# Resolution

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

# Pro

## Pro Case

#### We stand in affirmation of the following:

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

### Definitions

#### The International Monetary Fund (IMF) is a Bretton Woods Institution designed to maintain order in financial transactions between countries.

Driscoll 96

David D. Driscol. August 1996. The IMF and the World Bank: How do they differ? International Monetary Fund. <https://www.imf.org/external/pubs/ft/exrp/differ/differ.htm> TNJ 3/19/21

Known collectively as the Bretton Woods Institutions after the remote village in New Hampshire, U.S.A., where they were founded by the delegates of 44 nations in July 1944, the Bank and the IMF are twin intergovernmental pillars supporting the structure of the world's economic and financial order. That there are two pillars rather than one is no accident. The international community was consciously trying to establish a division of labor in setting up the two agencies. Those who deal professionally with the IMF and Bank find them categorically distinct. To the rest of the world, the niceties of the division of labor are even more mysterious than are the activities of the two institutions. Similarities between them do little to resolve the confusion. Superficially the Bank and IMF exhibit many common characteristics. Both are in a sense owned and directed by the governments of member nations. The People's Republic of China, by far the most populous state on earth, is a member, as is the world's largest industrial power (the United States). In fact, virtually every country on earth is a member of both institutions. Both institutions concern themselves with economic issues and concentrate their efforts on broadening and strengthening the economies of their member nations. Staff members of both the Bank and IMF often appear at international conferences, speaking the same recondite language of the economics and development professions, or are reported in the media to be negotiating involved and somewhat mystifying programs of economic adjustment with ministers of finance or other government officials. The two institutions hold joint annual meetings, which the news media cover extensively. Both have headquarters in Washington, D.C., where popular confusion over what they do and how they differ is about as pronounced as everywhere else. For many years both occupied the same building and even now, though located on opposite sides of a street very near the White House, they share a common library and other facilities, regularly exchange economic data, sometimes present joint seminars, daily hold informal meetings, and occasionally send out joint missions to member countries. Despite these and other similarities, however, the Bank and the IMF remain distinct. The fundamental difference is this: the Bank is primarily a development institution; the IMF is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations. Each has a different purpose, a distinct structure, receives its funding from different sources, assists different categories of members, and strives to achieve distinct goals through methods peculiar to itself.

### Framing

#### The framing for today’s debate should be cost-benefit analysis. If the pro proves that the benefits of the IMF are greater than the harms, we should win.

### Contention 1 is financial crises

#### IMF loans stabilize countries facing economic crises – COVID response proves

IMF 21

IMF Lending. 2/22/21. IMF.org <https://www.imf.org/en/About/Factsheets/IMF-Lending> TNJ 3/23/21

IMF lending aims to give countries breathing room to implement adjustment policies in an orderly manner, which will restore conditions for a stable economy and sustainable growth. These policies will vary depending upon the country’s circumstances. For instance, a country facing a sudden drop in the prices of key exports may need financial assistance while implementing measures to strengthen the economy and widen its export base. A country suffering from severe capital outflows may need to address the problems that led to the loss of investor confidence—perhaps interest rates are too low; the budget deficit and debt stock are growing too fast; or the banking system is inefficient or poorly regulated. In the absence of IMF financing, the adjustment process for the country could be more abrupt and difficult. For example, if investors are unwilling to provide new financing, the country would have no choice but to adjust—often through a painful compression of government spending, imports and economic activity. IMF financing facilitates a more gradual and carefully considered adjustment. As IMF lending is usually accompanied by a set of corrective policy actions, it also provides a seal of approval that appropriate policies are taking place. The IMF’s various lending instruments are tailored to different types of balance of payments need as well as the specific circumstances of its diverse membership (see table). All IMF members are eligible to access the Fund’s resources in the General Resources Account (GRA) on non-concessional terms, but the IMF also provides concessional financial support (currently at zero interest rates through June 2021) through the Poverty Reduction and Growth Trust (PRGT; see [IMF Support for Low-Income Countries](http://www.imf.org/external/np/exr/facts/poor.htm)), which is better tailored to the diversity and needs of low-income countries. Historically, for emerging and advanced market economies in crises, the bulk of IMF assistance has been provided through [Stand-By Arrangements (SBAs)](http://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/20/33/Stand-By-Arrangement) to address short-term or potential balance of payments problems. The [Standby Credit Facility (SCF)](http://www.imf.org/external/np/exr/facts/scf.htm) serves a similar purpose for low-income countries. The [Extended Fund Facility (EFF)](http://www.imf.org/external/np/exr/facts/eff.htm) and the corresponding [Extended Credit Facility (ECF)](http://www.imf.org/external/np/exr/facts/ecf.htm) for low-income countries are the Fund’s main tools for medium-term support to countries facing protracted balance of payments problems. Their use has increased substantially since the global financial crisis, reflecting the structural nature of some members’ balance of payments problems. To help prevent or mitigate crises and boost market confidence during periods of heightened risks, members with already strong policies can use the [Flexible Credit Line](http://www.imf.org/external/np/exr/facts/fcl.htm) (FCL) or the [Precautionary and Liquidity Line](http://www.imf.org/external/np/exr/facts/pll.htm) (PLL). The [Rapid Financing Instrument](http://www.imf.org/external/np/exr/facts/rfi.htm) (RFI) and the corresponding [Rapid Credit Facility](http://www.imf.org/external/np/exr/facts/rcf.htm) (RCF) for low-income countries provide rapid assistance to countries with urgent balance of payments need, including from commodity price shocks, natural disasters, and domestic fragilities. Reflecting different country circumstances, GRA-supported programs are expected to resolve the member’s BoP problems during the program period, while PRGT programs envisage a longer duration for addressing BoP problems. The IMF has responded to the coronavirus crisis with unprecedented speed and magnitude of financial assistance to help countries, notably to protect the most vulnerable and set the stage for economic recovery. For more information on the IMF's Response to COVID-19, click [here](https://www.imf.org/en/Topics/imf-and-covid19). The IMF provides financial support for balance of payments needs upon request by its member countries. Unlike development banks, the IMF does not lend for specific projects. Following such a request, an IMF staff team holds discussions with the government to assess the economic and financial situation, and the size of the country’s overall financing needs, and agree on the appropriate policy response.

#### IMF programs substantially reduce the risk of financial crises.

Dreher and Walter 8

Axel Dreher and Stefanie Walter. Does the IMF help or hurt? The effect of IMF programs on the likelihood and outcome of currency crises. World Development 38(1), pp. 18-19. <https://www.peio.me/wp-content/uploads/2014/04/Conf1_Dreher.Walter_IMF.Effects.Currency.Crises.pdf> TNJ 3/22/21

Turning to our variable of main interest, the results show that crises become significantly less likely with the existence of an IMF program in the previous five years. This effect is significant both in substantive and statistical terms. IMF programs reduce crisis risk by about 0.20 percentage points (when the marginal effect is calculated at the mean of the independent variables and assuming the fixed effects are zero), and the effect is statistically sigificant at the five percent level. This implies that overall, the effect of IMF programs is positive. As discussed above, however, different aspects of IMF involvement can have opposing effects. In a next step we therefore disaggregate the overall effect of IMF programs into the individual effects of the different channels through which IMF programs can affect the likelihood of crisis. To test for the effect of conditionality, we include average compliance with IMF conditions. The effect of increased funds is tested by including average IMF loans (in percent of GDP) over the previous five-year-period. When included instead of the program dummy in columns 3 and 4, both of them show a negative coefficient, but only compliance is statistically significant (at the ten percent level). Including the three IMF variables jointly and thus making the effect of conditions and money conditional on the existence of an IMF program (column 5), shows that none of the three IMF variables is statistically significant at conventional levels, probably due to the high correlation between these variables.22 Column 6, finally, addresses the potential endogeneity problems related to IMF programs. It replicates the analysis employing the system GMM estimator instead of conditional Logit. Note that the Arellano-Bond test and the Sargan-Hansen test do not reject the specification at conventional levels of significance. While the results for the covariates change substantially, we obtain a negative effect of IMF programs on crisis risk, at the ten percent level of significance, while compliance and loans are not statistically significant at conventional levels. The results show that the existence of an IMF program over the previous five years reduces the probability of currency crises by about 0.1 percentage points. Overall, our results thus point to the importance of the existence of IMF programs per se, rather than those of IMF money or compliance with conditionality. In light of our theoretical arguments above, it therefore seems that the more indirect channels such as IMF advice and its ‘seal of approval,’ as well as its function as a scapegoat is more valuable than its money and conditions. Overall, the result also suggests that these positive indirect effects outweigh the potential negative effect of IMF programs in terms of moral hazard.

#### IMF intervention is key to prevent regional spillover of financial crises

Haile and Pozo 8

Fasika Haile and Susan Pozo. October 2008. Currency crises contagion and the identification of transmission channels. International Review of Economics and Finance 17(4). [https://doi.org/10.1016/j.iref.2007.05.005](https://doi-org.ezproxy.lib.utah.edu/10.1016/j.iref.2007.05.005) TNJ 3/23/21

The Asian financial crisis, for example, began in July 1997 with the Thai baht devaluation. It then spread to Malaysia, the Philippines, and Indonesia in the third quarter of 1997. Prior to the 1997 crisis, all these countries had a few common characteristics: an appreciating real exchange rate, large current account deficits and financial sector squeezes linked to overexposure to a property market whose prices had fallen sharply (see [Krugman, 1998](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib25), [Masson, 2004](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib29), [Masson, 1999](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib28)). But the currency pressures also quickly spread to Hong Kong, Singapore and Korea, economies with strong current account and fiscal positions. The crisis even jumped surprisingly to several emerging markets outside the region, notably to Brazil and Russia (see [IMF, 1998](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib18), [IMF, 2001](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib19)). This experience coupled with the earlier crises in 1992/1993 and 1994/1995 led economists to suspect that crises in the 1990s were contagious. In response to these events, several different theoretical models have been developed showing how crises end up spreading across countries. Some of the major models of contagion are based on trade linkage and macroeconomic similarities ([Eichengreen et al., 1996](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib8), [Gerlach and Smets, 1995](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib12), [Goldstein, 1998](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib15)), while other models are based on financial linkage, neighborhood effects, and exogenous shifts in investors' beliefs (herd behavior) ([Calvo, 2005](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib2), [Calvo and Mendoza, 2000](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib3), [Kaminsky and Reinhart, 2000](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw" \l "bib21), [Masson, 2004](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib29), [Masson, 1999](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib28)). Despite the explosion of models of contagion, there still lacks a general consensus on empirical findings on the relevant contagion channels. Existence of contagion has important implications. Because no open economy can insulate itself from what is happening in the rest of the world, to prevent contagious financial crises countries may need to adopt regionally or globally coordinated measures. But the specific measures that should be taken to prevent the spread of financial crisis presuppose knowledge of the relevant contagion channels. If the trade contagion channel is relevant, countries may need to diversify their trade and/or fix their exchange rates collectively in order to avoid speculative attacks following loss of international competitiveness. At the extreme, international cooperation of the countries may lead to the creation of a common currency. If, on the other hand, the financial contagion channel is relevant, countries may need to impose capital controls. Others suggest that a lender of last resort, such as the World Bank or the IMF, would need to be instituted to neutralize the financial contagion channel by providing liquidity support. As the foregoing discussion points out, the intensity and time clustering of the crises has now forced both policy makers and academics to focus on contagion as a principal culprit in the ensuing discussion. A number of questions have been raised in the literature. Why do currency and financial crises hit selected countries within a very close time period? Are those countries simultaneously under crisis hit by common shocks? Or do they have unsustainable fiscal and monetary policies or unsustainable current account positions to the extent that both countries face crises simultaneously? If each of these is not the case, why and how does a crisis in one country transmit to other selected countries that have sound macroeconomic fundamentals? This paper is motivated by some of the above questions. More specifically, the paper addresses two interrelated questions (i) does a currency crisis in one country spread to other selected countries? (ii) What are the channels through which crisis spreads across countries? To address these questions, the paper estimates a panel probit model as in [Eichengreen et al. (1996)](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib8). A probit model is estimated because it allows us to test for the existence of contagion while also empirically identifying the transmission channels. However, this paper is different from the [Eichengreen et al. (1996)](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib8) approach in at least two ways. First, the test for contagion is undertaken using crises identified by the extreme value theory. This represents a significant deviation from prior works in this area that employ ad hoc procedures to define crisis periods. The “standard” approach is to set a threshold constructed from the mean and standard deviations of an index measuring speculative pressures. Values of the index above this threshold are taken as indicators of crises. But there appears to be no consensus on the specification of the threshold applied (e.g., global mean plus 1.5 standard deviations as in [Eichengreen et al., 1996](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib8) vs. country specific mean plus 3 standard deviations as in [Kaminsky & Reinhart, 2000](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib21)). We employ a more objective method by defining currency crisis periods using the extreme value theory. This paper differs from [Eichengreen et al. (1996)](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib8) in a second way, as well. We add countries from Asia and Latin America to the OECD sample of [Eichengreen et al. (1996)](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib8) to form an expanded data set representing many different regions of the world. This allows for testing contagion on a broader basis while also allowing for contagion to operate through a fourth channel — the neighborhood channel. Using the objectively identified crises, the paper, therefore, tests whether there is contagion among i) major trade partners/competitors, ii) countries with strong financial linkages such as among those having common creditors, iii) countries with similar macroeconomic fundamentals, and iv) neighbors. Overall, the estimation results from different model specifications indicate that currency crises are contagious. In almost all cases considered, contagion works through the trade channel. The macroeconomic channel turns out significant in none of the estimations. Moreover, the estimation results reveal that the probability of a crisis in a given country increases as the number of neighboring countries in crisis increases. While the evidence for contagion through common bank lenders is not strong, the estimation results point towards the need for more empirical tests for the workings of contagion through capital markets at least for emerging economies in line with the [Calvo (2005)](https://www-sciencedirect-com.ezproxy.lib.utah.edu/science/article/pii/S1059056007000305?casa_token=HW6TY7CSmjsAAAAA:9fBjhgYx3IrwKYht3SYXpnnMEYTJdhNAJwAYqswvl_Nb7T5yEochAlqi_6Wikvm4fPkKjoajuw#bib2) argument for contagion.

