

Bilateral or Multilateral?

International Financial Flows and the Dirty-Work Hypothesis¹

(SHORT TITLE: The Dirty-Work Hypothesis)

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Abstract: How do governments choose between bilateral and multilateral foreign policy? We argue that powerful governments can exploit their influence over multilateral organizations to hide domestically contentious foreign policies. Applying this argument to international financial flows, we formulate hypotheses on the choice between bilateral and multilateral financing for political purposes. We test them by examining how the United States incentivizes support for decisions on United Nations Security Council resolutions. Introducing a new dataset on 2,530 Security Council decisions between 1946 and 2015, the results show that temporary Security Council members receive more bilateral and multilateral financing only when they support the positions of the United States. The United States uses bilateral aid to incentivize the support of allies and uses its power over the World Bank and the International Monetary Fund to channel multilateral finance to less friendly countries.

Keywords: Bilateral Aid, Multilateral Aid, UN Security Council, IMF, World Bank

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¹ Replication files are available in the JOP Data Archive on Dataverse (<http://thedata.harvard.edu/dvn/dv/jop>). The empirical analysis has been successfully replicated by the JOP replication analyst.

How do governments choose between bilateral and multilateral foreign policy? Powerful governments use bilateral financial flows to exert influence over other states (Werker 2012; Reinsberg 2019), yet they also influence multilateral finance for the same purpose (Schneider and Tobin 2013, 2016; Kersting and Kilby 2016). We contend that, to induce cooperation, governments choose to rely more on bilateral channels, which are easily observed by the public, when the target country is friendly. For politically distant countries, however, there is greater risk that domestic opponents could politicize the executive's foreign policy, mobilizing negative public opinion. To reduce this risk, the government is more likely to rely instead on multilateral channels. Decision-making in multilateral organizations is less legible and more difficult to trace than is national decision-making, and domestic opponents are less able to attribute a specific multilateral policy to the political intervention of its government. Given that the responsibility is more difficult to discern, it is harder for the political opposition to mobilize against multilateral assistance. By relying on multilateral channels, the government can implement its preferred foreign policy while reducing the risk of domestic political costs.

Multilateral organizations can do the “dirty work” of their most powerful members (Vaubel 1986, 48) and help “launder” unpopular policies (Abbott and Snidal 1998, 18). Governments that have influence over multilateral organizations may exploit them to pursue policies vis-à-vis other states without drawing on bilateral channels (Schneider and Tobin 2013; Vreeland and Dreher 2014; Kersting and Kilby 2018). As long as governments use such informal influence only in exceptional cases, the institutions can maintain their reputation as being more neutral than bilateral agencies (Stone 2011).

We test this argument in a novel empirical setting. We examine how voting behavior in the United Nations Security Council (UNSC) is linked to the allocation of bilateral aid flows and financing from multilateral institutions. Going beyond the well-established finding that temporary UNSC *members* receive more such financial flows (Kuziemko and Werker 2006; Dreher, Sturm, and Vreeland 2009; Vreeland and Dreher 2014), we test whether our argument can explain links between *voting behavior* in the UNSC and the allocation of bilateral and multilateral financial flows.

Our original dataset – collected at the UN Library in Geneva from UN webpages and verbatim minutes of UNSC meetings – covers the universe of votes in the Security Council cast by all member states in the 1946-2015 period. We record a total of 36,550 individual votes on 2,530 proposed resolutions. The data include all available Security Council proposals – those that have passed (resolutions) and those that have failed (vetoed resolutions and failed majorities). Along with each member state’s vote, we code resolution-specific information, such as the policy area and the amount of media attention the resolution generated.

Our analysis yields support for the “dirty-work” hypothesis. First, we find that temporary members of the UNSC that vote with the United States receive both more bilateral aid from the United States and larger loans from the IMF and the World Bank than other countries. Member countries that vote against the United States in the Security Council do not receive such perks. Second, we find that the United States uses bilateral aid to influence the Security Council votes of its allies, where aid-giving is unlikely to mobilize opposition. Conversely, it uses multilateral flows, where responsibility for the policy is less clear, to influence the votes of countries that are politically distant.

Bilateral and Multilateral Aid

Scholars have long argued that bilateral aid is not only used for promoting development, but also serves the foreign policy goals of donor governments. Donors give more aid to countries that are politically closer or geopolitically more important to them (Alesina and Dollar 2000). For instance, the US gives more aid to countries when they are members of the UNSC (Kuziemko and Werker 2006; Reynolds and Winters 2016).

Powerful governments also use their influence over multilateral organizations like the IMF and the World Bank to favor countries they consider strategically important (Copelovitch 2010; Stone 2011; Kilby 2013b; Vreeland and Dreher 2014). Such countries receive more financing at better terms and other favorable treatments (Stone 2008). Similar patterns are observable in the European Union (Schneider and Tobin 2013; Asatryan and Havlik 2020) and in regional development banks (Kilby 2011; Lim and Vreeland 2013).

If governments use both bilateral and multilateral aid for political purposes, what determines the choice between them? Multilateral lending increases efficiency, makes use of organizational expertise and shares the finance burden at the cost of losing control over how exactly the money is spent (Milner and Tingley 2013; Schneider and Tobin 2016; Reinsberg, Michaelowa, and Knack 2017). Bilateral aid, in contrast, gives donors more control and is perhaps better suited as a tool of strategic foreign policy. Our argument offers an additional answer to this question and reconciles the view that multilateral aid is less political than bilateral aid, on average, with the observation that some multilateral aid is, indeed, highly political.

The Dirty-Work Hypothesis

We expect governments to cooperate and exchange favors with other governments when the expected benefits exceed expected costs. Expected benefits include, but are not limited to, improved national security, economic gains, legitimacy, or political support resulting from cooperative behavior of the targeted government. Expected costs include, of course, the price paid in terms of financial transfers, but also the potential mobilization of domestic opposition for granting such favors. If the government follows a questionable foreign policy, rival political elites (e.g., opposition parties, opposition movements, or competitors inside the ruling party) can offer cues to the domestic audience that mobilize opposition to the government (Aldrich et al. 2006; Berinsky 2007). Accordingly, a growing empirical literature on foreign aid policy finds that public opinion affects aid policy decisions of democratic donors, particularly when public attention is high (Eisensee and Strömberg 2007; Abbott and Jones 2021).

Rival domestic elites may have more success in politicizing financial favors if the recipient is a politically distant country. Both audience cost theory and experimental evidence suggest that domestic audiences punish their governments for inconsistency in foreign policy and for a lack of responsiveness to their preferred foreign policies (Fearon 1994; Tomz 2007; Trager and Vavreck 2011; Chaudoin 2014; Reinsberg 2015). The strategic allocation of bilateral aid to politically distant countries is, thus, doubly dangerous for the government. First, it is not responsive to voter preferences (Milner 2006); a recent poll

among US voters finds that “aid for strategic purposes is the type of assistance that Americans support the least” (Kull 2017, 5). Second, allocating aid to politically distant countries is inconsistent with standard aid policy. Aid allocation is closely linked to political proximity (Alesina and Dollar 2000; Nielsen 2013), and deviation from this pattern can provide a convenient focal point for mobilizing opposition to the government.

