of observing a significant level of fiscal manipulation, and thus make it more difficult to find support for our hypotheses. It is also possible that this measure is pro-cyclical—when the economy is doing well government deficits ought to decrease, all else equal. To control for cyclicity in the dependent variable, we include *GDP Growth* in the analyses as a proxy for the strength of the economy.

²¹ Pre-electoral fiscal manipulation can occur either through an increase in government expenditures or a reduction in government revenues. Depending upon a country’s budget process, some governments may prefer one method or a combination of both, and the relative effectiveness of increasing expenditures or reducing revenues is context-specific. Therefore, disaggregated revenues and expenditures data should not necessarily exhibit the same patterns (Treisman and Gimpelson 2001), and scholars find stronger support for pre-electoral fiscal manipulation in expenditures rather than revenues (Alt and Rose 2007). A measure that includes both thus constitutes a better proxy for pre-electoral fiscal manipulation than disaggregated measures. As alternative dependent variables, we break *Change in Government Balance* into *Change in Expenditures* and *Change in Revenues*. The results are weaker, but remain consistent with our argument. Results are reported in Appendix Table 2, Models 1-2.

²² Brender and Drazen (2005) provide additional data for Argentina, Colombia, Ecuador, El Salvador, Estonia, Fiji, Mexico, Russia, and South Africa. It is possible that splicing together these two data sources has resulted in unexpected variation in the dependent variable. If the data generation process is not comparable across both data sources (as assumed), then using two data sources may introduce a systematic bias to the results. To examine this, the analysis is re-run using each data source separately (Appendix Table 2, Models 3-4). In both cases, the results are comparable to those reported in Model 4 in Table 1, albeit somewhat weaker due to the smaller

Election data were collected by ___ and include descriptive information on all election events for national office, even those occurring in the most undemocratic countries.²³ The theory developed in this article presupposes that holding an election implies some risk that the incumbent government will give up power. In some elections, however, opposition is banned or otherwise restricted. Therefore, to exclude elections that are a priori uncompetitive, *Election* is coded from three questions in the ___ data: Was opposition allowed? Was more than one party legal? Was there a choice of candidates on the ballot?²⁴ The variable *Election* is coded as 1 if the answer to all three questions is “yes” and 0 otherwise, thus generating a list of all elections in which competition is possible. Note that this measure does not count strictly authoritarian elections in which there is no political opposition.

Data for *Monitored Election* are from ___, and indicate whether an official delegation of foreign observers was present at a given election. Excluded from this measure are international monitors from a priori “friendly” organizations that had never previously criticized an election, as these monitors were unlikely to criticize an election even if fraud were widespread, and therefore were unlikely to increase the costs or risks for election fraud. Thus, an election is only considered monitored if at least one of the monitoring organizations present had previously condemned an election as fraudulent.²⁵

Under IMF Agreement, which is coded 1 when a country is under an IMF agreement and

number of observations.

²³ A country may have more than one election in a given year, raising some issues of definition. For consistency, the analysis considers that a given event occurred if it took place in any election during the country-year.

²⁴ Appendix B describes data on elections and election monitoring in greater detail.

²⁵ Most elections with “friendly” observers are also observed by high-quality observers. As a robustness check, we also ran a model with all observers. As expected, the coefficients on the *Monitored Election* variables are smaller when friendly monitors are included, but continue to be associated with increased pre-election fiscal manipulation (Appendix Table 2, Model 5).

0 otherwise, is included in the analyses to capture the effect of IMF program participation on a government's fiscal stance. Data on IMF program participation are from Vreeland (2003).²⁶

Finally, the analyses include a series of control variables for economic and demographic characteristics that might influence *Change in Government Balance*.²⁷ *GDP per capita* is the natural log of gross domestic product per capita, and is designed to control for income effects. Richer countries tend to run smaller budget deficits, and thus the expectation is that *GDP per capita* and *Change in Government Balance* are positively correlated. Similarly, *GDP Growth*, the annual rate of growth of real GDP, is included to control for the effect of higher growth on *Change in Government Balance*. All else equal, higher levels of *GDP Growth* should lead to greater budget surpluses. *Trade*, (Imports + Exports)/GDP, is also included as a constraint on the size of budget deficits, and as such is expected to be positively correlated with *Change in Government Balance*. *Population between 15 and 64* represents the fraction of the population between ages 15 and 64—the percentage of the population presumed to be of working age. The greater the working age population, the more likely that the government can collect tax revenue to finance its deficit, all else equal. *Population 65 and above* represents the fraction of the population aged 65 and older. Finally, *Government Balance, lagged* is included to control for temporal dependence in the dependent variable.²⁸

Table 1 presents the results. Model 1 reproduces the findings of previous research that analyzes pre-electoral fiscal manipulation without controlling for international scrutiny. Consistent with this research, Model 1 shows that elections are associated with a 0.48 percentage point decline in government balance, which is significant at the 95% level. This provides

²⁶ IMF program participation post-2000 was provided by James Vreeland.

