



SPEAK OUT!

at

The Laboratory for Advanced Research on the Global Economy

Special Issue on the IMF and Human Rights

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Preface

Juan Pablo Bohoslavsky* and Francisco Cantamutto†

Just off the press is a Special Issue of *Revista Derechos en Acción* (Rights in Action Journal), from Argentina, devoted to the “IMF and Human Rights” with a particular focus on Argentina. The Argentine government is now negotiating with the IMF to reprogramme the biggest single loan it has ever granted to a country (USD 57 billion, in 2018, 44,5 billion of which has been disbursed). Once again, cross-claims arise between IMF policy expectations and the country’s urgent needs in the face of the COVID-19-induced recession.



This situation is not specific to Argentina; the entire world is facing very high levels of debt, underscoring the scale of the choice between fulfilling fully financial obligations or ensuring the debtor countries populations’ human rights. In the current circumstances, the IMF is not promoting mechanisms for significant and generalized debt relief, to the contrary, recent agreements such as those with Ecuador, Egypt, Jordan, Pakistan and Ukraine are promoting fiscal austerity and other deeply contested orthodox policies.

This [Special Issue](#) is published in Spanish, with some contributions written in Spanish and others translated. It covers a range of issues related to debt sustainability as well as social, monetary, exchange-rate, gender, climate, labour, and tax policies, always with a human rights approach. Some of the contributions look at the human rights implications (from international and inter-American viewpoints) of the IMF’s conditionalities in Argentina and beyond. It also addresses legal issues related to the applicability of human rights obligations to international financial institutions.

The issue includes academic articles, official (United Nations) documents, working papers, a range of interviews, and a review of a film on the IMF’s policies toward Argentina. Forty-eight

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contributors from a variety of regions, scientific disciplines and professional backgrounds participated in this project.

There are several main arguments that cross the contributions: that the IMF's disregard for human rights is an anachronism and indefensible on a number of grounds, and that international human rights law provides concrete and specific guidelines that must limit and shape IMF policies, even in technical areas that the IMF has kept for itself over the last 76 years.

In collaboration with the SPEAK OUT! Series at the Laboratory for Advanced Research on the Global Economy at LSE Human Rights, we are very pleased to be able to share, with a broad English-reading audience, the foreword written by Martti Koskenniemi along with 11 interviews conducted between January and April 2021. Perspectives from different regions of the world were surveyed, ensuring views from economics, political economy and law, and from a variety of backgrounds and life experiences, as you'll see from the biographies of the interviewees. The interviews were conducted in writing, via e-mail. They were semi-structured, with individualized questions based on the experience and expertise of each interviewee. The interviews allowed for a dynamic approach to the problems and decisions related to IMF policies in the context of the pandemic and from a human rights perspective, bringing to these urgent matters ideas, views and facts that do not always find their way into academic publications - or do so with delays.

Foreword

Martti Koskenniemi*

It is not always well appreciated that claims of rights in political history have usually related to economic grievances of the most varied kinds. From the Magna Carta in 1215 to the German peasants' rebellion 1524-25, the English civil war of 1642-1660, the American and French revolutions 1776 and 1789 all the way to the Russian revolution of 1917, the principal demands have been directed against the "austerity" imposed on an already starving population by taxes or other extractions designed to serve the interests of the dominant classes. Sometimes such grievances have been violently crushed. Sometimes they have ended up in declarations of rights in which the king or the elites have been made to promise to respect their subjects' property and subsistence rights. But it says something about the historical complexity of rights that while they have been invoked against class privilege, they have also been used to shield the properties of those already reasonably well off, such as nobles or merchant groups, sometimes precisely against the demands of subordinate classes. Nevertheless, a demonstration that the history of rights is replete with claims about economic justice should be sufficient to oppose the view that rights belong only to the "political" realm, that human rights, in particular, only have to do with claims about political freedom.

The "political" concept of human rights has dominated the latter part of the 20th century. Although the universal declaration of 1948 did affirm that the "economic, social and cultural rights" were "indispensable for [human] dignity and the free development of [...] personality" and even as it specifically mentioned the right to work, adequate remuneration and social security, these provisions have played a secondary role in the rise of the rights culture in the developed north and among international institutions since the 1970s. No doubt, the development of economic rights was long a hostage to the Cold War and thereafter hampered by the global ascent of liberal and neoliberal views, not least within the Bretton Woods world that is the subject of this Special Issue. To the extent that it is remembered that the right of property, too, is an acknowledged human right, then this development is less about forgetfulness of the nexus between rights and the economy than about the domination of a certain view about how that nexus ought to be conceived. Although the IMF and the World Bank never saw themselves as human rights organizations, in fact the policies of privatization and the meticulous enforcement of contracts, especially against debtor states reflect the high value these institutions have projected on the right of private property. From this respect, debates about austerity are not about "economy vs. human rights" but about which and whose rights ought to be preferred. In this way, they are also, inevitably, about the clashing ideals of political governance, democracy and projects of state-building.

In the past decade and a half, there has been increasing academic interest in the history of the concept of right in its many permutations as "natural", "subjective" and "human" right. Focus has shifted from early modern theology to the 18th century European Enlightenment, from the adoption of the Universal Declaration 1948 to the 1970s and the growth of international human rights institutions. The choice of the appropriate moment depends on what one is looking for, how one conceives of the notion of "human right". A special difficulty attaches to the effort to think of today's constitutions or human rights treaty law as offshoots of an earlier tradition of natural law. On the one hand, appeal to human rights has been about superior moral demands that could dictate to political leaders how they should behave and legislators what the limits of their power are. On the other hand, it has been very difficult to justify – and especially to enforce – any such supra-positive set of moral claims in the conditions of a skeptical modernity. Despite this difficulty, few would deny the importance of some normative demands that are "higher" than laws and treaties, posing demands to and demanding action from legislators and political

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institutions. The significance of that intellectual-political problem may have diminished, however, to the extent that the most important rights-claims have today been written into domestic constitutions and appear in a plethora of international treaties, declarations and other legal instruments of varying power. In fact it often seems that there is no significant human preference that has not been translated somewhere into a claim of a right to its realization. That may have politicized rights-claims somewhat and turned much of formal rights-jurisprudence into an effort at balancing between conflicting rights-claims. What are the criteria that allow such balancing? An especially important set of political problems arises when the rights to be “balanced” or limited against each other have to with individual rights of property on the one hand and social and economic rights on the other.

Early modern natural lawyers – the representatives of the Spanish “second scholastic” in the 16th century or the Protestant Hugo Grotius in the 17th century – were clear that there was a limit to property rights, that in times of famine, for example, they would have to yield to the right of survival of vulnerable populations. During the French revolutionary period, different views were expressed on the nature and force of property rights. Was it a “natural” right given to human society at the outset, or a “social right” whose substance and limits were enacted by society? How did it relate to the welfare rights that the revolutionaries promised to their constituencies? Eventually the French Code civil of 1804 would enshrine a powerful concept of individual property that would not be put to question until the last decades of the 19th century as problems of industrialization forced legislators across the world to rethink the limits of property in order to protect workers and their families in the cities and the peasants in an emptying countryside. The expansion of capitalism produced both untold wealth and great misery so that inequality had never been greater than around 1900 – until 21st century globalization produced the fantastic statistic according to which a handful of billionaires possessed the same wealth as the bottom half of the global population.

The expansion of capitalism and the rise of the “social question” in the 19th century was paralleled by the emergence of a labour movement that insisted on solidarity and welfare rights to harness the exploitation of workers and the destruction of traditional communities; the conflict between rights of property and rights of welfare was then everywhere articulated in the juxtaposition of a political Right and a political Left that has given the institutional structure to much of domestic and international politics ever since. The intensity of the ideological commitments behind that political debate has often obscured that at issue has also been a set of conflicting rights-claims, those of property and solidarity, and that each has their prima facie validity, while the task of government is to put them in some sort of reasonable order – bearing in mind that disagreement persists on what that “reasonable order” might be. One context where the rights-related aspects of these debates have been taken under especial scrutiny are of course the Universal Declaration of 1948 and the many human rights institutions today in operation at the local and universal levels. What might be called a human rights culture has emerged since the 1970s, involving a great number of specialist experts working to bring to surface the rights claims entailed by the policies of governments and also, though to a lesser extent, other powerful actors, including sometimes transnational corporations. Whatever problems may have arisen as a result of the proliferation of human rights institutions, there is no doubt that it has empowered groups and interests that had formerly possessed at best only a marginal role in international and domestic processes.

But some institutions have been more accommodating to rights-claims than others. This Special Issue deals with the gradual penetration of claims of human rights, especially what I have called above solidarity rights, into the Bretton Woods institutions and the difficulties and occasional resistance with which those claims have been met. As suggested above, those difficulties and that resistance are not so much about “human rights vs. economic priorities” as about contrasting views about which and whose rights should be prioritized through the economic policies pursued by international financial institutions. It cannot be stressed too much, though it is often forgotten, that all economic policies, including the policies of opening the markets for private entrepreneurs, investors or other commercial actors, builds upon intricate legal regulation concerning market design and the conditions of access. Legal theorists have always known that de-regulation is to

engage in regulation that empowers someone. And any practitioner who has taken part in designing a free market can report about the huge amount of rules that such “de-regulation” requires.

I make these points so as to underline the need for awareness that at issue in the work of international financial institutions – in the advice they give, their development and credit policies and conditionalities – is always choice and never just “application” of some algorithm or mathematical formula. Indicators, technical standards and criteria are naturally needed – no modern bureaucracy can dispense with them. But although their operation requires highly educated specialists, they are never just matters of technical knowledge. Choice and evaluation are needed and constantly performed, though frequently, perhaps too often, in the guise of just applying technical insights. For every significant economic model there is a counter-model based on different priorities, that picks from history different examples and arranges the pertinent data into a divergent set of recommendations and economic program. It would be wrong from this perspective to keep insisting on the merely technical character of the work of bodies such as the IMF or the World Bank. The contributions below give ample evidence of the contested or contestable nature of the choices that the institutions have made in the past. They speak powerfully for the need of a more open debate about how to integrate them into the larger debates about the direction of global economic development.

One means of carrying out that conversation is by creating a much greater awareness that views about rights and their relative priorities are already deeply enmeshed in the work of financial institutions. If the right of property is an important human right – and all relevant human rights instruments suggest as much – then it would be disingenuous to claim that they have no jurisdiction over human rights. Everything that is done to think about the management of public debt, for example, is about trying to balance between the (property) rights of the creditors and the (welfare) rights of the debtors. Regardless of how the institutions officially see their activity, they have engaged with human rights from the day they began their operations. That their policies have not remained unchanged during the decades can be seen in terms of fluctuating priorities about the support to be given to the rights of property and welfare but also those of self-determination, labour, education, or investment contract, among others. Irrespectively of whether the Bank or the Fund have seen human rights as part of their mandate, most of the things they do not only has a relation to human rights but can be understood by reference to choices made to support *this* right while, inevitably in a world of limited resources, refraining from supporting *that*.

Many vocabularies compete for influence in the work of international financial institutions. Arguments about economic efficiency and financial propriety, about sustainability and development, rule of law and investment-promotion draw attention to different projects, most of them quite valuable in themselves. However, the institutions cannot do everything. They need to make choices. The value of the human rights vocabulary is that it draws attention to the needs and preferences of actual human beings affected by their choices. Behind every rights claim there is a group of people whose grievance the claim articulates and an invitation to do something to eradicate the cause of that grievance. The language of non-discrimination, institutionalized in the 1979 Convention against Discrimination of Women, made it possible to work more efficiently for attaining a more balanced environment of work and education, for example. Without the Convention on the Rights of the Child (1989) or the Convention on the Rights of Persons with Disabilities (2007) it would have been much harder for many institutions to divest funds for the realization of the specific needs of persons covered by those instruments. The vocabularies of growth, development, automation, digitalization, trade, investment, sustainability and a host of other languages that address features of the global economy are part and parcel of the everyday life in international financial institutions. Mastery of those vocabularies calls for highly trained expertise. A part of learning such expertise is also to internalize, not necessarily in an explicit manner, a set of values typical for experts in that field. Those values become, in a sense, part of the very expertise that then give direction to the routines and enable the experts to make the choices expected of them. And yet, if the question is never raised about the effect of those politics

on the rights of the affected groups, it is hard to see how they could be justified beyond the small group of experts having produced them.

It is precisely owing to what sociologists call the functional diversification of systems of late modern (global) governance, that open engagement with human rights in institutions exercising global power, such as the IMF or the World Bank, is so important. In their regular activities, the institutions operate by the languages, standards and criteria in which financial and economic experts excel. As I have tried to argue above, and as the contributions of this Special Issue amply demonstrate, those activities may equally well be described in terms of managing the rights of the groups of human beings whose lives are affected by them. To allow a more robust human rights culture to enter international financial institutions would be important precisely as it would bring the conflicting values affected by institutional policies out in the open, and help in addressing the biases that present forms of expertise create or uphold. It is not to force alien criteria on the IMF or the World Bank. It is to enable them to see more clearly what it is that they already do (namely seek to adjust rights of property with rights of welfare) so as to perform their task in a more realistic and acceptable fashion.

Interviews

Armin von Bogdandy

March 22, 2021

1) You and other colleagues have recently published a book entitled “Transformative constitutionalism in Latin America and international economic law. From tension to dialogue”. How can this approach enrich the discussions on the IMF and human rights in the region?

Transformative constitutionalism aims at bringing about profound social change in order to realize the promises embodied in the constitutional text, especially with regard to the principles of democracy, the rule of law and especially human rights. While this phenomenon exists in different regions of the world, transformative constitutionalism in Latin America distinguishes itself by being entrenched in and deeply interwoven with Inter-American human rights law. For this reason, we refer to this particular type of constitutionalism as *Ius Constitutionale Commune en América Latina*. It takes into account the region’s specific challenges, notably a high degree of social exclusion and economic inequality, widespread violence and insecurity, as well as selectively effective public institutions and law enforcement. The importance of these concerns is accentuated by the ongoing pandemic, which exacerbates already existing inequalities and socioeconomic marginalization across the region.

The starting point of this particular book project was the observation that the realization of the objectives of this transformative constitutionalism can be considerably affected by international economic law arrangements. For instance, intellectual property chapters in bilateral trade agreements can have implications for the right to health guaranteed by many constitutions and international human rights treaties while international investment treaties have, among others, been invoked against domestic policies designed to protect the rights of indigenous peoples. At the same time, it is clear that the guarantees enshrined in the Latin American constitutions, in particular those relating to socioeconomic rights, can only be realized if a certain level of economic and social development has been achieved. By fostering such development, international economic law, if properly designed, could thus also have a role in contributing to the advancement of transformative constitutionalism in the region.

It is in this context that our edited volume intervenes. It highlights the necessity of bringing about change in the design and the application of international economic law arrangements to reduce tensions with transformative constitutionalism in Latin America, especially in the area of human rights. While this volume does not deal in depth with the IMF, it advances a number of propositions from a legal perspective to avoid adverse effects on human rights matters, some of which are also of relevance for the Fund. Notably, in a chapter co-authored with Franz Ebert dealing with the World Bank we develop a number of possibilities to align the Bank’s activities with the objectives and principles of transformative constitutionalism. In particular, we posit that the World Bank should take into account not only global human rights standards but also the Inter-American human rights acquis when designing and carrying out its activities in the region and we develop several doctrinal propositions as to how this could be done. Furthermore, we argue that there is a need to improve the World Bank’s accountability mechanisms with regard to human rights, which we believe is vital to tackle the legitimacy deficits which the Bank’s activities give rise to. These are aspects which would also be of relevance for the IMF’s activities whose legal framework shows similar human rights-related deficits as that of the World Bank.