#### Financial crises cause xenophobia and war – 2008 proves

Sundaram and Popov 19

Jomo Kwame Sundaram and Vladimir Popov. 2/12/19. Economic crisis can trigger world war. Inter Press Service News Agency. <http://www.ipsnews.net/2019/02/economic-crisis-can-trigger-world-war/> TNJ 3/23/21

Economic recovery efforts since the 2008-2009 global financial crisis have mainly depended on unconventional monetary policies. As fears rise of yet another international financial crisis, there are growing concerns about the increased possibility of large-scale military conflict. More worryingly, in the current political landscape, prolonged economic crisis, combined with rising economic inequality, chauvinistic ethno-populism as well as aggressive jingoist rhetoric, including threats, could easily spin out of control and ‘morph’ into military conflict, and worse, world war. Crisis responses limited The 2008-2009 global financial crisis almost ‘bankrupted’ governments and caused systemic collapse. Policymakers managed to pull the world economy from the brink, but soon switched from counter-cyclical fiscal efforts to unconventional monetary measures, primarily ‘quantitative easing’ and very low, if not negative real interest rates. But while these monetary interventions averted realization of the worst fears at the time by turning the US economy around, they did little to address underlying economic weaknesses, largely due to the ascendance of finance in recent decades at the expense of the real economy. Since then, despite promising to do so, policymakers have not seriously pursued, let alone achieved, such needed reforms. Instead, ostensible structural reformers have taken advantage of the crisis to pursue largely irrelevant efforts to further ‘casualize’ labour markets. This lack of structural reform has meant that the unprecedented liquidity central banks injected into economies has not been well allocated to stimulate resurgence of the real economy. From bust to bubble Instead, easy credit raised asset prices to levels even higher than those prevailing before 2008. US house prices are now 8% more than at the peak of the property bubble in 2006, while its price-to-earnings ratio in late 2018 was even higher than in 2008 and in 1929, when the Wall Street Crash precipitated the Great Depression. As monetary tightening checks asset price bubbles, another economic crisis — possibly more severe than the last, as the economy has become less responsive to such blunt monetary interventions — is considered likely. A decade of such unconventional monetary policies, with very low interest rates, has greatly depleted their ability to revive the economy. The implications beyond the economy of such developments and policy responses are already being seen. Prolonged economic distress has worsened public antipathy towards the culturally alien — not only abroad, but also within. Thus, another round of economic stress is deemed likely to foment unrest, conflict, even war as it is blamed on the foreign. International trade shrank by two-thirds within half a decade after the US passed the Smoot-Hawley Tariff Act in 1930, at the start of the Great Depression, ostensibly to protect American workers and farmers from foreign competition!

### Contention 2 is Free Trade

#### The IMF is a key player in maintaining global exchange rate norms

Lundsager 15

Meg Lundsager. June 2015. How the International Monetary Fund and World Trade Organization can promote fair trade. Wilson Center Briefs <https://www.wilsoncenter.org/sites/default/files/media/documents/publication/how_the_international_monetary_fund_and_world_trade_organization_can_promote_fair_trade.pdf> TNJ 3/23/21

Currency exchange rates affect all internationally traded goods and services. If a country’s exchange rate policies resist market signals and keep its currency undervalued, then its goods appear cheaper, the country develops wide trade and current account surpluses, and its trading partners lose competitiveness. Two global institutions are tasked with preventing such practices: the International Monetary Fund (IMF) sets rules for exchange rate policies and the World Trade Organization (WTO) sets rules for fair trade. They should be closely linked, yet in practice they talk past each other regarding how exchange rates affect trade. Their deeper cooperation could lead to more fair and transparent exchange rates. Exchange rates and foreign currency reserves Over the years, heightened IMF and trading partner scrutiny has led more countries to adopt market-determined exchange rates or at least set a goal of moving to a flexible, market system. Nonetheless, some countries intervene in their currency markets, buying foreign currencies in exchange for their domestic currency in order to lower the international value of their own currency and gain competitive advantage for their exports. Exchange rate movements are watched closely by ordinary citizens, manufacturers and services providers, and policymakers around the world. Changes in foreign currency reserves, however, which can reflect government or official foreign exchange market intervention, are less accessible, and intervention is often reported belatedly if at all. Promptly disseminating information on changes in currency reserves would focus attention on countries that are undertaking excessive intervention and could increase peer pressure on them to desist. If large economies stop artificially depreciating their own currencies, smaller ones will as well. The IMF’s role The IMF periodically reviews its members’ economic policies, including their exchange rate systems. Its annual External Sector Report (ESR) describes the 28 countries with the largest economies, plus the Eurozone, in terms of exchange rate systems, trade and investment flows, and foreign exchange reserves accumulation, and gives a bottom-line assessment of the exchange rate.1 The ESR highlights how some countries continue to intervene in foreign exchange markets, preventing adjustment in their exchange rates and trade accounts. Because one country’s exports are another’s imports, these interventions sustain the imbalances in their partners’ trade and current accounts. Of course, not all official foreign exchange intervention is bad. The IMF condones “smoothing” operations to counter market volatility, and countries with very low foreign currency reserves may need to build up a minimum cushion in order to handle volatility. Yet the IMF criticizes persistent intervention that prevents exchange rates from adjusting to reduce imbalances in trade and payments. Although the IMF does not have an effective enforcement mechanism to stop excessive foreign exchange intervention, it has a powerful voice for setting global standards of behavior for exchange rate policies, intervention, and overall macroeconomic policies. Twice a year, it scrutinizes macroeconomic policies in the World Economic Outlook (WEO), Global Financial Stability Report (GFSR), and Fiscal Monitor (with two additional WEO updates). The ESR, by contrast, is published just once a year with little publicity. More frequent public release of IMF assessments of current accounts, exchange rate movements, and changes in reserves—including changes due to interventions—would enable finance/treasury and central bank officials to discuss developments at IMF or G-20 meetings. A country that had been intervening in a lopsided manner would be expected to explain its actions and respond to the frustrations of those losing competitiveness.

#### IMF exchange rate control is key to maintaining free trade globally

Reuters 17

Reuters, 4/22/17. U.S. treasury’s Mnuchin urges IMF to enhance exchange rate surveillance. Yahoo Sports. <https://sports.yahoo.com/news/u-treasury-apos-mnuchin-urges-164236835.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAK3dnS7CAQgoxjXP7lneuZ6FNGxdqt1VbgLfemzFISYoWWjl56L72B6t9C8-iP9xj-x72pSXyc1jyX_huZOnfT7GXE550SmfAs23tUQY-7khWzB1Ivxe3_TdettM7iqKnPD9_knSClHJORIooSCg6IGqar9NtJiaZfHavI4c6QzR> TNJ 3/23/21

U.S. Treasury Secretary Steven Mnuchin on Saturday called on the International Monetary Fund to enhance surveillance of its members’ exchange rates and external imbalances, as large trade imbalances would hamper “free and fair” trade. Mnuchin said the global economy continues to exhibit large and persistent external imbalances, “which contribute to the sentiment that the existing international monetary and trading system does not benefit all.” “In our view, excessively large trade surpluses, like excessively large trade deficits, are not conducive to supporting a free and fair trading system,” he said in a statement to the International Monetary and Financial Committee, the IMF’s steering committee. U.S. President Donald Trump has threatened to impose measures to restrict imports, and attacked countries like China, Germany and Japan for running large trade surpluses with the United States and benefiting from weak currencies. [Coal-State Lawmakers Push to Extend Retired Miners’ Benefits](http://fortune.com/2017/04/22/retired-miners-benefits/) Mnuchin called on countries with large external surpluses and sound public finances-likely a reference to Germany-to expand fiscal stimulus to boost growth and help narrow trade imbalances. He also urged the IMF to scrutinizes its member nation’s exchange rates and identify “specific policy adjustments” for each country to counter global imbalances. “We look to the IMF to highlight where surplus countries can more forcefully contribute to support symmetric adjustment in pursuit of a fairer global system,” he said. Mnuchin also urged countries to abide by their exchange-rate commitments, such as to refrain from competitive devaluation, not use monetary policies to target exchanges rates for competitive purposes, and to consult closely on exchange rates.

#### Free trade is key to American economic growth and global freedom

Froning 2k

Denise Froning, senior fellow and director of government finance programs, heritage foundation. The benefits of free trade: A guide for policymakers. <https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers> TNJ 3/23/21

International trade is the framework upon which American prosperity rests. Free trade policies have created a level of competition in today's open market that engenders continual innovation and leads to better products, better-paying jobs, new markets, and increased savings and investment. Free trade enables more goods and services to reach American consumers at lower prices, thereby substantially increasing their standard of living. Moreover, the benefits of free trade extend well beyond American households. Free trade helps to spread the value of freedom, reinforce the rule of law, and foster economic development in poor countries. The national debate over trade-related issues too often ignores these important benefits. The positive effects of an open market are clearly evident in the stellar growth of the U.S. economy over the past decade. Since 1990, the U.S. economy has grown by more than 23 percent, adding more than $2.1 trillion to the nation's gross domestic product (GDP) and raising the wealth of the average American consumer by more than $5,500.[[2]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn2) The economy responded well to the expansion of trade that occurred after the signing of the North American Free Trade Agreement (NAFTA) in 1993 and the establishment of the World Trade Organization (WTO) in 1995 as a forum for settling trade disputes. For example: Since 1990, imports of real goods and services have increased 115 percent. The number of full-time jobs has increased by 13.4 percent since 1991. The share of the labor force that works part-time because of an inability to find a full-time job is less than 3 percent. As of July 2000, the unemployment rate had hovered within one-tenth of a point from 4 percent for almost a year--the lowest rate in 30 years. [[3]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn3) The stellar record of growth has continued in the United States at the end of the decade as well: Between 1998 and 1999 alone, total employment increased by 2 million. [[4]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn4) To be sure, many more policymakers today acknowledge the benefits of free trade than when Congress passed the Tariff Act of 1930 (the Smoot-Hawley Act). The devastation wrought by these protectionist tariffs led successive U.S. administrations to support free trade after World War II. Their grand vision of a world comprised of nations at peace who traded freely among themselves for the prosperity of all has animated U.S. foreign policy and invigorated efforts to facilitate the opening of markets in every region. A growing number of countries continue to share the benefits of America's emphasis on trade. As noted in a recent report by the International Financial Institution Advisory Commission chaired by Allan H. Meltzer, a former member of the President's Council of Economic Advisers and Professor of Political Economy at Carnegie Mellon University: The Congress, successive administrations, and the American public can be proud of these achievements. The United States has been the leader in maintaining peace and stability, promoting democracy and the rule of law, reducing trade barriers, and establishing a transnational financial system. Americans and their allies have willingly provided the manpower and money to make many of these achievements possible. The benefits have been widely shared by the citizens of developed and developing countries. The dynamic American economy benefited along with the rest of the world. Growth of trade spread benefits widely. Per capita consumption in the United States tripled. As in other countries, higher educational attainment, improved health services, increased longevity, effective environmental programs, and other social benefits accompanied or followed economic gains. [[5]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn5) Despite these achievements, the United States, with one of the world's most open markets, continues to apply barriers to trade--most notably tariffs and quotas in the apparel and textile industry and in agriculture--that increase the cost of goods for consumers and harm people in developing countries who rely on this trade for their meager incomes. In this respect, the trade and Development Act of 2000 (P.L. 106-200) enacted on May 18, 2000, by lowering some of these barriers to trade, is a step in the right direction. Congress and the President should take every opportunity to articulate the benefits of trade to the American people and to expand international trade by any possible means, such as the unilateral lowering of trade barriers, the forging of regional and bilateral trade agreements, and working within international trade forums like the WTO. Ultimately, the straightforward and tangible benefits that derive from each of these steps will help both hardworking American families and impoverished people around the world.

## Other Cards

### EXT: Financial Crises

#### IMF loans improve countries’ economies. The con’s evidence doesn’t account for selection bias or lag between loan receipt and economic growth.

Fidrmuc and Kostagianni 15

Jan Fidrmuc, Department of Economics and Finance and Center for Economic Development and Institutions, Brunel University, & Stefani Kostagianni, Department of Economics and Finance and Centre for Economic Development and Institutions, Brunel University. 2015. Impact of IMF assistance on economic growth revisited. Economics and Sociology 8(3), pp. 33-34. <https://bura.brunel.ac.uk/bitstream/2438/11698/3/FullText.pdf> TNJ 3/22/21

In theory, the IMF intervention should improve economic growth both directly and indirectly, for a number of reasons. First, the IMF gives policy advice at the times of crises. Following that advice should help improve the economic climate and thus foster growth in the future. Second, IMF loans frequently have strict conditions attached to them, such as changing the execution of monetary policy or implementing fiscal austerity. The disbursement of IMF loans only takes place if the recipient country adheres to the conditions. Following IMF’s advice and accepting the conditionality should have similar effects: improved policy making, if credible, is seen by consumers as indicative of a lower tax burden and higher growth in the future, which leads them to increase their consumption, thus fuelling growth.2 Finally, the money that is disbursed helps relax financial constraints that the countries face and should stimulate their economies. In particular, as the recent EMU crisis illustrates rather well, in the absence of external financial assistance, crisis-stricken countries would face prohibitively high interest rates. The literature also highlights possible indirect channels: moral hazard (Vaubel, 1983) and the Dutch Disease (Paldam, 1997; Doucouliagos and Paldam, 2009). The moral hazard argument rests on the fact that being able to apply for assistance from the IMF (and other similar institutions) is similar to insurance. This can give the countries in question incentive to engage in risky or unsound policies. The Dutch Disease hypothesis, in turn, points out that countries with large inflows of foreign currency may experience a pressure on their currency to appreciate, which in turn undermines the competitiveness of their manufacturing firms at international markets. Hence, while the direct channels stipulate a positive effect of IMF assistance, the indirect channels are associated with a negative impact. An additional issue is that of endogeneity: the countries requesting assistance from the IMF may be already facing imminent economic difficulties at the time they submit their request. Alternatively, out of the countries that apply for financial aid from the IMF, those that receive support tend to be in worse economic situation that those that do not, or the former receive more substantial assistance. The negative or insignificant relationship between IMF assistance and economic growth therefore then can be due to such an endogeneity bias. Besides endogeneity, another problem with much of the past analytical literature on the IMF involvement and its effect is that it typically only considers how such involvement affects contemporaneous economic performance. If the IMF fosters growth, the positive effect of its assistance may appear only with a lag (Clemens et al., 2012, make a similar point about the effectiveness of developmental aid). In this paper, we revisit the effect of IMF loans while taking account of the aforementioned criticisms of the previous literature: endogeneity bias and the delay between IMF assistance and its economic effect. To account for endogeneity, we use instrumental variables. Finding suitable instruments, however, is difficult. In particular, the instruments need to possess sufficient explanatory power when it comes to explaining the probability (or size) of IMF assistance without being themselves correlated with growth to allow the analyst to exclude them from the main (second-stage) regression equation. Variables indicative of the economic hardship, such as the countries’ indebtedness or interest rates that they are facing when borrowing, are good predictors of the probability that they will seek IMF assistance. However, the same economic hardship is likely to be responsible for the low economic growth that those countries experience at the time of seeing IMF help, or that they will be encountering in the near future. Therefore, we rely on non-economic instrumental variables. Specifically, we use the degree of democracy and the United Nations Security Council (UNSC) non-permanent membership. To account for the possibility that the effect of IFI assistance may not occur contemporaneously but with a delay, we allowing the IMF loans to have a lagged effect on growth.