²⁷ Data for *GDP per capita*, *GDP Growth*, *Trade*, *Population between 15 and 64*, and *Population 65 and above* are from the World Bank *World Development Indicators* (2007).

²⁸ Summary statistics are provided in Appendix Table 5.

evidence of pre-electoral fiscal manipulation in developing countries, and support for the alternative hypothesis that developing countries engage in pre-electoral fiscal manipulation unconditionally. Importantly, Model 1 also shows that any subsequent evidence of international scrutiny's constraining effect does not stem from a model specification biased against the alternative hypothesis.

Turning to the non-election variables, IMF agreements alone are associated with a 0.25 percentage point increase in government balance. Higher levels of *GDP per capita*, *GDP Growth*, and *Trade* are also associated with increases in government balance. Neither of the demographic controls is associated with changes in the government balance. Finally, a larger fiscal surplus in the previous year is associated with a decline in government balance in the current year.

[Table 1 about here]

In Model 2, the election measure is bifurcated, dividing elections into those that are monitored (*Monitored Election*) and those that are not (*Unmonitored Election*) to test Hypothesis 1. Non-election years remain the base category. Recalling Hypothesis 1, more pre-electoral fiscal manipulation should occur when elections are monitored, an argument supported by Model 2. The coefficient on *Monitored Election* is negative and highly significant, suggesting that monitored elections are associated with a 0.88 percentage point decline in government balance. This decline is more than three times the size of the non-statistically significant decline associated with *Unmonitored Election*. Moreover, as reported at the bottom of Table 1, the difference between the coefficients for *Monitored Election* and *Unmonitored Election* is significant at the 90% level. Based on these results, governments in developing countries engage in higher levels of pre-electoral fiscal manipulation when election monitors are present.

Hypothesis 2 suggests that pre-electoral fiscal manipulation is less likely under an IMF agreement. This generates four states of the world: elections under an IMF agreement, elections not under an IMF agreement, non-elections under an IMF agreement, and non-elections not under an IMF agreement. To capture this, in Model 3 we include three categorical variables, *Election under an IMF Agreement*, *Election not under an IMF Agreement*, and *Under IMF Agreement, Non-Election Year*. The base category is non-election year not under an IMF agreement. In support of Hypothesis 2, countries that are not under an IMF agreement engage in more pre-electoral fiscal manipulation. *Election not under an IMF Agreement* is negative, significant, and nine times larger than *Election under an IMF Agreement*, and the difference between these coefficients is significant at the 98% level. For countries that are not under an IMF agreement, pre-electoral fiscal manipulation leads to a 0.9 percentage point decline in government balance.

Although Models 2 and 3 provide support for Hypotheses 1 and 2, if the effects of international economic and political scrutiny are interrelated, as suggested in Hypotheses 3 and 4, then Models 2-3 are improperly specified. Model 4 includes four dichotomous election variables to account for the endogeneity of pre-electoral fiscal manipulation to both international political and economic scrutiny. These four election variables represent each of the four categories of election environments that result from the presence or absence of election monitors and the presence or absence of an IMF program. *Monitored Election under an IMF Agreement* accounts for twenty-five percent of the elections included in the sample (67 of 269 elections), *Monitored Election not under an IMF Agreement* accounts for ten percent of the elections (27 elections), *Unmonitored Election under an IMF Agreement* accounts for thirty-two percent of the

elections (86 elections),²⁹ and *Unmonitored Election not under an IMF Agreement* accounts for thirty-three percent of the elections (89 elections). The base category remains non-election years not under an IMF agreement.

