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# IMF intervention and political protest in the Third World: a conventional wisdom refined

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The International Monetary Fund (IMF) has been a favourite target of criticism for scholars from several disciplines. According to its critics, the IMF is undemocratic,<sup>1</sup> infringes on the sovereignty of the less developed countries (LDCs),<sup>2</sup> and is the capitalist centre's instrument in extracting profits from the periphery,<sup>3</sup> or in maintaining a financial low-intensity conflict against the South.<sup>4</sup> The Fund's neoliberal adjustment policies are economically, socially and politically unsustainable: they are inappropriate for problems typical of Third World countries,<sup>5</sup> hurt the poor and other vulnerable groups,<sup>6</sup> and are broadly resisted by politically important groups.<sup>7</sup>

This study endeavours to find an answer to yet another criticism: do Fund-supported adjustment programmes produce political protests in the developing countries? The question in itself is interesting, particularly as protests often entail human suffering; but protests may also significantly constrain the implementation of adjustment policies. In this sense, the question is relevant to the criticisms against the social and political infeasibility of Fund-supported adjustment programmes.<sup>8</sup> If the programmes are rendered inoperative by political unrest, the question of their economic feasibility becomes largely academic.

Austerity measures, sanctioned by the stabilisation and adjustment programmes, tend to depress the incomes and living standards of several, predominantly urban, groups. Devaluation particularly hurts the urban middle classes who, as consumers of imported goods, benefit from an overvalued exchange rate. Import-substituting industries, which are generally based on imported capital goods, will also suffer from the effects of devaluation, although these may be partly offset by the liberalisation of the import regime.<sup>9</sup> The urban poor also suffer from more expensive imported goods and from inflation expectations, as well as from price rises of basic commodities caused by cuts in consumer subsidies implemented to reduce budget deficits. Public sector workers must face wage cuts and/or lay-offs. Organised labour is hurt by the elimination of wage indexation. The military and the police are affected because expenditures on internal and external security are often curtailed. The basic political problem is that the usually diverse interests of these groups may become amalgamated in anti-austerity protest.

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It is conventional wisdom that IMF-supported policies are conducive to generating political protest. The mass media have reported on 'IMF riots', and the academic community has criticised the Fund for provoking unrest by demanding politically and socially unsustainable policy measures from Third World governments. But this opinion is not uniformly shared. The opposing view is that the IMF's economic intervention may actually enhance political stability. Without the Fund's assistance, countries would sink deeper into economic distress and would have no hope of securing foreign finance and assistance. Under these conditions, the likelihood of political protest would be even greater. Finally, there is the view that IMF-supported programmes do not have a significant impact on the extent of political unrest. When countries solicit the IMF for assistance, they are already in the midst of economic difficulties and their citizens are likely to be economically deprived. If unrest occurs in conjunction with the IMF's high-conditionality assistance, this would have happened even in the absence of the Fund's intervention.

Most previous research on the relations between the IMF's economic intervention and political protest has focused on the 1970s and early 1980s and generally failed to find a significant relationship between Fund programmes and protest. However, they do not reflect either the qualitative or the quantitative increases in the conditionality of IMF programmes after the debt crisis. The more austere and extensive programmes of the 1980s may be more conducive to creating turmoil than the previous ones. Some of the more recent studies—which have included coverage of the second half of the 1980s-have found a direct association between the IMF's economic intervention and protest. However, these studies have either focused on a limited geographical area,<sup>10</sup> or solely on countries where Fund programmes are implemented without comparison with other countries.<sup>11</sup> Walton and Seddon's Free Markets and Food Riots is a persuasive historical interpretation of 'austerity protest' which comprises all developing-world regions. However, even this study has a limited focus as it concentrates solely on 'debtor countries', and its statistical analyses fail to provide conclusive evidence on the association between IMF intervention and 'austerity protest'.12

The present study has a broader focus, as it encompasses all less developed countries for which data were available. Political protest consists of demonstrations, riots and strikes which have an expressed political target and/or involve conflict behaviour against the political machinery. A political demonstration is an organised, non-violent protest by a group of citizens; a riot is any violent demonstration or clash of a group of citizens; and a political strike is any strike by industrial workers, government employees or students.<sup>13</sup> A general conceptual model on political protest is constructed on the basis of relative deprivation and resource mobilisation theories. The high-conditionality stabilisation and adjustment programmes conditioned by the IMF are conceived as sources of discontent, or relative deprivation, within a population. The likelihood that this discontent will result in political protest is increased if the environment is conducive to the mobilisation of resources for collective action. The conceptual model serves as a basis for a quantitative statistical analysis of a sample of 70 LDCs in 1981–1989. The data on political protest were collected by means of coding of

news reports in The New York Times (see Appendix 3). The cross-sectional relationships between the explanatory variables and political protest are examined by regression analysis. After the introduction of the basic regression models, interaction effects between the IMF's intervention and other explanatory variables are examined with a dummy variable method to depict the conditions under which Fund programmes are most likely to be conducive to political protest. The results refine the conventional wisdom on the IMF and political protest.

### **Prior research**

### Anti-austerity protest

Payer was one of the first critics of the distributional effects of Fund programmes.<sup>14</sup> According to her, the programmes had negative effects on employment and generated regressive movements in real wages in response to subsidy cuts and to reductions in nominal wage indexing. Sidell studied the relationship between Fund programmes and collective protests, rebellions and irregular executive transfers in 99 countries in 1969–77. He found that 'the introduction of an IMF standby arrangement did not appear significantly to increase or promote political instability in those countries which have solicited the Fund for high-conditionality balance of payments assistance'.<sup>15</sup> However, the effect of economic variables was not controlled for in this study. Haggard studied 30 adjustment programmes financed from the IMF's Extended Fund Facility in 1975–84. Although economic conditions did not lead to the collapse of a democratic regime in any of the countries, strike activity appeared to increase in every case.<sup>16</sup>

Bienen & Gersovitz examined the Fund's standby and Extended Fund Facility arrangements in the LDCs in 1956–84. In only 13 cases were they able to trace political unrest to the implementation of IMF conditionality or to negotiations with the Fund—and even then they were not the exclusive causes. They argue that the resources that the IMF provides make adjustment easier and thus may *lessen* the chances of conflict. Alternative solutions to implementing the Fund's conditions, such as repudiation of debt or chronic accumulation of unrescheduled arrears, might lead to more severe economic and political conflict.<sup>17</sup>

One of the most politically difficult stabilisation measures is the elimination or cutting of consumer subsidies. 'In virtually all cases, significant increases in the cost of basic goods and services (or the threat of these on top of increases already experienced) have preceded and may be said to have precipitated the outburst of popular protest'.<sup>18</sup> Bread, flour, cooking oil, rents and basic food-stuffs are important in household expenditure, sometimes comprising as much as 60% to 70% of the budget of the poor urban population.<sup>19</sup> Bienen & Gersovitz found that nearly all prominent consumer riots were connected to the cutting of state subsidies on basic foodstuffs, although they emphasise that in many countries the cuts did not generate conflict behaviour.<sup>20</sup> Substituting for less expensive foodstuffs with a smaller calory content is not possible among the poor.<sup>21</sup> Some staple foods are potentially explosive because they possess large symbolic value—eg bread in Middle Eastern and North African societies and

maize meal in some sub-Saharan African countries. Prices of fuel and public transportation have been an issue in popular protest, especially in Latin America.<sup>22</sup> Measures which both raise fuel prices and require that bus fares increase accordingly are extremely regressive since it is mostly the poor that ride buses.<sup>23</sup>

Although the urban poor are likely to suffer most from the elimination of state subsidies on foods and fuel, subsidy cuts affect the real incomes of consumers in general; also the middle classes and the workers suffer from loss of purchasing power. Morrisson *et al*, found that in Africa in 1980–90, the measures which had an impact on prices lead to political demonstrations much more easily than measures related to a reduction in real wages and/or employment or to a reduction in operating and/or investment expenditures.<sup>24</sup> The price increases caused by subsidy cuts are also a potentially major threat to political stability because the government can be held directly responsible for them; citizens can easily identify the target of their protests.

Walton & Seddon have studied austerity protest as a distinct form of political protest, 'a phenomenon generated by a transition from nationalist development under state capitalism to private accumulation under a regime of economic liberalism and internationalism'.<sup>25</sup> Austerity protests are collective actions 'against state policies of economic liberalisation in response to the debt crisis and market reforms urged by international agencies'.<sup>26</sup> Over half of the major countries of Latin America and the Caribbean experienced these protests, and 13 of 24 nations in the region (excluding the mini-states) produced 50 separate protest events.<sup>27</sup> In the Middle East and North Africa, at least nine countries experienced major outbreaks of popular protest over the economic and social effects of government policies over the last 25 years up to 1992.<sup>28</sup>

Walton & Ragin found 'IMF pressure' a significant predictor of the severity of austerity protest in 56 debtor countries in 1976–88.<sup>29</sup> However, it should be questioned whether their explanatory variable 'number of debt renegotiations' actually implies 'IMF pressure'. First, for example, in 1980–84 debt relief or rescheduling were present in no more than 37% of IMF programmes.<sup>30</sup> Second, the number of debt renegotiations may reflect the failure of governments to meet the Fund's conditions: this may signify IMF pressure for the government, but few redistributive effects and little economic austerity for the population. Also the statistical analyses of Walton & Seddon fail to provide conclusive evidence on the association between IMF intervention and 'austerity protest'. Again, only the number of renegotiations and of restructurings were significantly correlated with the severity of austerity protest in Latin America in 1976–89.<sup>31</sup>

Although Walton & Seddon's historical interpretation of austerity protests is convincing, this remains an analysis of a certain type of protest. The results are generally based on a restricted sample of 'debtor countries', with no comparison with other countries. It remains an open question whether the impact of the Fund's intervention is sufficiently strong to establish a statistically-significant association with developing-country political protest in general.