#### The IMF’s stabilization programs reduce the likelihood of currency crises.

Dreher and Walter 8

Axel Dreher and Stefanie Walter. Does the IMF help or hurt? The effect of IMF programs on the likelihood and outcome of currency crises. World Development 38(1), pp. 2-4. <https://www.peio.me/wp-content/uploads/2014/04/Conf1_Dreher.Walter_IMF.Effects.Currency.Crises.pdf> TNJ 3/22/21

In face of this abundance of studies, it is surprising that few studies have investigated the Fund’s performance with regard to one of its most generic purposes: the promotion of a stable international exchange rate system. One of the rare exceptions is Mukherjee (2006), who reports that the IMF’s stabilization programs failed to prevent currency crises in countries with a high degree of state intervention in the financial sector, but not in others. Hutchison (2003) reports that 28 percent of currency crises were associated with a contemporaneous short-term IMF program, while 18 percent of such programs were associated with a contemporaneous currency crisis. However, he does not provide an analysis of the causal direction of this empirical relationship. Overall, we thus know little about whether IMF programs increase or decrease a country’s risk of experiencing a currency crisis or how such programs affect countries’ strategies to resolve such crises. Given the paucity of evidence, it is not surprising that we know even less about the channels by which the IMF influences crisis risk and the outcome of currency crises. In theory, the Fund can influence economic policies and outcomes by its available or disbursed money, the policy conditions it attaches to its loans and, more generally, its policy advice. An equally important, but more indirect, channel is what we call the “scapegoat-channel.” By allowing policymakers to shift the blame for unpopular policies onto the Fund and thus increasing their chances of political survival, the IMF can enhance the chances that economically sensible policies will in fact be implemented (Vreeland 1999). As second indirect channel, to the contrary, the "moral-hazard" associated with IMF lending might affect policies negatively (Vaubel 1983). As IMF lending may be interpreted as income insurance against adverse shocks, the insurance cover might induce the potential recipients to lower their precautions against such damages. The overall effect of the IMF depends on the net effect of those channels. In this paper we therefore examine how IMF programs, disbursed loans, and compliance with conditionality affect the risk of currency crises and the outcome of such crises. Specifically, we investigate whether countries with previous IMF intervention are more likely to experience currency crises. In a second step, we test for the IMF’s impact on a country’s decision to adjust the exchange rate, once a crisis occurred. Even though the IMF aims to prevent currency crises in the first place, these crises have been a regular feature of the international exchange system. Once crises occur, the Fund’s goal is to limit their severity, resolve them quickly and thus to prevent them from having systemic implications. Protracted crises often result from the authorities’ attempt to delay a necessary adjustment of the exchange rate for too long. One of the most frequent pieces of advice the IMF gives to countries experiencing such crises therefore is an adjustment of the exchange rate. Even though IMF loans bolster countries’ reserves, this advice, or even conditionality, coupled with the opportunity to blame the IMF for a devaluation, should lead to an increased propensity for exchange rate adjustment caused by IMF crisis involvement. To anticipate our main results, we find that IMF involvement reduces the probability of a crisis. Once in a crisis, IMF programs significantly increase the probability that the exchange rate devalues.

#### Currency crises cause broader economic collapse

Stiglitz 99

Joseph Stiglitz, July-August 1999. Must financial crises be this frequent and this painful? Policy Options. <http://homes.chass.utoronto.ca/~trefler/eco328/supplemental/stiglitz.pdf> TNJ 3/23/21

The banking-cum-currency crises in East Asia have clearly exacted a large toll. In 1998, GDP contracted by 5.5 per cent in Korea, 6.2 per cent in Malaysia, and eight per cent in Thailand. The depth of the collapse in Indonesia, a 13.7 per cent GDP decline in 1998, if not unparalleled, is among the largest peacetime contractions since at least 1960 (excluding the experience of the transition economies). Although more severe than average, the experience of East Asia is not an historical aberration. The most systematic evidence, compiled by the International Monetary Fund in May 1998’s World Economic Outlook, demonstrates that banking and currency crises can exact a large toll, especially when they occur simultaneously. Figure 2 shows the cumulative output loss relative to trend in the years following a currency crash, a banking crisis, and their simultaneous onset. It shows that not only are currency crashes and banking crises very costly on average, but that they are especially costly for developing countries. This relatively brief presentation of the evidence establishes that the current system is producing results that are far from desirable. When John Maynard Keynes wrote the General Theory of Employment, Interest and Money he was motivated by conditions in the leading industrial economies that were similarly undesirable. The fact that US GDP contracted by more than a quarter in just three years, while the unemployment rate rose to 25 per cent was, by itself, prima facie evidence that government action might be necessary. Nearly 50 years after Keynes, however, a school of thought emerged — real business cycle theory — which argued that all fluctuations in output are efficient movements to new equilibria determined by ever-changing technology and tastes. In this view, the Great Depression was the optimal outcome of a collective desire to take vacations, pending higher wages expected in the future. Together with new classical macroeconomics, real business cycle theory tried to convince us that even if we did not like the current state of the economy, there was virtually nothing, at least nothing systematic, that policy-makers could do about it.

### EXT: Free Trade

#### Free trade improves economies and social systems

Bordreaux and Ghei 18

Donald J. Bordreaux, Senior Felklow, F.A. Hayek Program for Advanced Study in Philosophy, Politics and Economics. Nita Ghei, Director of Policy Editing, Mercatus Center, George Mason University. 5/23/18 The benefits of free trade: Addressing key myths. Mercatus Center. <https://www.mercatus.org/publications/trade-and-immigration/benefits-free-trade-addressing-key-myths#:~:text=Free%20trade%20increases%20prosperity%20for,quality%20products%20at%20lower%20costs.&text=These%20benefits%20increase%20as%20overall,quality%2C%20lower%2Dpriced%20goods>. TNJ 3/23/21

Free trade increases prosperity for Americans—and the citizens of all participating nations—by allowing consumers to buy more, better-quality products at lower costs. It drives economic growth, enhanced efficiency, increased innovation, and the greater fairness that accompanies a rules-based system. These benefits increase as overall trade—exports and imports—increases. Free trade increases access to higher-quality, lower-priced goods. Cheaper imports, particularly from countries such as China and Mexico, have eased inflationary pressure in the United States. Prices are held down by more than 2 percent for every 1 percent share in the market by imports from low-income countries like China, which leaves more income for Americans to spend on other products. Free trade means more growth. At least half of US imports are not consumer goods; they are inputs for US-based producers, according to economists from the Bureau of Economic Analysis. Freeing trade reduces imported-input costs, thus reducing businesses’ production costs and promoting economic growth. Free trade improves efficiency and innovation. Over time, free trade works with other market processes to shift workers and resources to more productive uses, allowing more efficient industries to thrive. The results are higher wages, investment in such things as infrastructure, and a more dynamic economy that continues to create new jobs and opportunities. Free trade drives competitiveness. Free trade does require American businesses and workers to adapt to the shifting demands of the worldwide marketplace. But these adjustments are critical to remaining competitive, and competition is what fuels long-term growth. Free trade promotes fairness. When everyone follows the same rules-based system, there is less opportunity for cronyism, or the ability of participating nations to skew trade advantages toward favored parties. In the absence of such a system, bigger and better-connected industries can more easily acquire unfair advantages, such as tax and regulatory loopholes, which shield them from competition.

#### IMF surveillance is crucial to prevent unfair exchange rate manipulation

Aylward 7

Lynn Aylward, IMF policy development and review department. 5/17/7. IMF survey: IMF exchange advice in spotlight. IMF. <https://www.imf.org/en/News/Articles/2015/09/28/04/53/sopol0517b> TNJ 3/23/31

Accusations of unfair currency practices are being waved at a number of countries with large trade surpluses, and calls for defensive measures are heard in some countries running large deficits, whether in the form of trade protectionism or of exchange rate policies. This has brought back in the spotlight a key mandate of the IMF, namely exchange rate surveillance—the focus of a new report by the IMF's External Evaluation Office (IEO) that assesses the Fund's advice in this critical area. Enhancing the IMF's work in this area is a key component of the Medium-Term Strategy (MTS)—Managing Director Rodrigo de Rato's strategic plan for enhancing the IMF's relevance and effectiveness in the 21st century. Under the MTS, a number of initiatives aim to ensure that exchange rate surveillance is as clear, candid, technically expert, and influential as it can be. Part of original mandate Since the IMF's creation, it has been closely involved in exchange rate matters. Indeed, one of the main reasons for establishing the IMF and putting it in charge of the Bretton Woods system was to promote dialogue and cooperation among countries so as to rebuild international trade and finance. The founders understood that the alternative could be a return to the vicious cycle of competitive depreciation and protectionism that contributed to the turmoil of the 1930s. The current role of the IMF's exchange rate surveillance—or of surveillance more generally—is to assess how countries' policies fare in light of the commitments they undertake as members of the IMF. More specifically, the IMF assesses the impact of countries' exchange rate and other policies on their external stability and, hence, on the stability of the international system of exchange rates. The goal is to support policies that are good for the member but also good for other countries through a process of collaboration, in which dialogue and persuasion are key. In the global economy, one country's policies can have powerful ripple effects on other countries, and the case for such collaboration is therefore arguably even stronger than in 1944. "The IMF's country reports, which analyze economic developments and describe policy discussions between member countries and IMF staff, are the main channel for surveillance."

#### Exchange rates are key to fair trade – exchange rate manipulation hurts low-income consumers the most.

Economic Information Newsletter 10

Liber8 Economic Information Newsletter, Research Library of the Federal Reserve Bank of St. Louis. April 2010. Exploiting exportation: Why foreign exchange rates matter. <https://files.stlouisfed.org/files/htdocs/pageone-economics/uploads/newsletter/2010/201004.pdf> TNJ 3/23/21

Exchange rates state the price of one country’s money in terms of units of another country’s money. Suppose that I am interested in buying a German car. The manufacturer likely accepts only euros for payment, which means that I must first exchange my dollars for euros in a foreign exchange market. The exchange rate sets how many dollars I need to “pay” for each euro, and in turn, is determined by the supply and demand for euros. Trade (imports and exports) is influenced by exchange rates because consumers care only about the price of goods in their home currency. An appreciation of the euro relative to the dollar affects me because a German car will cost more dollars as a result. Meanwhile, a German businessman interested in buying American steel will find that the same quantity of steel costs fewer euros. All else equal, a depreciation of the dollar against the euro increases orders for American steel in Germany while decreasing sales of German cars in America. 3 American manufacturers enjoy increased demand for their products, which benefits labor should they hire more workers to meet that demand. Economics stresses, however, that there is no free lunch. American consumers, thanks to more expensive foreign goods, see their purchasing power decrease, particularly hurting lower-income households.

#### Free trade improves access and affordability of goods

Froning 2k

Denise Froning, senior fellow and director of government finance programs, heritage foundation. The benefits of free trade: A guide for policymakers. <https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers> TNJ 3/23/21

Benefit #1: Free trade promotes innovation and competition. Few people in America today sew all their own clothes, grow all their own food, build their own houses, or buy only products made in their own states. It would cost too much and take too much time, especially since Americans can acquire such items on the open market with relative ease. The same principle of practicality and cost applies on an international scale. It makes economic sense to buy a product from another who specializes in such production or who can make it more easily or for less cost. Indeed, access to a greater variety of goods and services is the purpose of trade. Imports, then, are not a sacrifice, a necessary evil for the good of exporting. One exports so that one may acquire goods and services in return. This logic is evident on a personal level as well: A person works so that he has the means to buy necessities and possibly even luxuries. One does not make purchases in order to justify working. Free trade is the only type of truly fair trade because it offers consumers the most choices and the best opportunities to improve their standard of living. It fosters competition, spurring companies to innovate and develop better products and to bring more of their goods and services to market, keeping prices low and quality high in order to retain or increase their market share. Free trade also spurs innovation. The U.S. market has demonstrated repeatedly, particularly over the last decade, that competition leads to increasing innovation. This is evident, for example, in the intense competition to create the latest personal computer at the lowest cost. With the growth of electronic commerce has come unlimited choices of goods and services and lower prices for products. Computers are now available for free just for signing an annual Internet provider service agreement. [[6]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn6) In fact, America's greatest advantage lies in its ability to innovate and to build upon that continually expanding knowledge base. According to The Economist , the United States "has an `innovational complex'--those thousands of entrepreneurs, venture capitalists, and engineers—unmatched anywhere in the world." [[7]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn7) This resource results in an ever-growing number of new products and services that bolster America's competitive advantage in the global market and greater prosperity at home. This competitive advantage derives largely from America's open market practices. Free trade promotes innovation because, along with goods and services, the flow of trade circulates new ideas. Since companies must compete with their overseas counterparts, American firms can take note of all the successes as well as the failures that take place in the global marketplace. Consumers then benefit because companies in a freely competing market must either keep up with the leader in order to retain customers or innovate to create their own niche.

#### Free trade generates global economic benefits

Froning 2k

Denise Froning, senior fellow and director of government finance programs, heritage foundation. The benefits of free trade: A guide for policymakers. <https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers> TNJ 3/23/21

Benefit #2: Free trade generates economic growth. By fostering opportunities for American businesses, free trade rewards risk-taking by increasing sales, profit margins, and market share. Companies can choose to build on those profits by expanding their operations, entering new market sectors, and creating better-paying jobs. According to U.S. Trade Representative Barshefsky, U.S. exports support over 12 million jobs in America, and trade-related jobs pay an average of 13 percent to 16 percent higher wages than do non-trade-related jobs. [[10]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers#_ftn10) Opponents of free trade fear that efforts to remove protectionist barriers to foreign competition will result in the loss of blue-collar jobs in America, especially in the manufacturing sector. They believe that the North American Free Trade Agreement in particular threatens these jobs. Yet, as Chart 1 (page 5) shows, the facts belie this fear. The nature of employment in the United States is indeed evolving away from manufacturing and toward more service-oriented and high-technology jobs. However, the record shows that trading freely with America's NAFTA partners, Canada and Mexico, has not resulted in an aggregate loss of manufacturing jobs. Instead, since 1994: 14 million new American jobs have been reported; The unemployment rate in America has fallen from 6 percent to 3.9 percent (as of April 2000); and The number of manufacturing jobs in America has remained steady, employing 18.3 million people in 1994 and 18.4 million in 1999, which represents 14 percent of the total American workforce. [[11]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn11) On balance, not only has NAFTA not resulted in a loss of factory jobs in the United States, but it has not led to a loss in real wages for manufacturing workers. The average real wage in the manufacturing sector rose from $8.03 per hour in 1994 to $8.26 per hour in 1999 (in constant inflation-adjusted dollars). [[12]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn12) Moreover, saving just one job in America's declining apparel and textile industry is estimated to cost the taxpayers more than $100,000 each year. [[13]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn13) The workforce in this sector, which has declined by approximately 30 percent since 1989, comprises just 1 percent of total non-farm employment. The decline is a natural outcome, considering that the industry pays far less than the average national wage--nearly 20 percent less in textiles and 33 percent less in apparel. [[14]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn14) Such lower-paying jobs become marginal as workers move to better-paying jobs in the broader market. In fact, over the past decade, 19 million more jobs have become available, [[15]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn15)demonstrating that there are many opportunities for American workers to find jobs. Since NAFTA took effect, total U.S. trade with Canada and Mexico has risen more than 86 percent--from $299 billion in 1993 to more than $550 billion in 1999. U.S. exports surpassed $2,350 billion in 1999, making up slightly more than 25 percent of overall GDP and more than 15 percent of all global trade. [[3]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn16) The growth in the U.S. economy also benefits people in poor countries who have access to the U.S. market, where both the demand for goods and services and levels of remuneration are much higher than they would be at home. To trade at this level enables their nascent businesses to acquire capital, fueling production and fostering the development of new industries. Impoverished people gain the opportunity to earn better wages, acquire more goods, and raise their standard of living. In other words, this is a win-win scenario for Americans and people of countries that have been mired in poverty despite years of foreign aid. [[17]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn17)The advantage for poor countries in being able to trade for capital--rather than having to rely on ineffective assistance programs that are subject to waste or fraud--is that the payoff is more immediate in their private sectors. Foreign investment allows their domestic industries to develop and provide better employment opportunities for local workers. This dynamic makes an increase in foreign direct investment one of the most important benefits of free trade for developing nations. [[18]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn18)