If Hypothesis 3—that the constraining effect of an IMF agreement is stronger when election monitors are present—is correct, then the coefficient for *Monitored Election not under an IMF agreement* should be significantly more negative than the coefficient for *Monitored Election under an IMF Agreement*, while the difference between the coefficients for *Unmonitored Election not under an IMF agreement* and *Unmonitored Election under an IMF Agreement* should be much smaller. Turning to Model 4, Hypothesis 3 receives strong support. The coefficient on *Monitored Election not under an IMF agreement* is negative and highly significant. When not under an IMF agreement, elections that are monitored are associated with a two percentage point decline in government balance, a finding that is significant at the 99% level, and that with 99% percent confidence is different from the insignificant effect associated with elections that are monitored and under an IMF agreement. In contrast, the coefficient on *Unmonitored Election not under an IMF agreement* is one-quarter the size (0.54 percentage point decline in government balance), and not significantly different from our least likely category of *Unmonitored Election under an IMF agreement*.

If Hypothesis 4—that the presence of election monitors will matter more when the country is not under an IMF agreement—is correct, then the coefficient for *Monitored Election not under an IMF agreement* should be significantly more negative than the coefficient for *Unmonitored Election not under an IMF agreement*, while the difference between *Monitored Election under an IMF agreement* and *Unmonitored Election under an IMF agreement* should be

²⁹ For seven of the 86 cases, the country-year is coded as under an IMF agreement, but the IMF agreement began after the election. Recoding these cases does not influence the results.

much smaller. As with Hypothesis 3, Hypothesis 4 receives support. The difference between *Monitored Election not under an IMF agreement* and *Unmonitored Election not under an IMF Agreement* is significant at the 97% level, while the difference between *Monitored Election under an IMF agreement* and *Unmonitored Election under an IMF Agreement* is not distinguishable from zero. These results indicate that governments under international political scrutiny but not international economic scrutiny experience four times more pre-electoral fiscal manipulation than any other category.

With respect to international scrutiny, countries that face election monitoring and are not under an IMF agreement appear most likely to employ pre-electoral fiscal manipulation in order to enhance their chances for re-election. In the absence of election monitors, pre-electoral fiscal manipulation appears less likely, indicating that such indirect means of electoral manipulation are less desirable when direct election manipulation is easier. Similarly, pre-electoral fiscal manipulation is insignificant when a country is under an IMF agreement, suggesting that being under an IMF agreement consistently acts as a constraint on fiscal policy.

Alternative Explanations

The primary alternative explanation tested in this article comes from the existing literature: pre-electoral fiscal manipulation is likely in developing countries, regardless of international scrutiny. The evidence presented thus far supports our argument that for developing countries, governments respond strategically to international scrutiny of their economy and of their elections. In this section, we consider several alternative explanations, some of which are presented in greater detail in the article's online appendix due to space constraints.

First, we reconsider our argument that being under an IMF program constrains the use of pre-electoral fiscal manipulation by evaluating several potentially confounding trends. The first

set of tests evaluates whether the constraining effect of an IMF agreement is the result of the non-randomness of IMF program participation, and that rather than capturing increased international economic scrutiny, IMF agreements are actually a proxy for poor economic conditions or other constraints on pre-electoral fiscal manipulation.

In the analyses presented above, participation in an IMF program has been treated as exogenous; however, it is well-established that countries and the IMF negotiate IMF agreements, and that therefore, there is a selection effect to IMF program participation. This effect could confound the analysis if the same factors that lead countries to participate in an IMF agreement also affect pre-electoral fiscal manipulation. To examine this, a hazard ratio (the inverse Mill's ratio) is derived for countries' likelihood of being under an IMF agreement and this variable is used instead of *Under IMF Agreement* to control for the effect of an IMF agreement on pre-electoral fiscal manipulation. The selection model reflects Nooruddin and Simmons' (2006) model of IMF program participation.³⁰ The dependent variable is *Under IMF Agreement*. The independent variables are one period lags of *Under IMF Agreement*, *GDP per capita*, *GDP Growth*, *Current Account Balance*, *Government Balance*, and *POLITY*.³¹ *Under IMF Agreement*, lagged is included to capture prolonged use and recidivism in IMF programs, and is an important variable in previous research as it is treated as the key instrument that affects whether or not a country is under an IMF agreement in the current period, but is assumed to be exogenous to *Change in Government Balance*. A probit estimator is used to estimate the hazard

³⁰ The first stage model is included in Appendix Table 3, Model 1. Including annual time dummies in the first-stage model yields nearly identical results (Appendix Table 3, Model 2).

