

**Domestic Politics of International Financial Rescues:**

**Congressional Voting on Bailouts in the 1990s**

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**Title:** Domestic Politics of International Financial Rescues: Congressional Voting on Bailouts in the 1990s

**Abstract:** In the 1990s, the American Executive organized financial rescues of Mexico and several Asian economies. These rescues (“bailouts” to detractors) were controversial in Congress, where members voted repeatedly on legislation to reduce or eliminate the Executive’s freedom to engage in them. I analyze voting on bailouts in the House of Representatives between 1995 and 1999 with an eye toward explaining who opposes and who supports bailouts. I argue that the relative income effects of global economic integration influence congressional positions on international bailouts. A key finding, which follows from Stolper-Samuelson reasoning, is that a House member is significantly more likely to oppose the Executive’s pro-bailout agenda as the proportion of low-skilled workers in a district increases. Results suggest that the recent globalization backlash extends to international financial policy, which is not surprising since the same economic forces generating losers by way of trade and immigration operate with respect to capital flows.

## 1. Introduction

Currency crises in Latin America and East Asia in the 1990s prompted activist responses from the American Executive. Faced with the possibility that financial market instability would undercut economic growth and threaten policy reforms in these regions and elsewhere, Clinton administration officials assumed the mantle of leadership in international financial affairs and organized rescues. The United States Congress, however, strongly resisted the Executive's internationalist approach to emerging market crises. It opposed the use of government funds in the Mexican peso crisis, passed legislation that temporarily removed the Executive's discretion to use the Exchange Stabilization Fund (ESF) for financial rescues, and delayed an increase in U.S. resources for the International Monetary Fund (IMF) during the height of the Asian crisis. This opposition is important because the ability of the Executive to stabilize the international financial system and to orchestrate financial rescues depends upon the continued support of Congress. Executive authority in this domain is a delegated power, subject to the will Congress.

In this paper, I explore the sources of congressional opposition to U.S. global financial leadership and, in particular, to financial rescues (termed "bailouts" by detractors). Although several studies have addressed the topic (DeLong and Eichengreen 2002; Henning 1999; Roett 1996; Schwartz 1996), this paper is the first to systematically analyze the congressional politics of American bailout policy. Specifically, I examine voting by members of the House of Representatives on four legislative actions in the 1990s: three amendments to Treasury appropriations bills that sought to reduce the autonomy of the Executive to use the ESF for the bailouts, and a motion that would have allowed the House and Senate to pass identical supplemental spending bills in 1998, providing the IMF with \$18 billion in new U.S. resources.

The evidence in the paper supports two main arguments. First, congressional voting on bailout policy and ESF autonomy is influenced by the distributional impact of economic globalization across House constituencies. I draw on international economics to identify the winners and losers of international financial integration and, by extension, the policies designed to encourage and protect it. Financial globalization, like the integration of goods markets, is beneficial to the nation as a whole, but owners of locally abundant factors of production are better off while owners of scarce factors within the country lose (Stolper and Samuelson, 1941; Mundell 1957). This implies that supporters of bailouts should represent districts that are over-weighted in the locally abundant factor (high-skilled workers) while opponents should be legislators whose districts are heavy in the scarce factor (low-skilled workers). I find robust support for this argument and conclude that the politics of bailouts are in character with the politics of “globalization” more generally (Williamson 1989; Scheve and Slaughter 2001).

A second related argument flows from Ricardo-Viner reasoning and links congressional voting on bailout legislation to the industrial composition of member districts. I test whether a House member will be more likely to support (oppose) bailouts as the proportion of individuals employed in export (import-competing) sectors increases. The results are consistent with this argument but only weakly so: the industry-level coefficient estimates are rarely significant.

Overall, the analysis highlights a constituency basis for U.S international financial policy. It also establishes a relationship between constituent interests and domestic political institutions. I find that legislators are more likely to vote for curtailing the formal independence of the Executive with respect to bailouts as the proportion of district constituents that lose from global economic integration increases. This finding lends support to the view that political institutions

are endogenous to the distributional conflicts that surround specific policy domains (Knight 1992; Moe 1990).

The paper is organized as follows. Section two develops the arguments outlined above. Section three provides an overview of the Clinton Administration's policies toward emerging market crises and describes the Congress's largely hostile response to these policies. Section four lays out the empirical model and presents data and results. Section five concludes and discusses the implications of the analysis.

## **2. Explaining Congressional Support and Opposition to Bailouts**

Aggregate congressional support for the Executive's efforts to rescue foreign economies was low and variable in the 1990s. Congress restricted the Executive's independence formally, through legislation, and informally, by repeated threats of restrictive legislation. This activity marks another example of how Congress, as principal, monitors and controls executive-level agents to whom it has delegated authority (Lohmann and O'Halloran 1999, Epstein and O'Halloran 1999). To understand both the constraints Congress imposes on the Executive and the accompanying political conflict, we need to know something about who supports and who opposes international financial rescues and why. The positions of legislators surely depend on a host of considerations, including partisan identity, political ideology, and expectations about the future consequences of bailouts (e.g. the moral hazard problem may make future bailouts more likely).<sup>1</sup> However, among the most crucial considerations facing legislators is how bailouts affect the incomes of their constituents.

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<sup>1</sup> The moral hazard rationale for opposing bailouts finds support with Charles Calomiris (1998), Allan Meltzer (1998), and Anna Schwartz (2000). Some members of Congress echoed this concern (Henning 1999). Whether they did so out of genuine concern for moral hazard or to score political points with constituency groups is a question at least partially addressed here.

Members need to be sensitive to the relative income effects of financial rescues because constituents hold the power to vote members out of office. In other words, I make the standard assumption that legislator behavior is self-interested and derives, at least in part, from the desire to remain in office. This assumption implies that members of Congress make decisions on international financial policy based upon how these policies affect them personally (which is to say electorally), without regard for the policies' national or international affects. While I acknowledge that members may care about factors other than the incomes of constituents, I abstract from these considerations momentarily for the sake of tractability. In the data analysis that follows, I incorporate some of these other influences to gain a deeper understanding of divisions in Congress on financial rescues and to verify the robustness of any income/distributional results that emerge.

How do financial rescues affect relative incomes in the United States? Surprisingly, fiscal considerations provide little leverage on this question. Rescues from the ESF have no direct distributional effects by way of the budget since the ESF is self-financing (see below). Likewise, bailouts from the IMF have no budgetary impact because they take the form of asset transfers (Henning 1999, 49). But rescues can affect relative incomes indirectly by way of their effect on the openness of international capital and goods markets. The primary rationale for financial rescues is to preserve the openness of the world economy. Charles Kindleberger was first to argue that an unchecked financial crisis can spread contagiously, leading the world economy into recession and prompting a nationalist backlash of capital market restrictions and generalized protectionism (Kindleberger 1986). However, when the world economy has a "hegemon" – a nation with a very large, relatively open economy – global openness can be preserved since the hegemon has a unilateral interest in providing the international public goods

(e.g. a lender of last resort facility) needed to contain local crises. Rescues are, in short, the means to an end – maintenance of an economically integrated world economy – and the end is what drives the domestic politics of rescues. The intuition is that members of Congress oppose (support) financial rescues because their constituents are harmed (gain) by economic globalization.

## **2a. Distributional Effects of Global Economic Integration**

To see how financial rescues affect income distribution within the United States requires an understanding of how global economic integration affects relative incomes. This topic is addressed in international economics, where one of the fundamental results, the Stolper-Samuelson Theorem, tells us that one group will be hurt by the integration of goods markets: owners of a country's scarce factor of production. While the theorem addresses the goods market, it provides the underpinnings of Robert Mundell's (1957) extension to factor market integration.

Stolper and Samuelson (1941) identified the winners and losers from trade in terms of factors of production, such as labor and capital, from which factor owners derive their incomes. Owners of locally abundant factors tend to gain more than average from trade, while owners of scarce factors tend to lose. The latter do not just gain less than average; they are actually made unambiguously worse off by trade, within the constraints of the two-factor, two-good model.

