Resolved: The benefits of the International Monetary Fund outweigh the harms.

April 2021 PF Brief*

*Published by Victory Briefs, PO Box 803338 #40503, Chicago, IL 60680-3338. Edited by Lawrence Zhou. Written by Inko Bovenzi, Ruby Marsh, and Lawrence Zhou. Evidence cut by Brent Lamb and Ty Rossow. For customer support, please email help@victorybriefs.com.

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Inko Bovenzi debated for Hunter High School in New York City. He qualified to the Tournament of Champions twice and reached outrounds in his junior year. He has reached late elimination rounds in several varsity tournaments, including finals at Yale, quarterfinals at UK and semifinals at Scarsdale. In addition, he was 8th speaker at Harvard, 3rd speaker at UK, and 7th speaker at Scarsdale. He was invited to compete at the Harvard Round Robin twice, and during his senior year, he was ranked first in the country. He was an instructor at the Victory Briefs Institute this summer.

1.1 Background

What is the International Monetary Fund (IMF), and what does it do?

The IMF is an international organization that seeks to stabilize and help grow the global economy, with a focus on the international monetary system (exchange rates, etc.). To this end, the IMF, per its own website, engages in the following activities:

- Surveillance. The IMF regularly assesses the strength of the global economy, pub-lishing annual reports on its strengths and weaknesses. Moreover, the IMF also looks at the local economic conditions in countries around the world, in an effort to avoid crises by helping countries manage fiscal difficulties. This is probably the least significant/important pillar of the IMF.
- Financial Assistance. The IMF provides loans to countries that are experiencing fiscal difficulties. These loans are accompanied by “advice” from the IMF on how to stabilize the economic program (structural adjustment programs). These pro-grams are one of the most controversial parts of the IMF, as in the past they have forced countries to engage in austerity cuts (more on this later). In the event of catastrophes (ex. COVID-19), the IMF reduces interest rates on their loans and

increases their maximums. Currently, interest rates are 0 until July, meaning de-veloping countries can currently use the IMF as a source of free capital. Loans to low-income countries are often at 0% interest even if there is no immediate crisis. For example, Mexico (1980s) and Brazil (2000s) both received IMF loans to avoid defaults.

- Capacity Development. The IMF aids developing countries with the development of financial institutions and human capital. This includes but is not limited to helping design the tax code, improving the quality of banking, helping with the quality of economic statistics for better future management, etc.
- Special Drawing Rights. SDRs are a sort of IMF currency: a global reserve of capi-tal that member states can use in times of crisis in order to stabilize their economies. The value of SDRs is tied to the value of major currencies (such as the dollar). In 2009, in order to respond to the recession, the IMF allocated $250 billion of SDRs to member states.
- Resources. Member states have obligations to the IMF (in order to fund it). The IMF has a total resource pool of nearly $700 billion. Richer countries pay higher quotas.
- Governance. The IMF is governed by representatives from all 190 member states. Nearly all countries in the world are members of the IMF, meaning that most coun-tries probably view membership as in the national interest.

Most arguments on this topic will likely be about the financial assistance pillar of the IMF, as it is likely the part with the greatest economic impact (for better or worse). How-ever, I would recommend at least spending some time researching the management as-pects of the IMF, particularly for affirmative arguments, as it can be exceedingly difficult to run the economy of a small, developing country that is just emerging from conflict: advice in these instances can be a game changer for the trajectory of the country in ques-tion.

As has been the case on the past two topics, this is evaluative; there is no fiat. The resolution asks us to consider whether the benefits of the IMF outweigh the harms, not to do anything about it. That means that any argument about harms/benefits of the IMF, that may occur present, future, or past, is fair game. This means that even though the IMF reformed its Structural Adjustment Programs (SAPs) in 2009, it is still fine to make arguments about the damage they may have caused pre-2009. However, be sure to practice your explanation for why these arguments are fair game (“the IMF stabilizing the economy in 2008 is a benefit of the IMF that we should consider when evaluating the success of the institution," or something like that) before rounds.

1.2 Aff Arguments

1.2.1 Currency Stabilization

The IMF was originally created to help with currency stabilization:

> By themselves, these familiar events may not justify IMF assistance. **But as recent events have shown, foreign exchange markets are subject to con-tagion, which means that any initial currency depreciation can easily be magnified when domestic and foreign investors "run" to safe havens.** If countries cannot borrow foreign currency to stop the run on their own re-serves, then they may adopt any number of measures that restrict trade and capital in an effort to halt the inflationary impacts of their falling curren-cies. If only one or two countries take such counterproductive measures, the damage to the world may not be significant. **But if many similarly sit-uated countries follow a similar course, then the world economy suffers from a "tragedy of the commons" and many economies spiral downward together. This is what happened in the 1930s.** And it was what the **IMF was created to prevent**.[1]

The idea is that the IMF functions as a lender of last resort—when a country's fiscal situation is so dire that no bank will lend funds (or maybe will only lend funds at an extreme interest rate), the IMF steps in to save the nation's economy.

> **The case for the International Monetary Fund (IMF) is that the world economy needs a "lender of last resort."** This concept usually applies to a na-tion's economy. It holds that a central bank -- the Federal Reserve for the United States -- can stop banking panics when losses at a few banks cause depositor runs. **It does this by making loans available to all banks, so that scared depositors can withdraw their funds. Seeing that they can, they are reassured. The panic subsides, avoiding the dire consequences of a banking collapse**: a drying up of credit; a drop in the money supply; a loss

[1] Robert E. Litan, 10-1-1998, "Does the IMF Have a Future? What Should It Be?," Brookings, https://www.brookings.edu/research/does-the-imf-have-a-future-what-should-it-be/

> of purchasing power. **In the 1930s, the Federal Reserve's failure to do this job brought on the Depression.**
>
> **The IMF plays a similar role for the world economy.** It acts as a backstop for countries that exhaust their foreign exchange reserves: the dollars, yen and marks that nations use to conduct trade. When this happens, the **IMF makes loans to them in these currencies. The loans buy time to restore a sustainable balance in their overseas payments without an abrupt halt to imports.** The global advantages are obvious. One country's imports are another's exports. So, if too many countries reduce their imports, the process can feed on itself and trigger a worldwide slump. **The huge loans organized by the IMF for Asia's ailing economies -- now exceeding $100 billion -- aim to avoid that.**[2]

These cards were written at the height of the Asian Financial Crisis of the 1990s. The IMF played a substantial role in preventing that recession from becoming a regional or even global depression. The offense of this argument is however not just limited to alleviating recessions. The fact that investors/banks know that the IMF can function as an emergency lender makes them less worried of potential emergencies. That's very important for the economy, because the precursor to all major banking crashes has been a sudden loss of confidence. Keeping confidence steady prevents the crashes altogether. That's exactly why covid didn't provoke a banking disaster in the United States despite devastating the economy: the fed stepped in and promised to help banks if there was a liquidity crunch, preventing such crunch from happening in the first place.

1.2.2 Advice to Developing Countries

The IMF provides significant help to leaders of developing countries in setting up their economies for maximum efficiency, an exceptionally challenging task. The stability that the IMF brings, as well as economic norms, make countries under IMF development programs significantly more attractive targets for foreign investment, because rules are standardized and designed for macroeconomic stability: the most important consider-ation for potential investors:

Most Macroeconomic frameworks under International Monetary Fund

[2]Robert J., 2-11-1998, "WHY WE NEED THE IMF," Washington Post,

https://www.washingtonpost.com/archive/opinions/1998/02/11/why-we-need-the-imf/aee14ca5-52b3-4528-9a8a-082acc5661d7/

> **(IMF)-supported programs project a recovery or increase of Foreign Direct Investment (FDI) inflows.** The underlying assumption is that **IMF-supported programs help restore macroeconomic stability** and address structural constraints to growth, thereby **rebuilding confidence and encouraging foreign investors** to take on long-term investment projects...
>
> The results reported in Table 2 confirm our findings above although the esti-mated effects appear to be smaller. The PSM results suggest that a **member country under an IMF-supported program attracts two times more FDI as a percentage of GDP than country not under such a program** and this result is significant at the one percent level.[3]

Empirically, countries receiving IMF aid see twice as much FDI as other, similar na-tions without the same IMF aid. FDI is very important for developing economies: it creates jobs that typically offer higher wages than local firms, investment brings cap-ital to cash-strapped economies, and greater economic activity increases tax revenue, boosting social programs and reducing public debt.

1.2.3 Loans

Very often, basically every country in the world must take on debt (take a loan from an entity at some interest rate). Developing countries typically have to pay higher interest rates on this debt, because their risk of default is higher than developed countries. This can be quite difficult for countries, which can end up paying large percentages of their GDP off in interest payments before they can spend on their people. However, the IMF solves this problem by typically offering 0% interest loans to developing countries. Note that the real interest rate is negative, due to inflation, and the growth of the economy puts further downward pressure on the debt/gdp ratio. Moreover, low IMF interest rates breed stability, exerting downward pressure on private sector interest rates in the developing world, reducing debt burdens:

> Let's begin with the better known "moral hazard" problem: that because **IMF funds recently have been used to stabilize domestic banking systems**, IMF rescues have the effect of insulating creditors of banks in borrowing countries against loss. This distorts the pricing of loans and **encourages** too

[3] https://www.imf.org/external/pubs/ft/wp/2015/wp15157.pdf

> much borrowing and **lending at artificially suppressed interest rates.**[4]

(Note in this passage this is prevented as a potential harm, but the argument that this is harmful is later refuted in the article.) If the IMF stopped giving these loans, it's likely that the private sector would also flee developing countries:

> Though well known, these problems are hard to solve. In theory, the IMF might insist that banks write down their loans by, say, 25 percent. But no formal mechanism exists for such a renegotiation; many banks with many loans would be involved. Some economists say that the IMF should just step aside. Don't lend at all. Then debtor nations and creditor banks would have to renegotiate. Banks would write down loans, because countries couldn't afford to pay. Perhaps. But there's a huge danger. **It is that, once the IMF's safety net was withdrawn, banks and other investors would flee other de-veloping countries (Brazil, Russia, Mexico). Fear of panic could provoke the very panic that the IMF exists to prevent.**[5]

The impact of this argument could either be a recession-inducing default, or the fact that lower interest rates reduce debt burdens for developing countries. Either way, high debt burdens (from high rates and a risk of default) pushed 124 million people into poverty during the 1990s in Subsaharan Africa.

1.2.4 Avoiding Defaults/Recession

IMF emergency loans prevent defaults or sudden economic crashes, by providing nec-essary capital in times of crisis:

> The IMF is often described as a "lender of last resort". In times of crisis, countries look to it for financial assistance.
>
> Economists like Harvard University's Benjamin Friedman have said it's dif-ficult to measure the organisation's success because we can't know if its poli-cies are "worse than whatever the alternative would have been".
>
> However, some praised the Fund's role in **supporting Mexico after it de-clared it would be unable to repay its debts in the early 1980s.**

[4] Robert E. Litan, 10-1-1998, "Does the IMF Have a Future? What Should It Be?," Brookings, https://www.brookings.edu/research/does-the-imf-have-a-future-what-should-it-be/

[5] Robert J., 2-11-1998, "WHY WE NEED THE IMF," Washington Post,

https://www.washingtonpost.com/archive/opinions/1998/02/11/why-we-need-the-imf/aee14ca5-52b3-4528-9a8a-082acc5661d7/

> More recently, **Brazil obtained IMF loans in 2002 to avoid defaulting on its debts. The government was able to turn the economy around relatively quickly, and pay off its entire debt two years ahead of schedule.**[6]

While a default can permanently set a country's development back, by crushing investor confidence and increasing long term interest rates to reflect that lack of confidence, a rel-atively painless IMF loan can prevent any such risk. This argument is compounded by the fact that if countries were to try to prevent defaults/economic crises through their own means without the IMF, the consequences could be far worse than any negative ex-ternalities of an IMF loan. For example, facing a currency liquidity crisis, countries may try to cut their trade deficits (to increase local currency supplies) and reduce inflowing investment:

> This isn't to say that all self-help remedies are bad. As even the IMF has now conceded, it can be prudent for countries with weak banks and/or weak financial regulatory systems to discourage banks and other private actors from excessive borrowing in foreign currency, especially at shorter matu-rities. Chilean-style reserve requirements against such borrowings are one such device. Domestic taxes on such borrowings are another. Disincentives of this type do not entail the kind of spillover risks that the IMF was cre-ated to address; if anything, they tend to reduce them. **The danger in a world with a constrained IMF is that countries will turn to more perni-cious measures, cutting themselves off from the flow of equity investment (even short-term) and further curtailing trade, steps that would inhibit their long-term growth and that of the trading partners.**[7]

1.3 Neg Arguments

1.3.1 Austerity

IMF structural adjustment programs (SAPs) are definitely the most controversial part of the organization. Because the IMF has no way of demanding back money from countries (they can just take the loan and never pay it back), the IMF gives loans conditional on

[6] International, 10-18-2019, "IMF: What is it and why does it matter?," BBC News, https://www.bbc.com/news/business-50069765

[7] Robert E. Litan, 10-1-1998, "Does the IMF Have a Future? What Should It Be?," Brookings, https://www.brookings.edu/research/does-the-imf-have-a-future-what-should-it-be/

countries fixing their balance sheets and free-marketizing their economies to a certain extent to increase the chances of them paying back their loans.

> **The conditions the IMF imposes on countries it lends money to have sometimes been described**
>
> In the past, these have included **lower government borrowing, cutting cor-porate taxes and opening up their economies to foreign investment.**
>
> Greece was where the eurozone financial crisis started back in 2009, and the hardest-hit economy.
>
> **After it received bailout loans from the IMF, Greece had to make some changes.** Critics said the **austerity** - intended to get government borrowing needs down - was **excessive and did damage to the economy and society.**
>
> **The unemployment rate in Greece still remains high at 17%,** down from a peak of over 27% in 2013.[8]

Generally speaking, austerity during a financial crisis is a *terrible* idea for a developed country that can afford to pay off its debts long term. However, for developing countries that need to maintain low debt-gdp ratios to avoid default/super high interest payments, these programs make more sense. However, austerity bad/higher taxes on corporations good/protectionism good are fully viable arguments.

The IMF also asks that countries tighten their monetary policy (reduce currency in cir-culation, typically by raising interest rates). That tends to slow the pace of economic growth but reduce the risk of inflation.

> **The IMF's prescription for tight money has been even more controversial.** The conventional wisdom—which the IMF routinely follows in its rescues of countries experiencing currency runs—**is that high interest rates are nec-essary to stabilize the currency.** Things haven't worked out so neatly in Asia, however, because as World Bank Chief Economist Joseph Stiglitz has persuasively argued, **applying the tight money remedy to economies with high initial levels of leverage can strangle the patient, sending the cur-rency down even further.** With 20/20 hindsight, this criticism looks persua-sive, but in all fairness, it was not unreasonable for Fund officials at the time when the crisis first appeared to have insisted on tight money, since without

[8] International, 10-18-2019, "IMF: What is it and why does it matter?," BBC News, https://www.bbc.com/news/business-50069765

> higher interest rates there was a real danger that the suddenly depegged cur-rencies would have fallen even more sharply than they did. And there was no way of knowing at the time, back in the summer and fall of 1997, that the Asian crisis would be as severe and contagious as it has turned out to be.
>
> In a recent piece in The New Republic, Paul Krugman argues otherwise, claiming that **even in a crisis tight money runs counter to textbook wis-dom, pointing to the decline of the U.S. dollar in 1985 as an example.** Bet-ter he suggests to "roll with the punches", **let the falling currency buoy exports and even cut interest rates to support aggregate demand.** But as Krugman himself acknowledges, this "textbook" advice is not easily gener-alized to developing countries with large foreign currency debts that may be highly dependent on imports. As I have already suggested, in this situation, a sharply falling currency can trigger both uncomfortably higher inflation and a wave of domestic bankruptcies. Under these circumstances, it was not unreasonable at the time of the initial crisis (**although it may subsequently have proved counterproductive**) for the IMF to have insisted on tight money policies to stabilize falling currencies.[9]

While the economics on this issue is far from clear, you could argue (as Krugman does) that low interest rates are beneficial to boost aggregate demand, particularly in crisis, and that a bit of inflation is a fair price to pay for that. In the developed world at least, this seems fairly true, as countries *need* to boost aggregate demand in some form or another in order to escape depression, and inflation can easily be reduced later by in-creases in interest rates that won't be so painful in the modern context of near-0 interest rates.

1.3.2 Interest Rates

While there isn't much direct evidence for this argument, the warrant is as follows: when the IMF publishes its research on a developing country whose economy has a lot of uncertainty, if that research is negative towards investors, then it could trigger a rapid exodus, resulting in recession. Even if the fundamentals in an economy are nega-tive, an IMF report that doesn't change these facts might force investors into a sell it or

[9]Robert E. Litan, 10-1-1998, "Does the IMF Have a Future? What Should It Be?," Brookings, https://www.brookings.edu/research/does-the-imf-have-a-future-what-should-it-be/

lose it mentality, as they fear that if they are the last to leave the market they will lose all of their funds, even if their investments are theoretically sound.

1.3.3 Moral Hazard

This last neg argument is a fairly libertarian idea: IMF intervention to save developing countries creates a market distortion that makes these countries seem more favorable to investment than they actually are, resulting in excessive borrowing in these countries:

> **Let's begin with the better known "moral hazard" problem: that because IMF funds recently have been used to stabilize domestic banking systems, IMF rescues have the effect of insulating creditors of banks** in borrowing countries against loss. **This distorts the pricing of loans and encourages too much borrowing** and lending at artificially suppressed interest rates.
>
> IMF officials have acknowledged this problem, have urged attention be de-voted to solving it, but at the same time, either have implicitly or explicitly suggested that **this is a price that may have to be paid in order to prevent contagion.**[10]

Most recessions are caused by bubbles formed by capital that is unsoundly invested in markets that are far too risky or not as profitable as investors had imagined. While painful in the short term, stopping IMF bailouts may reduce this risky activity (the root cause of most crashes) in the long term.

> First, forcing repayment of all debts may deepen the present crisis. The debt burden needs to be lightened; otherwise, countries will be compelled to run huge trade surpluses (to generate foreign exchange) for years. If too many countries have to do this, all may not succeed. Their economies will stagnate; global trade will suffer. **Second, there is the problem of "moral hazard." If banks (or other investors) can reap profits on risky investments but are saved from losses -- by the IMF -- they will make more risky investments in the future.** The solution to today's crisis may become the seed of tomor-row's; **capricious capital flows will continue to destabilize the world econ-omy.**[11]

[10]Robert E. Litan, 10-1-1998, "Does the IMF Have a Future? What Should It Be?," Brookings, https://www.brookings.edu/research/does-the-imf-have-a-future-what-should-it-be/

[11]Robert J., 2-11-1998, "WHY WE NEED THE IMF," Washington Post,

1.4 Conclusion

Good luck to all debating this topic!

https://www.washingtonpost.com/archive/opinions/1998/02/11/why-we-need-the-imf/aee14ca5-52b3-4528-9a8a-082acc5661d7/

2 Topic Analysis by Lawrence Zhou

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2.1 Introduction

Three topics in a row where the resolution is not about a policy action but instead about evaluating the current state of affairs to some counterfactual world, although this is the first one to not include the phrase “On balance” at the beginning (an omission that should not meaningfully affect which arguments can be round winners, but I suspect somehow will). I will set aside my standard rant about why these topics are confus-ing and invite weird arguments this time, and just discuss the actual arguments on the topic.[1]

[1] If you would like to read those thoughts, I have written a little too much about it for the West Africa and Space Force topic analysis essays, so you can find them there.

2.1.1 Background

Hopefully you have read a bit about what the IMF is (the Wikipedia entry is quite exten-sive[2], but I found the Britannica entry to be far more readable[3]) but at its core, it is just an international organization that is supposed to (emphasis on "supposed to") promote growth, financial stability, and poverty reduction primarily by facilitating trade.[4] Ini-tially created in 1945 as part of the Bretton Woods agreement[5] (a system that attempted to encourage trade by introducing convertible currencies at fixed exchange rates, but has since been abandoned in favor of floating exchange rates), the IMF is now head-quartered in Washington, D.C. and has 189 member countries. It has three primary methods for achieving its above goals: surveillance, capacity building, and lending.

Surveillance is simply collecting data on national economies for the purpose of aggre-gating them and using them to make informed decisions about fiscal policy (govern-ment decisions about taxation and spending), monetary policy (central bank activities directed towards influencing the quantity of money and credit in an economy to achieve macroeconomic goals like price stability or full employment), and trade policies (the regulations and agreements that control imports and exports to foreign countries) in countries.

Capacity building is providing technical assistance, training, and policy advice through its various programs. A lot of these programs for member countries are informed by and contribute to the IMF's surveillance as some of these programs include training countries in data collection and analysis.

Finally, lending is simply providing loans (a payment for another party in exchange for repayment of the principal plus interest) to countries either experiencing economic dis-tress or at risk of experiencing a financial crisis. These loans are funded by other member countries' contribution to a collective pool (and the amount that each country owes is called a quota) and the loans are usually conditional, which is to say that the loans will only be given if recipients make reforms to increase their growth and/or financial sta-bility. These are also called structural adjustments, just another fancy way to describe the various economic reforms that countries must adhere to secure loans from either the IMF or World Bank. These structural adjustments are most commonly free market in nature, and often include devaluing currencies, slashing public sector employment and

[2]https://en.wikipedia.org/wiki/International_Monetary_Fund
[3]https://www.britannica.com/topic/International-Monetary-Fund
[4]https://www.investopedia.com/terms/i/imf.asp
[5]https://en.wikipedia.org/wiki/Bretton_Woods_system

other public sector spending, privatizing enterprises, deregulating the economy, and improving tax collection infrastructure.[6]

The surveillance and capability building aspects of the IMF have been criticized, but by and large, the vast majority of the controversy surrounding the IMF revolves around structural adjustments. As such, the majority of the literature will revolve around criti-cizing or defending those loans.

The IMF website lists a bunch of other things that it does such as allocating SDRs or spe-cial drawing rights which are international reserve assets that are intended to provide a country with liquidity.[7] I think it is probably worth perusing through the website to get more familiar with the IMF, but probably not required as many of the common argu-ments for and against the IMF will probably not require a particularly deep knowledge about every aspect of the IMF or its history.

The main reason the IMF is back in the news is just because of COVID (honestly, at this point, what debate topic is not just ruined by COVID?). The most recent news is that the G7 (the Group of Seven, which is an intergenerational organization of Canada, France, Germany, Italy, Japan, the UK, and the US) now supports the IMF sending out more money to poorer nations who have been hit by COVID.[8] I would definitely be gleaning news articles to get a better sense of some of the modern workings of the IMF and why they are back in the popular media.

Finally, if you are not familiar with a lot of basic economics terms such as austerity (a set of policies aimed at reducing budget deficits through spending cuts, tax increases, or some combination or the two[9]), default (the inability to service the required payments on its obligations[10]), cycles of the economy (i.e. expansion, or growth, and contraction, recession[11]), GDP (gross domestic product, or the total value of all the goods and ser-vices within a country[12]), or Keynesian economics (a macroeconomic theory that focuses on demand-side theory and is best known for advocating for increased government ex-penditures and lower taxes to stimulate demand[13]), then it is definitely encouraged to take a look through Investopedia and get familiar with some of the basics of economics,

[6] https://www.investopedia.com/terms/s/structural-adjustment.asp

[7] https://www.imf.org/en/Topics/special-drawing-right

[8] Elliot, L. (2021, March 19). G7 moves closer to offering Covid financial support for de-veloping nations. The Guardian. https://www.theguardian.com/business/2021/mar/19/g7-moves-closer-to-offering-covid-financial-support-for-developing-nations.

[9] https://www.investopedia.com/terms/a/austerity.asp

[10] https://www.investopedia.com/terms/d/default2.asp

[11] https://www.investopedia.com/terms/e/economic-cycle.asp

[12] https://www.investopedia.com/terms/g/gdp.asp

[13] https://www.investopedia.com/terms/k/keynesianeconomics.asp

particularly global economic policy. You could also watch a few CrashCourse videos on the subject if you have the time.[14] While I do not think such knowledge will directly translate to increased wins, I think knowing the vocabulary will help you better un-derstand the theory behind a lot of the topic literature and help ensure a more robust understanding of the topic arguments.