³¹ Current Account Balance is the balance on a country's current account and is from the World Bank *World Development Indicators*. Regime type data are from the POLITY IV dataset (Marshall and Jaggers 2002). Following common practice, the analysis uses the 21 point scale ranging from -10 (strongly autocratic) to 10 (strongly democratic), with higher scores indicating more democratic political institutions.

rate instead of the linear probability model used by Nooruddin and Simmons.³² Similarly to Nooruddin and Simmons, the results show that being under an IMF agreement in the previous year significantly increases the likelihood that a country will be under an IMF agreement in the current year, while more wealth, higher economic growth, and a current account surplus reduce the likelihood of IMF program participation. The results reveal no relationship between a country's level of democracy or government's fiscal balance and IMF program participation.

To account for selection in IMF program participation, we replace *Under IMF Agreement* with *IMF Hazard Ratio*, the derived hazard ratio from the selection model discussed above, in Model 1 in Table 2, and interact it with *Monitored Election* and *Unmonitored Election*. Beginning with *Monitored Election*, when the likelihood that a country will enter into an IMF agreement is 0, this model predicts an almost three percentage point decline in *Change in Government Balance*. As the likelihood that a country will enter into an IMF agreement increases, countries engage in less pre-electoral fiscal manipulation, as captured by the positive and significant coefficient for *Monitored Election x IMF Hazard Ratio*. In contrast, there is no evidence of pre-electoral fiscal manipulation when monitors are absent, which supports our central finding that pre-electoral fiscal manipulation is most likely when countries are under international political scrutiny but not under international economic scrutiny.³³

[Table 2 about here]

The next alternative explanation evaluates whether the constraining nature of an IMF agreement is a proxy for other types of poor economic conditions such as a large current account

³² Nooruddin and Simmons (2006) adopt a linear probability estimator to replicate the results presented in IMF (2003). Their results also hold when estimated with dynamic probit and dynamic bivariate probit with partial observability models (Nooruddin and Simmons 2006, 1017 fn57).

³³ Note that due to space constraints, the control variables reported in Table 1 are included, but not reported, in all models in Tables 2 and 3.

deficit, a high level of external debt, a history of sovereign debt default, or a financial crisis. Under this alternative hypothesis, governments forego pre-electoral fiscal manipulation not because they face IMF scrutiny, but because they lack the fiscal wherewithal to engage in pre-electoral fiscal manipulation. Poor economic conditions may constrain fiscal manipulation in two ways. First, poor economic conditions reduce the amount of money governments have at their disposal to manipulate the economy prior to an election. Second, poor economic conditions reduce a country's attractiveness to international creditors, thus reducing the government's ability to borrow internationally in order to fund pre-electoral fiscal manipulation.

We test this alternative hypothesis in several ways. First, we analyze whether a current account deficit acts as a constraint on pre-electoral fiscal manipulation.³⁴ If the alternative hypothesis that poor economic conditions constrain pre-electoral fiscal manipulation is correct, then pre-electoral fiscal manipulation should be positively correlated with *Current Account Balance*. Model 2 in Table 2 includes interactions between *Monitored Election* and *Current Account Balance* and *Unmonitored Election* and *Current Account Balance*. Negative and significant coefficients for these interactions would constitute support for the alternative hypothesis, yet neither interaction is significantly different from zero, suggesting that a poor economy is not a systematic constraint on pre-electoral fiscal manipulation.

A high level of external debt may also constrain pre-electoral fiscal manipulation by increasing the amount of a government's budget devoted to debt service and by reducing the government's ability to borrow additional capital. If this alternative hypothesis is correct, then

³⁴ Amongst the array of economic variables that can serve as a proxy for domestic economic health, we use *Current Account Balance* because it also captures governments' ability to generate the foreign capital necessary to repay foreign debt. Appendix Table 4, Model 2 presents the same comparison using GDP Growth rather than Current Account Balance. The results are similar in that GDP Growth does not appear to substitute for the constraining effect of the IMF.

pre-electoral fiscal manipulation should be negatively correlated with external debt. Model 3 in Table 2 includes interactions between *Monitored Election* and *External Debt as a percent of Exports* and *Unmonitored Election* and *External Debt as a percent of Exports*.³⁵ Positive and significant coefficients for these interactions would constitute support for the alternative hypothesis. Both interactions are insignificant, suggesting that pre-electoral fiscal manipulation is not correlated with external debt. Similarly to current account deficits, external debt does not appear to constrain pre-electoral fiscal manipulation, and the effect of an IMF agreement does not appear to be a proxy for high external debt levels.

