

IMF: Predatory lender or Latin America's best chance?

Paul Thomas Smith
Bemidji State University

A decorative graphic consisting of several horizontal lines of varying lengths and colors (teal, white, and light blue) extending from the right side of the slide towards the center.

Abstract

- *Recently, there has been heated debate as to whether or not assistance from the International Monetary Fund has proven to be a great humanitarian effort or a scheme by Western governments to keep emerging Latin American countries in debt. The IMF partners with numerous governments in order to create a collective monetary community in which all may benefit from in times of need. These partnered countries are also able to apply for assistance if they find themselves in monetary hardships.*
- *Some studies have shown that the IMF has been too heavy handed, while other studies have shown that recipient governments may misallocate these funds. I gathered economic variables such as; GDP annual growth, inflation rates, and unemployment rates from the IMF and the World Bank. Preliminary results show that when corruption is present and assistance is loosely structured there are frequently difficulties with finances later. These findings show that there is really no one entity to blame, but there are collective responsibilities that need to be addressed by both sides for success.*

Introduction

- What is the IMF?
- What does the IMF do?
- IMF Facilities

Literature Review

- Przeworski, A., & Vreeland, J. (2000). The effect of IMF programs on economic growth. *Journal of Development Economics* , 385-421.
- Jonakin, J., & Stephens, M. (1999). The impact of adjustment and stabilization policies on infrastructure spending in Central America. *North American Journal of Economics & Finance* , 293-309.

Literature Review Cont.

- Nooruddin, I., & W, S. J. (2006). The Politics of Hard Choices: IMF Programs and Government Spending. *International Organization* 60 , 1001-1033.
- Vreeland, J. R. (2000). *Why do governments and the IMF enter into agreements? Statistically selected cases.* New Haven, CT 06520: Yale University.

Hypothesis

- One way to ask the question is; in a comparison of individual countries in Latin America, those receiving stringent monetary loan agreements from the IMF will have a more troubled economy than those that do not. However, in order to have a larger and more comprehensive view on the matter we will introduce other variables on the matter. Independent variables such as; government consumption, and corruption will help clarify the matter.

Methodology

- Units of Analysis
- 32 Countries spanning South America and The Caribbean
- Process
 - Compare Means using Independent Samples t Test



Independent Variables

- IMF Facilities as dummy variables- 0 for no and 1 for yes
- -IMFLNSTBY (Standby Arrangement)-Structural Adjustment and MGMT
- -IMFLNECF (Extended Credit Facility)-More Concessional Terms
- -IMFLNSTBYSRF (Standby Credit with Supplemental Reserve Facility)
- -IMFLNSAF (Structural Adjustment Facility)-Structural Adjustment and MGMT
- -IMFLNFCLC (Flexible Credit Line)-Non-Concessional
- -IMFLNSCF (Standby Credit Facility)-Short Term with Poverty Reduction Goals (SA)
- -IMFLNEFF (Emergency Fund Facility)

- -Military as a Former Government coded 0 for no and 1 for yes
- -Transparency International CPI score as an interval variable

Dependent Variables

- GDP Growth Percentages
- Inflation Percentages
- Unemployment Rate
- Government Consumption as Percentage GDP

Table Series 1.1

Table 1.1a Difference of Mean Change in GDP (as %) year 1

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	4.2 (1)	2.5 (26)	+1.7
Standby Credit	2.5 (4)	2.5 (23)	0
Flexible Credit Line	2.4 (1)	7.1 (26)	-4.7
Structural Adjustment	-2.3 (2)	2.9 (25)	-5.2
Standby Credit with Supplemental Reserve	4.4 (3)	2.3 (24)	+2.1
Extended Credit	4.4 (6)	2.0 (21)	+2.4
Standby Arrangement	2.9 (20)	1.4 (7)	+1.5

Table 1.1b Difference of Mean Change in GDP (as %) year 3

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	2.8 (1)	4.2 (24)	-1.4
Standby Credit	6.3 (4)	4.8 (21)	+1.5
Flexible Credit Line	8.6 (1)	4.2 (24)	+4.4
Structural Adjustment		4.0 (25)	
Standby Credit with Supplemental Reserve	5.0 (2)	4.5 (22)	+0.5
Extended Credit	4.8 (6)	5.3 (19)	+0.5
Standby Arrangement	5.0 (20)	4.0 (5)	+1.0

Table 1.1c Difference of Mean Change in GDP (as %) year 5

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund		4.4 (23)	
Standby Credit	4.9 (4)	4.3 (19)	+0.6
Flexible Credit Line	5.2 (1)	4.4 (22)	+1.2
Structural Adjustment		4.4 (25)	
Standby Credit with Supplemental Reserve	5.8 (3)	4.2(20)	+1.6
Extended Credit	1.6 (6)	5.4 (17)	-3.8
Standby Arrangement	5.5 (18)	0.3 (5)	+5.2

Source: World Bank and International Monetary Fund

Table Series 1.2

Table 1.2a Difference of Mean Inflation (%) year 1

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	11.5 (1)	15.3 (27)	-3.8
Standby Credit	49.2 (4)	9.4 (24)	+39.8
Flexible Credit Line	3.0 (1)	15.6 (27)	-12.6
Structural Adjustment	4.8 (2)	15.9 (26)	-11.1
Standby Credit with Supplemental Reserve	7.1 (3)	16.1 (25)	-9.0
Extended Credit	10.2 (6)	16.5 (22)	-6.3
Standby Arrangement	17.2 (21)	9.0 (7)	+8.2

