

April 2021 Public Forum Topic Analysis

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

Definitions:

International Monetary Fund (IMF): According to [Investopedia](https://www.investopedia.com/terms/i/imf.asp), the International Monetary Fund is an international organization that aims to promote economic growth and financial stability and plays a key role in helping turn around struggling economies. As of 2021, the IMF has 190 member nations.

Background:

The International Monetary Fund (IMF) was founded in July 1944 with the initial responsibility of managing the global order of exchange rates and international payments after World War II.¹ While the World Bank was created as a lending institution focused on long-term development, the IMF began in order to monitor the way countries interact with one another fiscally on the global stage. The institution now extends loans to governments and helps organize debt-repayment schedules when countries can no longer finance imports or service debts to creditors.² One important issue here is that the IMF cannot impose itself on countries; countries essentially volunteer or opt-in to the IMF's conditioned financial assistance.

Historically, the IMF has mostly operated in developing countries, but has been called upon to play a key role in recent global economic downturns in 2008 and during the COVID-19 pandemic. Many people will remember the IMF from its involvement in Greece's financial woes in 2010. The IMF and the EU provided Greece with around 110 billion euros in loans over three years in exchange for Greece's commitment to austerity measures, and later pledged over \$200 billion more in two other bailouts.³ This funding did not go according to plan, as Greece slid into the deepest and longest peacetime depression of any advanced country since the 1930s.⁴

One thing that I think is particularly important to note with this topic is that there is not a clear actor or recipient of the benefits or harms that we are discussing. The resolution doesn't ask debaters to evaluate the benefits or harms of the IMF to the US, to the world, or anything else, which can leave it a little open-ended. The resolution also does not specify whether we should examine interventions in governmental economic policy that the IMF may take, or whether we should instead evaluate the IMF's role in general as one of a moderator and overseer. Teams may want to think about how to either explicitly define the scope of the resolution or how to respond to any limitations other teams may present.

¹ Masters, Jonathan and Chatzky, Andrew. "The IMF: The World's Controversial Financial Firefighter." Council on Foreign Relations. 20 Aug. 2020. <https://www.cfr.org/background/imf-worlds-controversial-financial-firefighter>

² Information Of Interest. "IMF Lending." International Monetary Fund. 22 Feb. 2021. <https://www.imf.org/en/About/Factsheets/IMF-Lending>

³ Council on Foreign Relations. "Greece's Debt Crisis Timeline." Council on Foreign Relations. Last accessed 24 Mar. 2021. <https://www.cfr.org/timeline/greeces-debt-crisis-timeline>

⁴ Coppola, Frances. "The IMF Has Learned Nothing From The Greek Crisis." Forbes. 28 Oct. 2018. <https://www.forbes.com/sites/francescoppola/2018/10/28/the-imf-has-learned-nothing-from-the-greek-crisis/>

Aff Arguments:

Economic Recovery

The problems with evaluating the IMF's success is that it is only called upon in times of dire economic crisis, and there are no other institutions that could provide aid in the same way, which means the situation is always going to look bad and it's difficult to understand what may have happened without IMF intervention. There have been instances of success in the history of the IMF where programs have run according to plan or, in some cases, have even exceeded expectations, though these are often not as public as the negative stories. Many argue that the 1997 financial crisis in Asia was solved because of IMF intervention that helped set the stage for Asia's re-emergence as a strong investment destination.⁵ In 2002, the IMF saw more success in Brazil, as early economic recovery after IMF intervention meant that Brazil could pay its loans back ahead of schedule.⁶ The Brazilian government was able to do this after IMF-mandated policies increased the country's reserve from \$15 billion to \$66.7 billion in just two years.⁷ Another key example is Ireland, who managed to recover from their economic issues in the early 2010s. Ireland was almost bankrupt in 2009, but IMF and EU loans helped the country bounce back and get its debt-to-GDP ratio below 100% ahead of schedule.⁸ Spain and Portugal were also able to make significant economic recoveries after IMF intervention.⁹ Empirical studies have found that IMF engagements in countries that employ concessional programs have been shown to have a sustainable positive effect on economic growth.¹⁰

⁵ Kuepper, Justin. "What Was the Asian Financial Crisis?." The Balance. 15 May 2020.