Although a country's level of external debt does not appear to constrain pre-electoral fiscal manipulation, this result may reflect the endogeneity of a country's debt burden to its ability to access international capital markets. As recent scholarship has emphasized (Reinhart, Rogoff, and Savastano 2003; Tomz 2007), international creditors have relatively long memories when it comes to defaulters, leading to an effect that Reinhart, Rogoff and Savastano refer to as "debt intolerance," whereby countries with a history of sovereign debt default have reduced access to international capital markets. If this is the case, then a better test of the effects of international capital market scrutiny as a confounding variable might be to look at countries with a history of default vs. those that have not defaulted, instead of external debt levels. To do so, we create a variable, *History of Default*, which is coded one for countries that have defaulted after 1974, and zero otherwise.³⁶ If countries with a history of sovereign debt default experience reduced access to international capital, then governments in these countries may be constrained in their ability to engage in pre-electoral fiscal manipulation. If so, then pre-electoral fiscal

³⁵ Data are from the World Bank *World Development Indicators*. Including *External Debt* reduces sample size by 72 observations, from 978 to 906.

³⁶ Data are from Reinhart, Rogoff and Savastano (2003), and the start date is 1974.

manipulation should be negatively correlated with *History of Default*. Model 4 in Table 2 includes interactions between *Monitored Election* and *History of Default* and *Unmonitored Election* and *History of Default*. Positive and significant coefficients for these interactions would constitute support for the alternative hypothesis. This is not the case, suggesting that access to international credit is not constraining governments in a manner analogous to IMF scrutiny.

Similarly, the deleterious effects of financial crises may limit governments' ability to engage in pre-electoral fiscal manipulation. To test this hypothesis, we create *Financial Crisis*, which is equal to one in the first and second years of a banking, currency or debt crisis, and zero otherwise.³⁷ If this alternative hypothesis is correct, then pre-electoral fiscal manipulation should be negatively correlated with *Financial Crisis*. Model 5 in Table 2 includes interactions between *Monitored Election* and *Financial Crisis* and *Unmonitored Election* and *Financial Crisis*. Positive and significant coefficients for these interactions would constitute support for the alternative hypothesis. Neither interaction is significant, suggesting that financial crises do not act as a constraint on pre-electoral fiscal manipulation.

Although Model 5 in Table 2 does not provide support for the constraining effect of a financial crisis, the constraining effect of IMF scrutiny may be affected by financial crises. The IMF may exert greater pressure on governments' budgets during a crisis period than a non-crisis period. If this is the case, then the empirical support for the constraining effect of an IMF agreement on pre-electoral fiscal manipulation reported in Model 4 in Table 1 may be driven by elections that occurred during financial crises. To evaluate whether IMF scrutiny constrains pre-electoral fiscal manipulation in non-crisis periods, we re-estimate this analysis, excluding the 183

³⁷ Data on financial crises are from Laeven and Valencia (2008). The first two years of financial crisis were selected because they are associated with the biggest effects of financial crises on *Government Balance*, and therefore we present these results as the strongest possible case for the alternative explanation. Results are similar if a one or three year window is used instead.

observations in which *Financial Crisis* is coded as one. These results are reported in Model 1 in Table 3, and provide strong support for the argument developed in this article. The constraining effect of an IMF program holds even during non-financial crisis periods.

[Table 3 about here]

Finally, recent studies of the credibility of IMF conditionality suggest that the constraining effect of IMF scrutiny may vary depending on country-level characteristics, such as strategic importance. As Axel Dreher and Jan-Egbert Sturm summarize, “recent empirical literature on political influences on the IMF shows that developing countries indeed get better terms from the IMF when they have closer ties with the US, as measured by their voting behavior in the UN General Assembly” (2006, 2). Countries that are politically important to the United States may be less susceptible to the constraining effects of IMF scrutiny, and therefore more likely to engage in pre-electoral fiscal manipulation when under an IMF agreement. If this alternative hypothesis is correct, then pre-electoral fiscal manipulation should be positively correlated with a country’s importance to the United States. To test this hypothesis, we follow Thacker (1999) and Dreher and Sturm (2006) in using the degree to which countries vote with the United States in the United Nations General Assembly (*UNGA Voting Record*) as a proxy for political importance.³⁸ We limit the sample to country-years under IMF agreements because this hypothesized effect is only relevant when countries are under an IMF agreement.³⁹ Model 6 in Table 2 includes interactions between *Monitored Election* and *UNGA Voting Record* (*Monitored Election x UNGA Voting Record*) and *Unmonitored Election* and *UNGA Voting Record* (*Unmonitored Election x UNGA Voting Record*). Negative and significant coefficients for these

³⁸ Data from Dreher and Sturm (2006). Higher values denote greater congruence.