2.1.2 Topic Thoughts

My initial intuitions about the topic are mixed. One the one hand, this is an incredible topic because it forces high school students to learn about economics and a global eco-nomic institution that has far-reaching impacts to every corner of the globe. I myself was quite interested in learning more about the IMF and economics (which I know very little about despite having a business degree) because of this topic. However, I feel that this topic is going to be a bit annoying to debate. This topic is, in my mind, too deep to be a one-month topic. The history of the IMF is itself usually a several part series in a college level economics course, and the background knowledge about economics terms required to understand economic policy is a lot for debaters to learn in a month or two. All of that is on top of the so many different ways in which the IMF operates in the world. The arguments just about surveillance, for instance, are deep and affect each country differently. It would not surprise me if so many of the debates came down to each team asserting that one country proves the IMF good and the other team asserting some different country proves the IMF bad, with no real way to resolve between these claims. Obviously, I think this topic is best discussed in the abstract with examples of specific countries used to make those broader claims more concrete, but I suspect that a lot of these debates will not be like that since the strategic incentive will be to run to smaller aspects of the topic and arbitrarily inflate the size of those impacts. These strate-gic incentives exist in debate no matter what, but I have a feeling that this topic inflates the value of these types of strategies more than most others. The one hope I have against these strategies from being successful is that a lot of the smaller arguments will rely on the same warrants (e.g. loans boost growth, surveillance key to financial stability, etc.) that all of the core, stock arguments will rely on. The trick will be identifying those war-rants in the heat of a round and pointing out why, in fact, general arguments about the IMF price in and answer the more narrow versions of these arguments.

I also suggest looking at some of the previous LD briefs from the 2017 Novem-

[14] https://youtu.be/3ez10ADR_gM

ber/December topic: Wealthy nations have an obligation to provide development assistance to other nations. While a lot of the evidence from that topic is going to be philosophical and not specific to the IMF, a lot of the general themes of that topic will apply to this one.

2.1.3 Framing

Now I mentioned that I would not repeat my thoughts about the theoretical difficulty of interpreting the topic, and I won't. But there is a substantive concern made by Fried-man when he writes: "We cannot reliably know whether the consequences of the IMF's policies were worse than whatever the alternative would have been."[15] That is partially because of the inherent problems with doing counterfactual analysis, but also because economists are pretty divided on the actual consequences of the IMF's policies. Masters and Chatzky note:

> Some economists characterize the fund's performance in the Asian financial crisis of 1997–98 as a success. They argue that the economic reforms cham-pioned by the IMF allowed the countries involved to recover quickly and laid the foundation for sustained growth during the 2000s. Others point to the fund's role in Brazil in 2002 as positive: an early recovery there after intervention allowed IMF loans to be repaid ahead of schedule.
>
> Meanwhile, for many observers, the verdict on the European bailout pro-grams is still out. Critics point to the deep recessions and years of high unemployment in IMF loan recipient countries—most notably Greece and Spain, which have the highest youth unemployment rates in the European Union (EU), at over 30 percent. Greece's economy is still 25 percent smaller than it was before the crisis, and its debt load is nearly 180 percent of gross domestic product (GDP). Supporters of the IMF programs counter that the target eurozone countries have all started to grow again and point to ma-jor success stories, such as Ireland, which has seen its GDP rise well above pre-crisis levels.[16]

[15]Friedman, B. M. (2002, August 15). Globalization: Stiglitz's Case. The New York Review. https://www.nybooks.com/articles/2002/08/15/globalization-stiglitzs-case/.

[16]Masters, J., & Chatzky, A. (2020, August 20). The IMF: The world's controversial financial firefighter. Council on Foreign Relations. https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter.

Thus, I think this topic will be a bit tough because of these two issues intersecting, but I imagine, for pragmatic purposes, teams will find ways to move past these disputes.

Now let's jump into discussing some of the major arguments on this topic. By no means will this be exhaustive – again, this topic is huge – but it should hit on some of the major arguments in the literature. For a more complete list of potential arguments on this topic, I would closely read through the evidence section of the brief.

2.2 Pro Arguments

2.2.1 Crisis Management

The IMF is probably best known for its crisis management role, a sentiment best ex-plained by the retired managing director of the IMF:

> Yet crisis management remains our best-known activity. This encompasses both headline-grabbing situations of imminent economic collapse, as well as less visible help to countries struggling to attain external viability and growth, or to countries seeking help before problems become a crisis. As a self-reforming institution, the IMF reviews constantly both the kinds of advice and loans it offers to support these countries. But when it comes to crisis, prevention is better than cure. So we are modernising our loans to serve our entire membership better and to avoid crises spreading.[17]

One of the best backgrounder articles also echoes this idea:

> The Crisis Management Role
>
> The IMF has been called the world's "financial crisis firefighter," relied on by member countries to deal with crippling sovereign debt and prevent con-tagion from spreading through the global financial system.
>
> A member country—there are 189 members as of 2020—typically summons the IMF when it can no longer finance imports or service its debt to credi-tors, a sign of potential crisis. The fund will extend the government a loan and help organize a new debt-repayment schedule that the country can man-age. In exchange, the member agrees to implement IMF reforms designed

[17]Camdessus, M. (2000, February 25). Crisis management still IMF's best-known role. The Irish Times. https://www.irishtimes.com/business/crisis-management-still-imf-s-best-known-role-1.249186.

> to rectify its balance of payments and restore foreign exchange reserves in its central bank. The lending conditions are designed not only to guaran-tee the repayment of loans but also to ensure the money borrowed will be spent in line with the stated economic objectives. The IMF cannot force its will on member countries; countries accept the fund's conditioned financial assistance on a voluntary basis.
>
> Historically, much of the fund's work has been done in developing countries, including interventions in Argentina, Brazil, Indonesia, and Mexico. How-ever, the 2008 global financial crisis and subsequent European debt crisis required major bailouts in advanced eurozone economies, such as Greece, Iceland, Ireland, and Portugal, for the first time.[18]

Of course, the most pressing crisis facing most countries today is COVID, and the IMF has been stepping up to assist countries hit by COVID particularly hard. Hoyos elabo-rates:

> On March 27, IMF's Managing Director Kristalina Georgieva revealed that over 80 countries had requested emergency financing from the IMF. The IMF expects the financial needs of emerging markets will be at least $2.5 trillion, and many of these countries already face significant burdens of debt.
>
> About 50 of the requests came from low-income countries and over 30 from middle-income countries. Emerging markets have seen an $83 billion capital outflow, shortages in foreign exchange liquidity, and declines in commodity prices. The IMF aims to expand its emergency financing capacity under its existing facilities and is considering the launch of a new short-term liquidity swap line.
>
> On March 26, Ms. Georgieva asked the G-20 to double the IMF's emergency financing capacity. Under the recently passed CARES Act, the U.S. Treasury may expand the New Arrangements to Borrow (NAB) it can provide to the IMF through loans for up to $28.2 billion. During the 2007-2009 Global Fi-nancial Crisis, through strong efforts by the G-20, the International Monetary Fund (IMF) tripled its lending capacity to $750 billion. Since then, the IMF has expanded its mandate to play a more active role in preventing and fight-

[18] Masters, J., & Chatzky, A. (2020, August 20). The IMF: The world's controversial fi-nancial firefighter. Council on Foreign Relations. https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter.

> ing crises and preserving financial stability. Currently, the IMF forecasts a global recession in 2020 and a rebound in 2021.
>
> During the current Covid-19 crisis, the IMF is increasing its role. Since March 26, the IMF has provided emergency financing and disbursed amounts to over ten member countries. In the IMF's first press release for COVID-19 emergency financing, in relation to the Kyrgyz Republic, the IMF stated that it aims to provide a backstop, increase buffers, and shore up confidence. It also attempts to preserve fiscal space for essential COVID-19-related health expenditures.[19]

The main argument here is that even if individual policies of the IMF are less than opti-mal, holistically, it has been a crucial actor in preserving economic stability and manag-ing economic crises. I think that the Pro should find individual examples of programs to supplement this, e.g. by arguing that the surveillance aspect of the IMF is one of the reasons it has been so efficacious, but should try and keep the debate as broad as pos-sible, because individual counterexamples definitely exist and allowing the Con to dig their heels in on individual examples of countries or policies will favor them.

2.3 Con Arguments

2.3.1 Economic Concerns

There are so many individual economic concerns to talk about: is privatization prefer-able, is more free trade desirable, and are blanket reforms suited for the individual eco-nomic circumstances of each country? These are each their own subject area and deserve a bit more deep research on your part, but a lot of these policies can loosely be grouped together under the umbrella term of "neoliberalism" and critiqued. Elliott argues that these policies are what make the global economy unequal and unstable:

> The recognition that there is a problem is progress. Lagarde means it when she says the growing gap between rich and poor is holding back the global economy. Kim genuinely wants to see the fruits of growth skewed towards the bottom 40% in every country. The World Bank, IMF and WTO can sense

[19] Hoyos, M. L. (2020, April 8). The IMF makes funds available in response to the COVID-19 crisis. Yale School of Management. https://som.yale.edu/blog/the-imf-makes-funds-available-in-response-to-the-covid-19-crisis.

that they are sitting on the edge of a volcano that could blow at any time. They fear, rightly, that a second big crash within a decade would create a backlash leading to protectionism and the rise of dark political forces that would be difficult, if not impossible, to control.

That there are ingredients for a fresh crisis became apparent at various stages last week. According to the IMF, global debt has risen to a record level of \$152tn (£122tn) – more than double global GDP – at a time when activity is sluggish. Collapsing commodity prices and weak demand from the west has meant that growth in sub-Saharan Africa is running at half the level of population increases. Companies in the emerging world loaded up on debt during the commodity boom and are vulnerable to rising US interest rates and any softening of the world economy. China is the most egregious exam-ple of debt being used to boost activity artificially.

The argument that rising debt is fine, because on the other side of ledger is an asset increasing in value, is specious. The only reason the assets are rising in price is because investors are taking on more debt to buy them. At some point, the asset bubble bursts, leaving borrowers with a major problem. This was the lesson of the sub-prime crisis and it is remarkable that memories are so short.

The next big one could come from anywhere and it is good that the World Bank and IMF are aware of the risks. Even so, there was an air of unreality about the discussions in Washington last week.

The reason was simple: there was not the slightest hint from the IMF or World Bank that the policies they advocated during the heyday of the so-called Washington consensus – austerity, privatisation and financial liberali-sation – have contributed to weak and unequal growth, with all the political discontent that this has caused.

Even worse, Lagarde and Kim seemed oblivious to the fact that the Wash-ington consensus approach is alive and well within their organisations. The IMF's remedy for Greece and Portugal during the eurozone crisis has been straight out of the structural adjustment playbook: reduce public spending, cut salaries and benefits, insist that state-owned enterprises return to the private sector, reduce minimum wages and restrict collective bargaining. Be-tween them, the IMF and the European authorities are turning Greece into

> a developing country. It would be fascinating to see what sort of response Lagarde would get if she tried talking about inclusive growth to homeless people huddled on the streets of Athens.[20]

Again, I think that the Con should want to keep this debate at a higher level. Allowing the Pro to point out individual examples of successful IMF policy implementation will distract from the broader criticism of neoliberal policies that authors like Stiglitz levy against the IMF.

2.3.2 Neo-Colonialism

The final major set of criticisms levied at the IMF has to do with the fact that many of its policies can be seen as extensions of neocolonialist practices imposed upon poor coun-tries, particularly countries composed primarily of people of color. Ziai summarizes:

> The accusation of neocolonialism has been made not only at the general level of the world economy, but more specifically has often been applied against the major institutions of the global political economy, particularly the Inter-national Monetary Fund (IMF) and the World Bank, that is, the International Bank for Reconstruction and Development (IBRD) and its subsidiary, the In-ternational Development Association (IDA). Since its founding in 1995, the World Trade Organisation (WTO) has also been acused of free trade impe-rialism. In the eyes of their critics, the IMF, World Bank and WTO are in-struments used by governments and companies of the North to oppress the South (Peet 2009). Here, it is worthwhile noting that voting rights on the executive boards of the IMF and the World Bank are weighted according to capital shares: rich countries that pay a lot have more voting rights. In the IBRD, the executive directors from Germany, France and Great Britain together therefore have more than twice as many votes (11.96%) than do the representatives of the roughly 50 African states combined. This is the case even though the payment rates are not calculated in direct correlation to the national economies' share in the globalised economy: at 18.46%, the USA is not overrepresented; the EU states, however, clearly are (to some ex-tent considerably); and at 4.68%, China is heavily under-represented.4 Nev-

[20] Elliot, L. (2016, October 9). The World Bank and the IMF won't admit their policies are the problem. The Guardian. https://www.theguardian.com/business/2016/oct/09/the-world-bank-and-the-imf-wont-admit-their-policies-are-the-problem.

ertheless, as a rule, decisions are not enforced against a minority from the South; rather, most decisions are taken by consensus. The most controver-sial project in the history of the World Bank, the Sardar Sarovar Dam on the Narmada river in India, was financed with broad support from the South, but against the votes of the US and several European executive directors.5 Civil society's main criticism of the IMF and the World Bank was directed against their structural adjustment loans, which were linked with neoliberal economic policy conditions (market opening, privatisation, deregulation, ex-port orientation, policy of austerity). According to advocates, these initiated meaningful reforms (Nunnenkamp 2002: 10f.); in the opinion of critics, these plunged parts of the population into misery, in favour of the banks (George 1988; Mohan et al. 2000; SAPRIN 2004). Since 1999, the corresponding credit lines have been replaced with poverty reduction programmes (Poverty Re-duction Strategy Papers, PRSPs) conceived by the recipient country govern-ment in consultation with civil society. But since these programmes must be approved by the IMF and the World Bank, the fundamental problem re-mains: can we speak of a neocolonial influence here? Comparative studies (Eberlei/Siebold 2002; Walther/ Hentschel 2002) conclude that, although par-ticipation and ownership were present in the creation of many PRSPs, and poverty reduction is foregrounded more now than in the past, the macroe-conomic framework continues to be prescribed by the IMF and the World Bank (albeit only indirectly). In this context, the words of an African coun-try's finance minister are revealing: "We give them what they want before they start lecturing us" (World Development Movement 2011: 11).

Structural adjustment programmes were intended to manage the debt cri-sis through the IMF and the World Bank: in 1982, several Latin American debtor countries announced their inability to service outstanding loans. At the time, the debt of developing countries was US$782 billion. Today, after countless austerity programmes and half a dozen debt relief initiatives, their debt level is about US$5.4 trillion, and the annual debt service payments to the North amount to around US$575 billion (Ellmers 2016: 3). Debt crisis management therefore has not led to a reduction in the mountain of debt, but rather to the maintenance and expansion of debt service payments. To-gether with the US$486 billion in profits that are repatriated to the North by multinational companies every year (Griffiths 2014: 20), the term "neo-colonial exploitation" certainly seems appropriate in this context. Taking

> into account official development assistance, direct and portfolio investment and migrant remittances on the one hand, and debt repayments, repatriated profits, illicit financial flows and lending on the other, the financial transfers from the South to the North are about twice as large as those in the opposite direction – roughly US$2 trillion (Griffiths 2014).[21]

I think these arguments may not find much traction among debaters debating at their local postseason tournaments, but I would not be surprised if these arguments became fairly popular at the TOC. These arguments introduce alternative framing arguments into the play and allow the Con to sidestep a lot of the better Pro arguments and argue that the harm to poorer countries is independently bad and outweighs the utilitarian benefits that the Pro will discuss. It should not be difficult to do a little extra research on what neocolonialism is, why it's bad, and why neocolonialism should outweigh stan-dard Pro impacts.

These arguments could get coupled with arguments about how the IMF has under-mined democratic governance in the Global South, harmed the environment through its advocacy of growth-based policies, or how economic liberalization has also harmed human rights.

2.4 Conclusion

The more I read about the topic, the more I enjoy it. I hope you will also enjoy digging through the vibrant academic literature on the subject. Undoubtedly, the other topic analysis essays discussed different arguments and that's just because this topic is huge and invites lots of research. Good luck in the postseason!

[21] Ziai, A. (2020). Neocolonialism in the globalised economy of the 21st century: An overview. Momentum Quarterly, Vol. 9, No 3, 128-140. DOI 10.15203/momentumquarterly.vol9.no3.p128-140

3 Topic Analysis by Ruby Marsh

Ruby Marsh debated for four years with Westridge in California, primarily in Public Forum but also in extemporaneous and impromptu. Ruby has received five bids to the Tournament of Champions and qualified to California State and Nationals in PF the past two years. She has reached late outrounds at tournaments like Arizona State University, Presentation, University of Kentucky Season Opener, Glenbrooks, and championed Jack Howe. Ruby has been the captain at her school the past three years and has taught lots of novices and middle schoolers. She taught at VBI last year.

First, I want to talk about the resolution. This is different from a lot of resolutions you may have debated as it is not talking about an action any government or actor is taking. Rather, it is asking you to compare the benefits of the International Monetary Fund and the impacts it has already had and will have in the future with the harms. There are two things this means: first, nothing changes if you affirm, or negate. There is no action in the resolution. People often make the mistake with topics like these of debating as with the Affirmative is advocating for the existence of the IMF and the Negative against it. That is not the case. In either world the IMF exists, the question is whether that is a good or bad thing, being as it is true. Second, The resolution asks for a lot of weighing and it is imperative that as early in the round as possible you begin explaining why certain harms outweigh certain benefits or vice versa.

A topic like this can be beneficial because it helps debaters avoid the trap of making things overly black and white - "everything they say is wrong and everything we say is right." Being able to engage in a way that says, "while they may be right that this happens, x is more important because y," is a really important skill to learn in debate and can be very appealing to judges.

Now let's get into the actual topic. Your first question is likely what is the International Monetary Fund (or IMF), and what do they do? The IMF, put simply, is an international financial institution comprised of 190 member countries. The institution's primary goal is creating a stable international monetary system. That is to say the goal of the IMF is to ensure countries can continue to trade with each other, pay off debts, and engage economically with each other across different currencies and exchange rates. To do this the IMF engages in “economic surveillance,” “lending,” and “capacity development.” Economic surveillance is just what it sounds like, keeping tabs on member countries’ economies and offering suggestions and assistance where they may be going off course. Lending is a bit more complicated than simple loans, because IMF loans often come with strings attached in the form of Structural Adjustment Programs (SAPs). SAPs will be a big argument on this topic so I want to quickly get into them: SAPs are essentially economic reforms a country must make in order to secure an IMF loan. These can range from reducing government spending on things like education and welfare to opening trade policies and economic globalization. Lastly, capacity development. Capacity de-velopment is essentially training and consultation offered on a country’s financial insti-tutions. The goal of all of these things is to promote job creation and poverty reduction in individual countries, with the ultimate goal that such economic advancement can create a more global economic stability.

3.1 Background

COVID-19 has created unique economic circumstances by impacting nearly every coun-try on the globe and leaving a majority far worse off. The importance of global financial institutions, then, is at its height now. While many countries have required economic assistance, and the IMF has stated they have been responding via lending and policy as-sistance, there are questions as to whether the IMF has stepped up to its full economic (and specifically lending) capacity during this time.

From March-September of last year, the IMF gave out $89 billion in loans to 80 different countries for COVID relief. In fact during COVID, the IMF is supporting more countries at once - 90 - than it ever has before. That is why the topic is particularly relevant now, as going forward we will see huge impacts on the global economy from the structures put in place by the IMF during COVID recovery.

3.2 Pro Arguments

3.2.1 Global Economy

The IMF's overall goal is to stabilize the global economy. While they engage in sec-ondary government restructuring and policy reduction measures in countries they ad-vise, they do this mainly with the belief that in order to keep the global economy stable, they must keep individual economies from collapsing and defaulting. This means pro-viding low interest loans so that countries don't default, leaving private investors or worth, other countries, economically disadvantaged.

Because the IMF has 189 member countries, it has a unique vantage point from which to survey the global economy. They have a better read than many smaller international organizations on what economies are critical to the global economy and what policies work in which countries. They encourage trade openness and economic liberalization in an attempt to make all member countries players in the global economic marketplace. For these reasons, many believe that in 2008 and during the COVID recession, the IMF has had a role in preventing much more serious economic collapse.

3.2.2 Debt

Many middle and particularly low-income countries are widely regarded as being in debt crises right now. That is to say their debts are so high that it cuts into spending on social and government programs and could eventually cause economies to collapse under the pressure of defaulting on debt. While all countries are able to borrow from the IMF, low-income countries are able to borrow at what the IMF calls "concessional rates," which as of right now (and through the end of this topic), means at zero-percent interest. This means countries struggling with debt are able to borrow money at 0% interest, offsetting the financial harms of debt they may be paying off publicly at much higher interest rates. Even middle-income countries, though, are paying all-time low rates on their loans. For example, South Africa, a middle-income country paying only 1.1% interest on their COVID loan, is using the loan at least partially to pay off public debt. Without being able to pay off public debts, a number of countries are currently in serious trouble, with much of Africa, for example, currently risking default to China.

3.2.3 Attracting Foreign Investors

When the IMF injects money into the economy of otherwise struggling nations, those economies immediately become more appealing as international hotbeds of investment. When countries are unstable they are unattractive to invest in. But, let's take Pakistan who, as a result of an IMF loan and IMF economic consultation, was able to get back on their feet and attract significantly higher amounts of foreign investment than they ever had previously. IMF agreements about foreign exchange rates are also boons for inter-national investment. Getting countries to agree, for example, to allow foreign exchange rates to be solely market-driven, is an important step toward attracting foreing invest-ment. We can look to Egypt for this. Without IMF imposed changes to their currency and internal economic structure, they would have remained on a downward economic spiral. Instead, their foreign direct investment (FDI) continues to grow even while FDI globally is on a downturn. Foreign investors also primarily invest in more open mar-kets, and many IMF policies goals involve getting countries to open markets and engage in freer trade, again attracting more foreign investment. Foreign direct investment can often have a huge bearing on the ability of low and middle-income countries to advance economically. The influx of cash that comes into companies and the government allows for more job creation and more stable long-term economic growth.

3.3 Con Arguments

3.3.1 Global Economy

Conversely to the Pro argument, many believe the IMF seriously failed during both the 2008 and COVID recessions to prevent any sort of global economic downturn. One of the biggest complaints against the IMF is their refusal to change. Although they have seen failures and contributed to economic crises in places like Argentina and Ecuador, they have refused to change their policies and continued down the same paths. Aus-terity (which we'll get into more next) is a huge example of this. The IMF literally pub-lished a report detailing the harms of austerity and then continued attaching austerity to their loans. In 2008, the IMF was largely recognized as failing to spot the impending economic crisis or jump into action when it hit. Moreover, they have not significantly altered the policies which failed them in 2008, which likely contributed to what some believe is a lackluster response to the COVID recession.

There are two potential arguments here: one is that by responding inadequately, they are hurting the whole global economy. There is evidence for this, but one of the things to avoid here is being overly general. The other argument, which may be more com-pelling, is that the IMF is doing what they can to at least stabilize the global economy *at the expense* of people in individual countries and the economies of particularly lower-income countries. This is a good argument in terms of this topic because it allows you to respond to a Pro argument about economic stability with weighing about how the nebulous idea of global economic stability compares to direct harms to individuals in countries impacted by these policies. Essentially, making an argument about why it isn't worth it to sacrifice hurting individual countries with problematic policies like structural adjustment for the global economy.

3.3.2 Structural Adjustment

Austerity

As we discussed with Structural Adjustment Programs, IMF loans often come with strings attached. This is very topical now, as 80% of IMF loans given out during COVID included *austerity measures* (Oxfam), and 80 countries projected to spend 3.8% of their economic input on austerity from COVID IMF loans from 2021-2023 (Reuters). Austerity is simply a set of policy ideas that believe by increasing taxes and/or reducing spend-ing, governments can grow economically. During COVID this has specifically meant the IMF pushing countries to cut spending on healthcare and social services. This is not new to COVID; this has long been one of the talking points against IMF loans and against the idea that they really help recipient countries. However, many warn the harsh and broad-reaching austerity imposed with COVID loans could pave the way for much more austerity going forward. This is concerning particularly for the poorest peo-ple in the world's poorest countries, as often their only option for resources for survival such as health care. This also leaves countries significantly poorer in the long term, not only failing to accomplish the goal of economic recovery but in fact often making them significantly poorer and leaving them further in debt.

Wages

This is related to austerity measures. In order to boost the economy, the IMF promotes trade liberalization and economic openness. The idea here is that this will ramp up in-dustry and force the creation of more jobs. Yet even when it does this, the IMF makes working conditions significantly worse for workers. Due to cuts to spending, IMF pro-grams lower real wages in receiving countries. In Haiti for example, real wages were slashed by ⅕ when the IMF advised that they eliminate a policy which required that wages be adjusted according to inflation. This is yet another example of how individu-als are sacrificed for what is seen as the overall health of the global economy. It is seen as more important that the government pays back its loans than that the people in that country be able to survive off of their wages.