Empirical support for the argument that Fund programmes are conducive to political protest seems to depend on the time period chosen. The studies that concentrated on the 1960s and 1970s failed to find an association between IMF intervention and protest. The more recent studies by Walton and others also

included the second half of the 1980s and, the stated reservations notwithstanding, bolster the existence of such an association. Seven out of those 13 cases where political unrest was found associated with Fund conditionality between 1956 and 1984,<sup>32</sup> occurred in 1982–84. This may be because, since the beginning of the 1980s, the programmes have been more extensive and involved stricter conditionality than before.

The quantity of performance criteria increased, especially as regards availability of credit, budget deficit, pricing policies of state corporations and state subsidies.<sup>33</sup> After the 1973–74 oil shock, about 80% of all IMF loans were on relatively more favourable terms than they were in 1985.<sup>34</sup> The tightened conditionality was also perceived in the form of increased cross-conditionality, in which the Fund came to hold the central position. It is conceivable that the more austere programmes of the 1980s are associated with political protest, even if the earlier programmes were not. This hypothesis will be put to test in the analyses.

## IMF policies: economic and trigger effects

Countries resorting to the Fund's high-conditionality facilities are already in the midst of economic distress. Goldstein found that in the period immediately before the implementation of IMF programmes, 1973–83, recipients of the Fund's assistance systematically differed from non-recipient countries by having, on average, larger balance of payments and current account deficits as a proportion of GNP, lower rates of real output growth and higher inflation rates.<sup>35</sup> Should IMF arrangements thus serve in the analysis as a proxy for general economic hardship? Or, vice versa, could not the economic variables tell the relevant story on the association between economic performance and political protest even without the IMF?

It is possible to delineate two mechanisms of how IMF intervention may have an impact on political protest. First, the impact may be based on the negative effects that austerity measures have on the politically powerful and mobilised groups, as well as on the urban poor, to provoke an instant reaction on the part of the groups affected. Let this be called the 'trigger effect' of IMF intervention on political protest. Poor economic performance is a condition for the Fund's intervention, but the concrete austerity measures prescribed by the latter are the trigger for political protest. Most of the studies reviewed above took the trigger mechanism as a point of departure.

Second, IMF programmes may have an impact on protest through economic performance. Let this be called the 'economic effect' of IMF intervention on political protest. If the policies fail to promote economic performance, the economic effect may induce discontent and unrest, especially in the short run. Although the Fund is especially concerned with inflation and money-supply growth, devaluation—a standard adjustment measure—may result in the acceleration of inflation because it raises the prices of both imports and exports in terms of domestic currency. In a simulation exercise on 23 African countries, Morrisson *et al* found that exchange rate policies were favourable to economic performance but disastrous for coups, demonstrations and riots caused by the

acceleration of inflation through devaluation. Deflationary adjustment measures may also repress production and employment. A restrictive monetary policy outside the West African franc area<sup>36</sup> resulted in a sharp drop in the rate of inflation 'which explains an important decline in demonstrations'. But there was a subsequent rise in strikes, as monetary restraint stifled economic growth.<sup>37</sup>

Several studies were reviewed to find evidence on any systematic economic effects of adjustment policies, as indicated by the variables used in this study.<sup>38</sup> Despite the fact that many of these studies were conducted by Bretton Woods staff, they do not give a particularly rosy picture of the results of stabilisation or economic reform. It seems that, in the short term, demand-cutting measures may dampen economic growth; devaluation may accelerate inflation; and the specific conditions concerning the timetable of debt repayment may increase debt service ratio. In the longer run the outcomes of adjustment seem more favourable. All in all, however, the impact of adjustment policies on economic performance is not clearly discernible. This also downgrades the significance of the economic effect of IMF intervention on political protest and underscores the importance of the trigger effect in comparison.

### The 'Counterargument' on IMF Intervention

So far the focus has been on the destabilising impact of IMF intervention. However, the economic effect of the Fund's intervention may also be politically stabilising if adjustment policies succeed in improving economic performance. The counterargument that IMF intervention is essentially stabilising is represented for example by Bienen & Gersovitz.<sup>39</sup> Politics of urban bias lead to price distortions which result in slower growth and unsustainable debt burdens. The legitimacy of the regime is eroded if economic problems are not seriously tackled. The Fund's resources make adjustment easier and an accord with the Fund helps attract funds from other international sources. The improved economic performance that follows enables governments to regain legitimacy, and reduces the probability of economically-motivated conflict behaviour.

## **Conceptual model**

The conceptual model is presented in Figure 1. Poor economic performance, the IMF's economic intervention, ethnic dominance, urbanisation, authoritarianism and a low level of economic development are conceived as sources of discontent, or relative deprivation, within a population. This discontent is likely to result in protest if the environment is conducive to the mobilisation of resources for collective action. Resource mobilisation, in turn, is affected by the level of economic development, urbanisation, tradition of protest and the type of political regime.<sup>40</sup>

A high rate of inflation, slow or negative real GDP growth, and a high level of debt service as a percentage of exports of goods and services indicate poor economic performance. Inflation reduces purchasing power and induces uncertainty within different societal groups. Negative growth rates imply diminished resources to be distributed. A large debt burden drains resources from the



FIGURE 1 A model for political protest.

domestic economy, transferring them abroad, and undermines the legitimacy of the government. It is postulated that poor economic performance generates relative deprivation within a population: a discrepancy between deserved and actual enjoyment of goods or conditions of life as well as dissatisfaction with government performance and alienation from the political system in general. The intensity of dissatisfaction resulting from poor economic performance and inefficiency increases the likelihood of rebellious action generally and of political protest specifically.

Poor economic performance forces countries to solicit the IMF for highconditionality balance of payments assistance. The austerity measures of Fundsupported adjustment programmes affect the living standards of the politically mobilised and powerful groups. These groups feel economically deprived in relation to their own earlier value capabilities and in relation to other groups who are now relatively better off as a result of adjustment measures. The urban poor are also directly affected and threatened by the imposition of austerity measures. The likelihood of rebellious political action is further increased.

It can be hypothesised that the probability of protest is greater if a country has already undergone several adjustment policies. A large number of prior IMF programmes attenuates the credibility of adjustment measures as remedies for economic problems—if people have not benefited from the previous sacrifices made in the name of stabilisation, they are less likely to tolerate new ones. Instead of accepting the necessity of austerity, they are more likely to protest.

Ethnic dominance facilitates discrimination against minority groups in the allocation of economic and political resources, thereby increasing the latter's discontent against the ruling majority. Ethnic identities are strengthened, and may become the principle of organisation and mobilisation for rebellious action.

Mobilisation of the potential for rebellious political action is affected by high past levels of mobilisation for protest. The extent of previous political protest is likely to encourage future protest because people become accustomed to certain acceptable levels and forms of rebellious action. Political protests also often occur in conjunction with other forms of conflict, including rebellion, which consists of armed attacks and assassinations.

The overall level of political protest is likely to be high in urbanised countries, because of their large share of urban marginals and a politically-organised population. For the poor and the unemployed, a common means of expressing discontent is mass protest or rioting, particularly since political institutions may be undeveloped or unresponsive to their demands. Urban social movements often provide the organisational support needed for mobilisation. Compared with urban migrants and the poor, longer-term urban residents are well organised politically. They mobilise protest if this serves their interest better than expressing grievances through political institutions. Students, trade unionists, political groups and parties, and middle class public sector workers have often initiated rebellious action in Third World cities, sometimes jointly with urban migrants and squatters.

The trigger effect of IMF policies is likely to be strong in highly urbanised countries. Urbanisation results in many cases from the politics of urban bias—government policies that favour urban constituencies at the expense of rural residents.<sup>41</sup> The Fund's programmes try to reverse these policies and are likely to create opposition from the groups that have been favoured previously.<sup>42</sup> The IMF's standard prescriptions, such as devaluation and the elimination of food subsidies, involve the removal of price distortions created by these policies. The required adjustment measures are politically visible and directly affect the everyday lives of the people living in urban areas. Although urban interests are often diverse, they may become united in a mass opposition against the measures. The more urbanised the country, the larger the share of population adversely affected by economic adjustment.

The type of political regime is also likely to affect the extent of political protest. On the whole, although democratic political systems are considered more legitimate, they experience higher levels of protest than authoritarian systems, because they offer broader possibilities for mobilising resources for collective political action. But rather than being linear, the relationship between regime type and extent of political protest seems to follow an inverted U-curve: protest is most extensive at middle levels of repression or under moderately authoritarian regimes. While democratic regimes offer means to channel demands and discontent through the political system, and severely authoritarian regimes deter protest, moderately authoritarian regimes incite it by offering limited rights of political organisation but no legitimate channels for political action. If and when protests occur, these regimes are likely to respond by force, which increases the severity of protest. Some of the protests are pro-democracy or anti-dictatorship demonstrations or strikes which do not take place under democratic regimes.

