Diplomprüfung

Klausuren für Volkswirte, Betriebswirte, Handelslehrer und Wirtschaftsinformatiker, BA, MA, Nebenfach VWL-Studierende

Datum: 21.07.2009

Prüfungsfach: Kreditpunkte-Klausur

„The Economics and Politics of International Financial Organizations"

Themensteller: Prof. Dr. Axel Dreher

Kandidat:

Name: ....

Vorname: ....

Matrikel-Nr.:   ....

Fachrichtung: ....

Semesterzahl: ....

Raum: ....

Remarks:

- Please leave 5cm on each edge of every page and number each page.
- Please write your name or matriculation-number on each page.
- When you start a new question, please use a separate sheet.
- A non-commented language dictionary can be used.

Prof. Dr. Axel Dreher
Sommersemester 2009

<u>Exam Economics and Politics of International Financial Organizations</u>

Teil	Thema	Punkte
I	*Short questions*	15
II	*Regression*	15
III	*Essays*	60
∑		90

1	2	3	4	5	∑

Note:

Remarks:

The exam is divided into three parts.

Please answer **all the questions in Part 1**. Select **one of the questions in Part 2** and answer **all the questions in Part 3**. The assigned points correspond to the estimated time needed to answer the question.

In total, one could receive a maximum of 90 points. The exam lasts 90 minutes. Please be aware of the time limit. Answers can be in English or German.

Good luck!

Sommersemester 2009
Exam Economics and Politics of International Financial Organizations

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Part 1: Please answer all the questions of Part 1. The estimated time needed corresponds to the maximum attainable points. All together, you should use about 15 minutes for this part.

1) (5 points)
Why could the focus on a limited negotiation set be a reason for the failure of the Doha Development Round? List two other potential reasons why the negotiations were not yet concluded.

2) (5 points)
Which factors influence the allocation of World Bank loans?

3) (5 points)
How does the size of IMF loans depend on the intensity and heterogeneity of G-5 commercial interests? Discuss briefly based on the graph below.
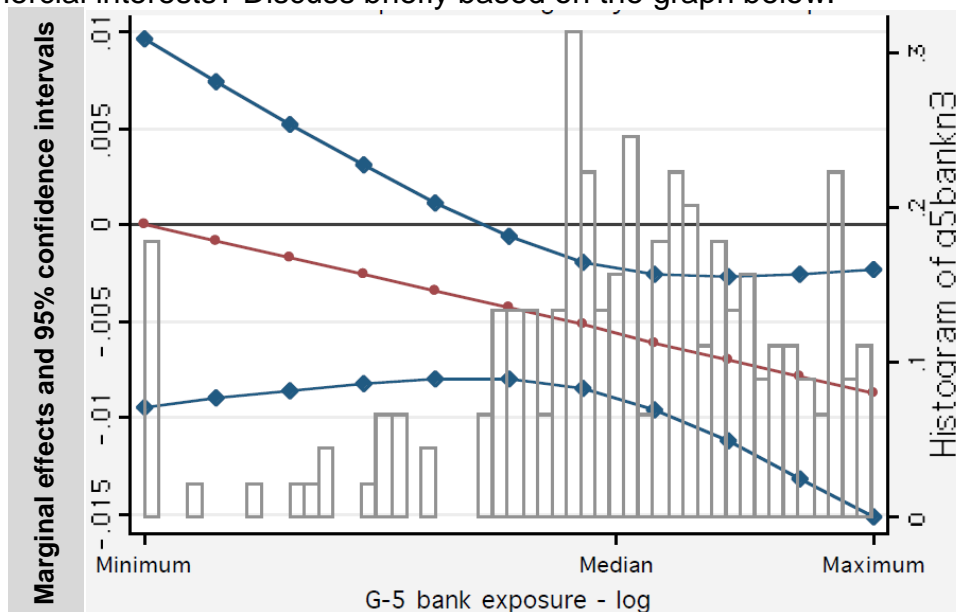
Source: Copelovitch (2008)

Important remarks:
On the axis of ordinates of the graph you find the marginal effects of G-5 bank exposure heterogeneity on the size of IMF loans as G-5 bank exposure varies. In addition, the 95% confidence interval is plotted.