Why might the executive be interested in disbursements to non-allies that its domestic public would not approve of? Milner and Tingley (2013) show that the politics of aid is largely a matter of ideology (conservatives dislike delegation, for instance), and ideological variation across groups may lead to domestic political opposition to aid policy. Alternatively, the public may broadly agree with the foreign policy that the leader seeks to pursue, but not approve of the means by which the leader garners international support for it: the incentivization of political support from an otherwise unfriendly country. Obfuscating the deal with the unfriendly country enables the leader to achieve the foreign policy goal while ducking the domestic costs of appearing to pay favor to a potential enemy government.

Multilateral organizations provide a convenient means of obfuscation. Unlike with bilateral aid, where responsibility is obvious, it is harder to mobilize opposition against multilateral assistance because there is less clarity of attribution. Rather than abandoning the effort to grant a favor to a politically distant country, powerful donor governments can turn to multilateral agencies, exerting hidden, informal influence. George Ingram, a former senior staff member of the US House Committee on Foreign Affairs recounts: “Typically, when the U.S. wants to support a country that is ruled by a corrupt, uncooperative, or autocratic government, U.S. assistance goes through private channels [...] or multilateral organizations” (Ingram 2019). The key benefit of using multilateral agencies in this context is that their decision-making is difficult to observe for the domestic audience. Partly because of nontransparent governance (Stasavage 2004) and a “culture of secrecy” (Grigorescu 2013) and partly due to voters’ “rational ignorance” (Vaubel 1986), voters know little about the functioning of multilateral organizations. Internal decision-making processes are less observable from the outside. If political opponents were to attack the government for influencing the multilateral organization, the

leader could easily hide her role and blame the organization's administration or other member states.

Still, there are good reasons to avoid overreliance on the multilateral channel. First, the United States shares power with other states over multilateral organizations (Copelovitch 2010), so principal-agent costs are higher than with bilateral channels (Milner and Tingley 2013; Schneider and Tobin 2016; Reinsberg, Michaelowa, and Knack 2017). Second, overuse damages the organization's reputation for independence, obviating its ability to obfuscate in the first place (Stone 2008). These potential costs mean that the expected utility of using the multilateral organization exceeds the expected utility of bilateral aid only when the latter is sufficiently costly, such as when the target of assistance is a politically distant country.

While we focus on the donor's perspective, a similar logic applies to recipient governments. A government that routinely supports the donor's foreign policy in other settings and also receives its aid need not fear domestic political backlash for additional favors. But a government known to oppose the donor would look suspicious for suddenly receiving bilateral aid while supporting the donor's preferred policies. (See Appendix M for corollary data in support of this view.) Both donor and recipient have reason to hide the trade of finance for political support. The circuitous path through a multilateral forum, typically viewed as more insulated from international politics, offers both parties a convenient way to launder the deal. We hope that future research will explore the dirty work hypothesis from this perspective.

Application: US aid, Bretton Woods, and the Security Council

Whenever states exchange favors – in trade, finance, development or security policy – they might prefer multilateral avenues to obfuscate unsavory arrangements, and bilateral channels otherwise. Our empirical tests examine official financial flows – where data are readily available and comparable across time and space.

We focus on the United States. Since the end of World War II, the United States has had the largest official development assistance (ODA) budget and covered the most recipient countries over time. This scale and coverage allow us to observe a large number of bilateral favors. Furthermore, the United States has the

most influence over the multilateral organizations with the largest budgets.²

For the multilateral channels, we focus on the financial flows provided by the two largest international financial institutions, the IMF and the World Bank. Like US bilateral flows, IMF and World Bank money has been flowing in large quantities to many countries since the end of World War II. Both the IMF and the World Bank formally require simple majorities for their lending decisions, so that no individual country can veto them. The US government, however, enjoys a privileged position in both of these institutions. Formally, it has the largest vote share on their executive boards. Beyond this formal power, the US government also has a degree of informal influence (Stone 2008; Kilby 2013a). The boards typically operate according to a consensus rule, and management has agenda-setting power. Management, in turn, is subject to pressure from the US government, both because proposals are pre-emptively shaped to avoid US opposition and because representatives of the US government are actively involved in important IMF and World Bank discussions, not least since the institutions' headquarters are located in the US capital (Stone 2008; Clark and Dolan 2021).

We focus on US efforts to channel financial flows to governments in exchange for support for key foreign policy decisions. Specifically, we examine US influence over voting behavior at the UNSC, for which several examples are informative. For instance, the United States used the World Bank to incentivize China's support for the legal authorization of the use of force against Iraq in Kuwait (Res. 678), prior to the Gulf War. According to House Representative Henry B. Gonzalez, "[i]mmediately after the November 29 [1990] vote in the UN authorizing force, the administration unblocked a \$140 million loan for the World Bank to China"

² We do not mean to pretend that the United States is the only country with a say at the IMF and World Bank. To the contrary, Copelovitch (2010) shows that other countries, including Japan, Germany, France, and the United Kingdom also carry heavy influence. We hope that future research considers UNSC voting behavior and these countries, just like the first study of aid and UNSC membership, which had a US focus (Kuziemko and Werker 2006), was followed by studies of Japan (Lim and Vreeland 2013) and China (Dreher et al. 2018).

(Congressional Record, January 16, 1991: H520 cited in Khan, 1994). Vreeland and Dreher (2014, ch. 3) offer similar examples from the Cold War period, the run up to the 2003 invasion of Iraq, and the 2011 Libya no-fly-zone. More recently, President Donald Trump threatened to cut aid to countries that vote against the United States after UNSC members voted in favor of a resolution that criticized his government's recognition of Jerusalem as the capital of Israel (Beaumont 2017). Data analyses have found increases in financial flows to countries that become UNSC members (e.g., Kuziemko and Werker 2006; Bueno de Mesquita and Smith 2010; Hug and Lukács 2014; Vreeland and Dreher 2014; Reynolds and Winters 2016); but scholars have not previously examined UNSC voting behavior.

The United States has good reason to care about voting behavior in the UNSC. The UNSC makes binding resolutions to investigate international disputes, impose sanctions and embargoes, and authorize the use of armed force. The United States is one of five permanent members with veto power and has more influence than the ten temporary members that are elected for two-year terms. For a resolution to pass, however, nine affirmative votes are required – so the votes of the elected members matter. UNSC resolutions, in turn, matter for international legitimacy (Hurd 2007), and the US government has an interest in acting in concert with Security Council decisions. UNSC resolutions have characteristics of an “elite pact [...] that provides a green light for states to cooperate” (Voeten 2005, 529) and the temporary members give voice to the “rest of the world” on matters of international security (Hurd 2007). Scholars also argue that resolutions further play a signaling role in domestic politics (Fang 2008). Empirically, US Presidents enjoy more public support for actions endorsed by the UNSC (Chapman and Reiter 2004; Chapman 2011). In the absence of UNSC approval, domestic public support for foreign policies is more difficult to achieve and US Congress is more recalcitrant (Voeten 2001). Importantly, UNSC resolutions are most valuable for the US government when they pass unanimously. Such resolutions increase US public support for the use of force by 6-10 percentage points (Mikulaschek 2019). There is a premium for unanimous votes, and every vote matters.

We hypothesize, therefore, that the United States channels both bilateral and multilateral finance to governments in exchange for their support of the US position in decisions on UN Security Council resolutions. Our “dirty-work” hypothesis predicts that the United States uses bilateral aid to states viewed as friendly and engineers multilateral aid to states viewed less so.