In the United States, the relatively scarce factor is low-skilled labor, and thus the group most likely to lose from globalization is low-skilled labor (Wood 1994, Leamer 1984). As trade has increased with nations where low-skilled labor is relatively abundant (and hence cheap), organized labor in the United States has indeed mobilized against globalization, and received protection in less-skilled intensive industries in return (Haskel and Slaughter 2000; Baldwin and

Magee, 2000). By contrast, highly skilled labor and capital are abundant in the United States relative to the rest of the world and thereby benefit from freer trade. Indeed, workers with college degrees tend to support further liberalization of international trade while those with less education and fewer skills tend to resist such initiatives (Scheve and Slaughter 2001). The cleavage reflects the very different wage performance across skill levels in the United States since the early 1970s. Less-skilled workers have experienced zero and even negative real wage growth, due at least partially to trade.<sup>2</sup>

The discussion so far refers to the winners and losers from international trade. To a considerable extent, the winners and losers from international capital flows are the same as those that follow from the Stolper-Samuelson Theorem (Mundell, 1957; Quinn and Inclán 1997). This is intuitive since capital tends to flow across borders in response to the same market forces as trade in goods (Mundell 1957).

Mundell's analysis works as follows. According to Stolper-Samuelson reasoning, increased trade between a high-wage country (the United States) and a low-wage country (Mexico) has a depressing effect on the wages of low-skilled workers in the U.S., who must find new jobs in sectors that previously had employed relatively few of them. Now assume that capital is mobile internationally. For example, when American plants move south of the border to avail themselves of cheaper Mexican labor, there is subsequently less capital in the United States relative to the supply of workers, so wages will need to fall to restore full employment in the United States, while wages will rise in Mexico. Factor prices converge directly via the movement of capital rather than indirectly by way of the movement of factor-intensive goods. The bottom line is that low-skilled workers in the U.S. are threatened both by importing the

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<sup>2</sup> See the surveys by Freeman (1995) and Johnson and Stafford (1999).

goods low-wage foreign workers produce, and also by equipping foreign workers with exported U.S. capital.

A corollary is that trade protection cannot prevent factor-price convergence when capital markets are open (Mundell 1957). Since capital seeks out its most remunerative global use, trade restrictions provoke large-scale capital movements that equalize factor prices directly, and simultaneously eliminate the gains from commodity trade. In the last half century, both physical and human capital has become more mobile while low-skilled labor has not. Capital flows thus provide an additional channel for low-skilled labor to lose, and for capital and high-skilled labor to gain, from globalization.<sup>3</sup>

If globalization requires an international lender of last resort to deal with shocks (Kindleberger 1989; Frankel and Roubini, forthcoming), the Stolper-Samuelson-Mundell framework yields the following prediction about cleavages in Congress on financial bailouts.

H1: All else equal, the probability that a House member will support (oppose) bailouts and bailout-facilitating legislation increases as the proportion of high-skilled (low-skilled) individuals in his/her district rises.

## **2b. Ricardo-Viner Model**

The Stolper-Samuelson Theorem is based on the assumption that factors are perfectly mobile across industries; that they can switch costlessly from the low return sector to the high return sector after an easing of trade barriers. This implies that factor returns are equalized across sectors and therefore that the incomes of factor owners rise and fall together regardless of the sector in which they are employed. By contrast, the Ricardo-Viner model assumes that some or all factors may be stuck in their current industry, due to high costs of exit (e.g., relocation,

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<sup>3</sup> In a related analysis, Rodrik (1997) shows that when capital and high-skilled labor are internationally mobile and low-skilled labor is not, the burden of providing social services must be shifted toward low-wage labor, or those services must be scaled back.

retooling, and retaining costs). The idea is that many people are invested in “industry specific” capital— skills and equipment that are useful only within that industry. When an industry expands due to trade, the need for these specialized inputs expands as well, and they become more valuable. Their owners therefore gain. But, for industries that contract due to import competition, the owners of specific factors find their skills or their property obsolete, and they may lose considerably. For many, these costs will continue for a period of months or even years as they relocate, retrain, reinvest, and otherwise readjust. In short, the divisions about free trade fall along industry lines, with workers and owners in export industries gaining while workers and owners in import-competing industries lose.

The Ricardo-Viner framework yields the following prediction about cleavages on financial bailouts:

H2: All else equal, the probability that a House member will support (oppose) bailouts and bailout-facilitating legislation increases as the proportion of individuals employed in export (import-competing) industries in his/her district rises.

The predictions of the Stolper-Samuelson-Mundell model and the Ricardo Viner model are not necessarily competing. Much will depend on the degree to which factors are mobile across industries, which can vary by industry or across factors within an industry (Frieden 1992). For example, the costs of shifting factors employed in the steel or auto industries to other uses may be higher than the costs of redeploying factors from industries where skills are more transferable and the minimum efficient scale is lower. Hence it is possible that both hypotheses will find support in the data analysis. However, I do expect to find stronger support for the Stolper-Samuelson-Mundell prediction for the following reason.

My substantive focus is on financial rescue legislation and financial integration more broadly, issues that are largely outside the scope of the Ricardo-Viner model. Indeed, the

approach is better suited to explaining the pattern of protection across industries (Trefler 1993). By contrast, the Stolper-Samuelson-Mundell approach is directly relevant since it shows that commodity imports and international capital movements can have identical effects on relative wages. The two components of globalization – trade and capital flows – have independent yet complimentary distributional effects. Therefore, when both goods markets and factor markets are integrated, as in the 1990s, the pressures toward factor price equalization intensify. In the context of both trade openness *and* international capital mobility, a member of Congress might be even more likely to vote against bailout legislation as the proportion of less-skilled workers in his/her district increases. Intuitively, such a member opposes international financial rescues as a means of reversing, or at least slowing, the pace of global economic integration, and thereby halting the pressure on low-skilled constituents' incomes.

In the next section, I provide a summary of events on Capitol Hill as financial crises hit Mexico in late 1994 and several Asian economies in 1997-98. This overview includes a description of the congressional legislation that I analyze statistically.

### **3. U.S. Policies toward Emerging Market Crises in the 1990s: Mexico**

Following the mismanaged devaluation of the Mexican peso on December 20, 1994, global investors lost confidence in Mexico's macroeconomic policies and began a run on the peso. Although the crisis originated in the growing inconsistency between Mexico's monetary and fiscal policies and its fixed exchange rate system, the run was more severe than implied by Mexico's economic fundamentals. The peso fell by fifty percent, far more than the twenty percent that Dornbusch and Werner (1994) and other observers had forecast was necessary to restore equilibrium. Mexican policy errors notwithstanding, officials in the U.S. Treasury and the Federal Reserve had been expecting to see a small devaluation that would diminish many of

Mexico's economic problems (GAO 1996: 76-108). But, what took place was a large devaluation that turned into an economic crisis.<sup>4</sup> The Mexican position was fundamentally solvent; “the crisis was one of illiquidity – a textbook case for an international loan to smooth the adjustment process” (Henning 1999: 62).

Although U.S. officials did not foresee that a small devaluation would lead to a run on the peso, by early January they had concluded that a multibillion-dollar assistance package was needed to contain the crisis. Their stated objectives were to (1) help Mexico overcome its short-term liquidity crisis, (2) limit the adverse effects of Mexico’s crisis from spreading to other Latin American economies and beyond, and (3) prevent adverse effects on U.S. trade, employment, and immigration (GAO 1996: 110-15). On January 12, President Clinton announced a plan to extend \$40 billion in loan guarantees to Mexico (GAO 1996 for details).

The plan required legislation and initially found strong bipartisan support among the Congressional leadership. Speaker of the House Newt Gingrich (R-GA) said “We have zero choice in this. The Republican leadership is committed to doing everything we can to make it work” (quoted in Humphrey 2000: 36). House Minority Leader Richard Gephardt (D-MO), Senate Majority Leader Robert Dole (R-KS), and Senate Minority Leader Thomas Daschle (D-SD), also backed the plan and assured quick passage through Congress (Henning 1999: 63). However, opposition grew quickly among the rank-and-file of both parties, dooming the rescue plan, and putting new pressure on the peso.