2) *The IMF repeatedly argues that it is not allowed to nor legally forced to consider human rights when granting loans or offering policy and technical advice. Can public international law shed some light on this field?*

There are many good reasons to consider that the IMF and other international financial institutions, including the IMF, are subject to certain international human rights norms. So far, international financial institutions are not parties to global or regional human rights treaties. That being said, international financial institutions are subjects of international law which are bound by the peremptory norms of *ius cogens* and the relevant body of customary international law.

Another – perhaps even more compelling – reason for considering that the IMF is required to take into account human rights concerns when planning and carrying out its activities lies in the very mandate of the IMF. Matthias Goldmann, for example, has convincingly argued that the IMF’s mandate has evolved so as to encompass an obligation to at least not contribute to human rights violations, including with regard to economic, social and cultural rights. Indeed, international financial institutions have committed to the UN Sustainable Development Goals that embody numerous human rights concerns. Finally, it is important to note the IMF’s status as a UN Specialized Agency by virtue of its relationship agreement with the United Nations. This arguably entails an obligation for the IMF to respect the United Nation’s principles and objectives of which human rights are an important part, as evidenced by Article 1(3) of the UN Charter.

It is worthwhile noting that the wording of IMF legal instruments offers already important gateways to take into account human rights concerns. For example, the IMF’s Guidelines on Conditionality of 2002 require the IMF to “pay due regard to domestic social and political objectives”. Provisions such as these can be convincingly interpreted in a manner that allows – and in fact requires – the IMF to pay due regard to human rights considerations in the course of its operations.

3) *Is international law fragmentation a problem when we think of the IMF’s human rights obligations, and if so, how it can be overcome?*

The fragmented nature of international law implies that states can be faced with conflicting requirements under international human rights law, on the one hand, and under their financial assistance programmes sponsored by the IMF, on the other. On several occasions we have seen that IMF conditionality has required countries to undertake measures that were found by international human rights bodies, such as the Committee on Economic, Social and Cultural Rights or the European Social Committee, to contravene the States’ relevant human rights obligations.

From a normative point of view, there is a strong case to be made for overcoming this fragmentation as far human rights issues are concerned. Among others, the UN Sustainable Development Goals emphasise the need for policy coherence at the global level. In order for this policy coherence to materialize, it is vital that the IMF takes into account the human rights concerns in a systematic manner when devising its activities. This will require changes in the IMF’s institutional practices. For example, the IMF’s financial assistance programs, including the conditions attached to it, should be accompanied with ex-ante human rights impact assessments in order to identify such negative effects and address them before they materialize. In certain cases, ex-post human rights evaluations would be useful to trace the human rights effects of certain IMF activities over time. For such assessments to be effective, a robust methodology would be crucial, involving both quantitative and qualitative elements. Also, an appropriate procedural framework would be required so as to ensure the independence of and appropriate resources for the institution carrying out the assessment. Of note, not only the IMF’s financial assistance programmes raise human rights issues that need to be addressed. Rather, a similar point can be made with regard to the IMF’s national policy assessments, such as the IMF’s Article IV Reports. As Franz Ebert has shown, these Reports, as endorsed by the Fund’s Executive Board, should, due to their influence on domestic policy making in many countries, be considered an

exercise of international public authority, sometimes with problematic implications with regard to human rights.

Another vital issue in this regard is the question of coordination between the IMF and other international institutions, especially those with a human rights mandate. Under domestic constitutional law, a member of government whose proposed action affects the area of competence of another member of government is required to at least inform and consult with the latter, for the sake of policy coherence. Similarly, at the international level in cases in which a decision of an international organization affects issues covered by mandates of other international organisations, the latter should at least be informed and have the possibility to give its views on the matter. This would, for example, require the IMF to consult with institutions such as the Inter-American Commission on Human Rights or the International Labour Organization regarding social security or labour law reforms prescribed in the lending conditionality or proposed in the Article IV Reports. Thereby, the IMF would not be converted into an enforcement agency for labour or human rights. Rather, it would ensure that the IMF's recommendations are informed by the relevant expertise and vested with the approval of the competent international institution.

4) Beyond IFIs, is it possible to think of an international legal framework that sustainably considers both human rights and private credit markets?

In my view, there is a strong need to enhance the legal framework within which sovereign debt restructuring takes place. As a public lawyer, I am interested in how exercises of public authority can be tamed and framed in order to make them more legitimate. In a paper co-authored with Matthias Goldmann, we showed that a number of fora within which sovereign debt restructuring occurs involve such exercises of public authority. This is notably true for the Paris Club which is made up of major debtor countries, arguably exercises public authority. This is through its Agreed Minutes, which conclude debt restructuring negotiations within the Paris Club. Although formally non-binding, the Agreed Minutes stabilizes the normative expectations of the actors involved and can be implemented through unilateral actions of its members against debtor countries. To a more limited extent, a similar argument can be made for the London Club.

In our paper, we argue that these exercises of public authority raise legitimacy issues that should be addressed by strengthening the relevant legal frameworks. This would involve procedural requirements, including a duty of creditor states to participate in debt restructuring negotiations where a borrower country is unable to service its debts and certain transparency requirements, as provided for by UNCTAD Principles 7 and 10 on Promoting Responsible Sovereign Lending and Borrowing. However, exercises of public authority in relation to sovereign debt restructuring also need to comply with human rights-related requirements. This comprises in particular a prohibition of discriminatory or otherwise unjustified regressions of economic, social and cultural rights. Here again, carrying out a human rights impact assessment, especially with regard to measures affecting in particular the most impoverished parts of society would be vital, prior to agreeing to adjustment programs for borrower countries.

5) How do you see that the Inter American Human Rights Commission could contribute to identify, shape and enforce the legal framework within which the IMF and State clients' negotiations and decisions should take place?

The obligations under the American Convention on Human Rights (ACHR) apply to the State Parties also in times of debt crises and in contexts of debt restructuring. The Inter-American Commission on Human Rights can help States to duly take account of these obligations. In light of its transformative mandate within the Inter-American Human Rights System, the Commission can include aspects relating to sovereign debt issues into its monitoring activities regarding the human rights situation of the 35 OAS Member States. In this regard, the Commission can harness many of its instruments, including country, thematic and annual reports, thematic hearings and press releases. The country visits the Commission carries out and its interaction with relevant civil

society actors could be vital to better understand the impact of the relevant financial arrangements. In this regard, maintaining and deepening the dialogue with relevant other institutions such as ECLAC and relevant UN human rights bodies would seem vital.

More generally speaking, it is important that the IMF, when carrying out activities in Latin America, takes into account the regional human rights framework. The Inter-American Court and Commission have emphasized the need to combat social exclusion and economic inequalities, which is also reflected in the Court's important jurisprudential innovations concerning economic, social, cultural and environmental rights. It would be vital for the IMF to consider these rights when devising its debt restructuring proposals and when designing its financial assistance programs and related conditionality. A suitable way to integrate these concerns into the IMF's activities would be through human rights impact assessments. Our research clearly shows that there is a strong case for such assessments to be carried out for the IMF's financial assistance programmes but also other activities through which the IMF wields economic and political power and thus exercises international public authority.



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Isabel Ortiz & Matthew Cummins

January 29, 2021

1) You have studied adjustment and austerity measures implemented around the world. Could you summarize the main measures and where they have been in the past decade?

Between 2010 and 2019, most governments in the world implemented fiscal policies aimed at reducing spending, with limited emphasis on increasing revenue. This approach, commonly known as fiscal austerity, minimizes public policies and the role of the state in society, which creates problems advancing human rights. Before the pandemic erupted, austerity had become a “new normal” affecting 5.5 billion people or 72% of the global population – that’s nearly three out of every four persons! However, this outcome is not inevitable; there are many alternative pathways, we can talk about that later.

The latest reports^{*1} show how austerity measures were being carried out in most countries in the world – around 113. An alarming number of governments had adopted excessive cuts in public spending, even reducing spending below levels in 2007-08, before the global financial crisis. This included many countries with high human development needs such as Angola, Bhutan, Burundi, Djibouti, Egypt, Eritrea, eSwatini, Guyana, Honduras, Iran, Iraq, Jamaica, Jordan, Lebanon, Liberia, Malawi, Mauritania, Moldova, Nigeria, the Republic of the Congo, Sudan, Tunisia, Tuvalu, Yemen... Developing countries have great public investment needs in all sectors, and especially in education, health, social protection, housing, water and sanitation, and they should expand their national budgets, not cut them.

2) What have been the effects of budget cuts on populations?

Austerity has had serious negative impacts on people and especially social development outcomes. How? To answer this question, we reviewed nearly 800 IMF country reports published between 2010 and 2019. The reports show that governments around the world considered six main policies to consolidate budgets and only two measures to increase revenue. These are discussed below.

First, wage bill cuts or caps in 103 countries, reducing or freezing the salaries and number of public-sector workers who provide essential services to the population, such as education, health and social welfare, which negatively impacted access to and the quality of public services. This is something that we have denounced in UNICEF for many years.

Second, reducing subsidies (such as fuel, food, agriculture) in 102 countries, despite periods of high food and energy prices. When basic subsidies are withdrawn, food and transport costs increase and can become unaffordable for many households; higher energy prices also tend to contract employment-generating economic activities. Normally “safety nets” (transfers for the poorest) are recommended but these are insufficient, they do not cover workers and the middle class who tend to have low incomes in developing countries and are severely affected by rising prices.

Third, pension and social security reforms in 86 countries, cutting benefits and eroding public systems. Typical reforms include raising contribution rates, increasing eligibility periods, prolonging the retirement age and/or lowering benefits, as well as structural reforms that move

¹ Ortiz, I. & Cummins, M. (2019). [Austerity: The New Normal – A Renewed Washington Consensus 2010-24](#). (New York, Brussels and London: Initiative for Policy Dialogue, International Trade Union Confederation, Eurodad, Services International, Bretton Woods Project); and Ortiz, I.; Cummins, M.; Capaldo, J. & Karunanethy, K. (2015). [The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries](#). (Geneva and New York: International Labor Organization, the South Center and Initiative for Policy Dialogue, Columbia University).

toward private systems, despite the failure of pension privatization in earlier decades.^{*2} Many of these reforms are also against international standards and national legislation. As a result, both the OECD and the International Labor Organization project that future pensioners will receive lower benefits; old-age poverty is increasing.

Fourth, rationalizing and narrow-targeting social assistance (“safety nets”) in 84 countries, often by revising eligibility criteria and targeting the poorest, which is a de facto reduction of social protection coverage. In most developing countries, the so-called middle classes have very low-incomes, and restricting targeting to the poorest only excludes them and increases their vulnerability. Rather than targeting more and scaling down social assistance to achieve cost savings over the short term, there is a strong case for scaling up and building social protection systems for all persons.

Fifth, labor flexibilization reforms in 81 countries, such as revising minimum wages downward, limiting salary adjustments to cost of living standards, decentralizing collective bargaining and increasing the ability of enterprises to fire employees. In a context of economic slowdown, such as in Argentina, these reforms generate a “precariousness” of the labor market and depress workers’ incomes.

Sixth, reforming health care systems in 44 countries, including raising fees and co-payments for patients as well as introducing cost-saving measures in public healthcare centers. In 2020, COVID-19 had a devastating impact on countries. The weak state of public health systems – often overburdened, underfunded and understaffed by the previous decade of austerity – left many countries prone to health care failures, with fatal consequences for many people.

Seventh, after budget cuts, the most common measures to increase revenue are introducing or expanding excise taxes and value added taxes (VAT) on basic goods and services in 100 countries. This measure contracts economic activity and is regressive (that is, the poorest households pay a significantly higher proportion of their income), thus also with negative social impacts.

Eight, privatizations in 59 countries and strengthening public-private partnerships (PPPs) in 60 countries. Sales proceeds produce short-term revenue, but also long-term losses given the lack of future state income. Additional privatization risks include layoffs, tariff increases, and unaffordable and/or low-quality basic goods and services. Regarding PPPs, they are often promoted as a solution for countries under fiscal constraints, but commonly result in higher user fees and poorer quality of services.

Austerity policies have inflicted serious damage on the population of the countries where they have been applied. Women have been particularly affected. Inequality has grown enormously in the last decade, generating more rich people and more poor people. Millions of people were pushed into poverty by the jobs crisis and austerity cuts - and this was before the pandemic.

3) Looking back at the breadth and depth of austerity over the past decade, are there parts of society that were protected and did not have to make sacrifices like the majority?

Unfortunately, yes. In perspective, the macroeconomic and fiscal decisions made by most governments during the last decade 2010-20 are alarming. To respond to the global financial crisis in 2008-09, \$10 trillion was given to the financial sector in OECD and G-20 countries. In contrast, developing countries received only around \$0.24 trillion in aid and support. The IMF also benefitted from another \$0.75 trillion – more than triple the amount of development aid – an institution that rarely considers the social impacts of the reforms it proposes. In short, while the financial sector and banks benefitted from trillions of dollars, the costs of adjustment were mainly

² See International Labour Organization. (2017). [World Social Protection Report 2017-19](#) (Geneva: ILO) and Ortiz, I. Durán, F. Urban, S. Wodsak, V. y Yu, Z. (2019). [Reversing Pension Privatizations. Rebuilding public pension systems in Eastern Europe and Latin America](#) (Geneva: ILO).

born by vulnerable populations through less social protection, fewer and lower quality social services, and higher consumption taxes.

4) An article published in The Lancet in April 2020 warned that the IMF and World Bank were pushing largely orthodox policies to respond to the pandemic. Based on your research, are these international financial institutions still promoting an agenda of fiscal austerity and adjustment? And if so, what areas are these policies focusing on?

Governments have adopted extraordinary measures to deal with the coronavirus, ranging from nation-wide lockdowns and expanding emergency health services to fiscal stimulus plans and social protection measures to protect people and jobs. While the IMF has supported many countries with urgent financing, this has led to an increase in fiscal deficits and debt, both of which point to the beginning of a new wave of austerity.

According to an analysis of 80 IMF country reports by Eurodad, 72 of those countries are expected to begin processes of austerity or fiscal consolidation in 2021 in order to meet their debt service obligations.³ Governments are expected to implement austerity measures averaging 3.8% of GDP, and more than half of this adjustment (around 2% of GDP) will take place in 2021. And this is despite the fact that poverty records are being shattered – the World Bank estimates that 150 million more people will have fallen into extreme poverty by 2021 – and social needs have never been higher in many places.

As in the previous decade of adjustment, these measures will disproportionately affect the population. This will include spending less on the wage bill and social services as well as introducing or increasing consumption taxes on basic goods and services. For instance, countries like Barbados, El Salvador, Lesotho and Tunisia are expected to cut public sector wages and jobs, which could mean lower-quality services and fewer teachers, doctors and social workers in places that have very high social needs.

5) In its academic research and discussions with senior policy makers, the IMF encourages public investment to respond to COVID-19. At the same time, its decision-making and technical bodies recommend and even praise countries that are introducing spending cuts and reducing labor flexibility in Latin America. What are the reasons for this disagreement?

There has always been a wide divergence between what the IMF's Public Relations and Research Departments says and what IMF economists do. The reality is the day-to-day operations of the IMF in countries, this is what affects public policies for billions of people. So that's a big warning not to confuse what is said in front of the public or in abstract research articles.

6) Is it possible to sustain the growth rate of spending if access to credit markets is limited by unsustainable sovereign debt levels? What resources can and should countries of the Global South mobilize in the current context?

Austerity measures are being used as a Trojan horse to reduce public policies, arguing that human rights and many development policies are unaffordable, and that cuts in public spending are inevitable. This is simply not true; there are alternatives, even in the poorest countries. There is a wide variety of options to expand fiscal space and generate financial resources.

