

Online Appendix to:
**“Does Compliance Matter? Assessing the Relationship between
Sovereign Risk and International Monetary Law,” forthcoming, *Review
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This online appendix contains supplementary tables referred to in the published version of the article. The dataset and Stata commands used to generate the results are found in the *Review of International Organization’s* electronic repository.

This document contains the results from the following supplementary analyses:

- (1) Models of the determinants of sovereign risk ratings using two alternative estimators: (a) OLS with robust standard errors adjusted for clustering by country; (b) fixed effect vector decomposition regressions with an AR(1) correction for serial correlation (see footnote 23 in the article);

- (2) The results of the selection-corrected models and additional robustness checks when the key explanatory variables related to compliance with Article VIII obligations are lagged by 3 years (footnote 27).

Table 1: Determinants of Risk Ratings (OLS, Std. Errors Clustered by Country)

<i>Independent variables</i>	DV: <i>Institutional Investor</i> rating, OLS		DV: <i>Euromoney</i> rating, OLS	
	(1) 1-year lag	(2) 3-year lag	(3) 1-year lag	(4) 3-year lag
Article VIII _{t-1,3}	-4.520 (2.898)	-3.010 (3.144)	-4.166 (2.735)	-1.240 (3.233)
Restriction _{t-1,3}	-1.442 (2.551)	-1.373 (2.534)	-1.024 (2.521)	-1.055 (2.583)
Noncompliance _{t-1,3}	9.392** (3.079)	9.722** (3.438)	10.016** (3.159)	9.427* (3.874)
Reserves/debt _{t-1}	-0.0002 (0.015)	0.004 (0.015)	0.004 (0.014)	0.011 (0.014)
BOP/GDP _{t-1}	-0.064 (0.062)	-0.066 (0.058)	-0.109 (0.074)	-0.107 (0.072)
Debt/GNI _{t-1}	0.012 (0.010)	0.012 (0.010)	0.018 (0.009)	0.018 (0.010)
GDP growth _{t-1}	-0.369* (0.150)	-0.354* (0.151)	-0.573*** (0.158)	-0.542** (0.173)
GDP per capita _{t-1}	-0.003*** (0.0007)	-0.004*** (0.0007)	-0.003*** (0.0009)	-0.003*** (0.0009)
Inflation _{t-1}	0.0007 (0.0005)	0.0004 (0.0004)	0.001 (0.0006)	0.0006 (0.0006)
Trade openness _{t-1}	0.019 (0.037)	0.016 (0.038)	0.028 (0.034)	0.018 (0.036)
Regime type _{t-1}	-0.103 (0.149)	-0.117 (0.152)	-0.156 (0.179)	-0.197 (0.188)
Political instability _{t-1}	2.368 (1.394)	2.371 (1.461)	3.374* (1.442)	3.344* (1.566)
% Years in Default	0.257*** (0.064)	0.263*** (0.062)	0.159* (0.063)	0.153* (0.066)
Openness _{t-1}	-5.620** (1.743)	-6.109*** (1.776)	-7.733*** (1.847)	-8.487*** (1.979)
IMF program _{t-1}	5.666*** (1.172)	6.014*** (1.189)	4.935*** (1.304)	5.207*** (1.348)
Currency Crisis _{t-1}	1.722* (0.816)	1.911* (0.786)	1.832 (1.075)	2.027 (1.044)
Shift Left	1.744 (1.882)	1.273 (1.996)	1.402 (2.583)	0.792 (2.815)
Constant	70.173*** (3.981)	70.169*** (3.924)	59.583*** (4.255)	59.921*** (4.304)
No. of observations	1,102	1,073	1,032	999
R ²	0.51	0.53	0.43	0.42

Note: Robust standard errors corrected for clustering by country in parentheses below OLS coefficients;
*significant at 10%; **significant at 5%; ***significant at 1% level and below.