#### Free trade is crucial to the spread of democratic values globally

Froning 2k

Denise Froning, senior fellow and director of government finance programs, heritage foundation. The benefits of free trade: A guide for policymakers. <https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers> TNJ 3/23/21

Benefit #3: Free trade disseminates democratic values. Free trade fosters support for the rule of law. Companies that engage in international trade have reason to abide by the terms of their contracts and international agreed-upon norms and laws. The World Trade Organization, for example, compels its member countries to honor trade agreements and, in any trade dispute, to abide by the decisions of the WTO's mediating body. By supporting the rule of law, free trade also can reduce the opportunities for corruption. In countries where contracts are not enforced, business relationships fail, foreign investors flee, and capital stays away. It is a downward spiral that especially hinders economic development in countries where official corruption is widespread. As Alejandro Chafuen, President of the Atlas Economic Research Foundation, has noted, "True economic freedom is possible only under a system of limited government with a strong rule of law. Economic freedom has little value if corruption in government means that only a few will enjoy it." [[19]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn19) trade likewise can falter quickly in countries where customs officials expect kickbacks at every checkpoint. In Western Africa, customs officials can stop trucks carrying goods as often as every hundred yards just to collect another bribe, as Mabousso Thiam, executive secretary of the West African Enterprise Network, testified at a 1999 Organisation for Economic Co-Operation and Development (OECD) conference on corruption. [[20]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn20) Such arbitrary checkpoints spring up when countries cannot pay their customs officials livable wages, forcing them to choose between remaining honest but failing to bring home enough money to feed their families or taking an illegal bribe, as others often do. As U.N. Secretary General Kofi Annan has observed, Corruption is built on everything being in the hands of the government. So for everything you want, you need a permit. The person who gives you the permit wants a bribe. The person who's going to make the appointment for you wants a bribe. And so on. [[21]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn21) Free trade, reinforced by the rule of law, removes such incentives for corruption by spurring economic growth, increasing the number of better-paying jobs, and ultimately increasing the level of prosperity. But free trade transmits more than just physical goods or services to people. It also transmits ideas and values. A culture of freedom can flourish whenever a great society, as 18th century economist Adam Smith termed it, emerges with the self-confidence to open itself to an inflow of goods and the ideas and practices accompanying them. A culture of freedom can become both the cornerstone and capstone of economic prosperity.

#### Free trade promotes freedom globally

Froning 2k

Denise Froning, senior fellow and director of government finance programs, heritage foundation. The benefits of free trade: A guide for policymakers. <https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers> TNJ 3/23/21

Benefit #4: Free trade fosters economic freedom. As the foregoing discussion shows, the ability to trade freely increases opportunity, choices, and standards of living. Countries with the freest economies today[[22]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn22) generally have adopted a capitalist model of economic development, remaining open to international trade and investment. These countries include the United Kingdom and many of its former colonies and dominions: Hong Kong, Singapore, New Zealand, the United States, Australia, and Canada. Chile, which benefits from a diverse European heritage, likewise demonstrates that basing economic policies on a capitalist free-market model brings good results in that region as well. Heritage's analysis of the 161 countries covered in the Index of Economic Freedom, published annually with The Wall Street Journal , indicates that free trade policies can foster development and raise the level of economic freedom. Every day in the marketplaces of free countries, individuals make choices and exercise direct control over their own lives. As economic growth occurs, note World Bank economists David Dollar and Aart Kraay, the poorest people can benefit just as much as--and in some cases more than--the wealthy. [[23]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn23) With a sound infrastructure based on economic freedom, assured property rights, a fair and independent judiciary, the free flow of capital, and a fair system of low taxation, poor countries can create an environment that is friendly to trade and inviting to foreign investors. Consider the experience of China and Taiwan. In 1960, real per capita income in the People's Republic of China tracked closely with that of the Republic of China on Taiwan. In the late 1960s, however, the government in Taipei chose to institute widespread reforms to guarantee private property, establish a legal system to protect property rights and enforce contracts, reform the banking and financial systems, stabilize taxes, distribute public land to individuals, and allow the market to flourish. The result for Taiwan has been an astounding record of economic growth. (See Chart 2.) The 2000 Index of Economic Freedom ranks Taiwan as the 11th freest economy in the world. With its economic freedom came the rise of democratic institutions. For the first time since the ruling party (the Kuomintang, or KMT) established a government in Taipei 50 years ago, a democratic transition of power took place in Taiwan as Chen Shui-bian, a candidate from a previously outlawed opposition party, assumed the presidency on May 20, 2000. Despite this success, opponents of permanent normal trade relations with China argue that trade and economic liberalization will not bring democracy to mainland China or improve its human rights record. These critics assert that democracy is simply too foreign to the mainland--an argument that ironically echoes the mutterings of Asian authoritarian regimes about "Asian values." The development of political and economic freedom in Taiwan refutes such claims and points to the potential that more political and economic freedom can develop in China. Such an outcome would be in America's best interest> because it would enhance regional stability, increase prosperity for the Chinese, and open China's immense market to Americans. The U.S. trade agreement with China signed by the Clinton Administration in November 1999 is a step in the right direction. It will help open the Chinese market to American exports and foreign direct investment to an unprecedented degree. Economic freedom is the biggest benefit of trade extension, both for American companies looking to invest in China and for the Chinese people themselves. These foundations of economic freedom not only will allow the Chinese people to gain access to the outside world, but also will expose the Chinese government to--and compel it to enforce--the international consensus on the rule of law. Such issues as property rights and honoring contracts, which companies historically have found to be a problem when trying to make deals in China, will be subject to a higher force. Establishing the backbone of property rights and free-market policies is essential for creating the sort of market stability that is important to foreign investors. In countries with an established rule of law that does not ebb and flow from one leader to the next, foreign investors are more confident and willing to take risks in bringing businesses into developing nations. It is one reason Taiwan and Hong Kong, for example, have flourished over the past few decades. [[24]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn24) Taiwan's success demonstrates that if China opens its market, economic and political freedom will have a real chance to develop. Members of the U.S. House of Representatives, by approving permanent normal trading relations (PNTR) with China on May 24, 2000, demonstrated their confidence in economic freedom by voting to lend U.S. assistance to this endeavor through freer economic exchange. Members of the U.S. Senate will have the same opportunity to endorse economic freedom when they vote on the matter in September. It is reasonable to wonder how the concept of economic freedom, the fruits of which are so easily identified in wealthier countries, can apply to desperately poor countries that are concerned primarily with food supplies and access to running water and electricity. How does one draw conclusions from an apples-to-oranges comparison of prosperous high-technology countries, where children surf daily on the Internet using the family computer, and low-income nations like Burkina Faso where most children live in families that scrape by on little more than subsistence-level farming. Indian economist Barun Mitra explains it succinctly: "Traders in the marketplace are like voters in a democracy. If [the] free flow of ideas is essential to sustain political freedom and a democratic polity, then free trade is critical to sustain economic freedom and an efficient marketplace. Liberty, after all, is indivisible." [[25]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn25) Countries that suffer under overregulation, corruption, and the lack of the rule of law benefit by removing barriers to trade and allowing their citizens to participate directly in the global marketplace. Often, countries in Asia and the West can be widely disparate in the cultural and political realms, with economic repression and economic freedom existing in both regions. Nonetheless, a basic structure upon which to build economic freedom can be found in countries as different as Bahrain (an Arab monarchy), Singapore (an authoritarian city-state), the United States (a constitutional democracy), and Switzerland (a federal system of cantons encompassing at least four different cultures). As a whole, sub-Saharan Africa remains the most economically unfree and poorest area in the world; but as the Index analysis shows, its poverty is not the result of insufficient levels of foreign aid: On a per capita basis, many sub-Saharan African countries receive the world's highest levels of economic assistance. [[26]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn26) Rather, the main causes of poverty in sub-Saharan Africa are the lack of economic freedom embodied in self-imposed policies, and systemic and rampant corruption. In fact, corruption is a cancer on the most legitimate efforts to promote economic development in many of these countries. While this is hardly a problem unique to Africa or developing nations, it is all the more damaging to them. The outlook for this region is not hopeless, however: Mauritius, which received the highest Index ranking in the region, has had some success in adopting free-market practices. Compared with other countries in its region, it merits relatively favorable scores in black market activity and regulation. The Index findings for sub-Saharan Africa cast doubt on the assertion that huge transfers of wealth from industrialized nations to the less developed world will result in economic growth. The people of Zimbabwe and Congo, to name just two examples, are not poor because people in the West do not share enough of their wealth with them. They are poor because their governments pursue destructive economic policies that depress free enterprise or allow corrupt practices to derail the rule of law. Only when their ruling regimes increase economic freedom and unleash the power of the free market can these people embark on the road to prosperity. Anything short of free trade policies will continue to be both economically unwise and inhumane. The United States can promote economic freedom in these countries through more effective means than economic assistance. As noted above, the United States imposes tariffs that add to the cost of selling products in the U.S. and makes imported goods less competitive with domestic products. Although America's average tariff rate of 2 percent is low by global standards, [[27]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn27)the United States does not apply its tariff rate evenly on products that it purchases from its trading partners. Instead, it applies the tariffs according to the types of goods that reach America's shores. Regrettably, the goods that face the highest U.S. tariffs are precisely those produced by the poorest countries, such as agricultural goods, textiles, and apparel. The high level of tariffs combined with the impact of quotas is prohibitive for countries struggling to create a presence in the global marketplace and lift their people out of decades of poverty. This disparity in tariff rates exists primarily because poor countries tend to export more of the types of commodities that are subject to high U.S. tariffs. Low-income countries develop industries that meet the basic needs of their people and for which they have a comparative advantage. The textile and apparel industries and agriculture are key economic activities because they satisfy domestic needs and do not require sophisticated machinery or large amounts of capital to turn a profit. What they do require--and what these nations have--is a large labor force. Consider Nepal and Bangladesh, in which textile and apparel products make up 85 percent and 77 percent of total exports, respectively. [[28]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn28)These countries, with per capita GDPs of less than $300 each, face significant obstacles in trying to sell their products in the U.S. market. The average U.S. tariff rates on their products are 13.2 percent and 13.6 percent, respectively--more than six times the U.S. average. The impact of these tariffs depends on their size and the responsiveness of U.S. consumers to the price changes on the products. In the case of some textile and apparel[[29]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn29)and agricultural imports, consumers are highly sensitive to price changes and will buy a domestic product rather than an imported one should the latter become too expensive. For example, for every 1 percent increase in the tariff rate for imported knitted fabrics, consumption of domestic knitted fabrics increases by over 2.9 percent. [[30]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn30)Thus, even a small increase in the tariff rate will discourage the purchase, and ultimately the production, of these imports, restricting primarily the access of developing countries to America's large market. Ironically, any benefits that the tariffs may produce for the U.S. economy are miniscule compared with the total cost Americans pay for this protection. Economists at the Institute for International Economics estimate that consumers would save $70 billion if the United States eliminated all tariffs and quantitative restrictions on imports--or about $750 per American household. [[31]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn31)Approximately 35 percent of these gains--or $24.4 billion--would accrue from liberalizing the apparel and textile sector. This is the purpose of the Agreement on Textiles and Clothing, which requires that all quotas on textile imports must be eliminated by 2005. In the end, tariffs the United States applies to protect a sector that is naturally in decline will impose a significant cost on American consumers and the people of the low-income countries who make the products and lack other job opportunities. When a factory shuts down in Bangladesh or Nepal (in part because of the impact of prohibitive U.S. tariffs on its products), the unemployed have no safety net and few alternatives. By comparison, the United States offers displaced workers numerous opportunities to find new jobs. The trade Adjustment Assistance program, for example, helps people who lose their manufacturing jobs as a result of foreign imports to apply for welfare benefits and receive job training and job search and relocation assistance. The unemployed in America are able to find a new job in a median of 6.4 weeks. [[32]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn32) Reducing America's tariffs, promoting bilateral and regional free trade agreements, and working within the World Trade Organization to promote economic freedom through international trade is the best way to help Americans and the peoples of the developing world. The September 2000 vote in the U.S. Senate on granting China permanent normal trade relations will be both a key test of America's commitment to free trade and a crucial opportunity to improve economic freedom and choice for people in both the United States and China.

#### Free trade increases quality of life and prosperity

Froning 2k

Denise Froning, senior fellow and director of government finance programs, heritage foundation. The benefits of free trade: A guide for policymakers. <https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers> TNJ 3/23/21

Societies that enact free trade policies create their own economic dynamism--fostering a wellspring of freedom, opportunity, and prosperity that benefits every citizen. In recent years, the United States has demonstrated the power of this principle. Nor are American citizens alone in benefiting from those free trade policies that the U.S. enacts. By breaking the cycle of poverty, America's free trade policies can enable even the most impoverished countries to begin to create their own dynamic toward prosperity. Nevertheless, despite all the evidence to the contrary, the opponents of free trade will continue to espouse the old argument that "the jobs created by globalization are often less sustaining and secure than the livelihoods abolished by it [in poor countries]." [[33]](https://www.heritage.org/trade/report/the-benefits-free-trade-guide-policymakers%22%20%5Cl%20%22_ftn33) Such a claim presupposes that some sort of agrarian utopia previously existed in these countries and that their peoples will not reap the benefits of economic development. Clamoring to stop this wave of economic progress carried forward by technology and innovation is akin to arguing that the United States, to cite just one example, was better off before the Industrial Revolution. While one might argue that this was true of the white male members of the landed classes (although even then such a claim is dubious), for the majority of the population that did not enjoy such luxury, quality of life has improved immeasurably. The Industrial Revolution brought freedom of movement and increased opportunity to all economic levels of society. It also set the stage for social and democratic progress of a magnitude that would have been impossible earlier. And although history suggests that this new era of market globalization may well be accompanied by new problems for which the solutions once again will lie in the power of human ingenuity and innovation, it also presents an unprecedented level of opportunity for people to achieve economic freedom and greater prosperity.