Examples of bilateral and multilateral assistance to Security Council members

Before turning to data analysis, consider some historical examples that demonstrate the dirty-work logic, where friends of the United States tend to see an uptick in US aid when they vote with the United States on UNSC resolutions; less friendly states see, instead, an increase in multilateral assistance. Examples of relatively “friendly” countries include Paraguay (1968-69), Tanzania (1975-76), and Jordan (2014-15). “Less friendly” examples include Bangladesh (1978-79), Ecuador (1991-92), and Guinea (2002-03).

Paraguay, a regular aid recipient and staunch Cold War ally (Mora and Cooney 2007, 160–87), saw US aid nearly double in 1968 when it joined the UNSC. Increased aid arguably shored up support for US foreign policy: Paraguay opposed Brazil, supporting the US position on Res. 255 regarding the nonproliferation of nuclear weapons. It voted with the United States to impose sanctions on the brutal white-minority-ruled regime in Southern Rhodesia (Res. 253), though the dictatorship of President Alfredo Stroessner used similar tactics in establishing his own rule (Sacks 1988, 43–44). Paraguay also joined the United States in abstention on Res. 265 condemning Israel’s attacks on Jordanian villages.

Under President Julius Nyerere, a major figure in the non-aligned movement, Tanzania voted at surprisingly friendly levels with the United States at the United Nations General Assembly (UNGA). In contrast to our friendly-country hypothesis, previous studies suggest that Tanzania received soft treatment by the IMF when Tanzania was on the UNSC (Stein 1992, 63; Kiondo 1992; Vreeland 2003, 25–33; Vreeland and Dreher 2014, 90–91). The IMF, however, has publicly protested this claim (see “Security Council Seat Tied to Aid,” *Washington Post*, November 1, 2006). Indeed, the size of the loan was small – only about \$10 million – and Tanzania received no money from the World Bank. Instead, the country saw a massive increase

in US aid when it joined the UNSC – from \$38 million to \$116 million – consistent with our expectations. Tanzania voted for all US-supported resolutions, including the resolution on the Yom Kippur War ceasefire.

Similarly, Jordan received both US aid as well as IMF and World Bank money in many years. Yet, only US aid dramatically increased when the country took its UNSC seat, more than doubling in 2014, while lending from the IMF and World Bank remained flat. The Obama administration did not hide its support of the King Abdullah II regime, offering increased aid to deal with refugee crisis spilling over from the civil war in neighboring Syria (on US-Jordan relations, see Schwedler 2002, chapter 9; Jamal 2013). Notably, Jordan concurred with the United States on resolutions of key importance to the Obama administration regarding the situation in Libya (Res. 2144, 2146, and 2174).

Turning to examples of less friendly UNSC members, Bangladesh tended to vote with the United States at the UNGA under President Ziaur Rahman who came to power in 1977, but Rahman also sought closer ties to Muslim countries (Murshid 1997, 14–20). In 1979, Bangladesh began voting at a higher rate against US positions at the UNGA. Increasing aid here would have stood out in the annual report on UNGA voting to Congress, and, instead, US bilateral aid dropped in 1979. Consistent with the dirty-work argument, it was multilateral assistance that increased: IMF loan commitments went from zero to \$85 million in 1979 and up to \$400 million in 1980. World Bank money jumped from \$156 million in 1978 to \$180 million in 1979 and further to \$417 million in 1980. Bangladesh's UNSC votes, for instance, supported the US position on peacekeeping in Cyprus, and on Res. 457 in December 1979, calling upon Iran to release the US hostages.

Another example is Ecuador, whose President Rodrigo Borja reversed many of his country's traditional pro-US policies when he won election in 1988 (Neagle 1988). Then, Ecuador served on the UNSC in 1991-1992, when the Bush I Administration was pursuing a vigorous agenda regarding the Gulf War. The US sought to continue the sanctions on Iraq and strengthen weapons inspections (Johns 2007; Bolton 2008), and was also anxious to keep the UNSC from investigating possible war crimes during its campaign in Kuwait (Pilger 1992, 181–82). Despite Borja's anti-US stance, Ecuador merely abstained on two resolutions pertaining

to Iraq (Res. 687, 773), and voted in favor of the US position on 12 other Iraq-related resolutions. During these years, US aid was cut, but IMF commitments increased from \$55 million in 1990 to \$75 million in 1991, and World Bank money jumped from \$45 million in 1989 to \$213 million in 1990 and \$173 million in 1991. The IMF is also reported to have been lenient during this period, tolerating Borja's "less-than-orthodox policies" (Hey and Klak 1999, 77).

Guinea stands out as another less-friendly example. The country served on the UNSC when the Bush II Administration sought support for Iraqi weapons inspections and a potential vote on a resolution to invade Iraq. Under the leadership of the Lansana Conté government, Guinea routinely voted against US preferences in the UNGA. While the United States modestly increased aid to the country in 2002, what really stands out are the increases in IMF money (by \$5 million) and, especially, World Bank money (by \$145 million) in 2001 when the country won election to the UNSC. While Guinea proved a tough case for the US, voting against several US positions in the UNGA during its tenure, Guinea did vote with the United States on most UNSC resolutions, notably Res. 1441, which gave Iraq a last chance to disarm before the US invasion (Deen 2002).

We conclude this section by offering an example of a country completely hostile to US foreign policy, voting against all resolutions important to the United States and receiving neither US foreign aid nor assistance from the IMF and World Bank: Cuba. Serving on the UNSC in 1990-1991, the country proved a constant thorn in the side of the Bush Administration during and after the Gulf War (Vreeland and Dreher 2014, 73).

A New Dataset on Voting in the UN Security Council

A thorough test of our hypothesis requires comprehensive data on UNSC votes at the resolution-level. We collect these data from multiple sources. Data on successful resolutions are available from the *UN Bibliographic Information System*. We coded these and added data on vetoed resolutions from the official *UN Veto List* (UN A/58/47 Annex III, 1946-2004 period), from the online archive of the *Dag Hammarskjöld Library*, and from archival research in the *UN Library* in Geneva. Most difficult to obtain are data on the rarely occurring failed

majorities. We obtained these data from our archival research and from searching for keywords in web-scraped UNSC meeting minutes. Appendix A describes the data collection process in detail.

In total, we obtained data on the votes of all Security Council members on 2,530 decisions (2,259 resolutions, 230 vetoes, 41 failed majorities) over the 1946-2015 period. This translates into 36,550 individual votes. We also code the title of the proposed resolution, its number, the date of the decision, and further resolution-specific information to measure its importance and to categorize the resolution's policy area. Our main measure classifies resolutions as 'important' if the number of *Google hits* for a given resolution is larger than the respective yearly median (see Figure A1).³ The recorded policy area is based on a coding scheme that leverages the resolution title. Appendix B describes in detail these data – including features for future research that we do not exploit in this paper. To our knowledge, we are the first to compile and provide a comprehensive dataset on UNSC resolutions that includes the votes of all member countries, along with other resolution-specific information, for all resolutions that have passed and for drafts that have failed.⁴