Table 1.2b Difference of Mean Inflation (%) year 3

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	4.7 (1)	9.9 (27)	-5.2
Standby Credit	23.0 (4)	7.5 (24)	+15.5
Flexible Credit Line	2.3 (1)	10.0 (27)	-7.7
Structural Adjustment	3.3 (2)	10.2 (26)	-6.9
Standby Credit with Supplemental Reserve	10.2 (3)	9.6 (25)	-0.6
Extended Credit	8.3 (6)	10.1 (22)	-1.8
Standby Arrangement	10.1 (21)	7.0 (7)	+3.1

Table 1.2c Difference of Mean Inflation (%) year 5

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	7.9 (1)	8.1 (27)	-0.2
Standby Credit	14.3 (4)	7.2 (24)	+7.1
Flexible Credit Line	8.4 (1)	3.2 (27)	+5.2
Structural Adjustment	3.0 (2)	8.6 (26)	-5.6
Standby Credit with Supplemental Reserve	8.8 (3)	8.1 (25)	+0.7
Extended Credit	5.7 (6)	8.9 (22)	-3.2
Standby Arrangement	9.1 (21)	5.4 (7)	+3.2

Source: World Bank and International Monetary Fund

Table Series 1.3

Table 1.3a Difference of Mean Unemployment (%) year 1

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	3.9 (1)	12.2 (18)	-8.3
Standby Credit	15.6 (4)	10.8 (15)	+4.8
Flexible Credit Line	(0)	(19)	
Structural Adjustment	8.7 (2)	12.1 (17)	-3.4
Standby Credit with Supplemental Reserve	12.7 (3)	11.6 (16)	+1.1
Extended Credit	13.2 (1)	11.7 (18)	-1.5
Standby Arrangement	12.3 (15)	9.6 (4)	+2.7

Table 1.3b Difference of Mean Unemployment (%) year 3

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	4.6 (1)	11.6 (18)	-7.0
Standby Credit	13.9 (4)	10.4 (15)	+3.5
Flexible Credit Line	(0)	(19)	
Structural Adjustment	8.0 (2)	11.6 (17)	-3.6
Standby Credit with Supplemental Reserve	11.8 (3)	11.1 (16)	+0.7
Extended Credit	9.8 (1)	11.3 (18)	-1.5
Standby Arrangement	12.0 (15)	8.2 (4)	+3.8

Table 1.3c Difference of Mean Unemployment (%) year 5

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	4.4 (1)	11.2 (18)	-6.8
Standby Credit	13.2 (4)	10.2 (15)	+3.0
Flexible Credit Line	(0)	(19)	
Structural Adjustment	7.0 (2)	11.3 (17)	-4.3
Standby Credit with Supplemental Reserve	11.2 (3)	10.8 (16)	+0.4
Extended Credit	10.7 (1)	10.8 (18)	-0.1
Standby Arrangement	11.3 (15)	9.1 (4)	+2.2

Source: World Bank and International Monetary Fund

Table Series 1.4

Table 1.4a Difference of Mean Government Consumption (as % of GDP) year 1

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	17.6 (1)	12.9 (25)	+4.7
Standby Credit	11.5 (4)	13.3 (22)	-1.8
Flexible Credit Line	20.5 (1)	12.7 (25)	+7.8
Structural Adjustment	13.2 (2)	13.0 (24)	+0.2
Standby Credit with Supplemental Reserve	14.8 (3)	12.8 (23)	+2.0
Extended Credit	13.5 (6)	12.9 (20)	+0.6
Standby Arrangement	12.8 (19)	13.7 (7)	-0.9

Table 1.4b Difference of Mean Government Consumption (as % of GDP) year 3

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	18.0 (1)	13.0 (23)	+5.0
Standby Credit	12.7 (4)	13.3 (20)	-0.6
Flexible Credit Line	19.3 (1)	13.0 (25)	+6.3
Structural Adjustment	(0)	13.2 (24)	
Standby Credit with Supplemental Reserve	14.5 (3)	13.1 (21)	+1.4
Extended Credit	13.9 (6)	13.0 (18)	+0.9
Standby Arrangement	13.0 (19)	14.0 (5)	-1.0

Table 1.4c Difference of Mean Government Consumption (as % of GDP) year 5

IMF Facility	Recipient	Non-Recipient	Difference
Emergency Fund	(0)	13.0 (22)	
Standby Credit	11.9 (4)	13.0 (18)	-1.1
Flexible Credit Line	20.5 (1)	12.5 (25)	+8.0
Structural Adjustment	(0)	8.6 (24)	
Standby Credit with Supplemental Reserve	14.8 (3)	12.5 (19)	+2.3
Extended Credit	14.3 (5)	12.4 (17)	+1.9
Standby Arrangement	12.5 (18)	14.4 (4)	-1.9

Source: World Bank and International Monetary Fund

Alternatives ?

- ALBA-Bolivarian Alternative for the Americas
- The Bank of the South-Collective of Brazilian Bankers
- IMF and Partnership Reform

Findings?

- Paul Thomas Smith
- Bemidji State University
- Political Science Thesis
- Paul.Smith2@live.bemidjistate.edu