3.3.3 Unbalanced Power

One of the biggest problems lower and middle income countries have with the IMF is that lenders - the rich countries like the US and countries in the EU who bankroll the IMF - dominate its decision making. Countries giving loans are often the only ones in-volved in the process of drafting loans and the conditions that come with them, leaving receiving countries out of the conversation and possibly risking hurting them as a result. Moreover, loans and economic agreements are designed around the goals of helping the wealthy donors, not the poor recipients.

For example, contrary to the argument about foreign investors, the IMF often opens up countries to what countries end up seeing as foreign vultures, who take over markets en masse at low rates, hurting companies and individuals in receiving countries, displacing the overall development of their marketplaces. Again, while economic liberalization may be seen as good for the overall global economy, and certainly beneficial for the IMF's investors, it is often detrimental to the host countries who the IMF claims they are really trying to help. This happened in Haiti where cheap US rice took over half of the marketplace, displacing thousands of Haitian farmers.

The IMF often bails out its richest lenders while expecting high interest rates for bailing out its poorest member countries.

3.4 Takeaways

I think the trick to success on this topic is going to be about two things: balancing being too specific and being too general, and weighing. It is easy to fall into the trap of either just talking about the global economy as a whole or just talking about one country. I find that a good way to balance that is to make an argument about something that affects many countries (let’s take debt, for example), and structure it so that the contention is about debt in low-income countries as a whole, but have evidence and examples of specific countries. This ensures that what you are saying is grounded in context, but isn’t so specific to one country that you can’t weigh it against your opponent’s arguments. Weighing is really the only way to win rounds on this topic. Having certain impacts in the context of this resolution does not matter unless you explain how they compare to the other side’s impacts. Starting weighing as early as possible and being as consistent as possible throughout speeches is going to win you a lot of rounds on this topic. Not making one or two of your weaker responses in order to make room for weighing in your speech will always be a good idea here. Phrases like “even if they’re right that” and “we agree that x, but y is worse” will be your friend on this topic as I mentioned before, and being able to acknowledge the other side is right about some things both allow you more time for weighing and lend you credibility in the judge’s eyes.

Just a final note: the Aff can be kind of hard to research for! One of the problems is that the IMF is the majority of the sources that come up. I highly recommend using databases like Harvard Think Tank Search or Google Scholar to ensure you get academic sources that are not the IMF. Definitely (perhaps obviously) avoid using the IMF as a main source about the benefits of the IMF.

4 Pro Evidence

4.1 COVID-19

4.1.1 Combat Shocks

Shocks such as Covid result in capital flights to safety --- that's what the IMF does best.

Boston University 20

Boston University. "The Role of IMF in the Fight Against COVID-19: The IMF COVID-19 Recovery Index," BU Global Development Poverty Center, September 15, 2020. https://www.bu.edu/gdp/2020/09/15/the-role-of-imf-in-the-fight-against-covid-19-the-imf-covid-19-response-index/

The COVID-19 pandemic came as an unprecedented shock to the world economy and many countries had to quickly resort to aid of the IMF. The central banks and finance ministries of most advanced economies swiftly advanced swap lines, domestic liquid-ity support, and expansionary fiscal measures to shore up dollar markets and provide lifelines to the vulnerable. Few emerging markets and developing countries had access to these measures and lacked their own monetary or fiscal space to confront the virus, protect the vulnerable, and mount a sustainable recovery.

Indeed, the pandemic panic and very act of securing dollar markets resulted in a 'flight to safety' in the form of the largest levels of capital flight from emerging market and developing countries recorded. Exchange rates subsequently plummeted and external debt ballooned across the developing world at a time when tourism dropped alongside commodity prices—leaving fewer sources of export revenue to pay foreign debt. At exactly the time when many developing countries needed the fiscal space to fight the virus and protect their economies, they were faced with mounting external debt. Both the IMF and the United Nations Conference on Trade and Development (UNCTAD) estimate that liquidity needs for emerging markets and developing countries in 2020 alone was least \$2.5 trillion and that over 100 countries went to the IMF for emergency support (Wheatley, 2020; Georgieva, 2020a; UNCTAD, 2020)

4.1.2 IMF Key

The IMF is the go-to in responding to Covid-19 financially.

Summers and Gutner 20

Kay Summers and Tamar Gutner (Senior Director of Marketing & Communications, School of International Service at American University, and recently concluded a Coun-cil on Foreign Relations fellowship with the Independent Evaluation Office (IEO) of the IMF, respectively). "How Will the IMF Help the World Recover from COVID-19?" *American University*, April 16, 2020. https://www.american.edu/sis/news/20200416-how-will-the-imf-help-the-world-recover-from-covid-19.cfm

In times of global economic crisis, the International Monetary Fund's (IMF) role in stabi-lizing the international monetary system and addressing financial sector issues that bear on overall global stability becomes critical. In the case of COVID-19—with its unique dual impacts on global public health and the global economy—the role of the IMF is perhaps more vital than ever in its history.

In the midst of the IMF spring meetings, we got a few minutes to speak with SIS profes-sor Tamar Gutner, who recently concluded a Council on Foreign Relations fellowship with the Independent Evaluation Office (IEO) of the IMF. She talked us through how the IMF is responding to the seismic impacts of COVID-19 on the financial sector and economies worldwide.

Q: The head of the IMF, Kristalina Georgieva, recently said that the coronavirus pan-demic has created the worst global economic crisis since the Great Depression. What is the typical role of a global financial institution like the IMF in economic crises?

The IMF is the "go to" international financial institution for many countries in times of economic and financial crisis, and it is again today. Countries are turning to the Fund for emergency financing and for advice on how to stabilize their economies and address the many macroeconomic implications of the crisis. It is also an important source of economic forecasting and research.

Over 90 countries immediately reached out at the start of the crisis.

Summers and Gutner 20

Kay Summers and Tamar Gutner (Senior Director of Marketing & Communications, School of International Service at American University, and recently concluded a Coun-cil on Foreign Relations fellowship with the Independent Evaluation Office (IEO) of the IMF, respectively). "How Will the IMF Help the World Recover from COVID-19?" *American University*, April 16, 2020. https://www.american.edu/sis/news/20200416-how-will-the-imf-help-the-world-recover-from-covid-19.cfm

Q: More than 90 countries have requested assistance from the IMF so far. What is the IMF doing to respond to requests from these countries for assistance?

The Fund seems to be moving pretty quickly to act, which is challenging given that now 100 of its 189 members are seeking help—which is also very dramatic. It has dis-bursed the first round of grants to 25 of its poorest members to cover their debt service payments for the next six months, a move supported by other major donors as well. It has also backed efforts for debt relief measures by international creditors. The Fund has doubled its emergency loans and grants capacity to $100 billion, and it's looking at other ways to help its member states. A number of its member states have asked it to create additional reserve assets—the Special Drawing Right—to provide billions more for low-income member states, a step that was taken during the last global financial cri-sis. At the moment, this move is not supported by the Trump administration. The big question is whether the Fund's $1 trillion lending capacity will be enough or whether it will need more resources from its member states.

Covid is a <u>new Bretton Woods moment</u> --- the IMF is desperately needed.

Georgieva 20

Kristalina Georgieva (IMF Managing Director). "A New Bretton Woods Moment," *IMF*, October 15, 2020. https://www.imf.org/en/News/Articles/2020/10/15/sp101520-a-new-bretton-woods-moment

Reflecting on the dramatic change in the world over the last year, I paid a visit to the Bretton Woods, New Hampshire, where 44 men signed our Articles of Agreement in 1944. Our founders faced two massive tasks: to deal with the immediate devastation caused by the War; and to lay the foundation for a more peaceful and prosperous post-war world.

At the conclusion of the conference John Maynard Keynes captured the significance of international cooperation as hope for the world. "If we can continue…The brotherhood

of man will have become more than a phrase", he said.
As we look forward to welcoming Andorra as our 190th member, the work of the IMF is testament to the values of cooperation and solidarity on which a sisterhood and broth-erhood of humanity is built.

Today we face a new Bretton Woods "moment." A pandemic that has already cost more than a million lives. An economic calamity that will make the world economy 4.4 % smaller this year and strip an estimated $11 trillion of output by next year. And untold human desperation in the face of huge disruption and rising poverty for the first time in decades.

Once again, we face two massive tasks: to fight the crisis today— and build a better tomorrow.

We know what action must be taken right now. A durable economic recovery is only possible if we beat the pandemic. Health measures must remain a priority—I urge you to support production and distribution of effective therapies and vaccines to ensure that all countries have access.

I also urge you to continue support for workers and businesses until a durable exit from the health crisis.

We have seen global fiscal actions of $12 trillion. Major central banks have expanded balance sheets by $7.5 trillion. These synchronized measures have prevented the de-structive macro-financial feedback we saw in previous crises.

But almost all countries are still hurting, especially emerging market and developing economies. And while the global banking system entered the crisis with high capital and liquidity buffers, there is a weak tail of banks in many in emerging markets. We must take measures to prevent the build-up of financial risks over the medium term.

We face what I have called a Long Ascent for the global economy: a climb that will be difficult, uneven, uncertain—and prone to setbacks.

But it is a climb up. And we will have a chance to address some persistent problems — low productivity, slow growth, high inequalities, a looming climate crisis. We can do better than build back the pre-pandemic world – we can build forward to a world that is more resilient, sustainable, and inclusive.

We must seize this new Bretton Woods moment.

4.1.3 Interorganizational Cooperation

The IMF helps coordinate cooperation between health and financial global institutions to respond to Covid-19.

Summers and Gutner 20

Kay Summers and Tamar Gutner (Senior Director of Marketing & Communications, School of International Service at American University, and recently concluded a Coun-cil on Foreign Relations fellowship with the Independent Evaluation Office (IEO) of the IMF, respectively). "How Will the IMF Help the World Recover from COVID-19?" *American University*, April 16, 2020. https://www.american.edu/sis/news/20200416-how-will-the-imf-help-the-world-recover-from-covid-19.cfm

Q: How closely will the IMF work with global health organizations like the World Health Organization (WHO) in this crisis? How much will economic governance over-lap with public health guidance?

The IMF managing director, Kristalina Georgieva, regularly stresses the importance of global cooperation in responding to this crisis, and she is a fan of the IMF collaborat-ing with other international organizations. She and WHO director-general Tedros Ad-hanom Ghebreyesus recently held a joint press conference highlighting the importance of working together, but we don't yet know what this collaboration will look like and how meaningful it will be.

There is a lot of variation in terms of how well international organizations collaborate with each other, what they actually mean by collaboration, and how substantive that collaboration is. There can be variation in the answers, even between two organizations. The IMF, in recent years, has been grappling with how to address a set of issues that were not a part of its traditional work—issues such as gender and climate change. Now it will also be grappling with the connections between its traditional work and health issues. More collaboration will, no doubt, be part of its strategy for doing so.

4.1.4 Italy

IMF is key to help Italy post-Covid. Implementing the right policies is key.

Lachman 20

Desmond Lachman (Resident Fellow, American Enterprise Institute). "How the IMF can help cushion the coronavirus depression… or make it worse," The Bulwark, April 15, 2020, https://www.aei.org/articles/how-the-imf-can-help-cushion-the-coronavirus-depression-or-make-it-worse/

In the wake of the coronavirus epidemic, Italy is likely to be among the IMF's largest po-tential borrowers, and one for which the Greek lessons about solvency might be highly relevant. Being at the center of Europe's coronavirus epidemic, Italy's economy is ex-pected to decline by at least 10 percent in 2020, which will likely drive its public-debt-to-GDP ratio up from 135 percent to over 160 percent. Like Greece before it, being stuck in a Euro straitjacket Italy will find it very difficult to grow its way out of its debt problem.

Hopefully, in dealing with Italy, the IMF will have learnt from its Greek experience not to require excessive budget adjustment from Rome, and not to deal with Italy's debt problem by simply piling more debt on that country.

4.1.5 Just Transition

These are the times for which the IMF was created. It’s key to a just transition post-Covid.

Boston University 20

Boston University. “The Role of IMF in the Fight Against COVID-19: The IMF COVID-19 Recovery Index,” BU Global Development Poverty Center, September 15, 2020. https://www.bu.edu/gdp/2020/09/15/the-role-of-imf-in-the-fight-against-covid-19-the-imf-covid-19-response-index/

On April 9, 2020, IMF Managing Director Kristalina Georgieva said that ‘These are the times for which the IMF was created – we are here to deploy the strength of the global community, so we can help shield the most vulnerable people and revitalize the econ-omy’ and committed the IMF to a four point ‘all hands on deck’ approach to the crisis that would focus on supporting health systems, protecting vulnerable firms and peo-ple, containing financial panic, and mounting a recovery” (Georgieva, 2020b). Over ten times between April and July of 2020, Georgieva and senior staff articulated that it is essential that ‘for our world is to become more resilient—we must do everything in our power to promote a ’green recovery’ (Georgieva, 2020c). Expanding on this notion, IMF Deputy Managing Director Tao Zhang emphasized that a green recovery should promote a just transition. That means assisting vulnerable households, workers, re-gions, and trade-exposed or fuel producing firms. And using carbon pricing revenues in broad tax reductions or public investments that boost growth and benefit all house-holds. (Zhang, 2020).

4.1.6 A2: COVID-19 Austerity

IMF Covid relief is not conditioned on austerity.

Gallagher 20

Kevin Gallagher (professor of global development policy at Boston University and a member of the U.N. Committee on Development Policy). "Why the IMF needs to build on its COVID-19 record, not backtrack," Brookings, October 13, 2020.

First, we found that the IMF is not conditioning its emergency relief on draconian aus-terity measures—yet. As of this writing, the IMF has financed over 100 programs at up-ward of $88 billion. Aside from 13 of the programs, there are low to no strings attached to the liquidity provision. At least for now, the IMF's emergency programs grant the majority of countries the flexibility to get their own houses in order without onerous oversight and conditionality.

Data proves.

Gallagher 20

Kevin Gallagher (professor of global development policy at Boston University and a member of the U.N. Committee on Development Policy). "Why the IMF needs to build on its COVID-19 record, not backtrack," Brookings, October 13, 2020.

In a study of 16 Western African countries from 1995 to 2014, social scientists at Cam-bridge University found that IMF programs curtailed the fiscal space for health spend-ing in those countries by 0.24 percent. In a broader study of IMF programs in 137 devel-oping countries between 1980 and 2014, scholars found IMF programs lowered health system access, increased neonatal mortality, and accentuated inequality.

This time, thus far, is different. In a paper published in the journal COVID ECO-NOMICS at the Center for Economic and Policy Research in London, Franco Mal-donado Carlin and I created an IMF COVID-19 Recovery Index that measures and monitors the IMF's response to the COVID-19 crisis. The IMF's response to COVID-19 has proven to be far less conditioned on fiscal austerity and has prioritized health expenditure and social spending to attack the coronavirus and protect the vulnerable.

4.2 Economic Stability

4.2.1 Empirics

The IMF's performance in the Asian financial crisis of 97-98 and in Brazil in 2002 were successes.

Masters and Chatzsky 20

Jonathan Masters and Andrew Chatzky (Deputy Managing Editor for the Council on Foreign Relations, and State Department Foreign Service Officer, respectively). "The IMF: The World's Controversial Financial Firefighter," *Council on Foreign Relations*, Au-gust 20, 2020. https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter

Some economists characterize the fund's performance in the Asian financial crisis of 1997–98 as a success. They argue that the economic reforms championed by the IMF allowed the countries involved to recover quickly and laid the foundation for sustained growth during the 2000s. Others point to the fund's role in Brazil in 2002 as positive: an early recovery there after intervention allowed IMF loans to be repaid ahead of schedule.

On balance, the IMF promotes global economic stability.

Seabury 20

Chris Seabury (writer at Investopedia who has been working in the financial services in-dustry for over 20 years)."Can the IMF Solve Global Economic Problems?" *Investopedia*, February 12, 2020. https://www.investopedia.com/articles/economics/09/international-monetary-fund-imf.asp

The IMF does serve a very useful role in the world economy. Through the use of lending, surveillance, and technical assistance, it can play a vital role in helping identify potential problems and being able to help countries to contribute to the global economy.

However, countries like the United States and Europe have historically dominated the governing body, and the IMF has had successes and failures. While no organization is perfect, the IMF has served the purposes that it was established to do and continues to keep evolving its role in an ever-changing world. (If you're interested in learning about another important international institution, see What Is The World Bank?)

4.2.2 Globalization

Economic interconnectedness makes the IMF vital to promote global economic stability.

IMF 21

International Monetary Fund. "How the IMF Promotes Global Economic Stability," March 8, 2021.

https://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/15/22/How-the-IMF-Promotes-Global-Economic-Stability

The IMF advises member countries on economic and financial policies that promote stability, reduce vulnerability to crises, and encourage sustained growth and high liv-ing standards. It also monitors global economic trends and developments that affect the health of the international monetary and financial system and promotes dialogue among member countries on the regional and global consequences of their policies. In addition to these surveillance activities, the IMF provides technical assistance to help strengthen members' institutional capacity and makes resources available to them to facilitate adjustment in the event of a balance of payments crisis.

Why is global economic stability important?

Promoting economic stability is a matter of avoiding economic and financial crises, large swings in economic activity, high inflation, and excessive volatility in foreign exchange and financial markets. Instability can increase uncertainty, discourage investment, im-pede economic growth, and hurt living standards. A dynamic market economy nec-essarily involves some degree of volatility, as well as gradual structural change. The challenge for policymakers is to minimize instability in their own country and abroad without reducing the economy's ability to improve living standards through rising pro-ductivity, employment, and sustainable growth.

Economic and financial stability is both a national and a multilateral concern. As recent crises have shown, economies have become more interconnected. Vulnerabilities can spread more easily across sectors and national borders.

4.2.3 Lending

IMF lending limits and prevents crises.

IMF 21

International Monetary Fund. "How the IMF Promotes Global Economic Stability," March 8, 2021.

https://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/15/22/How-the-IMF-Promotes-Global-Economic-Stability

Lending: Even the best economic policies cannot completely eradicate instability or avert crises. If a member country faces a balance of payment crisis, the IMF can provide financial assistance to support policy programs that will correct underlying macroeco-nomic problems, limit disruption to both the domestic and the global economy, and help restore confidence, stability, and growth. In certain cases, the IMF can also pro-vide emergency assistance without the need to have a full-fledged program in place. The IMF also offers precautionary credit lines for countries with sound economic fun-damentals for crisis prevention.

IMF is key --- they're the lender of last resort.

Tziamalis 17

Alexander Tziamalis (Senior Lecturer (Associate Professor) in Economics and Consul-tant, Sheffield Hallam University). "The IMF is at its weakest just as the world needs it most," *The Conversation*, May 8, 2017. https://theconversation.com/the-imf-is-at-its-weakest-just-as-the-world-needs-it-most-76842

The creation of the IMF and the World Bank, two distinct but complementary organi-sations, was signed off at a conference in Bretton Woods in July 1944. That was near the end of World War II, when an air of international cooperation and solidarity blew across many nations that had allied to defeat Nazism. The IMF was designed to be in-dependent yet accountable to the member countries – 189 today – that provide funds and elect its managing director, currently Christine Lagarde.

Its mandate is wide but the most important function is to act as the lender of last resort for economies that cannot secure borrowing at reasonable rates from the international money markets.

Historically, most clients of the IMF have been developing countries, but the 2008 finan-cial crisis brought a sudden halt to the bank financing that kept the economies of the eurozone periphery ticking over. The IMF was called to help a number of these devel-oped countries: Portugal, Ireland, Cyprus and Greece. And this is where the problems started.

Those funds are key to help nations get their house in order.

Kavanagh 19

Dr Ella Kavanagh (senior lecturer in the Department of Economics at the Cork Uni-versity Business School at University College of Cork). "Just why are the ECB and the IMF so important?" *Raidió Teilifís Éireann*, Ireland's national newspaper, September 4, 2019. https://www.rte.ie/brainstorm/2019/0830/1071786-just-why-are-the-ecb-and-the-imf-so-important/

Probably what the IMF is best known for is crisis resolution. Member countries who are finding it difficult to borrow on international markets, pay for imports or deal with their insolvent banks can request a loan from the IMF. The money for these loans comes from the funds (quotas) that members give to the IMF and other temporary borrowings arranged by the IMF from member countries.

While these funds benefit these countries giving them time to "get their house in order" they also come with conditions which have received a lot of criticism as they can have initial negative effects on the people in the country concerned.

4.2.4 Surveillance and Capacity Development

IMF surveillance and capacity development are vital to overall economic stability.

IMF 21

International Monetary Fund. "How the IMF Promotes Global Economic Stability," March 8, 2021.

https://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/15/22/How-the-IMF-Promotes-Global-Economic-Stability

How does the IMF help?

The IMF helps countries implement sound and appropriate policies through its key func-tions of surveillance, capacity development, and lending.

Surveillance: A core responsibility of the IMF is to oversee the international monetary and financial system and monitor the economic and financial policies of its 190 member countries, an activity known as surveillance. As part of this process, which takes place at the global, regional, and country levels, the IMF identifies potential risks to stability and recommends appropriate policy adjustments needed to sustain economic growth and promote financial and economic stability.

Data: The IMF is working with members, the Financial Stability Board, and other orga-nizations to fill data gaps important for global stability.

The IMF is a global watchdog – its surveillance capacities are crucial to monitor emerging economic risks.

Kavanagh 19

Dr Ella Kavanagh (senior lecturer in the Department of Economics at the Cork Uni-versity Business School at University College of Cork). "Just why are the ECB and the IMF so important?" *Raidió Teilifís Éireann*, Ireland's national newspaper, September 4, 2019. https://www.rte.ie/brainstorm/2019/0830/1071786-just-why-are-the-ecb-and-the-imf-so-important/

The International Monetary Fund (IMF)

The IMF has a much longer history than the ECB. It was founded 75 years ago and is a global organisation with 189 member countries, with Ireland becoming a member in 1957. Its origins go back to the end of the Second World War and was established to facilitate consultation and collaboration between member countries on international monetary problems, to encourage international trade, promote high employment and economic growth and provide funds to member countries that needed them.

Its primary objective today is to ensure the stability of the international monetary sys-tem. Since the global financial crisis, it has extended its remit to include all macroeco-nomic and financial issues that affect global stability. The managing director of the IMF presides over its executive board, which is responsible for the day to day business of the IMF. The executive board comprises 24 directors elected by the member countries.

The IMF acts a global watchdog. It not only monitors the economic and financial policies of its 189 members (bilateral surveillance) but also the overall global economy (multilat-eral surveillance). Each year the IMF reviews the economic policies of member countries, identifies potential risks and makes suggestions which are forwarded to the relevant government. This is referred to as the Article IV consultation.

4.2.5 Technical Assistance

IMF technical assistance is key to sustainable economic growth.

Seabury 20

Chris Seabury (writer at Investopedia who has been working in the financial services in-dustry for over 20 years).“Can the IMF Solve Global Economic Problems?” *Investopedia*, February 12, 2020. https://www.investopedia.com/articles/economics/09/international-monetary-fund-imf.asp

Technical Assistance

The IMF helps countries to administer their economic and financial affairs. 8 This service is provided to any member country that asks for assistance and is typically provided to low- and middle-income countries. Through the use of technical assistance, the IMF can perform useful surveillance and lending to help the country avoid economic pitfalls and create sustainable economic growth. Technical assistance helps countries strengthen their economic policy, tax policy, monetary policy, exchange rate system, and financial system stability.

Helps countries implement sound economic policies.

IMF 21

International Monetary Fund. “How the IMF Promotes Global Economic Stability,” March 8, 2021.

https://www.imf.org/en/About/Factsheets/Sheets/2016/07/27/15/22/How-the-IMF-Promotes-Global-Economic-Stability

Capacity development: The IMF helps countries strengthen their capacity to design and implement sound economic policies. It provides technical assistance and training in areas of core expertise—including fiscal, monetary, and exchange rate policies; the regulation and supervision of financial systems; statistics; and legal frameworks.

4.3 Liberal Internationalism

4.3.1 Alternative Institutions

<u>Alternative institutions</u> are emerging now to challenge the IMF.

Tziamalis 17

Alexander Tziamalis (Senior Lecturer (Associate Professor) in Economics and Consul-tant, Sheffield Hallam University). "The IMF is at its weakest just as the world needs it most," *The Conversation*, May 8, 2017. https://theconversation.com/the-imf-is-at-its-weakest-just-as-the-world-needs-it-most-76842

alt-IMF

Such concerns have led to the creation of alternative institutions. In 2014, Brazil, Russia, India, China and South Africa established the BRICS Contingency Reserve Arrangement with capital of US$100 billion. In the same year, the Asian Infrastructure Investment Bank was set up by China and backed by another 25 nations. Back in 2011, the African Union established the African Monetary Fund.