### AT: IMF Hurts Democracy

#### Empirical evidence shows a positive correlation between IMF lending and levels of democracy.

Nelson and Wallace 16

Stephen C. Nelson, department of Political Science, Northwestern University, and Geoffrey P.R. Wallace, Department of Political Science, Rutgers University. 4/25/2016. Are IMV lending programs good or bad for democracy? Review of International Organizations, 12. <https://faculty.wcas.northwestern.edu/~scn407/documents/NelsonandWallace-IMFandDemocracyRIOFINAL.pdf> TNJ 3/19/21

The results from all three sets of statistical tests point in the same general direction, leading us to conclude that the average impact of IMF program participation on borrowers’ levels of democracy has been modest but positive. The main implication of the evidence amassed in the article is not that IMF conditional lending arrangements have been transformative engines of democratization in low- and middle-income countries over the past 40 years. Rather, the modest but positive conditional associations between democracy scores and IMF programs detected in the statistical analyses should shift the burden back to those who, in line with the conventional wisdom, believe that the Fund’s lending programs have put downward pressure on borrowing countries’ measurable levels of political democracy.

#### IMF structural adjustment requirements make it harder for dictators to maintain control. Austerity requirements force them to reduce military funding, thus destabilizing their means of control over their populations.

Nelson and Wallace 16

Stephen C. Nelson, department of Political Science, Northwestern University, and Geoffrey P.R. Wallace, Department of Political Science, Rutgers University. 4/25/2016. Are IMV lending programs good or bad for democracy? Review of International Organizations, 12. <https://faculty.wcas.northwestern.edu/~scn407/documents/NelsonandWallace-IMFandDemocracyRIOFINAL.pdf> TNJ 3/19/21

More recent work on the pattern of adjustment under IMF programs indicates that there are systematic differences in how democracies and autocracies have distributed the costs of IMF-imposed restraints on government spending. In particular, evidence shows that autocracies under IMF arrangements tend to shift resources away from military expenditures in favor of proportionately greater spending on social programs (Nooruddin and Simmons 2006). This pattern of spreading the pain of fiscal adjustment can undermine authoritarian governments’ capacities to tightly repress political competition, since it weakens the coercive apparatus that is responsible for controlling opposition forces.6 Political scientists have shown that, when facing hard economic times, autocratic governments have been more likely to collapse than their democratic counterparts (Gasiorowski 1995), and that the post-exit fates of deposed autocrats are far worse than for democratic leaders forced from office (Goemans 2008). We hypothesize that because non-democratic regimes under IMF programs have less capacity to repress the opposition at the same time that their rule is more fragile, autocratic regimes have incentives to allow moderately greater levels of political competition when they are under conditional lending arrangements. The observable implication of the argument is that participation in IMF programs should be associated with higher democracy scores, on average. In sum, contradictory claims and ambiguous findings are evident in existing studies of the impact of IMF programs on democracy. In order to provide a clearer picture of the empirical relationship between the IMF’s conditional loans and democracy, we employ methods that more carefully consider the inferential problems posed by observable differences between recipients and non-recipients of Fund programs.

#### IMF lending is statistically correlated with increases in democracy. Their evidence is based on flawed statistics.

Nelson and Wallace 16

Stephen C. Nelson, department of Political Science, Northwestern University, and Geoffrey P.R. Wallace, Department of Political Science, Rutgers University. 4/25/2016. Are IMV lending programs good or bad for democracy? Review of International Organizations, 12. <https://faculty.wcas.northwestern.edu/~scn407/documents/NelsonandWallace-IMFandDemocracyRIOFINAL.pdf> TNJ 3/19/21

The findings presented here suggest that fears about the deleterious impact of the IMF’s lending arrangements on democracy scores are misplaced. The evidence from our statistical analysis fits with an argument that Karen Remmer (1986, 21) advanced in the wake of the Latin American sovereign debt crisis: “to charge the IMF with undermining democracy is to engage in hyperbole.” Relying on data from up to 120 developing and emerging countries observed between 1971 and 2007, and making use of three different empirical strategies to more credibly estimate the conditional difference between borrowers and non-borrowers in their levels of democracy (genetic matching, instrumental variables, and difference-in-differences estimators), we found that the IMF’s lending arrangements have not been associated with lower democracy scores in the short run. Instead, we find evidence of a modest but positive relationship between program participation and democracy scores. For the reasons we describe above, the contradictory findings about the IMF’s impact on democracy may be driven by the less-than-reliable statistical fixes employed by scholars to solve the nonrandom assignment problem that troubles quantitative research on the domestic political consequences of engagement with international organizations.

#### Contemporary IMF loan conditions support democracy. The con’s examples rely on old case studies that don’t account for updated lending policies.

Birchler et al 16

Kassandra Birchler, Yale University, Sophia Limpach, University of Zurich Center for Comparative and International Studies, and Katharina Michaelowa, University of Zurich Center for Comparative and International Studies. 2016. Aid modalities matter: The impact of different world bank and IMF programs on democratization in developing countries. International Studies Quarterly 60, p. 437. <https://academic.oup.com/isq/article-abstract/60/3/427/2469882?redirectedFrom=fulltext> TNJ 3/19/21

World Bank and IMF lending programs adopt different types of conditionality. These differences matter for democratization processes in recipient countries. The mechanism we propose works through a reduction of the fungibility of aid inflows. To the extent that aid is fungible, autocratic regimes can allocate it for their own purposes. However, when conditionality relates to general institutional reform—and requires a more inclusive and transparent political decision-making processes—it reduces the fungibility of aid. Our empirical analysis based on panel regressions supports our claims: Lending by the World Bank and the IMF positively affects democratization when it strengthens domestic-accountability mechanisms and thereby reduces the fungibility of aid. This is true for poverty reduction strategy–based lending and for structural adjustment programs, albeit to a lesser extent. Otherwise, the effects prove largely insignificant. These results have encouraging implications for policymakers interested in promoting democratization. While earlier critiques may have correctly identified negative effects of World Bank and IMF lending programs on democratization, both institutions seem to have appropriately modified their programs. Individual case studies of the poverty reduction strategy process usually highlight shortcomings even within this new approach. But our global, cross-country analysis indicates that at least some positive change has been achieved. This raises some interesting questions about organizational behavior. In particular, what drove these international organizations to successfully adjust their processes? And why did they not adjust in ways that even more strongly enforce a recipient government’s accountability toward its citizens? For instance, criteria to measure accountability and civil society participation in the process of developing the country’s poverty reduction strategy might deserve a more prominent place in the World Bank’s Country Performance Rating, which represents the major set of indicators used for the World Bank’s decisions on credit disbursements. We hope that subsequent studies will explore these questions, perhaps within the context of the general scholarship on the effectiveness of international organizations. In addition, research needs to assess the interplay of the World Bank and the IMF with other donors. The increasing activities of China as an emerging donor outside the donor coordination and harmonization efforts launched in the context of the Paris Declaration in 2005 render such efforts even more pressing. Since resources are fungible not only across government activities, but also across donors, it will be difficult to enforce reform requirements if China offers the same resources without any such strings attached. To be effective, requirements need to be based on consensus across donors. No single donor will be able to avoid the consequences of aid fungibility if countries can acquire effective substitutes from other donors. Our results also demonstrate important variation in how regimes deploy different types of resources. When these resources come from foreign aid, donors have the choice to select aid types that are conducive to democratization. By conditioning the resource flow on local accountability and relevant reforms, they can counterbalance other, negative effects of providing external resources. Hence, the “aid curse” might be more easily dealt with than the “resource curse” more generally. This remains true if regimes manage their resources without the interference of external actors. However, in many cases, the extraction of mineral resources in developing countries also involves foreign technology, foreign investors, and frequently, foreign aid. Relevant external actors may be able to impose a link between, on the one hand, pure resource flows and, on the other hand, those policy and process conditions conducive to democratic development. This would, however, also require a change of perspective among the foreign companies involved. With their focus on joint efforts by developing and developed countries alike, the Sustainable Development Goals agreed upon within the United Nations in September 2015 might provide new incentives to move in this direction.

# Con

## Con Case

#### We stand in negation of the following:

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

### Definitions

#### The International Monetary Fund (IMF) is a Bretton Woods Institution designed to maintain order in financial transactions between countries.

Driscoll 96

David D. Driscol. August 1996. The IMF and the World Bank: How do they differ? International Monetary Fund. <https://www.imf.org/external/pubs/ft/exrp/differ/differ.htm> TNJ 3/19/21

Known collectively as the Bretton Woods Institutions after the remote village in New Hampshire, U.S.A., where they were founded by the delegates of 44 nations in July 1944, the Bank and the IMF are twin intergovernmental pillars supporting the structure of the world's economic and financial order. That there are two pillars rather than one is no accident. The international community was consciously trying to establish a division of labor in setting up the two agencies. Those who deal professionally with the IMF and Bank find them categorically distinct. To the rest of the world, the niceties of the division of labor are even more mysterious than are the activities of the two institutions. Similarities between them do little to resolve the confusion. Superficially the Bank and IMF exhibit many common characteristics. Both are in a sense owned and directed by the governments of member nations. The People's Republic of China, by far the most populous state on earth, is a member, as is the world's largest industrial power (the United States). In fact, virtually every country on earth is a member of both institutions. Both institutions concern themselves with economic issues and concentrate their efforts on broadening and strengthening the economies of their member nations. Staff members of both the Bank and IMF often appear at international conferences, speaking the same recondite language of the economics and development professions, or are reported in the media to be negotiating involved and somewhat mystifying programs of economic adjustment with ministers of finance or other government officials. The two institutions hold joint annual meetings, which the news media cover extensively. Both have headquarters in Washington, D.C., where popular confusion over what they do and how they differ is about as pronounced as everywhere else. For many years both occupied the same building and even now, though located on opposite sides of a street very near the White House, they share a common library and other facilities, regularly exchange economic data, sometimes present joint seminars, daily hold informal meetings, and occasionally send out joint missions to member countries. Despite these and other similarities, however, the Bank and the IMF remain distinct. The fundamental difference is this: the Bank is primarily a development institution; the IMF is a cooperative institution that seeks to maintain an orderly system of payments and receipts between nations. Each has a different purpose, a distinct structure, receives its funding from different sources, assists different categories of members, and strives to achieve distinct goals through methods peculiar to itself.

### Framing

#### The framing for today’s debate should be cost-benefit analysis. If the con proves that the harms of the IMF are greater than the benefits, we should win

### Contention 1 is global democracy

#### The IMF’s policies promote racism and force developing countries to be dependent on the West.

Lukka 20

Priya Lukka. 10/6/20. Repairing harm caused: What could a reparations approach mean for the IMF and World Bank? *Brettonwoods Project.* <https://www.brettonwoodsproject.org/2020/10/repairing-harm-caused-what-could-a-reparations-approach-mean-for-the-imf-and-world-bank/>. TNJ 3/11/21

Priya is an accomplished development and humanitarian professional experienced in designing and implementing high level policy, advocacy and campaigning based on innovative economic thinking. Priya has extensive experience conducting large-scale programme reviews and evaluations in the context of large and complex humanitarian settings. She has also worked with policymakers and funders across the world on wide range of issues from indicators on inequality, the creation of Green and Decent Jobs, debt, cash programming and intersectional fiscal policy design. Priya was also the first-ever female Chief Development Economist for Christian Aid, leading relationships with the UN and The World Bank; providing her with the relationships and context needed to challenge unequal power at its heart.

Whilst commitments to look at internal anti-racism policies are important, these initial reflections have ignored the role that both institutions have played in the perpetuation of colonialism. Today, the Bretton Woods Institutions (BWIs) seem to frame racism in terms of its current and most obvious manifestations, rather than through a recognition of the wider historical context. In doing so, they ignore the link between colonialism and the development trajectory in the Global South, where the IMF and the World Bank have contributed to a structural economic dependency through the extraction of resources alongside the manufacture of debt, which has impeded the industrialisation, diversification, and ultimately, the political independence of many countries. It is time for the IMF and World Bank to understand their own responsibility and decolonise their approach. The dominant economic orthodoxy of the IMF and the World Bank posits that debt and economic development, as well as growth and poverty, can be held together in a nexus that just needs the right calibration to achieve progress for all. Thinking of this kind ignores the damage these institutions have done and the racism they have perpetuated that needs to be tackled and addressed. It is also incognisant of the fact that ‘inclusive growth’, a kind of growth that benefits the most marginalised groups in low and middle-income countries, whilst a useful utopia, fails to address the structural racism that itself stems from a colonial ideology that is hardwired into the operating models of both institutions and the economic models they support. It is time for the IMF and World Bank to understand their own responsibility and decolonise their approach.

#### The IMF supports right-wing dictatorships

Toussaint 20

Eric Toussaint is a historian and political scientist who completed his Ph.D. at the universities of Paris VIII and Liège, is the spokesperson of the CADTM International, and sits on the Scientific Council of ATTAC France. 4/9/20. World Bank and IMF support dictatorships. *Committee for the Abolition of Illegitimate Debt.* <https://www.cadtm.org/World-Bank-and-IMF-support-to-dictatorships> TNJ 3/11/21

To carry out this policy, the WB and the IMF have generalised a tactic: greater flexibility towards right-wing governments (less demanding in terms of austerity measures) facing a strong left opposition than to left-wing governments facing strong opposition from the right. Concretely, that means the IFI are more demanding and make life more difficult for left-wing governments to weaken them and ease the right’s path to power. According to the same logic, the IFI have made fewer demands on right-wing governments facing a left-wing opposition to avoid weakening them and preventing the left from coming to power. Monetarist orthodoxy has variable geometrics: the variations depend on many political and geopolitical factors. Some concrete cases - Chile, Brazil, Nicaragua, Zaire and Romania - provide cases in point: these are choices by both the WB and the IMF since these choices are determined, overall, by the same considerations and subject to the same influences. The IMF and WB did not hesitate to support dictatorships when they (and other major capitalist powers) found it opportune. The author of the Human Development Report published by [UNDP](https://www.cadtm.org/UNDP-United-Nations-Development) (1994 edition) says so in black and white: “But rhetoric is running far ahead of reality, as a comparison of the per capita [ODA](https://www.cadtm.org/ODA-Official-Development) received by democratic and authoritarian regimes shows. Indeed, for the United States in the 1980s, the relationship between aid and human rights has been perverse. Multilateral donors also seem not to have been bothered by such considerations. They seem to prefer martial law regimes, quietly assuming that such regimes will promote political stability and improve economic management. After Bangladesh and the Philippines lifted martial law, their shares in the total loans given by the WB declined". [[6](https://www.cadtm.org/World-Bank-and-IMF-support-to-dictatorships#nb6)]

#### Providing aid that supports abusive governments is morally wrong. The IMF and other donors have an ethical obligation to publicly denounce dictatorships and refuse aid.