The trigger effect of the Fund's programmes is likely to depend on the type of political regime. Authoritarian regimes need to be committed to the implementation of adjustment policies because their legitimacy rests largely on economic success. They have been more prone than democracies to embark on orthodox adjustment policies and to establish collaborative relations with the Fund and the banks.<sup>43</sup> Authoritarian regimes may also be more capable than democracies of containing protests against economic austerity. It can be expected that the trigger effect of the Fund's programmes on protest is strongest when democratic political regimes are in power, and weakest when authoritarian regimes are in power.

Generally, the level of economic development varies inversely with political conflict because people may be expected to be more satisfied and less prone to rebellious action. On the other hand, the social structure in more developed countries is likely to favour associational forms of political organisation with reformist rather than revolutionary demands. This may encourage political protest at the expense of more destructive forms of conflict such as rebellions and coups. However, as economic development and urbanisation are closely correlated, urbanisation is likely to capture much of the variation between economic development and protest. Therefore, controlling for the level of urbanisation, an inverse association is expected between the level of economic development and political protest.

The level of economic development is also thought to affect the impact of IMF programmes on political protest. The poorest countries have few alternative sources of finance: therefore the Fund's resources are relatively more important for them than for richer countries. The Fund's assistance may alleviate economic hardship and foster political stability. Richer countries are generally more urbanised and politically mobilised; their governments have more to fear from mass reactions against adjustment policies.

The conceptual model outlined is presented below in equation (1). The terms in parentheses indicate that the effects on political protest are reflected through relative deprivation (RD) and/or resource mobilisation (RESMOB).<sup>44</sup>

(1) PP = RD (EP + IMF + ETHDOM + AUTHOR + URBAN + ECDEV) + RESMOB (AUTHOR + URBAN + ECDEV + PROHIST + REBEL) + e,

where PP = political protest; RD = relative deprivation; RESMOB = resource mobilisation; EP = economic performance; IMF = IMF economic intervention; ETHDOM = ethnic dominance; AUTHOR = authoritarianism of regime; URBAN = urbanisation; ECDEV = level of economic development; PROHIST = history of political protest; REBEL = rebellion; and e = error term.

The hypothesised associations between the explanatory variables and political protest are illustrated in Table I.

### Analysis

## Descriptive statistics

A matrix of simple correlations is presented in Table II. (The list of variables in

# TABLE I Determinants of Political Protest: hypothesised relationships

Explanatory variable	Association	Study
IMF high-conditionality arrangement	t + Wa Wa de Co	alton & Seddon, 1994; Seddon, 1992; Walton & Ragin, 1990; alton, 1987, 1989; Morrisson <i>et al</i> , 1993; M Bratton & N van Walle, 'Popular protest and political reform in Africa', <i>omparative Politics</i> , 24(4), July 1992; S George, <i>A Fate Worse</i> <i>an Debt.</i> London: Penguin Books: Haggard. 1985: Payer, 1974.
IMF credit/GNP	– Bie	enen & Gersovitz, 1985, 1986.
Economic growth	– T I ma Sca D So C app pp Ar 19	R Gurr, 'Why minorities rebel—a global analysis of communal oblization and conflict since 1945', <i>International Political ience Review</i> , 14(2), 1993, pp 161–201; T Boswell & W Dixon, ependency and rebellion: a cross-national analysis', <i>American ciological Review</i> , 55, August 1990; E N Muller & E Weede, ross-national variation in political violence. A rational action proach', <i>Journal of Conflict Resolution</i> , 34(4), December 1990, 624–651; M Lindenberg, 'World economic cycles and Central nerican political instability', <i>World Politics</i> , XLII(3), April 90, pp 397–421: Gurr & Duvall, 1973.
Inflation	+ Wa Fra and <i>an</i>	alton & Seddon, 1994; Gurr, 1993; Morrison <i>et al.</i> , 1993; R anzosi, 'One hundred years of strike statistics: methodological d theoretical issues in quantitative strike research', <i>Industrial</i> <i>d Labor Relations Review</i> 42(3), April 1989, pp 348–361.
Debt service ratio	+ Wa	alton & Ragin, 1990 <sup>a</sup>
Level of economic development	- E via 63 po 19 + Gu ma nat	Weede, 'Income inequality, average income and domestic blence', <i>Journal of Conflict Resolution</i> , 25(4), 1981, pp 9–654; E Zimmermann, 'Macro-comparative research on litical protest', in Gurr (ed), <i>Handbook of Political Conflict</i> , 80, pp 135–166. urr, 1979; Gurr & Duvall, 1973; L A Hazlewood, 'Concept and easurement stability in the study of conflict behavior within tions', <i>Comparative Political Studies</i> , 6(2), July 1973, pp 1–195.
Urbanisation	+ Wa 19 'In po <i>me</i> <i>Ch</i> L de <i>De</i> W Ur	alton & Seddon, 1994; Bratton & van de Walle, 1992; Seddon, 92; Walton & Ragin, 1990; Walton, 1987, 1989; J Toye, hterest group politics and the implementation of adjustment licies in sub-Saharan Africa', <i>Journal of International Develop-</i> <i>ent</i> 4(2), 1992, pp 183–197; S P Huntington, <i>Political Order in</i> <i>tanging Societies</i> , New Haven, CT: Yale University Press, 1968; Pye, 'The political implications of urbanization and the velopment process', in G Breese (ed), <i>The City in Newly</i> <i>eveloping Countries</i> , Englewood Cliffs, NJ: Prentice Hall, 1963; A Lewis, <i>The Theory of Economic Growth</i> , London: Allen & pwin, 1955.
Authoritarianism (regime type)	± Bo D ine 54 'In 81 T Pe Th	baswell & Dixon, 1990; Muller & Weede, 1990; B London & T Robinson, 'The effect of international dependence on income equality and political violence', <i>American Sociological Review</i> , April 1989, pp 305–308; E N Muller & M A Seligson, nequality and insurgency', <i>American Political Science Review</i> , , 1987, pp 425–451; Gurr & Lichbach, 1986; H D Graham & R Gurr (eds) <i>Violence in America. Historical and Comparative</i> <i>rspectives</i> , New York: Praeger, 1979; C Tilly, L Tilly & R Tilly, the <i>Rebellious Century: 1830–1930</i> , Cambridge, MA: Harvard

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## TABLE I Determinants of Political Protest: hypothesised relationships—continued

Explanatory variable	Association	Study	
	University Political V Wiley, 19 coerciven cross-natio pp 231–2: Aggressio – Gurr, 199 T R Gurr, Inquiry, N	<ul> <li>Press, 1975; Hazlewood, 1973; D A Hibbs, Ma Violence: ACross-National Causal Analysis, New Yor</li> <li>P73; G B Markus &amp; B A Nesvold, 'Government ess and political instability. An exploratory study - onal patterns', Comparative Political Studies 5(2), 197</li> <li>44; Gurr, 1968, 1970; A H Buss, The Psychology n, New York: Wiley, 1961.</li> <li>3; Seddon, 1992; Graham &amp; Gurr, 1979; H Eckstein , Patterns of Authority. A Structural Basis for Politic Sew York: Wiley, 1963.</li> </ul>	uss k: tal of 2, of & cal
Protest tradition	+ Gurr, 199 'World m countries' & Duvall.	3; Gurr & Lichbach, 1986; D P Rapkin & W P Aver narkets and political instability within less develop , <i>Cooperation and Conflict</i> , XXI, 1986, pp 99–117; Gu , 1973; Gurr, 1970.	'y, ed 1rr
Ethnic dominance	+ P Brass, ' State, P B R W Jack African di 1262–127	Ethnic groups and the state', in <i>Ethnic Groups and t</i> rass (ed), Totowa, NJ: Barnes & Noble, 1985, pp 1–5 man, 'The predictability of coup d'etats: a model wi ata', <i>American Political Science Review</i> , 72, 1978, p 5.	<i>he</i> 7; ith pp
Rebellion	+ K Fatehi & on the flow of Busines	& M H Safizadeh, 'The effect of sociopolitical instabili v of different types of foreign direct investment', <i>Journ</i> ss Research, 31, 1994, pp 65–73. <sup>b</sup>	ity I <i>al</i>

*Notes:* + = direct association; - = inverse association;  $\pm =$  inverted U-curve association.

<sup>a</sup>Simple correlation only.

<sup>b</sup>Simple correlation only.

alphabetical order is found in Appendix 4.<sup>45</sup>) A history of IMF intervention (IMFHIST), urbanisation (SQURBAN), inflation (LINFLA), extent of rebellion (LEXR) and the number of previous protests (PROHIST) are all fairly strongly associated with the dependent variable, extent of political protest (LEXPP). The fact that several expected associations are not found in the correlation matrix indicates a need to control for the effect of other variables on the respective associations; in other words, a need for regression analysis.