When the IMF recently started to make sounds that it may not continue to fund Greece, some European countries threatened to establish their own European organisation. And across the Atlantic, the US government under President Donald Trump now looks at the IMF with disdain. Trump's economic philosophy is diametrically opposed to the founding principles of the IMF, and the US appears to be heading towards an isolationist stance which spends dollars in the US, not in foreign states.

Wavering support of the IMF lends legitimacy to Chinese and Russian coercion.

Ignatius 15

David Ignatius (Washington Post journalist covering foreign affairs). A strength-ened IMF benefits the U.S. and the world," *Washington Post*, December 22,

2015.

https://www.washingtonpost.com/opinions/a-strengthened-imf-benefits-the-us-and-the-world/2015/12/22/69862e04-a8d5-11e5-bff5-905b92f5f94b_story.html

The basic question was whether the United States still had the "right stuff" to lead. As Treasury Secretary Jack Lew explained in an interview Monday: "If the U.S. didn't fol-low through at the IMF, how could the system as we built it remain strong?"

China pounced on U.S. indecision and launched the Asian Infrastructure Investment Bank as an alternative to the U.S.-led IMF and World Bank. As long as Congress was blocking the United States' own plan for IMF reform, Beijing's pitch was hard to resist. "What was driving countries to look for a new mechanism was a question of whether the U.S. was prepared to work with the old mechanism," Lew said.

The Ukraine crisis offered a dramatic example of why the IMF is important. As Russia tried to squeeze Kiev financially after it invaded Crimea, Ukraine's only practical source of financial support was an IMF loan. That should have made the case for the IMF's importance, but not to congressional right-wingers.

4.3.2 Global Cooperation

Without the IMF, nations are at the mercy of other nations for financial bailouts, harming global cooperation and confidence.

Tziamalis 17

Alexander Tziamalis (Senior Lecturer (Associate Professor) in Economics and Consul-tant, Sheffield Hallam University). "The IMF is at its weakest just as the world needs it most," *The Conversation*, May 8, 2017. https://theconversation.com/the-imf-is-at-its-weakest-just-as-the-world-needs-it-most-76842

These pressures come at a tricky time, for right now you could argue that the IMF has never been so needed in the global economy. In a world that is becoming increasingly dynamic, globalised and at the same time nationalistic, The IMF, the World Bank and the World Trade Organisation are still emblems of global co-operation and confidence. Without an institutional lender of last resort, nations will be at the mercy of panicky and greedy markets or, even worse, at the mercy of other nations. The existence of added risk in the global monetary system will eventually transform into fewer transactions and higher premiums, harming everybody.

4.3.3 Rules-Based Order

The IMF is a vital component of a rules-based global order.

Ignatius 15

David Ignatius (Washington Post journalist covering foreign affairs). A strength-ened IMF benefits the U.S. and the world," *Washington Post*, December 22, 2015.

https://www.washingtonpost.com/opinions/a-strengthened-imf-benefits-the-us-and-the-world/2015/12/22/69862e04-a8d5-11e5-bff5-905b92f5f94b_story.html

Lew said he's had hundreds of conversations with congressional leaders about funding the IMF since he became treasury secretary two years ago. The necessary legislation was attached to a half-dozen bills, only to collapse because it was deemed "too controversial." Finally, on Friday, the logjam broke and the IMF funding was approved as a rider to a broader spending bill. The heroes in this story, in addition to Lew, are the House and Senate Republican leaders, Rep. Paul Ryan (Wis.) and Sen. Mitch McConnell (Ky.).

"Promise made, promise delivered," said a relieved IMF Managing Director Christine Lagarde in a telephone interview Monday. She said that by ratifying the IMF reforms and helping to double its capital, the United States has given the fund the "big bazooka" it needs to help ailing economies at a time when "the economic horizon is not exactly rosy." Just as important, she said, the move is "a reaffirmation of U.S. leadership" of the institutions that foster a rules-based global order.

4.4 Other Impacts

4.4.1 Climate Change

IMF is key to combat climate change.

Georgieva 20

Kristalina Georgieva (IMF Managing Director). "A New Bretton Woods Moment," *IMF*, October 15, 2020. https://www.imf.org/en/News/Articles/2020/10/15/sp101520-a-new-bretton-woods-moment

Just as the pandemic has shown that we can no longer ignore health precautions, we can no longer afford to ignore climate change—my third imperative.

We focus on climate change because it is macro-critical, posing profound threats to growth and prosperity. It is also people-critical and planet-critical.

In the last decade, direct damage from climate-related disasters adds up to around $1.3 trillion. If we don't like this health crisis, we will not like the climate crisis one iota.

Our research shows that, with the right mix of green investment and higher carbon prices, we can steer toward zero emissions by 2050 and help create millions of new jobs.

We have an historic opportunity to build a greener world—also a more prosperous and job-rich one. With low interest rates, the right investments today can yield a quadruple dividend tomorrow: avert future losses, spur economic gains, save lives and deliver social and environmental benefits for everyone.

3. The IMF's Role

At the Fund, we are working tirelessly to support a durable recovery— and a resilient future as countries adapt to structural transformations brought on by climate change, digital acceleration and the rise of the knowledge economy.

Since the pandemic began, we have committed over $100 billion—and we still have substantial resources from our $1 trillion in lending capacity.

We will continue to pay special attention to the urgent needs of emerging markets and low-income countries—especially small and fragile states, helping them to pay doctors and nurses and protect the most vulnerable people and parts of their economies.

Our unprecedented action was only possible thanks to our members' generous support. The doubling of the New Arrangements to Borrow and a new round of bilateral borrow-ing arrangements preserves this financial firepower. Members have also stepped up with essential contributions to our Catastrophe Containment – and Relief and Poverty Reduction and Growth—Trusts.

This has allowed us to support our low-income members with debt relief and to triple our concessional lending. We are engaging with members to further boost our con-cessional lending capacity adapt our lending toolkit and increase support for capacity development.

IMF staff, working day and night, have been magnificent in this crisis. My sincere thanks to them and my Management team.

My deep appreciation also to our Executive Directors – they have been there every step of the way over the past six months.

4. Conclusion: Seize the Moment

The best memorial we can build to those who have lost their lives in this crisis is, in the words of Keynes, "that bigger thing"— building a more sustainable and equitable world.

Our founders did it. It is now our turn. This is our moment!

4.4.2 Good Governance

The IMF promotes good governance --- laundry list

IMF 20

International Monetary Fund. "IMF and Good Governance," March 3, 2020. https://www.imf.org/en/About/Factsheets/The-IMF-and-Good-Governance

IMF initiatives that promote good governance

The IMF promotes good governance in two main areas: i) the management of public resources through reforms covering public sector institutions; and ii) the development and maintenance of a transparent and stable economic and regulatory environment con-ducive to private sector activities. Several initiatives involve close collaboration with other international organizations.

The IMF encourages member countries to improve accountability by enhancing trans-parency in the disclosure of documents, in line with its Transparency Policy .

Together with the World Bank, the IMF assesses member countries' compliance with international transparency standards in 12 policy areas in the context of its Standards and Codes Initiative , covering the government, financial sector, and corporate sector.

For fiscal policy and monetary and financial policies, the IMF has developed codes that set out transparency principles. Especially important is the Fiscal Transparencey Code.

For application in natural-resource-rich countries, the Fund issued its Guide on Re-source Revenue Transparency . A multi-donor Topical Trust Fund launched in 2011 has enabled the IMF to considerably increase technical assistance in the management of natural resource wealth.

To improve the transparency, quality, and timeliness of data, the IMF encourages its members to subscribe to the Special Data Dissemination Standard (SDDS) or participate in the General Data Dissemination System (GDDS).

The IMF also emphasizes the need for adequate public financial management. It part-ners with other international financial institutions and donors in the Public Expenditure and Financial Accountability (PEFA) program, which helps countries measure their per-formance.

Good governance is vital to economic development and government legitimacy.

IMF 20

International Monetary Fund. "IMF and Good Governance," March 3, 2020. https://www.imf.org/en/About/Factsheets/The-IMF-and-Good-Governance

Good governance is key to economic success

Governance is a broad concept covering all aspects of how a country is governed, in-cluding its economic policies, regulatory framework, and adherence to rule of law. Poor governance offers greater incentives and more opportunities for corruption—the abuse of public office for private gain. Corruption undermines the public's trust in its govern-ment. It also threatens market integrity, distorts competition, and endangers economic development. Because poor governance is clearly detrimental to economic activity and welfare, the IMF adopted in 1997 a policy on how to address economic governance, em-bodied in the Guidance Note " The Role of the IMF in Governance Issues." To further strengthen the implementation of this policy, the IMF adopted in 2018 a new Frame-work for Enhanced Engagement on Governance. The framework aims to promote more systematic, effective, candid, and evenhanded engagement with member countries re-garding governance vulnerabilities—including corruption—that are critical to macroe-conomic performance.

Promoting good governance

The IMF works with its member countries to promote good governance and combat corruption. In its surveillance, lending, and technical assistance, the IMF covers eco-nomic governance issues that fall within its mandate and expertise, concentrating on issues likely to have a significant impact on macroeconomic performance and the coun-try authorities' ability to pursue sound economic policies. In doing so, the IMF stresses evenhandedness across its member countries and collaborates closely with other multi-lateral institutions.

IMF surveillance involves annual reviews of countries' economic policies, carried out through Article IV consultations . In the process, staff may discuss economic conse-quences arising from poor governance and advise on reforms to strengthen governance and fight corruption.

Good governance is also promoted via IMF-supported programs—economic measures and reforms supported by IMF financial assistance. When warranted, specific measures to strengthen governance may become part of the program's conditionality. Many of the structural conditions in IMF-supported programs focus on improving governance and reducing vulnerabilities to corruption. This includes strengthening public expen-diture controls; publishing audited accounts of government agencies, central banks, and state enterprises; making revenue administration less discretionary; increasing the transparency of natural resource management; enhancing bank supervision; reforming regulatory frameworks to reduce the scope for bribes; strengthening anti-money laun-dering measures; and fortifying anti-corruption legal frameworks, such as asset decla-ration requirements for senior government officials.

In all of these areas, the IMF also provides technical assistance to help build effective economic institutions and advise countries on how policies can be strengthened to im-prove governance and reduce vulnerabilities to corruption.

4.4.3 Human Capital

IMF is key to human capital development.

Georgieva 20

Kristalina Georgieva (IMF Managing Director). "A New Bretton Woods Moment," *IMF*, October 15, 2020. https://www.imf.org/en/News/Articles/2020/10/15/sp101520-a-new-bretton-woods-moment

And policies must be for people —my second imperative.

To reap the full benefits of sound economic policy, we must invest more in people. That means protecting the vulnerable. It also means boosting human and physical capital to underpin growth and resilience.

COVID19 has underscored the importance of strong health systems.

Rising inequality and rapid technological change demand strong education and training systems—to increase opportunity and reduce disparities.

Accelerating gender equality can be a global game-changer. For the most unequal coun-tries, closing the gender gap could increase GDP by an average of 35 percent.

And investing in our young people is investing in our future. They need access to health and education, and also access to the internet—because that gives them access to the digital economy – so critical for growth and development in the future.

Expanding internet access in Sub Saharan Africa by 10 percent of the population could increase real per capita GDP growth by as much as 4 percentage points.

Digitalization also helps with financial inclusion as a powerful tool to help overcome poverty.

4.4.4 Money Laundering

The IMF is key to combat international money laundering and terrorism financing via its oversight mechanisms.

IMF 20

International Monetary Fund. "IMF and Good Governance," March 3, 2020. https://www.imf.org/en/About/Factsheets/The-IMF-and-Good-Governance

The IMF contributes to the international efforts to combat money laundering and the financing of terrorism (AML/CFT). It assesses members' legal and regulatory frame-works, provides technical assistance on the design and implementation of AML/CFT frameworks, and conducts policy-oriented research. In 2009, the IMF established a multi-donor Topical Trust Fund for capacity building on AML/CFT.

Finally, the IMF contributes to various working groups and international initiatives, including the Extractive Industries Transparency Initiative , the G20 Anti-Corruption Working Group , and the Stolen Assets Recovery (StAR) initiative.

Integrity starts at home

As a means of safeguarding its resources , the IMF assesses the governance and trans-parency frameworks within central banks of countries to which it lends money. In the process, it promotes sound oversight, internal control, auditing, and public financial reporting mechanisms in these critical financial institutions.

To promote good governance within its own organization, the IMF has adopted a num-ber of integrity measures, including a code of conduct for staff —bolstered by finan-cial certification and disclosure requirements, and sanctions—a similar code of conduct for members of the Executive Board , and an integrity hotline offering protection to "whistleblowers." The IMF Ethics Office advises the institution and its staff on ethics issues, inquires into alleged violations of rules and regulations, and oversees the ethics and integrity training program for all staff members.

4.4.5 Multilateralism

The IMF is key to promote multilateral cooperation over trade, climate, and cyber at international forums.

Kavanagh 19

Dr Ella Kavanagh (senior lecturer in the Department of Economics at the Cork Uni-versity Business School at University College of Cork). "Just why are the ECB and the IMF so important?" *Raidió Teilifís Éireann*, Ireland's national newspaper, September 4, 2019. https://www.rte.ie/brainstorm/2019/0830/1071786-just-why-are-the-ecb-and-the-imf-so-important/

They also produce a wide range of global reports that focus on the interconnectedness between countries and how economic risks spread across countries e.g. in the World Economic Outlook (April 2019), they call for greater multilateral cooperation to resolve trade conflicts, to address climate change and risks from cybersecurity and to improve the effectiveness of international taxation.

The IMF managing director uses the opportunity in discussions with individual coun-tries, at multilateral meetings and in discussions with the World Bank, OECD etc. to highlight sources of risk, the global challenges and what can be done.

4.4.6 Social Safety Net

The IMF has used Covid-19 to incentivize national investment in social safety nets and protecting the vulnerable.

Gallagher 20

Kevin Gallagher (professor of global development policy at Boston University and a member of the U.N. Committee on Development Policy). “Why the IMF needs to build on its COVID-19 record, not backtrack,” Brookings, October 13, 2020.

Second, the IMF deserves credit for endorsing increases in health spending and mea-sures to protect vulnerable people and firms in the midst of the crisis. In our analysis, the IMF scores a 2.39 out of 3 for encouraging health spending and increasing the sup-ply of medical devices in programs in Bolivia, Ghana, Gabon, Bosnia and Herzegovina, and the Dominican Republic.

Even better, the IMF earns a score of 2.65 out of 3 for encouraging the protection of the vulnerable, as indicated by programs that recommend strengthening safety nets in Cameroon, increasing spending in Bolivia, wage support in Bangladesh, and highlight-ing a food supply program in the Bahamas.

4.5 Specific Countries

4.5.1 Jordan

Jordan proves the IMF can foster strong, stable economies that are productive members of the global economy.

Seabury 20

Chris Seabury (writer at Investopedia who has been working in the financial services in-dustry for over 20 years).“Can the IMF Solve Global Economic Problems?” *Investopedia*, February 12, 2020. https://www.investopedia.com/articles/economics/09/international-monetary-fund-imf.asp

Jordan

Jordan had been impacted by its wars with Israel, civil war, and a major economic re-cession. In 1989, the country struggled with a high unemployment rate and an inability to pay its loans. The country agreed to a series of five-year reforms that began with the IMF. The Gulf War and the return of 230,000 Jordanians because of Iraq’s invasion of Kuwait put a strain on the government, as unemployment continued to increase.10

In the period from 1993 to 1999, the IMF gave Jordan three extended fund facility loans.11 As a result, the government undertook massive reforms of privatization, taxes, foreign investment, and easier trade policies.

By 2000, the country was admitted to the World Trade Organization (WTO), and one year later signed a free trade accord with the United States.12 Jordan was also able to bring down its overall debt payment and restructure it at a manageable level. Jordan is an example of how the IMF can foster strong, stable economies that are productive members of the global economy. (For an interesting perspective on the WTO, see The Dark Side Of The WTO.)

4.5.2 Pakistan

IMF policy in Pakistan created immediate positive effects.

Shadid 20

Kunwar Khuldune Shahid (Pakistan-based correspondent for The Diplomat). Is Pak-istan's Economy Recovering? *The Diplomat*, February 07, 2020. https://thediplomat.com/ 2020/02/is-pakistans-economy-recovering/

While addressing the World Economic Forum at Davos in January, Prime Minister Im-ran Khan claimed that the year 2020 will be one of economic growth for Pakistan. Khan's words echoed his vows to the domestic audience, as he has promised fiscal "develop-ment" in the country within the ongoing calendar year.

After a tumultuous first 12 months since the Pakistan Tehreek-e-Insaf (PTI) government took over in August 2018, the fiscal positives for the country have indeed been tangible in recent months.

In September, Pakistan's current account deficit dropped by 80 percent to a 41-month low of $259 million, with a 111.5 percent rise in foreign direct investment (FDI) and 194 percent increase in private investment. With FDI of $1.34 billion during the first half of the current fiscal year, a 68.3 percent increase was registered in January, compared to $796.8 million of the same period of the previous fiscal year.

This month, the reserves of the State Bank of Pakistan (SBP) also hit a 21-month high at $11.586 billion. The economic positivity was also reflected by the Karachi Stock Ex-change (KSE), which registered a 16-month high this month, crossing the 42,000 point mark after a cumulative increase of 13,000 points in four months.

The financial developments in Pakistan have been duly recognized globally as well, with Moody's Investor Service upgrading Pakistan's economy outlook from negative to sta-ble in December. The World Bank has also acknowledged Pakistan as one of the top 10 "most improved" countries in the Ease of Doing Business Index.

While there are positives aplenty, almost all of them have come in the aftermath of Pak-istan reaching a 13th bailout agreement with the International Monetary Fund (IMF) in July last year. The agreement was designed to address a multitude of macroeconomic imbalances spearheaded by a balance of payment crisis.

The PTI government was much criticized for taking over nine months to go to the IMF. Finance Ministry officials revealed at the time that the initial plan under former Finance

Minister Asad Umer had been to seek aid from other countries instead of approaching the Fund, for which a Finance Bill was also passed 12 months ago.

The delay meant that by the time the government implemented an IMF instructed market-driven currency exchange rate, the Pakistani rupee had already lost over 50 percent of its value against the U.S. dollar. However, in the six months since the IMF bailout agreement, the Pakistani rupee-U.S. dollar exchange rate has eased from around 165 to the current 155.

It also proves that IMF targets can be met successfully.

Shadid 20

Kunwar Khuldune Shahid (Pakistan-based correspondent for The Diplomat). Is Pak-istan's Economy Recovering? *The Diplomat*, February 07, 2020. https://thediplomat.com/ 2020/02/is-pakistans-economy-recovering/

Relaxation at the counterterror watchdog Financial Action Task Force (FATF) is one of many financial and geopolitical benefits that Islamabad will seek in exchange for letting the IMF run its economic affairs. It is based on IMF instructions that Pakistan has been asked to keep the interest rate higher than the inflation rate, with the government having been barred from borrowing money from its own central bank.

"The borrower feels the impact. If it's for consumption then there is less consumption, if for investment then there is less investment. We're basically running the IMF program. As things stand we are meeting all the indicators and targets given to us," Shah says.

"However, the CPEC is a huge factor in increasing investment. Many foreign parties are coming and buying areas in the special economic zones. The first drops of rain have come," he adds.

4.5.3 Pakistan – A2: No Growth

The IMF steered Pakistan past the worst of the crisis, and also promoted reforms vital to long-run growth.

Shadid 20

Kunwar Khuldune Shahid (Pakistan-based correspondent for The Diplomat). Is Pak-istan's Economy Recovering? *The Diplomat*, February 07, 2020. https://thediplomat.com/ 2020/02/is-pakistans-economy-recovering/

Critics say there is a lack of economic growth in the country, which even Khan's aide on commerce concedes, and question how the high interest rate could result in any progress for local businesses.

Salman Shah, the government's financial advisor in Punjab, however, points to the ex-tent of the economic crisis that the PTI inherited, and maintains that the worst is over.

"We've had to carry out painful reforms – made the exchange rate market-based, which led to massive devaluation and inflation particularly in energy products, and food in-flation even more so, but we've been firefighting to ensure that the more vulnerable segments are brought into the social safety net to mitigate the impact of macro adjust-ment. The likes of Ehsaas Programme [to address inequality] and Kamyab Jawan [to provide opportunities to the youth] are prominent examples," he told The Diplomat.

"We need to see why we repeatedly go to the IMF. Structural transformations are needed in Pakistan's production system – agriculture, industry, or services – to improve our pro-ductivity and export competitiveness," says Shah. "Import substitution with domestic production, and export promotion is important. Car manufacturing, for instance, has been declining in the country because a lot of its constituents are imported – that needs to change. In agriculture, owing to devaluation our wheat has become cheaper in dol-lars, hence it is being increasingly smuggled, causing the current domestic shortage."

"[Meanwhile], exchange rate realignment have made our exports more competitive, but we need to make them even more robust. Energy and gas export sectors are being given regionally competitive prices. Yes, there are glitches, but they are being addressed. The uproar among the Faisalabad textile businesses [over energy prices] is not as much as it was a few months ago. Similarly, this so called 'hot money' owing to high interest rate is not a demon that we were better off without. In fact, the $2.2 billion that has come, means the domestic banks now have [an] extra $2.2 billion which they can lend to the private sector – when that happens, the yield curve would come down, bringing the interest rates down," he adds.

4.5.4 South Africa

The IMF loan is critical to help South Africa finance its deficit during Covid-19.

Bradlow 20

Danny Bradlow (SARCHI Professor of International Development Law and African Economic Relations, University of Pretoria). "The IMF's $4bn loan for South Africa: the pros, cons and potential pitfalls," *The Conversation*, July 28, 2020.

https://theconversation.com/the-imfs-4bn-loan-for-south-africa-the-pros-cons-and-potential-pitfalls-143553

In South Africa's case, the country's payments problem relates to the fact that the econ-omy is expected to contract by about 7% this year and the budget deficit to increase to about 15% of GDP. This means that the government will need to increase the amount it has to borrow. Given that it has been downgraded by credit rating agencies, and that the economy is in bad shape, there is a substantial risk that both local and foreign investors will have a limited appetite for South African debt. This will complicate the government's efforts to finance the deficit.

The IMF loan helps resolve this problem.

South Africa provided the requisite information to the IMF in the form of a letter of intent signed by the minister of finance and the governor of the Reserve Bank. The letter has not yet been made public. But, according to the IMF press release, South Africa seems to have informed the IMF that it intends to take certain steps to stabilise the country's finances. This means that the government will cut government spending to reduce its need to borrow. The current disputes over public sector wages and funding for state owned enterprises are examples of steps it could take. The government has also said it will improve the governance of state owned enterprises, and introduce reforms to stimulate a growing and inclusive economy. These reforms could include measures to improve competition in different sectors of the economy.

And the interest rate is super cheap.

Bradlow 20

Danny Bradlow (SARCHI Professor of International Development Law and African Economic Relations, University of Pretoria). "The IMF's $4bn loan for South

Africa: the pros, cons and potential pitfalls," *The Conversation*, July 28, 2020.

https://theconversation.com/the-imfs-4bn-loan-for-south-africa-the-pros-cons-and-potential-pitfalls-143553

What are the upsides of the loan?

The most important benefit is that South Africa is getting $4.2 billion at about 1.1% in-terest. This is a very cheap source of funds. If the government tried to raise the same amount either on domestic markets or from other international sources it would pay a considerably higher interest rate – the current rate for government bonds of comparable maturity is about 7%.

It catalyzes other funds domestically and internationally.

Bradlow 20

Danny Bradlow (SARCHI Professor of International Development Law and African Economic Relations, University of Pretoria). "The IMF's $4bn loan for South Africa: the pros, cons and potential pitfalls," *The Conversation*, July 28, 2020.

https://theconversation.com/the-imfs-4bn-loan-for-south-africa-the-pros-cons-and-potential-pitfalls-143553

The second potential benefit is that the IMF loan will catalyse other funds for the coun-try. In other words investors in South Africa and abroad will interpret the IMF's action as an expression of support for South Africa and this will give them the confidence to invest in South African debt. Given that foreign investors hold about 30% of South African government's rand denominated debt this boost to confidence could be impor-tant. It will both reduce the incentive of these investors to sell their government bonds, potentially pushing up interest rates, and enable the government to issue new debt if needed.