Dasandi and Erez 17

Niheer Dasandi and Lior Erez. 9/29/2017. The donor’s dilemma: International aid and human rights violations. British journal of political science. <https://doi.org/10.1017/S0007123417000229> TNJ 3/19/21

Complicity dilemmas are cases in which, given the wrongdoings of the recipient government, the donor government action towards development goals either directly contributes causally to rights violations or provides implicit legitimation for them. The principal wrongdoer is the recipient government, since its violation of rights generates the dilemma. This violation of rights is not generated or constituted by the aid, and is not a means of achieving positive development outcomes. Therefore the problem donors face is that the funding they provide solidifies the power of the recipient government and provides it with legitimacy. Complicity is the most widely discussed normative context in the literature on the ethics of aid. A paradigmatic case is the abuse of international aid resources (provided by INGOs) in refugee camps in Zaire, Burundi and Tanzania during and immediately following the 1994 Rwandan genocide. [45](https://www-cambridge-org.ezproxy.lib.utah.edu/core/journals/british-journal-of-political-science/article/donors-dilemma-international-aid-and-human-rights-violations/3CEC94159C6EE101B30449FDD2103DC2#fn46) Members of the Hutu-dominated Rwandan Armed Forces, who sought to re-establish their military force, abused humanitarian aid and used civilians in the camps as human shields. As Rubenstein describes, ‘[S]hould humanitarian INGOs that are committed to acting consistently with democratic and egalitarian norms accept contributing knowingly but unintentionally to injustices committed primarily by other actors?’ [46](https://www-cambridge-org.ezproxy.lib.utah.edu/core/journals/british-journal-of-political-science/article/donors-dilemma-international-aid-and-human-rights-violations/3CEC94159C6EE101B30449FDD2103DC2#fn47) These cases are structurally similar to the complicity dilemmas of state donors, although arguably, unlike INGOs that only serve quasi-governmental functions, state donors have more direct responsibility for the political effects of their actions. This is because they are both able to exert more influence on recipient governments and are accountable to their publics. Therefore the threshold for complicity is lower. One possible way of identifying complicity is to track the causal contribution to the wrong committed by recipient governments. For example, as Peter Uvin demonstrates in Aiding Violence, French development aid in Rwanda was used to acquire weapons later used in the Tutsi genocide. [47](https://www-cambridge-org.ezproxy.lib.utah.edu/core/journals/british-journal-of-political-science/article/donors-dilemma-international-aid-and-human-rights-violations/3CEC94159C6EE101B30449FDD2103DC2#fn48) There is no question here that the principal wrongdoer is the Hutu government, of course, but as Uvin’s narrative demonstrates, France and other Western states can be seen as complicit in this wrong since aid money was flowing in even when there were clear warning signs of the real possibility of mass violence, such as the escalation of racialized propaganda. While providing external legitimacy to regimes that violate rights may not causally contribute to the rights violation directly, it can be considered a case of complicity. The most egregious recent examples were common during the Cold War, when Western aid – albeit with the ulterior intention of preventing the spread of communism – legitimized leaders who were on the ‘right’ side of the Iron Curtain, while at the same time strengthening their position vis-à-vis their internal opposition. The dictatorships of Mobutu Sese Seko in the Democratic Republic of the Congo and the Duvaliers in Haiti are glaring examples of Western failures to recognize this tension. For our purposes, the fact that the primary goal of aid during the Cold War was one of political influence rather than development is not significant; the structure of the dilemma remains the same. As is evident from the example of French aid to Rwanda, ignorance of causal mechanisms is not an excuse, given the responsibility of donor states for the effects of their actions. To avoid blind complicity, donors need to invest resources in working with local stakeholders who may provide valuable contextual knowledge, identify reasons for concern and make it possible to monitor the situation on the ground to avoid culpable ignorance. If and when complicity in rights violations is recognized, in most cases – at least in the short term – it is likely that the best course of action for donors is to detach; in other words, to withdraw aid and sever the causal or legitimizing contribution to the wrongdoing. This is clearly the case when the relative weight of the negative effect is considerably higher than any benefit generated by aid. Even in more nuanced cases, complicity in wrongdoing can undermine the positive effects of aid. [48](https://www-cambridge-org.ezproxy.lib.utah.edu/core/journals/british-journal-of-political-science/article/donors-dilemma-international-aid-and-human-rights-violations/3CEC94159C6EE101B30449FDD2103DC2#fn49) Nevertheless, conceptualizing the problem as a dilemma highlights the fact that withdrawing aid generates ‘moral remainders’, as the positive effect of development is now withdrawn. How best to address these remainders depends on the context – for example, whether aid was in place but then withdrawn, creating dependency. It would also not be enough simply to keep hands clean, especially in cases in which there was previous involvement; in these cases, there is a need to publicly denounce the recipient government’s wrongdoing, in addition to detaching.

### Contention 2 is the global economy

#### The IMF’s policies increase economic instability in the countries they loan to, even when those countries are relatively developed

Masters and Chatzky 20

Jonathan Masters and Andres Chatzky. 8/20/20. The IMF: the world’s controversial financial firefighter. Council on Foreign Relations. <https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter> TNJ 3/14/21

Jonathan Masters writes on foreign policy and national security and his work has appeared in Foreign Affairs, the Atlantic, and Bloomberg. Masters has a BA in political science from Emory University and an MA in social theory from the New School. Andrew Chatzky is a foreign service officer at the US department of state.

The IMF has drawn vocal criticism over the years. In his 2002 book, Globalization and Its Discontents, Nobel Prize–winning economist Joseph Stiglitz denounced the fund as a primary culprit in the failed development policies implemented in some of the world’s poorest countries. He argues that many of the economic reforms the IMF required as conditions for its lending—fiscal austerity, high interest rates, trade liberalization, privatization, and open capital markets—have often been counterproductive for target economies and devastating for local populations. The fund has also been criticized on the basis of overreach or “mission creep.” William Easterly makes this case in his 2006 account of the failures of Western aid to the undeveloped world, The White Man’s Burden. While he acknowledges some IMF successes in firefighting financial crises in Mexico and East Asian countries in the mid-1990s, he criticizes many of the fund’s interventions in severely impoverished countries, particularly in Africa and Latin America, as overly ambitious and intrusive. In addition, he describes many of the fund’s loan conditions and technical advice as out of touch with ground-level realities. In recent years, the IMF’s work in more advanced economies has drawn ire as well. In recent years, the IMF’s work in more advanced economies has drawn ire as well. Greece has been the most high-profile example, as troika-imposed austerity measures deepened the country’s economic contraction. In July 2015, popular discontent led to a “no” vote in a referendum on whether to accept the IMF’s loan conditions, which included raising taxes, lowering pensions and other spending, and privatizing industries. The government subsequently ignored the results and accepted the loans. However, the Greek case also saw the IMF soften its stance on austerity, at least compared with the European Commission and ECB. In 2016, senior IMF economists argued that more austerity would be counterproductive, and in 2018 the fund raised the alarm about the unsustainability of Greece’s debt burden, putting it at odds with the rest of the troika.

#### The IMF increases global economic inequality. Their structural adjustment requirements wreck the economies of recipient nations and harm poor citizens even more.

Brown 9

Chelsea Brown, 2009. Democracy’s friend or foe? The effects of recent IMF conditional lending in Latin America. International Political Science Review 30.4, pp. 434-435. <https://journals.sagepub.com/doi/pdf/10.1177/0192512109342522> TNJ 3/19/21

Structural reforms also result in several negative socioeconomic outcomes that generate social unrest and political opposition. Increasing unemployment and poverty rates, greater income inequality, and reduced social services result in the diminished living standards commonly observed after economic reform programs (Kurtz, 2004; Stallings and Peres, 2000). As detailed below, these socioeconomic outcomes generate grievances within the population and fuel unrest, which may compel the government to reduce civil liberties in an effort to maintain power. Structural reforms can also increase unemployment rates considerably. Rapid privatization, for example, provides ample opportunity for insider deals and the corrupt sale of government assets and often results in considerable workforce reduction as businesses struggle for profitability.4 Fiscal requirements to lower government expenditures usually result in the reduction of public sector employment.5 Small businesses are also vulnerable to the decreased demand and increased prices that adjustment brings, and engage in further labor cutbacks to offset the loss of revenue. Further, inflation control programs ordinarily involve interest rate hikes that stifle business development and hurt debtors. Finally, market liberalization results in a flood of international goods that may drive out domestic producers, particularly in agricultural sectors where subsidies are rife. Mexico’s corn producers, for example, were especially hurt by the influx of subsidized American produce. Increasing unemployment, combined with spending cuts and price increases, results in higher poverty rates (Crisp and Kelly, 1999). The removal of price controls and subsidies on food and energy push many into poverty as prices rise faster than incomes. Privatization of utilities and other essential services results in increased costs, as services that were previously provided at reduced rates are now offered at market cost. Economic austerity packages also exert a more adverse effect on traditionally weaker groups, such as women, children, and the elderly (Walton and Shefner, 1994). Some also assert that IMF programs exacerbate income distribution disparity (Garuda, 2000; Vreeland, 2003). Market reform programs tend to disproportionately benefit export-oriented industries while marginalizing other domestic sectors. Trade liberalization tends to favor skilled and educated workers over other laborers, further distorting the distribution of income. Structural reforms undermine the ability of the state to protect the citizens affected by negative economic consequences in several ways. Trade liberalization eliminates tariffs as a source of government revenues and higher tax rates may not compensate for the lost income. Greater portions of government resources are simultaneously funneled into debt-reduction programs, leaving less money for long-term investments such as infrastructure. State services that are expected by the populace (e.g. health care and public education) also suffer as funding dwindles. While the socioeconomic consequences of structural reform present reason enough to give policy-makers pause, IMF lending practices also have a mixed track record on their primary goal, generating overall economic growth. Several recent studies have shown that IMF conditionality did not result in economic growth, even when accounting for possible selection bias.6 In Latin America, the required reforms did not improve economic growth. Instead, they actually decreased it (Stiglitz, 2002).

#### Economic inequality leads to global economic instability

Saith 2011

Ashwani Saith, professor of rural economics at the Institute of Social Studies, The Hague, and Professor of Development Studies at the London School of Economics. 2011. Inequality, Imbalance, Instability: Reflections on a Structural Crisis. Development and Change 42(1), pp. 71-72. <https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1467-7660.2011.01705.x> TNJ 3/22/21

Third, there is a powerful case that high and unwarranted inequalities are both instrumentally, as well as intrinsically, toxic. Given the multiple complexities mentioned at the outset, such arguments cannot be easily closed, and unavoidably incorporate elements of ethical value judgements. Yet, this line of critique effectively highlights the role of extreme inequality in the erosion of institutional norms and behaviour and the subversion of government, as those at the top end of inequality use all the instruments of power that extreme wealth puts at their command to protect and perpetuate their position in economy, polity and society. Fourth, the present conjuncture of multiple global crises has thrown up credible evidence that inequality is not just a burning contextual feature, or exclusively a downstream outcome issue, but a crucial upstream, causal factor in the pathology of the financial meltdown. This constitutes a powerful instrumental critique on a global scale: inequality as not simply an outcome of globalization, but a vital structural causal factor responsible for the financial crisis. Indeed, this chain of causation includes the wilful subversion of institutional and government mechanisms of regulation, monitoring and accountability.

#### Economic crises lead to global conflict

Liu 18

Qian Liu. Economist, Project Syndicate. 11/8/2018. From economic crisis to World War III. Project Syndicate. <https://www.project-syndicate.org/commentary/economic-crisis-military-conflict-or-structural-reform-by-qian-liu-2018-11> TNJ 3/22/21

The response to the 2008 economic crisis has relied far too much on monetary stimulus, in the form of quantitative easing and near-zero (or even negative) interest rates, and included far too little structural reform. This means that the next crisis could come soon – and pave the way for a large-scale military conflict. BEIJING – The next economic crisis is closer than you think. But what you should really worry about is what comes after: in the current social, political, and technological landscape, a prolonged economic crisis, combined with rising income inequality, could well escalate into a major global military conflict. The 2008-09 global financial crisis almost bankrupted governments and caused systemic collapse. Policymakers managed to pull the global economy back from the brink, using massive monetary stimulus, including quantitative easing and near-zero (or even negative) interest rates. But monetary stimulus is like an adrenaline shot to jump-start an arrested heart; it can revive the patient, but it does nothing to cure the disease. Treating a sick economy requires structural reforms, which can cover everything from financial and labor markets to tax systems, fertility patterns, and education policies.1 Policymakers have utterly failed to pursue such reforms, despite promising to do so. Instead, they have remained preoccupied with politics. From Italy to Germany, forming and sustaining governments now seems to take more time than actual governing. And Greece, for example, has relied on money from international creditors to keep its head (barely) above water, rather than genuinely reforming its pension system or improving its business environment. The lack of structural reform has meant that the unprecedented excess liquidity that central banks injected into their economies was not allocated to its most efficient uses. Instead, it raised global asset prices to levels even higher than those prevailing before 2008. In the United States, housing prices are now 8% [higher](https://www.zillow.com/home-values/) than they were at the peak of the property bubble in 2006, according to the property website Zillow. The price-to-earnings (CAPE) ratio, which measures whether stock-market prices are within a reasonable range, is now [higher](http://www.multpl.com/shiller-pe/) than it was both in 2008 and at the start of the Great Depression in 1929. As monetary tightening reveals the vulnerabilities in the real economy, the collapse of asset-price bubbles will trigger another economic crisis – one that could be even more severe than the last, because we have built up a tolerance to our strongest macroeconomic medications. A decade of regular adrenaline shots, in the form of ultra-low interest rates and unconventional monetary policies, has severely depleted their power to stabilize and stimulate the economy. If history is any guide, the consequences of this mistake could extend far beyond the economy. According to Harvard’s Benjamin Friedman, [prolonged periods](https://scholar.harvard.edu/files/bfriedman/files/the_moral_consequences_of_economic_growth_0.pdf) of economic distress have been characterized also by public antipathy toward minority groups or foreign countries – attitudes that can help to fuel unrest, terrorism, or even war. For example, during the Great Depression, US President Herbert Hoover signed the 1930 Smoot-Hawley Tariff Act, intended to protect American workers and farmers from foreign competition. In the subsequent five years, global trade shrank by two-thirds. Within a decade, World War II had begun. To be sure, WWII, like World War I, was caused by a multitude of factors; there is no standard path to war. But there is reason to believe that high levels of inequality can play a significant role in stoking conflict.3 According to [research](http://www.hup.harvard.edu/catalog.php?isbn=9780674430006) by the economist Thomas Piketty, a spike in income inequality is often followed by a great crisis. Income inequality then declines for a while, before rising again, until a new peak – and a new disaster. Though causality has yet to be proven, given the limited number of data points, this correlation should not be taken lightly, especially with wealth and income inequality at historically high levels. This is all the more worrying in view of the numerous other factors stoking social unrest and diplomatic tension, including technological disruption, a record-breaking migration crisis, anxiety over globalization, political polarization, and rising nationalism. All are symptoms of failed policies that could turn out to be trigger points for a future crisis. Voters have good reason to be frustrated, but the emotionally appealing populists to whom they are increasingly giving their support are offering ill-advised solutions that will only make matters worse. For example, despite the world’s unprecedented interconnectedness, multilateralism is increasingly being eschewed, as countries – most notably, Donald Trump’s US – pursue unilateral, isolationist policies. Meanwhile, proxy wars are raging in Syria and Yemen. Against this background, we must take seriously the possibility that the next economic crisis could lead to a large-scale military confrontation. By the [logic](http://www.simonandschuster.com/books/The-Clash-of-Civilizations-and-the-Remaking-of-World-Order/Samuel-P-Huntington/9781451628975) of the political scientist Samuel Huntington , considering such a scenario could help us avoid it, because it would force us to take action. In this case, the key will be for policymakers to pursue the structural reforms that they have long promised, while replacing finger-pointing and antagonism with a sensible and respectful global dialogue. The alternative may well be global conflagration.

