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Congressional Politics of International Financial Rescues

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In the 1990s, the American executive organized financial rescues for Mexico and several Asian economies. These rescues were controversial in Congress, where members voted repeatedly to reduce or eliminate the executive's freedom to engage in them. I analyze these roll calls with an eye toward explaining who opposes and who supports international financial rescues. I argue that the interests of private actors (district constituencies and interest groups) have an important effect on member voting. Following Stolper-Samuelson reasoning, I find that a member is significantly more likely to favor (oppose) rescues as the proportion of high-skilled (low-skilled) workers in a district increases. In addition, I find that campaign contributions from international banks increase the probability that a member will vote in favor of rescues. Overall, the findings suggest that the distributional effects of rescues find expression in Congress and constrain U.S. international financial policymaking.

In the 1990s, currency crises in Latin America and East Asia impelled the American executive to assume the mantle of leadership in international financial affairs. Faced with the possibility that financial market instability would undercut economic growth and threaten policy reforms in these regions, Clinton administration officials organized a series of major financial rescues ("bailouts" to detractors). Congress, however, balked at the executive's internationalist approach to emerging market crises. Lawmakers opposed the use of government funds in the Mexican peso crisis, passed legislation that temporarily removed the executive's discretion to use the Exchange Stabilization Fund (ESF) for financial rescues, and then threatened permanent restrictions. This opposition is important because the ability of the executive to stabilize the international financial system and to orchestrate financial rescues depends upon the continued support of Congress. Executive authority in this domain is a delegated power, subject to the will of Congress.

I explore the sources of congressional opposition to global financial rescues and the factors that motivated lawmakers to rein in the independence of the executive in the 1990s. While excellent scholarship on the topic exists (DeLong and Eichengreen 2001; Henning 1999; Roett 1996; Schwartz 1997), this is the first article to evaluate systematically the determinants of legislator positions on financial rescues. The empirical analysis covers the universe of roll-call votes in the House of Representatives that pertain exclusively to the executive's capacity to engage in international financial rescues through the ESF.[1] There were three such votes, all on amendments to omnibus appropriations bills. Each amendment was written to constrain or eliminate the autonomy of the executive with respect to ESF-funded rescues. Table 1 describes these amendments.

The evidence supports two main arguments, each of which follow from the assumption that members of Congress care about reelection and take positions on

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[1] In other work, I analyze voting on International Monetary Fund (IMF) quota increases—a related topic since the IMF engages in financial rescues as part of its mandate to stabilize global financial markets (Broz 2003). The results are very similar to those on ESF rescues. However, the relationship between Congress and the IMF involves additional levels of delegation that require special analytical treatment.

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TABLE 1 House Roll-Call Votes on Exchange Stabilization Fund Rescues

	Sanders 1995	*Sanders 1998*	*Sanders 1999*
Number	H.AMDT.572	H.AMDT.730	H.AMDT.293
Congress	104th	105th	106th
Sponsor	Sanders (Ind. VT)	Sanders (Ind. VT)	Sanders (Ind. VT)
Roll call	No. 531	No. 291	No. 304
Date	7-19-95	7-16-98	7-15-99
Summary	Prohibits the use of any funds made available in the bill for the salaries and expenses of any employee, including any employee of the Executive Office of the President, in connection with the obligation of expenditure of funds in the Exchange Stabilization Fund for the purpose of bolstering any foreign currency. A "nay" vote supports ESF rescues.	Prohibits any loan in excess of $250 million to a foreign entity through the Exchange Stabilization Fund. A "nay" vote supports ESF rescues.	Prohibits loans or credits in excess of $1 billion to a foreign entity or government through the Exchange Stabilization Fund unless approved by Congress. A "nay" vote supports ESF rescues.
Result	Y = 245, N = 183	Y = 195, N = 226	Y = 192, N = 228
Party split	Rep: Y = 156, N = 73 Dem: Y = 88, N = 110	Rep: Y = 143, N = 82 Dem: Y = 51, N = 144	Rep: Y = 147, N = 68 Dem: Y = 44, N = 160

Note: These amendments to omnibus House appropriations bills comprise the universe of roll-call votes dealing exclusively with ESF rescues.

rescues that partly reflect the pecuniary stakes of district constituencies and interest groups. First, international financial rescues are a means to an end—the maintenance of an economically integrated world economy—so members' votes reflect how constituents are affected by economic globalization. International trade theory provides the basis for specific predictions (Mundell 1957; Stolper and Samuelson 1941). Members representing districts that are overweighted in high-skilled workers—the constituency that sees real income gains from globalization—are significantly more likely to support rescues than members from districts proportionally heavy in low-skilled workers, who lose income. I find robust support for this argument and conclude that the politics of rescues are in character with the politics of economic globalization more generally. Second, American "money center" banks benefit directly from international rescues and therefore support lawmakers that share their views about rescues.[2] Rescues benefit these banks by reducing the risks of foreign lending and by shifting the costs of poor loan decisions to taxpayers. One measurable form of support from banks is campaign contributions. I find that campaign contributions from money center banks increase the propensity of members to vote in favor of ESF rescues.

In the first section, I describe international financial policy and the powers that Congress has delegated to the executive in this area. The second section develops my arguments about the distributional effects of financial rescues and ties private actor interests to Congress via the usual channels: voting and campaign contributions. The third section provides background on the executive's policies toward emerging market crises in the 1990s and the congressional response to these policies, and the fourth lays out the empirical model and presents data and results. The fifth section discusses the results, and the sixth concludes with implications of the analysis.

Delegation in U.S. International Financial Policy

Congress delegated its constitutional authority to formulate international financial policy to the ESF in 1934, with

[2]Money center banks specialize in wholesale and international banking and are located in financial centers like New York, Chicago, and San Francisco. Their clients include foreign governments, corporations, and other banks. Citigroup, JP Morgan Chase, and Bank of America fit the description.

the aim of stabilizing the exchange value of the dollar against other currencies (Henning 1999, 11–16). Today, foreign exchange operations remain the primary function of the ESF, but providing stabilization loans (rescues) to countries facing balance of payments problems is increasingly important (Bordo and Schwartz 2001; Schwartz 1997). The $20 billion loan to Mexico in 1995 is the most salient example of this activity, but such loan programs have expanded considerably since the debt crisis of the 1980s (Henning 1999; Table 1). The economic rationale for these activities is that financial and currency markets are plagued by imperfections, such as "herding" and "overshooting," which leaves nations with payments problems vulnerable to speculative attacks and crises.