<https://www.thebalance.com/what-was-the-asian-financial-crisis-1978997>

⁶ Masters, Jonathan and Chatzky, Andrew. "The IMF: The World's Controversial Financial Firefighter." Council on Foreign Relations. 20 Aug. 2020. <https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter>

⁷ BBC News. "Brazil to pay off IMF debts early." BBC News. 14 Dec. 2005. <http://news.bbc.co.uk/2/hi/business/4527438.stm>

⁸ Inman, Phillip. "Ireland economy surges with GDP growth forecast at 6%." The Guardian. 10 Sept. 2015. <http://www.theguardian.com/world/2015/sep/10/ireland-economy-surges-with-gdp-growth-forecast-at-6>

⁹ Stewart, Heather. "Dublin, Lisbon and Madrid have beaten the bailout. That's no comfort to Athens." The Guardian. 18 Jul. 2015. <http://www.theguardian.com/business/2015/jul/18/dublin-lisbon-madrid-beaten-bailout-no-comfort-athens>

¹⁰ Bird, Graham. "The Effect of IMF Programmes on Economic Growth in Low Income Countries: An Empirical Analysis." The Journal of Development Studies. 2 Feb. 2017. <https://www.tandfonline.com/doi/abs/10.1080/00220388.2017.1279734>

Climate Change

A new and major priority of the IMF's work is tackling climate change. They note that their work on climate change pertains to mitigatory measures, helping countries adapt to new and worsening climate events, and transitioning to low-carbon economies.¹¹ Internal analyses from the group explain that global economic output could expand by an average 0.7% annually over the next 15 years and millions of jobs could be created if carbon prices rose steadily and investments in green infrastructure are expanded upon.¹² The Fund is also now working to integrate climate factors into its annual economic country assessments to help ensure countries move to environmentally responsible measures.

These actions are critical in ensuring that individual countries act, and it is imperative that teams recognize the IMF is potentially the best-suited institution to tackle this issue. The IMF is in a unique position in that it can understand the links among the risks to economic growth and stability, it has the standing and legitimacy to influence the dialogue on fiscal environmental policies such as carbon taxes, and it has a great deal of modeling tools to help predict how economies can be affected by climate change as well as climate-friendly policies.¹³ The IMF understands and conveys the fact that focusing on green policies can help vulnerable individuals and boost the global economy, where ignoring climate change would have a long-term negative impact on economies and could cost the world billions of dollars of economic damage in the near future.¹⁴

Crucial in Crises

The past year has taught us that we really need to be able to adapt to changing and unexpected circumstances. No country planned for a global pandemic and the economic devastation that came with it, so it was imperative that they were able to receive help. As a result of the pandemic, the IMF is currently making about \$250 billion available to member countries, which amounts to a quarter of its lending capacity.¹⁵ The IMF took this opportunity

¹¹ Information Of Interest. "The IMF and Climate Change." International Monetary Fund. Last accessed 25 Mar. 2021. <https://www.imf.org/en/Topics/climate-change>

¹² Shalal, Andrea. "IMF to intensify focus on climate change's economic impact, Georgieva." Reuters. 25 Jan. 2021. <https://www.reuters.com/article/imf-climate-int-idUSKBN29U1KI>

¹³ Plant, Mark. "What Should We Ask from the IMF on Climate Change?" Center For Global Development. 3 Apr. 2020. <https://www.cgdev.org/blog/what-should-we-ask-imf-climate-change>

¹⁴ Harvey, Fiona. "Helping poorest tackle climate crisis will boost global growth, says IMF head." The Guardian. 25 Jan. 2021. <http://www.theguardian.com/environment/2021/jan/25/helping-poorest-tackle-climate-crisis-will-boost-global-growth-says-imf-head>

¹⁵ Information Of Interest. "IMF Financing and Debt Service Relief." International Monetary Fund. 16 Mar. 2021. <https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker>

to outline important new principles for economic functioning, such as supporting the vulnerable and transitioning to a green economic recovery with investment in green technologies and activities.¹⁶ The IMF has also recognized the magnitude of the pandemic's impact on low income nations in particular, and has taken steps to alleviate the problems faced by these countries.¹⁷ The organization also provided debt relief to some of its poorest members, giving them grants in order to temporarily cover their payments, and pushed its wealthier members to suspend collection on debt owed by low-income countries.¹⁸ When thinking through this argument, teams should ask themselves the important question: If the IMF is a harmful organization, why do countries keep coming back to it, and why did so many nations turn to it in the midst of a major global recession?

IMF Reforms

One argument - however squirrely it may seem - on the aff is to convey the idea that the IMF may have had its problems in the past, but it has undergone a long period of reforms that have reshaped it into the institution it needed to be in order to best address the COVID-19 pandemic. This argument has literature supporting it, as many people argue the role of the IMF has changed as it has developed a greater understanding of how it can influence global policy. The 2008 recession helped transform the IMF, pushing it to embrace measures that would work better for countries and forcing it to reckon with large-scale issues like climate change. In the Greek economic crisis, the IMF was actually the one pushing for a more lenient approach, but was overruled by the European Commission.¹⁹ The Fund has also reassessed how it examines key themes in economics, such as climate change and gender issues.²⁰ Over the past decade, the organization has also worked to empower "emerging economies," giving them more influence within the Fund.²¹ This argument allows teams to understand and recognize many neg