## Other Cards

### EXT: Global Democracy

#### The IMF is a colonial institution that uses monetary policy to support totalitarian government.

Toussaint 20

Eric Toussaint is a historian and political scientist who completed his Ph.D. at the universities of Paris VIII and Liège, is the spokesperson of the CADTM International, and sits on the Scientific Council of ATTAC France. 4/9/20. World Bank and IMF support dictatorships. *Committee for the Abolition of Illegitimate Debt.* <https://www.cadtm.org/World-Bank-and-IMF-support-to-dictatorships> TNJ 3/11/21

In 2020, the World Bank (WB) and the IMF are 76 years old. These two international financial institutions (IFI), founded in 1944, are dominated by the USA and a few allied major powers who work to generalize policies that run counter the interests of the world’s populations. The WB and the IMF have systematically made loans to States as a means of influencing their policies. Foreign indebtedness has been and continues to be used as an instrument for subordinating the borrowers. Since their creation, the IMF and the WB have violated international pacts on human rights and have no qualms about supporting dictatorships. A new form of decolonization is urgently required to get out of the predicament in which the IFI and their main shareholders have entrapped the world in general. New international institutions must be established. This new series of articles by Éric Toussaint retraces the development of the World Bank and the IMF since they were founded in 1944. The articles are taken from the book The World Bank: a never-ending coup d’état. The hidden agenda of the Washington Consensus, Mumbai: Vikas Adhyayan Kendra, 2007, or The World Bank : A critical Primer Pluto, 2007.

#### The IMF engages in discriminatory lending practices that privilege countries with ties to the US and Western Europe

Barro and Lee 5

Robert J. Barro, Department of Economics, Harvard, and Jong-Wha Lee, Department of Economics, Korea University. 10/10/2005. IMF programs: Who is chosen and what are the effects? Journal of Monetary Economics. <https://www.nber.org/papers/w8951> TNJ 3/19/21

We extend the previous literature by including a number of institutional and political-economy variables as determinants of IMF lending. The first institutional variable is the country’s share of IMF quotas. The quota measures a country’s voting power at the IMF and also matters directly for a portion of the lending available to a member. Our hypothesis is that, for given economic conditions, a higher country quota raises the probability and size of an IMF loan. In practice, quotas are persistent over time, with much of the allocations determined by the rules set out in 1944 at Bretton Woods. Basically, economically larger countries get larger quotas, but the concept of economically large involves the long ago past, rather than the present. For our purposes, we are most interested in countries that have unusually high or low current quotas, relative to their economic sizes. To get a sense of the outliers, we ran an OLS regression of IMF quota shares in 2000 on the levels of total and per capita GDP in 1995.6 The residuals from this regression show that the countries that were most overweighted on quotas were the United Kingdom, France, Russia, and Venezuela. The most under-weighted were China, South Korea, Hong Kong, and Taiwan. (Hong Kong and Taiwan, as non-members, have zero quotas.) The second institutional variable is the share of a country’s nationals among the IMF professional staff of economists. Officially, to avoid conflicts of interest, the IMF does not allow staff members to have direct influence on lending decisions for their home countries.7 However, from the standpoint of having good information, the IMF often seeks input from the nationals of a target country. Therefore, although own nationals cannot work directly as desk economists or mission team members for their home countries, these nationals are often sought out for comments on country programs. In addition, the presence of own nationals on the staff can help a country to get more access to inside information and, thereby, make it easier to negotiate with the IMF on the terms of a program. Our hypothesis is that, for given economic conditions, a larger national staff at the IMF raises the probability and size of a loan.8 We measured the staff for each country by the number of home-country nationals currently working for the Fund. Unfortunately, we lack the information to refine the staff data to consider ranks of positions. Also, it would be interesting to consider the number of ex IMF staff economists who currently work in the governments of their home countries. However, we lack the information to make this extension. As with quotas, the number of nationals working at the IMF tends to reflect the economic sizes of countries (although the fit for staffs turns out to be substantially poorer than that for quotas). For our purposes, we are most interested in countries that have surprisingly high or low staffs. To get a sense of these outliers, we ran another OLS regression, this time for IMF staff shares in 2000 on levels of total and per capita GDP in 1995. The residuals from this regression show that the countries that were most overweighted on the IMF staff were the United Kingdom, France, India, Canada, and Peru. Those that were most under-weighted were China, Japan, Indonesia, Taiwan, and Hong Kong. One concern is that the number of country nationals on the IMF staff is endogenously determined by the country’s experience with IMF programs, rather than the reverse. However, a country’s history of IMF program turns out not to have much impact on the hiring of that country’s nationals—the lagged loan-participation rate lacks significant explanatory power for the size of the national staff.9 The IMF is also a political organization governed by its major shareholders. A common claim is that the IMF plays the roles best suited to the national interests of the United States. In the Cold War era, the IMF often supported countries—such as Argentina, Egypt, the Philippines, and Zaire—that were important to the United States for foreign policy reasons, despite the lack of effective reform programs (see Krueger, 1998; Bordo and James, 2000). This sort of political influence was clear in the 1994 Mexican crisis, where the IMF approved a loan of unprecedented scale, $17.8 billion. The loan approval process featured intense lobbying by the U.S. government, including an incident where the Clinton Administration’s pressure for rapid action was so strong that the usual minimal notice to executive directors was not given. In protest, some European directors abstained in the voting (Krueger, 1998). As another example of U.S. influence, in December 1997, the IMF approved a record-breaking loan to South Korea, $21 billion. In this case, the U.S. Treasury and the IMF apparently collaborated to work out the form of the package (Blustein, 2001). We use as a proxy for a country’s political proximity to the United States the fraction of the votes that each country cast in the U.N. General Assembly along with the United States.10 We construct analogous variables for France, Germany, and the United Kingdom. Our hypothesis is that greater political proximity to the United States and the major Western European countries raises the probability and size of IMF loan programs. A study by Thacker (1999) used a different form of U.N. voting variable to investigate the U.S. influence over the IMF’s lending decisions.11 U.N. voting variables have also been used by Ball and Johnson (1996) and Alesina and Dollar (2000) to explain foreign-aid patterns. We measure economic proximity to the United States by the ratio of the country’s bilateral trade with the United States to the country’s GDP. We construct analogous variables for the three Western European countries. Our hypothesis is that greater trade intensity with the United States and the European countries raises the probability and size of IMF loan programs.12

#### The IMF negotiation practice is inherently undemocratic, and their structural adjustment requirements create social unrest that destabilizes democracy in recipient nations.

Brown 9

Chelsea Brown, 2009. Democracy’s friend or foe? The effects of recent IMF conditional lending in Latin America. International Political Science Review 30.4, pp. 433-434. <https://journals.sagepub.com/doi/pdf/10.1177/0192512109342522> TNJ 3/19/21

The question of the relationship between democracy and IMF programs is a contentious one, to say the least. Democratic development was not an original goal of the institution, and loans are not contingent on regime type.3 Previous studies show that the IMF historically favors authoritarian regimes over democracies when deciding on loans, perhaps because dictatorships are more capable of implementing unpopular reforms (Przeworski and Vreeland, 2000). Despite this evidence, advocates of structural adjustment requirements maintain that they ultimately promote democracy. Economic development is strongly associated with democratic development, a fact that has not gone unnoticed by researchers (Lipset, 1959; Przeworski et al., 2000; Rueschmeyer et al., 1992). If economic growth promotes democracy, then IMF programs may indirectly promote democracy by setting the stage for economic and political stability (Abouharb and Cingranelli, 2006, 2007; Remmer, 1995). Ethier (2003) also argues that the conditions required by international lenders are more likely to promote democracy than other incentives because they require institutional changes that can increase representation and participation. Industrial reform may also further the democratic cause; privatization of state-owned corporations may reduce the opportunity for graft and reduce corruption (Van de Walle, 1989). Conversely, conditional lending may be deleterious to democracy. Conditional lending entails a reduction of government sovereignty in several policy areas. By binding governments to particular actions, conditional lending effectively eliminates any domestic input into the policy process. While this loss of control may be intentional on the part of government, it is inherently antidemocratic. Most loan agreements are negotiated between the executive and officials at the IMF without the input of the legislature (Alexander, 2006). Since the legislative branch is most strongly linked to constituent demands, the loan negotiation process effectively circumvents the mechanisms by which the electorate can realize their policy preferences. Structural reforms also result in several negative socioeconomic outcomes that generate social unrest and political opposition. Increasing unemployment and poverty rates, greater income inequality, and reduced social services result in the diminished living standards commonly observed after economic reform programs (Kurtz, 2004; Stallings and Peres, 2000). As detailed below, these socioeconomic outcomes generate grievances within the population and fuel unrest, which may compel the government to reduce civil liberties in an effort to maintain power.

#### IMF financial and institutional reforms negatively affect democratic development.

Brown 9

Chelsea Brown, 2009. Democracy’s friend or foe? The effects of recent IMF conditional lending in Latin America. International Political Science Review 30.4, pp. 440. <https://journals.sagepub.com/doi/pdf/10.1177/0192512109342522> TNJ 3/19/21

My theory suggests that IMF loans may have a negative impact on democracy, with higher numbers of reforms resulting in lower levels of democracy. I further hypothesized that fiscal and social reforms would have a negative impact on democracy, while institutional and legal reforms would have a positive effect. The results, while providing some support for these ideas, do not conform entirely to these expectations. The simple presence or absence of an IMF loan does not have a significant effect on democracy. When more reforms are required as part of the loan package, however, the effects on democracy are significant and generally negative. The type of reform also matters: fiscal reforms have a significant and negative effect on democracy, but changes to social policies are positively associated with democracy. Legal and institutional reforms show a significant and unexpected effect; they exert a negative influence on democratic development in a nation.18

#### The IMF’s attempts at economic liberalization destabilize recipient countries politically

Hartzell et al 10

Carolie A. Hartzell, Matthew Hoddie, and Molly Bauer. Economic liberalization via IMF structural adjustment: Sowing the seeds of civil war? International Organization 64.2 pp. 352-353. <https://www.jstor.org/stable/40608018> TNJ 3/19/21

The results we present in this research note provide support for the claim that governments that adopt an IMF-led path to liberalization are likely to be at greater risk for experiencing the onset of civil war. This finding simultaneously builds on and adds complexity to earlier scholarly claims regarding the hypothesized relationships between economic openness and civil war. The argument that economic openness has some effect on the onset of civil war is premised on the belief that different economic structures - relatively closed economies versus more open economies - produce different sets of winners and losers within societies. What theories relating economic openness to civil conflict have not made clear, however, is why one should expect the mix of winners and losers characteristic of one type of economic structure to be the source of more (or less) civil war than the groups of winners and losers that are typical of the opposing type of economic structure. Rather than focusing on degrees or levels of openness, we contend that the IMF-guided process of liberalization generates new losers at a rate with which a state with weakening powers is incapable of contending. It is as these the opportunity costs of conflict initiation decline that the risk of civil war onset rises. Ultimately, this study emphasizes the need to identify a means of ensuring that the promotion of two important goals - economic development and civil peace - does not prove antithetical. In light of the problems that may be inherent in the liberalization programs promoted by the IFIs, there is a vital need to identify alternative means of promoting economic growth in states that are often desperate for development. Finding alternatives to the approach to economic liberalization favored by the IMF appears crucial to ensuring the success of efforts to escape the trap of grinding poverty and recurrent conflict in which so many countries find them- selves mired.

Too much of America’s foreign aid funds what I call authoritarian development. That’s when the international community–experts from the U.N. and other bodies–swoop into third-world countries and offer purely technical assistance to dictatorships like Uganda or Ethiopia on how to solve poverty.

#### IMF policies create conditions for increased human rights abuses

Detraz and Peksen 16

Nicole Detraz and Dursun Peksen, Memphis University. 2016. The effect of IMF programs on women’s economic and political rights. *International Interactions 42*(1), p. 88 <https://www.tandfonline.com/doi/full/10.1080/03050629.2015.1056343> TNJ 3/22/21

There is also substantial evidence that IMF programs might contribute to the rise of political repression such as political arrests, censorship, and extrajudicial killing (Abouharb and Cingranelli 2007, 2009; Franklin 1997). Political unrest and violence in the presence of IMF arrangements threaten domestic stability and the government’s authority to rule (Mantanika and Kouki 2011). Such instabilities create more incentives for the government to pursue repressive policies to eliminate domestic instabilities and restore order (Abouharb and Cingranelli 2007). Even if states fail to fully implement all of the conditions of IMF programs, the mere negotiation of the programs and rather small-scale neoliberalization reforms can cause greater government repression by angering individuals who resent intervention by external actors and increasing the need for governments to raise revenue through taxes on their populations and spending cuts (Abouharb and Cingranelli 2009). Specifically, political violence along with reductions in public spending that accompanies the implementation of IMF arrangements would reduce the government’s capacity to promote and protect women’s political rights. As discussed earlier, previous research has established a strong association between state capacity and the enforcement of human rights in general (Abouharb and Cingranelli 2007, 2009; Englehart 2009). If states lack enough resources to effectively police their citizens and control the state and private agents, we expect governments to be less likely to enforce women’s political rights. Additionally, as the political order dissolves and human rights abuses rise, the political environment in recipient countries will be less conducive for governments to ensure that women enjoy some political rights such as the right to join political parties, to petition government officials, and to form women’s rights organizations that advocate more presence of women in the political sphere. Previous research explains that women’s political and socioeconomic well-being deteriorate during times of violence and repression because of the persistence of both structurally unequal access to economic and political resources and gender-based discrimination prevalent in hierarchical social settings (Caprioli 2005; Enloe 2000, 2010; Tickner 2001).

### EXT: Global Economy

#### The IMF’s austerity policies have caused major economic instability – Mexico and Asia both experienced recessions as a result of IMF interference in the 1990s.