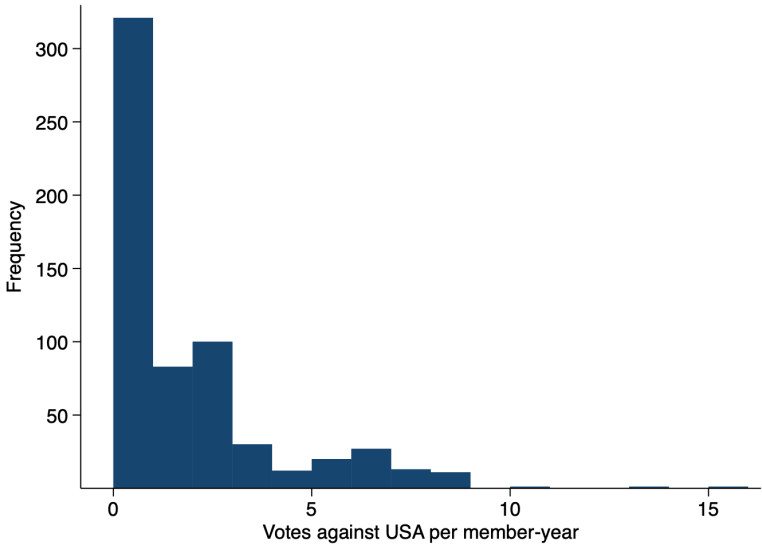
Using the resolution-level data, we calculate a dyad-year count of how often countries vote with and against other members in the UNSC in a given year. Figure 1 shows the distribution of this variable for dyads involving the United States. Examples of countries in the upper end of the distribution (with values of 8 or

³ Recent examples of resolutions with many *Google hits* include Res. 1973 (2011), the legal basis for intervention in Libya, and Res. 2231 (2015), on the Joint Comprehensive Plan of Action on Iran's nuclear program. These resolutions yield more than 1,000 hits and are thus substantially above the respective yearly median.

⁴ Previous research on UNSC vote buying does not use voting behavior data but examines membership only (e.g., Kuziemko and Werker 2006; Dreher, Sturm, and Vreeland 2009). Luck (2007) presents descriptive data on passed and vetoed resolutions, but not of failed majorities; so do Todd (1969) and Takeuchi and Kosaka (2013). Vreeland and Dreher (2014) briefly report results from an earlier version of this paper. None of these datasets includes the details on resolution topics or importance.

above) include Russia (in multiple years), but also nonpermanent members like Uganda and Poland (both in 1982) and Trinidad and Tobago (in 1986). Countries in the lower end of the distribution (with values of 1) include the permanent members France and the United Kingdom (in multiple years) and nonpermanent members like Morocco (in 1963), the Philippines (in 1980), Costa Rica (in 1997), and Gabon (in 2011). Many UNSC resolutions are unanimously adopted; the variable is positively skewed and often (~50%) equals zero. In light of this distribution and our theoretical considerations, we code two binary variables $UNSCall_{it}$ and $UNSCnotall_{it}$ that indicate whether a UNSC member i voted in line with the United States on all votes in year t . Given the large number of unanimous decisions, one disagreement per year indicates a notable deviation in articulated preferences over foreign policy. Furthermore, domestic audiences value unanimity in the UNSC, so that the United States has an interest in temporary members always agreeing (Mikulaschek 2019).

Figure 1 – Voting in the UN Security Council



Note: The figure shows the histogram of a variable that counts the number of votes in the UNSC that are cast against the United States per UNSC member and year. Figure A7 in Appendix H reports a distribution of votes against the United States by resolution topic.

Empirical Analysis

In our empirical analysis, we proceed in two steps. First, we examine whether there is a link between UNSC voting behavior and the allocation of bilateral and multilateral financial favors. Our argument predicts an

association between cooperative behavior in the Security Council and an increase in flows of both bilateral and multilateral aid. Second, we test whether our dirty-work hypothesis can explain the choice of bilateral versus multilateral channels. We predict an increase in *bilateral* aid for cooperative allies but not for cooperative adversaries. Instead, for cooperative adversaries we predict an increase in *multilateral* aid.

Empirical Analysis I: Trading Favors for Security Council Votes

Our baseline regressions build on previous work (e.g., Kuziemko and Werker 2006, Vreeland and Dreher 2014) and are at the recipient-year level:

$$y_{it} = \beta_1 UNSCall_{it} + \beta_2 UNSCnotall_{it} + \mathbf{X}'_{it-1} \boldsymbol{\beta}_3 + \lambda_i + \tau_t + \varepsilon_{it}. \quad (1)$$

The two binary explanatory variables of interest – $UNSCall_{it}$ and $UNSCnotall_{it}$ – are mutually exclusive and assign the observations ($N = 6,141$) to three categories: UNSC members that always vote with the United States in a given year, UNSC members that disagree at least once, and non-member countries. The last is the omitted category against which we compare the others.

We consider three outcome variables, y_{it} : (1) US bilateral ODA, (2) multilateral IMF loans, (3) multilateral World Bank loans. We measure US aid as logged disbursements of ODA in constant 2015 million USD. The data come from the OECD and cover the years 1960-2015. A total of 150 countries received ODA from the United States, and the average country received 4.6 billion USD over the entire period. We use disbursements rather than commitments because the US executive branch deviates from committed aid levels for political purposes (Carter and Stone 2015) and to follow the related literature (Vreeland and Dreher 2014).⁵

IMF loans are measured in logged millions of current SDR (Special Drawing Rights, the IMF’s unit of

⁵ We use net disbursements (with nonpositive values set to 1 before taking logs) because political considerations can also affect repayments. The results replicate when we use gross disbursements instead.

account).⁶ During this period, 143 different countries participated in IMF programs. In these countries, a total of 2,536 out of 7,352 possible country-year observations – and thus roughly a third of the years in these countries – are under an IMF program. For observations with an active loan program, the mean IMF loan size in our sample is 422 million SDR (roughly 600 million USD in 2015). In our largest sample, data cover the years 1960 to 2015. IMF loan commitments are better suited to test the influence of major donors on IMF loans compared to disbursements, as disbursements are typically made in equal tranches and depend on borrowers' compliance with IMF conditions (Rickard and Caraway 2019). The size of the IMF loan commitment, on the contrary, is determined before the program starts, when we expect the strongest political influence (Rickard and Caraway 2014). The IMF usually does not disburse more than what was originally agreed upon, so political pressure matters when loan size is decided.

When focusing on financing provided by the World Bank, we start from the project-level data that the Bank provides for more than 19,000 projects. For the analysis we calculate the sum of World Bank loan commitments across all projects for recipient i in year t . In our data, 170 different countries received loans from the World Bank and we record positive amounts for a total of 3,897 country-year observations. For observations with at least one active World Bank project, the mean aggregated loan size in our sample is 240 million USD. In additional regressions, we find similar results when also looking at World Bank grants, which are less frequent (nonzero amounts for 1,090 country-years) and smaller (18 million USD on average).