In terms of day-to-day policymaking, the ESF is independent of Congress. It operates under the exclusive control of the Secretary of the Treasury, and the Secretary's decisions are not subject to review by any other officer of the United States. Furthermore, the ESF has an off-budget financing arrangement that enhances its independence: it pays for its currency market operations and stabilization loans out of earnings from its portfolio of foreign securities and from gains on its currency holdings (Henning 1999, 48–49). Nevertheless, delegation from Congress is not abdication, and Congress maintains a watchful eye on its executive agents here, as in other contexts (Epstein and O'Halloran 1999; McCubbins and Schwartz 1984). For example, the Secretary of the Treasury must report to Congress annually on all ESF activities (Henning 1999, 45–48). In addition, Congress can modify and restrict the executive's range of action via new legislation. In the 1990s, Congress acted repeatedly to constrain the executive's independence through legislation and by repeated threats of restrictive legislation. This burst of monitoring activity provides a window into the domestic politics of U.S. international financial policy.

To understand the constraints that Congress imposes on the executive, and the accompanying political conflict, we need to know something about who supports and who opposes international financial rescues and why. The positions of legislators depend on a host of considerations, including partisan identity, ideology, and expectations about the future consequences of rescues (e.g., the moral hazard problem may make future bailouts more likely). Among the most crucial considerations facing legislators is how rescues affect the incomes of private actors (constituents and organized groups). However, the relative income effects of ESF financial rescues do not derive from domestic taxing and spending decisions: the ESF is self-financed and its policies have no direct budgetary implications. Instead, the ESF has a distributional impact because its policies affect the pace and extent of economic globalization, which creates winners and losers in the private sector.

Private Actor Stakes in International Financial Rescues

International stabilization loans have two main effects on incomes of U.S. citizens. First, international financial rescues affect incomes *indirectly*, by way of their impact on economic globalization. The ESF's mission is to provide an "international financial safety net" to ensure that nations maintain open trade and foreign investment policies (Henning 1999, 84). Since trade and investment have clear distributional implications, I infer that private actors that benefit (lose) from economic globalization hold positions on rescues that reflect their stakes in globalization. Second, stabilization loans also have a *direct* distributional effect that arises from the insurance feature of bailouts: ESF loans to emerging markets protect U.S. banks and investors with exposures in foreign markets from the full risks of their actions.

Rescues affect district constituencies indirectly, by way of their effect on the openness of international trade and capital markets. In fact, the primary rationale for financial rescues is to preserve the openness of the world economy (Frankel and Roubini 2001; Kindleberger 1986). Rescues are thus the means to an end—maintenance of an economically integrated world economy—and the end is what drives constituency preferences on rescues. The inference is that legislators oppose (support) financial rescues because their constituents are harmed (gain) by economic globalization.

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

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

In the United States, the relatively scarce factor is low-skilled labor, and thus the group most likely to lose from globalization is low-skilled labor (Leamer 1984; Wood 1994). As trade has increased with nations where low-skilled labor is relatively abundant (and hence cheap), organized labor in the United States has indeed mobilized against globalization and received protection in less-skilled intensive industries in return (Baldwin and Magee 2000; Haskel and Slaughter 2000). By contrast, highly skilled labor and capital are abundant in the United States relative to the rest of the world and thereby benefit from freer trade. Indeed, analyses of survey data shows that individuals with high skills tend to support further liberalization of international trade while those with less education and fewer skills tend to resist such initiatives (Scheve and Slaughter 2001a). The cleavage reflects the very different wage performance across skill levels in the United States since the early 1970s. Less-skilled workers have experienced zero and even negative real wage growth, due partially to trade (Freeman 1995; Johnson and Stafford 1999).

As it turns out, the winners and losers from freer international trade are the same as the winners and losers from freer international factor flows, such as capital flows and migration (Mundell, 1957; Quinn and Inclán 1997). This is intuitive since factors tend to flow across borders in response to the same market forces as goods. If capital is mobile internationally, it will seek the greatest returns by moving to foreign areas where labor is cheaper.

For example, American factories may move to Mexico because the relative returns there are higher. Consequently, as capital leaves the United States (and with it factory jobs), the relative scarcity of low-skilled labor also decreases. In other words, there will be relatively less capital and relatively more labor in the United States. In order to restore full employment in the affected industries, wages will need to fall. Thus, low-skilled U.S. workers face a double threat with regard to global economic integration. Not only are they hurt by importing the goods low-wage foreign workers produce, they also lose "exported" U.S. capital to these same foreign workers.

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

If globalization requires an international financial safety net to deal with shocks, the Stolper-Samuelson framework yields the following prediction about cleavages in Congress on financial rescues.

> H1: The probability that a member of Congress will support (oppose) rescues increases as the proportion of high-skilled (low-skilled) individuals in a district increases.

In contrast to the indirect distributional effects associated with globalization, rescues also directly subsidize the risks of financial firms engaged in foreign investment. For these firms, stabilization loans from the ESF (or IMF) act as a form of risk insurance, subsidized by the public sector. Rescues heighten moral hazard, to the benefit of banks who find it optimal to take bigger gambles because they do not suffer as much if the gambles fail (Calomiris 1998; Meltzer 1998; Schwartz 1998). Due to the expectation that the ESF will provide the foreign exchange liquidity that will allow them to exit the country in times of payments crises without bearing their full losses, banks overcommit to emerging economies.[4] Rescues thus encourage investors to take on risks that they might otherwise avoid, in an attempt to reap greater financial returns. For example, the ESF created some moral hazard in Mexico by having provided stabilization loans to that country on as many as 25 occasions since 1971 (Henning 1999; Table 1). By the 1990s, investors could be fairly confident they would be bailed out in the event of a new payments crisis in Mexico.[5]

Measuring the value of this insurance subsidy to banks is difficult, but evidence from financial markets is suggestive. Kho, Lee, and Stulz (2000) examined the impact of rescues on U.S. bank stock prices and found

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

[4] Rescues encourage moral hazard but there is vigorous debate on the extent of the problem. See Jeanne and Zettelmeyer (2001), Dell'Ariccia, Schnabel, and Zettelmeyer (2002), and Dreher and Vaubel (2004).

[5] While policymakers at the ESF are aware of the moral hazard risk inherent in all rescues, they walk a fine line between engaging in rescues that are primarily stability enhancing from those that generate undue moral hazard. The fact that ESF officials rescued Mexico, but not Russia, suggests that policy makers use their discretion to differentiate "good" rescues from "bad" bailouts. The congressional bills I analyze sought to remove/limit the discretion of the ESF to engage in any sort of rescue, good or bad, which suggests that some members were critical of all rescues.

that rescues significantly benefited banks with exposure to the bailed-out country, but had no systematic impact on banks without exposure. Similarly, Demirguc-Kunt and Huizinga (1993) found that unanticipated increases in U.S. financial commitments to bailouts caused the stock market capitalization of exposed U.S. money center banks to increase. The authors infer that the "stock market expects a significant share of additional resources provided to debtor countries to be used for debt service to commercial banks" (1993, 443). Bird (1996) also shows that rescue funds are used to repay private creditors.