The conditions under which Fund-supported high-conditionality programmes (CONDFIN) are implemented were studied by one-way analyses of variance. The findings are in accordance with earlier results and expectations.<sup>46</sup> IMF intervention is associated with a high debt service ratio, a low level of economic development, a large number of previous IMF arrangements and with extensive use of IMF credit as a percentage of GNP. However, IMF arrangements are not associated with high inflation rates or low levels of economic growth (LGDPGRO), although the coefficient of LGDPGRO does approach statistical significance. Most importantly, political protest seems to be more extensive in the presence of the Fund's high-conditionality adjustment policies than without.

#### TABLE II Correlation matrix

	AUTHOR	IMFHIST	CONDFIN	LGNPCAP	LGDPGRO	SQDEBT
IMFHIST	-0.1435					
CONDFIN	0.0206	0.3480				
LGNPCAP	-0.4884	0.0776	-0.0780			
LGDPGRO	0.0138	-0.0606	-0.0569	-0.0972		
SQDEBT	-0.1720	0.0907	0.1169	0.1486	0.0160	
LINFLA	-0.1953	0.1507	-0.0156	0.1056	-0.2033	0.1821
SQURBAN	-0.4225	0.2687	0.0628	0.7855	-0.1308	0.2390
LIMFGNP	0.0625	0.3506	0.4631	-0.3857	-0.0385	0.0061
LEXPP	-0.2783	0.3592	0.0809	0.1803	-0.0676	0.1922
LEXR	-0.0895	0.2194	-0.0198	-0.0324	-0.0824	0.0468
LETHDOM	-0.2177	0.1392	-0.0711	0.3196	0.0497	0.0643
PROHIST	-0.2819	0.0563	0.0280	0.0381	0.0873	0.1051
IMF12	0.0784	-0.1804	0.2187	-0.0335	-0.0957	0.1034
IMF35	0.0951	-0.1267	0.3483	-0.1759	0.0050	0.1010
імғ610	0.0938	0.1642	0.3777	-0.1891	0.0364	0.0878
imf1121	-0.1221	0.6696	0.3603	0.1811	-0.0444	0.0736
	LINFLA	SQURBAN	LIMFGNP	LEXPP	LEXR	
SQURBAN	0.2787					
LIMFGNP	0.0024					
	-0.0034	-0.1353				
LEXPP	0.3019	-0.1353 0.3273	- 0.0595			
LEXPP LEXR	- 0.0034 0.3019 0.1730	- 0.1353 0.3273 0.0787	- 0.0595 - 0.0645	0.3358		
LEXPP LEXR LETHDOM	$ \begin{array}{r} -0.0034 \\ 0.3019 \\ 0.1730 \\ -0.0495 \end{array} $	-0.1353 0.3273 0.0787 0.2272	-0.0595 -0.0645 -0.2386	0.3358 0.2658	0.1762	
LEXPP LEXR LETHDOM PROHIST	$ \begin{array}{r} -0.0034 \\ 0.3019 \\ 0.1730 \\ -0.0495 \\ 0.1177 \end{array} $	$\begin{array}{r} -\ 0.1353 \\ 0.3273 \\ 0.0787 \\ 0.2272 \\ 0.1608 \end{array}$	-0.0595 -0.0645 -0.2386 -0.0850	0.3358 0.2658 0.3903	0.1762 0.2216	
LEXPP LEXR LETHDOM PROHIST IMF12	$\begin{array}{c} -0.0034\\ 0.3019\\ 0.1730\\ -0.0495\\ 0.1177\\ -0.0684\end{array}$	$\begin{array}{c} -\ 0.1353 \\ 0.3273 \\ 0.0787 \\ 0.2272 \\ 0.1608 \\ -\ 0.1251 \end{array}$	$\begin{array}{r} - \ 0.0595 \\ - \ 0.0645 \\ - \ 0.2386 \\ - \ 0.0850 \\ - \ 0.0536 \end{array}$	0.3358 0.2658 0.3903 - 0.0325	0.1762 0.2216 0.0195	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35	$\begin{array}{c} -0.0034\\ 0.3019\\ 0.1730\\ -0.0495\\ 0.1177\\ -0.0684\\ -0.0314\end{array}$	$\begin{array}{c} -\ 0.1353\\ 0.3273\\ 0.0787\\ 0.2272\\ 0.1608\\ -\ 0.1251\\ -\ 0.1412\\ \end{array}$	$\begin{array}{r} -\ 0.0595 \\ -\ 0.0645 \\ -\ 0.2386 \\ -\ 0.0850 \\ -\ 0.0536 \\ 0.2641 \end{array}$	0.3358 0.2658 0.3903 - 0.0325 - 0.0993	0.1762 0.2216 0.0195 0.0922	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610	$\begin{array}{c} - 0.0034\\ 0.3019\\ 0.1730\\ - 0.0495\\ 0.1177\\ - 0.0684\\ - 0.0314\\ \mathrm{s0.0146} \end{array}$	$\begin{array}{c} - \ 0.1353 \\ 0.3273 \\ 0.0787 \\ 0.2272 \\ 0.1608 \\ - \ 0.1251 \\ - \ 0.1412 \\ - \ 0.0749 \end{array}$	$\begin{array}{r} - \ 0.0595 \\ - \ 0.0645 \\ - \ 0.2386 \\ - \ 0.0850 \\ - \ 0.0536 \\ 0.2641 \\ 0.3077 \end{array}$	$\begin{array}{c} 0.3358\\ 0.2658\\ 0.3903\\ -\ 0.0325\\ -\ 0.0993\\ -\ 0.0902 \end{array}$	0.1762 0.2216 0.0195 0.0922 0.0704	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610 IMF1121	$\begin{array}{c} - 0.0034\\ 0.3019\\ 0.1730\\ - 0.0495\\ 0.1177\\ - 0.0684\\ - 0.0314\\ \mathrm{s0.0146}\\ 0.0936\end{array}$	$\begin{array}{c} - \ 0.1353 \\ 0.3273 \\ 0.0787 \\ 0.2272 \\ 0.1608 \\ - \ 0.1251 \\ - \ 0.1412 \\ - \ 0.0749 \\ 0.3120 \end{array}$	$\begin{array}{c} - \ 0.0595 \\ - \ 0.0645 \\ - \ 0.2386 \\ - \ 0.0850 \\ - \ 0.0536 \\ 0.2641 \\ 0.3077 \\ 0.1443 \end{array}$	$\begin{array}{c} 0.3358\\ 0.2658\\ 0.3903\\ -\ 0.0325\\ -\ 0.0993\\ -\ 0.0902\\ 0.3039\end{array}$	0.1762 0.2216 0.0195 0.0922 0.0704 0.1623	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610 IMF1121	- 0.0034 0.3019 0.1730 - 0.0495 0.1177 - 0.0684 - 0.0314 s0.0146 0.0936 LETHDOM	- 0.1353 0.3273 0.0787 0.2272 0.1608 - 0.1251 - 0.1412 - 0.0749 0.3120 PROHIST	- 0.0595 - 0.0645 - 0.2386 - 0.0850 - 0.0536 0.2641 0.3077 0.1443 <i>IMF12</i>	0.3358 0.2658 0.3903 - 0.0325 - 0.0993 - 0.0902 0.3039 IMF35	0.1762 0.2216 0.0195 0.0922 0.0704 0.1623 IMF610	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610 IMF1121 PROHIST	- 0.0034 0.3019 0.1730 - 0.0495 0.1177 - 0.0684 - 0.0314 s0.0146 0.0936 <i>LETHDOM</i> 0.1270	- 0.1353 0.3273 0.0787 0.2272 0.1608 - 0.1251 - 0.1412 - 0.0749 0.3120 PROHIST	- 0.0595 - 0.0645 - 0.2386 - 0.0850 - 0.0536 0.2641 0.3077 0.1443 <i>IMF12</i>	0.3358 0.2658 0.3903 - 0.0325 - 0.0993 - 0.0902 0.3039 <i>IMF35</i>	0.1762 0.2216 0.0195 0.0922 0.0704 0.1623 IMF610	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610 IMF1121 PROHIST IMF12	- 0.0034 0.3019 0.1730 - 0.0495 0.1177 - 0.0684 - 0.0314 s0.0146 0.0936 <i>LETHDOM</i> 0.1270 - 0.1309	- 0.1353 0.3273 0.0787 0.2272 0.1608 - 0.1251 - 0.1412 - 0.0749 0.3120 <i>PROHIST</i> - 0.0800	- 0.0595 - 0.0645 - 0.2386 - 0.0850 - 0.0536 0.2641 0.3077 0.1443 <i>IMF12</i>	0.3358 0.2658 0.3903 - 0.0325 - 0.0993 - 0.0902 0.3039 <i>IMF35</i>	0.1762 0.2216 0.0195 0.0922 0.0704 0.1623 IMF610	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610 IMF1121 PROHIST IMF12 IMF35	- 0.0034 0.3019 0.1730 - 0.0495 0.1177 - 0.0684 - 0.0314 s0.0146 0.0936 <i>LETHDOM</i> 0.1270 - 0.1309 - 0.1852	- 0.1353 0.3273 0.0787 0.2272 0.1608 - 0.1251 - 0.1412 - 0.0749 0.3120 <i>PROHIST</i> - 0.0800 - 0.1082	- 0.0595 - 0.0645 - 0.2386 - 0.0850 - 0.0536 0.2641 0.3077 0.1443 <i>IMF12</i> - 0.0984	0.3358 0.2658 0.3903 - 0.0325 - 0.0993 - 0.0902 0.3039 <i>IMF35</i>	0.1762 0.2216 0.0195 0.0922 0.0704 0.1623 IMF610	
LEXPP LEXR LETHDOM PROHIST IMF12 IMF35 IMF610 IMF1121 PROHIST IMF12 IMF35 IMF610	$\begin{array}{c} - 0.0034\\ 0.3019\\ 0.1730\\ - 0.0495\\ 0.1177\\ - 0.0684\\ - 0.0314\\ \text{s}0.0146\\ 0.0936\\ \hline \\ \textit{LETHDOM}\\ 0.1270\\ - 0.1309\\ - 0.1852\\ - 0.0957\\ \end{array}$	- 0.1353 0.3273 0.0787 0.2272 0.1608 - 0.1251 - 0.1412 - 0.0749 0.3120 <i>PROHIST</i> - 0.0800 - 0.1082 - 0.0523	- 0.0595 - 0.0645 - 0.2386 - 0.0850 - 0.0536 0.2641 0.3077 0.1443 <i>IMF12</i> - 0.0984 - 0.1085	0.3358 0.2658 0.3903 - 0.0325 - 0.0993 - 0.0902 0.3039 <i>IMF35</i> - 0.1814	0.1762 0.2216 0.0195 0.0922 0.0704 0.1623 IMF610	