To ensure comparability, the sample is restricted to countries that are eligible to receive ODA in year t , following the OECD definition. (Appendix L lists all countries and years that are included in this sample.) Also, for all dependent variables we use the natural logarithm of the respective values after adding one to avoid losing zero-observations. We estimate the regressions by OLS, including country fixed effects γ_i to absorb all time-invariant country characteristics, and year fixed effects τ_t to absorb global trends that affect

⁶ Our regressions include year fixed effects, capturing price level changes, so we do not deflate the IMF data.

all countries equally. In all regressions, two important control variables are included. Previous research has argued that, once time-invariant country characteristics are absorbed, the timing of being elected to the Security Council is “not random [but] largely unrelated to aid and political and economic development” (Bueno de Mesquita and Smith 2010, 72). In their analysis of the determinants of election to the Security Council, Dreher et al. (2014, 80) find that “turn-taking is likely an exogenous source of variation” while noting that for such settings their results also “suggest the importance of controlling for population and income.” We thus include the natural logarithm of *Population* and (lagged) *GDP per capita*. In the regressions of IMF loans, we also add an indicator of whether a country ever participated in an IMF program (*pastIMF*) as this variable is a strong predictor of IMF programs (Moser and Sturm 2011), enhancing the precision of estimates without reducing the sample size. In our most conservative specifications, we additionally control for political proximity to the United States as measured by lagged voting similarity in the UN General Assembly (*Political proximity to US*), ensuring that the UNSC voting variables do not pick up overall political alignment. In the robustness section, we show that results are robust to alternative sets of control variables. Appendices C and D report descriptive statistics, sources, and definition of all variables.⁷

Results I: Trading Favors for Security Council Votes

Table 1 reports the results of the first step of the analysis, focusing on the link between voting in the UNSC and the allocation of bilateral and multilateral aid. Columns 1-3 show results for three regressions of US aid,

⁷ Even though previous research has shown that aid does not affect *membership* on the UNSC (Bueno de Mesquita and Smith 2010, Dreher et al. 2014), we cannot rule out omitted variable bias, especially regarding *voting behavior*. However, controlling for UNGA voting similarity ensures that we compare countries with the same level of political proximity to the US. The analysis thus allows us to infer whether there is an association between membership and aid allocation that is driven by members with specific voting behavior in the UNSC.

columns 4-6 report these analogous regression results for IMF loans, columns 7-9 for World Bank loans.

The first of each set of these regressions (respectively, columns 1, 4, & 7) include a binary indicator for temporary membership on the UNSC, along with controls and fixed effects. Consistent with previous work (e.g., Kuziemko and Werker 2006; Bueno de Mesquita and Smith 2010; Hug and Lukács 2014; Vreeland and Dreher 2014; Reynolds and Winters 2016) coefficients are positive for all outcome variables, but reach the 1 percent level of statistical significance only for World Bank loans and the 10 percent level for US aid.

The results become considerably more distinct when we introduce our new data on voting behavior in the Security Council in the second specification (respectively, columns 2, 5, & 8). These regressions use the binary measures for voting with the United States *UNSCall* and *UNSCnotall*. We find a substantively strong and statistically significant increase in all three official financial flows when countries join the Security Council and vote with the United States on all proposed resolutions. Conversely, for countries that join the Security Council and disagree with the United States on at least one proposed resolution we find no such increase and even a negative coefficient for IMF loans.

Specifically, US aid increases by approximately 42 percent ($e^{0.348} - 1 \approx 0.42$) for members that voted with the United States on all votes ($p = 0.003$), but not for members that defected at least once in a given year (column 2). Results for IMF loans are similar, both in terms of statistical significance and magnitude. Countries receive an increase in IMF loans by 51 percent ($p = 0.017$) when always voting in line with the United States, and see no significant change when defecting at least once ($\beta = -0.218, p = 0.202$, column 5). The same pattern emerges for loans from the World Bank, with a very similar magnitude of the increase (51 percent, column 8). When testing whether there is a statistical difference between members that always vote in line and those who defect at least once (see the second to last row in Table 1), we find statistically significant differences for US aid ($p = 0.037$) and IMF loans ($p = 0.008$), but not for World Bank loans ($p = 0.132$).

Table 1 – Trading Favors for Security Council Votes

Dependent Variable:	[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]
	US aid			IMF loans			WB loans		
UNSC member	0.168*			0.071			0.261***		
	[0.099]			[0.123]			[0.099]		
UNSC member, voted all with US		0.348***	0.288***		0.410**	0.445**		0.414***	0.415***
		[0.115]	[0.107]		[0.169]	[0.174]		[0.150]	[0.147]
UNSC member, voted not all with US		0.009	-0.019		-0.218	-0.205		0.145	0.158
		[0.139]	[0.127]		[0.170]	[0.172]		[0.119]	[0.119]
Political proximity to US (UNGA, t-1)			1.564**			0.236			1.298**
			[0.708]			[0.302]			[0.586]
GDP per capita (ln, t-1)	-0.953***	-0.954***	-0.748***	-0.337***	-0.339***	-0.397***	-0.491**	-0.492**	-0.279
	[0.281]	[0.281]	[0.202]	[0.127]	[0.128]	[0.134]	[0.234]	[0.234]	[0.217]
Population (ln)	1.242*	1.233*	1.917***	0.009	-0.007	0.006	-0.556	-0.563	-0.122
	[0.674]	[0.673]	[0.509]	[0.393]	[0.394]	[0.418]	[0.572]	[0.572]	[0.527]
Past IMF program				1.535***	1.527***	1.524***			
				[0.159]	[0.158]	[0.165]			
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6141	6141	5632	5825	5825	5501	5648	5648	5297
R-squared	0.137	0.137	0.154	0.122	0.124	0.122	0.094	0.094	0.089
p-value (all with vs. not all with)		0.037	0.035		0.008	0.007		0.132	0.148

Notes: OLS regressions. Standard errors clustered at the country level in brackets. Significance levels: * $p < .01$; ** $p < 0.05$; *** $p < 0.01$. There are three specifications each for US aid (1-3), IMF loans (4-6), and World Bank loans (7-9). For the construction of all three dependent variables the natural logarithm is taken after adding 1. *US aid* is defined as annual net bilateral disbursements of ODA in million USD. *IMF loans* are IMF loan commitments in million SDR for a given year. *WB loans* are total World Bank loan commitments for all projects in a given country in a given year. *UNSC member* indicates temporary UNSC membership. *UNSC member, voted all with US* indicates UNSC members that always voted in line with the US government in a given year. *UNSC member, voted not all with US* indicates UNSC members that voted against the US government at least once in a given year.

In the third specification (respectively, columns 3, 6, & 9), we add political proximity to the United States as measured by voting similarity in the UNGA as an additional control. For all three outcomes, the variable enters with a positive sign. The coefficient of interest, *UNSCall*, remains positive and statistically significant. This suggests that the associations between voting alignment in the UNSC and increases in bilateral and multilateral aid are not due to overall political alignment but rather to UNSC voting behavior.

In Appendix H, we examine alternative measures of UNSC voting behavior. We find that votes on ‘important’ resolutions drive the association. We apply various definitions of ‘importance’ for individual votes on resolutions: the annual number of *New York Times* articles on the UNSC, the number of *Google* hits for a given resolution, and resolutions that concern the Israeli-Palestinian conflict. We also go beyond binary measures and show that the results hold for a continuous measure of voting in the UNSC.