While moral hazard and the risk subsidy to private actors may be an inevitable consequence of stabilizing financial markets (Rogoff 1999), my argument is that banks with assets in developing countries (money center banks) are direct beneficiaries and therefore are likely to be strong supporters of rescues. I expect money center banks to lobby in support of the ESF and for members of Congress to be receptive to these appeals:

> H2: The probability that a member will support rescues is increasing in campaign contributions from money center banks.

In summary, rescues have distributional effects that motivate private citizens to be concerned with the ESF and its stabilization loans. The effects are both broad and indirect via globalization and narrow and direct via the insurance feature of bailouts. Collective action, however, is far more likely with respect to the recipients of the narrow and direct effect: money center banks. This small group of very large financial firms faces few obstacles to political organization and can thus be expected to direct their resources—which include campaign contributions—toward members of Congress. Members, in turn, value contributions because they can be used for political advertising, which is helpful in winning the support of rationally ignorant voters. Legislators thus respond to organized groups with clear stakes in a policy (Grossman and Helpman 1994). But legislators are also sensitive to unorganized constituencies (e.g., low- and high-skilled workers) via the election processes. Legislators calculate the distributional effects of a policy on voting constituencies within their districts and take positions that reflect these districts interests (Arnold 1992; Bailey 2001; Denzau and Munger 1986). These calculations occur even in the absence of direct influence and lobbying, meaning that diffuse interests, such as high- and low-skilled workers, don't actually have to organize or even vote on the basis of the policy for this mechanism to be effective.[6]

[6]I thank a referee for highlighting this point.

The next section summarizes events on Capitol Hill as financial crises hit Mexico in late 1994 and Asia in 1997–98. It includes a description of the roll-call votes I analyze.

U.S. Responses to Emerging Market Crises in the 1990s

Following the devaluation of the Mexican peso on December 20, 1994, global investors lost confidence in Mexico's macroeconomic policies and ran the peso. Although the crisis originated in the inconsistency between Mexico's monetary and fiscal policies and its fixed exchange-rate system, the run was more severe than implied by Mexico's economic fundamentals (Dornbusch and Werner 1994). Treasury officials had been expecting a small devaluation, but what took place was a 50% devaluation that turned into a crisis and threatened to spread to other nations (GAO 1996, 76–108).

In response, President Clinton announced a plan to extend $40 billion in loan guarantees to Mexico (GAO 1996, 110–15). The plan required legislation and initially found strong bipartisan support among the Congressional leadership (Henning 1999, 63–64). However, opposition grew quickly among the rank-and-file of both parties, dooming the rescue plan and putting new pressure on the peso. With Mexico on the brink of defaulting on its short-term debts, Clinton withdrew the loan guarantee plan and announced an alternative rescue package that required no congressional approval at all (Henning 1999, 64–66). In this end-run around Congress, the President used executive authority to extend $20 billion in loans and loan guarantees to Mexico via the Exchange Stabilization Fund (GAO 1996, 118–27).

Many members of Congress were surprised by the administration's use of the ESF. Most had no idea that the executive could use the ESF for rescues without involving Congress. The ESF was suddenly controversial, as many members saw the Mexican rescue as an overstepping of executive authority. Although Congress could not stop the peso support plan, it could prevent the executive from subverting the will of Congress in the future by passing new laws that would reduce or eliminate the ESF's independence.[7] Despite signs that the Mexican rescue was working—the peso strengthened markedly, and Mexico began to regain access to private foreign capital (Lustig 1998, 185–200)—a series of legislative actions to shorten the leash on the ESF followed.

[7]With the Mexican Debt Disclosure Act of 1995 (P.L. 104-6), Congress did force greater *ex post* disclosure on this rescue (Henning 1999, 68).

On July 19, 1995, Representative Bernard Sanders (Ind-VT) proposed an amendment to the FY1996 Treasury appropriations bill to block all rescue activities of the ESF. The amendment sought to "prohibit the use of any funds made available in the [appropriations] bill for the salaries and expenses of any employee, including any employee of the executive Office of the President, in connection with the obligation of expenditure of funds in the Exchange Stabilization Fund for the purpose of bolstering any foreign currency" (*Congressional Record* July 18, 1995: H7180). By targeting the ESF's administrative expenses, Sanders exploited a 1980 change in the budgetary treatment of the ESF in which the Fund's administrative expenses were put on-budget, requiring annual appropriations from Congress (Henning 1999, 48). The House passed the amendment by a roll-call vote of 245 to 183, with Republicans voting 156 to 73 in favor and Democrats split 88 to 110 against. But the Senate sought less restrictive legislation and the Sanders amendment did not become law.

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

The D'Amato amendment was incorporated into the final FY1996 appropriation bill and became law, despite a threatened presidential veto that was not executed. Its formal constraints on ESF autonomy lapsed after two years (the restrictions required renewal because they were attached to the annual Treasury appropriation; the ESF statute itself was not changed). They were renewed for FY1997 but Congress allowed them to lapse for the FY1998 appropriation. However, the constraints were binding during the onset of the Asian crisis in 1997 and appear to have altered the executive's approach to the global crisis (Henning 1999, 75–80).

The Asian crisis presented another case for an ESF rescue. The Asian nations that faced sudden capital flow reversals in 1997–98 had strong economic fundamentals: current account deficits, real exchange-rate overvaluation, and other macroeconomic disequilibria were not present in these episodes (Chang 1999). This is not to say that government policies were entirely satisfactory—most notably, poor financial regulation led to currency mismatches (foreign currency liabilities/domestic currency assets) and maturity mismatches (short-term liabilities/long-term assets). Although this was an explosive situation, these problems did not warrant a crisis on the scale of the one that occurred.

When the crisis broke in Thailand in July of 1997, the D'Amato amendment was still in effect, so any U.S. rescue above $1 billon required a presidential waiver and exposed the program to the uncertainty and delay of congressional disapproval. The Clinton administration chose not to go that route, preferring instead to have the IMF take the lead in organizing Thailand's rescue package. But U.S. funds via the ESF were made available in subsequent crises in Indonesia and Korea as part of a "second line of defense" to IMF packages (Henning 1999, 76–77). The D'Amato amendment had lapsed between the dates of the Thai rescue and the later crises, freeing up the ESF.

On July 16, 1998, Sanders introduced a very restrictive amendment to the FY1999 Treasury appropriation bill prohibiting "any loan in excess of $250 million to a foreign entity through the Exchange Stabilization Fund." The Sanders amendment failed 195 to 226. Republicans voted 143 to 82 in favor, while Democrats were split 51 to 144 against the amendment. Unlike the D'Amato amendment of 1995, this constraint did not become law. But Sanders revived the effort in the summer of 1999 with an amendment containing somewhat milder language. The amendment, attached to the FY2000 appropriation, would "prohibit loans or credit in excess of $1 billion to a foreign entity or government through the Exchange Stabilization Fund unless approved by Congress." On July 15, 1999, the House rejected the latest Sanders effort by a recorded vote of 192 to 228.