³⁹ By limiting the sample to country-years under an IMF agreement, the argument developed in this paper predicts that there will be no evidence of pre-electoral fiscal manipulation, regardless of a country’s UNGA voting record.

interactions would constitute support for the alternative hypothesis. Both interactions, while negative, are insignificant, suggesting that IMF scrutiny remains a constraint on pre-electoral fiscal manipulation, regardless of a country's political importance to the United States.⁴⁰

A second set of alternative explanations relate to the scope conditions of our argument. Our study focuses the subset of developing countries where pre-electoral fiscal manipulation is believed to be most likely (Brender and Drazen 2005; Shi and Svensson 2006). However, country-specific research on political business cycles in developing countries suggests that even within the subset of developing countries the likelihood of pre-electoral fiscal manipulation varies based on countries' political characteristics. As a result, there may be important variations among the 94 countries included in our study that have so far been omitted from the analysis, and this section considers several possibilities, including alternative scope conditions for including countries in the analysis, whether the findings apply to the consistently more democratic governments in our study, and the degree to which governments can limit voter access to information.

As Akhmedov and Zhuravskaya (2004), based on their analysis of political budget cycles in Russia, and Gonzalez (2002), based on her analysis of political budget cycles in Mexico, argue, pre-electoral fiscal manipulation should be less likely the more democratic the country. In the previous models, the sample of potentially competitive elections was identified by the existence of the minimal necessary conditions for electoral competition rather than by aggregate democracy scores. As a result, while the elections in the previous analyses qualify as competitive, not all of the political systems qualify as democratic. If pre-electoral fiscal manipulation is more likely in relatively non-democratic regimes, then the results presented

⁴⁰ The larger size of the coefficient on the UNGA variables is due to the smaller range of *UNGA Voting Record* (0.11 to 0.58) relative to the dichotomous variables.

above may be an artifact of elections occurring in non-democratic regimes. To test this hypothesis, we limit the analysis to countries that are nominally democratic according to a cross-national democracy scale such as *POLITY*.⁴¹ If pre-electoral fiscal manipulation is an artifact of elections held in non-democratic regimes, then there should be no evidence of pre-electoral fiscal manipulation in this smaller sample. We use two different *POLITY* thresholds to evaluate this hypothesis: *POLITY* 0 and above in Model 2 in Table 3, and *POLITY* 6 and above in Model 3 in Table 3. There is strong support for the argument even within the most democratic governments included in our analysis. This suggests that pre-electoral fiscal manipulation is not limited to relatively non-democratic regimes.

The prevalence of pre-electoral fiscal manipulation in developing countries may reflect the relatively short tenure of democracy in these countries. Based on his analysis of political budget cycles in Israel, Brender (2003) argues that one reason pre-electoral fiscal manipulation is prevalent in new democracies is because voters have not yet learned to expect them. Over time, it becomes more difficult for governments to fool voters with pre-electoral fiscal manipulation. Based on this argument, pre-electoral fiscal manipulation may be limited to new democracies. In order to evaluate whether the argument presented above holds for both the new and the relatively more established democracies included in the sample, we divide the sample by whether countries maintained a *POLITY* score greater than zero for the entire 1990-2004 period. The countries that meet this condition are labeled *Continuously Democratic*. Table 3, Models 4 and 5 present the split sample results, and show that although the magnitude of the effects of international scrutiny appear somewhat smaller among continuously democratic governments (when facing election

⁴¹ This measure (*POLITY* scores) was not chosen as the default definition for competitive elections because we think that it is preferable to include specific observable components of “democracy”, such as the existence of an opposition, and to include all election-holding developing countries regardless of their democracy score.

monitors but not under an IMF agreement, government balance declines by 1.54 percentage points for continuously democratic countries versus 2.88 percentage points for countries that were not continuously democratic), the central findings hold for both new and relatively more established democracies.

Finally, although voters' experience with democratic elections may lead them to anticipate and punish governments' attempts to engage in pre-electoral fiscal manipulation, voters' learning depends upon their access to information publicizing government attempts to manipulate the economy prior to an election. Whether voters receive information that sheds less favorable light on the government depends on the relative independence of the media. In countries where all media outlets are controlled by the government, voters are less likely to receive information identifying pre-electoral fiscal manipulation. Therefore, as Akhmedov and Zhuravskaya (2004) and Brender (2003) argue, pre-electoral fiscal manipulation should be more likely the greater the government's control over the media.