Hessler 18

Uwe Hessler. 4/9/2018. IMF bailouts – roads to stability or recipes for disaster? Deutsce Welle (DW). <https://www.dw.com/en/imf-bailouts-roads-to-stability-or-recipes-for-disaster/a-45338114> TNJ 3/19/21

In response to the Latin American financial crisis in the 1990s, however, the IMF changed its policy, implementing what's become known as "the Washington Consensus" — a policy demanding structural reforms that increased the role of market forces in exchange for immediate financial help. Originally set out by British economist John Williamson in 1989, the principles included lower government borrowing to discourage high fiscal deficits, cuts in government subsidies and lower corporate taxes. Other "structural adjustments" recommended were freely-floating currency exchange rates, free trade policies, relaxing rules that hamper foreign direct investment and competition, as well as the privatization of public assets. The neoliberal economic policies proposed in the Washington Consensus have since become pillars of bailout conditions enforced not only by the IMF, but also by its Washington-based offspring, the World Bank. One size fits all Joseph Stiglitz, chief economist at the World Bank between 1997 and 2000, had serious doubts about the viability of the new doctrine. Although noting at the time that this policy was appropriate for some Latin American countries, it "didn't make sense to apply it blindly to other countries." Stiglitz also said that although the IMF was funded by money from taxpayers, it was not held accountable to their interests, "which clearly identifies the problem of governance as one of the prime problems with the IMF for taxation without representation." In 1995, Mexico was hailed as a shining example of the IMF's new policy, as the country had repaid a bailout package to the tune of $52 billion (€45 billion). But it would take only a few years that its failures became obvious. Mexico's citizens suffered a sharp decline in real per capita income, which in 1998 had fallen back to a level last seen in 1974. From the end of 1994 to the end of 1996, Mexico added $560 billion to its total external debt because the government bailed out mainly commercial banks to the tune of $545 billion by buying all their bad loans. Some economists even regard the legacy of the bailouts in Latin America as the beginning of the financial crisis in Asia in the late 1990s. They claim that the IMF had sent a clear signal to the world that if anything goes wrong, the lender would come to the rescue of investors. Asia crisis made worse The late 1990s Asian financial crisis was caused in large part by South Korea, Thailand, the Philippines, Malaysia and Indonesia's heavy reliance on short-term foreign loans and openness to hot money. When it became apparent in 1997 that private enterprises would not be able to meet their payment obligations, international currency markets panicked and Asian currencies plummeted. The IMF treated the Asian meltdown like other emergency situations, giving assistance only in exchange for structural adjustment policies. The Fund instructed governments to cut spending, with the result that this deepened the economic slowdown. In South Korea, for example, a country whose income approaches European levels, unemployment skyrocketed from approximately 3 percent to 10 percent. "IMF suicides" became common among workers who had lost their jobs and dignity. In Indonesia, the worst-hit country, poverty rates rose from an official level of 11 percent before the crisis to 40 to 60 percent, and GDP declined by 15 percent in one year. Malaysia stood out as a country that refused IMF assistance and advice. Instead of further opening its economy, Malaysia imposed capital controls, in an effort to eliminate speculative trading in its currency. While the IMF mocked this approach when adopted, the Fund later admitted that it succeeded.

#### The IMF’s programs are counterproductive – they require austerity measures that throw developing countries into economic crises.

Weisbrot 19

Mark Weisbrot, co-director of the center for economic and policy research in Washington. 8/27/19. The IMF is hurting countries it claims to help. The guardian. <https://www.theguardian.com/commentisfree/2019/aug/27/imf-economics-inequality-trump-ecuador> TNJ 3/14/21

To see what the problem looks like, consider a recent IMF loan. In March, Ecuador signed an [agreement](https://www.imf.org/en/Publications/CR/Issues/2019/03/20/Ecuador-Staff-Report-for-the-2019-Article-IV-Consultation-and-Request-for-an-Extended-46682) 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 arrangement. In the words of Christine Lagarde – then the IMF chief – this was “a comprehensive 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](https://www.theguardian.com/world/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 recession. 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. Unemployment will rise – even the IMF program projections acknowledge that – and so will poverty. One reason that it will likely turn out much worse than the IMF projects is that the program [relies](http://cepr.net/publications/reports/headwinds-to-growth-the-imf-program-in-ecuador) 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 errors, and sadly they all go in the same direction. It seems that the program’s “expansionary 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 separation of the central bank from other government decision-making – will make economic recovery even more difficult.

### Add-on: Disaster response

#### The IMF’s policies slow global responses to pandemics and the climate crisis

Lukka 20

Priya Lukka. 10/6/20. Repairing harm caused: What could a reparations approach mean for the IMF and World Bank? *Brettonwoods Project.* <https://www.brettonwoodsproject.org/2020/10/repairing-harm-caused-what-could-a-reparations-approach-mean-for-the-imf-and-world-bank/>. TNJ 3/11/21

Priya is an accomplished development and humanitarian professional experienced in designing and implementing high level policy, advocacy and campaigning based on innovative economic thinking. Priya has extensive experience conducting large-scale programme reviews and evaluations in the context of large and complex humanitarian settings. She has also worked with policymakers and funders across the world on wide range of issues from indicators on inequality, the creation of Green and Decent Jobs, debt, cash programming and intersectional fiscal policy design. Priya was also the first-ever female Chief Development Economist for Christian Aid, leading relationships with the UN and The World Bank; providing her with the relationships and context needed to challenge unequal power at its heart.

As colonial independence movements gained momentum, the IMF was set up to preserve economic stability, in particular the centres of capital, while the World Bank was set up to drive the post-war recovery, initially focused only on the reconstruction of Europe. Both institutions were key in embedding and ensuring a hegemony that had racial demarcations in the aftermath of World War II. Unequal power relations that were explicitly racist shaped the mindset behind the earliest development policies. In the 1900s, the ‘British Colonial Office’ formulated a theory of development rooted in the interpretation of colonial populations, who at the time were deemed biologically and culturally ill-equipped to stimulate their own viable economic trajectories. From early colonialism in the 15th century to neocolonialism from the 1950s onwards (when many African colonies began to gain formal independence from European control), to neoliberalism from the 1980s onwards, enshrined in Structural Adjustment Programmes centred around policies of debt, each phase has further compounded these power dynamics. The IMF and the World Bank’s policies have in fact ossified the structures of power rooted in colonialism and expropriation by use of political, mental, economic, social, military and technical forms of domination, often enabled through the manipulation and co-optation of local elite forces. In response to the debt crises of the 1980s, which was itself a reflection of these forms of control, they introduced neoliberal reform packages conditioned on borrowing countries implementing economic stabilisation, liberalisation, deregulation and privatisation policies, with the idea that free markets could be a panacea for all. This included the establishment of the US dollar as the world’s reserve currency in the 1970s, with US debt acting as a vector of its power, while the debts of low and middle-income countries made them subject to creditors and conditionality imposed by the BWIs and compounded unequal power dynamics. The Covid-19 pandemic provides a clear and current example of the consequences of the perpetuation of this power. Many countries are struggling to respond to the health and economic consequences of the pandemic with limited resources to support health systems decimated by earlier [neoliberal policies](https://www.thelancet.com/journals/langlo/article/PIIS2214-109X%2814%2970377-8/fulltext) in many cases. If a new allocation of Special Drawing Rights (SDRs) had been made in April 2020, accompanied by a mechanism that allowed for their fair redistribution or by policies allowing lending quota limits to be exceeded, many low-income countries in particular would have had a better chance at tackling the current crisis. Instead, just one country – the US – [was able](https://www.brettonwoodsproject.org/2020/04/spring-meetings-2020-wrap-up-will-this-change-everything-apparently-not/) to stop this from happening, while also unilaterally [quashing](https://www.brettonwoodsproject.org/2019/12/imf-voting-rights-redistribution-blocked-by-the-us/) broader reforms to IMF quota shares last year. Much of the work of the IMF and World Bank fails to address the fact that the poorest income deciles and the most vulnerable are left behind – which includes formerly colonised communities. “Stop the maangamizi [a Kiswahili term meaning holocaust of forms of enslavement]: We charge genocide and ecocide” is a current international [campaign](https://stopthemaangamizi.com/) (initiated by PARCOE – the Pan-Afrikan Reparations Coalition in Europe) representing a coalition of movements. The justification for this campaign is evident. In social protection debates, despite much work that [points to](https://www.brettonwoodsproject.org/2018/03/pro-poor-anti-poor-world-bank-imfs-approach-social-protection/) exclusion errors in the range of 40 to 90 per cent for targeted social protection, the IMF continues its dogmatic allegiance to economic efficiency over equity in arguing that such schemes are more effective than universal coverage. In the case of Tanzania, a former German colony where the present value of external debt [stands](https://openknowledge.worldbank.org/bitstream/handle/10986/32382/9781464814617.pdf) at $6.8 billion to the World Bank alone, when the BWIs were negotiating debt relief for the country in 2007, they made it conditional on the [privatisation](https://www.theguardian.com/business/2007/aug/16/imf.internationalaidanddevelopment) of Dar es Salaam’s water system. City Water, the British and German-led consortium who won the contract, then severely reduced water access to some of the world’s poorest people. [Data](https://gain.nd.edu/our-work/country-index/rankings/) show that countries that were colonial ‘subjects’ are more exposed to climate change and correspondingly, those countries that were former colonisers are the least vulnerable to ecological catastrophe. These dynamics are relevant in considering that the World Bank’s climate work has obscured continued support for business-as-usual extractive economies in many [contexts](https://www.brettonwoodsproject.org/wp-content/uploads/2019/10/Bruce-Rich.pdf). For example, in 2008, the US, UK, Japan and other industrialised countries asked the World Bank to administer the largest part of $6.7 billion in several Climate Investment Funds to developing nations for clean-energy investments and other programmes to address climate change. The World Bank Group simultaneously went on a coal lending spree, [approving](https://www.brettonwoodsproject.org/wp-content/uploads/2019/10/Bruce-Rich.pdf) $6.75 billion for coal plants in the Philippines, Chile, Botswana, India, and South Africa (see Briefing, [The World Bank and the environment: A legacy of negligence, reform, and dysfunction](https://www.brettonwoodsproject.org/wp-content/uploads/2019/10/Bruce-Rich.pdf)).

#### Global warming poses an existential threat to human civilization

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May 2019. Existential climate-related security risk: A scenario approach. National Centre for Climate Restoration. <https://docs.wixstatic.com/ugd/148cb0_90dc2a2637f348edae45943a88da04d4.pdf> TNJ 3/14/21

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An existential risk to civilisation is one posing permanent large negative consequences to humanity which may never be undone, either annihilating intelligent life or permanently and drastically curtailing its potential. With the commitments by nations to the 2015 Paris Agreement, the current path of warming is 3°C or more by 2100. But this figure does not include “long-term” carbon-cycle feedbacks, which are materially relevant now and in the near future due to the unprecedented rate at which human activity is perturbing the climate system. Taking these into account, the Paris path would lead to around 5°C of warming by 2100. 7 Scientists warn that warming of 4°C is incompatible with an organised global community, is devastating to the majority of ecosystems, and has a high probability of not being stable. The World Bank says it may be “beyond adaptation”. But an existential threat may 8 also exist for many peoples and regions at a significantly lower level of warming. In 2017, 3°C of warming was categorised as “catastrophic” with a warning that, on a path of unchecked emissions, low-probability, high-impact warming could be catastrophic by 2050. 9 The Emeritus Director of the Potsdam Institute, Prof. Hans Joachim Schellnhuber, warns that “climate change is now reaching the end-game, where very soon humanity must choose between taking unprecedented action, or accepting that it has been left too late and bear the consequences.” He says 10 that if we continue down the present path “there is a very big risk that we will just end our civilisation.

### Add-On: Gender inequality

#### IMF loans harm women’s rights in recipient countries

Detraz and Peksen 16

Nicole Detraz and Dursun Peksen, Memphis University. 2016. The effect of IMF programs on women’s economic and political rights. *International Interactions 42*(1), pp. 83-84. <https://www.tandfonline.com/doi/full/10.1080/03050629.2015.1056343> TNJ 3/22/21

In this study, we maintain that IMF programs are likely to decrease the extent of government respect for women’s economic and political rights. Since the policy reforms attached to IMF loans might undermine state capacity and increase political repression, in addition to disproportionately hurting women, we assert that the level of respect for women’s rights will worsen in the presence of IMF arrangements. We substantiate the theoretical claims using data of over 115 low- and middle-income countries for the years from 1981 to 2004. The results suggest that IMF programs reduce the level of respect for women’s economic rights while having no discernible effect on women’s political rights. The results also indicate that the hypothesized impact of IMF arrangements is not conditioned by political regime type and economic wealth of the recipient countries.

#### IMF structural adjustments harm women’s access to employment

Detraz and Peksen 16

Nicole Detraz and Dursun Peksen, Memphis University. 2016. The effect of IMF programs on women’s economic and political rights. *International Interactions 42*(1), pp. 84-85. <https://www.tandfonline.com/doi/full/10.1080/03050629.2015.1056343> TNJ 3/22/21

Earlier research suggests that the implementation of IMF programs weakens the government’s ability to enforce human rights protection (Abouharb and Cingranelli 2007, 2009; Donnelly 2003).3 A transfer of power from the state to the market can cause increases in economic and other rights abuses mainly because a strong state that can occasionally intervene in the market is key to the protection of human rights (Donnelly 2003, 2013; Englehart 2009). States establish and maintain institutions to safeguard various forms of human rights. For example, in the case of physical integrity rights, these institutions can include the police and the military but also the institutions that monitor the activities of the above mentioned so that the government can constrain their behavior. In the area of economic rights, Abouharb and Cingranelli (2009:50) note that “the protection of worker rights in general, and women’s economic rights, in particular, requires that government regulate the relationship between workers and employers.” Hence, the reductions of government spending and the subsequent decrease in state capacity that accompanies the adoption of structural adjustment policies undermine governments’ capacity such as staff and resources in order to enforce women’s economic rights. Further, the IMF strategies that governments are encouraged to adopt in order to address economic crises have specific gendered impacts. In particular, privatization might adversely affect the level of respect for women’s economic rights. Privatization is considered an important element of structural reform programs.4 It is expected to help governments (1) accomplish more economic efficiency by eliminating public enterprises with poor performance and (2) generate more revenue to finance their short- and midterm fiscal deficits. There are a number of ways in which privatization is detrimental to women’s economic status. First, the state sector has often employed women in greater numbers than other sectors of economies (Elson 1991; Sparr 1994; True 2012). When privatization moves jobs from the public sector to the private sector, it reduces women’s employment and increases the possibility of more gendered economic discrimination. With regard to women’s economic rights in specifically, government-led privatization processes might result in an inability or unwillingness of governments to strongly enforce human rights protections. For example, governments might not be in a position to enforce policies that require private companies to pay women equally to their male counterparts or not discriminate against women in hiring, promotion, and firing practices. Governments have greater levels of control over public sector employment than they do in the private sector. This will, in turn, impact their ability to intervene in the affairs of private companies.

#### IMF policies force women into unsafe and abusive jobs

Detraz and Peksen 16

Nicole Detraz and Dursun Peksen, Memphis University. 2016. The effect of IMF programs on women’s economic and political rights. *International Interactions 42*(1), pp. 86-87. <https://www.tandfonline.com/doi/full/10.1080/03050629.2015.1056343> TNJ 3/22/21

Even in instances where IMF-approved policies led to some increases in women’s employment, women’s economic rights often remain in jeopardy. Previous studies have found that structural adjustment programs in some developing countries have increased employment opportunities for women; however, this often comes in the form of jobs in labor-intensive, low-wage export industries (Buchmann 1996; Çağatay and Özler 1995; Sadasivam 1997). This economic sector excludes many women and has often come with its own set of negatives. An example of this pattern took place in Kenya with many women, often young migrants from rural areas, working in export processing zones (EPZs). These EPZs were developed as a strategy to address widespread unemployment in the aftermath of IFI interventions. Women’s economic rights were routinely violated in the EPZs, with women frequently experiencing sexual harassment and having to work overtime and in unhealthy and unsafe environments. Despite these conditions, they rarely reported the economic rights abuses for fear of losing the jobs on which they relied (True 2012). Our claim is not that the IMF is responsible for greater levels of sexual harassment in EPZs but rather that IMF policies create conditions that shift labor patterns in ways that make it more difficult or less likely for governments to strongly enforce women’s economic rights.