Empirical Analysis

I analyze House roll-call voting on the three bills proposed by Bernard Sanders to restrict ESF rescues: *Sanders 1995*, *Sanders 1998*, and *Sanders 1999*. This is the universe of roll

calls that exclusively address ESF rescues.[8] *Sanders 1995* is the vote to end ESF rescues that followed Clinton's maneuver around Congress during the Mexico crisis. *Sanders 1998* is the vote to prohibit loans in excess of $250 million from ESF, and *Sanders 1999* is the vote to prohibit all ESF loans larger than $1 billion unless approved by Congress. A "nay" on each of these votes indicates that a member supported ESF freedom of action on financial rescues. If passed, these bills would have limited the ability of the executive to conduct rescues.

As the dependent variable is dichotomous, I employ the Probit model with robust Huber/White standard errors. Covariates cover a member's individual characteristics, constituency interests, and relations with interest groups. I also utilize Stratmann's (2002) "difference-in-difference" approach to see whether campaign contributions from banks influence member voting or merely reward members with similar policy preferences.[9]

I have two main hypotheses. First, I expect variation in skill levels across House districts to affect member voting. Specifically, the higher (lower) the skill level of constituents, the more likely a member will be to vote for (against) rescues. This captures my argument that members see rescues as a means to facilitate global economic integration and take positions on rescues that reflect how their constituencies fare from globalization. Second, I expect the probability a House member will vote in favor of rescues to increase with campaign contributions from money center banks. This relates to the insurance feature of bailouts that benefits money center banks.

The first argument derives from Stolper-Samuelson and posits a relationship between constituent skill levels and member voting. I measure constituent skill levels in two ways: by educational attainment and by occupational classification. COLLEGE DEGREE is the percentage of district population, 25 years of age and older, with a four-year college degree or higher (see the data appendix for summary statistics). SKILLED OCCUPATION is the percentage of working age district population employed in executive, administrative, managerial, and professional occupations.

The second argument derives from the insurance feature of rescues/bailouts, which is directly beneficial to money center banks. To identify money center banks, I use the regulatory classification in the Federal Financial Institutions Examination Council's (FFIEC) "Country Exposure Lending Survey." The FFIEC compiles data on the international exposure of U.S. banks and aggregates these data into two categories, "money center" banks and "other banks." Since the survey identifies the specific banks that comprise the money center group, I am able to obtain a list on which to base my collection of campaign contribution data.[10] For campaign contributions, I used the Federal Election Commission's (FEC) data on contributions from Political Action Committees (PACs). Each of the money center banks identified by the FFIEC sponsors one or more PACs to channel money to members of Congress, as indicated in Table 2. My constructed variable is BANK PAC: the sum of campaign contributions from all money center banks to a House member in the electoral cycle preceding the specific ESF vote.

Tables 3–5 report the results from the Probits for each roll call. Each table begins with a baseline specification, Model 1, in which I estimate the impact of my two variables of interest controlling only for party membership (Rep = 1) and "ideology," which is proxied by the first dimension of their DW-NOMINATE scores (McCarty, Poole, and Rosenthal 1997). This dimension captures a member's ideological position on government intervention in the economy; higher values denote a more conservative ideology (Poole and Rosenthal 1997). While PARTY membership only plays a significant role in the 1995 vote, DW-NOMINATE is positive and significant in all models, suggesting that an increase in "conservatism" leads to an increased probability of voting for restrictions on rescues.[11] Economic conservatives tend to view rescues as bailouts, and emphasize the ill effects of moral hazard (Meltzer 1998; Schwartz 1998).

The results of Model 1 for each Sanders bill (Tables 3–5) suggest that member voting is strongly related to the impact of globalization on constituents' relative wages, in a manner consistent with the Stolper-Samuelson Theorem. Members are more likely to be prorescue (vote against legislation restricting ESF rescues), as the proportion of college educated and highly skilled workers in a district increases. In addition, the estimate for BANK PAC suggests that contributions from money center banks increase the likelihood that members will vote against Sanders' anti-ESF bills.

[8]For other bill proposals that did not make it to a floor vote, see Henning (1999).

[9]I thank a reviewer for suggesting this procedure.

[10]See the data appendix for the list of banks that make up the group and the various PACs that they sponsor. The number of money-center banks declines from 1983 to 1998 due to mergers, consolidations, and in the case of Continental Illinois, failure.

[11]The negative sign on PARTY for *Sanders 95* does not necessarily imply that Republicans were generally in favor of rescues. Since PARTY and DW-NOMINATE are highly correlated (Republicans have higher DW-Nominate scores), the two variables should be considered together. In the case of *Sanders 95*, the negative sign on PARTY serves to offset the somewhat inflated DW-NOMINATE coefficient (which is much lower for *Sanders 98* and *Sanders 99*).

TABLE 2 Money Center Banks and Sponsored Political Action Committees (PACs)

Bank PAC Name	Sponsoring Bank	FEC ID No.
Chase Manhattan Corp Fund for Good Govt.	Chase Manhattan Corp	C00003830
Chase Manhattan Corp PAC	Chase Manhattan Corp	C00113043
Citicorp Voluntary Political Fund – Federal	Citicorp/Citibank	C00088088
Citicorp Voluntary Political Fund – State/Local	Citicorp/Citibank	C00316976
Citigroup Inc. PAC – Federal	Citigroup Inc.	C00008474
Citigroup Inc. PAC – Federal/State	Citigroup Inc.	C00039305
Bankers Trust Corp PAC	Bankers Trust NY Corp	C00097089
JP Morgan & Co. Inc. PAC	JP Morgan & Co. Inc.	C00104299
BankAmerica Corp PAC (FKA BankAmerica Election Fund)	BankAmerica Corp	C00147702
Bank of America Corp PAC (FKA NationsBank Corp PAC)	BankAmerica Corp	C00043489
Bank of America NW – Sea First Bank PAC	BankAmerica Corp	C00007427
Bank One Corp FC PAC (FKA First Chicago NBD Corp PAC)	First Chicago NBD Corp	C00326165
Bank One Corp PAC	Banc One Corp	C00128512
Bank One Good Citizenship Committee (FKA NBD Citizenship Committee)	Bank One Corp	C00040006
First Chicago NBD Corp PAC/FCC (FKA First Chicago Corp PAC)	First Chicago NBD Corp	C00077347
First Chicago NBD Corp PAC – NBD (FKA NBD Bancorp Inc. PAC)	First Chicago NBD Corp	C00198077

Notes: Citicorp changed its name to Citigroup after its merger with Travelers in 1998. In the same year, Banc One and First Chicago merged to become Bank One.