On January 31, with speculation running high that Mexico was on the brink of defaulting on its short-term obligations – an event that could have triggered an international panic – the

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<sup>4</sup> Exchange markets often overvalue currencies and then, with a precipitous change in sentiment, depreciate them to levels far below their optimal long-term equilibria, a process known as “overshooting.”

Clinton administration withdrew the proposed loan guarantee program and announced an alternative rescue package that required no congressional approval at all (Devroy and Chandler 1995; Henning 1999: 64-66). In this end-run around Congress, the President tapped his Executive authority to direct the Secretary of the Treasury to extend up to \$20 billion in loans and loan guarantees to Mexico via the Exchange Stabilization Fund (ESF).<sup>5</sup> Beyond the U.S. contribution, the plan also entailed multilateral participation: \$17.5 billion in standby credit facilities from the IMF (which was 3.5 times more than it has lent to any single country in its history), \$10 billion from other industrial countries via the Bank for International Settlements (BIS), and \$1 billion in swap facilities from Canada. The package totaled \$48.8 billion, \$8.8 billion more than the initial allocation of loan guarantees that Clinton had sought.<sup>6</sup>

Many in Congress were surprised by the administration's use of the ESF for Mexico. Some members were not aware that the ESF existed; most had no idea that the Treasury Secretary, with the approval of the President, could use the ESF for a rescue of a foreign currency without involving the Congress. The ESF, suddenly controversial, had operated in obscurity for 60 years (Schwartz 1996).

Congress created the ESF in 1934 for the purpose of stabilizing the value of the dollar during an unsettled period in international finance (Bordo and Schwartz 2000). The original intent was protectionist. Great Britain had recently gone off the gold standard and was depreciating the pound to gain a competitive advantage in international trade. With the backing of Congress, the Roosevelt Administration vowed to fight fire with fire and explicitly modeled the ESF on Britain's Exchange Equalization Account (EEA) (Henning 1999: 11-12). Like the

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<sup>5</sup> See GAO (1996: 118-27) for the terms and conditions of the ESF package.

<sup>6</sup> See Graham, Norman, Fidler, and Bardacks (1995) for a detailed account of these negotiations.

EEA, the ESF was set up to operate beyond the direct control of the legislature. The Secretary of the Treasury was given exclusive control: The secretary's "decisions shall be final and not subject to review by any other officer of the United States" (PL 87-73, sec. 10b, quoted in Schwartz 1996: 5). The delegation of authority was further enhanced by an off-budget financing arrangement similar to the Federal Reserve's. Instead of being dependent on yearly congressional appropriations, the ESF paid for its administrative expenses, currency market operations, and stabilization loans out of interest earnings on its portfolio of foreign securities and from gains on its currency holdings. Congress partially reined in the ESF's budgetary independence in 1980 when it put the Fund's administrative expenses on-budget, requiring annual appropriations from the Congress (Henning 1999: 48). But this change did not constrain the ESF's ability to intervene in currency markets or engage in financial rescues.

The Mexican rescue of 1995 brought the ESF's capacity for independent action to the attention of Congress, and many members saw the rescue as an overstepping of Executive authority. Although Congress could not stop the peso support plan,<sup>7</sup> it could prevent the Executive from subverting the will of Congress in the future. Congress had created the ESF as an independent institution in 1934 and, by a simple majority vote, it could reduce or eliminate that independence. Despite early signs that the Mexican rescue was working – the peso strengthened markedly and Mexico began to regain access to private foreign capital (Lustig 1998, 185-200) – a series of legislative actions to shorten the leash on the ESF followed.

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<sup>7</sup> Congress did force greater *ex post* disclosure on the Mexican bailout. The Mexican Debt Disclosure Act of 1995 required the president to submit semiannual reports to Congress on many aspects of the peso support package (Henning 1999:68). The Act was attached to a general Treasury appropriations bill (H.R. 889) and signed into law (P.L. 104-6) by President Clinton on April 10, 1995.

On July 19, 1995, Representative Bernard Sanders (Ind-VT) proposed an amendment (H.AMDT.572) to the FY1996 Treasury appropriations bill (H.R. 2020) that would have blocked all rescue activities of the ESF. The amendment would “prohibit the use of any funds made available in the [appropriations] bill for the salaries and expenses of any employee, including any employee of the Executive Office of the President, in connection with the obligation of expenditure of funds in the Exchange Stabilization Fund for the purpose of bolstering any foreign currency” (*Congressional Record* July 18, 1995: H7180). By targeting the ESF’s administrative expenses, Sanders’ proposal exploited the 1980 change in the budgetary treatment of the ESF to curtail its independence (see above). The House passed the amendment by a roll call vote of 245 to 183, with Republicans voting 156 to 73 in favor and Democrats split 88 to 110 against (I analyze this vote below). But the Senate sought less restrictive legislation and the Sanders’ amendment did not become law.

In the Senate, sentiment ran toward restricting, but not eliminating, the capacity of the ESF to conduct rescues. Alfonse D’Amato (R – NY) found the necessary support (by voice vote) for a softer substitute to the Sanders amendment (S.AMDT.2229). Like the Sanders’ amendment, it would prohibit the use of appropriated funds for salaries and administrative expenses associated with an ESF bailout. However, if the President certified in writing that there was no projected cost and that there was an assured source of repayment, ESF funds could be employed for a rescue. The amendment also mandated a certification procedure for ESF loans of over \$1 billion and 6 months duration. For such loans, the approval of Congress would be needed, unless the President certified in writing that a foreign financial crisis threatened “vital United States economic interests” or “the stability of the international financial system” (*Congressional Record*, August 5, 1995: S11629). Congress could pass a binding resolution

disapproving the president's waiver of the term and duration restrictions on ESF loans, but the president could veto the resolution. The D'Amato amendment thus allowed ESF rescues but engaged Congress directly in the decision-making process. If Congress did object to the waiver, the added delay would "very likely render any financial rescue ineffective" (Henning 1999:69).

The D'Amato amendment was incorporated into the final FY1996 appropriation bill and became law, despite a threatened presidential veto that was not executed. Its formal constraints on ESF autonomy lasted for only two fiscal years. (The restrictions required renewal because they were attached to the annual Treasury appropriation; the ESF statute itself was not changed). The constraints were renewed for FY1997 but Congress allowed them to lapse for the FY1998 appropriation. Part of the reason may have been the fear that Congress would be blamed for exacerbating financial instability during the Asian currency crisis. In any case, the constraints were binding during the onset of the Asian crisis in 1997 and appear to have altered the Clinton Administration's approach to the global crisis (Henning 1999: 75-80). But even without the legal restraints, the administration may have been hesitant to employ ESF funds to the full extent it desired for fear of stimulating a new movement in Congress to reduce ESF independence.

### **3a. The Asian Crisis**

The Asian crisis presented an even stronger case for an international financial rescue than Mexico in 1995.<sup>8</sup> The Asian nations that faced sudden capital flow reversals in 1997-98 had strong economic fundamentals. Current account deficits, real (inflation-adjusted) exchange rate overvaluation, and other macroeconomic disequilibria were not present in these episodes. This is not to say that government policies were entirely satisfactory – most notably, poor financial regulation led to currency mismatches (foreign currency liabilities/domestic currency assets) and

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<sup>8</sup> See Chang (1999) for a review of the literature on the Asian crisis.

maturity mismatches (short-term liabilities/long-term assets). Although this was an explosive situation, these problems did not warrant a crisis on the scale of the one that occurred.