Empirical Analysis II: The Dirty Work Hypothesis

In the second step of our analysis, we modify the model above to test the “dirty-work” hypothesis. We predict that the United States grants different favors to different countries to incentivize their cooperative behavior. Bilateral channels are used to target allied countries, while multilateral channels are used to target non-allied countries. To test this, we introduce a proxy for how strongly the United States is *Allied* with recipient countries and interact it with *UNSCall* and *UNSCnotall*. These regressions allow us to determine which flows are used as political favors for which type of recipient:

$$\begin{aligned}
 y_{it} = & \beta_1 UNSCall_{it} + \beta_2 UNSCall_{it} * Allied_{it} \\
 & + \beta_3 UNSCnotall_{it} + \beta_4 UNSCnotall_{it} * Allied_{it} \\
 & + \beta_5 Allied_{it} + \mathbf{X}'_{it-1} \boldsymbol{\beta}_6 + \gamma_i + \tau_t + \varepsilon_{it}.
 \end{aligned} \tag{2}$$

Measuring allies and adversaries is not straightforward. So, we conduct the analysis using three different proxy measures: the first measure is based on past aid giving, the second is based on UNGA voting, and the third on an ideal point measure (Bailey, Strezhnev, and Voeten 2017).⁸

As a first barefoot empirical approach, we measure *Allied* as a binary variable – labelled *US aid recipient* – indicating whether an eligible country received any US aid in the period before it entered the UNSC (years $t-5$ to $t-2$). The United States gives aid to the vast majority of countries that are eligible to receive ODA – but not all of them. As Figure A2 in Appendix C visualizes, for 80 percent of the eligible country-year observations we record positive inflows of US aid. Governments of developing countries that do not receive any US aid stand out to the world as notable exceptions, usually for political reasons – Cuba being the canonical example. A decision to use bilateral aid to buy favors from a country that has not received aid previously would mean a substantial deviation from a pre-existing policy and signals policy inconsistency, which, as discussed above, can mobilize domestic opposition. Providing aid to long-time recipients, by contrast, is not politically costly.⁹

Our second measure of *Allied* is more fine-grained. We make use of alignment in the UN General Assembly as a well-established measure of a country’s bilateral relationship with the United States that is particularly relevant for US political elites. Every year, the US Department of State submits a report to the US Congress that informs its members about each country’s voting practices in the UN General Assembly. These reports note that “a country’s behavior at the United Nations is always relevant to its bilateral relationship with the United States, a point the Secretary of State regularly makes in letters of instruction to new U.S. ambassadors” (US Department of State 2000). The US Congress is well-known to track the UNGA voting

⁸ Although our measures of *Allied* are correlated with US aid, IMF loans, and WB loans, this correlation does not bias our coefficients of interest. We are interested in how the amount of these flows *change* for a government with a given level of *Allied* as soon as the government begins voting on the Security Council.

⁹ An obvious disadvantage of this measure of *Allied* is that some non-allies do receive US aid.

behavior of governments in tandem with the amount of US aid that they receive. In some years, these reports include “a table listing the amount of U.S. assistance provided to each country alongside its voting coincidence” (Schaefer and Kim 2011, 16). A 1983 law explicitly “restricted aid to countries that demonstrated a consistent pattern of opposition to the US position” (Rose 2018, 6). This legal constraint was removed in 1990, freeing the president to provide aid to countries regardless of their UNGA voting behavior – but doing so is risky. Congress has held the president in check by threatening to re-introduce the legal restriction (Schaefer and Kim 2011), and scholarly studies show that voting against the United States in the UNGA is indeed associated with less aid, suggesting that the link continues to exist, at least implicitly (see results above as well as Dreher, Nunnenkamp, and Thiele 2008; Carter and Stone 2015). UNGA voting is thus a good proxy for how closely aligned a country is with US foreign policy preferences – particularly because it is a measure that the delegates of the US public in Congress explicitly monitor when scrutinizing which countries receive foreign aid. Elites in Congress could easily mobilize opposition if strategic aid were channeled to countries with a low voting similarity.

This *Allied* measure is correlated with the views that US voters have of other countries. To demonstrate this link, we collect data from *Gallup* surveys that asked US voters about their views of other countries. As Figure A3 in Appendix C shows, the share of US voters surveyed who have a “favorable” or “very favorable view” of a given country is positively correlated ($r = 0.70$) with this definition of the *Allied* variable. We repeat this analysis for similar surveys from both *Pew* and the *BBC* and obtain similar results. Plouffe and Slingsby (2019) explicitly study the link between public views of other countries and UNGA voting similarity and finds positive associations. Unfortunately, the Gallup polls of public opinion on other countries cover too few countries and years ($N = 188$) to be suitable for our regression analyses. For the regressions below, we use the share of votes that the respective country cast in line with the US government in the UNGA for this second definition of the *Allied* variable. To mirror the first definition (*US aid recipient*) and to capture the period before the country entered the Security Council, we use the average between $t-5$ to $t-2$.

As a third measure of *Allied*, we use a reformulation of UNGA voting that estimates “ideal point distances” using item response theory, which may have more face validity than the standard measure described above (Bailey, Strezhnev, and Voeten 2017; Voeten 2021). While also based on UNGA voting, this measure accounts for differences in resolution topics over time. We present these findings in Appendix K.

Results II: The Dirty-Work Hypothesis

The results of our tests of the dirty-work hypothesis are best presented graphically. Figures 2 and 3 below both show, rather strikingly, opposite patterns of receiving US aid versus money from the IMF and World Bank: Allies receive more bilateral aid – but not more multilateral aid – when voting with the United States on the UNSC. Unfavorable countries, by contrast, receive more multilateral finance – but not more bilateral aid – when voting with the United States on the UNSC.

In Figure 2, we present results using our first measure of *Allied*, the indicator for whether or not the recipient had received any US aid in the previous period (*US aid recipient*). We find that congruent UNSC votes of regular US aid recipients are rewarded with a significant increase in US aid (Panel A in Figure 2). For these countries, it is politically unproblematic for the US government to increase their access to US aid. As the dirty-work hypothesis suggests, there is no increase in US aid for countries that are not *Allied*.

When turning to multilateral finance, we find the exact opposite pattern: Congruent votes from non-*Allied* countries are associated with an increase in loans from both the IMF and the World Bank (Panels B and C in Figure 2). The point estimates suggest a loan size increase of more than 200 percent for the IMF and more than 150 percent for the World Bank (see also Table A4 of Appendix E). For regular recipients of US aid, we estimate no such statistically significant increase.