Combining these findings with the argument developed in this paper, pre-electoral fiscal manipulation should be most likely when there is a high percentage of state-owned media, the country is not under an IMF agreement, and election monitors are present. Regardless of the percentage of state-owned media, pre-electoral fiscal manipulation should be less likely when election monitors are not present, or the country is under an IMF agreement. To test this hypothesis, we use *State Ownership, Press* from Djankov et al. (2003), which measures the percentage of state-owned newspapers out of the five largest daily newspapers (by circulation). We interact *State Ownership, Press* with the four dichotomous election variables included in Model 4 in Table 1, and include *State Ownership, Press* in Model 6 in Table 3. The results provide support for both the argument developed in this paper, and also for the hypothesis that

pre-electoral fiscal manipulation increases in state-ownership of the media. When election monitors are present and the country is not under an IMF agreement, *Government Balance* decreases by 1.98 percentage points in an election year. In a country where the state owns all of the newspapers, *Government Balance* decreases by 4.35 percentage points.⁴²

Conclusion

Contrary to studies that find pre-electoral fiscal manipulation a common practice in developing democracies, the findings in this paper suggest that when controlling for international scrutiny, pre-electoral fiscal manipulation may be a much more conditional policy choice. Only when overt election manipulation is relatively costly and countries are not under an IMF agreement is pre-electoral fiscal manipulation a likely choice for election-holding governments in the developing world. Within the sample of developing countries, this proved to be a relatively rare set of circumstances, representing only ten percent of the elections included in the sample. The trend toward improved abilities of international election monitors suggests that electoral fraud may become more costly over time, increasing the desirability of indirect and legal means of biasing elections, like pre-electoral fiscal manipulation. This is offset, however, by the continuing high levels of recidivism and prolonged use of IMF agreements, which should continue to constrain pre-electoral fiscal manipulation. In conclusion, although scholars of electoral manipulation are correct in arguing that incumbents in developing countries may have a greater need and desire to engage in pre-electoral fiscal manipulation, by ignoring the cross-cutting effects of international scrutiny they are missing important constraints on these governments' scope for maneuver.

⁴² Note that the effect of state ownership of newspapers on government balance is equal to the coefficients on *Monitored Election not under IMF* + *Monitored Election not under IMF x State Ownership, Press*.

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Table 1: International Scrutiny and Pre-Electoral Fiscal Manipulation

	Model 1	Model 2	Model 3	Model 4
Government Balance, lagged	-0.38 ** (0.08)	-0.39 ** (0.08)	-0.38 ** (0.08)	-0.38 ** (0.08)
Election	-0.48 * (0.23)			
Monitored Election		-0.88 ** (0.33)		
Unmonitored Election		-0.27 (0.26)		
Election under an IMF Agreement			-0.10 (0.26)	
Election not under an IMF Agreement			-0.90 ** (0.34)	
Monitored Election under IMF				-0.30 (0.35)
Monitored Election not under IMF				-2.12 ** (0.67)
Unmonitored Election under IMF				0.02 (0.33)
Unmonitored Election not under IMF				-0.54 ^ (0.37)
GDP per capita (logged)	0.36 * (0.17)	0.33 ^ (0.17)	0.36 * (0.17)	0.33 * (0.17)
GDP Growth	0.09 ** (0.02)	0.09 ** (0.02)	0.09 ** (0.02)	0.09 ** (0.02)
Trade (logged)	0.49 * (0.23)	0.51 * (0.22)	0.49 * (0.22)	0.51 * (0.22)
Population between 15 and 64	0.01 (0.03)	0.02 (0.03)	0.01 (0.03)	0.01 (0.03)
Population over 65	-0.10 (0.06)	-0.09 (0.06)	-0.10 (0.06)	-0.09 (0.06)
Under IMF Agreement	0.25 ^ (0.15)	0.28 ^ (0.15)		
Under IMF Agreement, Non Election Year			0.05 (0.21)	0.03 (0.21)
Constant	-5.95 ** (2.07)	-6.01 ** (2.05)	-5.85 ** (2.05)	-5.83 ** (2.03)
Adjusted R2	0.24	0.24	0.24	0.24
Observations	978	978	978	978
Wald tests:				
Monitored election under IMF ≠ Unmonitored election under IMF:				0.466
Monitored election not under IMF ≠ Unmonitored election not under IMF:	0.097			0.028
Monitored election under IMF ≠ Monitored election not under IMF:				0.010
Unmonitored election under IMF ≠ Unmonitored election not under IMF:			0.016	0.167

^p < 0.1, *p < 0.05, **p < 0.01. Standard Errors in parentheses.