When the crisis broke in Thailand in July of 1997, the D'Amato amendment was still in effect. Any bilateral lending above \$1 billion required a presidential waiver and exposed the program to the uncertainty and delay of congressional disapproval. The Clinton administration chose not to go that route, preferring instead to have the IMF and the BIS take the lead in organizing and funding Thailand's rescue package. The failure of the U.S. to supply bilateral funds, and thereby signal its commitment to stemming the crisis, may have contributed to the spread of the crisis to other countries and regions. Arguably, the systemic crisis might have been quelled if the U.S had taken a more active leadership role early on. However, American funds via the ESF were made available in subsequent crises in Indonesia and Korea as part of a "second line of defense" to IMF packages (Henning 1999: 76-77). But a key difference was that the D'Amato amendment lapsed between the dates of the Thai rescue and the later crises, freeing up the ESF. Thus, if it was a mistake for the U.S. not to participate in the Thai rescue, "the mistake could be attributed to Congress" (Frankel and Roubini, forthcoming, 35).

In placing the IMF at the point on the Thai rescue, the Clinton administration was apparently seeking domestic political cover for the ESF.<sup>9</sup> But when Treasury Secretary Robert Rubin announced that he was making up to \$3 billion in ESF loans available to Indonesia, the congressional assault on the ESF resumed. On November 8, 1997, Senator Launch Faircloth (R-NC) introduced a bill (S.1458) amending the ESF statute so as to mandate congressional approval of any rescue loan greater than \$250 million. Faircloth argued that the ESF was "not

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<sup>9</sup> A common view is that IMF stabilization programs provide political cover for developing country politicians that need to implement unpopular policies. One might infer from this episode that the IMF is also useful to developed country politicians for the same reason.

designed to be the personal piggy bank of the Secretary of the Treasury to bail out other countries whenever he desires” (*Congressional Record*, November 8, 1997, S12121). The Faircloth bill, titled “The Accountability for International Bailouts Act of 1997,” died in committee but the sentiment behind it remained.<sup>10</sup>

On July 16, 1998, Sanders continued the assault on ESF bailouts by introducing a very restrictive amendment to the FY1999 Treasury appropriation bill prohibiting “any loan in excess of \$250 million to a foreign entity through the Exchange Stabilization Fund.” The Sanders amendment (H.AMDT.730) failed 195 to 226. Republicans voted 143 to 82 in favor, while Democrats were split 51 to 144 against the amendment. Unlike the D’Amato amendment of 1995, this constraint did not become law. Still, it is surprising that the amendment was so popular, coming at the apogee of the global financial crisis with Congress facing the possibility of a Russian economic meltdown – “Indonesia with Nukes”. I analyze the roll call vote on this amendment as a means to understand House member motivations.

Sanders revived the effort in the summer of 1999, a period of relative calm in global financial markets, with an amendment containing milder language. The amendment (H.AMDT.293), attached to the FY2000 appropriation, would “prohibit loans or credit in excess of \$1 billion to a foreign entity or government through the Exchange Stabilization Fund unless approved by Congress.” On July 15, 1999, the House rejected the latest Sanders effort by a recorded vote of 192 to 228. Though it failed to get congressional approval, the roll call provides another opportunity to analyze patterns of support and opposition to bailouts.

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<sup>10</sup> Bernard Sanders revived the Faircloth bill in the House on January 27, 1998 (H.R. 3106). No action was taken on the bill.

While no legislation to restrict ESF rescues was approved by Congress after the D'Amato amendment of 1995, the threat of new restrictions probably affected Treasury behavior. As Henning argues (1999: 78), the strong congressional sentiment against bailouts, "as much as the D'Amato amendment itself and follow-on legislative proposals, made the Treasury reluctant to use the ESF for financial rescues." But increasing reliance on the IMF had its dangers too. Since the Mexican rescue, Secretary Rubin and Undersecretary Lawrence Summers had been working to get nations to prepare for future crises by bolstering their contributions to the IMF and to agree that international consortiums, not the United States, should serve as the lender of last resort. In Asia, the IMF took the lead, with some behind-the-scenes advising coming from Rubin and Summers. As the IMF's \$100 billion rescue of Asia went ahead, Congress demanded more oversight of IMF activities and sought a smaller U.S. contribution to solving Asia-style crises. Congress refused initially to approve the Administration's request that the U.S. contribute its \$18 billion share of an increase in IMF resources, which consisted of an increase in members' capital quotas and the establishment of the New Arrangements to Borrow (NAB). It was only in October 1998 that Congress finally relented and approved the \$18 billion appropriation. The continued spread of the crisis to Russia and Brazil, along with President Clinton's admonishment of congressional foot-dragging as "irresponsible," helped convince some members that they would be held responsible if a global recession were to take place (Frankel and Roubini, 36).

Despite the yearlong debate on approving the administration's request for the \$18 billion IMF quota/NAB increase, there was only one vote in the House that exclusively addressed the issue and is therefore amenable to quantitative analysis. In the spring of 1998, the Senate passed an emergency supplemental spending bill that included funding for the U.S. peacekeeping missions in Bosnia and the Middle East, disaster relief for storm victims here in the U.S., and the

IMF. However, the House broke these funding requests into two separate supplemental bills. The first bill (H.R. 3579) included funding for Bosnia, the Middle East, and disaster relief. The second bill (H.R. 3580) included funding for the IMF and \$500 million to help pay U.S. arrears to the United Nations (Congressional Research Service, 1998).

With the House supplemental bill diverging from the path taken by the Senate (i.e. the House had two different bills and the Senate had one), the IMF increase was under threat. Procedure requires that for a bill to reach the President for signature, it must pass both houses of Congress in identical form (with differences worked out in a conference committee before returning to the floor for final passage in both houses). So, in an attempt to reconcile the legislation and avoid a crisis in the debate between House and Senate conference committee members, Congressman David Obey (D-WI), offered a motion to accept the Senate language of its supplemental bill which included funding for everything but the U.N. This would have allowed the House and Senate to pass identical supplemental spending bills, providing the IMF with \$18 billion in new U.S. commitments.

On April 23, 1998, Congress defeated Obey's motion by a vote of 186 to 222, with 22 Republicans and 28 Democrats breaking ranks with their parties. The House refused to adopt the Senate language, keeping their spending bill separate from the Senate's. As a result, the Senate was forced to strip the IMF language from its bill and adopt the House language, providing funds for Bosnia, the Middle East and disaster relief only. The Obey motion thus provides another clean roll call on which to analyze the domestic politics of bailouts.

#### **4. Empirical Analysis**

I estimate the probability that a member of Congress will vote in favor of legislation to restrict bailouts. Since the dependent variable is dichotomous,  $1 = \text{"Yea"}$ ,  $0 = \text{"Nay"}$ , I employ a probit

model with robust Huber/White standard errors. I analyze four votes, three on the ESF and one on IMF funding.

Bernard Sanders (Ind-VT) introduced all three proposals to restrict ESF autonomy, which I label *Sanders 1995*, *Sanders 1998*, and *Sanders 1999*. *Sanders 1995* is the vote to end ESF bailouts that followed Clinton's end run around Congress during the Mexico crisis. *Sanders 1998* is the vote to prohibit any loan in excess of \$250 million from ESF, and *Sanders 1999* is the vote to prohibit all ESF loans in excess of \$1 billion unless approved by Congress. A "yea" vote on each of the Sanders bills indicates that a member opposed ESF autonomy of action on financial rescues. If passed, these bills would have returned more control over international financial policy to Congress. The vote labeled *IMF 1998* is Obey's motion to accept the Senate language on the FY1999 supplemental spending bill, providing the IMF with \$18 billion in new U.S. commitments. A "yea" vote here shows support for increasing the IMF's capacity to engage in rescues during and after the Asian crisis. Table 1 provides a summary of these bills.

I assess support/opposition for international financial rescues by looking at the relationship between House member voting and constituency interests. I have two main arguments. The first derives from Stolper-Samuelson and posits a relationship between constituent skill levels and member voting. *H1*: The higher (lower) the skill level of constituents, the more likely a member will be to vote against (for) restrictions on the ESF/IMF. This is my favored hypothesis since the distributional impact of globalization is heightened when capital and goods markets are both integrated. The second argument derives from the Ricardo-Viner framework and privileges district industry characteristics over skill levels as determinates of voting. *H2*: The probability that a member supports (opposes) bailouts increases as the proportion of export (import-competing) industries in a district rises.