TABLE 3 Probit Analysis of *Sanders 1995* (104th Congress)

DV: 1 = yea, 0 = nay	(1)	(2)	(3)
DW-Nominate	2.120 (0.460)***	1.957 (0.492)***	1.974 (0.492)***
Party (1 = Rep)	−1.109 (0.409)***	−1.203 (0.426)***	−1.230 (0.424)***
College Degree	−1.382 (0.832)*	−1.509 (0.926)*	
Skilled Occupation			−1.387 (1.174)
Bank PAC	−0.037 (0.013)***	−0.033 (0.013)**	−0.034 (0.013)**
GOP Freshman		0.736 (0.216)***	0.734 (0.217)***
Mexican Origins		−1.847 (0.568)***	−1.832 (0.573)***
Net Imports		0.785 (0.984)	0.925 (0.993)
Net Exports		−1.046 (1.599)	−1.073 (1.608)
Constant	1.035 (0.229)***	1.063 (0.350)***	1.114 (0.439)**
Log Likelihood	−254.75	−243.03	243.66
Prob > χ^2	0.00	0.00	0.00
Observations	427	427	427

Notes: Robust standard errors in parentheses.
*p < 10%, **p < 5%, ***p < 1%.
A "nay" vote is a vote in favor of ESF financial rescues.

These findings are robust to the introduction of additional control variables. Model 2 adds context-specific variables to the baseline regression. For *Sanders 1995* (Table 3), I include GOP FRESHMAN and MEXICAN ORIGIN. In 1995, there was a strong antibailout sentiment among the freshman class of "Contract with America" Republicans (Lustig 1998; Roett 1996). One letter circulating among freshman Republicans before the Mexico bailout declared: "We are opposed to this [bailout] because we were elected to Congress to clean up the mess in Washington, not to approve a handout to the international financial community. We need to focus our energies on passing the Contract with America" (quoted in Roett 1996, 37). The positive and significant coefficient

TABLE 4 Probit Analysis of *Sanders 1998* (105th Congress)

DV: 1 = yea, 0 = nay	(1)	(2)	(3)
DW-Nominate	0.927 (0.359)**	1.005 (0.383)***	0.981 (0.382)**
Party (1 = Rep)	0.312 (0.328)	0.233 (0.337)	0.241 (0.338)
College Degree	−2.168 (0.887)**	−2.564 (1.010)**	
Skilled Occupation			−2.890 (1.337)**
Bank PAC	−0.028 (0.010)***	−0.029 (0.010)***	−0.029 (0.010)***
Mex_Thai_Kor		−2.664 (0.794)***	−2.725 (0.791)***
Net Imports		−0.302 (0.984)	−0.234 (1.000)
Net Exports		−2.642 (1.742)	−2.675 (1.778)
Constant	0.205 (0.224)	0.640 (0.342)*	0.868 (0.455)*
Log Likelihood	−244.58	−236.51	−237.35
Prob > χ^2	0.00	0.00	0.00
Observations	419	419	419

Notes: Robust standard errors in parentheses.
*p < 10%, **p < 5%, ***p < 1%.
A "nay" vote is a vote in favor of ESF financial rescues.

TABLE 5 Probit Analysis of *Sanders 1999* (106th Congress)

DV: 1 = yea, 0 = nay	(1)	(2)	(3)
DW-Nominate	1.959 (0.435)***	2.016 (0.448)***	2.023 (0.446)***
Party (1 = Rep)	−0.289 (0.366)	−0.349 (0.371)	−0.353 (0.369)
College Degree	−2.297 (0.886)**	−2.654 (1.023)***	
Skilled Occupation			−3.750 (1.325)***
Bank PAC	−0.021 (0.008)**	−0.023 (0.008)***	−0.022 (0.008)***
Mex_Thai_Kor		−1.993 (0.722)***	−2.087 (0.720)***
Net Imports		−0.265 (1.008)	−0.435 (1.032)
Net Exports		−1.466 (1.831)	−1.490 (1.846)
Constant	0.458 (0.231)**	0.788 (0.356)**	1.256 (0.477)***
Log Likelihood	−219.21	−214.34	−213.65
Prob > χ^2	0.00	0.00	0.00
Observations	417	417	417

Notes: Robust standard errors in parentheses.
*p < 10%, **p < 5%, ***p < 1%.
A "nay" vote is a vote in favor of ESF financial rescues.

estimate on GOP FRESHMAN—a dummy variable denoting whether a member was a Republican freshman elected in 1994—suggests that these members were hostile to financial rescues.

MEXICAN ORIGIN controls for the relevant ethnic characteristic of districts; it is the proportion of district population of Mexican origin. House members from districts with large numbers of Mexican-Americans might oppose the bill (be favorable to rescuing Mexico) because their constituents have familial and/or economic ties in Mexico and value economic stability in the region. It may also be the case that crises in a country of origin increase the inflow of workers into the United States, who then present a threat to local workers with whom they would compete for jobs.[12] This group of threatened workers may include locals of the same nationality (Mexicans or Mexican-Americans), and others in the greater community whose jobs may also be at risk. Indeed, the estimate in Model 2 suggests that the higher the ratio of Mexican-Americans to total district population,

[12] I would like to thank a reviewer for this insight.

the greater the likelihood a member would support rescues (vote no).

Ethnic characteristics also appear to be relevant to voting on other rescue bills. For *Sanders 1998* and *Sanders 1999* (Tables 4–5), I include MEX_THAI_KOR, which is the share of district population of Mexican, Thai, and Korean ancestry. This variable gauges the responsiveness of House members to constituents whose countries of origin suffered severe financial crises in the 1990s.[13] The control is negative and highly significant in both votes.

Model 2 also incorporates industry-level variables implied by the Ricardo-Viner model of trade's distributional effects. I do so because my Stolper-Samuelson findings might be spurious if district skill levels are correlated with district industrial characteristics (export vs. importing-competing industries). The Ricardo-Viner model assumes that factors of production are stuck in their current industry, due to high costs of exit (e.g., relocation, retooling, and retaining costs). This implies that the incomes of all factor owners in an industry rise or fall together. When an export industry expands due to trade, the need for these industry specific factors expands as well, and they become more valuable. Their owners therefore gain. But, for industries that contract due to import competition, the owners of specific factors find their skills or their property obsolete, and they may lose considerably. In short, the divisions on globalization fall along industry lines, with workers and owners in export industries gaining while workers and owners in import-competing industries lose.

My proxies for the industrial makeup of districts are NET IMPORTS and NET EXPORTS. NET IMPORTS is the percentage of district workers employed in manufacturing sectors where the ratio of imports to consumption is greater than the ratio of revenues from exports to total industry revenue (e.g., Apparel, Furniture, Electronics, Transportation, and Primary Metals). These ratios are provided at the two-digit SIC level by Campa and Goldberg (1997). NET EXPORTS is the percentage of workers in sectors where the ratio of revenues from exports to total industry revenue is greater than the ratio of imports to consumption (i.e., Tobacco, Chemicals, Food, Instruments, and Printing). Since employment by industry is not available at the congressional district level, I estimated district industry employment from county-level data following the procedure in Baldwin and Magee (2000). For example, if 10% of a county's population lives in a congressional district, that district receives 10% of the county's workers in each industry.[14]

The estimates of these industry effects in Model 2 are weak and ambiguous. For *Sanders 1995*, they are correctly signed but not significant: members from districts with more employment in import-competing sectors oppose ESF rescues while members with higher employment in export industries support rescues. However, for *Sanders 1998* and *Sanders 1999*, NET IMPORTS is negatively related to voting for Sanders anti-ESF bill (though not significantly so), which is against expectations. Measurement error may be a source of the weak findings for the sector exposure measures (see above) but the data do not suggest that the results are due to high correlations with the skill measures. The inclusion of these controls has no meaningful effect on the estimates for district skill endowments: members representing more skilled districts support the ESF irrespective of district industrial characteristics.