³ See Eurodad. (2020). [*Arrested Development: International Monetary Fund lending and austerity post Covid-19*](#). (Brussels: Eurodad) and Oxfam. (2020). [*IMF paves way for new era of austerity post-COVID-19*](#). (Nairobi: Oxfam).

The following eight funding options are supported by the UN (see, for example, ILO, UNICEF and UN WOMEN)⁴ as well as by the international financial institutions. Many governments have been applying them for decades, showing a wide variety of options. The eight options are:

- 1. Increasing tax revenues:** This is the principal channel for generating resources, which is achieved by altering tax rates—e.g. on corporate profits, financial activities, property, imports/exports, natural resources, digital economic activities—or by strengthening the efficiency of tax collection methods and overall compliance. Given the increasing levels of inequality, it is important to adopt progressive approaches, taxing those with more income; consumption taxes should be avoided as they are generally regressive and contrary to social progress. Many governments are increasing taxes to achieve greater social investment. For example, Bolivia, Mongolia and Zambia are financing universal pensions, child benefits and other schemes from mining and gas taxes; Ghana, Liberia and the Maldives have introduced taxes on tourism to support social programs; and Brazil introduced a tax on financial transactions to expand social protection coverage. Encouragingly, wealth taxes are being proposed in many countries as a best policy to cope with COVID-19.
- 2. Expanding social security coverage and contributory revenues, for social protection:** Increasing coverage and therefore the collection of social insurance contributions is a sustainable way to finance social protection, freeing fiscal space for other priority expenditures. Social protection benefits linked to employment-based contributions also encourage formalization of the informal economy; remarkable examples can be found in Uruguay's Monotax and Brazil's SIMPLES, as well as in Argentina, Tunisia and many other countries that have demonstrated the possibility of broadening both coverage and contributions by formalizing and protecting workers in the informal economy.
- 3. Borrowing or restructuring/reducing existing debt:** This involves active exploration of domestic and foreign borrowing options at low cost, including concessional, following careful assessment of debt sustainability. For countries under high debt distress, restructuring or reducing existing debt may be possible and justifiable if the legitimacy of the debt is questionable and/or the opportunity cost in terms of worsening deprivations of the population is high. In recent years, more than 60 countries have successfully renegotiated debts, and more than 20 have defaulted or repudiated public debt, such as Ecuador, Iceland and Iraq, which invested debt service savings to social programs. Since COVID-19, the G20's Debt Service Suspension Initiative (DSSI) and the IMF's Catastrophe Containment and Relief Trust (CCRT) have provided some debt service relief to highly indebted, poor countries; this is a step in the right direction, but much more relief is needed.
- 4. Eliminating illicit financial flows:** Estimated at more than ten times the size of all development aid received, a titanic amount of resources illegally escapes developing countries each year. To date, little progress has been achieved, but policymakers should devote greater attention to cracking down on money laundering, bribery, tax evasion, trade mispricing, and other financial crimes that are both illegal and deprive governments of revenues needed for social and economic development.
- 5. Re-allocating public expenditures:** This involves adjusting budget priorities and/or replacing high-cost, low-impact investments with those with larger socio-economic impacts. For example, Costa Rica and Thailand reduced spending on the military in order to fund universal health services.

⁴ Ortiz, I. Cummins, M. and Karunanethy, K. (2017). [*Fiscal space for social protection and the Sustainable Development Goals: Alternatives to expand social investment in 187 countries*](#) (Geneva: ILO).

6. **Using fiscal and central bank foreign exchange reserves:** This includes drawing down fiscal savings and other state revenues stored in special funds, such as sovereign wealth funds, and/or using excess foreign exchange reserves in the central bank for domestic and regional development. Chile, Norway, and Venezuela, among others, pursued these strategies to increase socio-economic investments.
7. **Lobbying for aid and transfers:** This requires engaging with different donor governments, international financial institutions and regional development organizations to ramp up North-South or South-South transfers, including through grants and concessional loans.
8. **Adopting a more accommodating macroeconomic framework:** This entails allowing for higher budget deficit paths and/or higher levels of inflation without jeopardizing macroeconomic stability. A significant number of developing countries have used deficit spending and more accommodative macroeconomic frameworks during the global financial and economic crisis to attend to pressing demands at a time of low growth and to support socio-economic recovery. In high income countries, it was common to use quantitative easing, a monetary policy whereby a central bank purchases government bonds or other financial assets in order to inject money into the economy to expand economic activity. These measures have also been a common response in the early phase of the COVID-19 response.

Each country is unique, and all options should be carefully examined, including the potential risks and trade-offs, and considered in national social dialogue. Financing options should not be decided behind closed doors by technocrats in the Ministry of Finance, as they impact the lives of all citizens. National public dialogue between governments, workers, employers, civil society, Parliamentarians and other actors is essential to generate political will and take advantage of all possible financing options and thus avoid austerity.

7) You argue that austerity should not be the “new normal.” What policies should the IMF and other IFIs recommend in this context?

Financing human rights and social development is possible. Given the importance of public spending for national development, it is imperative that IFIs and governments abandon austerity and other policies that benefit only a few (the wealthiest) and instead explore all possible financing alternatives explained above. This is the only pathway to prioritize national socio-economic development, human rights and political stability, and to achieve long-term prosperity for all persons.



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Matthew Cummins is an economist who has worked at the United Nations Development Programme, UNICEF, and the World Bank. Cummins works as a senior economist at UNICEF, where he manages the public finance and social protection portfolios in eastern and southern Africa. He previously worked with UNDP, the World Bank and the Peace Corps. He has written more than 50 publications and holds a master's degree in international economics from Johns Hopkins SAIS.

Sharan Burrow

January 27, 2021

1) How would you interpret the role of IMF, and other IFIs, in the long-standing loss of labour share in GDP along most economies in the world?

The mistrust of the IMF from many developing countries, from labour and from civil society grew as the institutional mandate increasingly contributed to embedding the failed economic model of the Washington Consensus or the trickle-down theory. For decades the IMF and WB have pushed an agenda underpinned by market fundamentalism that imposed policies that hurt working people and worsened income inequality.

When it comes to wages, the IMF agenda explicitly promoted a strategy of wage suppression under the guise of “boosting competitiveness” in the private sector, and directly asked countries to cut wages in the public sector.

The IMF's own research has identified the negative impact on inequality of some policy settings such as labour market reforms, product market reforms, capital account liberalisation and austerity measures such as suppression of minimum wage levels and reducing social protection. It has also been demonstrated that distribution has been enhanced where unions and collective bargaining practices are strong. Despite such research with few exceptions IMF programmes and country level advice remains the same despite the historic levels of inequality created.

2) Is the actual international financial architecture – especially as regards the IMF – prepared to address the pandemic crisis with a progressive bias? What changes would be needed?

The leadership of Kristalina Georgieva has been encouraging with her support for debt relief, for Special Drawing Rights and liquidity swaps, and the ramping up of its instruments for emergency lending that carry no conditionality, as well as using the CCRT (one of its trust funds) to cover repayments to itself from the poorest members. But she has not had the unconditional support of key countries. Perhaps a Biden administration will help shift this dynamic.

But even then, those welcome steps don't come anywhere close enough in addressing the scope of the crisis, or even making a dent in the amount of financing that countries need to recover from the impacts of COVID and build resilience.

To put that into perspective, UNCTAD estimates developing countries need \$2.5 trillion. The IMF says it can lend up to \$1 trillion, says it committed \$100bn in financing already but in reality had only disbursed about \$30 billion in 2020 (for about 80 countries). For some perspective, IMF disbursements in 2019 were \$27 bn and in 2018 \$36bn, out of which for those 2 years \$45 billion went just to Argentina.

For a more progressive response, the IMF needs to provide much more debt forgiveness and at least extend that to lower-middle income countries. There must also be a lot more financing without regressive conditionality.

Supporting a large SDR issuance would help too and extend debt-free support to all countries, along with encouraging developed countries that don't need the support to donate their allocation towards the CCRT (for more debt relief).

3) The IMF has systematically avoided a serious commitment to labour protection policies, such as ILO basic standards. What are the main issues, when it comes to the IMF's vision, that compromises labour rights fulfilment?

The social contract started to seriously break down in the 1980s with hyper globalisation and the loss of commitment to both full employment, collective bargaining and shared prosperity. The

dominance of returns to shareholders escalated an exploitative model of global supply chains based on low wage labour and resulted in historical levels of inequality which has driven despair and anger amongst people. Indeed, the extent of this failure can be attributed to the loss of trust in governments and democracy itself.

The IMF's vision that "free-markets" have the best outcomes carries the misguided view that wage growth should only reflect productivity and labour productivity and that any intervention is a distortion to market mechanisms. With this operational principle follows the attitude that labour standards would somehow hurt growth.

There has been some progress on addressing this orthodoxy in that the IMF has recognised that sometimes markets fail and some interventions such as minimum wages can help, but it is still a view of exceptionalism rather than an acceptance that shared prosperity lifts aggregate demand and ensures inclusive growth.

Tragically IMF models still assume that less labour rights (and generally less regulation) are the solution to reducing informality when indeed the fastest solution is minimum living wages and social protection with a rights-based regulated labour market.

4) What are the good and bad labour regulations that you have seen States adopt to cope with the pandemic and the recession and what has the IMF's view been on those legal reforms? Does the IMF have its own labour approach in times of Covid-19?

The worst attacks on rights have come from authoritarian states which have used the pandemic to legislate against the rights and freedoms of their own people. India, Indonesia, the Philippines, Brazil amongst others are examples of the power of corrupt elites acting with brutal disregard for people and ultimately for inclusive and sustainable economies. Multilateral institutions have failed to moderate such behaviour anywhere.

5) Labour markets were already challenged by a structural process, a debate mainly referred as the "future of work" (i.e. automatization, digitalization, Artificial Intelligence, etc.). Is the pandemic crisis working as an opportunity to meet this challenge without a proper protection for workers? Are IFIs playing a role in this process during the crisis?

Technology that serves humanity will be embraced but technological determinism must be opposed. COVID 19 has accelerated the use of digital technologies but with less than 20% of jobs able to be performed remotely today the picture is much more complex. If we can ensure all internet mediated jobs come with a floor of rights, decent wages and protections from exploitation we can ensure decent work. If we can eliminate surveillance at work and ensure privacy online people will trust technology. This requires regulation to break up the monopoly power of the big tech companies. It requires regulation against bias and corruption in the algorithms deployed. And then the central challenge is investment in quality jobs to maximize participation in fair labour markets.

6) What do you think about the IMF and other Bretton Woods institutions' gender approach to cope with the pandemic in the field of social (including labour and pension) and economic policies?

The IMF and the other BW institutions constantly talk about gender equality and empowering women. They produce many reports and gender strategies yet still push regressive policies that disproportionately hurt women - opposition to universal social protection and minimum living wages, public sector wage cuts, pension reductions, regressive taxes including VATs, underfunding of health and care services and education and more.

The IMF is supporting additional social spending to respond to COVID 19 but the danger is still a reversion to austerity wiping out the benefits that have been achieved as temporary measures

are phased out. We need investments that are based on delivering long term social benefits and an approach to patient capital and patient debt that supports a new development model.

7) What role does the international labour movement have in overcoming the pandemic crisis, the recession and persistent radical inequalities?

The unions have played an incredible role around the world to put policies of support in place including access to health, job and wage support mechanisms and income support for those in need.

Our demand for a New Social Contract for recovery and resilience has got traction but this is the year to embed the five critical demands of working people everywhere.

- Jobs - climate friendly jobs
- Rights - the repair of a broken labour market with the promise of a floor of rights and protections for all workers irrespective of the employment arrangements. These are laid out in the ILO Centenary Declaration being: fundamental rights, occupational health and safety, adequate wages and maximum hours of work.
- Universal Social Protection - with a global social protection fund to close the funding gap in the poorest countries which have no social protection against shocks
- Equality - income, gender and racial equality
- Inclusion - peace, people and development

This recovery must be funded with tax not austerity and the monopoly power of corporations and exploitation of people and the planet will only be eliminated if we end corporate impunity.

Workers and their unions will fight for reform of multilateralism that supports a just and sustainable future.



Sharan Burrow is the General Secretary of the International Trade Union Confederation (ITUC) and a former President of the Australian Council of Trade Unions (ACTU) (2000–2010). She is the first woman to become General Secretary of the ITUC since its foundation in 2006, and was the second woman to become President of the ACTU. She graduated in teaching with the University of New South Wales (Australia). Before becoming President of the ACTU she was also President of the Australian Education Union (AEU) in 1992. Burrow is Member of the Supervisory Board of the European Climate Foundation, and Honorary Co-Chair of World Justice Project.

Mark Blyth

January 26, 2021

1) You published a book entitled “Austerity: The History of a Dangerous Idea”. Why is austerity dangerous? Who wins and who loses with austerity?

Austerity is a dangerous idea because it is immune to empirical refutation. On a logical level it does not matter how many times you point out that:

- a) The state is not a household
- b) The ability to tax and issue debt across generations matters
- c) You cannot crowd out the market with government expenditure if no one else is spending
- d) That there is no such thing as an ‘expansionary’ contraction
- e) There are no ‘confidence fairies’

Politicians will keep saying that there are, and the economists who back them up are essentially playing a form of class politics. Austerity protects the value of assets for those who have them, paying for the protection by cutting spending on those who have no assets. In the language of finance austerity is a ‘class specific put-option.’ Austerity saves the assets of the rich with the incomes of the poor. It’s really that simple.

2) Would you explain to our readers what “expansionary austerity theory” means and share your views on it?

This was a fashionable theory that said you could ‘have your cake and eat it too.’ Looking at the experience of several small open economies who cut their spending and then grew out of the recession that they found themselves in – Denmark, Australia, Sweden or Ireland – this literature told politicians that you could cut spending, make the economy boom, and not pay an electoral price. What such studies left out was that the spending cuts undertaken (if they are undertaken at all) had nothing to do with the boom. The boom happened because these were small economies that exported a lot, and when their much larger trading partners boomed, thereby stimulating their exports, they recovered. The cuts had nothing to do with the recovery. In some cases, Sweden and Australia, the studies even managed to get wrong what actually happened in these cases in terms of policy. Australia had no austerity and Sweden had a property bubble burst, for example. The European Commission bought into these ideas in 2010 and launched the austerity crusade, which crushed growth for a decade and totally up-ended the Spanish, Italian and French party systems. Turns out there were electoral prices to be paid.

3) Some scholars and experts speak about the disproportionate weight that finance in the real economy implies. How do you think this hypertrophy has evolved since the last global crisis? How does it affect peoples' daily lives and democracies?

I try not to use expressions like “financial hypertrophy” but the simple way of looking at this is to ask, is it possible to have too much finance? The answer is yes, and we do, especially in the Anglo-American world. While COVID has challenged this, for the past 30 years states have been afraid of fiscal policy and have instead relied on monetary policy to fight recessions. The problem with doing so is that over time you need bigger and bigger doses of money to make it work. And once you run out of the ability to cut interest rates any further, or to make people borrow more on their already bloated balance sheets, monetary policy loses its effectiveness. But the debt remains, and that is the source of financial fragility on the next round. This is why I worry about the massive build up in private debt, not public debt. There is 18 trillion dollars in negatively yielding public debt in the world. That means investors are paying states to lend them money at a negative real rate. That is NOT a problem. But real workers and consumers are paying 20% on credit cards and

6% on student loans while their wages stagnate. That is unsustainable, and yet we keep it going crisis after crisis.