¹⁶ Gallagher, Kevin P. "The Role of IMF in the Fight Against COVID-19: The IMF COVID-19 Recovery Index." Boston University Global Development Policy Center. 15 Sept. 2020. <https://www.bu.edu/gdp/2020/09/15/the-role-of-imf-in-the-fight-against-covid-19-the-imf-covid-19-response-index/>

¹⁷ Information Of Interest. "Questions and Answers: The IMF's response to COVID-19." International Monetary Fund. 3 Mar. 2021. <https://www.imf.org/en/About/FAQ/imf-response-to-covid-19>

¹⁸ Masters, Jonathan and Chatzky, Andrew. "The IMF: The World's Controversial Financial Firefighter." Council on Foreign Relations. 20 Aug. 2020. <https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter>

¹⁹ O'Brien, Matt. "Stop blaming the IMF for everything." The Washington Post. 13 May 2014. <https://www.washingtonpost.com/news/wonk/wp/2014/05/13/stop-blaming-the-imf-for-everything/>

²⁰ Information Of Interest. "Gender and IMF, Gender in the workforce." International Monetary Fund. Last accessed 26 Mar. 2021. <https://www.imf.org/external/themes/gender/>

²¹ Kissack, Robert.. "IMF Reform: What has Been Achieved and What Does it Mean?" Barcelona Centre for International Affairs. Jan. 2016.

arguments and counter with the fact that the IMF's restructuring and realigning of its principles mitigates these harms at present.

http://www.cidob.org/en/publications/publication_series/opinion/seguridad_y_politica_mundial/imf_reform_what_has_been_achieved_and_what_does_it_mean

Neg Arguments:

Intervention Worsens Economies

This is an argument that there is a fair amount of recent evidence for. There are quite a few examples, particularly in recent history, where the IMF's intervention in a country's economic issues only serves to exacerbate the problem. One such example is the Asian financial crisis of 1997. In this case, the IMF was widely criticized for using a "one size fits all approach" in which it applied its prescriptions designed for Latin America to East Asia, which contains countries with markedly different political and economic conditions.²² In a study of IMF programs in 137 developing countries over nearly 35 years, researchers found that the market-oriented policies mandated by the IMF worsened health system access and increased neonatal mortality.²³ Overall, of all of the countries that have been bailed out by the IMF, 11 have gone on to rely on IMF aid for at least 30 years, 32 countries were borrowers for between 20 and 29 years, and 41 countries used IMF credit for between 10 and 19 years.²⁴

This kind of backfiring intervention has only been exacerbated over the past year with the onset of financial problems due to the pandemic. Research indicates that 84% of the IMF's 91 COVID-19-related loans push for strict austerity measures that could lead to deep cuts to public healthcare and social protection in poor countries.²⁵ Interestingly, the IMF's own research and publications indicate that austerity measures are a negative path for a country.²⁶ These measures are likely to have long term harm in developing nations and will disproportionately harm poorer populations. Nine countries are likely to introduce or increase value-added taxes, while 14 countries are likely to cut public sector wages and jobs, meaning a lower quality of healthcare.²⁷

²² Ba, Alice D. "Asian financial crisis | Causes, Effects, & Facts." Encyclopedia Britannica. Last accessed 25 Mar. 2021. <https://www.britannica.com/event/Asian-financial-crisis>

²³ Forster, Timon et al. "Globalization and health equity: The impact of structural adjustment programs on developing countries." Social Science & Medicine. Dec. 2020. <https://www.sciencedirect.com/science/article/pii/S0277953619304897?via%3Dihub>

²⁴ Mutize, Misheck. "Why South Africa shouldn't turn to the IMF for help." The Conversation. 16 Feb. 2021. <http://theconversation.com/why-south-africa-shouldnt-turn-to-the-imf-for-help-82027>

²⁵ Oxfam. "Over 80 per cent of IMF Covid-19 loans will push austerity on poor countries" ReliefWeb. 12 Oct. 2020. <https://reliefweb.int/report/world/over-80-cent-imf-covid-19-loans-will-push-austerity-poor-countries>

²⁶ Ostry, Jonathan D. "Neoliberalism: Oversold?" International Monetary Fund. Jun. 2016. <https://www.imf.org/external/pubs/ft/fandd/2016/06/ostry.htm>

²⁷ Oxfam International. "IMF paves way for new era of austerity post-COVID-19." Oxfam International. 12 Oct. 2020. <https://www.oxfam.org/en/press-releases/imf-paves-way-new-era-austerity-post-covid-19>

Bad Assessments

One of the biggest and most prominent criticisms of the IMF is that they fail to understand the uniqueness of each country and economy and prescribe the same remedy for each country's problems. As previously mentioned, one key complaint in the 1997 Asian financial crisis was that the IMF used its plans for Latin America in East Asia and expected them to function correctly. While many criticized the IMF for using inappropriate fiscal measures for the problem, many other people pointed out that the lack of East Asian representation in the IMF meant that these countries did not have a way to represent themselves in discussions over how to revitalize their economies.²⁸ Even if non-Europeans were represented on the board of the IMF, they would be incredibly outnumbered. The US has enough votes to veto many major decisions by itself, though the rich countries very rarely vote against each other, and the head of the IMF is customarily European.²⁹ This makes it difficult for the institution to accurately understand the economic problems of non-western nations and, therefore, how to remedy them.