The third benefit is that by helping to stabilise South Africa's situation, it will limit the damage that may be inflicted on the neighbouring countries. This, in turn, could help South African exports and thus help preserve jobs and income in South Africa.

4.5.5 Turkey

Turkish refusal to go to the IMF proves that institutional financial support is vital.

Lachman 19

Desmond Lachman (resident fellow at the American Enterprise Institute). “It’s time for Turkey to go hat in hand to the IMF,” *The Hill*, April 18, 2019. https://thehill.com/opinion/finance/439558-its-time-for-turkey-to-go-hat-in-hand-to-the-imf

Countries often seek the International Monetary Fund’s (IMF’s) financial support with the same enthusiasm that patients seek radical treatment from their oncologist.

However, like a critically ill patient who has little option but to seek his physician’s help, the depth of Turkey’s economic crisis leaves that country with little real alternative but to go to the IMF for financial assistance.

Sadly, President Recep Tayyip Erdogan seems to be in complete denial about the grav-ity of his country’s economic plight, and he shows no sign of being ready to come to political terms with the United States to facilitate a successful approach to the IMF.

This means that the Turkish economic crisis will likely deepen and that it will only be a matter of time before the global financial system has to deal with widespread Turkish corporate debt defaults.

If ever a country was facing a currency crisis that cried out for IMF help, it has to be Turkey. Over the past year, the Turkish currency lost around 30 percent of its value last year. It has done so as investors increasingly focused attention on years of over-borrowing, especially in U.S. dollars, by Turkey’s corporate sector.

It has also done so in response to Turkey’s grudging and inept policy response to the crisis as well as to the increasingly interventionist direction of its economic policy.

It has to be of particular concern that in recent weeks, after a brief period of stabilization, the Turkish lira has resumed its downward march.

This has been the case despite the fact that the central bank has raised interest rates to 24 percent and has burnt through one-third of its international reserves to support the currency ahead of the country’s local elections.

The resumed Turkish currency weakness has also occurred despite the Federal Reserve’s shift to an easier monetary policy stance.

The loss of investor confidence, coupled with the plunge in the currency, has taken a heavy toll on the Turkish economy. By the end of last year, the economy slipped into recession and registered its worst economic performance over the past decade. Mean-while, unemployment has risen to 14.7 percent.

Without it, crises such as Turkey's become much worse.

Lachman 19

Desmond Lachman (resident fellow at the American Enterprise Institute). "It's time for Turkey to go hat in hand to the IMF," *The Hill*, April 18, 2019. https://thehill.com/opinion/finance/439558-its-time-for-turkey-to-go-hat-in-hand-to-the-imf

Absent a successful attempt to reverse the currency's decline, there is every reason to fear that the worst of Turkey's economic problems lie ahead of it. This is mainly because the country's corporate sector has borrowed more than $300 billion, or 40 percent of GDP, in US dollar-denominated terms.

This raises the specter of a wave of corporate debt defaults, which risks crippling the Turkish banking system, as a weak currency and a deepening recession take their toll on the corporate sector's balance sheet.

If the first stage of currency crisis resolution is that policymakers recognize that there is a problem, we have a lot to worry about with Turkey.

Far from seeking to assuage investors' concerns or to get the U.S. on his side, President Erdogan seems to be going out of his way to undermine investor confidence and to preclude an early IMF assistance program.

He rants about the ills of high interest rates, he appointed his totally inexperienced son-in-law as the finance minister, and now he's challenging the validity of the local election that his party lost in Istanbul.

He also thumbs his nose at the Americans by turning to Russia for military equipment, even though it is inconceivable that the IMF would come to Turkey's rescue without the blessing of the United States, its largest shareholder.

The IMF is key – it is desperately needed to restore economic policy credibility.

Lachman 19

Desmond Lachman (resident fellow at the American Enterprise Institute). "It's time for Turkey to go hat in hand to the IMF," *The Hill*, April 18, 2019. https://thehill.com/opinion/finance/439558-its-time-for-turkey-to-go-hat-in-hand-to-the-imf

It is regrettable that President Erdogan is yet to recognize that his government's eco-nomic policy credibility is in shreds and that he desperately needs the imprimatur of the IMF to restore that credibility.

This would seem to suggest that the Turkish currency crisis will need to get a lot worse before Ankara makes the needed economic and political U-turn to get an international support package in place.

All of this this certainly does not bode well for the Turkish economy. A deepening Turkish economic crisis also does not augur well for the global economy, which the IMF correctly describes as being presently in a delicate state.

4.6 A2: Neg Arguments

4.6.1 Only Sought in Crisis

The IMF is only identified with hardship because it is sought in times of crisis.

Masters and Chatzsky 20

Jonathan Masters and Andrew Chatzky (Deputy Managing Editor for the Council on Foreign Relations, and State Department Foreign Service Officer, respectively). "The IMF: The World's Controversial Financial Firefighter," *Council on Foreign Relations*, Au-gust 20, 2020. https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter

Measuring Success

The IMF is routinely identified with economic hardship and political ferment because it is only in times of crisis that its services are sought. It is often the only organiza-tion equipped for such interventions, and evaluating the fund's success over the past seventy-plus years is a difficult task. As Harvard economist Benjamin M. Friedman has argued, "We cannot reliably know whether the consequences of the IMF's policies were worse than whatever the alternative would have been."

4.6.2 Reform Now

IMF is reforming – new Covid directives focus on health expenditure, supporting the vulnerable, and greening the recovery.

Boston University 20

Boston University. "The Role of IMF in the Fight Against COVID-19: The IMF COVID-19 Recovery Index," BU Global Development Poverty Center, September 15, 2020. https://www.bu.edu/gdp/2020/09/15/the-role-of-imf-in-the-fight-against-covid-19-the-imf-covid-19-response-index/

To back up these statements, the IMF's Fiscal Affairs Department developed and pub-lished a set of guidances, called Special Series on COVID-19, oriented to assist countries in their responses to the pandemic. Among these, we highlight the following three given their parallels with the top-level guidance in Managing Director speeches and remarks:

Health expenditure (IMF, 2020a). Outlining principles and considerations that countries should take into account in the design of actions oriented to support the monitoring, containment, and mitigation of the pandemic.

Support for the vulnerable (IMF, 2020b). Highlights different sets of fiscal measures and considerations that countries should take into consideration in the design of pro-grams oriented to support the most vulnerable (firms and households) to address the consequences of the shock.

Greening the recovery (IMF, 2020c). This document highlight different measures ori-ented to support a 'green' recovery. Among the possible measures, the IMF consid-ers that the governments could finance 'green' activities, rather than "brown" ones; like climate-smart infrastructure and technologies, support adaptation, or avoid carbon-intensive investments. In addition, governments could raise carbon taxes and eliminate fossil fuel subsidies, in the context of low oil prices and fiscal reallocation needs.

In historical perspective, this is a very different set of directives than the IMF has given in the past. In response to past crises, the IMF has long prescribed fiscal consolidation that explicitly or implicitly directed countries to engage in contractionary policies that reduced spending on health and social expenditure (Kentikelenis et al, 2016). Indeed, in a study of 16 Western African countries from 1995 to 2014, Stubbs et al (2017) found that IMF programs curtailed the fiscal space for health spending in those per capital by 0.24 percent. In a broader study of IMF programs in 137 developing countries between 1980 and 2014, Forster et al (2019a) found that IMF programs lowered health system access and increased neonatal mortality. In another paper by Forster (2019b) and others, using the same sample, they found that IMF programs during that period also accentuated inequality. Other papers however, have argued IMF conditionality can potentially in-crease social spending through higher growth during the program period (Gupta et al, 2000, Gupta 2010). In response to these findings, the IMF had begun to add a number of social safeguards to its programs before COVID-19, such as social spending floors, social benefits and transfers, and expanding unemployment assistance. While the liter-ature on the impact of these programs on outcomes is in its infancy, there is evidence that they have been ineffective in the medium term (Gupta et al, 2018).

The IMF has internally reformed to answer criticisms.

Masters and Chatzsky 20

Jonathan Masters and Andrew Chatzky (Deputy Managing Editor for the Council on Foreign Relations, and State Department Foreign Service Officer, respectively). "The IMF: The World's Controversial Financial Firefighter," *Council on Foreign Relations*, Au-gust 20, 2020. https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter

Since the European bailouts, the IMF has added to its firefighting arsenal. It has estab-lished a flexible credit line and a precautionary and liquidity line to give it more flexibil-ity in lending to members in situations that might not otherwise qualify for assistance. In 2012, the fund announced roughly $430 billion in new member commitments, nearly doubling the institution's capacity to lend. As of April 2018, its total lending power stands at roughly $1 trillion.

In recent decades, the fund has also developed several initiatives addressed at assuaging the criticisms of developing countries. In 2005, in an effort to help some nations reach the Millennium Development Goals—benchmarks set at the United Nations to raise basic standards of living for the poorest countries—the IMF announced a debt relief program for eligible countries. In 2009, it announced reforms to its lending conditions to low-income countries that would allow for greater country-specific tailoring and an "emphasis on poverty alleviation and growth."

The IMF is increasing focus on inequality and carrying out policy reforms.

Lagarde = IMF Managing Director Christine Lagarde

Ignatius 15

David Ignatius (Washington Post journalist covering foreign affairs). A strength-ened IMF benefits the U.S. and the world," *Washington Post*, December 22, 2015.

https://www.washingtonpost.com/opinions/a-strengthened-imf-benefits-the-us-and-the-world/2015/12/22/69862e04-a8d5-11e5-bff5-905b92f5f94b_story.html

Now that the IMF has a new lease on life, I hope Lew and Lagarde will think more about what got the fund in political trouble in the first place. The black helicopter crowd aside, there is a deep mistrust in the United States about whether the global financial system really serves the average American taxpayer. It's one of the elite institutions that, like Goldman Sachs or the World Economic Forum, easily becomes part of a conspiracy theory.

Lagarde said she understands that many Americans mistrust financial institutions as "out there" and fear that "their destiny is out of their hands." She plans to focus on the "small boats" in the system, not just the big yachts. She cited IMF research that rising inequality is hurting growth. "The benefits of higher income are trickling up, not down," she said in a speech in June.

Congress made a reasonable demand in funding the IMF that the organization re-examine its policy of "systemic exemption" for debtor countries that may not be able to pay back their loans. Lagarde told me she agreed. That's the right start for a renewed financial partnership that's good for the United States and the world.

4.6.3 A2: European Bailouts

Too early to tell on European bailouts.

Masters and Chatzsky 20

Jonathan Masters and Andrew Chatzky (Deputy Managing Editor for the Council on Foreign Relations, and State Department Foreign Service Officer, respectively). "The IMF: The World's Controversial Financial Firefighter," *Council on Foreign Relations*, Au-gust 20, 2020. https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter

Meanwhile, for many observers, the verdict on the European bailout programs is still out. Critics point to the deep recessions and years of high unemployment in IMF loan recipient countries—most notably Greece and Spain, which have the highest youth un-employment rates in the European Union (EU), at over 30 percent. Greece's economy is still 25 percent smaller than it was before the crisis, and its debt load is nearly 180 percent of gross domestic product (GDP). Supporters of the IMF programs counter that the target eurozone countries have all started to grow again and point to major success stories, such as Ireland, which has seen its GDP rise well above pre-crisis levels.

4.6.4 A2: Past Mistakes (Argentina/Greece)

Past mistakes were policy failures the IMF can fix --- they don't indict the whole program.

Lachman 20

Desmond Lachman (Resident Fellow, American Enterprise Institute). "How the IMF can help cushion the coronavirus depression… or make it worse," The Bulwark, April 15, 2020, https://www.aei.org/articles/how-the-imf-can-help-cushion-the-coronavirus-depression-or-make-it-worse/

Armed with more than $1 trillion in loanable resources, the International Monetary Fund is about to embark on its largest lending spree in its 76-year history. If it is to do more good than harm to the global economy, it must learn from its past mistakes with earlier large IMF lending programs.

Up till now, the two largest IMF lending programs have been those to Greece in 2010 and to Argentina in 2018. Despite the unusually large access that the IMF afforded those two countries to its resources, the IMF programs failed to achieve their desired results. Before engaging on a new round of large-scale lending, the IMF should draw the right lessons from those two misguided programs.

Under the IMF's tutelage, the Greek economy experienced a 25 percent decline in out-put – a depression worse than that experienced by the United States during the Great Depression. Meanwhile, rather than falling, its public-debt-to-GDP ratio rose from 120 percent to 180 percent.

For its part, over the past two years under an IMF program of more than $50 billion, Argentina has experienced the unenviable combination of a deep economic recession, inflation in excess of 50 percent, and a free falling exchange rate.

The key mistake made in Greece was to confuse a solvency problem with a liquidity problem. In particular, the IMF failed to grasp that, burdened with an unusually high public debt level and stuck within a Euro straitjacket, there was no way for Greece to grow its way out of its debt problem. This induced the IMF to dismiss any notion of Greek debt restructuring and to promote an excessive degree of budget tightening. In a fixed rate regime, that was bound to plunge the Greek economy into a deep recession.

The two key mistakes the IMF made in Argentina were acceding to the premature re-moval of exchange controls before stabilizing the economy, and then agreeing to too gradual a pace of budget adjustment. Initially, in the context of ample global liquidity, the IMF got away with those mistakes. However, as should have been expected in a country with Argentina's troubled economic history of debt default and capital flight, as soon as global liquidity conditions tightened, Argentina was plunged into a balance of payments crisis from which it is yet to recover.

Drawing the right lessons from its past mistakes would seem to be particularly pertinent now at a time that the IMF is likely to be called upon to play a key role in combating COVID-19's economic fallout.

4.6.5 A2: Structural Adjustment

Structural adjustment is good --- low debt and fast growth is the long-term solution.

Lachman 20

Desmond Lachman (Resident Fellow, American Enterprise Institute). "How the IMF can help cushion the coronavirus depression… or make it worse," The Bulwark, April 15, 2020, https://www.aei.org/articles/how-the-imf-can-help-cushion-the-coronavirus-depression-or-make-it-worse/

Among the emerging market countries that will be the IMF's largest potential borrow-ers will be Brazil, South Africa, and Turkey. All of those countries have compromised public finances and have seen their currencies depreciate by more than 20 percent since the start of the year. Hopefully, the IMF's dismal Argentine experience will have cured it of the notion that simply throwing money at these countries without insisting on ap-propriate economic adjustment will not serve them well. Rather, it will simply saddle them with more debt without improving their long-term growth prospects.

As the global economy stares into the abyss of a deep of recession, IMF loan recipients are going to discover that their economies need structural reforms to survive the crisis and come out stronger on the other side. As it doles out more money than any time in its history, the IMF should help debtor nations follow the path to faster growth with less debt.

IMF policies are tailored --- debt relief is possible but some nations do need restructuring to reduce unsustainable debt.

Georgieva 20

Kristalina Georgieva (IMF Managing Director). "A New Bretton Woods Moment," *IMF*, October 15, 2020. https://www.imf.org/en/News/Articles/2020/10/15/sp101520-a-new-bretton-woods-moment

2. Building Forward: Three Imperatives

How? I see three imperatives:

First, the right economic policies. What was true at Bretton Woods remains true today. Prudent macroeconomic policies and strong institutions are critical for growth, jobs, and improved living standards.

One size does not fit all—policies must be tailored to individual country needs. Support remains essential for some time—withdrawing it too early risks grave and unwarranted economic harm. The stage of the crisis will determine the appropriate shape of this support, generally broader early on and more targeted as countries begin to recover.

Strong medium-term frameworks for monetary, fiscal and financial policies, as well as reforms to boost trade, competitiveness and productivity can help create confidence for policy action now while building much-needed resilience for the future.

That includes keeping a careful watch on risks presented by elevated public debt. We expect 2021 debt levels to go up significantly – to around 125 percent of GDP in advanced economies, 65 percent of GDP in emerging markets; and 50 percent of GDP in low-income countries.

The Fund is providing debt relief to its poorest members and, with the World Bank, we support extension by the G20 of the Debt Service Suspension Initiative.

Beyond this, where debt is unsustainable, it should be restructured without delay. We should move towards greater debt transparency and enhanced creditor coordination. I am encouraged by G20 discussions on a Common framework for Sovereign Debt Reso-lution as well as on our call for improving the architecture for sovereign debt resolution, including private sector participation.

We are there for our member countries—supporting their policies.

4.6.6 A2: Austerity

IMF changed its's tune --- advanced economies do not need austerity in response to Covid.

Giles 20

Chris Giles (Financial Times reporter). "IMF says austerity is not inevitable to ease pandemic impact on public finances," Financial Times, October 14, 2020. https://www.ft.com/content/722ef9c0-36f6-4119-a00b-06d33fced78f

Most advanced economies that can borrow freely will not need to plan for austerity to restore the health of their public finances after the coronavirus pandemic, the IMF has said in a reversal of its advice a decade ago. Countries that have the choice to keep borrowing are likely to be able to stabilise their public debt by the middle of the decade, Vitor Gaspar, head of fiscal policy at the fund, told the Financial Times. That would mean they would not have to raise taxes or cut public spending plans.

Countries can <u>invest</u> out of the recession.

Giles 20

Chris Giles (Financial Times reporter). "IMF says austerity is not inevitable to ease pandemic impact on public finances," Financial Times, October 14, 2020. https://www.ft.com/content/722ef9c0-36f6-4119-a00b-06d33fced78f

The crucial factor supporting this outlook for most advanced economies is borrowing costs; the IMF expects the cost of servicing government debt will stay well below the growth rate it expects these countries to achieve. This would allow cheaper borrow-ing to largely offset the weaker growth and lower tax revenues that the fund predicts will result from the crisis. By 2025, most advanced countries would "have a higher cyclically-adjusted primary deficit, but that is to a very large extent compensated for by lower interest payments", Mr Gaspar said. As a result, there is no need for budgetary consolidation in countries able to borrow freely from financial markets, he added. "The [public debt] ratio in our projections stabilises and even declines slightly towards the end of our projections which shows that Covid-19 is a one-off jump up in debt and with low interest rates, the debt dynamics stabilise." The IMF's words will be seized upon in the US and across Europe as giving the green light to countries to invest out of the recession, rather than tightening their belts as happened in the previous decade.

However – countries with limited access to financial markets need to prevent unsustainable debt. This is sound fiscal policy.

Giles 20

Chris Giles (Financial Times reporter). "IMF says austerity is not inevitable to ease pandemic impact on public finances," Financial Times, October 14, 2020. https://www.ft.com/content/722ef9c0-36f6-4119-a00b-06d33fced78f

However countries that have only limited access to financial markets will need to be much more careful about their fiscal strategies, Mr Gaspar warned in an interview to accompany the publication of the fund's annual Fiscal Monitor. Global public debt is likely to hit a record high of almost 100 per cent of the world's gross domestic product in 2020, and the IMF expects government debt to rise significantly in proportion to national income in most advanced economies this year. But by 2025 overall deficits will be similar to the levels the IMF had forecast before the pandemic, without the need for public spending cuts or tax increases, it said.

5 Con Evidence

5.1 COVID-19

5.1.1 Fails to Promote Growth

IMF ignores those who need the most help – IMF's response to COVID proves

Vijaya 20

Ramya Vijaya (Professor of Economics, Stockton University), COVID-19 further exposes inequalities in the global financial system, Conversation, 12-15-2020,

https://theconversation.com/covid-19-further-exposes-inequalities-in-the-global-financial-system-150792

To stem the economic fallout from COVID-19, developed countries have injected an unprecedented US$9 trillion into their economies.

The International Monetary Fund has recommended sustained fiscal support, empha-sizing greater spending on health care and environmental protection projects.

Meanwhile, countries in the "global south" – broadly, low- and middle-income coun-tries in Latin America, Asia and Africa – face more dire circumstances. They don't have the ability to inject that level of cash into their economies.

And it's not only because their economies are poorer.

As an economics professor, I focus on the systemic inequalities in the global financial system that block such access in developing economies.

With a greater public awareness of soaring inequality within countries, it is also impor-tant to recognize the deep imbalances across the global financial system.

Inaccessible financing

Fiscal support in developed economies is often financed by deficit spending and gov-ernment borrowing. Countries like the United States finance a major part of deficits by borrowing from companies and central banks within their own countries. Such borrow-ing remains in the countries' own currency, making them less risky.

The fiscal deficit in advanced economies – a group of 39 nations including the U.S., Eu-ropean countries and Japan – is projected to expand to 14.4% in 2020 from 3.3% in 2019, according to the IMF.

This deficit financing is practically inaccessible to developing economies, given the ex-treme inequalities in global wealth. These nations secure most of their deficit financing through lending from multilateral agencies like the International Monetary Fund. Or they borrow dollars in international capital markets. They then have to pay back the debt in dollars, which makes the loans more expensive if the value of their own cur-rency drops.

5.1.2 Harms Economic Conditions

IMF exacerbates poverty during COVID --- even short term gains will be offset

Martin 20

Eric Martin (economics reporter), Oxfam Says IMF Loans Force Spending Cuts That Ex-acerbate Poverty, Bloomberg, 10-12-2020,

https://www.bloomberg.com/news/articles/2020-10-12/oxfam-says-imf-loans-force-spending-cuts-that-exacerbate-poverty

The vast majority of International Monetary Fund loans extended during the Covid-19 pandemic have suggested or demanded spending cuts that would worsen poverty and inequality, charity group Oxfam says.

Seventy-six of the fund's 91 loans since March have sought belt tightening, according to Oxfam. The result could be deep cuts to public healthcare and pensions; wage freezes and cuts for workers such as doctors and teachers; and reduced unemployment benefits like sick pay, the group said Monday.

"The IMF has sounded the alarm about a massive spike in inequality in the wake of the pandemic," said Chema Vera, Oxfam International's interim executive director. But the measures it is advocating "could leave millions of people without access to healthcare or income support while they search for work, and could thwart any hope of sustainable recovery."

With the world's debt set to approach record levels this year and about half of all low-income countries either in or at risk of debt distress before the health crisis, central banks have cut rates to supply liquidity. The IMF has expressed concern about rising inequal-ity, telling its 189 member nations to spend what they need to save lives and support their populations.

The fund, responding to Oxfam's analysis, maintains the emergency financing it has delivered has focused on immediate fiscal support with no conditionality. It says that once the pandemic is over, many countries will face higher debts and lower revenue and will need to put their finances back on track.

5.1.3 IMF Austerity Policies Bad

IMF COVID-19 austerity measures are a poison pill --- halts long term growth

Ambrose 20

Soren Ambrose (fiscal justice policy adviser), In the midst of the pandemic, why is the IMF still pushing austerity on the Global South? openDemocracy, 10-13-2020,

https://www.opendemocracy.net/en/oureconomy/midst-pandemic-why-imf-still-pushing-austerity-global-south/

In the wake of the 2007-2008 financial crisis, a report by the International Monetary Fund's independent evaluation office into the institution's handling of the downturn praised its role in supporting global stimulus plans to boost economic activity, but crit-icised it for endorsing a premature return to austerity measures. Surely the IMF won't make the same mistake twice?

At the start of the COVID-19 crisis, the IMF's economic forecasts and warnings that the pandemic could trigger a global recession on a scale not seen since the Great Depression, prompted governments to act.

Debt relief was promised for the poorest countries and the IMF began making rapid emergency loans to governments desperate for liquidity as the virus moved from coun-try to country. Grants would have been preferable, but the fact that they were able to move large amounts of cash quickly was widely welcomed.

But it didn't take long for the IMF to return to its usual profile as a relentless purveyor of austerity economics for developing countries. In normal times, this identity makes its loan programs an obstacle to development and human rights; in COVID-19 times, it threatens to plunge countries into years of suffering and depression – a new 'lost decade' for development, as many, including the IMF itself, have warned.

ActionAid's new policy briefing, The Pandemic and the Public Sector, looks at how the COVID-19 health and economic crises have affected IMF policy advice, with a particu-lar focus on constraints on public sector wage bills. It finds that the emergency loans the IMF distributed between April and July contain commitments to new or renewed austerity programmes as soon as the immediate health crisis has peaked, with little pro-vision for any recovery period.

We found that the documents attached to those emergency loans contain a poison pill that many might have missed when the primary concern was to get cash flowing. In the majority of the loans, the IMF has extracted pledges from most recipient governments to return to or adopt austerity as soon as the pandemic recedes (in Sub Saharan Africa, 25 of 30 countries promise a full reset, and four more promise a partial one).