4) The initial reaction of most States to the pandemic seemed to be the implementation of policies to stimulate the economy. Yet, do you see that governments and IFIs are now gradually changing their narratives and policies towards austerity? Did not they learn any lesson from the last decade of austerity? Is there a hidden rational agenda that helps us understand why IFIs would insist on austerity again?

COVID has irrevocably changed the way states do things, with a strong push back to the fiscal side. If Biden's recovery plan passes the US senate then combined US spending since 2020 will be bigger than the whole of the New Deal. Similarly, the European Commission has suspended the six-pack rules on deficits and debts and it would be absurd to try and enforce them in a world in which by the end of COVID everyone will have a 10% plus deficit. Last year the IMF's ex-chief economist Olivier Blanchard said we should forget about public debt reductions since the costs of reducing it are less than the costs of living with it. Italy provides a warning. Italy has double digit unemployment since the austerity years and has not grown in over 20 years. It is a ward of the ECB. The two largest political parties in Italy are soft (Lega) and hard (Fratelli) fascists. One more round of austerity and they come to power. I think that the IFI's know this.

5) What responsibility do the IFIs – particularly the IMF – bear for the persistence of dangerous ideas (and policies) such as austerity? What do the technical and analytical studies of the IMF conclude about the outcomes of the implementation of austerity? Are these internal studies considered when the organization takes policy decisions?

Historically, a lot. But recently, not as much. The current head of the IMF said recently that survival trumps fiscal rectitude, and as early as 2013 the IMF research department was beginning to dismantle the case for austerity. By 2017 the orthodoxy had changed. The IMF was also deeply uncomfortable continuing a policy of maturity extension rather than debt forgiveness for Greece. So there has been learning. But does that matter operationally? Does that matter for the countries that are usually indebted to the IMF in sub-Saharan Africa and Latin America? Here the evidence is more mixed, with the same conditionalities and 'privatize/liberalize' policies being followed as before. So yes, the technical and analytic stuff matters, but its diffusion into policy is not guaranteed.

6) The pandemic has intensified pre-existing inequalities, and there are no clear signs of what the recovery will look like. Do you think this will bring a new wave of global discontent? What do you think the political use of this discontent in economic affairs will be?

There is no doubt that COVID has amplified existing inequalities. We have learned that essential workers are the ones with the least pay, and that it seems to be easier for governments to bail out their stock markets than backstop their labor markets. But on the other hand the extent of those backstops, even in the UK, has been remarkable. However, even if consumption is being maintained, businesses are failing and many may never open again. The recovery will be driven by the savings of those least affected, who are also those with the highest wages. This 'pent up spending' will not 'trickle down' to those most affected. And endless lockdowns drain public trust and leave populations open to conspiracy theories and other manipulations. We are in a three-way race between vaccines, viral mutations, and government capacity. Prior episodes of austerity have withered the last part of that equation such that our recovery will be harder than it needed to be.



Mark Blyth is the William R. Rhodes '57 Professor of International Economics, at the Watson Institute for International and Public Affairs, at Brown University. He finished his PhD. in political science at Columbia University in 1999. He then joined the Johns Hopkins University before moving to Brown University in 2009. His research focuses upon the causes of stability and change in the economy and why people continue to believe stupid economic ideas despite buckets of evidence to the contrary. The power of economic ideas is a common theme in Blyth's work, as seen in his recent award winning Book, *Austerity: The History of a Dangerous Idea* (New York: Oxford University Press 2015); *The Future of the Euro* (New York: Oxford University Press 2015), and in his most recent book *Angrynomics* (New York: Columbia University Press 2020).

Jayati Ghosh

February 9, 2021

1) You have pointed out that wages did not follow the post 2008 GDP recovery, and stressed that this was due to the lack of progressive economic policies. Considering this previous path, do you see this time as different? What can be expected in the aftermath of the 2020 COVID related crisis?

This time should definitely have been different, not only because of the sheer intensity of the economic crisis combined with health crisis, but because we now have the lessons of 2008 and its aftermath to learn from. In the advanced economies, it seems that at least some lessons have been learned: they have had mostly large fiscal responses, with significant amounts of social protection in the stimulus packages; and the policies have not been so openly weighted in favour of large capital and finance (though they still do dominate in terms of getting relief relatively speaking).

However, in some other respects, not enough has been learned. Most of all the sharp difference between fiscal policies in the advanced economies and those in most developing countries is really stark: very few developing countries have gone in for substantial fiscal expansion, even when they do not have sovereign debt or balance of payments concerns, and some have even persisted with austerity in the midst of pandemic. This has terrible implications for employment livelihoods and prospects of future recovery. Fiscal space is constrained in some cases by external debt overhangs, and in other cases just by fear of capital flight. The need for more systematic capital account management to prevent such loss of policy space and reduce vulnerability due to volatile capital flows has never been more evident.

The North-South divide is also evident in vaccine nationalism, which has driven rich countries to grab advance shots of vaccines several times in excess of their own populations. Even worse, rich country governments have blocked attempts in the WTO by South Africa, India and some other developing countries to suspend patents on vaccines and COVID-19 drugs during the pandemic. This is a stupid move, because it only benefits the big pharma companies; it harms not just developing countries but people and governments in advanced countries, who have to pay more vaccines that were already developed using public funds.

2) Has the IMF changed somehow its traditional/orthodox/monetarist approach and focused on a short-term fiscal targets approach during the pandemic? Is the IMF presenting a kind of double standard between high income countries and the rest of the world?

The IMF leadership (MD Kristalina Georgieva and Chief Economist Gita Gopinath) have been making all the right noises in general, about the need for fiscal expansion and more social protection during the pandemic. But unfortunately, this does not seem to translate into action on the ground. In dealing with individual developing countries, the IMF is still insisting on conditionalities that would limit fiscal expansion or even cut public spending, and reduce the state's ability to protect citizens and engage in greater health expenditure. This is certainly evident in Ecuador and Argentina, but also in several other developing countries that have been forced to turn to the IMF for emergency assistance. In Ecuador it demanded—just before an election—that the government grant the central bank “independence”, which would further reduce any macroeconomic policy space in a country that is already dollarized, and force austerity upon the incoming government. In Nigeria, it is asking for a decline in public expenditure to 10 per cent below the pre-pandemic level (during which time Nigeria has not implemented any fiscal stimulus) and a doubling of the regressive VAT that would fall disproportionately on the poor. The double standards are on full display as the IMF simultaneously welcomes the very large fiscal expansion in the US and when Managing Director Kristalina Georgieva in an interview tells the rich countries “do not withdraw policy support prematurely”.

3) *You have consistently argued in favour of radical, real changes in the international financial architecture. Which reforms are most urgent to address an economic recovery that protects human rights?*

There are several immediate steps that could be taken by the international community, even before more fundamental measures (which are also clearly required).

I. Creating more SDRs:

The International Monetary Fund (IMF) is the only multilateral institution that has the capacity to create global liquidity, and this is the moment when it must do so at scale. An immediate issue of Special Drawing Rights (SDRs) which are supplementary reserve assets (determined as a weighted basket of five major currencies) would create additional international liquidity at no extra cost. Since a fresh issue of SDRs must be distributed according to each country's quota in the IMF, it cannot be discretionary and cannot be subject to other kinds of conditionality or political pressure. At least \$1-2 trillion worth of SDRs must be created and distributed. This will have a huge impact in ensuring that developing countries in particular are able to engage in international trade and revive global demand. Developing countries will receive smaller shares of SDRs, and advanced economies with international reserve currencies are much less likely to need to use these additional SDRs. But this does not matter, because they can be a lifeline for emerging markets and developing economies, providing much-needed and unconditional additional resources to fight both the pandemic and the economic disaster.

It goes without saying that it is also incumbent on the IMF to drop its hypocrisy and double standards when dealing with developing countries. It cannot vary its macroeconomic policy advice based on whether a country issues a global reserve currency; and it must recognise the terrible impact of its enforcing policies of fiscal austerity (which in Africa earlier led to terrible destruction of health systems leading up to the Ebola epidemic) and reverse this approach, particularly in the pandemic and post-pandemic phases.

II. Global tax co-operation:

The international tax architecture continues to aid and abet the increase in such inequality, because of anomalies that enable multinational companies to avoid paying the same rate of taxes that local companies pay. It also allows very wealthy individuals to avoid paying even minimal wealth taxes in their own countries of residence by stashing away money in tax havens, and other kinds of illicit financial flows. There are obvious concerns about the massive inequality this encourages, the injustice and the absence of level playing fields for all taxpayers; but even more important, right now, is that governments across the world are required to make large expenditures to deal with the pandemic and its effects on economies; support and provide social protection to those devastated by economic collapse; address and cope with the ongoing climate crisis; and try to meet the Sustainable Development Goals that have been hugely set back.

Some solutions have been in the public domain for some time. The Independent Commission for the Reform of International Corporate Taxation (ICRICT) has suggested a set of comprehensive and fundamental reforms that incorporate the basic principles of efficiency and fairness. These include enabling every country to tax the global profits of MNCs, by apportioning the profits according to a formula based on sales, employment, users (for digital companies) and capital, and with a global minimum tax rate of 25 per cent. The beauty of this is that it completely removes any incentive that MNCs have to engage in base erosion and profit shifting (BEPS), that is, artificially classifying profits to low-tax jurisdictions to avoid paying higher taxes in countries where they actually operate.

The Organisation for Economic Cooperation and Development (OECD) has been working on a strategy for this, but the experience with the OECD process has been disappointing, and most countries are still excluded from effective and equal participation. This is something most effectively done with international co-ordination, so ideally it should be organised under the aegis of the United Nations, preferably under an intergovernmental Tax Committee. There are some

measures that governments can undertake on their own: (i) apply a higher corporate tax rate to large corporations in oligopolised sectors with excess rates of return; (ii) set a minimum effective corporate tax rate of 25 per cent worldwide to stop base erosion and profit shifting; (iii) introduce progressive digital services taxes on the economic rents captured by multinational firms in this sector; (iv) require publication of country by country reporting for all corporations benefiting from state support; (v) publish data on offshore wealth to enable all jurisdictions to adopt effective progressive wealth taxes on their residents and to be able to better monitor effective income tax rates on highest income taxpayers. These would obviously be much more effective if they were applied in a co-ordinated manner across countries, which is why international cooperation in this area would be so fruitful.

III. Sovereign debt resolution:

It is now evident that moratoria or standstills on debt repayments (both principal and interest) are only temporary moves that kick the (ever-growing) can down the road, and that some restructuring of sovereign debt of a range of developing and emerging countries is inevitable. The longer this is delayed, the larger the problem becomes and the more suffering is eventually inflicted on people in these countries. International co-ordination in this would be much better for all concerned than the disorderly debt defaults that would otherwise be almost inevitable, and would be against the interests of both debtors and creditors. The need for an internationally agreed mechanism to address these concerns is urgent, especially because it is now evident that efforts of individual countries to negotiate deals in good faith can be held up by individual rogue creditors who refuse to accept reasonable conditions and thereby make it impossible for other creditors to come to an agreement. The UN could take the initiative to organise an internationally acceptable platform for working on this issue and arriving at debt resolutions.

IV. Control over capital flows and finance:

Many countries—both advanced and developing—are concerned about the impact that very rigid multilateral rules have had on domestic policy space. To some extent these spring from constraints on governments that would like to manage trade in ways that would enable more industrialisation. But by far the greater concern relates to unbridled capital flows, that have resulted from the regulatory “race to the bottom” created by individual countries that have been persuaded that this will encourage more access to investment funds. This has created much greater vulnerability, especially of developing countries exposed to volatile capital flows and spillover effects of macroeconomic policies in the core advanced countries. Fear of capital flight has also restrained necessary fiscal action in many emerging markets and developing countries during the current pandemic. It is important to provide an enabling framework for the regulation and management of capital flows and banks and shadow banks within economies. Without such an international framework, individual countries seeking to impose some controls will be punished by financial markets.

V. Regulating and limiting IPRs to address drugs and technologies for climate change:

The abuse of drug patents during the pandemic—even for vaccines and drugs that were delivered largely with public assistance and funding, and relying on prior public research—has exposed the need for major regulation of intellectual property rights, which have effectively spun out of control and are now counterproductive for society. The outcry over monopoly pricing of drugs that could prevent, mitigate or control the Covid-19 impact is certainly justified; but there are equally important concerns about the inadequate sharing of green technologies and knowledge that could contain climate change and address its effects. The misuse of patents is a major concern that needs to be dealt with at the international level. The legal codes underlying the use of patents and other IPRs are increasingly determined by a plethora of other agreements that go well beyond the TRIPS agreement in granting exclusive rights to certain companies, to the detriment of other stakeholders, societies as whole, and even the advancement of knowledge. Therefore, even consideration at the WTO would not be sufficient, and this needs to be considered by an international body that could propose more just, equitable and progressive rules that would not

encourage concentration and the hoarding of knowledge, especially in such critical areas as health and the environment.

VI. Dealing with digital monopolies:

The pandemic greatly increased the profits and power of big digital companies, several of which had already become too large and too powerful. Recent anti-trust cases in the US and EU have accused some of the more well-known of them of misusing their dominant positions to undermine competitors in various ways, including abusing their control over the data generated by their users. The dangers of these aggressive monopolies are not confined to the competitors — users also suffer because of fewer options and weaker privacy controls. All these companies hoard the data they collect, which increasingly covers all aspects of their users' lives. For many of them, data are now the biggest source of revenues and profits. All sorts of use can be made of data: marketing and targeted advertising, influencing and manipulating political outcomes, targeting individuals based on particular criteria, enabling surveillance by both governments and private agencies. While some advanced countries are taking steps against this, both such regulation and privacy protection laws in most developing countries are still very weak if not non-existent. They would benefit greatly from international protocols that emphasise the importance of citizens' rights, which the UN could play an important role in enabling.

VII. Social protection floors:

The need for adequate social protection on various fronts has never been more evident and urgent. In most developing countries, this requires major increases in public spending. Some must be directly allocated to the effort to contain and deal with the health challenges posed by Covid-19 and continue to deal with other health conditions. More public expenditure is also required to ensure food security, as hunger is a growing threat. Some spending must be directed to income support for the many millions of people who have lost employment or incomes during the lockdown. The idea of the universal social protection floor much be revived and strategies for a Global Social Protection Fund must be seriously considered.

VIII. Global public investment:

Global public goods necessarily require global public investment. This would refer to making available cross-border resources to meet the common goals of humanity. This would be based on statutory contributions (rather than patronising “aid” from rich to poor countries). This could be composed of both grant and loan financing (concessional and non-concessional). It could be used to lower borrowing costs. Revenues for this could also be mobilised via the putting in place of taxes on specific activities (e. g. carbon) and ring-fencing these for environmental investments.



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Margot E. Salomon

March 7, 2021

1) Is the IMF bound by international human rights law?

International human rights lawyers have sought to make the case for years. It is important, but it can also operate as a red herring. It represents a legal sleight of the formalist hand because it distracts everyone from the deeper question: even if – as the IMF would argue – it is not bound by socio-economic rights does that suggest that it is free to decimate the lives and livelihoods of people in borrowing countries? If the answer is yes – as it would seem to be – then we have a more profound problem than the deficiency of international human rights law in binding actors beyond states.