## Basic regression model

The conceptual model outlined above depicts how the impact of the Fund's adjustment policies is conceived to be filtered through relative deprivation and/or resource mobilisation. According to the theories, all the explanatory variables are associated—either directly, inversely or curvilinearly—with political protest. Therefore, when the effects of IMF intervention are studied empirically, the impact of the other explanatory variables needs to be controlled for. Different regression techniques are employed to study the hypothesised relationships in nine annual cross sections in 1981–89. Besides the conventional ordinary least squares (OLS) model, a generalised least squares (GLS) model with a Prais–Winsten transformation is applied to correct for slight first-order positive autocorre-

lation, or autoregression, effects caused by the influence of lagged political protest on current protest. In addition, a Tobit model (ML) is applied to check the assumption that those observations which get the value zero are censored from the sample because some events of political protest fail to be registered by the international media—not because no protests occurred. It turns out that the results from estimating the Tobit models are not remarkably different from the oLs results (see Appendix 1).

Thus far the Fund's intervention has been referred to as the implementation of adjustment policies involving high conditionality. An important, inseparable issue is the impact of IMF finance as such, which can be expected to be positive on both economic performance and political stability. Empirically, this beneficial outcome of the Fund's intervention must be controlled for. Therefore, the IMF's economic intervention is measured by two indicators: a dummy variable, presence or absence of the IMF's high-conditionality arrangements (CONDFIN) and the use of IMF credit as a percentage of GNP (IMFGNP). In the basic models the IMF dummy variable is used to check whether political protest has been more extensive in the presence or in the absence of IMF intervention (equation (2)).

(2) EXPP = GDPGRO + INFLA + DEBT + CONDFIN + IMFGNP + IMFHIST + ETHDOM + AUTHOR + URBAN + GNPCAP + PROHIST + EXR + e,

where EXPP = extent of political protest, GDPGRO = real GDP growth; INFLA = inflation; DEBT = debt service ratio; CONDFIN = dummy for IMF high conditionality adjustment programme; IMFGNP = use of IMF credit as a percentage of GNP; IMFHIST = history of IMF intervention; ETHDOM = ethnic dominance; AUTHOR = authoritarianism of regime; URBAN = urbanisation; GNPCAP = GNP per capita, indicator of the level of economic development; PROHIST = history of political protest; EXR = extent of rebellion; and e = error term.

The oLs regression model is able to account for about 42% of the variation in the dependent variable, extent of political protest (LEXPP, see Table III). In the GLS model, which corrects for autocorrelated disturbances, the  $R^2$  is reduced to 0.36 (36% of variation accounted for), which can still be considered a respectable result in a cross-sectional regression analysis. The regression coefficients of ten variables are statistically significant: IMF funding as a percentage of GNP (LIMFGNP), history of IMF intervention (IMFHIST), rate of inflation (LINFLA), debt service ratio (SQDEBT), gross national product per capita (LGNPCAP), political authoritarianism (AUTHOR—and its squared term AUTHOR<sup>2</sup>), urbanisation (SQURBAN), extent of rebellion (LEXR), protest tradition (PROHIST) and ethnic dominance (LETHDOM). All coefficients have the expected signs.

The disappointing finding is that no association was found between the dummy variable for the IMF's high-conditionality arrangements (CONDFIN) and the extent of political protest (LEXPP). However, the elimination of the history of IMF intervention (IMFHIST) from the OLS equation substantially strengthens the positive association between CONDFIN and protest, the coefficient of CONDFIN becoming statistically significant at the 5% level. This is understandable: when one accounts for the strong positive association between IMFHIST and LEXPP—that

	OLS	GLS
Constant	-13.641***	-13.464***
	(3.010)	(3.594)
LIMFGNP	- 0.591***	- 0.785***
	(0.193)	(0.235)
IMFHIST	0.210***	0.234***
	(0.031)	(0.038)
LGNPCAP	-0.855***	-0.881**
	(0.330)	(0.403)
SQDEBT	0.210**	0.203*
	(0.098)	(0.113)
LINFLA	1.499***	1.500***
	(0.328)	(0.368)
AUTHOR	1.269***	1.237***
	(0.251)	(0.302)
$(AUTHOR)^2$	-0.082***	-0.080***
	(0.015)	(0.016)
SQURBAN	0.559***	0.585***
	(0.161)	(0.199)
LEXR	0.105***	0.071**
	(0.031)	(0.036)
PROHIST	0.800***	0.865***
	(0.115)	(0.144)
LETHDOM	1.387***	1.435***
	(0.322)	(0.400)
Ν	630	560
$\mathbb{R}^2$	0.42	0.36
DW	1.69	2.01

## TABLE III.Regression models for Extent of political protest

*Notes*: OLS = ordinary least squares regression model; GLS = generalized least squares regression model with Prais–Winsten corrective procedure. The number of observations in the GLS model is only 560 because the first year, 1981, has no antecedent for any of the 70 countries. The figures are parameter estimates and their standard errors (in parentheses); \*\*\* = coefficient statistically significant at the 1% level, \*\* = 5% level; \* = 10% level. DW = Durbin–Watson test statistic for serial correlation. See Appendix 4 for a list of variables in alphabetical order.

the Fund's intervention has more impact on protest if a country has already undergone several Fund programmes—the potential net impact of the IMF dummy (CONDFIN) on LEXPP is reduced.

A positive relationship between the history of IMF intervention (IMFHIST) and LEXPP shows that the more Fund-supported adjustment efforts a country has experienced, the more extensive the political protest. A closer examination indicates that Fund programmes seem to be prone to generate political protest not only in countries which have undergone considerable IMF intervention, but

also in countries with little experience of Fund programmes (see Appendix 2). It may be that in the former case, if a country has already borne several IMF arrangements, its people are less willing to tolerate new austerity measures and more likely to oppose them. In the latter case, the shock generated by the austerity measures may have caught people unprepared, and they react spontaneously to an abrupt deterioration of living standards.

Bolivia (1981–87), Brazil (1983, 1986, 1989), Chile (1983–84), Ecuador (1982–87), Haiti (1984), South Korea (1987), Peru (1981–85), and the Philippines (1983–87) all experienced serious unrest in connection with Fund programmes, although the Chilean and, especially, Korean protests were politically rather than economically motivated. The favoured mode of dissent varied: Bolivia had a military coup in 1981 and repeated general strikes; Brazil, Peru and Korea had general strikes and rioting; Ecuador had student riots; Chile's demonstrations, which were staged by several urban groups, often turned into riots as a result of intensive repression; Haiti had food riots; and the Philippines had strikes and demonstrations by certain economic sectors or professional groups. The common denominator for all these countries is that they had both undergone and were still undergoing extensive Fund-supported adjustment efforts to balance their economies.<sup>47</sup>

Of course, citizens' reactions to new economic austerity depend on whether their governments have in the past actually imposed the measures required by the Fund. In Zambia, President Kaunda's administration had concluded a series of standby arrangements with the IMF from the 1970s without demanding belt-tightening from the population. When drastic measures were finally imposed in 1985–86, they triggered food riots in the copper belt. The Central African Republic (1981), Nigeria (1988, 1989) and Jordan (1989) are examples of countries which experienced severe unrest while implementing only their first or second IMF programme.<sup>48</sup> In the Central African Republic, political protests sparked a military coup.

The extent of political protest varies inversely with the use of IMF credit as a percentage of GNP (LIMFGNP). There is thus some ground to argue that the Fund may have helped governments stave off protest by bringing them additional resources to implement the necessary economic reforms. A more stable economic environment brought about by increased credibility of economic policies—as conceived both inside and outside the country—may have contributed to increased political stability. But could not the reverse be possible: perhaps the Fund only finances politically-stable countries and leaves the politically-turbulent countries without credit? The direction of causality between political protest and IMF finance was explored by three techniques: by introducing one-year lagged and lead values of the use of IMF credit (LIMFGNP), by a Granger test on causality and by a two-stage least squares model. All three tests indicate that IMF finance contributes to political stability rather than vice versa.