Figure 2 – Voting with the United States in the UNSC, US Aid Recipients

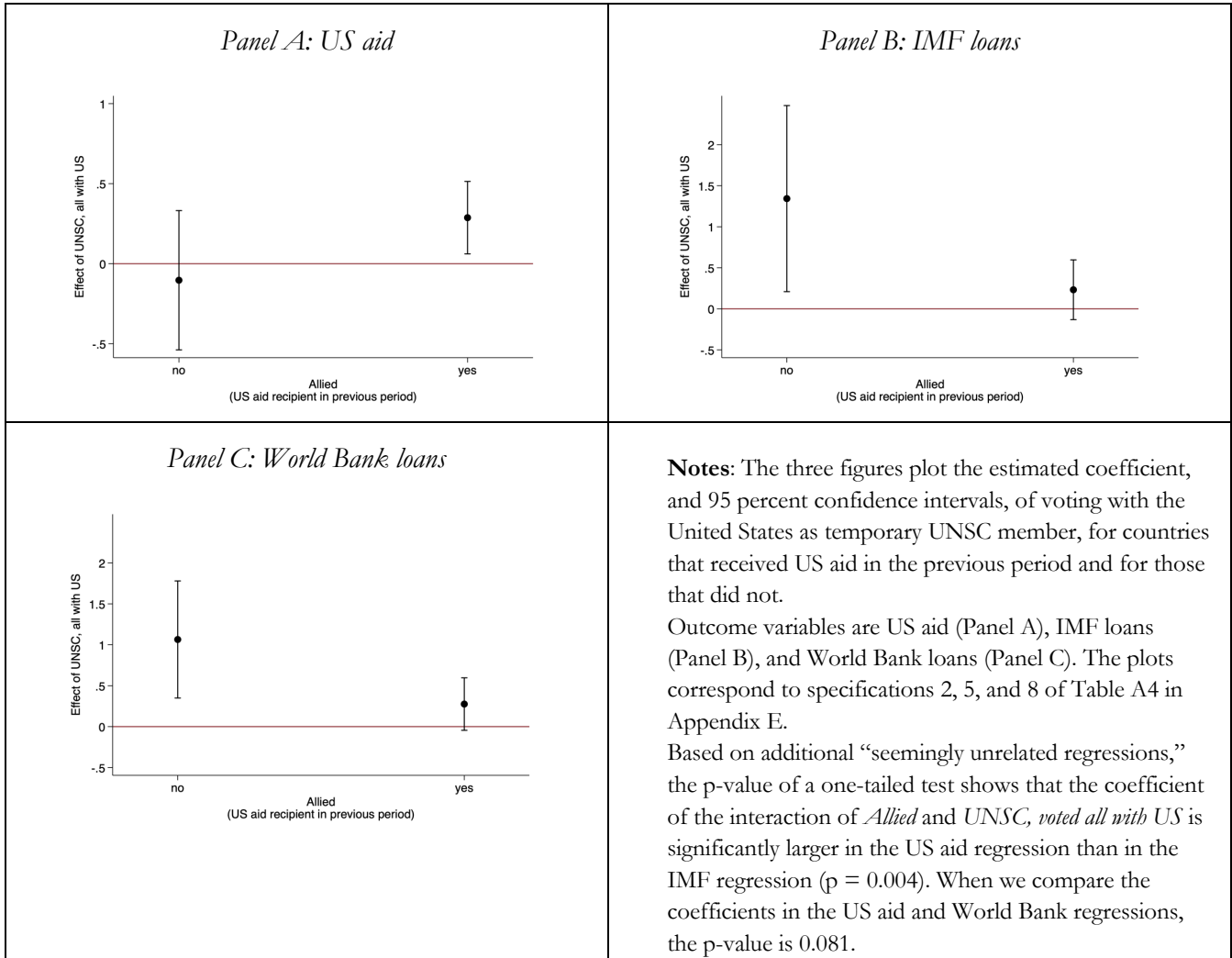
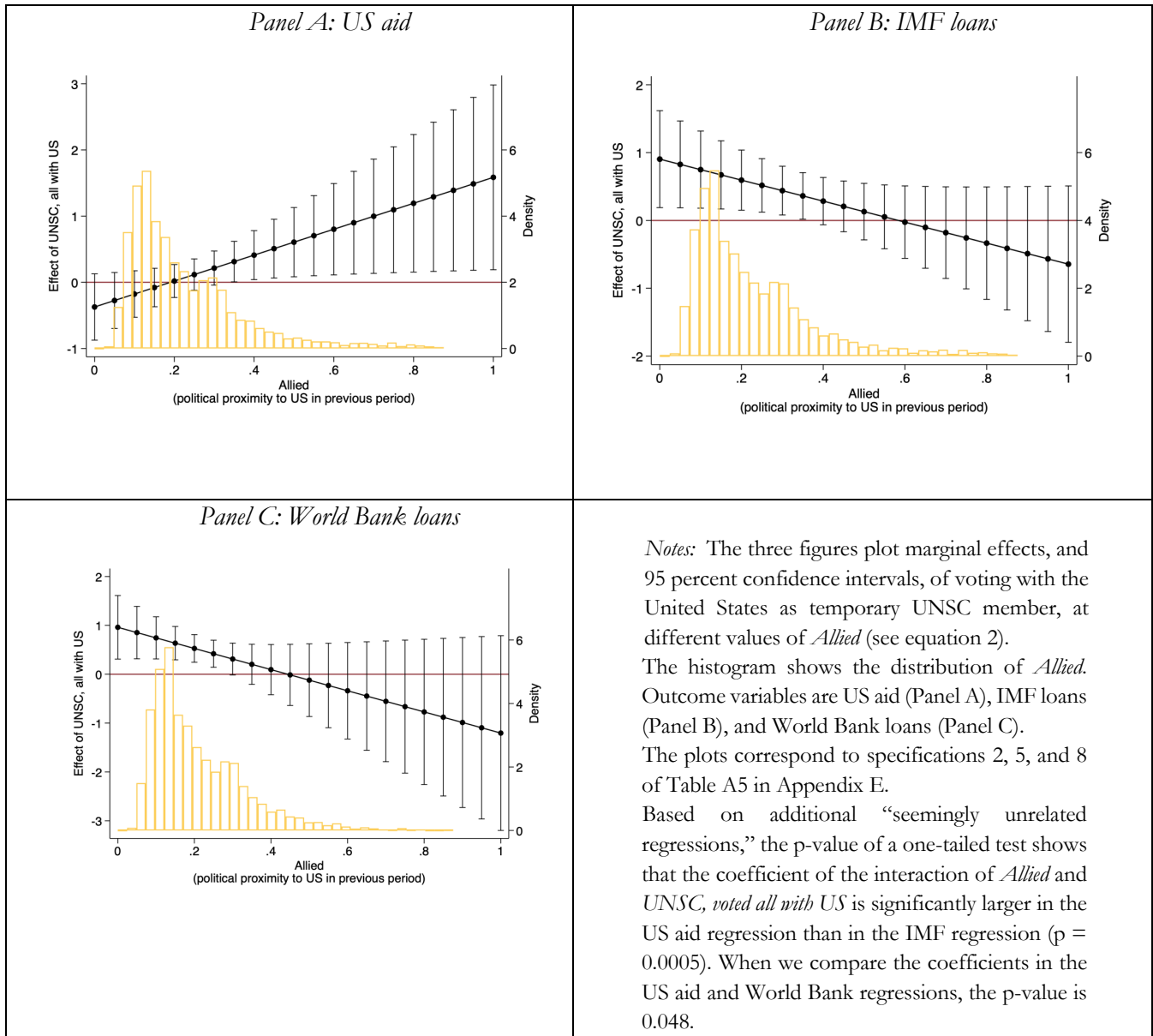


Figure 3 presents the main result based on the second, more fine-grained UNGA voting measure of *Allied: political proximity to the US* in the previous period. It plots the marginal effect of serving on the UNSC and always voting with the United States (*UNSCall*) on the three dependent variables for different values of this measure of *Allied* (following equation 2). Panel A of this figure plots the results for US bilateral aid. It shows that UNSC members that always vote in line with the United States on the UNSC receive more US aid only when they are politically allied with the United States. Countries that are politically more distant do not receive more US aid when they serve and always vote in line on the UNSC. Accordingly, the interaction of *UNSCall* and *Allied* enters with a positive sign in the regressions of US aid.