While the debate over the human rights obligations of the IMF continues decades on, the fact that its *member states* have human rights obligations and that those obligations continue when they created the international organisation is clear. At a bare minimum, they would be bound by a positive obligation to secure – as masters of the IMF – that it does not violate socio-economic rights. But even in that uncontroversial area of international law, where the vast majority of IMF member states are also party to the International Covenant on Economic, Social and Cultural Rights and the Convention on the Rights of the Child, there is no system in place within the organisation, and limited opportunities outside of it, to advance member state accountability. The UN Committee on Economic, Social and Cultural Rights has repeatedly held that states parties to the Covenant would be acting in violation of their obligations if they were to delegate powers to IMF, or to other agencies, and allow such powers to be exercised without ensuring that they do not infringe on human rights. Similarly, the Committee has held that states parties would be acting in breach of their obligations if they were to exercise their voting rights within such agencies without taking human rights into account. But the Committee's tireless exhortations remain just that. It will be a singularly important development if the Committee interprets 'jurisdiction' in the optional protocol that allows, upon ratification, complaints to be filed 'by or on behalf of individuals or groups of individuals, under the jurisdiction of a State Party, claiming to be victims of a violation of any of the economic, social and cultural rights set forth in the Covenant by that State Party' in a manner that permits people harmed by IMF policies to bring a complaint against particular members states of the IMF.¹ Notably, that the injury may have been caused by multiple responsible states does not relieve any one of the wrongdoing states from its own obligations.

The debate within the IMF around the first loan to Greece in 2010 is indicative of the impunity with which the institution functions. The first loan to Greece came from the pooled bilateral loans of eurozone states and the IMF and it is now well known that it went to shield German, French, and Greek banks, that were holding Greek bonds, from losses. The loan converted private debt into public debt— now owed by Greece (with interest) to the disgruntled taxpayers of eurozone countries and to the IMF. As I've written about elsewhere, during that fateful meeting of the executive board on 9 May 2010, Brazil's executive director at the IMF raised the concern that 'The risks of the program are immense . . . As it stands, the programs risk substituting private for official financing. In other and starker words, it may be seen not as a rescue of Greece, which will have to undergo a wrenching adjustment, but as a bailout of Greece's private debt holders, mainly European financial institutions'. IMF staff acknowledged that 'the program will certainly test Greek society'. The IMF Deputy Director for Europe remarked at the time that the programme for Greece would be 'tough, difficult and painful'.² A few years later, in 2015, Panagiotis

¹ ME Salomon, 'Deprivation, Causation and the Law of International Cooperation' in M Langford, M Scheinin, W van Genugten and W Vandenhole (eds), *Global Justice, State Duties: The Extra-Territorial Scope of Economic, Social and Cultural Rights in International Law* (Cambridge University Press, 2013) 259, 291.

² For coverage of this account see, J Linarelli, ME Salomon and M Sornarajah, *The Misery of International Law: Confrontations with Injustice in the Global Economy* (Oxford University Press, 2018) 214-215.

Roumeliotis, Greece's alternate executive director at the IMF from 2010-11, was called to testify before the Special Committee of the Hellenic Parliament on the Audit of the Greek Debt. He offered the following summary regarding the decisions of 9 May 2010: 'We asked Greek society to pay for the losses of the banks . . . along with the hidden interests of enforcing strict austerity as a warning to other Eurozone countries'.³

In this regard, issues around whether the IMF should engage with human rights, related, for example, to capacity, expertise, interest, funding, mission creep, institutional replication etc, represent a second order set of questions. An international institution need not have a mandate to fulfil human rights in order to have an effective system in place whereby it is accountable for their breach in the exercise of its mandate. This is essential also to increase the likelihood of non-repetition. It is telling that there is *only* one reference to human rights in the review on the *IMF and Social Protection* produced by the IMF's Independent Evaluation Office in 2017 – and the point is stated without further consideration in the 63-page report – that: '[IMF] program measures involving pension cuts were usually very contentious – Greece being one of the most challenging cases for the IMF – and, in several European countries, ended up being reversed by the Constitutional Court because they were judged to violate the acquired rights of pensioners.'

2) *How do you assess the degree of IMF's accountability for the consequences of its decisions on human rights?*

In a set of decisions against Greece during the height of the recent austerity crisis, Greece was found to have violated the right to social security under the 1961 European Social Charter. In its defence Greece argued, *inter alia*, that the modifications to the pensioners social protection were a result of the Government's *other international obligations*, namely those deriving from a financial support mechanism agreed upon by the Government together with the European Commission, the European Central Bank and the International Monetary Fund, the (reviled) Troika, in 2010. The European Committee of Social Rights properly rejected this argument. To the Government's argument that 'the rights safeguarded under the 1961 Charter have been restricted pursuant to [its] other international obligations, namely those it has under the loan agreement with the EU institutions and the International Monetary Fund', the Committee replied 'that the fact the contested provisions of domestic law seek to fulfil the requirements of other legal obligations does not remove them from the ambit of the Charter'. In a subsequent case against Greece, the European Committee of Social Rights held a public hearing.⁴ For the first time in the history of the procedure of collective complaints, the Government did not dispute the allegations submitted by the complainant organisation, the Greek General Confederation of Labour (GSEE), of violations with regard *inter alia* to the right to work, just conditions of work and fair remuneration, and the right to take part in the determination and improvement of the working conditions and the working environment, impacted by measures that deregulated working conditions, and that resulted in extreme forms of labour flexibility and high levels of job insecurity, reduced severance pay and notice periods etc. While it asserted its commitment to comply with the obligations of the European Social Charter, Greece was found in violation of a range of obligations. But to celebrate that the state was found responsible in these cases is in many ways to miss the point.

Whatever the degree of national influence around the margins of the loan agreements between the IMF and Greece, the specific terms and requirements provided for in the Memoranda were categorical on the extent of Troika oversight and explicit in their substantive prescriptions.⁵ A range of findings point to the extent of lender influence, including how the Greek government and parliament were under their direct political control; indeed, in the GSEE case, the Committee

³ Notes on file with author.

⁴ *Greek General Confederation of Labour (GSEE) v. Greece*, complaint no. 111/2014, decision on the merits of 23 March 2017.

⁵ See ME Salomon, 'Of Austerity, Human Rights and International Institutions' 21 *European Law Journal* 4 (2015) 521.

underlined how the legislatures inaction, under strong pressure from the creditor institutions, saw offending laws retained despite the Charter violations to which they were known to give rise.⁶

Under these familiar conditions – in an example of the inside-outside distinction – duties of socio-economic rights, redistribution, and access to essential goods, as well as responsibility (liability) for failing to meet those requirements, lie with the right-holders own state. But the room for manoeuvre of national institutions, meant to reflect the will of the people, is dramatically narrowed (as has always been the case). Through a range of features advanced as part of international law (various expressions of the ostensible separation between economic and non-economic institutions and practices), the IMF (and not only the IMF) is able to be deeply interventionist, while *at the same time* to operate without *any* accountability for the impact of its decisions and prescriptions on the lives that it restructures.⁷ This is governing absent the inconvenience of the social contract and the demands of democracy. Procedurally and substantively this arrangement drastically attenuates democracy domestically, hollows out the accountability that would flow from a functioning democratic system, and empowers international actors but without mechanisms to hold them to account. This vacuum is the key takeaway from the paradigmatic austerity cases against Greece referred to above. And it is no accident.

3) *Given the accountability gap, what can we do to close it?*

If we look at legal developments more broadly, perhaps we are inching towards closing globalisation's accountability gaps. The UN draft Convention on the Right to Development provides for ratification by international organisations. More generally, when it comes to extraterritorial human rights obligations of states we see a move among judicial bodies beyond requiring the jurisdictional trigger of the state's control over territory abroad or control over person, to one of effective control *over the rights of a person*.⁸ The legal state-of-the-art back in 2011, identified in the Maastricht Principles on the Extraterritorial Obligations of States in the area of Economic, Social and Cultural Rights, recognised that a state could have particular extraterritorial human rights obligations in situations over which it exercised decisive *influence*. The move towards direct accountability for the extraterritorial human rights violations of transnational corporations is another area to watch. While real hurdles remain in holding the IMF or its member states responsible for their negative impact on the exercise of human rights, the belated recognition that the capacity to interfere with the human rights of persons (wherever they are found) should be accompanied by human rights duties is a step in the right direction.

Austerity continues apace with the IMF's pandemic lending. A Eurodad study examining IMF loans implemented during the COVID-19 pandemic, between March and September 2020, in 80 countries found that the IMF supports austerity measures in the aftermath of the crisis and in many cases as early as 2021.⁹ There are stark warnings of a near-future of more crippling austerity and cuts to public services, worker precarity, deregulation and privatisation in debtor countries of the

⁶ For a valuable set of reflections by the Committee Vice-President see, K Lukas, 'Austerity and Human Rights: Reflections on the Jurisprudence of the European Committee of Social Rights' in ME Salomon and B de Witte (eds), *Legal Trajectories of Neoliberalism: Critical Inquiries on Law in Europe*, Robert Schuman Centre for Advanced Studies, European University Institute, Working Paper 2019/43. https://cadmus.eui.eu/bitstream/handle/1814/63447/RSCAS_2019_43.pdf?sequence=8&isAllowed=y

⁷ On this inside-outside distinction, see Linarelli, Salomon and Sornarajah (n 2).

⁸ See, B Çali, 'Has "Control over Rights Doctrine" for Extra-Territorial Jurisdiction Come of Age? Karlsruhe, too, has Spoken, Now it's Strasbourg's Turn', *European Journal of International Law: Talk!*, July 2020. <https://www.ejiltalk.org/has-control-over-rights-doctrine-for-extra-territorial-jurisdiction-come-of-age-karlsruhe-too-has-spoken-now-its-strasbourgs-turn/>

⁹ D Munevar, *Arrested Development: International Monetary Fund Lending and Austerity Post Covid-19* (Eurodad, Oct 2020). https://www.eurodad.org/arrested_development: 'Failure to provide grant financing and provide upfront debt relief has forced 40 of these countries to cut public budgets to afford a response to the pandemic. ... Austerity is IMF's answer to the fiscal implications of the pandemic. Austerity is designed to free up resources to stabilise debt levels and meet debt service. Fifty-nine countries have fiscal consolidation plans over the next three years that are larger than the Covid-19 response packages

global south. The need for a robust, external system to advance human rights accountability is as pressing as ever. As Celine Tan points out, a place to start would be adhering to internationally agreed codes of conduct, such as the recently developed UN Guiding Principles on Human Rights Impact Assessments for Economic Reform Policies, as well as opening up the IMF to legal scrutiny by national and international legal processes.¹⁰ Equally urgent action is needed, however, to address the root causes of the business of chronic indebtedness and to dislodge the hold of international finance.¹¹

The scheme of sovereign debt is in profound tension with democratic self-determination. Whether through loan conditionality, debt restructuring, or how debt sustainability is analysed (currently absent a human rights dimension), the well-being of the people has not been the central concern. Where creditors have real influence and human rights and democracy are not respected, they may be said to be committing ‘a hostile act against the demos’.¹² As Maurizio Lazzarato’s work captures, the creditor-debtor relationship defines us.¹³ Debt is governance. It is high time that international politics and law catch up and treat it as such.

¹⁰ C Tan, ‘Human Rights and the Bretton Woods Institutions: Moving Beyond Institutions Remedies’ *Bretton Woods at 75* (Bretton Woods Project, 2019) 12, 14.

<https://www.brettonwoodsproject.org/2019/10/bretton-woods-at-75/>

¹¹ See, J Roos, *Why Not Default? The Political Economy of Sovereign Debt* (Princeton University Press, 2019) 309-310; S Federici, ‘The Debt Crisis, Africa and New Enclosures’ in Midnight Notes Collective, *Midnight Oil: Work, Energy, War 1973-1992* (Autonomedia, 1992) 303.

¹² ME Salomon and R Howse, ‘Odious Debt, Adverse Creditors, and the Democratic Ideal’ in I Bantekas and C Luminas (eds), *Sovereign Debt and Human Rights* (Oxford University Press, 2019) 425.

¹³ M Lazzarato, *Governing by Debt* (Semiotext(e), 2015).



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Yanis Varoufakis

February 8, 2021

1) Do you find that the international financial architecture has changed from the last crisis in 2008 to the pandemic crisis? Has it included any progressive turn in its discourse and/or policy recommendations?

It is a mistake to imagine that the 2008 ended. Central banks produced enough liquidity to dampen it, and to re-float the West's financial sector, but governments simultaneously introduced massive austerity. The result was an excess of accumulated savings over investment and, thus, stagnation for the majority at a time when the financialised oligarchy were swimming in money. Covid-19 then hit, causing central banks to print even more money while governments struggled to prevent a further collapse in investment and demand. In other words, Covid-19 made worse the pre-existing crisis that began in 2008. In this context, the European Union has done nothing that could come close to helping the majority recover the spending power it had before 2008. As for the United States, Biden's stimulus promises to restore full employment but, given its structure, will not heal the permanent damage causes to the most vulnerable, nor will it help the working poor.

2) What role does intellectual dispute play in shaping economic policies and human rights fulfilment? Is the IMF interceding in that dispute?

None. Those who write and implement economic policy are utterly oblivious to human rights or needs. The IMF, since the end of Bretton Woods, has morphed into a global bailiff working full time on behalf of the West's bankers. Even when they say the right thing (e.g. when they argued in favour of debt relief for Greece or for a global fiscal stimulus during the pandemic), their words do not translate into anything tangible when IMF functionaries work out, always behind closed doors, the various loan agreement with countries seeking the IMF's help. In those rooms, the IMF functionaries never fail to insist on policies that serve the interests of the oligarchy-without-borders.

3) What could happen to a country such as Argentina if it decides not to accept the IMF's conditionalities? Would the sky fall under the Argentineans' heads?

As history has shown, turning the IMF's conditions down and unilaterally haircutting debt works far better than continuing to borrow from the IMF under conditions that ensure the never-ending shrinkage of Argentina's social economy.

4) From the Greek case we learned that direct democratic participation in economic affairs – such as through referenda – does not guarantee that governments will follow the popular will. How can we enhance real democracy and accountability in the field of macroeconomic decisions?

There are no guarantees in progressive politics. Only opportunities. The July 2015 referendum gave the people of Greece a magnificent opportunity to escape from debtors' prison. The way in which Tsipras overthrew the will of the people on the night to the referendum that he had called points to the importance of having a leadership which says what it means and means what it says. This requires political parties where the leadership are the people's servants, not the other way round.

5) You have consistently argued in favour of radical changes in the international financial architecture. Which reforms are most urgent to address the public health crisis and an economic recovery that protects human rights?

Cut out the middleman, the private banker that is, between central banks and the people out here. At present, central banks print money, they lend it to private bankers who then lend it to corporations which then take the money and buy back their own shares. Thus the money printed by the state is wasted in pushing up corporate salaries, oligarchic wealth and crippling inequality.

6) How, if possible, do you believe that debtor countries might build alliances for a change within IFIs? Is it possible to extend that alliance to some creditor countries? If so, around which issues and values this might work?

Sure. But, first, authentic progressives must win elections both in the debtor and in the creditor countries. We have work to do!



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February 4, 2021

1. What have been the principal – common and differentiated – effects of the pandemic and the measures to contain it on the economic and social situation in Latin America and the Caribbean so far?

In Latin America, the 9.1% drop in GDP during 2020 has mainly impacted employment, the increase in poverty, and higher public debt. COVID-19 arrived at an inconvenient moment for the region given the conditions of financial and economic vulnerability, showing the deficiencies in access to water, education, and health systems to face a pandemic.