Dependent variable:
Loan size: natural log of total amount of new short-term IMF lending approved for country i in year t, divided by the country's Fund quota

Variables of interest:
G-5 bank exposure: log of the sum of G-5 commercial bank exposure to country i in year t in billions of dollar
COVG5BANK: coefficient of variation of G-5 bank exposure

Part 2: Please answer one of the following two questions. You should spend about **15 minutes** for this part. In case both questions are answered, only question 1) will be graded.

1) (15 points)
Is there evidence for a 'global horse trading' between the number of World Bank loans and the voting behavior in the United Nations Security Council? What might be the motivations of the 'trading partners'?

Table: The Impact of UN Security Council membership on new World Bank projects under different statistical models, extended model

	Poisson		Negative binomial	
	(1)	(2) only country effects	(3)	(4) only country effects
	fixed effects	fixed effects	fixed effects	fixed effects
Temporary UNSC member	0.09	0.10	0.09	0.09
	(1.74)*	(1.95)*	(1.69)*	(1.74)*
IMF program	0.25	0.24	0.25	0.25
	(6.66)***	(6.64)***	(6.30)***	(6.31)***
Debt service (in percent of GDP)	0.01	0.01	0.01	0.01
	(3.73)***	(3.81)***	(3.70)***	(3.67)***
Investment (in percent of GDP)	0.02	0.02	0.02	0.02
	(4.18)***	(4.56)***	(4.25)***	(4.83)***
GDP per capita (log)	-0.59	-0.46	-0.62	-0.58
	(5.05)***	(4.40)***	(5.46)***	(5.50)***
Population (log)	-0.75	-0.11	-0.10	-0.04
	(2.48)**	(1.03)	(0.53)	(0.39)
Lagged election	-0.09	-0.08	-0.09	-0.08
	(2.31)**	(2.05)**	(2.31)**	(2.07)**

Country effects	fixed	fixed	fixed	fixed
Country effects - p-value	0.00	0.00	0.00	0.00
Year effects	fixed		fixed	
Year effects - p-value	0.20		0.58	
Log likelihood	-3,086.85	-3,105.04	-3,083.31	-3,097.25
LR-test w.r.t. Poisson model - Chi2			7.08	15.57
LR-test w.r.t. Poisson model - p-value			0.01	0.00

Absolute value of z statistics in parentheses.

* significant at 10%; ** significant at 5%; *** significant at 1%

All regressions contain 2,135 observations covering 113 countries and 31 years.

Source: Dreher, Sturm and Vreeland (2009)

Appendix: Sources and Definitions

Variable	Description	Source
World Bank projects	Number of new World Bank projects starting in a particular year.	www.worldbank.org
World Bank projects, IDA	Number of new IDA projects starting in a particular year.	www.worldbank.org
World Bank projects, IBRD	Number of new IBRD projects starting in a particular year.	www.worldbank.org
World Bank disbursements	IBRD and IDA net disbursements as a share of GDP.	World Bank (2006a)
World Bank comittments	IBRD and IDA comittments as a share of GDP.	World Bank (2006a)
Temp.UNSC member	Dummy coded 1 if a country is a non-permanent member of the United Nations Security Council, and 0 otherwise.	www.un.org

Variable	Description	Source
IMF program	Dummy coded 1 if a country participates in an IMF program during part of the year under Stand-by, Extended Fund Facility, Structural Adjustment Facility, and Extended Structural Adjustment Facility/Poverty Reduction and Growth Facility, and 0 otherwise.	IMF Annual Report (various years)
Debt service (% of GDP)	Total debt service outstanding in percent of GNI.	World Bank (2006b)
Investment (% of GDP)	Private and public gross national investment as a share of gross domestic product (GDP).	Przeworski et al. (2000), extended by Cheibub et al.
GDP per capita (log)	Measured in constant 2000 US dollars.	Przeworski et al. (2000), extended by Cheibub et al.
Population (log)	A countries' (log) population.	World Bank (2006b)
Lagged election	Dummy variable coded 1 if elections were held the previous year and 0 otherwise.	Beck et al. (2001)

2) (15 points)

Through which channels could the IMF influence the likelihood of a currency crisis? Does the empirical analysis below confirm these considerations?