Table 2: Fixed Effects Vector Decomposition Models of Sovereign Risk Ratings¹

<i>Independent variables</i>	DV: <i>Institutional Investor</i> rating; XTFEVD		DV: <i>Euromoney</i> rating; XTFEVD	
	(1) 1-year lag	(2) 3-year lag	(3) 1-year lag	(4) 3-year lag
Article VIII _{t-1,3}	-0.975*** (0.271)	0.045 (0.274)	3.897*** (0.777)	7.182*** (0.786)
Restriction _{t-1,3}	-1.153*** (0.225)	-0.170 (0.220)	-1.674* (0.635)	-2.630*** (0.620)
Noncompliance _{t-1,3}	3.219*** (0.335)	1.344*** (0.355)	7.872*** (0.942)	6.831*** (0.995)
Reserves/debt _{t-1}	-0.020*** (0.003)	-0.041*** (0.003)	-0.014 (0.008)	-0.021* (0.009)
BOP/GDP _{t-1}	-0.021 (0.014)	-0.023 (0.014)	0.013 (0.038)	0.015 (0.039)
Debt/GNI _{t-1}	0.006*** (0.001)	0.007*** (0.001)	0.012** (0.004)	0.017*** (0.004)
GDP growth _{t-1}	-0.016 (0.016)	-0.009 (0.017)	-0.078 (0.043)	-0.059 (0.046)
GDP per capita _{t-1}	-0.006*** (0.0003)	-0.005*** (0.0004)	-0.009*** (0.001)	-0.010*** (0.001)
Inflation _{t-1}	0.0002 (0.0001)	0.0002 (0.0001)	-0.0001 (0.0004)	-0.0002 (0.0004)
Trade openness _{t-1}	-0.017* (0.007)	-0.027*** (0.007)	0.001 (0.017)	-0.011 (0.017)
Regime type _{t-1}	-0.044* (0.021)	-0.057* (0.022)	-0.282*** (0.059)	-0.265*** (0.060)
Political instability _{t-1}	-0.600** (0.196)	-0.510* (0.201)	1.573** (0.554)	1.411* (0.566)
% Years in Default	0.324*** (0.005)	0.315*** (0.005)	0.284*** (0.013)	0.265*** (0.015)
Openness _{t-1}	-2.712*** (0.171)	-1.827*** (0.174)	-5.791*** (0.463)	-5.704*** (0.467)
IMF program _{t-1}	0.582** (0.191)	0.409* (0.197)	1.988*** (0.508)	1.935*** (0.520)
Currency Crisis _{t-1}	2.258*** (0.293)	1.527*** (0.301)	2.382** (0.776)	2.098* (0.794)
Shift Left	-0.797* (0.329)	-0.325 (0.335)	0.413 (0.940)	-0.106 (0.956)
Constant	77.953*** (0.214)	76.875*** (0.211)	69.602*** (0.606)	71.095*** (0.603)
No. of observations	1,018	990	930	899
Adjusted R ²	0.56	0.50	0.78	0.77

Note: Fixed effects vector decomposition regression with correction for AR(1) serial correlation; *significant at 10%; **significant at 5%; ***significant at 1% level and below.

¹ In the fixed effect vector decomposition regressions, *Article VIII*, *Restriction*, *Noncompliance*, *% Years in Default*, *Openness*, *Instability*, *Currency Crisis*, and *Shift Left* are treated as the slow-moving variables.