Faced with the effects of the pandemic, the instrument of governments has been fiscal policy. Faced with more than three decades of having used austerity policies to stabilize macroeconomic indicators, countries today have increased social spending to make up for deficiencies. Although all countries of the region have carried out a profound reorganization of their public expenditure due to the evidence of failure in channeling their social spending (specifically in education and health); governments have taken pride in the reduction, up to before the pandemic, of their primary deficit to 0.6% of GDP in 2019, compared to 1.1% GDP registered in 2016.¹ Therefore, "(...) the spending policy has focused on containing its growth, which has led to a reduction in primary spending to accommodate the increasing weight of interest payments".²

Latin America (as an average of the five major economies of the region) as part of the EMMIE countries has responded with discretionary fiscal measures allocating 4.86% of GDP for additional expenses and foregone tax revenues. For capital, loans, and guarantees, the sum is equivalent to 3.04% of GDP. It is worth highlighting the heterogeneity of the figures for the five major Latin American economies. While countries like Chile and Brazil have presented fiscal responses that range between 6.5% and 8.3% of GDP, countries like Mexico have not exceeded one percentage point of their GDP in either of the two estimated items. As of September 2020, the cases of Argentina and Colombia would be average since they allocated between 2.5% and 4% of GDP as a response in fiscal terms to alleviate the COVID-19 pandemic.

2. The weight of debt marked the history of the last decades of Latin America and the Caribbean. What is the explanation for this systematic gravitation? What has been the role of the IMF in the region? Has any country tried an alternative path?

The monetary system of Bretton Woods, created in 1944, has been a determining factor in monetary and fiscal policies in Latin American countries. Postwar credit for Latin American countries allowed investment projects that worked effectively for the industrial process of countries like Brazil and Mexico. The economic miracles of these countries under the "import substitution industrialization" process were an example for some Asian countries.

The problem of indebtedness is the tax burden of servicing its external debt, and to this is added that a lot of debt has not been channeled for infrastructure but for current expenditure, which has influenced the corruption of debtor governments.

Therefore, credit in dollars since the creation of the International Monetary Fund and the World Bank, and later the Inter-American Development Bank, plus the participation of the US and European commercial banks, defined the international exchange currency. The "dollar has been as good as gold." Today, many countries in the region have welcomed direct and capital

¹ ECLAC (2020). Economic Study of Latin America and the Caribbean. Main determinants of fiscal and monetary policies in the post-COVID-19 era. Santiago de Chile

² Idem, p. 79

investments, but they are also under the interests of China in natural resources. From mining to soy and more specific investment: such as ports, airports, and trains.

The external debt has been the "Achilles heel" of Latin America since it was born to independent life. It separated from the Spanish Crown, and there was immediate interest from the British Empire in the region's resources. In my opinion, we can affirm that there is a dialectical relationship of the development of the capitalist system between the European countries and the Latin American countries. Being born without a national currency and the possibility of countries imposing currency within their regional space led to the general sovereign equivalent being the Spanish Crown and then the pound until reaching the dollar. From the Second World War to the present day, the dollar marked the equivalence with which all exchange operations happen internationally and regionally. And, although some countries have started transactions with the yuan, the Chinese currency will hardly replace the dollar.

3. Most countries in the region are taking on more debt to meet the emergency expenses and face the pandemic. Will this financing channel generate greater financial and political vulnerability to the countries? What mechanisms may be applied to ensure the sustainability of public debts?

There has to be a renegotiation of the public debt; in the meantime, perhaps a moratorium might work, one that allows the region to breathe and channel that surplus that goes to pension funds and speculative hedge funds. Capital write-offs, zero interest, and restructuring 100-year payments.

Debts are sustainable when they have been channeled to long-range productive sectors such as infrastructure to create new industries, services and create jobs.

4. Considering the performance of the IMF during 2020, do you think that it learnt the recent lessons? That is, the fact that austerity is an ineffective route for growth, development, and inclusion. Or, are you already noticing austerity signs in the intervention of the IMF in the region and the world?

The IMF was wrong with the alternatives given to the 2008-2009 crisis, but those who have remorse in their conscience are the central banks. Even when the bankruptcy of the "too big to fail, too big to rescue" banks came about, central banks immediately went out to save the banking and the financial system. In the first G20 meeting, the need for austerity and reordering public policies to pay creditors was raised. Even zero percent interest rates only worked to increase the debt of non-financial corporations globally, and countries became more indebted. In my opinion, debt fell into a Ponzi situation, contracting debts to pay creditors. A circumstance that was going to explode at any moment. COVID-19 only arrived to exploit the mismanagement of monetary, fiscal, and financial policy implemented by central banks. They are to blame for the current pandemic that is underway, the debt pandemic.

During the last meeting of the Davos Economic Forum and in the IMF speeches, there were new approaches in conveying the need to change how nature has been exploited. When mentioning the word "reset", there is a reflection that means "to start over". This implies that the indebtedness contracted to expand public expenditure must develop considering that these institutions respond to institutional investors and non-financial corporations. It is the new order and the new division of shareholders; that is, of the owners of the shares of international business capital.

5. Is it possible to "fix" the Bretton Woods institutions so that their policy recommendations are aligned with agendas to reduce inequalities, climate change, and gender discrimination?

Yes, it is possible as long as you keep in mind that the other half carrying the world are women. Public policies with a gender approach from education, health, decent work for women, and improving access to basic services will gradually end poverty and enhance the situation of women,

responsible for social reproduction and life in the economic, political, and social spaces, the nation and the State.



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Jomo Kwame Sundaram

February 14, 2021

1) Why do you argue that debt restructurings are, under these circumstances, a “debt distraction”?

With COVID-19 contagion, many governments in the world only acted to contain the contagion as the virus spread to their societies, unlike several governments, mainly in East Asia. These acted quickly and comprehensively to contain the epidemic by tracing, mass testing, isolating and treating those suspected of being infected.

Thus, as the epidemic spread nationally, most governments elsewhere typically imposed ‘stay in shelter lockdowns’ among various measures to check the contagion. Such measures disrupted much economic activity in belated efforts to limit contagion, especially those involving close physical proximity among employees, or with the clientele, or among them, e.g., hospitality services, bus, train and air travel. These have also disrupted supply chains for products which had become less proximate with the growing popularity of supply or value chains, especially in recent decades with the delocalisation and transnationalisation of production processes.

The resulting economic slowdowns followed a decade of lacklustre economic recovery after the 2008-2009 global financial crisis and the ensuing Great Recession. Without effective efforts to restore liquidity and augment aggregate demand, there are real fears of the recessions extending into depressions.

While supportive monetary measures are undoubtedly helpful, bold expansionary fiscal efforts are urgently needed in the face of these threats. With the slow and steady build-up of sovereign debt over the last decade, largely due to declining revenue collection, continuing to focus on the accumulated debt burden of such borrowings has constrained governments from doing more to address the need for adequate urgent action.

2) If governments have to spend on “what's important in life”, what would these priorities be? Do human rights provide key guidelines in this regard? Do they relate to economic recovery?

Rather than discuss the questions in the abstract, let us consider the current situation. There is a false choice being offered between lives and livelihoods. Effectively containing the contagion crucially addresses both, by saving lives and avoiding the need for ‘stay in shelter lockdowns’, thus enabling livelihoods to resume.

Sustained fiscal efforts are especially crucial in ensuring that recessions do not extend into depressions. This may require governments to take on more debt than ever and to ensure that the additional spending is wisely, fairly and effectively deployed to provide both relief and recovery. With the accelerated development of vaccines, the challenge now is to ensure that they are rapidly, fairly and affordably deployed, considering need, rather than ability to pay. In the face of the weakening of multilateralism, bigger powers have asserted their interests, resulting in vaccine imperialism, as currently seems to be the case.

The contemporary human rights discourse is rooted in neoliberal assumptions, especially those of personal libertarianism in a market economy. Despite typically invoking the rule of law, it generally does not offer universally accepted means to fend off competing claims, say, from property rights, even intellectual property rights (IPRs).

For example, human rights voices have been conspicuously absent in making the case for the waiver to IPRs. This waiver request to the World Trade Organization (WTO) has been opposed and blocked by rich country governments defending IP and in pursuit of ‘vaccine nationalism’. Thus, vaccine companies, who have already receiving billions in public funding, continue to refuse to share research findings. Sharing such information can not only accelerate vaccine development and improvements. The waiver is urgently needed to significantly scale up generic

vaccine production and supplies. This would enable affordable, equitable, efficacious and rapid mass vaccinations in order to more rapidly overcome the pandemic. This would in turn mitigate the massive disruption it has caused, reducing the loss of lives and livelihoods. When rights have been invoked at the WTO, the references by rich country champions of human rights, including health, have instead been to IPRs.

3) What – both realistic and sustainable – financial options are available for middle income countries, like Argentina, in order to increase fiscal space?

The recent financial experience of Argentina in the last three decades is really quite exceptional among developing countries, and others are far better placed to discuss the situation there. Most other developing countries are far better placed to borrow than Argentina is. However, it appears the current government has done quite well in uniting the nation, or at least the major political tendencies, first to address the COVID-19 pandemic, and then to address the sovereign debt overhang. It is not yet clear, however, how successfully they will succeed in circumventing the constraints to the government's urgent need to spend to cope with the crisis.

Many middle-income countries are already indebted to varying degrees. The financial community and business media have frequently warned that their credit ratings will be adversely affected if they borrowed more. A variety of 'debt hawks' across the political spectrum have advised indebted countries to use their meagre fiscal resources to pay down their debt, rather than to judiciously spend more to address the COVID-19 crisis.

Although international interest rates are low, there is little need to incur more foreign debt as governments need to spend more for relief and recovery of national economies unless the economies are heavily dependent on, say, imported food, owing to earlier policies undermining national food security.

4) What should countries do if they are asked to implement – or promise to shortly implement – orthodox policies in exchange for getting fresh borrowed funds?

There is no one size fits all answer to this important question. As far as circumstances allow, developing countries should not incur foreign debt unless necessary for imported essentials such as food and medicine. Unlike before, developing countries have more choice on borrowing sources these days, and can find ways to minimise the cost of such debt, whether domestic and foreign.

There are also different ways in which sovereign domestic debt can be incurred. And governments must quickly and innovatively find new low-cost ways of financing new spending considering their own specific circumstances. Openness to new ideas and options can greatly improve public policy in difficult, including constrained, circumstances.

5) We know that IFIs, like the IMF, are lending much less than what they had promised at the beginning of the pandemic. Why is it so?

I am now in less of a position to provide insights on what is happening in Washington and why. We know that the US, among others, opposed a new issue of special drawing rights (SDRs) at the IMF. This may have been seen as a signal that the Board is not keen on lending to developing countries in their time of need than previously indicated by its Managing Director. Her original promise and offer were much better and more generous than the paltry G20 offer, which has found few takers.

The role of the G20 in response to COVID-19 in 2020 contrasts sharply with its response to the global financial crisis over a decade earlier. At its April 2009 summit, the G20 raised US\$1.1 trillion, most of which went to the IMF. The additional IMF resources raised have largely been

deployed to address European crises since, rather than developing country problems, as they were supposedly intended to.

The sensibilities of the times will no longer accept public statements, blatantly ignoring the plight of poor people and poor countries. However, for all intents and purposes, the COVID-19 vaccine deployment effort suggests that IPRs rule, with vaccine nationalism, or, more accurately, imperialism defining relations among the moneyed and attitude to the Rest.

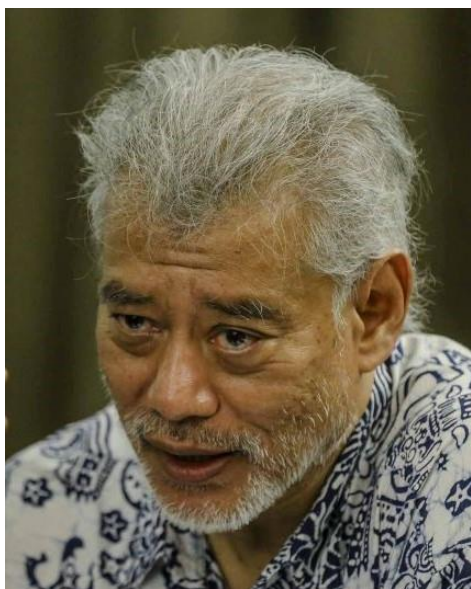
6) Are Bretton Woods' institutions "fixable" to ensure the policies they recommend are aligned with UN agendas on inequality, climate change, gender discrimination and development?

First, it is important to recognize that the BWIs have changed significantly over the three quarters of a century since their creation. Many factors have influenced these transformations over time.

As everyone knows, governance of the BWIs is dominated by the wealthy. Rather than 'one country, one vote', or 'one person, one vote', reality can be better caricatured as 'one dollar, one vote'. And even this seems to have been frozen in the 20th century, largely before the rise of Asian economies, notably China, even India.

But even the countries which talk most of human rights have done little to advance social and economic human rights, let alone what is termed the 'right to development'. There is undoubtedly a lot of lip service given to development. And often discussions of inequality focus on gender more than other disparities and inequalities.

And undoubtedly, there is growing concern about global warming, but many governmental efforts involve passing the buck and the bill to others. So, to conclude, while the inequities and dysfunctions of the BWIs and the system which exists need to be exposed with hope of and efforts for reform, most people are not holding their breath in anticipation.



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April 12, 2021

1. Do the obligations derived from the inter-American human rights system bind international financial institutions (IFIs) when they deploy their policies in the region?

Although this is still a subject pending further development by the organs of the Inter-American system, as well as by the IFIs themselves, there are several strong arguments for affirming that the regime of international responsibility based on inter-American instruments, such as universal human rights instruments, also reaches them. The process of humanization of international law after World War II has meant that human rights have increasingly become an issue of interest to the entire international community, as reflected in both the universal and inter-American systems since the genesis of both. The IFIs are part of the international community, without being able to remain outside its legal bases, which are so strongly anchored in human rights. Thus, the IFIs are international organizations and, therefore, subjects of international law with rights and obligations in that legal order.

In this respect, I share the opinion of the United Nations Committee on Economic, Social and Cultural Rights (CESCR) that they are *"bound to respect the human rights, enumerated in particular in the Universal Declaration of Human Rights, which form part of customary international law or general principles of law, both sources of international law"*.¹ For example, the IMF, as a subject of international law, would be subject to it. This means, on the one hand, subordinating itself to the principles and rules of general international law, particularly to the peremptory norms of *jus cogens* and, where applicable, to customary international law, as well as to the obligations it assumes vis-à-vis other States or international organizations; and on the other hand, to its own norms – the rules of the organization, in the terms of the 1986 Vienna Convention –, basically consisting of the constituent instruments and other resolutions adopted in accordance therewith. In particular, the IMF is governed by the peremptory norms of general international law: a set of provisions containing obligations essential for safeguarding the fundamental interests of the international community. These include today, indisputably, the sovereign equality of States, the self-determination of peoples and respect for the dignity of individuals.²

Since all the American States are members of the United Nations, this interpretation already provides a basis for sustaining the obligation of respect that the IFIs would have in relation to human rights in the region. In addition, since the States of the hemisphere are also members of the OAS and its human rights protection system, what has also been said by the CESCR, applies, in the sense that *"it is in the exercise of the powers delegated to them by their member States that they must refrain from adopting measures that may entail human rights violations"*.³ To consider that they are exempt from responsibility in terms of human rights, would be to ignore the norms of general international and inter-American law, and could also compromise the international responsibility of the member and borrower States themselves, in terms of the obligations undertaken in the field of human rights in the inter-American sphere.

It is therefore a two-way question as to the obligations incumbent on the IFIs: both in terms of their nature as international organizations that make up the international community, as well as those incumbent on the States that are members of them. Another interpretation would be contrary to the *pro-persona* principle, as well as to the useful effect of the inter-American human rights instruments, especially with regard to Economic, Social, Cultural and Environmental Rights (ESCR), so centrally affected by the inequality and chronic poverty that prevails in the continent, as well as by the pandemic we are experiencing. Disregarding the Inter-American human rights

¹ Cfr. Committee on Economic, Social and Cultural Rights, [Public debt, austerity measures and the International Covenant on Economic, Social, and Cultural Rights](#), Doc. E/C.12/2016/1, July 22, 2016, paragraph 7.