Despite different words --- IMF is using austerity policies during COVID

Martin 20

Soren Ambrose (fiscal justice policy adviser), In the midst of the pandemic, why is the IMF still pushing austerity on

the Global South? openDemocracy, 10-13-2020,

https://www.opendemocracy.net/en/oureconomy/midst-pandemic-why-imf-still-pushing-austerity-global-south/

Fiscal consolidation in the IMF's lexicon means austerity programs. Despite the fact that these moves are not framed as conditions, the IMF's obvious push for the use of the word 'commitment' in most countries' loan documents certainly suggests an obligation on the governments' side. These commitments will reduce or freeze public sector wages and seriously constrain public spending during what would otherwise be the countries' economic recovery period.

This failure to support a genuine recovery after relaxing demands for austerity during the start of the crisis sits uncomfortably with statements made by the IMF's managing director Kristalina Georgieva in April about the crisis being an opportunity to "craft a different and better future together".

There are further glimmers of alternative thinking from policy staff and the IMF lead-ership where this return to austerity is challenged. A frequently-asked questions docu-ment on the IMF's COVID-19 response argues that "countries should also be ready for fiscal stimulus to lift demand and help the economy to come back.

Even IMF agrees that austerity policies exacerbates inequality

Elliott 16

Larry Elliott (the Guardian's economics editor), Austerity policies do more harm than good, IMF study concludes, Guardian, 5-27-2016, https://www.theguardian.com/business/2016/may/27/austerity-policies-do-more-harm-than-good-imf-study-concludes

A strong warning that austerity policies can do more harm than good has been delivered by economists from the International Monetary Fund, in a critique of the neoliberal doctrine that has dominated economics for the past three decades. In an article seized on by the shadow chancellor, John McDonnell, the IMF economists said rising inequality was bad for growth and that governments should use controls to cope with destabilising capital flows.

The IMF team praised some aspects of the liberalising agenda that was ushered in by Ronald Reagan and Margaret Thatcher in the 1980s, such as the expansion of trade and the increase in foreign direct investment. But it said other aspects of the programme had not delivered the expected improvements in economic performance. Looking specifi-cally at removing barriers to flows of capital and plans to strengthen the public finances, the three IMF economists came up with conclusions that contradicted neoliberal theory.

"The benefits in terms of increased growth seem fairly difficult to establish when looking at a broad group of countries," they said. "The costs in terms of increased inequality are prominent. Such costs epitomise the trade-off between the growth and equity effects of some aspects of the neoliberal agenda.

"Increased inequality in turn hurts the level and sustainability of growth. Even if growth is the sole or main purpose of the neoliberal agenda, advocates of that agenda still need to pay attention to the distributional effects."

5.2 Economy

5.2.1 Bureaucrats

Structural conditions from the IMF harm bureaucratic qualities --- incentivizes special interests

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King, The World System and the Hollowing Out of State Capacity: How Structural Adjustment Programs Affect Bureaucratic Quality in Developing Countries, Uni-versity of Chicago Press Journal, January 2019, https://www-journals-uchicago-edu.libproxy.uwyo.edu/doi/10.1086/701703

The administrative ability of the state to deliver effective policy is essential for economic development. While sociologists have long devoted attention to domestic forces un-derpinning state capacity, the authors focus on world system pressures from Western-dominated international organizations. Scrutinizing policy reforms mandated by the International Monetary Fund (IMF), the authors argue that "structural conditions" exert deleterious effects on bureaucratic quality by increasing the risk of bureaucrats falling prey to special interests and narrowing potential policy instruments available to them. The authors test these arguments using a new data set on IMF conditionality from 1985 to 2014. Their analysis shows that structural conditions—especially conditions on priva-tization, price deregulation, and public sector employment—reduce bureaucratic qual-ity. Using instrumentation techniques, the authors also discount the possibility that the relationship is driven by the IMF imposing structural conditions precisely in countries with low bureaucratic quality. A careful reconsideration of IMF policy reforms is there-fore required to avoid undermining local institutions.

And bureaucracies are required for effective development of a state

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King, The World System and the Hollowing Out of State Capacity: How Structural Adjustment Programs Affect Bureaucratic Quality in Developing Countries, University of Chicago Press Journal, January 2019, https://www-journals-uchicago-edu.libproxy.uwyo.edu/doi/10.1086/701703

More broadly, our study builds a theoretical and empirical bridge between world systems theory and Weberian-inspired political sociology. World systems perspectives give a broad-brush account of the emergence and entrenchment of weak states in developing countries as a direct result of the enrichment of advanced economies; alter-natively, Weberian-inspired political sociology provides rich macrohistorical narratives rooted primarily in domestic political processes, which emphasize professional bureau-cracies as an essential precondition for the development of a capable state. We showed that the global economy is structured in a way that undermines state capacity in poor countries and elucidated a set of causal mechanisms by which this process operates. By identifying the features of IMF programs that undermine bureaucratic quality, we also demonstrated that state capacity is amenable to direct policy intervention within much shorter time frames than sociologists had previously assumed. Taken together, our study offers a conceptual and methodological toolkit that enables scholars to intersect domestic and world systems level analyses, as the practices of international organizations—of which the IMF is but one important case—entrench global power asymmetries.

5.2.2 Harms Economic Growth

IMF regulations harm economic conditions --- layoffs, raising taxes, and budget cuts

Weisbrot 19

Mark Weisbrot (co-director of the Center for Economic and Policy Research), The IMF is hurting countries it claims to help, Guardian, 8-1-2019, https://www.theguardian.com/commentisfree/2019/aug/27/imf-economics-inequality-trump-ecuador

To see what the problem looks like, consider a recent IMF loan. In March, Ecuador signed an agreement to borrow $4.2bn from the IMF over three years, provided that the government would adhere to a certain economic program spelled out in the arrange-ment. In the words of Christine Lagarde – then the IMF chief – this was "a comprehen-sive reform program aimed at modernizing the economy and paving the way for strong, sustained, and equitable growth".

But is it? The program calls for an enormous tightening of the country's national budget – about 6% of GDP over the next three years. (For comparison, imagine tightening the US federal budget by $1.4 trillion, through some combination of cutting spending and raising taxes). In Ecuador, this will include firing tens of thousands of public sector employees, raising taxes that fall disproportionately on poor people, and making cuts to public investment.

The overall impact of this large fiscal tightening will be to push the economy into re-cession. The IMF's projections are for a relatively mild recession until next year, but it will likely be much deeper and longer – as often happens with IMF programs. Unem-ployment will rise – even the IMF program projections acknowledge that – and so will poverty.

IMF leads to debt dependency on developing nations

Mutize 17

Misheck Mutize (Lecturer of Finance and Doctor of Philosophy Candidate), Why South

Africa shouldn't turn to the IMF for help, Conversation, 8-8-2017,

https://theconversation.com/why-south-africa-shouldnt-turn-to-the-imf-for-help-82027

The IMF does not have a good historical record. A view of the many countries which have subjected themselves to the IMF doesn't inspire confidence. Instead of bailing out countries, it has created a list of countries suffering from debt dependency.

Of all the countries across the world that have been bailed out by the IMF:

11 have gone on to rely on IMF aid for at least 30 years

32 countries had been borrowers for between 20 and 29 years, and

41 countries have been using IMF credit for between 10 and 19 years.

This shows that it's nearly impossible to wean an economy from the IMF debt pro-grammes. Debt dependency undermines a country's sovereignty and integrity of do-mestic policy formulation. The debt conditions usually restrict pro-growth economic policies making it difficult for countries to come out of recession.

IMF's poor record is partly influenced by the policy choices that it imposes on coun-tries it funds. The IMF policy choices for developing countries, known as a structural adjustment programme, have been widely condemned. The main reason is that they insist on austerity measures which include; cutting government borrowing and spend-ing, lowering taxes and import tariffs, raising interest rates and allowing failing firms to go bankrupt. These are normally accompanied by a call to privatise state owned enterprises and to deregulate key industries.

These austerity measures would cause great suffering, poorer standards of living, higher unemployment as well as corporate failures. The current technical recession would be magnified into a full-blown crisis, leading to even greater shrinking of investment.

5.2.3 Inequality

Data proves --- IMF structural adjustment policies exacerbate inequality

Forster 19

Timon Forster Alexander E. Kentikelenis Bernhard Reinsberg Thomas H.Stubbs Lawrence P.King, How structural adjustment programs affect inequality: A disaggre-gated analysis of IMF conditionality, 1980–2014, Social Science research, May 2019, https://www.sciencedirect.com/science/article/pii/S0049089X18300802?casa_token=sZEkRlT1sfoAAAAA:WUozm7_U4LOPMP1YPhGDV-6mf83xbgealKoPXbfTf946xIxKqLaiRlv00tmp552_5nTkRyLnhbI

What do our findings suggest for policy? Clearly if the IMF is serious about reducing inequality then it needs to carefully consider the types of conditions included in lend-ing programs. These structural adjustment programs reflect coercive practices through which the Fund affects policymaking in the developing world. In addition, international organizations such as the IMF—but also the World Bank, the World Health Organiza-tion, or the Organization for Economic Co-operation and Development—utilize their expert authority to diffuse global norms and shape economic governance (Barnett and Finnemore, 2004). For instance, World Bank research sets the agenda of international development debates, and often promotes the same free-market policies examined in this article (Woods, 2006). It therefore becomes important to understand how these in-stitutions design policies, and why they can legitimately do so (e.g., Ban and Gallagher, 2015; Broome and Seabrooke, 2012; Kentikelenis and Seabrooke, 2017). Policy makers are therefore well-advised to carefully consider the distributional consequences of poli-cies international organizations diffuse—via both conditional lending and normative processes—before adopting them.

Overall, this study contributes to our understanding of IMF programs and their impact on income inequality. Taken together, these results suggest that IFIs and their struc-tural adjustment programs have tangible effects on income inequality. Thus, the analy-sis illustrates how international financial institutions may be political and institutional sources of inequality in developing countries (Brady et al., 2016). At the same time, we demonstrate that it is insufficient to study the aggregate of these policies because many different, potentially countervailing, forces are at play.

IMF exacerbates inequality --- austerity, harming low-skilled employees, and privatization

Reinsberg 19

Bernhard Reinsberg, Timon Forster, and Thomas Stubbs, IMF says it cares about in-equality. But will it change its ways?, Conversation, 7-17-2019, https://theconversation.com/imf-says-it-cares-about-inequality-but-will-it-change-its-ways-120105

In our work, we detail how IMF lending arrangements affect the income distribution in borrowing countries.

First, the IMF set expenditure reduction targets for borrowing countries. These so-called austerity measures were meant to balance the budget. But cuts in government spend-ing can widen income inequalities because low-income households often depend on government transfers. For example, a lending programme with Togo mandated such reforms between 2008 and 2011. Over this period, income inequality rose by 3.7% (from 0.379 in 2007 to 0.393 in 2012).

Second, the IMF repeatedly mandated the removal of restrictions to trade and financial flows. Policies promoting international economic openness can increase demand for skilled labour in developing countries. But low-skilled labour typically loses out, and income inequality increases. Financial development and capital account liberalisation also favours individuals with access to financial capital and services.

In developing countries, these tend to be people with high incomes. For instance, Sri Lanka had to establish a flexible exchange rate regime to qualify for financial assistance in 2001 (which lasted until 2005). Under the tutelage of the IMF, the Gini coefficient of disposable income increased by 5.6% between 2000 and 2006.

Third, the IMF typically called for reforms on monetary policy, initiated the privatisa-tion of financial institutions, and specified targets for the inflation rate. These measures can increase investor confidence, the benefits of which are mostly felt by individuals with high incomes. For example, in 1982, a lending arrangement with Guatemala in-cluded restrictions on the growth of bank lending to the private sector, domestic credit, and credit to the public sector. One year after the programme ended, in 1985, the in-come Gini was 0.482. This was 0.8% higher than when Guatemala negotiated lending terms with the IMF in 1981.

IMF policies exacerbate inequality --- burdens are disproportionately distributed on the poor

Lang 20

Valentin Lang, The economics of the democratic deficit: The effect of IMF programs on inequality, Review of International Organizations, 12-2-2020, https://link.springer.com/ article/10.1007/s11558-020-09405-x

The pressures that international organizations exert on national policies are rarely as strong as under the IMF's loan programs. Since the IMF's inception, its programs have been active in more than 130 countries. For many countries, some of the most funda-mental economic reforms of their recent past were implemented under these programs (Reinsberg et al. 2019). This is largely due to the policy conditions that the IMF sets in exchange for its loans with a view to resolving balance-of-payment crises and correcting underlying macroeconomic and structural problems.

Pursuing these objectives, however, can translate into reforms with distributional ef-fects. The actors that influence the design of IMF programs face the decision as to how to distribute the burdens of economic adjustment. As IMF decision-making has been shown to reflect the interest of its major shareholder governments and its staff (Copelovitch 2010; Dreher et al. 2015; Nelson 2014; Stone 2008), the design of IMF pro-grams is influenced by the preferences of these actors. Not least because they are ac-countable to different audiences than national governments, their policy priorities can diverge from the preferences of national governments, which would decide on national policies more independently in the absence of an IMF program. To the extent that distri-butional policies implemented under IMF programs reflect the interests of the IMF's ma-jor shareholders and its staff, IMF programs constrain the government's responsiveness to the preferences of its domestic audience. As I argue in more detail below, inequality is thus more likely to rise under IMF programs than without IMF interference.

IMF's rhetoric about combatting inequality doesn't match up to their operationalization

Nunn 16

Alex Nunn faculty and Paul White, Journal of Australian Political Economy, 'The IMF and a New Global Politics of Inequality?' 2016, http://media.wix.com/ugd/b629ee_85 abef2b91624fa881f13cbed887c7ab.pdf

The paper addresses a largely empirical question related to the IMF's recent high profile statements on the importance of reducing inequality. These are somewhat at odds with the Fund's hitherto reputation as an organization that is unconcerned with inequality and committed to a reform agenda of neo-liberalisation. Indeed, it might easily be ar-gued that policies that the Fund has previously recommended have contributed to the increased inequality that it now, apparently, sees as a problem. As such, it is interesting to explore how significant the espoused commitment to reducing inequality actually is, by assessing the extent to which this commitment is reflected in recent changes in operational guidelines and the policy advice given to member countries. The data col-lected here suggests that the concerns expressed in high profile policy statements are not wholly carried through to operational guidelines and practice. Given the long-term connection of the IMF with neoliberalisation, this is perhaps unsurprising.

5.2.4 Jobs Lost

IMF requires wage restraint --- uniquely harms the labor market

Lee 20

Su-Hyun Lee Byungwon Woo. Rajaratnam School Of International Studies, Nanyang Technological University, IMF = I'M Fired! IMF Program Participation, Political

Sys-tems, and Workers' Rights, SAGE Journals, 4-27-2020, https://journals.sagepub.com/doi/

full/10.1177/0032321720905318?casa_token=AtskvcW2TZIAAAAA%3AzzJRDjOSDGoC-AbpbtR8oxxzfXfrk0kBR0r0sRF4hCtLy0btlSquCj0hiDOukb_QJAeg2uTGlrYfuQ

Until recently, there have been relatively few scholarly studies done on the impact of IMF program participation on workers' rights, despite the political salience of the con-flict between the IMF and workers in IMF program participating countries. Pastor (1987) provides the earliest empirical assessment of the effect of the IMF on labor. Examining the effect of IMF programs in Latin America, he argues that "IMF's desire to secure the cooperation of local elites may lead them to design programs which place the bur-den of adjustment on workers and other popular classes" (Pastor, 1987: 258). As IMF programs increasingly require wage restraint, devaluation, and removal of price con-trols and other consumer subsidies, he hypothesizes that IMF programs should have a negative effect on labor, and indeed reports that labor's share of income is signifi-cantly reduced during the course of IMF programs for 18 Latin American countries be-tween 1965 and 1981. Weeks (1999) similarly reviews labor market conditions in Latin American countries between 1970 and 1998, and attributes significant deterioration of workers' rights and the rise of unemployment to policy liberalization and deregulation demanded by IMF and World Bank conditionality. Expanding the data coverage to 110 countries from 1961 to 1993, Vreeland (2002) finds that labor's share of income in man-ufacturing is significantly reduced when countries participate in IMF programs, after controlling for observable and non-observable factors affecting IMF program participa-tion in the first place. Potentially, the negative effect of IMF programs on labor's share of income might be driven by the fall in the political power of workers, as IMF programs tend to reduce the percentage of union membership (Martin and Brady, 2007).

And, most recent data proves that even early assumptions about IMF and the labor market are wrong

Lee 20

Su-Hyun Lee Byungwon Woo. Rajaratnam School Of International Studies, Nanyang Technological University, IMF = I'M Fired! IMF Program Participation, Political

Sys-tems, and Workers' Rights, SAGE Journals, 4-27-2020, https://journals.sagepub.com/doi/

full/10.1177/0032321720905318?casa_token=AtskvcW2TZIAAAAA%3AzzJRDjOSDGoC-AbpbtR8oxxzfXfrk0kBR0r0sRF4hCtLy0btlSquCj0hiDOukb_QJAeg2uTGlrYfuQ

Our analysis here provides empirical support for the more popular characterization of the negative effect of the IMF on workers than the version the IMF hopes for. Two key findings have emerged. First, IMF labor conditions, not surprisingly, affect workers' rights negatively. The stringency of labor conditions in IMF loan documents is signif-icantly and negatively associated with a country's level of respect for collective labor rights. This is consistent with empirical findings by earlier studies on the IMF programs' effects on labor rights. Yet second, the negative effect of IMF labor conditions can be par-tially mitigated in the implementation process. Our findings consistently show that the degree to which IMF conditionality undermines collective labor rights itself becomes much smaller in closed-list PR settings and becomes minimized with the combination of list-PR systems and left-center governments.

And those structural conditions from IMF prevents qualified personnel from coming to the country

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King, The World System and the Hollowing Out of State Capacity: How Structural Adjustment Programs Affect Bureaucratic Quality in Developing Countries, Uni-versity of Chicago Press Journal, January 2019, https://www-journals-uchicago-edu.libproxy.uwyo.edu/doi/10.1086/701703

Structural conditions lower the ability of the state to attract or retain qualified personnel. These conditions cut deeply into public sector entitlements, including working condi-tions, social security, average pay, and additional benefits. For example, Armenia's 1995 IMF program required the government to "finalize a plan to … eliminat[e] or merge min-istries" (IMF 1995, p. 16). In 1996, Georgia was asked to "reduce the number of ministries and committees" (IMF 1996, p. 25). The IMF also pushed for wage cuts and greater wage dispersion. For example, in Bulgaria, the government was required to "submit … amendments to the Labor Code with provisions making hiring, firing, and working hours more flexible" (IMF 2000, p. 68). In addition, structural conditions ask countries to cede ownership of state-owned enterprises to private actors. The IMF argues that these measures are necessary to improve the business climate, foster job creation, and support growth over the medium term (IMF 2014), identifying the public sector as the major cause of fiscal deficits and sluggish performance (Waterbury 1992, p. 183). But these measures carry important downsides for the bureaucracy, as job insecurity and reduced pay may result in resignations, early retirements, or reduced willingness to deliver public services impartially.

5.2.5 Major Powers Prevent IMF Lending

Sanctions prevents any assistance --- major players like the US prevent the IMF from working effectively

Peksen 18

Dursun Peksen University of Memphis, Economic Sanctions and the Politics of IMF Lending, Taylor & Francis, 1-25-2018, https://www.tandfonline.com/doi/full/10.1080/03050629.2018.1429427?casa_token=gUVoEz7_8mAAAAAA%3AsLXgQRw1NB2_hA_28s4hyL9VtZsRUtkHPXZj4PIoyVq8zecQGslfayZy1vMJ-2eaVRicuH98Ox-xLw

We posit that countries under economic sanctions are unlikely to receive IMF loans de-spite their economic and financial troubles that often worsen following the sanctions imposition. The IMF might deny funds to target countries as the US and other major sender countries are likely to use their influence in the IMF lending decisions. Sender countries are likely to block IMF credits to make sure that IMF programs do not under-mine the intended economic damage inflicted by the sanctions to induce concessions. Our data analysis supports the theoretical expectation that target countries are unlikely to receive IMF credits, especially when sanctions are most cost sanctions, imposed for non-human rights purposes, or initiated by the US or IGOs.

Our findings challenge the notion that the IMF is primarily tasked with helping all IMF member countries in need to ease their economic and financial problems and reaffirm the assertion that the IMF is used as a foreign policy tool by powerful countries. A strand of the IMF literature shows that IMF loans are used by the US and other influential coun-tries to maintain the loan recipient country’s strategic cooperation in the international arena. We contribute to this line of research by providing novel evidence that IMF pro-grams can also be used by sender countries as an instrument to further strengthen the imposed sanctions.

5.2.6 Privatization Bad

IMF push towards privatization incentivizes corruption

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King Bad governance: How privatization increases corruption in the developing world, Wiley Online Library, 6-27-2019, https://onlinelibrary-wiley-com.libproxy.uwyo.edu/doi/full/ 10.1111/rego.12265

Using new IMF conditionality data, we found that IMF conditions mandating the pri-vatization of state-owned enterprises reduce corruption control. This effect is tangible and holds in most estimations examining different outcome measures (both corruption perceptions and objective indicators), an alternative operationalization of conditions, and estimation techniques. While our main analysis focuses on short-term effects up to five years, we obtain even stronger long-term effects in a dynamic model. In addition, we find some corruption-reducing effects of other market-liberalizing policy conditions, but these effects are not robust across different models.

We interpret these results as evidence that privatization creates highly concentrated rents that increase corruption risks, while at the same time creating incentives among rent-seeking elites to weaken state capacity. This leads to a vicious circle of weaken-ing institutions and increasing corruption, which is hard to break because corruption is a collective action dilemma (Persson et al. 2013). Concerning the lack of robust sup-port for other areas of conditionality, we speculate that IMF conditions seeking to abol-ish rents are not always successful because governments may find other ways to redis-tribute wealth to influential groups (Coate & Morris 1995), which tends to mitigate the positive effect on corruption control. It may also be harder to control corruption when states are reduced to essential functions (Persson & Rothstein 2015).

IMF's market liberalization policies fail --- can't be uniformly applied and incentivizes corruption

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King Bad governance: How privatization increases corruption in the developing world, Wiley

Online Library, 6-27-2019,
https://onlinelibrary-wiley-com.libproxy.uwyo.edu/doi/full/ 10.1111/rego.12265

In terms of policy implications, our findings corroborate the view that mar-ket-liberalizing policy packages are unlikely to be uniformly beneficial (Hopkin & Rodríguez-Pose 2007). In fact, we find that privatization undermines corruption control, while other types of market-liberalizing conditions do not have the antic-ipated effects of reducing corruption. Our study thus questions the role of IFIs in the advancement of corruption control, particularly when the primary goal of such IFIs is to liberalize markets and reduce the role of the state in the economy. While IMF researchers have begun to acknowledge the potential dangers of promoting privatization (Gaspar & Hagan 2016, p. 22), such statements are lacking in official IMF publications (IMF 2017). Although it is beyond the scope of this article to examine why the IMF is clinging to its positive view on privatization, we can draw on established scholarship to intuit the IMF's behavior. A number of studies have examined change and stability in the IMF's policy paradigms, specifically after the global financial crisis, finding that change occurred more in rhetoric than in action (Ban 2015; Broome 2015; Gabor 2015). As emphasized by recent scholarship (Baumgartner 2012; Blyth 2012; Béland & Cox 2013), paradigm change is rare, especially when no counter-paradigm has emerged and the organizational leadership has vested interests in maintaining the old paradigm.

5.2.7 Social Spending Decline

IMF policies directly trade off with social programs

Moosa 19

Imad Moosa and Nisreen Moosa, The Effects of IMF Operations on Social Expenditure, SpringerLink, 2-12-2019, https://link.springer.com/chapter/10.1007/978-3-030-05761-9_5

The IMF recommends policies that typically affect public expenditure on health and ed-ucation as well as access and affordability, with the privatisation of public enterprises as having a profound negative effect. The Fund recommends currency devaluation, which makes imported medical equipment and medicines more expensive. The IMF prescribes austerity, which means reduction in public expenditure in general and in-creasing poverty with diminished ability of people to meet out-of-pocket medical ex-penses. The Fund recommends restructuring of foreign debt, which may involve debt-equity swap, ending with foreign investors owning healthcare facilities. It recommends free-market pricing, putting health and education beyond the affordability of ordinary people. It recommends the enhancement of the "rights" of foreign investors vis-à-vis na-tional law, which undermines the ability of locals to access the health and education fa-cilities run by predatory foreign investors who operate above local law. It recommends financialisation, which boosts inequality, affects adversely employment in the produc-tive sectors of the economy and inflicts brain drain on other sectors of the economy. Eventually the supply of healthcare and education declines while prices rise, making it difficult for people to access healthcare, depriving them of what may be considered a human right. Recall the 2009 study of The Lancet that shows millions of deaths resulting from the shock therapy prescriptions used in Russia and former communist countries on the recommendation of the IMF (Medical Express 2009).