As another robustness check, Model 3 respecifies the relationship between skill endowments and voting by substituting occupational status (SKILLED OCCUPATION) for education attainment (COLLEGE DEGREE). The coefficient is correctly signed in all votes and significant in two, which provides additional support for the extension of Stolper-Samuelson: members with larger proportions of workers in high-skill occupations—the "winners" of economic globalization—tend to support rescues.

Table 6 provides a more intuitive interpretation of the Probit results. Using Model 2 for each of the votes, I simulated the predicted probability of observing a vote in favor of ESF rescues (a "no" on Sander's bills) and then examined how the probabilities *change* as my explanatory variables increase by one standard deviation above their means, holding all other variables at their means.[15] The effects are substantively large and highly significant. For example, increasing the share of district population with a college diploma by one standard deviation increases the probability a member will support ESF rescues by 6.7 percentage points, on average (4.0 points on *Sanders 1995*, 7.6 points on *Sanders 1998*, and 8.1 points on *Sanders 1999*). Similarly, the average effect (across all three votes) of increasing campaign contributions by one standard deviation is to increase the probability of supporting the ESF by 7.1 percentage points. These changes are statistically significant and reflect modest changes in the variables of interest (see the lower section of Table 6). In short, the

[13]It is not possible to include people of Indonesian and Brazilian decent in the numerator since the Census Bureau does not collect ancestry data on these groups.

[14]This is obviously a crude aggregation method fraught with measurement error.

[15]The simulations were performed with the "Clarify" software developed by Tomz, Wittenberg, and King (1998) and King, Tomz, and Wittenberg (2000).

TABLE 6 Substantive Effects Bank PAC Money, Constituency Interests, and Ideology

	College Degree	Bank PAC	DW-Nominate	Ethnicity
Sanders 1995 (Model 2, Table 3)	.040*	.056**	−.164***	.068***
Sanders 1998 (Model 2, Table 4)	.076**	.082***	−.174***	.113***
Sanders 1999 (Model 2, Table 5)	.081***	.076***	−.307***	.091***

Note: Values represent the *change* in the predicted probability of voting in favor of financial rescues ("nay" on *Sanders 1995*, *1998*, *1999*) as each variable of interest is increased by one standard deviation over its mean, holding other variables at their means (PARTY held at zero; for *Sanders 1995*, GOP FRESHMAN held at zero).
*p < .10, **p < .05, ***p < .01

Examples of the first differences from the 105th Congress (1997–98):

	Mean = .200			Mean + 1 std dev = .281		
College Degree	**% College**	**District**	**Name**	**% College**	**District**	**Name**
	.201	OH-03	Hall	.279	TX-21	Smith
	.201	LA-06	Baker	.281	MN-04	Vento
	.202	CA-19	Radanovich	.285	IL-06	Hyde
	.203	WA-05	Nethercutt	.288	MA-05	Meehan
	.204	AL-05	Cramer	.289	WA-08	Dunn
	Mean = $5,199			**Mean + 1 std dev = $13,759**		
Bank PAC	**Bank PAC**	**District**	**Name**	**Bank PAC**	**District**	**Name**
	$5,200	MO-2	Talent	$13,500	MA-9	Moakley
	$5,200	MI-15	Kilpatrick	$13,500	NY-31	Houghton
	$5,250	IN-2	McIntosh	$13,373	KS-2	Ryun
	$5,300	MI-12	Levin	$14,500	IL-2	Jackson
	$5,500	NY-12	Velasquez	$14,500	CA-39	Royce

distributional effects of global economic integration would appear to influence member voting in nontrivial ways. While ideology (DW NOMINATE) has a larger impact than either bank contributions or distinct skill level, the effect may be overstated since member ideology may reflect constituents' ideology (Cox and Poole 2002; Erikson and Wright 2000). It is also worth noting that increasing ethnic ties by one standard deviation increases the likelihood of supporting the ESF by 9 percentage points on average.

In addition to the individual Probits discussed above, I also address the potential endogeneity of campaign contributions: when special interests give contributions, they may be targeting members with similar policy positions rather than "buying their votes" (Ansolabehere, de Figueiredo, and Snyder 2003; Hall and Wayman 1990). To help establish causality, I employ Stratmann's (2002) "difference-in-difference" approach, which tests to see if changes in voting behavior on similar bills over time are in fact related to changes in contributions from banks. Table 7 reports the results of such an approach, both through the use of a Probit model and a Conditional Logit model (with fixed effects).[16] Both specifications strongly suggest that changes in bank contributions did, in fact, influence changes in voting behavior, as the BANKPAC coefficient is consistently negative and significant. For the 74 House members who switched votes between 1995 and 1998, the implication is that an increase in bank contributions from the 1993–94 to the 1995–96 electoral cycle increases the probability that a switch would occur in *favor* of financial rescues (a "nay" vote supports rescues). This finding squarely supports my hypothesis that the likelihood of voting in favor of financial rescues increases along with greater levels of contributions from money center banks.

Discussion

Some results may suggest alternative interpretations. Consider the finding that higher district skill levels (as proxied by the percentage of college graduates or the proportion of the workforce in high-skill occupations) increase the probability a member will support the ESF. I interpret these findings as support for the argument that member positions on rescues reflect the relative wage effects of globalization on district constituencies. An alternative

[16]The Probit model uses change in contribution levels as the only explanatory variable, while the Conditional Logit model looks at contribution levels along with legislator fixed effects. Since both models are difference estimators, they produce similar results, as expected by Stratmann (2002).

TABLE 7 Analyses of Changes in Voting Behavior between *Sanders 1995* and *Sanders 1998*: Probit and Conditional Logit Estimates

	Probit Model	Conditional Logit Model (with fixed effects)
Bank PAC Contributions	−0.099 (0.048)**	−0.236 (0.092)***
DW-Nominate		−2.822 (4.235)
College Degree		. . .
Net Imports		. . .
Net Exports		. . .
Constant	−0.653 (0.173)***	
Log Likelihood	−38.22	−45.30
Prob > χ^2	0.04	0.02
Observations	74	146

Notes: Both regressions use only the 74 legislators who changed their voting behavior. In the Probit model, a DV value of "1" indicates a vote switch "against" rescues (a "nay" vote on *Sanders 1995* and a "yea" vote on *Sanders 1998*), and a value of "0" indicates a switch "in favor" of rescues (a "yea" vote on *Sanders 1995* and a "nay" vote on *Sanders 1998*). In addition, BANKPAC reflects the increase (or decrease) in contributions levels from the 1993–94 electoral cycle to the 1995–96 cycle.