I measure constituent skill levels in two ways: by educational attainment and by occupational classification. HIGH EDUCATION is the proportion of workers in a congressional district that have earned a four-year college degree or higher (see the Data Appendix for variable descriptions and Table 2 for summary statistics). HIGH SKILLS is the percentage of district workers in executive, administrative, managerial, and professional occupations. My proxies for the industrial makeup of districts are NET IMPORTS and NET EXPORTS. NET IMPORTS is the percentage of district workers employed in manufacturing sectors where the ratio of imports to consumption is greater than the ratio of revenues from exports to total industry revenue. These ratios are provided at the two-digit SIC level by Campa and Goldberg (1997). Import-competing sectors include Apparel, Furniture, Electronics, Transportation, and Primary Metals, among others. NET EXPORTS is the percentage of workers in sectors where the ratio of revenues from exports to total industry revenue is greater than the ratio of imports to consumption (i.e., Tobacco, Chemicals, Food, Instruments, and Printing). Since employment by industry is not available at the congressional district level, I estimated district industry employment from county-level data following the procedure in Baldwin and Magee (2000). If a county contains more than one congressional district within its borders, the number of workers from an industry who are in each district is estimated by using the fraction of the county's population residing in each district. For example, if 10 percent of a county's population lives in a district, that district receives 10 percent of the county's workers in each industry. This is obviously a crude estimation and NET EXPORTS and NET IMPORTS are subject to measurement error.

Tables 3 – 6 report the results for each individual vote.<sup>11</sup> The findings are stable across all regressions and robust to the introduction of controls and alternative specifications. Each

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table begins with a baseline specification, **Model 1**, in which I estimate the impact of constituency education attainment controlling only for the political party of members. I include party affiliation because the propensity to delegate powers to the Executive may depend upon whether the president is of the same party (Epstein and O'Halloran 1999). The party dummy is negative and highly significant in all models, indicating that Democrats were significantly more likely to support the Clinton Administration's pro-bailout position on these votes. An alternative interpretation is that political party is picking up the ideology of House members, with Democrats being more supportive of government intervention in the (world) economy than Republicans (Poole and Rosenthal 1997). I thus substituted an ideological variable, DW-NOMINATE, for political party (McCarty, Poole, and Rosenthal 1997). Controlling for member ideology had little impact on my core findings and I do not report these results (available upon request).<sup>12</sup> DW-NOMINATE is positive and significant in all models suggesting that an increase in "conservatism" leads to an increased probability of voting for restrictions on bailouts.

Controlling for that fact that party (or member ideology) affects congressional voting, my results suggest that voting is strongly related to the impact of globalization on constituents' relative wages in a manner consistent with the Stolper-Samuelson Theorem. Members are significantly more likely to vote against legislation restricting ESF bailouts (and in favor of IMF funding) as the proportion of highly educated (or high skilled) workers in a district increases.

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<sup>11</sup> I experimented with a pool of all four votes but obtained results that hinted at "double counting" (members voting the same way on all votes), even after I controlled for congressional session or vote. Furthermore, analyzing the votes separately allows me to assess the impact of unique, context-specific factors, such as the arrival of "Contract with America" Republicans in the 104<sup>th</sup> Congress (see below).

<sup>12</sup> I do, however, report results of simulations based upon these models in Table 8.

**Model 2** adds context-specific variables to the baseline regression as controls. For *Sanders 1995* (Table 3) I include FRESHGOP and MEXICAN ORIGIN. Analysts have pointed to the strong anti-bailout sentiment among the incoming freshmen class of “Contract with America” Republicans (Roett 1996; Lustig 1998). One letter circulating among Republican freshman before the Mexico bailout declared: “We are opposed to this [bailout] because we were elected to Congress to clean up the mess in Washington, not to approve a handout to the international financial community. We need to focus our energies on passing the Contract with America” (Quoted in Roett 1996:37). The positive and significant coefficient estimate on FRESHGOP – a dummy variable denoting whether a member was a Republican freshman elected in 1994 – confirms that this new group of legislators was indeed hostile to financial rescues. MEXICAN ORIGIN controls for the relevant ethnic characteristic of districts; it is the proportion of district population of Mexican origin. House members from districts with large numbers of Mexican-Americans might oppose the bill (be favorable to assisting Mexico) because their constituents have familial and/or economic ties to Mexico and therefore value economic stability in the region. Indeed, the estimate suggests that the higher the ratio of Mexican-Americans to total district population, the greater the likelihood a member would oppose the anti-bailout legislation.

Ethnic characteristics also appear to be relevant to voting on other bailout bills. For *Sanders 1998*, *Sanders 1999*, and *IMF 1998* (Tables 4-6), I included MEX\_THAI\_KOR, which is the share of district population of Mexican, Thai, and Korean origin. This variable gauges the responsiveness of House members to constituents whose countries of origin suffered severe

financial crises in the 1990s.<sup>13</sup> The control is negative and highly significant in all votes but *IMF Funding*.

It is also likely that campaign contributions from international banks influence member voting. On the one hand, financial rescues almost certainly benefit money center banks by reducing the currency risk of international lending. On the other, international banks tend to support the Executive's internationalist agenda on a host of economic policy issues (Frieden 1994). I therefore include BANK PAC as a control. BANK PAC is the sum of contributions from money center bank political action committees to candidates in the electoral cycle preceding each vote. See Table 7 for the top twenty recipients of money center bank largess in the 1997-98 cycle, and the Data Appendix for the construction of this variable. Regression results confirm an association between BANK PAC and member voting: the estimate is negative and significant in all three ESF votes and positive and significant on *IMF Funding*, as expected.<sup>14</sup>

**Model 3** incorporates the industry-level variables implied by the Ricardo-Viner model. Coefficients are correctly signed in all votes: members from districts with higher levels of employment in import-competing sectors oppose bailouts while members with higher levels of employment in export industries support financial rescues. However, NET EXPORTS is significant in only *Sanders 1998* (Table 4) and NET IMPORTS is significant in only *IMF 1998* (Table 6). This weakness is not surprising since my priors are that the Ricardo-Viner model is better suited to trade policy than international financial policy. But these variables are calculated

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<sup>13</sup> The Census Bureau doesn't collect ancestry data on people of Indonesian or Brazilian decent.

<sup>14</sup> Other indicators of bank involvement – a dummy for districts that are home to money center banks, and share of district employment in large banks – do not perform as well as BANK PAC.

imprecisely (see above) so measurement error is another possibility. The data do not, however, suggest a simultaneity problem between endowments and net exports/imports (i.e. one might expect high-skilled areas to have high exports). In fact, the correlation between HIGH EDUCATION and NET EXPORTS is weakly negative ( $r = - 0.10$ ).

**Model 4** re-specifies the relationship between constituency skills and congressional voting by substituting occupational status (HIGH SKILLS) for education attainment. In all four individual votes, the Stolper-Samuelson finding is reconfirmed. Members with larger proportions of workers in high skill occupations – the “winners” of economic globalization – tend to support bailouts.

#### **4a. Substantive interpretation**

In Table 8, I provide a more intuitive interpretation of the results. From Models 3 and 4, I simulated the predicted probability of observing a vote in favor of restrictions (against bailouts) and then examined how the predicted probabilities *change* as my variables of interest move from a low value (25<sup>th</sup> percentile) to a high value (75<sup>th</sup> percentile), while holding all other variables at their means.<sup>15</sup> The values in the table are thus first differences. By setting PARTY first at one (Democrat) and then at zero (Republican), I ensure that my results are not simply an artifact of some unspecified partisan effect. Indeed, constituent education and skill levels have an impact on member voting irrespective of party. As another robustness check, I substituted the ideological control, DW-NOMINATE, for PARTY and again simulated changes in probabilities as key variables move from low to high values.

Consider the affect of district education levels. A move from the 25<sup>th</sup> percentile value of HIGH EDUCATION to its 75<sup>th</sup> percentile value decreases the probability that a Democratic

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<sup>15</sup> The simulations were done with the “Clarify” software developed by Tomz et al (1998; King et al 2000).