The relative deprivation story is supported by the direct associations between inflation (LINFLA) and protest, as well as between debt service ratio (SQDEBT) and protest. However, real GDP growth was a redundant variable in the regression model. Despite weak positive simple correlation, in the regression equation the level of economic development (LGNPCAP) and political protest are inversely

associated: the higher the level of economic development, the less extensive the political protest. The level of economic development is closely associated with urbanisation, which is likely to capture much of the direct variation between GNP capita and protest. As expected, there is a strong and direct relationship between urbanisation and political protest. Also the hypothesis on the inverted U-curve association between the type of political regime (AUTHOR) and political protest is supported: the coefficient of AUTHOR has a positive sign, whereas that of the squared term (AUTHOR<sup>2</sup>) has a negative sign. Protest increases up to middle levels of authoritarianism and decreases subsequently (see Figure 2).<sup>49</sup>

Rebellion and political protest seem to occur in conjunction with each other. Since the association between protest and extent of rebellion may be two-directional, a two-stage least squares model was created to correct for a possible simultaneous-equations bias. The results are similar to the oLs regression, except that the coefficient of LGNPCAP is reduced and is now significant only at the 10% level (see Appendix 1). It is possible that the effect of the level of economic development on political protest is partly conveyed through rebellion.

## Interaction model

The trigger effect of IMF intervention was expected to be strengthened by high levels of urbanisation and economic development and where Fund-supported austerity measures are implemented by a democratic political regime. To examine these hypotheses, the IMF dummy variable was subsequently introduced in a multiplicative form.<sup>50</sup> This is illustrated in equation (3), where three interaction terms have been added for this purpose.

(3) EXPP = GDPGRO + INFLA + DEBT + CONDFIN + IMFGNP + IMFHIST + ETHDOM+ AUTHOR + URBAN + GNPCAP + PROHIST + EXR + (CONDFIN\*AUTHOR)+ (CONDFIN\*URBAN) + (CONDFIN\*GNPCAP) + e.

First, the implementation of Fund-supported high-conditionality adjustment programmes has an impact on the inverted U-shape relationship between political authoritarianism (AUTHOR) and protest (Figure 3). From low to middle levels of authoritarianism, the extent of political protest is higher when Fund-supported conditional policies are implemented than when they are not. Subsequently the extent of protest decreases much faster under the Fund's intervention and, at high levels of political authoritarianism, political protest is less extensive in the presence of IMF intervention than without. Severely repressive regimes seem to have succeeded better than democratic regimes in keeping at bay political protest during Fund programmes. This, of course, does not as such guarantee that the economic policies will be successful.

Second, political protest is less related to the level of economic development when Fund-supported programmes are implemented (see Figure 4). As expected, in low levels of economic development, protest is less extensive in the presence of IMF high-conditionality intervention than without, but when GNP per capita exceeds about US\$425, the extent of protest becomes larger when Fund programmes are implemented. As richer countries are generally more urbanised

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FIGURE 2 Political protest and type of political regime.



FIGURE 3 Protest and regime type by IMF intervention.



FIGURE 4 Protest and level of economic development by IMF intervention.



FIGURE 5 Protest and urbanisation by IMF intervention.

and politically mobilised than low-income countries, adjustment policies tend to face stronger resistance from interest-based organisations.

Third, the positive variation found between SQURBAN and LEXPP is reinforced when Fund-supported programmes are implemented (see Figure 5). Political protest varies more strongly with urbanisation during the Fund's economic intervention. The finding supports the argument that Fund-supported programmes are conducive to popular protest because they depress the living standards of both the politically mobilised as well as the poor urban populations, who may unite in large-scale opposition against economic austerity. This important result is unfortunately mitigated by the fact that the regressions were not found to be different between the presence and absence of IMF intervention in the Tobit model.

Fourth, the dummy variable method enabled a comparison of two regressions between IMFGNP and protest, one where the IMF's funding is non-conditional (the dummy variable CONDFIN gets the value zero), the other where it is conditional (CONDFIN = 1).<sup>51</sup> It was expected that perhaps the inverse association would weaken between LIMFGNP and protest in the context of a discontent-inducing standby or an Extended Fund Facility arrangement. However, this did not occur. Neither the differential intercept dummy nor the slope dummy are statistically significant. The degree of conditionality does not seem to affect the inverse association between the amount of IMF finance and political protest.

## Conclusion

The relationship between the IMF's high-conditionality adjustment programmes and political protest was examined with regression analysis on 70 less developed countries in 1981–1989. A conceptual model, constructed on the basis of relative deprivation and resource mobilisation theories, proved a useful tool for the analysis of political protest in the Third World. Although most hypotheses were supported by findings from the regression analyses, the IMF's high-conditionality intervention was not related to protest. However, political protest was found to be more extensive in those countries which had concluded either very few or several standby arrangements or Extended Fund Facilities with the IMF. The use of IMF credit was inversely associated with political protest: the Fund's resources may generally alleviate economic problems and promote political stability.

The protest-inducing impact of the Fund's intervention was only uncovered by introducing interaction dummy variables to the model. The Fund's high-conditionality adjustment programmes may be conducive to generating political protest where there are high levels of urbanisation and economic development, as well as in the presence of a democratic political regime. Manifest popular resistance has often hindered and disrupted the implementation of IMF programmes. It is hoped that the information provided by this study may be useful for the design of politically and socially more feasible adjustment policies, giving these a chance to achieve what they are aimed at: aiding Third World governments to develop their countries.

#### Notes

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- <sup>1</sup> R Swedberg, 'The doctrine of economic neutrality of the IMF and the World Bank', *Journal of Peace Research*, 23(4), 1986, pp 377–390.
- <sup>2</sup> C Payer, *The Debt Trap: The IMF and the Third World*, New York: Monthly Review Press, 1974; R T Libby, 'External cooptation of a less-developed country's policymaking. The case of Ghana 1969–72', *World Politics*, 29(1), 1976, pp 67–89.
- <sup>3</sup> This is the dependency/world systems view. See eg A G Frank, *Crisis: In the Third World*, New York: Holmes & Meier, 1981, p 322.
- <sup>4</sup> S George, A Fate Worse Than Debt, London: Penguin Books, 1988, pp 229-243.
- <sup>5</sup> This is the structuralist critique. See, eg L Taylor, Varieties of Stabilization Experience. Towards Sensible Macroeconomics in the Third World, WIDER Studies in Developing Economics, Oxford: Clarendon Press, 1988; M Kahler, 'Orthodoxy and its alternatives: explaining approaches to stabilization and adjustment', in J M Nelson (ed) Economic Crisis and Policy Choice. The Politics of Adjustment in the Third World, Princeton, NJ: Princeton University Press, 1990.
- <sup>6</sup> For example, G Cornia et al, Adjustment with a Human Face, Oxford: Clarendon Press, 1987.
- <sup>7</sup> B Stallings & R Kaufman (eds), *Debt and Democracy in Latin America*, Boulder, CO: Westview Press, 1989; Nelson, 'Economic crisis and policy choice'.
- <sup>8</sup> Hereafter referred to as 'IMF programmes' or 'Fund programmes' for convenience.
- <sup>9</sup> J-D Lafay & J Lecaillon, *La Dimension Politique de L'Ajustement Economique*, text prepared for the Centre de Développement de l'OCDE, Paris: OECD, September 1992, p 110.
- <sup>10</sup> On Latin America see: J Walton, 'Urban protest and the global political economy: the IMF riots', in M P Smith & J R Feagin (eds), *The Capitalist City*, Oxford: Basil Blackwell, 1987; J Walton, 'Debt, protest, and the state in Latin America', in S Eckstein (ed), *Power and Popular Protest. Latin American Social Movements*, Berkeley, CA: University of California Press, 1989, pp 299–328. On the Middle East and North Africa see: D Seddon, 'Popular protest, austerity and economic liberalisation in the Middle East and North Africa', *Discussion Paper 221*, University of East Anglia, School of Development Studies, 1992. On Africa see: C Morrisson *et al*, 'Political conditions of adjustment in Africa (1980–1990)', paper presented at 'Structural Adjustment and Beyond: International Seminar on Structural Adjustment and Long-Term Development in Sub-Saharan Africa: Research and Policy Issues', The Hague, 1–3 June 1993.
- <sup>11</sup> J Walton & C Ragin, 'Global and national sources of political protest: Third World responsiveness to the debt crisis', *American Sociological Review*, 55(6), December 1990, pp 876–890.
- <sup>12</sup> J Walton & D Seddon, Free Markets and Food Riots. The Politics of Global Adjustment, London: Basil Blackwell, 1994.
- <sup>13</sup> See C Taylor & D A Jodice, *World Handbook on Political and Social Indicators*, New Haven, CT: Yale University Press, 1983.
- <sup>14</sup> Payer, 'The debt trap'.
- <sup>15</sup> S Sidell, *The IMF and Third-World Political Instability. Is there a Connection*? Basingstoke: Macmillan Press, 1988, pp 40, 71.
- <sup>16</sup> S Haggard, 'The politics of adjustment: lessons from the IMF's extended fund facility', *International Organisation*, 39, 1985, pp 505–534.
- <sup>17</sup> H Bienen & M Gersovitz, 'Economic stabilization, conditionality, and political stability', *International Organization*, 39, 1985, pp 730–731, 750–754.
- <sup>18</sup> Seddon, 'Popular Protest', pp 33–34.
- <sup>19</sup> R H Bates, 'Governments and agricultural markets in Africa', in Bates (ed), *Toward a Political Economy* of Development. A Rational Choice Perspective, Berkeley, CA: University of California Press, 1988.
- <sup>20</sup> H Bienen & M Gersovitz, 'Consumer subsidy cuts, violence, and political stability', *Comparative Politics*, 19(1), October 1986, pp 32, 38–39.
- <sup>21</sup> M Lipton, Why Poor People Stay Poor. Urban Bias in World Development, London: Temple Smith, 1977.
- <sup>22</sup> Bienen & Gersovitz, 'Consumer subsidy cuts'.
- <sup>23</sup> See M Gillis & C McLure, Jr, 'The Colombian tax reform of 1974', IBRD Report, April 1974.
- <sup>24</sup> Morrisson *et al*, 'Political conditions of adjustment', p 10.
- <sup>25</sup> Seddon 'Popular protest'; see also Walton, 'Urban protest and the global political economy', 'Debt, protest and the state in Latin America'; Walton & Ragin, 'Global and national sources of political protest'; Walton & Seddon, *Free Markets and Food Riots.*
- <sup>26</sup> J Walton & D Seddon, Free Markets, p 39.
- <sup>27</sup> J Walton, 'Debt, protest and the state', pp 308–309.
- <sup>28</sup> D Seddon, 'Popular protest', pp 39–40.
- <sup>29</sup> J Walton & C Ragin, 'Global and national sources'.
- <sup>30</sup> The International Monetary Fund, 'Fund-supported programs, fiscal policy, and income distribution', Fiscal Affairs Department, *IMF Occasional Paper* 46, Washington DC: IMF, September 1986, p 33, Table 10.