The Conditional Logit model uses panel data (1995 and 1998) for the 74 legislators. From the resulting 148 observations, two were dropped due to redistricting, and the final total became 146. (The two observations, from the same district, were no longer comparable because the composition of the district changed drastically between 1995 and 1998.) In each panel, a DV value of "1" indicates a "yea" vote on the Sanders bill (against rescues). BANKPAC reflects contribution levels from the previous electoral cycle, and DW-NOMINATE and COLLEGE reflect values for the current year. Conditional Logit measures the impact of these explanatory variables on the likelihood of a "yea" vote. See Stratmann (2002) for further information.

Because there is very little (if any) measurable change in the constituency level variables from 1995 to 1998, the constituency variables drop out of the Conditional Logit regression.

Robust standard errors in parentheses.

**p < 5%, ***p < 1%.

reading is that more educated constituents are simply more "cosmopolitan" and better equipped intellectually to understand the need for international financial rescues. But while a college education or a high skill occupation could give rise to an internationalist outlook, there is no compelling reason why these attributes imply support for rescues. Even academic economists are divided on the issue, with a handful taking very public stances against rescues on moral hazard grounds (Calomiris 1998; Meltzer 1998; Schwartz 1998). More education might make people more likely to support other foreign economic policies, like trade liberalization, where the overwhelming majority of academic opinion favors free trade. But on rescues, no such unanimity exists, so it's difficult to attribute my significant findings on skill endowments to constituents' intellectual capacity.

My argument also requires that constituents and their representatives in Congress understand the connections between rescues and economic globalization and between globalization and relative income shares. Do people really connect the dots that run from rescues preserving global economic integration to economic integration having distributional consequences? Qualitative evidence suggests they do. Sanders (1997) connected the dots: "Simply stated, the role of the United States government in the bailout of four East Asian countries is an outrage and a flagrant example of the power that Big Money has in American politics . . . If the U.S. Government cannot protect millions of workers, small business people, and family farmers in this country . . . should we really be responding to every bank and business failure throughout the world?" Organized labor connected the dots when the executive council of the AFL-CIO adopted a resolution urging Congress to reject U.S. participation in bailout efforts unless recipient nations adopted strict labor and human rights standards (AFL-CIO 1988).[17] The U.S. Chamber of Commerce also connected the dots when it included a Senate vote on funding rescues via the IMF (S 1768) as one of the votes it used to rate legislators' support for business interests. The Chamber supported rescues "as a way to aid financially troubled nations whose economic health impacts businesses in the United States" (U.S. Chamber of Commerce 1998, 4). Overall, constituents seem to hold positions on rescues that reflect their pecuniary stakes in globalization.

A final piece of supporting evidence is that member votes on rescues tend to be consistent with member votes on other policies toward the world economy. If members view rescues as a means to promote globalization, their votes on trade bills should be concordant with their votes on rescues. Table 8 confirms this concordance. I used the *Voteview* software to construct cross-tabs comparing roll-call voting on ESF legislation with voting on important trade policy legislation (Poole, Rosenthal, and Shor 2003). The table shows the breakdown, by party, of yea-yea, yea-nay, nay-yea, and nay-nay votes for each of the Sanders ESF votes paired with voting on (1) Fast-Track Authority and (2) Permanent Normal Trade Relations for China. I expect a negative relationship since a vote for a Sanders bill is an antiglobalization vote while a vote for each of the trade bills is proglobalization. This is confirmed by the Yule's Q statistic, which is quite strongly negative in each instance.

[17] Tough labor standards in developing countries protect the wages of low-skilled Americans.

TABLE 8 Association between ESF Bailout Votes and Trade Votes

	Fast Track Authority, 105th Congress					
	Republicans			Democrats		
	Yea	Nay	Total	Yea	Nay	Total
Sanders 1998						
Yea	79	58	137	1	50	51
Nay	69	12	81	26	112	138
Total	148	70	218	27	162	189
	Yule's Q: −0.61 X2: 17.69 p = 0.000			Yule's Q: −0.84 X2: 8.67 p = 0.003		
	PNTR for China, 106th Congress					
	Republicans			Democrats		
	Yea	Nay	Total	Yea	Nay	Total
Sanders 1999						
Yea	98	47	145	4	39	43
Nay	60	7	67	66	94	160
Total	158	54	212	70	133	203
	Yule's Q: −0.56 X2: 11.65 p = 0.001			Yule's Q: −0.69 X2: 15.31 p = 0.000		

Notes: The *Fast-Track* vote in the 105th Congress was on HR 2621, Reciprocal Trade Agreements Act of 1997 (Voteview RC #1086), which failed 180–243 on 09-25-98. The *PNTR* vote (Permanent Normal Trade Relations for China) in the 106th Congress was on HR 4444 (Voteview RC #835), which passed 237–197 on 05-24-00.

The negative relationship means that most *Column One* members (voting yea on Sanders and thus against rescues) are more likely also *Row Two* members (voting nay on trade liberalization), and most Column Two members (voting nay on Sanders and thus for rescues) are more likely Row One members (voting yea on trade liberalization). Note that there are very few "inconsistent" votes; i.e., Republicans voting nay-nay or Democrats voting yea-yea.[18] Furthermore, the large numbers of Republications voting yea-yea supports an ideological interpretation: economic conservatives oppose government intervention in both international finance and international trade. Likewise, the ideologically consistent combination for liberals (Democrats) is nay-nay.

My other key finding on the relationship between money center banks and member voting also requires comment, since it focuses on campaign contributions. One concern is that my results are out of step with the literature, which finds little evidence that campaign money influences votes (Hall and Wayman 1990; Snyder 1992; Wright 1996). When such evidence is found, the effects are usually trivial compared to other influences, such as legislators' own beliefs (ideology), the preferences of district constituents, and partisanship (Grenzke 1989). One possibility is that my estimates on bank campaign money are inflated due to some unmodeled constituency effect. To test for this, I added a dummy variable for districts that are home to money center banks and a variable for the share of a district employed in large commercial banks.

[18] This consistency does not hold with respect to the Uruguay Round Agreements Act of 1994, where 60 Democrats voting in favor of implementing the Act later voted in favor of Sanders 1995. However, the association (not reported) between this trade bill and Sanders 1995 is negative and significant as expected.