House member will vote for restrictions (against bailouts) by 7.3 percentage points on average (7 points in *Sanders 1995*, 8 points in *Sanders 1998*, 8 points in *Sanders 1999*, and 6 points in *IMF Funding 1998*). When PARTY is set to zero, denoting a Republican member, the effect of a change in HIGH EDUCATION is slightly larger: the probability of voting for restrictions on bailouts falls by 7.8 percentage points on average. Changes in HIGH SKILLS (Model 4) have very similar effects. The third column reports first differences with DW-NOMINATE instead of the party dummy. I use the first dimension of the DW-Nominate score, which captures a member's ideological position on government intervention in the economy. Higher values denote a more conservative ideology. As before, moving from low to high values of HIGH EDUCATION and HIGH SKILLS while holding other variables at their means significantly decreases the probability of observing a vote for restrictions on bailouts in each of the four votes. One exception is Model 4 for *IMF 1998*, where the change is not significant. Among the four pieces of legislation examined, variation in skill levels (and education) has the smallest impact on the IMF vote.

These simulation results are statistically significant and reflect modest and realistic changes in the endowment variables (see the lower section of Table 8). Larger movements, say from minimum to maximum values, produce dramatic changes in expected probabilities, on the order of 30 percentage points or more. In short, the distributional effects of global economic integration would appear to influence member voting in non-trivial ways.

Table 8 also provides first differences for the Ricardo-Viner proxies, NET IMPORTS and NET EXPORTS. As NET IMPORTS move from its 25<sup>th</sup> to its 75<sup>th</sup> percentile value, the predicted probability of voting for restrictions on bailouts increases slightly irrespective of political party. Conversely, as NET EXPORTS move in the same way, members are slightly

more likely to vote against bailout restrictions. However, these changes are significant in only one of the four votes analyzed (*IMF 1998*), and then only for NET IMPORTS. The industrial profile of member districts (import-competing vs. export-oriented) thus appears to have a weaker and less systematic influence on member voting.

### **Conclusion**

Congress is the “principal” and the Executive is the “agent” with respect to the determination of U.S. international financial policy. Congress has the constitutional authority to constrain or even eliminate the Executive’s discretion in this area, an authority that it can leverage to ensure the good behavior of its agent. For decades, Congress allowed the Executive to manage ESF operations with little oversight. In the 1990s, however, many members felt the president had overstepped his role by bailing out emerging market economies. The result was a series of legislative challenges to Executive autonomy in this area. My purpose is to better understand these confrontations, a task that requires disaggregating the principal, Congress, into its individual members and analyzing the factors that shape member positions on the issue.

My argument is that bailout legislation provides opportunities for legislators and their constituents to weigh in on the pace and extent of economic globalization. Note that bailouts themselves have no direct distributional consequences via the budget – even quota contributions to the IMF are not budgetary costs but rather asset-exchanges. Instead, bailouts are political because international crisis management is a means to an end: the maintenance of an integrated world economy. Members of Congress that support bailouts do so because their constituents benefit from globalization and thereby want the U.S. government to take steps to protect the world economy from shocks. Conversely, members that oppose bailouts have constituents that lose from globalization and are therefore less concerned with global economic stability. Indeed,

a key finding is that House members are significantly more likely to oppose ESF autonomy and the Executive's pro-bailout agenda as the proportion of less-educated, low-skilled workers in a district increases. This result is consistent with the Stolper-Samuelson Theorem and Mundell's extension to factor flows. While the personal traits of members (party, ideology) influence voting, the factorial makeup of districts matters independently of these and other covariates.

I also find very modest support for the Ricardo-Viner approach, in which the industrial composition of districts influences congressional voting. As the proportion of workers in sectors that compete with imports increases, it is marginally more likely that a member will oppose bailouts. Conversely, more workers in export industries slightly increase the probability that a member will vote to support bailouts. These results suggest that sector-level district attributes may influence bailout voting independently of factor-level conditions, such as skill levels. This is consistent with analyses of trade legislation, where both sectoral and factorial influences appear to shape voting in Congress (e.g., Baldwin and Magee 2000).

Skeptics may think that I'm picking up something other than the relative wage effects of trade and capital flows – that the positive relationship between pro-bailout voting and education and skills is spurious. Educated constituencies, for example, might simply be more "cosmopolitan" and therefore better equipped intellectually to understand the need for the United States to serve as an international lender of last resort. But while a college education or a high skill occupation could give rise to an internationalist outlook, there is no compelling reason why these attributes imply *support* for bailouts. Even academic economists are divided on the issue, with a handful taking very public stances against bailouts on moral hazard grounds (see footnote 1). This criticism might be more compelling in other contexts, such as trade legislation, where the overwhelming majority of academic opinion favors free trade. But on bailouts, no such

unanimity exists, so it's hard to attribute my factor endowment findings to constituents' intellectual capacity.

Another potential concern is the assumption that members of Congress and their constituents understand the connections between bailouts and economic globalization and between globalization and relative income shares. Do people really connect the dots that run from bailouts preserving global economic integration to economic integration having distributional consequences? Evidence from peak organizations, industry groups, and congressional testimony suggest they do. For example, the executive council of the AFL-CIO adopted a resolution in 1998 urging Congress to reject U.S. participation in bailout efforts unless borrowers adopted strict labor and environmental standards. According to the executive council, "The IMF defines its mission narrowly, as protecting the interests of international capital." The AFL-CIO said it would lobby to ensure that bailout programs serve a broader set of social and economic goals, including "commitment to and vigorous enforcement of international labor and human rights" (AFL-CIO 1988). Conversely, the U.S. Chamber of Commerce included a Senate vote on IMF funding (S 1768) as one of the key votes it used to rate legislators in terms of their support for business interests. The Chamber strongly supports IMF funding "as a way to aid financially troubled nations whose economic health impacts businesses in the United States" (U.S. Chamber of Commerce 1998: 4).

Export interests, notably in the farm sector, also voiced strong support for bailouts. Dean Kleckner, president of the American Farm Bureau Federation, testified before Congress that "U.S. agriculture's ability to gain and maintain market share is based on many factors, including the ability to utilize market stabilizing tools such as a properly functioning IMF."<sup>16</sup> More

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broadly, House Banking Committee chairman Jim Leach (R-Iowa) supported the Asian rescue because “ignoring the problem will produce an economic cratering of Asia which could be devastating to our export sector and place U.S. manufacturers at a profound currency-related disadvantage.” Bernie Sanders also connected the dots: “What precedent is this [Asian] bailout setting, and what does it say about our role in the globalization of the international economy? If the U.S. Government cannot protect millions of workers, small business people, and family farmers in this country...should we really be responding to every bank and business failure throughout the world? America must rethink the nature of our relationship to the global economy – and our obligation to millions of needy Americans.”<sup>17</sup>

Two main implications flow from the analysis. First, my results suggests that the “globalization backlash” witnessed in other areas of foreign economic policy – NAFTA, WTO, Fast-Track, MFN for China, immigration – also finds expression in debates over U.S. international financial policy.<sup>18</sup> This is predictable since the same economic models used to forecast the distributional effects of trade and immigration operate with respect to capital flows and international crisis management. International trade theory may thus provide a common

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<sup>16</sup> Dean Kleckner, President of the American Farm Bureau Federation, "The 1998 Outlook for Agricultural Trade," statement before the Committee on Banking and Financial Services, U.S. House of Representatives, 105th Cong., 2nd Sess., February 3, 1998, p. 3

<sup>17</sup> Bernard Sanders, “Let the Asian Tigers Fend for Themselves.” *Los Angeles Times*, December 10, 1997.