5.2.8 Taxes

IFM raises taxes on low income groups --- necessary result for lower taxes on trade

Reinsberg 20

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, Taxing the People, Not Trade: the International Monetary Fund and the Structure of Taxation in De-veloping Countries, Studies in Comparative International Development, 7-8-2020, https://link.springer.com/article/10.1007/s12116-020-09307-4

In recent years, IFIs have declared the strengthening of fiscal capacity of developing countries to be a key priority (IMF 2016). Yet, the IMF is not impartial in its tax pol-icy advice. The VAT, applied with a broad base, uniform rates, and no exemptions, is favored, while trade taxes and taxes with distortive effects are discouraged. We hypoth-esized that IMF tax policy preferences alter the composition of tax revenues in develop-ing countries, particularly when these countries are susceptible to IMF policy pressure via conditional lending programs. Indeed, we found that the average program is associ-ated with increases in goods and services tax revenue and decreases in trade tax revenue. We also found that tax conditions attached to these programs matter for delivering the aforementioned changes to tax systems. Tax conditionality has less consistent effects on other tax revenues, though these effects tend to be positive. Our main result thus is that IMF tax conditionality alters the composition of tax revenues, holding across different specifications of selection models, estimation methods, and sample periods.

Our findings contribute to political economy research examining the role of IFIs in na-tional economic policy-making. In particular, although earlier findings of IMF-induced under-recovery of lost trade tax revenue are not disputed (Seelkopf, Lierse, and Schmitt 2016), these rest on specific model choices. Our SUR analysis, which considers all rele-vant tax types as jointly determined, fails to provide robust evidence for under-recovery, but rather suggests that the loss in trade tax revenue is compensated by VAT revenue. As a result, IMF tax conditionality serves to alter the structure of taxation in developing countries.

And, this form of taxation uniquely harms developing countries

Reinsberg 20

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, Taxing the People, Not Trade: the International Monetary Fund and the Structure of Taxation in De-veloping Countries, Studies in Comparative International Development, 7-8-2020, https://link.springer.com/article/10.1007/s12116-020-09307-4

The structure of taxation has important socio-economic implications for borrowing countries, and the IMF's emphasis on the introduction of VAT and maximization of its revenues can be controversial. To be sure, many economists argue that the VAT is well-designed to implement fundamental principles of optimal taxation theory: there should be no taxation of capital, no taxation of intermediary goods, and low top rates for income taxes (Diamond and Mirrlees 1971; Mankiw et al. 2009; Mirrlees 2011). By averting distortion of production decisions, the VAT is said to maximize economic efficiency. Meanwhile, the objective of redistribution, according to optimal taxation theory, is best pursued through other mechanisms such as lump-sum transfers. How-ever, development economists point out that while a tax system with heavy reliance on VAT may be optimal for advanced economies, it is inappropriate for many developing countries (Emran and Stiglitz 2005; Bird and Gendron 2007; Stewart 2016). First, it may have adverse distributive impact, as the set of instruments for redistribution is more limited in developing countries. Second, it may be less conducive to economic efficiency, because the presence of a non-taxable informal sector distorts allocation decisions. Indeed, when a large part of the economy is informal, the VAT is not applied universally, but a trade tax may be. Third, the VAT is less corruption-resistant given that record-keeping systems are not well-advanced in developing countries (Stiglitz 2009). Future research can explore these issues.

5.2.9 A2: Conditional Loans Facilitate Growth

IMF's conditional loans are ineffective --- does not spur growth

Dreher 08

Axel Dreher, "IMF conditionality: theory and evidence" *Public Choice*, 8-4-2008, https://link.springer.com/content/pdf/10.1007/s11127-009-9486-z.pdf

The previous discussion has shown that IMF conditionality is ineffective. There is no empirical evidence showing that conditions enhance ownership or make program suc-cess more likely. To some extent, this might be due to the specifics of current programs. Feldstein (1998) has argued that conditionality would be excessive and goes beyond what the Fund has the "moral right" to demand. But is conditionality really excessive? In order to answer the question, it is necessary to have some idea of the optimal degree of conditionality. As Bird (2001) argues, a high-conditionality program being only par-tially implemented may have less impact on the economy than a more modest program that is fully implemented. Also, implementation of conditionality might be more likely the less stringent are the conditions. In other words, there might be a conditionality Laffer curve and from the viewpoint of maximizing the impact of reforms there would be an optimal degree of conditionality. The important question, then, is where on this Laffer curve are current IMF programs located? Clearly, there cannot be a definitive answer to this. However, given the weak record of compliance with conditionality and the modest impact IMF conditionality has achieved on macroeconomic policies and out-comes, there might be reason to claim that conditionality is indeed excessive (Bird 2001). This claim is to some extent supported by the results of Bulír and Moon (2004) reported above (showing too many structural conditions to imply worse outcomes).

Apart from the specific content—and number—of IMF conditions, the previous discus-sion has shown that there are no convincing reasons for trying to force borrowers to im-plement detailed policies. Conditionality can help committing governments to achieve their preferred policies only if compliance is sufficiently likely—and it is not. Even if compliance would be more pervasive, the moral foundation for conditionality would be weak. If there is commitment by the government, but there is domestic opposition, the Fund could tip the balance. If the Fund and the governments disagree about appro-priate policies, it is the government that should have the final say, and not the Fund. In summary, if there is commitment by country authorities, conditionality is unnecessary. If there is no commitment, it is unhelpful.

5.3 Other Impacts

5.3.1 Agriculture

IMF's austerity policies have directly led to the financialization of agriculture

Sonkin 20

Flora Sonkin (Society of International Development), Recipe for disaster: The IMF and World Bank's role in the financialisation of food and agriculture, Bretton Woods Project, 4-7-20, https://www.brettonwoodsproject.org/2020/04/recipe-for-disaster-the-imf-and-world-banks-role-in-the-financialisation-of-food-and-agriculture/

The process of financialisation has profoundly affected food systems in recent decades, as financial actors and markets have expanded their role in society and across all sectors of the economy. Even though food and agriculture are not specifically part of the World Bank and IMF's mandates, their policy advice and loan conditionality have helped cre-ate the 'enabling environment' for the expansion of global finance across the economy, including in agriculture. This has implications for countries' food security and the ca-pacity of their food systems to provide livelihoods and ecological sustainability over the long term, especially in the context of a global climate emergency.

This financialization incentivizes a land grab --- that makes food prices skyrocket

Sonkin 20

Flora Sonkin (Society of International Development), Recipe for disaster: The IMF and World Bank's role in the financialisation of food and agriculture, Bretton Woods Project, 4-7-20, https://www.brettonwoodsproject.org/2020/04/recipe-for-disaster-the-imf-and-world-banks-role-in-the-financialisation-of-food-and-agriculture/

The financialisation of food and agriculture has impacts for both people and planet. Large-scale land investments by new financial actors and speculation over food commodities have led to increased displacement and land-grabbing in the developing world, impacting land-dependent communities' capacity to provide for their own sub-sistence (see Observer Summer 2017). The case of a World Bank land regularisation[1] project in Matopiba, Brazil, illustrates this development. Under the Bank's land titling programme active since 2015, 11,000 farmers face possible eviction as 4 million hectares of land are being privatised and purchased by international companies. While some of the companies involved in the land business in this region are still linked to industrial agricultural production (for instance SLC Agrícola, one of the biggest Brazilian soy pro-ducers), others fully concentrate on acquiring, selling, leasing or managing land. One example is the company Radar Imobiliária Agrícola, which is a joint venture between the US pension fund TIAA and Brazil's largest sugar cane producing company, Cosan. The involvement of international financial actors that channel huge amounts of capital into the land business is one expression of the financialisation of agriculture. Affected communities have recently filed a complaint with the World Bank Inspection Panel and are awaiting a response.

For people living and working in rural areas around the world, large-scale land deals and the industrialisation of agriculture has meant more pressure on land and natural resources, the undermining of diverse rural economies, as well as a loss of control over what kind of food is being ©produced. Resources have been increasingly transferred from the production of a diversity of crops needed to feed people in the territories, to export-oriented monocultures such as corn or soy, which are largely destined to feed in-dustrial livestock production or turned into fuel. For the global food system as a whole, it means further expansion of capital and fossil fuel-intensive agriculture, which is a ma-jor contributor to water pollution by chemical pesticides, long-term soil depletion, and one of the primary sources of greenhouse gas emissions contributing to global climate change.

5.3.2 China Rise

IMF and China are collaborating --- directly harms US leadership

Wang 18

Jue Wang, China-IMF Collaboration: Toward the Leadership in Global Monetary Gov-ernance, Chinese Political Science Review, 10-4-2017, https://link.springer.com/article/ 10.1007/s41111-017-0085-8

Due to its highly restrained external trade and investment relations, China was absent from the international financial system until the 1980s. As a latecomer, it has, however, gradually integrated into the existing international financial architecture, with the as-sistance of international financial institutions (IFIs) such as the IMF, and become an in-creasingly active member of global governance of monetary policies. Before the 2008 financial crisis, China had participated in various IMF programmes to get access to advanced methods and techniques of financial governance that met the international standards and useful feedback for its domestic economic development. After the crisis burst, China and the IMF acknowledged further each other's increasing importance in the post-crisis global monetary governance and strengthened their collaboration.

For example, under the pressure of 'US dollar trap', China called the IMF for taking the initiative in shifting the focus of international monetary system (IMS) away from the US, while seeking leadership in the reformed system. Meanwhile, China actively advocated strengthening the IMF's Special Drawing Rights (SDR) and letting the Renminbi (RMB) join the SDR basket to reinforce the RMB's role in the IMS. These examples of China-IMF collaboration show the recent developments in China's relationship with international economic organizations, referring to the evolution from merely China learning from the international organizations (IOs) to China collaborating with the IOs for greater influ-ence in global governance.

IMF and China collaborating puts China in a leadership role on the international scale

Wang 18

Jue Wang, China-IMF Collaboration: Toward the Leadership in Global Monetary Gov-ernance, Chinese Political Science Review, 10-4-2017, https://link.springer.com/article/ 10.1007/s41111-017-0085-8

States sometimes consult the IMF when they face difficulties in reaching an agreement on urgent and/or contentious issues on their own, as the IMF's 'agenda-setting power' can help them find a negotiated equilibrium (Hawkins et al. 2006: 16). Thanks to its authority in multilateral governance, the IMF provides states with common policy space to solve issues and set agendas for the disputed issue areas. A resolution passed through the IMF is considered to be more credible than that reached unilaterally or bilaterally. And solving issues in a cooperative manner with the IMF's other members can help China improve its international reputation. Moreover, when China lacks the capability to resolve disputes with stronger opponents directly, it often attempts to seek the IMF's intervention to either resolve the disputes or alter the policy environment in favour of the weaker.

And, IMF and China leadership is necessary for China to overtake the US

Wang 18

Jue Wang, China-IMF Collaboration: Toward the Leadership in Global Monetary Gov-ernance, Chinese Political Science Review, 10-4-2017, https://link.springer.com/article/ 10.1007/s41111-017-0085-8

The results of China-IMF collaboration indicate that although China has gained larger influence in global monetary governance with the IMF's assistance in the past years, its effort toward leadership in the realm has encountered inevitable hurdles, especially those built by the US. As China's interests and objectives regarding key economic and political issues continue to grow, it will pursue further influence in global financial gov-ernance toward greater leadership. China's rapid outward expansion through trade and foreign investment, along with the rise of new IFIs such as the NDB and the AIIB, indicate Beijing's ambition and capacity in establishing an option outside the traditional international financial regime guided by the Bretton Woods System and centred around the US. While no evidence shows that China is ditching the existing option, as seen by China's increasing collaboration with the IMF (and the World Bank), the IMF does feel the urge to adjust its governance structure and policy practice to accommodate China's needs better, and thus keeping China on its side. The RMB's entry into the SDR basket is a good example of this emerging relationship between China and the IMF.

5.3.3 Civil Unrest

IMF programs force leaders to make politically unpopular decisions --- increases the likelihood of a coup

Casper 15

Brett A. Casper (Department Of Politics, New York University), IMF Programs and the Risk of a Coup d'état, SAGE Journals, 8-21-2015, https://journals.sagepub.com/doi/full/10.1177/0022002715600759?casa_token=fueJkSmJfL0AAAAA%3AF1BQfJkXzDACOg78yIgr6UFU97WKvh5L9s8cJTwXEJA87dh9vO0cL3uRby19uxwXMQ6ph9ccTsZLDA

This article examines the connection between IMF programs and the behavior of regime elites in a coup d'état. When a leader executes an IMF arrangement, a leader's ability to redistribute wealth is significantly limited due to the implementation of free market re-forms. The diminished capacity to redistribute wealth creates winners and losers among elites, since leaders can no longer choose a package of economic policies that creates a broad coalition of support. Once a group of individuals believe that the leader will not be able to provide them with the requisite amount of rents in the future, the individuals have an increased incentive to coordinate and oppose the leader in a coup.

The results of the empirical analysis provide support for the theory's testable predic-tions. First, countries are more likely to experience coups during periods when IMF programs are in effect. Second, the risk of a coup is highest when countries have just started a structural adjustment program. Third, countries are significantly more likely to terminate membership in an IMF program when a successful coup attempt has oc-curred. Finally, a matching analysis suggests that leaders are at a higher risk of a coup when they participate in IMF programs that require ten or more economic conditions.

5.3.4 Climate Change

IMF doesn't solve climate change --- they strategically fund fossil fuel subsidies

Farand 20

Chloé Farand (is a senior reporter for ClimateHome), Campaigners confront IMF chief over green recovery contradictions, Climate Home News, 10-13-2020, https://www.climatechangenews.com/2020/10/13/campaigners-confront-imf-chief-green-recovery-contradictions/

IMF chief Kristalina Georgieva has repeatedly called on countries to ensure spending is directed to green investments to weather the economic impact of the pandemic. Doing so, she said, could boost global GDP by 0.7% on average in the first 15 years of the recovery.

The IMF has made a quarter of its total lending or $280 billion available to countries, with more than a third of the funds accessed by nations since March to respond to the economic impact of Covid-19. So far, it has helped 81 countries, including 79 with emer-gency funding, with most of the payments made through short-term programmes with no conditions attached.

But in advice the IMF is offering alongside its financial support, it implicitly backs fossil fuel subsidies that risk putting countries on a polluting pathway.

Analysis by the Netherlands-based group Recourse, which campaigns for green finance, found the IMF failed to systematically recognise the macroeconomic risks the energy transition posed to countries: that is, fossil fuel infrastructure could lose value because of carbon-cutting policies and competition from clean technology.

IMF's has actively backed coal based countries

Farand 20

Chloé Farand (is a senior reporter for ClimateHome), Campaigners confront IMF chief over green recovery contradictions, Climate Home News, 10-13-2020, https://www.climatechangenews.com/2020/10/13/campaigners-confront-imf-chief-green-recovery-contradictions/

However, in review of the IMF's most recent economic policy advice to India, Indone-sia, the Philippines, Mozambique and South Africa – five countries with ongoing coal expansion – Recourse found the fund was endorsing financial assistance that could be used for fossil fuels.

It found the IMF encouraged governments to increase public spending for priority in-frastructure projects, which in India, Indonesia and Mozambique include coal power plants and export infrastructure.

And it backed tax incentives for new infrastructure investments without differentiating between low and high-carbon projects, the analysis showed.

In India, for example, the IMF suggested the government increased the rate of its exist-ing carbon tax as a way to generate revenues but made no mention of the tax breaks India recently introduced for coal production.

Meanwhile in Mozambique, a World Bank and IMF debt sustainability assessment for accessing Covid-19 emergency funds found the country's debt was "sustainable" based on anticipated revenues from a controversial mega project to produce and export LNG.

"If the IMF is serious about the green recovery and a clean and climate-resilient tran-sition they need to start walking the talk themselves," said Nezir Sinani, co-director of Recourse. "An easy start would be by ending tax breaks for fossil fuel producers, including for coal," he said.

5.3.5 Gender

IMF policies lead to significant shortages of education and health care workers --- uniquely targeting women

Marphatia 10

Akanksha A. Marphatia, The Adverse Effects of International Monetary Fund Programs on the Health and Education Workforce, SAGE Journals, 1-1-2010, https://journals-sagepub-com.libproxy.uwyo.edu/doi/abs/10.2190/HS.40.1.j

This article draws on country evidence to show how the IMF's wage bill ceiling policy has led to capping of the numbers of teachers and health care workers that can be hired, leading to significant shortages. Though the policy has since been reversed, the conse-quences of limiting the public sector workforce are still felt today. Overall, countries are still unable to hire sufficient numbers of teachers and health workers. Annual assess-ments by UNESCO's Global Monitoring Report for Education for All show that most low-income countries (LICs) sustain pupil-teacher ratios of over 60:1, at times reaching more than 100 children in a classroom (1). This is far more than the recommended ratio of 40:1. More students than this per teacher would jeopardize the use of child-centered and participatory approaches and, eventually, learning outcomes, especially for girls. Research shows how chronic underinvestment in these sectors, particularly in teachers and health workers (partly due to IMF structural adjustment policies), has consistently led to lower educational and health attainment for women (2, 3). Fewer girls are succeed-ing in school, because the infrastructure is unsafe and discriminatory practices inside classrooms are ill-suited to learning. Despite policies promoting free schooling, indirect costs and increasing poverty and gender inequality continue to keep girls out of school. For improving women's health outcomes, the World Health Organization suggests that "putting in place the health workforce needed for scaling up maternal, newborn and child health services towards universal access is the first and most pressing task" (4).

Ecuador proves --- IMF policies lead to job loss and lower education enrollment for women

Saadatmand 8

Yassaman Saadatmand and Michael Toma, Int Adv Econ Res, 2-29-2008, https://link.springer.com/content/pdf/10.1007/s11294-008-9147-x.pdf

Our research indicates that the disbursement, repayment, and servicing of IMF loans ad-versely affected school enrollment and labor force participation of females in Ecuador. We suspect that the reduction in female labor force participation has more to do with the entry into informal labor markets, increased competition for jobs, and cultural prefer-ences for males in better-paying jobs than it has to do with females seeking more leisure time. SAPs reduced employment opportunities in the public sector thus exacerbating the competition for private sector jobs in formal labor markets. Moreover, because of ad-herence to conventional gender roles regarding employment, women found themselves marginalized in the formal labor market and withdrew to informal labor markets.

With regard to education, the combined impact is more pronounced at the primary level than the secondary level as is found by Saadatmand and McGrath (2004) for Latin Amer-ican countries. However, the effect of disbursement, and the structural adjustment re-quired to garner IMF loans, is sharper by itself at the secondary level. These results are consistent with the case study analyses of Rose (1995), Correia (2002), and Rodriguez (1994) indicating that households in Ecuador draw on the labor of younger household females to complete domestic tasks such as provisioning and care-giving when older household females such as mothers seek employment in formal or informal labor mar-kets. The younger household females are withdrawn from school to perform household tasks. Reduced school enrollment has adverse long-term consequences for females since they forego formal education and potentially undermine their life-time earnings capac-ity.

5.3.6 Health

IMF directly harms health systems --- inhibits government spending on public health

Kentikelenis 17

Alexander E. Kentikelenis (a research fellow at the University of Oxford) and Thomas Stubbs (Research Associate at the University of Cambridge), How years of IMF prescriptions have hurt West African health systems, Conversation, 2-22-2017, https://theconversation.com/how-years-of-imf-prescriptions-have-hurt-west-african-health-systems-72806

West African health systems were weak thanks to legacies of conflict and weak state capacity even before the IMF got involved. Sadly, the policy reforms demanded by the IMF over the past two decades in exchange for loans have undermined the ability of national governments to repair their historical problems. In the process, hundreds of millions of lives have been affected.

Specifically, the IMF's fiscal targets prompt reductions in health investment. Wage and personnel caps, for example, limit the ability of clinics and hospitals to employ more doctors and nurses. The IMF also encourages decentralisation of health services to make them responsive to local needs, which in practice can hamper the delivery of adequate health care.

Our research contributes to decades-old debates about the harmful effects of the IMF's lending programmes on the development of public health systems. It shows that these concerns still hold today. The research also suggests that the IMF's self-proclaimed prioritisation of health in recent years has been largely cosmetic.

IMF prioritizes lowering inflation versus higher growth --- trades off with public investment in health systems

Rowden 10

Rick Rowden, International Monetary Fund Sacrifices Higher Growth, Employ-ment, Spending, and Public Investment in Health Systems in Order to Keep Inflation Unnecessarily Low, SAGE Journals, 4-1-2010, https://journals-sagepub-com.libproxy.uwyo.edu/doi/abs/10.2190/HS.40.2.n

The International Monetary Fund's response to evidence on the impact of its programs on public health fails to address the fundamental criticisms about its policies. The IMF's demand for borrowers to achieve extremely low inflation targets is founded on very lit-tle empirical evidence in the peer-reviewed literature. The low-inflation policies privi-lege international creditors over domestic debtors and short-term priorities over long-term development goals, and contain high social costs, referred to by economists as a "sacrifice ratio." For example, governments' raising of interest rates to bring down in-flation undermines the ability of domestic firms to expand production and employment and thus "sacrifices" higher economic growth and higher tax revenues and unnecessar-ily constrains domestic health spending. During financial crisis, most countries seek to lower interest rates to stimulate the economy, the opposite of the IMF's general ad-vice. Perversely, compliance with IMF policies has become a prerequisite for receiving donor aid. Critiques of the IMF express significant concerns that IMF fiscal and mon-etary policies are unduly restrictive. Health advocates must weigh in on such matters and pressure their finance ministries, particularly in the G7, to take steps at the level of the IMF Executive Board to revisit and modify its policy framework on deficits and infla-tion. Such reforms are crucial to enable countries to generate more domestic resources while the global health community searches for ways to support strengthening health system capacity.

5.3.7 Labor Rights

IMF directly trades off with labor rights

Blanton 15

Robert G. Blanton University of Alabama at Birmingham, Shannon Lindsey Blanton, Dursun Peksen, The Impact of IMF and World Bank Programs on Labor Rights, SAGE Journals, 3-30-2015, https://journals.sagepub.com/doi/full/10.1177/1065912915578462

In this paper, we explore the extent to which participation in loan programs admin-istered by the IMF and World Bank affects collective labor rights conditions in recipi-ent countries. The overall results are consistent—programs of both IFIs are negatively and significantly related to collective labor rights, including laws designed to guaran-tee basic collective bargaining and freedom of association rights, as well as the pro-tection of these rights in practice. Moreover, the deterioration of these rights was not an ephemeral shift in response to economic reforms; rather, continued participation in these programs was linked to continuously declining labor rights across the years cov-ered in this study.

Our findings have several broader implications for scholarly research and policymaking. Most directly, our results indicate an unambiguous contradiction between the stated at-tempts of the IMF and World Bank to incorporate core labor standards and the actual impact of their policies on collective labor rights. Although not all agreements specif-ically involve labor issues (Anner and Caraway 2010), and worker flexibility does not contradict collective bargaining rights a priori, we find that IFI programs likely under-mine these rights, both in terms of legal protections afforded labor as well as the extent these rights are maintained in practice. Thus, a major policy implication of our findings is that IFIs should begin to recognize that labor flexibility does come at the cost of un-dermining core labor rights, and that more explicit protection of core labor rights needs to be included in program negotiations. Our findings further imply that there should at least be increased representation from labor groups at the negotiating table, whether from domestic groups or international organizations such as the ILO. Although labor flexibility may be necessary for short-term adjustments, it should not be used as a justi-fication for dismantling or denying labor rights.