TABLE 9 Top Twenty Recipients of Campaign Contributions from Money Center Banks, 1997–1998 Election Cycle

Member (State-District)	Party	Leadership Position	Bank PAC ($1,000)	Vote on *Sanders 98*
Baker (LA-6)	Rep	Bank & Fin	58	No
LaFalce (NY-29)	Dem	Bank & Fin	56	No
Lazio (NY-2)	Rep	Bank & Fin	53.35	No
Frost (TX-24)	Dem		46	No
Roukema (NJ-5)	Rep	Bank & Fin	41	No
King (NY-3)	Rep	Bank & Fin	39.995	No
McCollum (FL-8)	Rep	Bank & Fin (vice chair)	38	Yes
Linder (GA-11)	Rep		34.5	No
Bentsen (TX-25)	Dem	Bank & Fin	34	No
Gordon (TN-6)	Dem		34	No
Vento (MN-4)	Dem	Bank & Fin	32.5	No
Oxley (OH-4)	Rep		30.1	No
Sessions (TX-5)	Rep	Bank & Fin	29.499	Yes
Dreier (CA-28)	Rep		29.05	No
Boehner (OH-8)	Rep	GOP Conference Chair	29	No
Boucher (VA-9)	Dem		27	No
DeLay (TX-22)	Rep	GOP Whip	26	No
Weller (IL-11)	Rep		25.75	Yes
Armey (TX-26)	Rep	GOP Leader	24.5	Yes
Hyde (IL-6)	Rep		22.5	No

Notes: BANK PAC is the sum of contributions from the money center bank PACs in the 1997–98 electoral cycle. The group consists of the following banks and their sponsored PACs (see Table 9 for details): Chase Manhattan, J. P. Morgan & Co, BankAmerica Corporation, Citicorp, Bank One Corporation (First Chicago Corporation), and Bankers Trust Corporation. *Bank & Fin* denotes a position on the Committee on Banking, Finance, and Urban Affairs.

Neither of these variables was significant and their inclusion did not affect the size or significant level of BANK PAC. Campaign contributions from banks may simply be different than money from other sources. Commercial banks rank in the top 10 in terms of total giving (PAC, individual, soft money) to Congress among over 80 industries (Makinson 2003). Furthermore, other studies have found an effect of bank money on roll-call voting (Kroszner and Stratmann 1998).

What is clear is that money center banks target House members with particular influence over banking and financial policy. Table 9 lists the top 20 recipients of bank largess in the 1997–98 electoral cycle and reveals that the majority sat on the Committee on Banking, Finance, and Urban Affairs. All but four of these members voted against *Sanders 1998* and, therefore, shared the banks' position on the need for ESF rescues. This targeting of committee members may derive from the decentralized nature of congressional decision-making process: banks may understand that money allocated to the committee is more efficiently spent (Grier and Munger 1991). It may also reflect an understanding of the committee assignment process: banks are more likely to find a sympathetic audience in this committee (Shepsle 1978).

Conclusion

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

analyzing the factors that shape member positions on the issue.

I have two core arguments. The first is that rescue legislation provides opportunities for legislators and their constituents to weigh in on the pace and extent of economic globalization. Note that rescues themselves have no direct distributional consequences via the budget. Instead, rescues are political because international crisis management is a means to an end: the maintenance of an integrated world economy. Members of Congress that support rescues do so because their constituents benefit from globalization and thereby want the U.S. government to take steps to protect the world economy from shocks. Conversely, members that oppose rescues have constituents that lose from globalization and are therefore less concerned with global economic stability. Indeed, a key finding follows from the Stolper-Samuelson Theorem: members are significantly more likely to oppose rescues as the proportion of less-educated, low-skilled workers in a district increases. While the personal traits of members (ideology) influence voting, the factor endowments of districts matter independently of these and other covariates.

The second argument is more intuitive: members understand that rescues, by reducing the downside risks of foreign lending, produce narrowly targeted benefits for money center banks. I assume that campaign contributions are an observable indication that members and banks are on the same page on rescue policy, and I find evidence that campaign contributions from banks increase the likelihood a member will vote in support of international rescues.

An implication of the first result is that the "globalization backlash" witnessed in other areas of foreign economic policy—NAFTA, WTO, Fast-Track, PNTR for China, immigration—also finds expression in U.S. international financial policy. In a series of important papers, Scheve and Slaughter (2001a, 2001b; 2002) find that factor endowments correlate strongly with individual attitudes toward trade, immigration, and currency unions. In so doing, they show that the Stolper-Samuelson Theorem provides a common foundation for analyzing a range of outcomes beyond trade. My analysis extends this insight to policies that are *indirectly* connected to trade and factor flows. The politics of international rescues are similar to the politics of globalization because rescues stabilize and encourage trade and factor market integration.

In summary, international financial rescues have both broad and narrow distributional effects, and members of Congress are responsive to these effects via the electoral connection and campaign contributions.

Data Appendix and Summary Statistics

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

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

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

Bank PAC: Campaign contributions from money center bank political action committees (PAC) to candidates in the electoral cycle preceding the roll-call votes (in $1,000). Money center banks are identified by the Federal Financial Institutions Examination Council, *Country Exposure Lending Survey* (various years). They include: J. P. Morgan, Chase Manhattan, Bank of America, Citicorp, First Chicago, and Bankers Trust. PAC contributions data are from the Federal Election Commission.

Party/GOP Freshman: Republican = 1. For GOP Freshman, Republican elected in 1994 = 1, zero otherwise (*Congressional Staff Directory*. Congressional Quarterly Press. Washington D.C., 1995).

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

Mex_Thai_Kor: Percent district population of Mexican, Thai, and Korean ancestry (*Congressional Districts of the United States* CD-ROM).

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

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

	Mean	SD	Min	Max
		Sanders 1995		
DW-Nominate	.0740	.4555	−.737	.962
College Degree	.2007	.0799	.0530	.5138
Skilled Occupation	.2584	.0634	.0918	.5282
Bank PAC	3.140	5.398	−1.75	39.552
GOP Freshman	.1678	.3741	0	1
Mexican Origin	.0545	.1141	.001	.7053
Net Imports	.1353	.0801	.0085	.4263
Net Exports	.0536	.0452	.0002	.4606
Party	.5335	.4995	0	1
		Sanders 1998		
DW-Nominate	.0645	.4637	−.76	1.15
College Degree	.2007	.0799	.0530	.5138
Skilled Occupation	.2584	.0634	.0918	.5282
Bank PAC	4.561	7.827	−1.5	54.5
Mex_Thai_Kor	.0581	.1154	.0013	.7057
Net Imports	.1353	.0801	.0085	.4263
Net Exports	.0536	.0452	.0002	.4606
Party	.5253	.4999	0	1
		Sanders 1999		
DW-Nominate	.0600	.4676	−.815	1.269
College Degree	.2007	.0799	.0530	.5138
Skilled Occupation	.2584	.0634	.0918	.5282
Bank PAC	5.067	8.495	−.5	58
Mex_Thai_Kor	.0581	.1154	.0013	.7057
Net Imports	.1353	.0801	.0085	.4263
Net Exports	.0536	.0452	.0002	.4606
Party	.5150	.5004	0	1

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