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- <sup>31</sup> J Walton & D Seddon, 'Free markets', p 115.
- <sup>32</sup> Bienen & Gersovitz, 'Economic stabilization'.
- <sup>33</sup> F Stewart, 'Alternative conditionality', in *Development: Seeds of Change*, pp 64, 69.
- <sup>34</sup> A-G M Cunha, 'Africa and the IMF. Toward a New Deal', Africa Report, 30(3), 1985, p 22.
- <sup>35</sup> M Goldstein, 'The global effects of Fund-supported adjustment programs', *IMF Occasional Paper 42*, Washington, DC: IMF, 1986, p 6, Table 4.
- <sup>36</sup> The franc area was analysed separately from other countries because of its different monetary and exchange rate policies, caused by the currency's pegging to the French franc.
- <sup>37</sup> Morrisson *et al*, 'Political Conditions', pp 13–15.
- <sup>38</sup> Among the studies reviewed were: Y Bradshaw & A-M Wahl, 'Foreign debt expansion, the International Monetary Fund, and regional variation in Third World poverty', *International Studies Quarterly*, 35(3), 1991, pp 251–272; C Humphreys & W Jaeger, 'Africa's adjustment and growth', *Finance and Development*, September 1989, pp 46–48; M S Khan & M D Knight, 'Fund-supported adjustment programs and economic growth', *IMF Occasional Paper 41*, Washington, DC: IMF, November 1985, p 24; Morrisson et al, 'Political conditions', p 10; P Mosley et al, Aid and Power. The World Bank and Policy-Based Lending, Vol 1: Analysis and Policy Proposals, London: Routledge, 1991, pp 212–214, Tables 7.1–7.3; Taylor, 'Varieties of stabilization experience', pp 142–145; V Thomas & A Chhibber, 'Experience with policy reforms under adjustment. How well have adjustment programs been working?', *Finance and Development*, September 1989, pp 7–8; J B Zulu & S M Nsouli, 'Adjustment programs in Africa. The recent experience', *MF Occasional Paper 34*, Washington, DC: IMF, April 1985, pp 13–14. Although Humphreys & Jaeger and Thomas & Chhibber address countries with major policy reforms and not specifically those with IMF programmes, the countries are to a large extent the same.
- <sup>39</sup> Bienen & Gersovitz, 'Economic stabilization', 'Consumer subsidy cuts'; see also Sidell, 'The IMF and Third-World political instability'.
- <sup>40</sup> On relative deprivation theory see, eg T R Gurr, *Why Men Rebel*, Princeton: Princeton University Press, 1970; T R Gurr, 'Political protest and rebellion in the 1960s: the United States in world perspective', in H D Graham & T R Gurr (eds), *Violence in America: Historical and Comparative Perspectives*, Beverly Hills, CA: Sage, 1979; T R Gurr & R Duvall, 'Civil conflict in the 1960s: a reciprocal theoretical system with parameter estimates', *Comparative Political Studies*, 6, 1973, pp 135–170; T R Gurr & M I Lichbach, 'Forecasting internal conflict. A competitive evaluation of empirical theories', *Comparative Political Studies*, 19(1), April 1986, pp 3–38; E N Muller *et al*, 'Discontent and the expected utility of rebellion: the case of Peru', *American Political Science Review*, 85(4), December 1991, pp 1261–1282. On resource mobilisation theory see C Tilly, *From Mobilization to Revolution*, New York: Random House, 1978; J C Jenkins, 'Resource mobilization theory and the study of social movements', *Annual Review of Sociology*, 9, 1983, pp 527–553.
- <sup>41</sup> Lipton, Why Poor People Stay Poor?; R H Bates, Markets and States in Tropical Africa. The Political Basis of Agricultural Policies, Berkeley, CA: University of California Press, 1984.
- <sup>42</sup> J Walton & D Seddon, 'Free markets'; M S Kimenyi & J M Mbaku, 'Rent-seeking and institutional stability in developing countries', *Public Choice*, 77(2), 1993, pp 385–405.
- <sup>43</sup> R Kaufman & B Stallings, 'Debt and democracy in the 1980s: the Latin American experience', in Stallings & Kaufman, *Debt and Democracy*, p 211, Table 12.1; Nelson, 'Economic crisis and policy choice', pp 334–335.
- <sup>44</sup> The equation written out would read  $(RD^*EP) + (RD^*IMF)... + (RESMOB^*REBEL).$
- <sup>45</sup> The variables were transformed by a Box–Cox method to reduce the probability of heteroskedasticity, or non-uniform variance of the error term.
- <sup>46</sup> For example, Goldstein, 'The global effects'.
- <sup>47</sup> During the political conflicts, Bolivia was implementing its 13th and 14th arrangements, Brazil its 10–11th, Chile (1983–84) its 13th, Ecuador its 9–12th, Haiti its 20th, Korea its 16th, Peru its 16–17th, and the Philippines its 16–18th.
- <sup>48</sup> The CAR was implementing its second, Nigeria its first and second, and Jordan its first Fund programme.
- <sup>49</sup> In the figure, the function follows the fitted values from the regression between LEXPP and AUTHOR, all other variables held constant.
- <sup>50</sup> The results are presented in Appendix 1. On regression analysis with intercept and interaction dummy variables see D Gujarati, *Basic Econometrics*, Singapore: McGraw-Hill International Editions, 1988, pp 446–448; and E A Hanushek & J E Jackson, *Statistical Methods for Social Scientists*, San Diego, CA: Academic Press, 1977, pp 101–108.
- <sup>51</sup> The analysis was applied taking into account only those cases where LIMFGNP was positive, ie the years during which the countries made use of the Fund's resources.