And the IMF incentivizes lower pay, fire at will, and worker rights

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King, The political economy of labor market deregulation during IMF interventions, Taylor & Francis, 3-12-2019, https://www.tandfonline.com/doi/full/10.1080/03050629.2019.1582531?casa_token=loyT89wP9IgAAAAA%3AybQ8K4tuUXjaCI_3V8eTh6jg74iNLhJ76uSRcsLnYu1DfsYwAjNI-hpba-Xie8KOjn-dZJJKuc7wRQ

There is near-consensus in the literature that the Fund pushed governments to deregu-late labor markets, oftentimes through explicit labor conditionality (Blanton et al. 2015; Burgess 2010; Gunaydin 2018). A majority of IMF labor policy conditions target ILRs – the laws governing employment contracts, working conditions, and hiring-and-firing provisions (Burgess 2010: 202). For example, an IMF staff report on Romania states: "[L]abor market rigidities are impediments to a business-friendly environment and Ro-mania stands out compared with other countries, particularly on costs of hiring and firing workers" (IMF 2006: 29). The IMF advocated similar conditions in other coun-tries, promoting labor laws that legalize temporary work contracts, extend probation periods, and reduce the cost of firing workers (Caraway, Rickard, and Anner 2012: 33). Indeed, most Latin American governments made changes to their laws governing hir-ing, firing, and work hours in the past 20 years as a result of IMF pressure (Burgess 2010: 214). When the IMF was called to rescue indebted countries in the midst of the Asian Financial Crisis, it asked for more flexible ILRs, specifically on firing provisions (Caraway 2009: 161–62).

The Fund also requested governments to reduce CLRs, albeit to a lesser extent than ILRs. CLRs pertain to organizing activity, collective bargaining, and strikes.1 IMF con-ditions have mandated the decentralization of collective bargaining, thus undermining the power of dominant unions (Burgess 2010: 213). Labor conditions can also modify contractual provisions in the public sector (Nelson 1992: 229). While most of these con-ditions entail reductions in the public sector wage bill, some also affect pensions and other employee entitlements (Rickard and Caraway 2018).

And, IMF lowers domestic movements towards labor rights

Reinsberg 19

Bernhard Reinsberg, Thomas Stubbs, Alexander Kentikelenis, and Lawrence King, The political economy of labor market deregulation during IMF interventions, Taylor & Francis, 3-12-2019, https://www.tandfonline.com/doi/full/10.1080/03050629.2019.1582531?casa_token=loyT89wP9IgAAAAA%3AybQ8K4tuUXjaCI_3V8eTh6jg74iNLhJ76uSRcsLnYu1DfsYwAjNI-hpba-Xie8KOjn-dZJJKuc7wRQ

These results have important implications for key debates in social-scientific research. First, while previous research established that free-market policies undermine socioe-conomic rights (Blanton et al. 2015, 2016; Abouharb and Cingranelli 2007), our study demonstrates that IMF conditionality frequently includes measures requiring countries to reform rigid labor markets, and that these policy conditions effectively reduce labor rights. Second, our findings offer important lessons for compliance studies (Holzinger, Knill, and Sommerer 2008; Peksen et al. 2016; Simmons 2000). Policy convergence oc-curs only when external pressure eliminates policy discretion for borrowing govern-ments, notably by explicitly including policy conditions to deregulate labor markets as a precondition for IMF loans. The explanation is straightforward: As labor market reforms are unpopular with governments for domestic reasons, the IMF must deploy labor conditionality to make countries adopt such reforms. Consequently, policy con-vergence is less likely when IMF programs do not explicitly require labor market dereg-ulation. The effects of IMF programs without labor conditions are determined by do-mestic politics rather than foreign pressures. Third, our political economy perspective also helps illuminate the puzzling cooccurrence of declining ILRs and growing CLRs during IMF programs (Murillo and Schrank 2005).

5.3.8 Sovereignty

IMF encroaches on national sovereignty

Kentikelenis 16

Alexander Kentikelenis (University of Oxford), Thomas Stubbs, and Lawrence King., IMF conditionality and development policy space,

1985–2014, Taylor & Francis, 5-24-2016, https://www.tandfonline.com/doi/full/10.1080/09692290.2016.1174953?casa_token

=4eR5d1VJOYoAAAAA%3AvaFwM3xed2zFsM1tcGISJ0bDQoKPKkt4pboay06yhk-v4fmAm6cUMKH0d78dOqol62l5pdwuHBV0HQ

However, in the 1980s, responding to political pressures and new economic ideas, the IMF's programmes expanded their policy content to include a range of 'structural' con-ditionalities, moving well beyond what the IMF's founders had prescribed in the Ar-ticles of Agreement (Babb and Buira 2005). The era of so-called structural adjustment saw the involvement of the IMF in sensitive policy areas, such as the privatization of state-owned enterprises, trade and financial liberalization, and economic deregulation (Summers and Pritchett 1993; Toye 1994; Williamson 1990). Over subsequent years, the remit of conditionality expanded further to cover a growing array of policy areas, in-cluding social policy, labour market reforms, and 'good governance' (Babb 2013; Chang 2006; Rodrik 2002; Serra and Stiglitz 2008; Stiglitz 2002; Stubbs, Kentikelenis, and King 2016). Scholars understood the widening number of policy areas that IMF-prescribed policies covered – known as scope of conditionality – as 'mission creep' (Babb and Buira 2005). These arguments suggest that the IMF's conditionality moved beyond its core mandate of economic issues and 'into areas that properly belong in the realm of politics' (Stiglitz 2002:44–45), thereby challenging national sovereignty and domestic autonomy to design policy (Babb and Carruthers 2008; Krasner 1999; Przeworski and Vreeland 2000). In particular, after the organization's handling of the Asian financial crisis of the late 1990s, a growing chorus of academics and policymakers strongly criticised the or-ganization for advocating reforms in many and disparate policy areas, frequently with little direct relevance to the IMF's core areas of expertise (Feldstein 1998; Goldstein 2001; Meltzer 2000; Radelet and Sachs 1998; Stiglitz 2002)

The IMF uses surveillance to influence local policy decisions

Lombardi 8

Domenico Lombardi, Global Economic Governance Programme, and Ngaire Woods, The politics of influence: An analysis of IMF surveillance, Taylor & Francis, 11-26-2008, https://www.tandfonline.com/doi/full/10.1080/09692290802418724?casa_token=JE6lGyUT44MAAAAA%3AaNRB-vOdnymIHHJLrMDCXt5r1GWznhr82ONdlZwePtITaWOEXAbYTDwdYwGlrGBozCmje6YF54wnVg

The third, more direct means by which IMF surveillance is often thought to influence policy is in passing judgment on members that rely on the institution for funds. This was not part of the original conception of the monitoring and consultation role of the IMF. Rather, the original conception of the IMF had a credit union character whereby all members were deemed to be equally likely to apply for temporary balance of payments support to uphold the fixed exchange rate system. Over time, however, IMF members have become divided into creditors and (potential) borrowers. This may have created a source of leverage for surveillance by what some call the 'rule-making states' over the 'rule-taking states'. Equally, leverage over other benefits that a country might stand to gain from the IMF can create coercive pressures that one group of national policy makers in borrowing countries can use against others (Boughton, 2003; Vreeland, 2003).

How might the IMF leverage surveillance? When the IMF conducts surveillance in a country borrowing from it (or hoping to borrow from it) that is subject to conditional-ity, surveillance may derive 'muscle' from the lending programme, whereby the stan-dards introduced through surveillance piggy-back the conditionality associated with the programme. Surveillance-with-leverage activities were instrumental in promoting debt restructuring in the context of the Latin American debt crisis in the 1980s, with the IMF monitoring the performance of debtor countries under a scheme of enhanced surveillance that featured clear benchmarks against which to assess the performance of debtor members (IMF, 2004). In 1999, when the IMF set up the Contingent Credit Line to help members weather financial contagion, it included subscription to specific standards as a criterion for access to this fast-disbursing facility.23 More recently, the IEO's evaluation of exchange rate policy advice found that, within the membership, smaller emerging and low income countries were those whose officials regarded IMF surveillance as affecting their major policy decisions, typically in the context of an IMF-supported programme (IMF, 2007b).

5.4 Specific Countries

5.4.1 Argentina

IMF failed in Argentina --- made the same mistakes they did in Greece

Coppola 18

Frances Coppola (contributor for Forbes), The IMF Has Learned Nothing From The Greek Crisis, Forbes, 10-28-2018,

https://www.forbes.com/sites/francescoppola/2018/10/28/the-imf-has-learned-nothing-from-the-greek-crisis/?sh=66062feb6f3c

The IMF has just published a new review of Argentina's economy. It is grim reading. Argentina is in trouble: economic conditions have worsened considerably since the last IMF review, back in June 2018. But the review also reveals that the IMF could be in even bigger trouble. It is repeating the same mistakes it made in the Greek crisis – but with a much larger amount of money at stake.

Argentina has been struggling all year. A drought has severely curtailed agricultural production, widening the current account deficit and triggering a mild recession. Con-currently, Fed interest rate rises and a booming U.S. economy have driven up the U.S. dollar, making it ever more expensive for Argentina to obtain the dollars needed to pay interest on its massive dollar-denominated debt pile. The central bank has been printing money to finance the government's growing deficit, but this has helped to fuel inflation that now runs at over 40%.

In June, the IMF agreed a standby credit arrangement of $50 billion with Argentina, the largest in the Fund's history. $15 billion would be drawn immediately and the remain-der would be made available as needed over the next three years. Half of the $15 billion would be used for government budget support.

But it quickly became apparent that, enormous though this financing agreement was, it would be nowhere near enough. In September, as the peso crashed and Argentina stared default in the face, the IMF hastily agreed to front-load the credit arrangement, so that the Argentine government could immediately draw an additional $13.4 billion (making a total of $28.4 billion). A further $22.8 billion would be drawn in 2019 and $5.9 billion in 2020-21.

5.4.2 Ecuador

IMF operated on flawed assumptions in Ecuador

Weisbrot 19

Mark Weisbrot (co-director of the Center for Economic and Policy Research), The IMF is hurting countries it claims to help, Guardian, 8-1-2019, https://www.theguardian.com/commentisfree/2019/aug/27/imf-economics-inequality-trump-ecuador

One reason that it will likely turn out much worse than the IMF projects is that the program relies on assumptions that are not believable. For example, the IMF projects that there will be a net foreign private sector inflow into the economy of $5.4bn (about 5% of GDP) for 2019–2022. But if we look at the last three years, there was an outflow of $16.5bn (17% of GDP). What would make foreign investors suddenly so much more excited about bringing their money to Ecuador? Certainly not the recession that even the IMF is projecting.

There are other implausible assumptions and even some that result from accounting er-rors, and sadly they all go in the same direction. It seems that the program's "expansion-ary austerity" – something that almost never happens – is unlikely to make Ecuador into a world-famous exception, where the economy grows as aggregate demand is slashed.

The program also seeks to reshape the economy in ways that, to many Ecuadorians, would appear to be political. The central bank will be made more autonomous; public assets will be privatized; and labor law will be changed in ways that give employers more unbridled power over workers. Some of these changes – for example, the separa-tion of the central bank from other government decision-making – will make economic recovery even more difficult.

5.4.3 Greece

The IMF prioritizes quick fix approaches that fail --- Greece proves

Tziamalis 17

Alexander Tziamalis (Associate Professor Economics), The IMF is at its weakest just as the world needs it most, Conversation, 5-8-2017, https://theconversation.com/the-imf-is-at-its-weakest-just-as-the-world-needs-it-most-76842

Difficulties in Greece and political pressure from powerful eurozone countries forced the fund to break its long-established and strict rule never to refinance a country's debt if that debt is unsustainable. In other words: don't give money if they won't pay you back.

The primary objective, then, was to prevent the bankruptcy of a eurozone member, or at least postpone it until the others were strong enough to take the hit. The toxic Greek debt that had found its way to fragile banks throughout the currency union had to be "managed", at least until European governments had compartmentalised it and some optimism and investment had returned to their economies.

Some member countries rightly observed that in Greece, the fund was using precious money from poor countries to support a relatively wealthy country. There was also a good chance that the money would be lost when eventually the Greek debt is written off.

The economic policies signed off by the IMF were also ineffective and possibly even counterproductive in the Greek case. There were disastrous miscalculations of the im-pact of various measures and, more importantly, a "quick-fix" approach that primed counterproductive increases in taxation instead of the deep structural reforms that were needed.

To be fair, Greek governments doggedly sought to avoid reforms that would entail po-litical cost, but the IMF seemed to sign off policies that would sweep the Greek problems under the carpet rather than dealing with them.

IMF's austerity measures directly contributed to Greece's collapse

Elliot 13

Larry Elliot (the Guardian's economics editor), Phillip Inman (an economics editor of the Observer), and Helena Smith (the Guardian's correspondent), IMF admits: we failed to realise the damage austerity would do to Greece, Guardian, 6-5-2013,

https://www.theguardian.com/business/2013/jun/05/imf-underestimated-damage-austerity-would-do-to-greece

The International Monetary Fund admitted it had failed to realise the damage austerity would do to Greece as the Washington-based organisation catalogued mistakes made during the bailout of the stricken eurozone country.

In an assessment of the rescue conducted jointly with the European Central Bank (ECB) and the European commission, the IMF said it had been forced to override its normal rules for providing financial assistance in order to put money into Greece.

Fund officials had severe doubts about whether Greece's debt would be sustainable even after the first bailout was provided in May 2010 and only agreed to the plan because of fears of contagion.

While it succeeded in keeping Greece in the eurozone, the report admitted the bailout included notable failures.

"Market confidence was not restored, the banking system lost 30% of its deposits and the economy encountered a much deeper than expected recession with exceptionally high unemployment."

In Athens, officials reacted with barely disguised glee to the report, saying it confirmed that the price exacted for the €110bn (£93bn) emergency package was too high for a country beset by massive debts, tax evasion and a large black economy."

Under the weight of such measures – applied across the board and hitting the poorest hardest – the economy, they said, was always bound to dive into an economic death spiral.

5.4.4 Haiti

IMF failed in Haiti --- discontent with the IMF led to protests

Joos 18

Vincent Joos (Assistant Professor of Anthropology, Florida State University), Haiti's deadly riots fueled by anger over decades of austerity and foreign interference, Conversation, 7-26-2018, https://theconversation.com/haitis-deadly-riots-fueled-by-anger-over-decades-of-austerity-and-foreign-interference-100209

At least seven people are dead and Haitian Prime Minister Jack Guy Lafontant has re-signed after weeks of violent protests in Haiti that were sparked by a sudden increase of fuel prices.

Demonstrations began on July 6, when the Haitian government said that gas prices would go up 38 percent to US$4.60 per gallon because the International Monetary Fund, a major Haitian creditor, recommended ending petroleum subsidies.

The average income in Haiti is $5 a day, and 78 percent of people live on less than $2 a day.

Haitian officials announced the unpopular price hike – which also affected diesel and kerosene – during a World Cup match between Brazil and Belgium, evidently hoping the news would go unnoticed.

Within hours after the game's end, thousands of Haitians had taken to the streets in major cities across the country.

Anti-austerity protests

The destruction, which appeared to be well organized, was mainly directed at Haiti's business elite.

In Port-au-Prince, the capital, demonstrators set up road blocks on key roads. Masked protesters also set fire to businesses in affluent neighborhoods.

Reginald Boulos, president of the National Chamber of Commerce and Industry of Haiti and a supporter of Haiti's international lenders, lost three of his Delimart supermarkets to the flames, reporting a $20 million loss.

IMF failed in Haiti --- pushes the cost on the impoverished

Joos 18

Vincent Joos (Assistant Professor of Anthropology, Florida State University), Haiti's deadly riots fueled by anger over decades of austerity and foreign interference, Conversation, 7-26-2018, https://theconversation.com/haitis-deadly-riots-fueled-by-anger-over-decades-of-austerity-and-foreign-interference-100209

The targeted violence reflects widespread discontent with creditor-imposed economic policies that benefit Haiti's business class while most people live in extreme poverty.

Haiti runs on borrowed funds. In 2017 its national debt of $2.13 billion – comprised of loans from Venezuela, the Inter-American Development Bank and the International Monetary Fund – was roughly one-third of the country's gross domestic product.

Creditors typically require recipient governments to increase domestic revenue and in-vest in infrastructure to boost the private sector. The International Monetary Fund, or IMF, made raising Haitian gas prices a condition of receiving $96 million in loans and grants from the European Union, the Inter-American Development Bank and the World Bank later this year.

Such growth-oriented policies benefit corporations and some Haitian business leaders. But they usually mean financial hardship for average Haitians.

5.4.5 Pakistan

IMF in Pakistan fails --- no lasting impact

Lakhani 19

Shezad Lakhani, The IMF Repeats Old Mistakes in Its New Loan Program for Pak-istan, 8-3-19,

https://thediplomat.com/2019/08/the-imf-repeats-old-mistakes-in-its-new-loan-program-for-pakistan/

Prime Minister Imran Khan's recent visit to Washington included a meeting with the In-ternational Monetary Fund (IMF), after the IMF Board formally approved a three-year $6 billion bailout program for Pakistan in mid-July. It was the country's 13th loan in lit-tle more than 30 years. While repeated IMF conditional loans highlight inept economic management across successive governments in Islamabad, they also demonstrate how the IMF has largely failed at encouraging lasting reforms in Pakistan. The current pro-gram appears to once again be destined for failure.

The structural conditionalities the IMF sets out in the new loan agreement look eerily similar to the conditions set out when Pakistan's last program began in 2013. The inclu-sion of the same policies less than three years after the "successful" completion of the previous program, underlines how little lasting impact the previous program had.

And reversal of Pakistan tax hikes proves

Lakhani 19

Shezad Lakhani, The IMF Repeats Old Mistakes in Its New Loan Program for Pak-istan, 8-3-19,

https://thediplomat.com/2019/08/the-imf-repeats-old-mistakes-in-its-new-loan-program-for-pakistan/

The IMF has to include similar structural reforms in its new program because its ap-proach results in governments in Islamabad taking steps that temporarily improve fi-nancial conditions. However, these measures are easily reversed once the loan pro-gram in concluded. The Fund continues to allow Pakistan to study, plan, and prepare for structural reforms, but as each loan program progresses, the immediate economic crisis dissipates, and political will wanes. In the end, the prepared policies are not im-plemented, leading to episodic rather than sustained economic improvements.

For instance, Pakistan had to implement policies to increase tax revenues in its an-nounced budget and reduce electricity subsidies before the Board approved the loan agreement. Pakistan implemented similar policies before and during its previous program, but after the program ended and elections approached, it quickly reversed course by substantially increasing spending. This led to the crisis that the current government inherited.

While pushing for periodic electricity price increases, the previous two IMF programs were not able to remove political interference in setting of prices in the sector, which drives the over a decade-long circular debt problem. Similarly, while each program had benchmarks involving privatization, Pakistan has not privatized any major SOEs since the mid-2000s.

5.4.6 South Africa

IMF fails in South Africa --- misdiagnoses the problem

Mutize 17

Misheck Mutize (Lecturer of Finance and Doctor of Philosophy Candidate), Why South Africa shouldn't turn to the IMF for help, Conversation, 8-8-2017, https://theconversation.com/why-south-africa-shouldnt-turn-to-the-imf-for-help-82027

While the South African situation is getting more desperate, which calls for desperate measures, the idea to turn to the IMF is a bad idea and must be dismissed. There are a number of reasons why I think this is the case.

First, historical evidence suggests that IMF administered rescue programmes are actu-ally a recipe for disaster. They worsen rather than rescue the situation.

Second, to suggest that South Africa's problems are financial in nature is a dangerous misdiagnosis. It will distract the government from the critical issues it needs to address which have little to do with the finances.

Third, one of the main driving factors of the current economic predicament is a loss of investor confidence. This is linked to other factors like policy uncertainty, political instability within the ruling party and mismanagement of public resources mixed with corruption. An IMF bailout won't address these problems.

And lastly, hopping onto the IMF programme would disturb the country's commitment to reforming the global multilateral financial world. South Africa is part of the BRICS bloc which is grooming a new and perhaps alternative multilateral development finance institution called New Development Bank. If anything, South Africa must look to BRICS if it needs financial rescue.

I believe that the solutions to the country's economic crisis are within. It needs internal discipline to address them – not an external force.

5.4.7 Turkey

Turkey proves that the IMF is not needed

Koc 21

Cagan Koc, IMF Raises Growth Forecast for Turkey, Points at Financing Risks, Bloomberg, 1-26-2021,

https://www.bloomberg.com/news/articles/2021-01-26/imf-raises-growth-forecast-for-turkey-points-at-financing-risks

The International Monetary Fund raised its growth forecast for Turkey's economy amid the coronavirus vaccine rollout, while warning the pandemic response worsened pre-existing financial risks.

Gross domestic product in Turkey is expected to expand by about 6% in 2021, the IMF said in statement after concluding its Article IV mission. The fund previously forecast 5% growth.

Elevated external financing needs, declining reserves, high inflation and increasing dol-larization "set Turkey apart from many of its emerging market peers," the Washington-based lender said. It welcomed the pivot to tighter monetary policy under the new economic management.

"A firm monetary policy stance should be maintained, with further measured monetary policy tightening likely needed should inflation expectations fail to stabilize," it said.

President Recep Tayyip Erdogan's decision to replace the central bank governor with an old ally, the resignation of his son-in-law as economy czar in November, and back-to-back interest-rate hikes spurred optimism among investors that the country had adopted a more conventional monetary policy path. The new Governor Naci Agbal, who inherited double-digit inflation, a tumbling lira and depleted foreign-currency reserves, pledged to keep policy tight, build up foreign currency buffers and prioritize price stability in 2021.

5.5 A2: Aff Arguments

5.5.1 A2: Global Governance

IMF has lost influence in the global order --- that led to global growth

Weisbrot 16

Mark Weisbrot (co-director of the Center for Economic and Policy Research), The IMF's Lost Influence in the 21st Century and Its Implications, Center for Economic and Policy Research, 7-25-2016, https://cepr.net/the-imf-s-lost-influence-in-the-21st-century-and-its-implications/

Over the last decade and a half, an epoch-making change took place in international economic relations. This change was so big that it was probably the most important development in the international financial system since the breakdown of the Bretton Woods system of fixed exchange rates in 1973. But hardly anyone noticed it.

What happened is that the International Monetary Fund (IMF) lost most of its influence in developing countries—in particular the middle-income countries. This has turned out to be important for a number of reasons. It is most likely part of the explanation of why most developing countries have done better in the twenty-first century than they did during the pro longed economic growth failure during the last two decades of the twentieth century. The IMF often spearheaded big neoliberal policy reforms that coincided with the slowdown: tighter (and sometimes pro-cyclical) monetary and fiscal policies; the abandonment of development strategies and industrial policies; various forms of deregulation; and an often indiscriminate opening of international trade and capital flows.

While these reforms may have been helpful in some circumstances, as a package—and often applied as a one-size-fits-all package—they often brought awful results. In the past five years we have seen, for example, how disastrous it has been for Europe to get its basic macroeconomic policies wrong. But these are high-income countries—even Spain, Greece, and Portugal are relatively well off compared to most developing coun-tries. What has really made the eurozone a unique story is that for the first time in decades, it is these high-income countries, rather than low- and middle-income coun-tries, that have suffered from taking the prescribed medicine. But much of the rest of the world, unfortunately, had gotten this kind of treatment for decades; and for developing countries, the effects of bad policies are generally more harmful, and for a number of reasons the recovery time is usually longer.

5.5.2 A2: IMF Surveillance Good

IMF surveillance fails --- causes incoherence due to conflicting obligations

Breen 19

Michael Breen, Dermot Hodson, and Manuela Moschella., Incoherence in Regime Com-plexes: A Sentiment Analysis of EU-IMF Surveillance, Wiley Online Library, 7-16-2019, https://onlinelibrary-wiley-com.libproxy.uwyo.edu/doi/full/10.1111/jcms.12924

In February 2001, Ireland received a public rebuke over its economic policy from the European Union (EU). By pursuing expansionary budgetary policies in spite of 'an in-creasing extent of overheating', the EU's Council of Ministers (2001) concluded, the Irish government's macroeconomic policy mix was 'inappropriate'. Irish fiscal policy should have been 'neutral rather than expansionary', the International Monetary Fund (IMF) concluded in August 2001, while praising the government's tax policies (IMF, 2001). This difference of tone, though it should not be exaggerated, blunted the EU's efforts to hold Irish authorities to account. Ireland's finance minister Charlie McCreevy chal-lenged the EU's recommendation and the IMF's analysis allowed him, as one commen-tator put it, 'to make the point to Brussels that it is the EU … not Ireland that is out of step on fiscal policy' (Clery, 2001).

This affair proved costly for Ireland, which allowed severe macroeconomic imbalances to accumulate, and for the EU, which was drawn into a sovereign debt crisis that the un-winding of imbalances in this member state and others eventually triggered. Nor was it an isolated case. Tensions between EU and IMF surveillance are common, a high-level study concludes, because of differences in views about the effectiveness of policy instru-ments and because EU rules may, on occasion, prevent EU member states from follow-ing IMF policy (Task Force on IMF Issues of the International Relations Committee of the European System of Central Banks, 2015).