Table 3: Selection Models of Risk Ratings (3-Year Lags for Article VIII Covariates)

<i>Independent variables</i>	DV: Article VIII	DV: <i>IIR</i>	DV: Article VIII	DV: <i>Euromoney</i> rating
	(1) Probit, sel. stage	(2) 2nd-stage OLS	(3) Probit, sel. stage	(4) 2nd-stage OLS
Regional norm	0.048*** (0.006)		0.044*** (0.006)	
Universality	0.010 (0.008)		0.017* (0.008)	
Article VIII _{t-3}		-4.083 (2.892)		-1.333 (3.247)
Restriction _{t-3}		-2.280 (3.254)		-4.634 (3.086)
Noncompliance _{t-3}		8.611* (3.744)		11.873** (3.865)
Reserves/debt _{t-1}	-0.0006 (0.001)	0.001 (0.010)	-0.001 (0.001)	0.008 (0.013)
BOP/GDP _{t-1}	-0.009 (0.010)	-0.110 (0.118)	-0.002 (0.011)	-0.169 (0.120)
Debt/GNI _{t-1}	0.0008 (0.001)	-0.0004 (0.005)	0.001 (0.001)	0.014 (0.009)
GDP growth _{t-1}	-0.003 (0.011)	-0.590*** (0.161)	-0.004 (0.012)	-0.722*** (0.184)
GDP per capita _{t-1}	0.0001 (0.0001)	-0.004*** (0.0007)	0.00009 (0.0001)	-0.003*** (0.0008)
Inflation _{t-1}	-0.00008 (0.00007)	0.0002 (0.0004)	-0.0001 (0.0001)	-0.00001 (0.0009)
Trade openness _{t-1}	0.016** (0.005)	-0.028 (0.040)	0.014** (0.005)	-0.025 (0.036)
Regime type _{t-1}	0.020 (0.023)	-0.045 (0.156)	0.026 (0.022)	-0.066 (0.183)

Political instability _{t-1}	0.019 (0.229)	1.357 (2.267)	-0.129 (0.229)	1.974 (2.619)
% Years in Default	0.003 (0.011)	0.386*** (0.076)	0.004 (0.011)	0.242*** (0.074)
Openness _{t-1}	-0.012 (0.255)	-10.343*** (1.589)	0.078 (0.241)	-12.672*** (1.843)
IMF program _{t-1}	0.097 (0.211)	6.724*** (1.821)	0.074 (0.224)	7.330*** (2.108)
Currency Crisis _{t-1}	-0.529*** (0.133)	1.209 (1.295)	-0.485*** (0.143)	0.729 (1.782)
Shift Left		0.413 (1.647)		-0.083 (2.556)
Constant	-4.603*** (0.568)	76.080*** (4.654)	-4.670*** (0.528)	62.079*** (5.080)
λ		-0.695 (1.874)		2.489 (1.942)
Observations	1,252 (430 uncensored)		1,234 (412 uncensored)	

Note: OLS coefficients in columns (2) and (4) from two-stage Heckman selection model (robust standard errors in parentheses). Columns (1) and (3) display probit estimates from first stage; *significant at 10%; **significant at 5%; ***significant at 1% level and below.

Table 4: Art. VIII Compliance and Sovereign Risk (Split Samples, 3-Year Lags)