One-tailed tests for election variables; two-tailed tests for all other variables.

Table 2: Alternative Hypotheses

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	IMF Hazard Rate	Current Account	External Debt	History of Default	Financial Crisis	UN GA Votes
Monitored Election	-2.73 ** (0.94)	-0.53 ^ (0.37)	-0.42 (0.46)	-0.73 * (0.35)	-1.14 ** (0.34)	1.13 (1.13)
Monitored Election x IMF Hazard Rate	1.46 ** (0.61)					
Monitored Election x Current Account Balance		0.07 (0.06)				
Monitored Election x External Debt as a % of Exports			-0.19 (0.19)			
Monitored Election x History of Default				-0.32 (0.72)		
Monitored Election x Financial Crisis					1.03 (0.81)	
Monitored Election x UN GA Voting Record						-4.35 (3.57)
Unmonitored Election	-0.35 (0.37)	-0.17 (0.28)	0.34 (0.43)	-0.22 (0.26)	-0.26 (0.27)	0.49 (1.42)
Unmonitored Election x IMF Hazard Rate	-0.11 (0.32)					
Unmonitored Election x Current Account Balance		0.03 (0.06)				
Unmonitored Election x External Debt as a % of Exports			-0.18 (0.18)			
Unmonitored Election x History of Default				-0.13 (0.34)		
Unmonitored Election x Financial Crisis					-0.07 (0.73)	
Unmonitored Election x UN GA Voting Record						-1.15 (4.35)
IMF Hazard Rate	0.08 (0.14)					
Current Account Balance		0.06 * (0.03)				
External Debt			-0.06 ** (0.01)			
History of Default				-0.31 (0.24)		
Financial Crises					-0.35 (0.32)	
UN GA Voting Record						1.57 (1.64)
Adjusted R2	0.26	0.23	0.25	0.24	0.24	0.26
Observations	917	942	906	978	978	483

^p < 0.1, *p < 0.05, **p < 0.01. Standard Errors in parentheses. One-tailed tests for election variables only.

Note: Included control variables not reported due to space constraints, see footnote 33.

Table 3: Alternative Hypotheses

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	Not Financial Crisis	Democracy POLITY >0	Democracy POLITY >6	Not Continuously Democratic	Continuously Democratic	Media Independence
Lagged dependent variable	-0.33 ** (0.09)	-0.32 ** (0.08)	-0.29 ** (0.10)	-0.41 ** (0.09)	-0.32 ** (0.08)	-0.53 ** (0.09)
Monitored Election under IMF	-0.44 (0.36)	-0.36 (0.47)	-0.23 (0.48)	-0.46 (0.53)	-0.16 (0.63)	-0.07 (0.54)
Monitored Election under IMF x State Ownership, Press						-0.13 (1.34)
Monitored Election not under IMF	-3.04 ** (1.14)	-2.51 ** (0.80)	-2.88 * (1.41)	-2.74 ** (1.13)	-1.54 ** (0.62)	-1.98 ** (0.79)
Monitored Election not under IMF x State Ownership, Press						-2.37 ^ (1.83)
Unmonitored Election under IMF	-0.18 (0.33)	-0.36 (0.37)	-0.22 (0.46)	-0.03 (0.59)	0.11 (0.35)	0.11 (0.53)
Unmonitored Election under IMF x State Ownership, Press						0.24 (1.39)
Unmonitored Election not under IMF	-0.37 (0.39)	-0.04 (0.33)	0.30 (0.37)	-1.24 * (0.68)	0.19 (0.33)	-0.93 * (0.51)
Unmonitored Election not under IMF x State Ownership, Press						0.35 (1.04)
State Ownership, Press						0.60 (0.48)
Under IMF Agreement x State Ownership, Press						0.40 (0.72)
Constant	-5.44 * (2.41)	-1.51 (1.65)	-1.81 (1.87)	-8.62 ** (3.24)	-1.21 (1.31)	-10.31 ** (3.08)
Adjusted R2	0.18	0.21	0.17	0.28	0.18	0.35
Observations	795	634	514	538	440	602

^p < 0.1, *p < 0.05, **p < 0.01. Standard Errors in parentheses. One-tailed tests for election variables; two-tailed tests for all other variables.

Note: Included control variables not reported due to space constraints, see footnote 33.