<sup>18</sup> There appears to be close relationship between voting on ESF bailouts (and IMF funding) and voting on major trade legislation. For example, regressing the vote on *Sanders 1999* on the vote for Permanent Normal Trade Relations treatment for China (HR 4444, roll call No. 228, May 24, 2000) produced the following results, which are robust to the inclusion of additional controls:

<i>Constant</i>	<i>Party</i>	<i>Sanders 1999 Vote</i>	
1.274	-1.524	-.841	Observations: 417
(.168)***	(.171)***	(.172)***	Log likelihood: -239.458

foundation for analyzing a range of foreign economic policies beyond trade. Second, my results suggest that political institutions – i.e., delegation decisions and legislative-executive relations more generally – are endogenous to the distributional struggles between social actors. The ESF legislation analyzed here addressed policymaking *procedure*. Each bill would have formally proscribed Executive authority so as to ensure that policy remained consistent with the preferences of the congressional majority. I've shown that the votes of individual members on bailout procedure are shaped by the effect of bailouts on constituent incomes. My findings, therefore, suggest a link between constituent interests and the structure of political institutions.

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**Table 1: Bill Information**

	<i>Sanders 1995</i>	<i>Sanders 1998</i>	<i>Sanders 1999</i>	<i>IMF 1998</i>
<b>Bill summary</b>	Bans use of Treasury funds “for the purpose of bolstering any foreign currency via the ESF.”	Prohibits any loan in excess of \$250 million from the ESF.	Prohibits loans in excess of \$1 billion to a foreign country from the ESF unless approved by Congress.	Allows the House and Senate to pass identical spending bills, providing the IMF with \$18 billion.
<b>Roll call ID</b>	No. 531	No. 291	No. 304	No. 109
<b>Congress</b>	104 <sup>th</sup>	105 <sup>th</sup>	106 <sup>th</sup>	105 <sup>th</sup>
<b>Vote date</b>	7-19-95	7-16-98	7-15-99	4-23-98
<b>Vote result</b>	245 to 183	195 to 226	192 to 228	186 to 222
<b>Partisan split</b>	Rep: 156 to 73 Dem: 88 to 110	Rep: 143 to 82 Dem: 51 to 144	Rep: 147 to 68 Dem: 44 to 160	Rep: 22 to 193 Dem: 164 to 28

**Table 2: Summary Statistics**

	<i>Sanders 1995</i>				<i>Sanders 1998</i>			
	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>
<b>Party</b>	.4665	.4995	0	1	.4747	.4999	0	1
<b>DW-Nominate</b>	.0740	.4555	-.737	.962	.0645	.4637	-.76	1.15
<b>High Education</b>	.2007	.0799	.0530	.5138	.2009	.0799	.0530	.5138
<b>High Skills</b>	.2585	.0634	.0918	.5282	.2584	.0634	.0918	.5282
<b>FreshGOP</b>	.1674	.3738	0	1				
<b>Mexican Origin</b>	.0544	.114	.001	.7053				
<b>Bank PAC</b>	1.688	3.648	0	29.552	2.943	5.496	0	41
<b>Mex_Thai_Kor</b>					.0579	.1153	.0013	.7056
<b>Net Imports</b>	.1344	.0802	.0013	.4263	.1347	.0801	.0014	.4263
<b>Net Exports</b>	.0531	.0449	.0042	.4606	.0531	.0449	.0042	.4606
	<i>Sanders 1999</i>				<i>IMF Funding 1998</i>			
	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>
<b>Party</b>	.4862	.5004	0	1	.4747	.4999	0	1
<b>DW-Nominate</b>	.0599	.4676	-.815	1.269	.0645	.4637	-.76	1.15
<b>High Education</b>	.2007	.0799	.0531	.5138	.2007	.0799	.0530	.5138
<b>High Skills</b>	.2584	.0634	.0918	.5282	.2584	.0634	.0918	.5282
<b>Mex_Thai_Kor</b>	.0579	.1153	.0013	.7056	.0579	.1153	.0013	.7056
<b>Bank PAC</b>	2.848	5.427	0	41	2.943	5.496	0	41
<b>Net Imports</b>	.1346	.0801	.0014	.4263	.1347	.0801	.0014	.4263
<b>Net Exports</b>	.0532	.0449	.0042	.4606	.0532	.0449	.0042	.4606

**Table 3: Probit Analysis of Sanders 1995**

<b>Dep. Var. 1 = vote against ESF bailouts</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Constant	0.983 (0.189)***	0.922 (0.215)***	0.61 (0.300)**	0.668 (0.403)*
<b>Political Party</b>	-0.668 (0.127)***	-0.406 (0.140)***	-0.385 (0.141)***	-0.369 (0.140)***
<b>High Education</b>	-2.419 (0.786)***	-2.536 (0.832)***	-1.934 (0.903)**	
<b>High Skills</b>				-1.896 (1.149)*
<b>FreshGOP</b>		0.85 (0.216)***	0.856 (0.217)***	0.855 (0.217)***
<b>Mexican Origin</b>		-1.86 (0.533)***	-1.726 (0.540)***	-1.716 (0.546)***
<b>Bank PAC</b>		-0.033 (0.018)*	-0.03 (0.018)*	-0.03 (0.018)*
<b>Net Imports</b>			1.579 (0.942)*	1.748 (0.947)*
<b>Net Exports</b>			-0.756 (1.433)	-0.796 (1.442)
Log Likelihood	-274.784	-258.211	-256.803	-257.815
Prob > chi2	0.00	0.00	0.00	0.00
Observations	427	427	427	427

Robust (White-Huber) standard errors in parentheses. \* $p < .10$ , \*\* $p < .05$ , \*\*\* $p < .01$

**Table 4: Probit Analysis of Sanders 1998**

<b>Dep. Var. 1 = vote against ESF bailouts</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Constant	0.94 (0.198)***	1.162 (0.212)***	1.297 (0.298)***	1.572 (0.422)***
<b>Political Party</b>	-1.034 (0.132)***	-1.075 (0.135)***	-1.077 (0.136)***	-1.066 (0.136)***
<b>High Education</b>	-2.862 (0.856)***	-2.669 (0.896)***	-2.708 (0.974)***	
<b>High Skills</b>				-3.163 (1.287)**
<b>Mex_Thai_Kor</b>		-2.406 (0.727)***	-2.407 (0.724)***	-2.47 (0.720)***
<b>Bank PAC</b>		-0.043 (0.012)***	-0.045 (0.013)***	-0.045 (0.013)***
<b>Net Imports</b>			0.254 (0.952)	0.272 (0.968)
<b>Net Exports</b>			-2.926 (1.738)*	-2.975 (1.779)*
Log Likelihood	-253.745	-242.202	-240.529	-241.247
Prob > chi2	0.00	0.00	0.00	0.00
Observations	420	420	420	420

Robust (White-Huber) standard errors in parentheses. \* $p < .10$ , \*\* $p < .05$ , \*\*\* $p < .01$

**Table 5: Probit Analysis of Sanders 1999**

<b>Dep. Var. 1 = vote against ESF bailouts</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Constant	1.011 (0.200)***	1.261 (0.217)***	1.179 (0.318)***	1.617 (0.436)***
<b>Political Party</b>	-1.284 (0.135)***	-1.328 (0.139)***	-1.314 (0.140)***	-1.315 (0.140)***
<b>High Education</b>	-2.692 (0.850)***	-2.879 (0.889)***	-2.656 (0.979)***	
<b>High Skills</b>				-3.67 (1.254)***
<b>Mex_Thai_Kor</b>		-1.867 (0.646)***	-1.817 (0.648)***	-1.912 (0.652)***
<b>Bank PAC</b>		-0.03 (0.013)**	-0.03 (0.013)**	-0.029 (0.013)**
<b>Net Imports</b>			0.728 (0.964)	0.6 (0.982)
<b>Net Exports</b>			-1.269 (1.642)	-1.297 (1.657)
Log Likelihood	-235.386	-228.483	-227.968	-227.427
Prob > chi2	0.00	0.00	0.00	0.00
Observations	418	418	418	418