<i>Independent variables</i>	DV: <i>Institutional Investor</i> rating		DV: <i>Euromoney</i> rating	
	(1) IMF program	(2) Crisis	(3) IMF program	(4) Crisis
	cases omitted	cases omitted	cases omitted	cases omitted
Article VIII _{t-3}	-0.637 (1.290)	-2.794* (1.387)	-2.411 (1.738)	-2.256 (1.524)
Restriction _{t-3}	-0.319 (1.054)	-1.247* (0.518)	-1.529 (1.449)	-1.978* (0.951)
Noncompliance _{t-3}	2.836 (2.265)	3.524*** (1.040)	7.731** (2.710)	6.449** (2.155)
Reserves/debt _{t-1}	-0.005 (0.007)	-0.023*** (0.007)	0.017 (0.012)	0.008 (0.012)
BOP/GDP _{t-1}	-0.041 (0.041)	-0.026 (0.019)	-0.040 (0.072)	-0.068 (0.048)
Debt/GNI _{t-1}	-0.003 (0.005)	0.018*** (0.004)	0.006 (0.006)	0.021*** (0.005)
GDP growth _{t-1}	-0.015 (0.034)	-0.017 (0.020)	-0.167* (0.083)	-0.103 (0.055)
GDP per capita _{t-1}	-0.006*** (0.0007)	-0.004*** (0.0003)	-0.003*** (0.0008)	-0.003*** (0.0005)
Inflation _{t-1}	-0.00008 (0.0003)	9.24x10 ⁻⁶ (0.0001)	-0.001 (0.001)	-0.0002 (0.0004)
Trade openness _{t-1}	0.106*** (0.014)	0.012 (0.013)	0.068* (0.025)	-0.0004 (0.015)
Regime type _{t-1}	0.019 (0.110)	0.009 (0.066)	-0.286* (0.107)	-0.209*** (0.065)
Political instability _{t-1}	0.408 (1.021)	0.172 (0.374)	4.829** (1.579)	2.016* (0.819)
% Years in Default	0.503*** (0.066)	0.259*** (0.049)	0.303*** (0.079)	0.152*** (0.042)
Openness _{t-1}	-6.711*** (0.965)	-3.676*** (0.842)	-11.133*** (1.731)	-6.222*** (1.211)
Currency Crisis _{t-1}	1.723 (1.059)		-0.689 (1.633)	
Shift Left	2.727 (1.818)	0.848 (0.696)	3.254 (2.127)	-0.893 (0.900)
Constant	67.839*** (1.835)	76.028*** (1.774)	59.537*** (3.811)	66.697*** (2.065)
Number of countries	63	79	72	94
Number of obs.	452	999	406	928
R ²	0.97	0.96	0.93	0.91
Wald χ^2	2593.80	474.40	827.41	245.29
Probability > χ^2	0.0000	0.0000	0.0000	0.0000

Note: Panel corrected standard errors in parentheses below Prais-Winsten coefficients;
*significant at 10%; **significant at 5%; ***significant at 1% level and below.

Table 5: Art. VIII Compliance and Sovereign Risk, 1979-1991 (3-Year Lags)

<i>Independent variables</i>	DV: <i>Institutional Investor rating</i>	DV: <i>Euro money rating</i>
Article VIII $t-3$	-1.729 (2.150)	2.197 (2.227)
Restriction $t-3$	-1.603* (0.566)	-1.271 (1.263)
Noncompliance $t-3$	3.870* (1.874)	4.770 (2.843)
Reserves/debt $t-1$	-0.041*** (0.011)	-0.005 (0.022)
BOP/GDP $t-1$	-0.041 (0.026)	-0.073 (0.082)
Debt/GNI $t-1$	0.003 (0.004)	0.003 (0.006)
GDP growth $t-1$	-0.046 (0.028)	-0.139 (0.084)
GDP per capita $t-1$	-0.005*** (0.0004)	-0.003*** (0.0006)
Inflation $t-1$	0.0001 (0.0002)	-0.0002 (0.0005)
Trade openness $t-1$	0.030 (0.017)	0.032 (0.020)
Regime type $t-1$	-0.077 (0.053)	-0.239* (0.107)
Political instability $t-1$	-0.543 (0.545)	1.631 (1.427)
% Years in Default	0.484*** (0.062)	0.243** (0.077)
Openness $t-1$	-2.411*** (0.729)	-4.266* (1.602)
IMF program $t-1$	1.341* (0.501)	1.764 (1.030)
Currency Crisis $t-1$	1.131* (0.491)	1.084 (1.064)
Shift Left	2.991*** (0.936)	-0.841 (2.396)
Constant	72.039*** (1.633)	62.395*** (3.153)
Number of countries	64	68
Number of observations	700	570
R ²	0.95	0.84
Wald χ^2	391.83	123.88
Probability > χ^2	0.0000	0.0000

Note: Panel corrected standard errors in parentheses below Prais-Winsten coefficients; *significant at 10%; **significant at 5%; ***significant at 1% level and below.