² *Ibidem*.

³ *Ibidem*.

framework is not a reasonable option in legal, political or responsible terms for the IFIs operating in the region, nor for the States that are related to them.

2. What are the relevant Inter-American standards for evaluating IMF policies in the region?

I would say that the generality of them, in that the policies of the IMF and other IFIs can affect innumerable aspects of human rights, both in relation to civil and political rights and ESCR, as well as the populations affected by their operations, especially those in situations of special vulnerability or historical discrimination. The Inter-American system has developed a rich body of normative and jurisprudential standards in relation to such rights and groups, namely: women, LGBTTIQ+ persons, children, indigenous peoples, Afro-descendants, the elderly, persons deprived of liberty, human rights defenders, persons in human mobility, persons with disabilities, persons in situations of poverty, etc. In the midst of the pandemic we are experiencing, I would also call for special consideration of the pronouncements and resolutions issued by the IACHR, in particular the 1/2020 on *Pandemic and Human Rights in the Americas*; the 4/2020 on inter-American guidelines on the *Human Rights of Persons with COVID-19* and the 1/2021 on *COVID-19 vaccines and inter-American human rights obligations*. In all of them, we have addressed aspects that directly challenge companies and economic actors, such as the IFIs.⁴

IFIs and States, as members or borrowers of IFIs, must ensure that their activities are not carried out at the expense of the fundamental rights and freedoms of individuals or social groups. They must also ensure that the policy decisions of these institutions take into account the principles of the human rights approach. Of particular importance in this regard are those identified in the report on Business and Human Rights, prepared by The Special Rapporteurship on Economic, Social, Cultural and Environmental Rights (REDESCA). Business activities are in many respects connected to those of the IFIs, as they are non-state actors that carry out economic activities that may affect human rights. The report identifies the fundamental inter-American criteria in relation to economic and business activities, which *"are derived from the general framework of international human rights law, from the specific development of the inter-American regional system and from the progressive application that the specialized bodies on the subject have been making in their analyses related to the field of business and human rights"*.⁵ These are the following criteria: centrality of the person and human dignity; universality, indivisibility, interdependence and interrelation of human rights; equality and non-discrimination; right to development; right to a healthy environment; right to defend human rights; transparency and access to information; free, prior and informed consultation and general participation mechanisms; prevention and due diligence in human rights matters; accountability and effective reparation; extraterritoriality; fight against corruption and State capture.⁶

In summary, to ensure that IFIs' operations in the region respect human rights, it is important that their leaders and technical staff are familiar with the normative standards and application of the Inter-American human rights system. This is especially necessary in the area of ESCR, since in general these rights are particularly affected by negotiations and loan or investment operations between States and IFIs. The documents and decisions issued by the bodies of the inter-American system for the protection of human rights should be an additional technical working tool for IFIs operating in the region. Greater knowledge of Inter-American human rights standards by IFI personnel would surely contribute to a better evaluation of projects, investments, loans and their conditionalities, preventing possible adverse impacts on human rights.

⁴ All of them are available on the IACHR website, [SACROI COVID19](#)

⁵ REDESCA-IACHR. [Business and Human Rights: Inter-American Standards](#), OEA/Ser.L/V/II CIDH/REDESCA/INF.1/19, November 1st, 2019, p.25.

⁶ Ibidem, p. 25

3. *Is it mandatory for the IFIs and the States of the region to carry out human rights impact assessments of economic reforms?*

First of all, I would stress the importance of asking this question in our region: the most unequal on the planet and made up mostly of middle or low income States whose economies often depend on the loans and resources they obtain from the IFIs. It is an issue that is particularly relevant in view of the adoption of austerity or regressive measures by various States, as well as a pandemic that represents an unprecedented health, economic, social and environmental crisis for the Americas and the world. On the other hand, the American continent has one of the most consolidated and robust regional human rights systems on the international scene, which generates obligations for all States that are part of the Organization of American States (OAS) and of a reinforced nature for those that have ratified the American Convention and other human rights treaties of the System. These States, in turn, make up most of the IFIs operating in the region.

A concept deeply rooted in the jurisprudence and doctrine of the inter-American human rights system, since the first cases judged before the Inter-American Court, is that of due diligence to ensure respect for and guarantee of human rights. Impact assessments on possible human rights impacts of economic reforms, as of any public policy in fact, are directly related to the duty of the State and other actors, such as IFIs or companies, to act diligently when it comes to making decisions that may affect human rights. In this regard, the *Guiding Principles for Human Rights Impact Assessment for Economic Reform Policies* adopted by the United Nations Human Rights Council also provide good guidance for the Inter-American System and have already been considered in the work of the IACHR and its REDESCA "as a guide for States and other stakeholders to ensure respect for and compliance with their obligations in this area".⁷ According to these Principles, economic policy formulation should be based on substantive and procedural human rights standards, where human rights impact assessments are a crucial step, enabling States and other actors to ensure that economic reforms promote the enjoyment of human rights.⁸

A human rights impact assessment can determine whether certain economic reform policies are compatible with international human rights law, for example by affecting the progressive development and non-retrogression obligation of ESCR. In turn, it is an essential review and accountability procedure in the implementation of economic reform policies.⁹ In general, projects or activities that have a high probability of producing serious human rights violations or exacerbating significant human rights risks should be avoided. The risk analysis of project financing should not only focus on the probability that the loan will be repaid in the future and its profitability, but also ensure the evaluation of the effects that the granting of the loan will have on the affected population and on the enjoyment of human rights, ensuring the participation of the people and communities involved in the decision making process, including the standards on consultation and free, prior and informed consent from the earliest stages. In short, human rights should be a determining factor both in the investment decision and in the response actions taken during the life cycle of the project or investment in question.¹⁰

4. *Why do you think these assessments are not common practice in the region?*

Unfortunately, the dissociation between the economic and human rights worlds is still strong, as is the perception that some rights (civil and political) are more rights than others (ESCR). It is worth recalling that human rights, recognized on an equal footing in the Universal and American

⁷ IACHR, IACHR presents Observations of its Visit to Ecuador, January 14, 2020.

⁸ Human Rights Council, [Guiding principles on human rights assessments of economic reforms](#), December 19th, 2018, p. 1.

⁹ Ibidem, p. 3.

¹⁰ REDESCA-IACHR. [Business and Human Rights: Inter-American Standards](#), OEA/Ser.L/V/II CIDH/REDESCA/INF.1/19, November 1st, 2019, paragraph 305.

Declarations, were artificially separated to the detriment of ESC rights by the logic inherited from the Cold War. It was not until fairly recent times that the ESCR were affirmed in terms of their monitoring, enforceability and justiciability in the inter-American system. Also in its institutionality, as evidenced by the fact that the specialized office I am in charge of at the IACHR, from which we have been promoting this type of analysis and appeals, has been in existence for a little over three years. The indivisibility, interdependence and interrelation of all human rights with an intersectional approach are for REDESCA a key element of its entire strategic agenda and work.

We often observe how economic reforms in the States or decisions on IFIs financing do not take into account human rights, which are usually perceived as obstacles and those who defend them as "enemies of development". This is of great concern and makes it essential that States incorporate the human rights dimension in their fiscal and economic policies, also promoting an express culture of human rights within the IFIs to ensure specific guarantees to protect them as key elements in their risk assessment processes and operational systems when deciding their investments and selecting, designing or monitoring projects, so that these are not in contravention with international human rights standards.¹¹

In addition to the above, there are complaints about the power of certain groups and actors to influence decision-making processes in fiscal matters, and there are no mechanisms to control their interference in the development of rules in their favor through lobbying, 'revolving doors', corruption and other mechanisms, which deepens the distrust of citizens and deepens the democratic challenges in the region.¹² A useful tool for this purpose, for example, can be generated from the inclusion and due consideration by these financing and investment institutions of the analysis, pronouncements, standards and alerts generated by the regional or universal human rights system, with respect to certain contexts, cases or situations that threaten human rights and in which these institutions are or may be involved. In this way, they will be able to make adjustments or rethink the corresponding actions, not only before the implementation of the project, but also during its life cycle. The inclusion of these elements from specialized human rights bodies can help ensure that their activities or behavior do not contravene human rights, whether in the application to specific situations or to more general human rights due diligence frameworks.¹³ In this regard, I highlight the role that independent accountability offices within institutions, such as the Office of the Compliance Advisor Ombudsman (CAO) of the World Bank Group or the Independent Consultation and Investigation Mechanism (ICIM) of the Inter-American Development Bank, are also called upon to play.

5. What institutions, forums and procedural avenues does the inter-American system offer to promote greater interaction and accountability of the IMF?

The office I am in charge of is naturally called upon to do so and, in fact, we have foreseen it in our strategic agenda, which prioritizes lines of action that are also of interest to, and fall within the competence of, the IMF and other IFIs. The Special Rapporteurship on Economic, Social, Cultural and Environmental Rights, was launched in 2017, being a step of great significance in the history of human rights in the region. Its predecessor was the Unit on Economic, Social and Cultural Rights (ESCR Unit), created in 2012. The IACHR decided to create a Special Rapporteurship – the second in its entire history – on ESCR in 2014,¹⁴ launching it in 2017.¹⁵ I am currently at the beginning of my second term as Special Rapporteur and the IACHR has just

¹¹ Ibidem, paragraph 300.

¹² Ibidem, paragraph 260.

¹³ Ibidem, paragraph 302

¹⁴ For more information, visit the REDESCA-IACHR website: <https://www.oas.org/es/cidh/desca/>

¹⁵ VID, IACHR selects Soledad García Muñoz as Special Rapporteur on Economic, Social, Cultural and Environmental Rights (ESCR), Press Release July 5, 2017.

approved our new strategic agenda, which contains priorities related to the great challenges of today in the region, among them the right to health, climate emergency, business and human rights or fiscal policies and human rights. I am also a member of the Working Group that monitors the rights contained in the Protocol of San Salvador, a specific treaty of the DESCA system.

REDESCA embraces a holistic mandate, which includes the generality of ESCR rights and issues (water and food, health, care, labor and trade union rights, housing, social security, cultural rights, business and human rights, fiscal and economic policies, environment and climate change), from a general umbrella which is the fight against poverty and inequality. We work in all IACHR mechanisms (monitoring, case system, promotion and technical assistance), providing advice and assistance to Member States and OAS bodies, and articulating alliances with a wide range of public, private, academic and civil society actors. In this sense, there are important opportunities for the interaction and accountability of the States and the IFIs, both in monitoring activities with the formulation of national, thematic and annual reports, thematic hearings and press releases, academic or promotional activities, as well as country visits.

In this regard, it would be very necessary to create opportunities for dialogue and reciprocal training between the IFIs and other economic actors, with the bodies of the System. This is a line of work that, from my mandate as REDESCA, I have the greatest interest and willingness to develop. The economic world and the world of human rights urgently need to get to know each other, breaking down the myths and prejudices that are necessary to consider that human rights are not an obstacle to the proper functioning of the economy. Indeed, an economy that does not take human rights or the environment seriously is incompatible with sustainable development and the well-being of societies. In this sense, I reiterate the urgency of understanding human rights in their indivisibility and interdependence, overcoming once and for all the fragmenting dynamics of the Cold War, which continue to cause a limited conceptualization of human rights.

6. Has there been, or is there, any case in the Inter-American system that proposes to discuss macroeconomic issues with a human rights approach?

The debate on fiscal policy in the framework of the Inter-American Human Rights System is not only a current and especially necessary debate today, but a fundamental piece in the rapprochement of the economic and rights agendas in the region. Macroeconomic decisions, including tax and budgetary decisions, influence and determine the level of effective enjoyment of human rights. The management of financial resources for the protection of rights takes on greater importance in contexts of crisis or reduced economic growth, such as the one the region is going through.

It should be emphasized that in Article 12 of the OAS Democratic Charter: "The Member States of the OAS undertake to adopt and implement all necessary actions for the creation of productive employment, the reduction of poverty and the eradication of extreme poverty, taking into account the different economic realities and conditions of the countries of the Hemisphere. This common commitment to the problems of development and poverty also underscores the importance of maintaining macroeconomic balances and the imperative of strengthening social cohesion and democracy".

As early as 1997, the Commission held that, by virtue of the principles of non-discrimination and equality of opportunity, the State must ensure "that the policies it adopts do not disproportionately burden the marginalized and most vulnerable sectors of society, particularly those most disadvantaged by poverty".¹⁶ In the report "Poverty and Human Rights", the IACHR has consolidated this interpretation, stating that: "All public policies to address poverty must be comprehensive, cross-cutting and based on a human rights approach. This approach must be present in the design, implementation and evaluation of social, fiscal, economic, trade, tax and

¹⁶ IACHR, [Report on the Situation of Human Rights in Ecuador](#), Chapter II. A, Legal and Institutional Guarantees in the Republic of Ecuador.

environmental policies and, in general, for any program or measure adopted by the State in its strategies aimed at this objective. The coverage of public policies currently being implemented by the States of the hemisphere should be continued and expanded, always incorporating special programs that give priority to extreme poverty. Fiscal policies must be an effective tool for overcoming poverty.¹⁷

While economic policies have not yet been the focus of any case in the Inter-American system, there are cases that deal with macroeconomic issues based on historical structural discrimination based on economic status. One example is *Workers of the Brasil Verde Farm v. Brazil*, concerning practices of forced labor and debt bondage on a farm located in the State of Pará, to the detriment of people from the poorest states of the country and with fewer job prospects. The IACHR declared that the situation of slavery and human trafficking suffered by the 85 workers identified occurred "in the context of a situation of historical structural discrimination based on economic status". In particular, the Court took into consideration the workers' situation of vulnerability as a consequence of their situation of poverty, stating that:

"From the evidence provided to the file, it is evident that there was a situation based on the economic position of the victims rescued on March 15, 2000, which characterized a discriminatory treatment. According to several reports of the ILO and the Brazilian Ministry of Labor, "the misery of the worker is what leads him spontaneously to accept the working conditions offered", since "the worse the living conditions, the more willing the workers will be to face the risks of working far from home. Poverty, in this sense, is the main factor of contemporary slavery in Brazil, because it increases the vulnerability of a significant part of the population, making them easy prey for recruiters for slave labor".¹⁸

Beyond this example, I believe that the Inter-American system has a lot to say on the matter, in the analysis of concrete cases and situations. Thus, monitoring and country visits also offer the opportunity to examine macroeconomic issues, as we have seen in several of the visits carried out with the IACHR in 2018 and 2019, such as Brazil, Chile, Ecuador and El Salvador.

7. What are the main challenges facing the inter-American system in this field?

The understanding that economics, human rights and the environment must go hand in hand is a conceptual challenge for all actors operating in the inter-American system. The current health, economic and social crisis caused by the COVID-19 pandemic makes this challenge even more pressing, given the advance of poverty, hunger, unemployment and, in general, inequality in access to health as other ESC rights in the Americas. We are facing tremendous challenges, as well as the historic opportunity to understand human rights in their entirety and put the economy at the service of the people, betting on sustainable development in line with the 2030 Agenda.

In the report on Business and Human Rights, we made a series of recommendations aimed at companies and which we consider equally applicable to multilateral financing and investment organizations or export credit or investment agencies. These recommendations summarize quite well the main challenges and needs in this area.¹⁹

1. To have appropriate human rights due diligence policies and procedures within their operations, corporate structures and supply chains, including standards of transparency, good faith and access to information relevant to these contexts, taking as a minimum guideline the Guiding Principles and the standards established by the inter-American system in this area. In particular, when involved, they should generate due safeguards to respect the rights to consultation and free, prior

¹⁷ IACHR, [Poverty and Human Rights](#), 2017, p. 190.