Explana'ory variables	$R^2$	Constant	Interaction dummy	CONDFIN	LIMFGNP	IMFHIST	LGNPC AP	LINFLA	SQDEBT	AUTHOR	AUTHOR <sup>2</sup>	SQURBAN	LEXR	PROHIST	TETHDOM
Model															·
STO	0.42	$-13.641^{***}$			$-0.59I^{***}$	$0.210^{***}$	$-0.855^{***}$	1.499***	0.210**	$I.269^{***}$	$-0.082^{***}$	0.559***	$0.105^{***}$	0.780***	1.387***
		(3.010)			(0.193)	(0.031)	(0.330)	(0.328)	(0.098)	(0.251)	(0.015)	(0.161)	(0.031)	(0.115)	(0.322)
2SLS:															
- LEXR	0.41	- 13.425***			$-0.443^{**}$	$0.183^{***}$	-0.592	1.336***	0.215**	1.141***	$-0.074^{***}$	0.494***	$0.240^{***}$	0.739***	1.176***
		(3.058)			(0.212)	(0.035)	(0.365)	(0.345)	(0.099)	(0.264)	(0.016)	(0.168)	(0.081)	(0.122)	(0.347)
- LIMFGNP	0.42	$-12.790^{***}$			$-0.714^{***}$	0.217***	$-0.948^{***}$	1.478***	0.211**	1.273***	$-0.083^{***}$	0.582***	0.102***	0.788***	1.354***
		(3.060)			(0.209)	(0.032)	(0.335)	(0.328)	(0.098)	(0.251)	(0.015)	(0.162)	(0.031)	(0.116)	(0.323)
STD	0.36	- 13.464***			$-0.785^{***}$	0.234***	$-0.881^{**}$	1.500***	0.203*	1.237***	$-0.080^{***}$	0.585***	0.071**	0.865***	1.435***
		(3.594)			(0.235)	(0.038)	(0.403)	(0.368)	(0.113)	(0.302)	(0.018)	(0.199)	(0.036)	(0.144)	(0.400)
Tobit –	920.67	- 31.791***			$-1.649^{***}$	$0.417^{***}$	$-3.264^{***}$	$I.800^{**}$	0.562**	4.176***	$-0.279^{***}$	$1.896^{***}$	$0.224^{***}$	$I.308^{***}$	3.416***
		(8.182)			(0.537)	(0.079)	(0.994)	(0.739)	(0.269)	(0.733)	(0.044)	(0.483)	(0.078)	(0.257)	(0.929)
Interaction eff	ects (OLS)														
- AUTHOR	0.43	$-13.703^{***}$	-0.222***	2.291***	$-0.644^{***}$	$0.208^{***}$	$-0.879^{***}$	1.434***	0.192**	1.361***	$-0.082^{***}$	0.566***	$0.106^{***}$	0.787***	1.312***
		(2.998)	(0.085)	(0.851)	(0.206)	(0.032)	(0.329)	(0.329)	(0.098)	(0.253)	(0.015)	(0.161)	(0.031)	(0.115)	(0.322)
- LGNFCAP	0.43	$-10.260^{***}$	$0.786^{**}$	-4.755**	$-0.700^{***}$	$0.198^{***}$	$-1.278^{***}$	1.434***	0.192**	1.235***	$-0.080^{***}$	$0.594^{***}$	$0.103^{***}$	0.772***	1.341***
		(3.295)	(0.322)	(2.076)	(0.207)	(0.032)	(0.370)	(0.329)	(0.098)	(0.251)	(0.015)	(0.162)	(0.031)	(0.116)	(0.322)
- SQUEBAN	0.43	- 11.382***	0.465***	$-2.472^{**}$	$-0.689^{***}$	0.196***	$-0.924^{***}$	1.451***	0.190*	1.248***	$-0.08I^{***}$	0.395**	$0.113^{***}$	0.770***	1.295***
		(3.109)	(0.174)	(1.071)	(0.206)	(0.032)	(0.329)	(0.328)	(0.098)	(0.250)	(0.015)	(0.172)	(0.031)	(0.116)	(0.323)

significant interactions found between the tork high-conditionality dummy (CONDER) and other explanatory variables (eg AUTHOR), where the 'CONDER' column represents the differential intercept dummy, and the 'Interaction dummy'

column indicates the differential slope dummy; \*\*\* = coefficient significant at the 1% level; \*\* = 5% level; \* = 10% level.

Appendix 1. Regression analysis: final equations for extent of political protest

# Appendix 2. Extent of political protest and history of IMF intervention in four dummy variables

For a more detailed examination on the relationship between IMFHIST and protest, IMFHIST was split into four dummy variables, which were coded as follows: (1) one if either the first or the second IMF arrangement was being implemented, and zero otherwise; (2) one if the arrangement implemented was third to fifth in a country, and zero otherwise; (3) one if the arrangement was sixth to tenth in a country, and zero otherwise; and, finally, (4) one if the arrangement implemented was 11th or above that figure, and zero otherwise. (The maximum was scored by Haiti, which concluded its 21st agreement with the Fund in 1989!) These intercept dummy variables were then introduced in the model in place of IMFHIST to check whether their respective coefficients were statistically different from zero—as compared with the base category 'no IMF economic intervention'. The coefficients of the first and the last dummy variable are statistically significant, indicating that the extent of political protest was greater than in the base category when the countries were implementing their first or second IMF programme and when the programme was 11th or above in sequence.

Variable	Regression	Standard	t	beta
	coeficient	deviation		
AUTHOR	1.292481	0.258536	4.999	0.937
AUTHOR <sup>2</sup>	-0.084627	0.015194	-5.570	- 1.049
LGNPCAP	0.991603	0.337907	-2.935	-0.195
SQDEBT	0.223610	0.102273	2.186	0.073
LINFLA	1.626850	0.333896	4.872	0.167
SOURBAN	0.670120	0.165697	4.044	0.243
LIMFGNP	-0.271082	0.204966	-1.323	-0.056
LEXR	0.128167	0.031173	4.111	0.140
LETHDOM	1.590725	0.332299	4.787	0.169
PROHIST	0.760159	0.118031	6.440	0.224
IMF12	1.355024	0.662689	2.045	0.067
IME35	0.060792	0.493899	0.123	0.005
IMF610	0.078988	0.466832	0.169	0.006
IMF1121	2.064285	0.491360	4.201	0.156
Constant	-14.56738	3.079752	-4.730	01100

#### Linear regression analysis (OLS): Regressand LEXPP

Variance of regressand LEXPP = 21.45043314, df = 629; Residual variance = 13.12803736, df = 615; R = 0.6337, R<sup>2</sup> = 0.4016, N = 630.

*Notes*: IMF12 = 1, if first or second IMF arrangement in force, and 0 otherwise; IMF35 = 1, if third to fifth IMF arrangement, 0 otherwise; IMF610 = 1, if sixth to tenth IMF arrangement, 0 otherwise; and IMF1121 = 1, if 11-21 IMF arrangement, 0 otherwise.

## Appendix 3. List of indicators and sources

*Extent of political protest* (LEXPP): Natural logarithm of the length and amount of conflicting parties' participation in political protests. EXPP = ( $\Sigma$  [NPRO × NOFPART × DURA]/POPUL) × 100, where NPRO = aggregate number of protests; NOFPART = estimate of the number of participants; DURA = duration of protest; and POPUL = population. Source: News reports in the *New York Times* in 1981–89.

*IMF high-conditionality intervention* (CONDFIN): Presence or absence of stand-by or Extended Fund Facility arrangement. If an arrangement was present, it is coded 1, and 0 otherwise. Sources: *The IMF Annual Report* 1980–1990 (successive years); *The IMF Survey* 1989–90.

*Historical degree of IMF intervention* (IMFHIST): The number of stand-by arrangements, External Fund Facilities, Structural Adjustment Facilities, or Enhanced Structural Adjustment Facilities between the country and the Fund up to the year under observation. Sources: *The IMF Annual Report* 1980–1990 (successive years); *The IMF Survey* 1989–90.

Use of IMF credit as a percentage of GNP (LIMFGNP): Natural logarithm of the use of IMF resources except those resulting from drawings in the reserve tranche. LIMFGNP should be inversely related to political protest, especially as it includes also the drawings made from the low-conditionality facilities, Trust Fund loans, the Structural Adjustment Facility, and the Enhanced Structural Adjustment Facility, the use of which does not

require governments to undertake unpopular measures conducive to provoking protest. Source: World Bank, *World Debt Tables* 1989–1991 (successive years).

*External debt service/exports (Debt service ratio)* (SQDEBT): Square root of annual interest and amortisation payments on total external debt as percentage of export receipts (goods & services). Sources: World Bank, *World Debt Tables* 1989–90 and 1991–92.

*Inflation* (LINFLA): Natural logarithm of change in consumer prices as an annual average in percentage. Source: The Economist Intelligent Unit, *World Outlook* 1987 and 1991.

*Real GDP growth* (annual dataset, LGDPGRO): Natural logarithm of change in gross domestic product over 12-month period in percentage in real terms. Source: World Bank, *World Tables* 1992.

Level of economic development (LGNPCAP): Natural logarithm of gross national product per capita. Source: World Bank, World Atlas 1983–90 (successive years); World Bank, World Tables 1992.

*Ethnic dominance* (LETHDOM): Natural logarithm of the size of largest ethnic group of the total population. Source: *PC Globe*.

*Extent of rebellion* (LEXR): Natural logarithm of the length and amount of the conflicting parties' participation in rebellion events (armed attacks and assassinations). Source: *The New York Times*.

*History of previous protest* (PROHIST): Natural logarithm of the number of previous protests. Source: Banks (1979), World Bank Database.

*Type of political regime* (AUTHOR): 'Freedom rating'. A regime is considered democratic if incumbent governments must win and retain power through competitive elections, tolerate opposition challenges to their incumbency, and respect civil liberties. 'Freedom rating' measures political rights and civil liberties on a scale 2–14, with large scores signifying a high degree of political authoritarianism. Source: Gastil, *Freedom in the World* 1981–89 (successive years).

*Urbanisation* (SQURBAN): Square root of urban population as a percentage of the total population. Sources: United Nations, *Demographic Yearbook* 1991; World Bank, *World Tables* 1992.

### Appendix 4. List of indicators in alphabetical order

AUTHOR	Authoritarianism of regime
CONDFIN	Dummy variable for IMF high-conditionality arrangement
IMFHIST	Historical degree of IMF intervention
LETHDOM	In ethnic dominance
LEXPP	In extent of political protest
LEXR	In extent of rebellion
LGNPCAP	In gross national product per capita
LIMFGNP	In use of IMF credit as a percentage of GNP
LINFLA	In annual percentage change in consumer prices
PROHIST	In history of political protest
SQDEBT	sqrt external debt service/exports
SQURBAN	sqrt urbanisation