**Table 6: Probit Analysis of IMF 1998**

<b>Dep. Var. 1 = vote for IMF funding</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Constant	-2.1 (0.281)***	-2.245 (0.305)***	-1.862 (0.362)***	-1.936 (0.480)***
<b>Political Party</b>	2.452 (0.173)***	2.523 (0.179)***	2.525 (0.181)***	2.493 (0.176)***
<b>High Education</b>	3.881 (1.089)***	3.725 (1.155)***	2.972 (1.206)**	
<b>High Skills</b>				2.774 (1.475)*
<b>Mex_Thai_Kor</b>		0.479 (0.706)	0.334 (0.684)	0.319 (0.701)
<b>Bank PAC</b>		0.037 (0.014)***	0.036 (0.014)**	0.036 (0.014)**
<b>Net Imports</b>			-2.247 (1.119)**	-2.497 (1.131)**
<b>Net Exports</b>			1.406 (2.004)	1.433 (2.076)
Log Likelihood	-144.213	-140.787	-138.974	-140.389
Prob > chi2	0.00	0.00	0.00	0.00
Observations	407	407	407	407

Robust (White-Huber) standard errors in parentheses. \* $p < .10$ , \*\* $p < .05$ , \*\*\* $p < .01$

**Table 7: Top Twenty Recipients of Campaign Contributions from Money Center Banks, 1997-1998 Election Cycle**

<i>Member (State-District)</i>	<i>Party</i>	<i>BANK PAC (\$1000)</i>	<i>Vote on Sanders 98</i>
LaFalce (NY-29)	Dem	41	No
Baker (LA-6)	Rep	39.5	No
Lazio (NY-2)	Rep	36.35	No
McCollum (FL-8)	Rep	26	Yes
Roukema (NJ-5)	Rep	25	No
King (NY-3)	Rep	24.995	No
Gordon (TN-6)	Dem	24	No
Dreier (CA-28)	Rep	22.55	No
Vento (MN-4)	Dem	20	No
Frost (TX-24)	Dem	19	No
Armey (TX-26)	Rep	18.5	Yes
Bentsen (TX-25)	Dem	17	No
Castle (DE-00)	Rep	16	No
Kelly (NY-19)	Rep	16	No
Gingrich (GA-6)	Rep	15.5	.
Boehner (OH-8)	Rep	15.5	No
DeLay (TX-22)	Rep	15.5	No
Oxley (OH-4)	Rep	15.05	No
Linder (GA-11)	Rep	15	No
Boucher (VA-9)	Dem	15	No

*Note:* BANK PAC is the sum of contributions from the following PACs (total disbursements): Chase Manhattan Corporation Fund for Good Government (\$884,741), J. P. Morgan & Co Incorporated PAC (\$638,388), BankAmerica Corporation PAC (\$641,755), Citicorp Voluntary Political Fund (\$567,996), Bank One Corporation PAC FKA First Chicago Corporation PAC (\$204,736), and Bankers Trust Corporation PAC (\$117,500).

**Table 8: Substantive Effects of Stolper-Samuelson and Ricardo-Viner Variables**

	<b>Democrat</b>	<b>Republican</b>	<b>DW-Nominate</b>
<b>High Education</b> (Model 3)			
<i>Sanders 1995</i>	-0.07**	-0.08**	-0.08**
<i>Sanders 1998</i>	-0.08***	-0.10***	-0.10***
<i>Sanders 1999</i>	-0.08***	-0.09***	-0.10***
<i>IMF 1998</i>	-0.06***	-0.04**	-0.08*
<b>High Skills</b> (Model 4)			
<i>Sanders 1995</i>	-0.06*	-0.06*	-0.06*
<i>Sanders 1998</i>	-0.08**	-0.09**	-0.09**
<i>Sanders 1999</i>	-0.08***	-0.10***	-0.11***
<i>IMF 1998</i>	-0.05*	-0.04**	-0.04
<b>Net Imports</b> (Model 3)			
<i>Sanders 1995</i>	0.06	0.06	0.04
<i>Sanders 1998</i>	0.01	0.01	-0.01
<i>Sanders 1999</i>	0.02	0.03	0.002
<i>IMF 1998</i>	0.04*	0.03*	-0.03
<b>Net Exports</b> (Model 3)			
<i>Sanders 1995</i>	-0.01	-0.01	-0.01
<i>Sanders 1998</i>	-0.02	-0.03	-0.03
<i>Sanders 1999</i>	-0.01	-0.01	-0.01
<i>IMF 1998</i>	-0.01	-.01	-0.01

*Notes:* Values represent the change in the predicted probability of voting against bailouts (“yea” on Sanders 1995, 1998, and 1999 and “nay” on IMF 1998) as variables of interest move from their 25th to their 75<sup>th</sup> percentile values (see below), holding other variables at their means (for *Sanders 1995*, FRESHGOP is set to zero). \* $p < .10$ , \*\* $p < .05$ , \*\*\* $p < .01$

The first differences are modest with respect to the actual range of the variables:

	<b>Min</b>	<b>Max</b>	<b>25<sup>th</sup> percentile</b>	<b>75<sup>th</sup> percentile</b>
<b>High Education</b>	.053 (CA-33)	.514 (NY-14)	.143 (e.g. NC-12)	.242 (e.g. NY-21)
<b>High Skills</b>	.092 (CA-33)	.528 (NY-14)	.215 (e.g. MI-1)	.295 (e.g. CO-1)
<b>Net Imports</b>	.001 (VA-8)	.426 (MN-2)	.076 (e.g. NJ-2)	.170 (e.g. MI-3)
<b>Net Exports</b>	.004 (TX-18)	.461 (TX-17)	.032 (e.g. GA-3)	.058 (e.g. NY-1)

### Data Appendix

**Party:** 1 = Democrat; 0 = Republican. From roll call data at <http://thomas.loc.gov>.

**DW-Nominate:** The first dimension of the DW-Nominate score, which can be interpreted as capturing a member's ideological position on government intervention in the economy. Higher values denote a more conservative ideology. McCarty, Poole, and Rosenthal 1997.

**High Education:** Percent district population 25 years and over with a BA degree or higher. *Congressional Districts of the United States* CD-ROM, U.S., Bureau of the Census.

**High Skills:** Percent district population aged 16 years and over employed in executive, administrative, managerial, and professional specialty occupations. *Congressional Districts of the United States* CD-ROM.

**FreshGOP:** Republican elected in 1994 = 1, zero otherwise. *Congressional Staff Directory*. CQ Press. Washington D.C., 1995.

**Mexican Origin:** Percent district population of Mexican ancestry. *Congressional Districts of the United States* CD-ROM.

**Mex\_Thai\_Kor:** Percent district population of Mexican, Thai, and Korean ancestry. *Congressional Districts of the United States* CD-ROM.

**Bank PAC:** Campaign contributions from money center bank political action committees (PAC) to candidates in the electoral cycle preceding the roll call votes (in \$1000). Money center banks are identified by the Federal Financial Institutions Examination Council, *Country Exposure Lending Survey* (various years). They include: J. P. Morgan, Chase Manhattan, Bank of America, Citicorp, First Chicago, and Bankers Trust. PAC contributions data are from the Federal Election Commission via <http://www.tray.com>.

**Net Imports:** Percent district population aged 16 years and over employed in net import industries. Net import industries are two-digit SIC manufacturing sectors where the ratio of imports to consumption is greater than the ratio of revenues from exports to total industry revenue (Textiles 22, Apparel 23, Lumber 24, Furniture 25, Paper 26, Petroleum 29, Rubber 30, Leather 31, Stone, Clay and Glass 32, Primary metals 33, Fabricated metals 34, Industrial machinery 35, Electronic goods 36, Transportation equipment 37, Other manufactures 39). *County Business Patterns 1997* CD-ROM, Bureau of the Census. County-level sectoral employment data was aggregated up to the congressional district level with MABLE '98/Geocorr v3.0 Geographic Correspondence Engine [<http://plue.sedac.ciesin.org/plue/geocorr>].

**Net Exports:** Percent district population aged 16 years and over employed in net export industries. Net export industries are two-digit SIC manufacturing sectors where the ratio of revenues from exports to total industry revenue is greater than the ratio of imports to consumption (Food 20, Tobacco 21, Printing 27, Chemicals 28, Instruments 38). See Net Imports and the text for the concordance procedure.