¹⁸ Inter-American Court of Human Rights. [Caso Trabajadores de la Hacienda Brasil Verde Vs. Brasil. Excepciones Preliminares, Fondo, Reparaciones y Costas](#). Ruling of October 20, 2016. Serie C No. 318.

¹⁹ REDESCA-IACHR. [Business and Human Rights: Inter-American Standards](#), OEA/Ser.L/V/II CIDH/REDESCA/INF.1/19, November 1st, 2019, paragraph 416.

and informed consent as well as the right to self-determination of indigenous and Afro-descendant tribal peoples, as well as the right to a healthy environment;

2. Include in contractual relations clauses requiring respect for human rights, inserting consequences for the violation of such requirements. In this regard, in addition to the general mention of human rights, reference should be made to conduct that has a harmful impact on the enjoyment and exercise of human rights, such as corruption or tax evasion and avoidance. It is also necessary to make express and particular mention of respect for the rights of vulnerable populations that may be affected in these contexts, such as indigenous or Afro-descendant tribal peoples, peasants, women or human rights defenders, among others;

3. Refrain from placing obstacles, carrying out dilatory maneuvers or hiding information in their possession, including their transnational operations, when such actions prevent or hinder the exercise of human rights, in particular access to effective judicial protection. This attitude may aggravate the company's liability. This includes the duty not to hinder, harass or threaten human rights defenders, including journalists, justice operators, environmental defenders and trade unionists, for their work in this area;

4. Facilitate accountability and redress for victims of human rights violations and abuses in which they are involved, including those of transnational operations, according to their degree of responsibility and taking into account the standards mentioned in this report. This is so even when the State has not demanded the reparations in question, an omission that in any event can generate the international responsibility of the State itself. For reparations to be adequate, they must be integral, that is, comprehensive of all the effects generated; participatory, that is, they must include the effective and informed participation of the persons directly affected; and compatible with human rights; for example, they must not promote the fracturing of community ties, they must respect cultural identity, and apply a gender perspective;

5. Refrain from pressuring or exerting undue influence on States to obtain benefits that generate negative impacts or risks to the realization of human rights.

As we stated in the aforementioned report, the field of business and human rights is also particularly relevant as a parameter for the behavior and action of multilateral lending bodies or international development finance and investment institutions, such as the World Bank, the Inter-American Development Bank, the Development Bank of Latin America, the Central American Bank for Economic Integration, the National Bank for Economic and Social Development of Brazil, etc. Recognizing that these institutions play an important role in advancing towards the achievement of sustainable development and poverty reduction and, therefore, have a transcendental influence in such contexts for the greater or lesser effective enjoyment of human rights. Hence, the express incorporation of human rights standards and safeguards within their structure, policies, operational frameworks and risk analysis is essential to reduce the chances of their involvement in the financing and development of projects that compromise the enjoyment of such rights and fundamental freedoms.



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Oscar Ugarteche Galarza

April 23, 2021

1) A few years ago, you published the book *Historia crítica del FMI. El Gendarme de las Finanzas* (Critical history of the IMF. The gendarme of finance). You showed there that the IMF is a representative organization of the creditors, and has pernicious actions on the countries of the Global South. How would you respond today to the question that guided that book, on what the usefulness of the IMF is in the face of a global crisis?

My impression is that we are now facing a gigantic fiscal crisis as a result of the fall in world GDP, with high level of international reserves, the lowest interest rates in history and rising commodity prices. So there I think that it is more of an outcry about debt. Everyone is talking about the debt crisis – really, external debt – and in reality there is no such thing. But in order to prevent what might happen, the IMF and other multilateral financial organizations are talking about something that does not exist.

International reserves grew more than the amount of credits that the IMF gave to all the countries on the list below, except Argentina, Bolivia, Chile, Costa Rica, Ecuador and El Salvador. Five of these six countries are the ones with debt problems. Chile keeps a very high level of reserves.

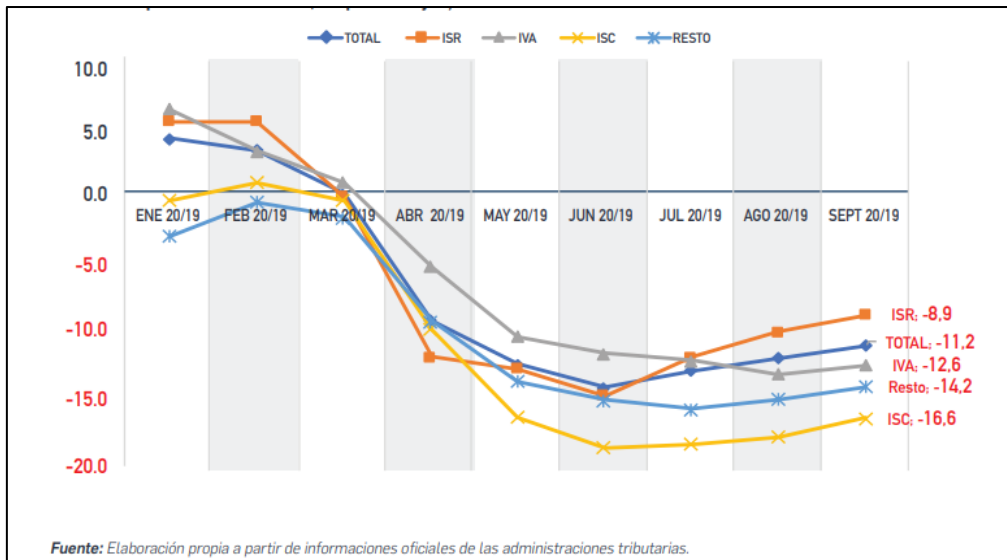
TABLE 1

CHANGE IN RESERVES AND IMF FINANCING 2020/2021								
COUNTRY	2020/4	2021/3	Change reserves	IMF line	Amount (in millions of SDRs)	Amount in millions of dollars 2020	Date	
Argentina	43 568	3 9518	-9.3%					
Bolivia	6 532	5 578	-14.6%	RCF	240.1	327	April 17, 2020	
Brazil	339 316	34 7413	2.4%	FCL	000	000		
Chile	66 141	61595	-6.9%	FCL	17 443	23 930	May 29, 2020	
Colombia	58 124	60752	4.5%	FCL	7 849.6	10 748.3	May 1, 2020	
Costa Rica	8 556	7272	-15.0%	RCF, ESB	369.4 + 1 247.4	508 + 1 778	April 29, 2020; March 1, 2021	
Ecuador	2 725	6267	130.0%	ESB	4 615	6 500	September 30, 2020	
El Salvador	3 800	2550	-32.9%	RCF	287.2	389	April 14, 2020	
Guatemala	16 544	18369	11.0%	RCF	428.6	594	June 10, 2020	
Honduras	6 064	8138	34.2%	Increase Stand By y FCL	162.37	223	June 1, 2020	
Mexico	196 183	200218	2.1%	FCL		00 00		
Nicaragua	2 664	3354	25.9%	RCF	86.67	123.55	November 20, 2020	
Paraguay	8 987	9691	7.8%		201.4	274	April 21, 2020	
Peru	74 784	80459	7.6%	FCL		11 000	May 28, 2020	
Rep Dominicana	8 642	11963	38.4%	Rapid Credit Facility (RCF)	477.4	650	April 29, 2020	
Uruguay	16 015	16 359	2.1%					

Fuente: Obela with data from IMF. IRFCL template and IMF press releases. Note: RCF = Rapid Credit Facility, FCL = Flexible credit line, ESB = Extended Stand By FMI.

What does exist, however, is a very serious fiscal problem.

Figure. Evolution of average global fiscal revenue, accumulated (inter annual variation, constant prices, in percentage).



Source: IATA, 2021, 10.

The 2020 report of the Inter-American Center for Tax Administration (IATA) states that “The revenue collection of the 23 IATA member countries analysed in the Report has fallen on average during 2020 by -9.3% (Special Taxes, -12.1%; Income Taxes (IT), -8.2%; VAT, -7.8%). Latin America and the Caribbean register a decline of -10.9% (Special Taxes, -13.4%; IT, -9.3%; VAT, -7.8%), with the Central America + Dominican Republic as the leading region in terms of declines (-14.4%), followed by the Caribbean (-12%), the Andean countries + Chile (-11.7%) and Mercosur + Mexico (-3.2%). By country, the heterogeneity is significant, from -26.9% in Panama or -22.5% in Honduras, to +8.2% in Morocco (together with Mexico, +0.8%, the only two countries that ended the year with positive results)”.¹

2) In the context of the pandemic, the managing director of the IMF, Kristalina Gorgeva, has suggested that States should “spend as much as they can” and she also supported higher social and health spending, but at the same time warned that “receipts must be kept”. Would you help us to understand whether the IMF has really changed? Is it possible that the IMF is using a double standard between rich countries and the Global South on this issue?

The IMF has always had a double standard. It is, in fact, an institution set up to subjugate the Global South. That is why the policies of the institution are defined in the US Congress, in the Subcommittee on National Security, International Development and Monetary Policy within the U.S. House Committee on Financial Services. That is the name of the subcommittee. What comes after the expansion of spending on counter-cyclical policies is the adjustment policy to go back to square one. What we see is that, for the moment, they are being more counter-cyclical than in the 1980s. What is next is to bring the fiscal accounts back to the starting point. They are apparently more willing to listen to countries with their stimulus plans than before. After the disappointment with Thailand they have mulled over their “one size fits all policy”. The interesting thing is that the countries with big deficits are the G7 countries, but the IMF never speaks out about these. I remember in particular the 2007 Article IV report on the United States which states:

As discussed in the April 2007 editions of the Global Financial Stability Report and the Bank of England’s Financial Stability Report, a sudden rise in risk aversion could uncover unanticipated vulnerabilities, illiquidity in newer markets, and major losses in asset values.

¹ Centro Interamericano de Administración tributaria, *Revenue Report COVID-19 (RRC) Year 2020*, April 2021, available at <https://biblioteca.ciat.org/opac/book/5755>

Officials shared the concerns regarding increasing systemic risks from a tail event, but argued that private markets, including core institutions, are better placed than regulators to manage their exposures to highly leveraged hedge funds.²

Given this, there was nothing to be done and so the 2008 crisis happened. It was anticipated that it might come, but nothing was done to put pressure on the Fed, even less to coerce it – as is customary in the global South. I have yet to see any comment on the impact of the Fed's expansionary monetary policies on the appreciation of world exchange rates and the consequences that will follow when they end. We all know the consequences on commodity prices.

3) High-income countries have managed to mobilize huge fiscal resources to deal with the pandemic and recession, IFIs are implementing a very limited debt reduction program for the poorest countries, but there is no specific approach to the debt situation in middle-income countries such as Argentina, Mexico or Turkey. Why is this? What could be done?

The Latin American countries with debt problems are Argentina, Ecuador, Costa Rica, and Venezuela– which is a unique case. More than a focus on debt, there should be a fiscal focus in light of the collapse of tax collection and the difficulties that this will generate in the coming years to finance the recovery. It is possible that this will be our problem. The reaction to this is the Treasury Secretary Janet Yellen's proposal to establish a 21% sales tax on corporate sales. That addresses the overall tax problem. Then there are the proposals by Stiglitz, Tucker and Zucman, who propose “Nothing less than a new and bold domestic and international tax regime will save rich democracies and economies from the distortions and dangers of rampant inequality”.³ This could incorporate taxes on financial transactions, stock market transactions, digital transactions, among others.

What does not exist in the international system is a sovereign debt negotiation mechanism where the sustainability of the total debt can be estimated and make a negotiation “in package” with all creditors to return to sustainable debt levels with growth policies. Argentina tried to do so and presented an initiative to the United Nations General Assembly. It had two rounds of voting and in 2015 the basic principles on sovereign debt restructuring were approved by the UN General Assembly. There is no international court to solve debt disputes as it is the case with national courts to solve corporate or individual debt disputes. Now that domestic debt is the most important for middle-income countries, an international mechanism is urgently needed and it should be far from what the IMF – which cannot be a judge and a party at the same time –proposed in 2012, based on Anne Kruger's design. The truth is that this step will not be necessary because governments will not borrow on foreign capital markets to finance fiscal deficits. They are doing so with the IFIs. In the meantime, if we need a global sovereign debt body, it should not leave the solution of problems to charity but to justice.

4) The G24 recently issued a document calling on the IMF to review its policy of “overcharges” on its loans.^{4} What is your opinion on the systemic role of these “overcharges” charged by the IMF to State clients?*

This has two angles. On the one hand, it is designed as a disincentive for countries to borrow heavily from the IMF, as happened to Argentina under the Mauricio Macri government. On the

² IMF Country Report No.07/264, August 2007, 17.

³ Joseph Stiglitz, Todd Tucker and Gabriel Zucman, “The Starving State. Why Capitalism’s Salvation Depends on Taxation”, *Foreign Affairs*, January-February 2021.

⁴ Overcharges are an additional interest rate that is charged to debtor States because their credits exceed certain volume and repayment term.

other hand, this has not stopped governments like Macri's, because the purpose of these funds was to provide liquidity to the financial market and to secure funds seeking to exit the economy. The overcharge, therefore, does not fulfill its purpose and becomes only an excessive price. The solution is that loans of the size that were given to Argentina during the Macri government should not be granted. That was money for the financial sector directly and not for the national economy.

5) How do you imagine the scenario for debtor countries which decide not to implement the orthodox economic policies that the IMF might demand in order to "return to normality"? What possibilities are there for the countries of the South to follow a different economic path than the one demanded by the IMF?

Argentina taught us in 2002 that it is possible to move forward in a different way and that it is not necessary to apply the orthodox policy. The external restriction – that old problem – is the one that must be addressed. This is the weak point of heterodox reactivations and they do not depend only on the exchange rate. Bolivia has also embarked on a heterodox path and has done very well. The question for both countries is when they should leave that path to avoid a balance of payments and inflationary crisis and what to do at that moment. In Latin America there is a problem of lack of competitive exports. Beyond raw materials and maquilas, there is little to mention. We must follow the Asian path of trading with higher value-added products and with more of our own content. In the new context this happens through industrialization policies.

That is the meaning of regional trade agreements and it should be taken up again. The great intra-Latin American trade is industrial and within Mercosur it is payable in national currencies. This should be deepened rather than weakened in the name of primary trade with Asia. The two trades are not at antipodes.

6) On the one hand, multilateralism has suffered greatly in recent years, with the rise of various conservative nationalisms. On the other hand, the rise of countries, such as China, does not seem to be fully contained within the structures of the IFIs. Do you think a redesign of the international financial architecture is on the horizon, and what elements should be considered?

What is emerging on the international scene is an Asian regional financial architecture that has global reach. The Asian Infrastructure Investment Bank, the swaps of the People's Bank of China (central bank), the creation of the crypto yuan, the yuan payment windows for trade with China around the world, the expansion of Chinese commercial banking also around the world, the SWIFT-like mechanism for operations in yuan, are some expressions of this rise. This sustains the very large weight of China in the international financial architecture. Eventually this will lead to a confrontation within the IMF over who defines, and how, the institution's policies. The Western reaction will be not to let go of the reins and the outcome of this will be the new international financial architecture.

Another element at play are cryptocurrencies. There is a growing use of cryptocurrencies as a reserve currency and as a means of international payment, particularly in countries with restrictions on the use of dollars, such as Venezuela, or where they prefer not to use the dollar, such as China. The partial replacement of the dollar as reserve currency not by gold, but by cryptocurrencies, opens an unknown scenario for the replacement or displacement of the current *top currency*.



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