Figure 3 – Voting with the United States in the UNSC, Political Proximity



As predicted, we find the opposite pattern for IMF loans and World Bank loans. Panel B of Figure 3 plots the results for IMF loans. The estimated association between receiving larger IMF loans when serving on the UNSC and consistently voting with the United States *decreases* with the degree of alliance with the United States. The graph shows that only countries that are politically distant from the United States receive larger IMF loans when they serve on the UNSC and – in spite of their political distance – consistently vote with the United States on that body. The point estimates suggest a strong substantive association of about

100 percent for the countries with the lowest scores of *Allied*. Panel C focuses on World Bank loans and shows results that are similar to those for the IMF. Only countries that are not allied with the United States receive more World Bank aid, and only if they always vote in line with the United States on the UNSC.

In addition to the main specifications that are plotted (from columns 2, 5, & 8), Table A5 in Appendix E shows the results for specifications that ignore Security Council voting behavior and consider membership only (columns 1, 4, & 7). Also presented are specifications that only look at “important” Security Council votes (columns 3, 6, & 9). The next section and Appendices F-J describe additional robustness tests.¹⁰ Finally, Appendix K shows that results also hold using “ideal point distances” as a third measure of *Allied*.

In summary, the channel used for incentivizing support in the UN Security Council depends on the political proximity of the US government to the recipient country. The United States uses a bilateral channel to incentivize cooperative votes of its allies and a multilateral channel when it comes to other countries. Friends can be paid off openly, as reputational costs for giving aid to allied countries are low. For more adversarial countries, however, reputational costs are higher, and multilateral channels are used to launder the government’s “dirty work.”

Additional Results and Robustness

We conduct several additional tests that further increase the plausibility of our argument and the robustness of the empirical results. Where appropriate, we conduct these robustness tests for both parts of the empirical

¹⁰ Regarding patterns over time, regressions that include interactions of our variables of interest with decade dummies show no clear trend. Results for US aid are statistically stronger in the 1960s and weaker in the 2000s. Results for the World Bank are statistically weaker in the 1960s and stronger in 1980s. None of the decade interactions is statistically significant in the IMF regressions. On the stability of UN voting patterns and ideal points over time, see Voeten (2021).

analysis. This section summarizes their results. Appendices F-K explain them in detail.

Placebo tests: First, we consider multilateral organizations where the United States has no dominant influence on loan allocations and use these for placebo tests. We investigate the association between voting in line with the United States and receiving aid from the Islamic Development Bank (IsDB) – of which the United States is not a member – and the European Bank for Reconstruction and Development (EBRD). While these organizations are not independent of political influence (Hernandez and Vadlamannati 2017), and the United States usually nominates the EBRD vice-president (Babb 2009), US influence is considerably weaker there compared to the IMF and World Bank. We do not expect the United States to be able to use these organizations for “dirty work.” Indeed, the analyses show that agreement with the United States in the Security Council is *not* associated with loans from the EBRD and IsDB. There is also no observable heterogeneity with respect to a recipient’s political proximity to the United States (Appendix F).

Alternative measures of Security Council voting: In Appendix G, we provide empirical tests based on alternative measures of voting alignment in the Security Council. First, we define ‘importance’ following Kuziemko and Werker (2006), who count the number of articles that include the words “United Nations” and “Security Council” in the *New York Times* online archive and then separate the sample years into different categories of importance accordingly. Second, we make use of our resolution-level data to code a resolution-specific measure of voting alignment. To do so, we count the number of hits the *Google* search engine produces when searching for a given UNSC resolution. We then code resolutions as important if this number is above the respective yearly median and focus votes on these resolutions in parts of the empirical analysis. Appendix B describes the coding procedure in more detail. Third, we use information contained in resolution titles. Resolutions related to Israel stand out as an important topic in the UNSC: 140 out of the proposed 2,530 resolutions included in our sample refer to this key US ally and typically there are large majorities against the United States (see Figure A7 in Appendix H, which plots the number of votes against the United States by resolution type). In a robustness test, we only include votes on topics related to Israel and find similar results

as in the baseline when applying this restriction. (In additional regressions, reported in Table A9 in Appendix H, we also *exclude* votes related to Israel and find similar results. The same is true if we exclude votes related to any other major topic, one at a time.) Last, we go beyond binary measures and calculate the *share* of a member's votes that it casts against the US government in a given year and test how it moderates the influence of UNSC membership. The results of all these analyses, with varying measures of importance and voting behavior, yield the same pattern as in the baselines of empirical analysis I and II (Appendix G).

Additional controls: The results of empirical analyses I and II also hold when we add several control variables that proxy for a recipient's "demand" for external financing (see Appendix I): Trade (% GDP), FDI (% GDP), total ODA (% GDP), private sector credit (% GDP) and an indicator for major conflicts.

Testing for nonlinear interactions: Next, we examine whether the interaction effect in our main regressions of empirical analysis II is linear by employing a semi-parametric estimation strategy that allows for nonlinear interactions. This test is relevant for our setting because political proximity might influence the association between aid flows and UNSC voting in a nonlinear way. Beyond a linear association it is, for instance, also conceivable that vote-buying activities target swing voters (characterized by medium political proximity to the donor), while ignoring very "close" friends (whose votes do not have to be bought) and very "distant" adversaries (whose votes cannot be bought or are too expensive to buy, Vreeland and Dreher 2014, 175-181). To challenge the linearity assumption we apply the kernel smoothing estimator of the marginal effect by Hainmueller, Mummolo, and Xu (2019), which estimates multiple local associations across the values of the moderator variable (in our case *political proximity to the US*) based on a Gaussian kernel reweighting scheme. We plot these results in Appendix J and find similar results as in the baseline.

Alternative moderator variable: Ideal point distance: An alternative measure of *Allied* is the distance between the "ideal points" of the United States and the respective recipient, which Bailey, Strezhnev, and Voeten (2017) calculate based on UNGA voting behavior. When using this measure as the moderator

variable for empirical analysis II, which adjusts for changes in the UNGA agenda, rather than using the raw share of coincident votes in the UNGA, we find very similar results (Appendix K).

Conclusion

This study introduces a novel argument and an original dataset to understand how governments choose between bilateral and multilateral foreign policy when aiming to induce cooperation of other states. We argue that governments can, in certain situations, exploit multilateral organizations to do their “dirty work.” The empirical results suggest that the United States channels bilateral development aid as well as World Bank and IMF financing to governments in exchange for support in key foreign policy decisions. Bilateral aid is openly used to ensure the support of regular allies. In cases where aid might mobilize domestic opposition, the United States relies more on multilateral channels to obfuscate this “dirty work.”

These results bridge some seemingly disparate literatures. States use both official development assistance and multilateral financial flows as foreign policy tools to ensure cooperative behavior of other states (Werker 2012; Kilby 2013b; Reinsberg 2019). Yet multilateral aid is less political than bilateral aid, on average (Milner and Tingley 2013; Reinsberg, Michaelowa, and Eichenauer 2015; Schneider and Tobin 2016). Both claims can hold: First, as we contend, states use both channels because they are useful for different target-states; second, the choice between bilateral and multilateral channels finds an explanation in the government’s effort to minimize domestic opposition to the policy by obfuscating responsibility. Third, multilateral channels are, on average, less political because they are used selectively, so that the typical allocation decision is not affected by politics. Like “informal governance” (Stone 2011), “dirty work” depends on selective interference in multilateral organizations that does not undermine their overall reputation as (relatively) politically neutral.

In recent international crises – the refugee crisis, the European debt crisis, and the COVID-19 pandemic – governments have had good reasons to channel finance to other countries, but have faced domestic opposition. Multilateral institutions can help powerful states to circumvent that opposition.

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