Table 1: IMF involvement and currency crises, 1976-2000

	(1)	(2)	(3)	(4)	(5)	(6)
IMF program in previous 5 years	-0.81	-0.81			-0.836	-0.10
	(1.97)**	(2.37)**			(1.46)	(1.73)*
Compliant with IMF program, 5 years			-0.75		-0.402	0.002
			(1.80)*		(0.74)	(0.03)
IMF loans (percent of GDP), 5 years				-0.20	-0.055	-0.004
				(1.49)	(0.32)	(0.31)
Interest Rate differential (t-1)	0.00	0.00	0.00	0.01	0.016	0.01
	(1.61)	(0.12)	(0.12)	(1.31)	(0.89)	(2.73)***
Reserves/M2 (t-1)	-0.54	-0.53	-0.59	-0.60	-0.558	0.004
	(2.57)**	(2.71)***	(2.95)***	(2.69)***	(2.36)**	(0.23)
Exports/GDP (t-1)	-5.37	-6.10	-8.00	-5.97	-7.628	0.15
	(2.59)***	(3.41)***	(3.93)***	(3.06)***	(3.43)***	(1.32)
Flexible exchange Rate Regime (t-1)	0.14	0.13	0.13	0.13	0.153	-0.004
	(3.04)***	(3.04)***	(2.69)***	(2.85)***	(2.63)***	(0.78)
Capital Account Oppenness	-0.60	-0.61	-0.52	-0.32	-0.265	-0.01
	(3.38)***	(3.68)***	(2.94)***	(1.77)*	(1.28)	(0.71)
Inflation (t-1)	0.00					
	-0.35					
Current Account/GDP (t-1)	0.49					
	-0.22					
Domestic Credit/M2 (t-1)	0.10					
	-1.08					
Budget Deficit/GDP (t-1)	-3.19					
	-1.23					
(log) GDP p.c. (t-1)	0.38					
	-0.86					
Election, dummy (t-1)	0.17					
	-0.59					
Lagged dependent variable						-0.03
						(0.33)
Observations	759	868	769	695	602	607
Number of countries	50	53	50	46	43	59
Method	Logit	Logit	Logit	Logit	Logit	GMM
Fixed country effects	Yes	Yes	Yes	Yes	Yes	No
Fixed time effects	Yes	Yes	Yes	Yes	Yes	Yes
log likelihood	-203.08	-233.93	-195.42	-199	-159.38	
Prob > chi2	0.00	0.00	0.00	0.00	0.00	
Arellano-Bond-Test (p-level)						0.55
Sargan Test (p-level)						0.16

Notes:
The dependent variable is one when at least one speculative attack occurred in a certain year, and zero otherwise.
Absolute value of z statistics in parentheses.
* significant at 10%; ** significant at 5%; *** significant at 1%

Source: Dreher and Walter (2008)

Dependent variable:
Dummy (Crisis=1): Currency crisis episodes are identified based on a monthly weighted exchange market pressure index of exchange rate changes, reserve changes, and changes in the interest rate differential (Eichengreen et al. 1995). When at least one speculative attack occurred in a given year, the variable is coded as 1.
Variables of interest:
IMF Program-Dummy: Coded as 1 if the country had an IMF Program (SBA, EFF, PRGF, or SAF) for at least 5 months in a certain year.
Compliance-Dummy (1 = Compliance): Coded as 1 if the country was compliant with its IMF program. Noncompliance is recorded if more than 25% of the amount agreed for an IMF program remains undrawn at program termination (as suggested by Killick (1995)).
IMF Loans: Sum of net financial flows for all IMF programs (in percent of GDP).

Part 3:   Please answer all the questions. For this part, you should need 60 minutes.

1) (20 points)
What are the advantages and disadvantages of delegation of competence to international organizations? How does this apply to the World Bank?

2) (20 points)
Should IMF conditionality be reformed? Also evaluate the introduction of the Flexible Credit Line (FCL) in March 2009.

3) (20 points)
"The IMF is controlled by the United States." Discuss. Relate your argumentation to empirical findings in the literature.

Good luck!