In many cases, people have argued that the IMF's proposed solutions are often just ineffective because of an incorrect assessment of the problems the country faces. In the cases of Greece and Argentina, the IMF lent large sums of money to insolvent countries based on incredibly optimistic assumptions that likely will not be realized.³⁰ As of last year, Greece's economy is still 25% smaller than it was before its 2010 crisis, and its debt load is nearly 180% of GDP.³¹

Lack of Transparency

One major issue people frequently identify with the IMF is its historical lack of transparency. This is an issue that countries have been trying to push the IMF on for years, and have recently seen progress, though the IMF is still not fully transparent.³² This is an issue that has highlighted a problem of hypocrisy with the organization - in 2011, controversy emerged around the IMF's leadership selection process as well as its internal operations at large after the

²⁸ Ba, Alice D. "Asian financial crisis | Causes, Effects, & Facts." Encyclopedia Britannica. Last accessed 25 Mar. 2021. <https://www.britannica.com/event/Asian-financial-crisis>

²⁹ Weisbrot, Mark. "The IMF is hurting countries it claims to help." The Guardian. 27 Aug. 2019. <http://www.theguardian.com/commentisfree/2019/aug/27/imf-economics-inequality-trump-ecuador>

³⁰ Coppola, Frances. "The IMF Has Learned Nothing From The Greek Crisis." Forbes. 28 Oct. 2018. <https://www.forbes.com/sites/francescoppola/2018/10/28/the-imf-has-learned-nothing-from-the-greek-crisis/>

³¹ Masters, Jonathan and Chatzky, Andrew. "The IMF: The World's Controversial Financial Firefighter." Council on Foreign Relations. 20 Aug. 2020. <https://www.cfr.org/backgrounder/imf-worlds-controversial-financial-firefighter>

³² Shalal, Andrea. "IMF to propose ways to improve transparency of trade in SDR currency reserve." Reuters. 27 Feb. 2021. <https://www.reuters.com/article/us-g20-economy-imf-idUSKBN2AR017>

Fund spent years pushing for transparency in governments' fiscal policies.³³ More recently, nonprofit organizations and international agencies have called for the Fund to include transparency and anti-corruption measures in its COVID-19-related emergency relief programs to help ensure that the money it disburses is able to reach the most vulnerable members of the global population.³⁴

Poverty and Inequality

While the arguments addressed prior to this one talk about how IMF measures often negatively impact an entire economy, there is a specific argument to be made about poverty and inequality in IMF-sponsored programs and how these programs tend to burden the poor more heavily. In recent years, the IMF has spent a great deal of time pushing African nations to raise taxes on its citizens in order to help these countries - particularly South Africa - generate revenue.³⁵ The problem with structural adjustment programs in general is that poorer countries must increase their exports in order to raise enough money to pay back their debts.³⁶ Oftentimes, countries must export key commodities in order to raise enough money, and this can lead to internal deficits, which overwhelmingly harm the poorest members of society.

The IMF may claim it works to help these countries but reports often find otherwise. The UN Human Rights Council in particular notes that the majority of low-income countries are either already included in IMF programs or are likely to be enrolled in the near future, but one in five of the poorest 20% of the populations of these countries is covered by any form of social projection.³⁷ Further, any assistance these individuals receive will only cover around 13% of their consumption needs.

³³ Gartner, David. "Transparency and the IMF." Brookings. 23 Sept. 2011. <https://www.brookings.edu/blog/up-front/2011/09/23/transparency-and-the-imf/>

³⁴ Global Witness. "IMF: Make COVID-19 Funds Transparent, Accountable." Global Witness. 8 Apr. 2020. <https://en.press-releases/imf-make-covid-19-funds-transparent-accountable/>

³⁵ Mitchell, Daniel J. "How the IMF Keeps Sub-Saharan Africa in Poverty." Mises Institute. 10 May 2018. <https://mises.org/wire/how-imf-keeps-sub-sahara-africa-poverty>

³⁶ Shah, Anup. "Structural Adjustment—a Major Cause of Poverty." Globalissues.org. 24 Mar. 2013. <https://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty>

³⁷ Alston, Philip (UNHCR Special Rapporteur). "Report of the Special Rapporteur on extreme poverty and human rights." United Nations Human Rights Council. 8 May 2018. <https://undocs.org/A/HRC/38/33>