



Osher Lifelong Learning Institute, Spring/Summer 2024

Contemporary Economic Policy

University of Kentucky

Geoffrey Woglom, Ph.D. (grwoglom@gmail.com)
National Economic Education Delegation



National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are nonpartisan and intended to reflect the consensus of the economics profession.

Available NEED Topics Include:

- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- US Social Policy

Course Outline

- **Contemporary Economic Policy**
 - Week 4 (6/24): International Institutions (Alan Deardorff, University of Michigan)
 - Week 5 (7/1): Climate Change Economics (Sarah Jacobson, Williams College)
 - Week 6 (7/8): Is College Worth It (Geoffrey Woglom, Amherst College)

Submitting Questions

- **Submit questions in the chat or by raising your digital hand.**
 - I will try to handle them as they come up.
- **We will do a verbal Q&A once the material has been presented.**
- **Slides will be available from the NEED website tonight (https://needelegation.org/delivered_presentations.php).**

International Economic Institutions

Alan V. Deardorff
University of Michigan

Presentation to University of Kentucky
June 24, 2024

Main Economic Institutions



UNITED NATIONS



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Views

- **Economists like myself tend to view all these institutions as**
 - Valuable, but
 - Flawed
- **But the public and specialists in things other than economics often see them as**
 - Ineffective
 - Harmful
- **Examples...**




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UN

United Nations in fiction



I represent the combined military might of every superpower in the world. Threats to global security will answer to us.

United Nations in reality



Sorry sir, I'm only allowed to watch the genocide, not stop it.

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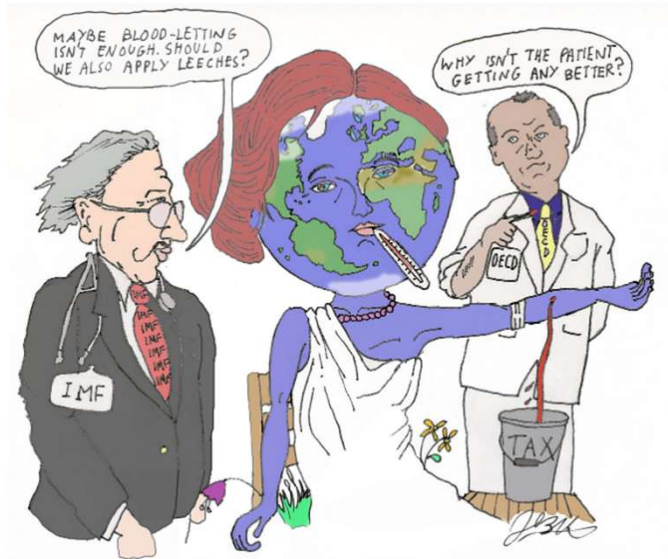
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UN




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IMF



ATTENTION, IF YOU'RE THE SHIP'S CAPTAIN, ITS INVESTORS, OR MANUFACTURERS, WE'RE HERE TO RESCUE YOU...

Mike Lukovich

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IMF & World Bank



IMF + WORLD BANK = HUNDREDS RICH BILLIONS POOR

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World Bank



World Bank



WTO



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WTO



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WTO



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WTO



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Outline

- **The Four Main Institutions**
 - Compared
 - Individually
 - United Nations
 - International Monetary Fund
 - World Bank
 - World Trade Organization
- **Other Institutions**
- **Economic Groupings of Countries**
 - Free Trade Agreements and Customs Unions
 - Other

Institutions Compared

Major Economic Institutions Compared

	Members	Budget \$ mil	Employees	from Countries
UN	193	3,400	125,436	
IMF	190	1,411	2,400	Over 190
World Bank	189	2,851	18,946	Over 170
WTO	164	217	Over 600	Around 80

United Nations



United Nations

- **United Nations**

- Created after World War II
 - o (replacing League of Nations from post-WWI)
- Major organs:
 - o General Assembly
 - o Security Council
 - o Economic and Social Council
 - o Trusteeship Council
 - o Secretariat
 - o International Court of Justice, The Hague, Netherlands.
- Also has many other organizations affiliated with it, some of which existed prior to the UN

} Based at UN Headquarters in New York



United Nations

- **Director General:** António Manuel de Oliveira Guterres
 - Portuguese
 - Prime Minister of Portugal 1995-2002



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United Nations

- **Security Council has the power**
 - 15 members, each with one vote
 - 5 Permanent members, each with veto
 - China, France, Russia, UK, US
 - 10 elected members with 2-year terms (ending date)
 - (2024) Ecuador, Japan, Malta, Mozambique, Switzerland
 - (2025) Algeria, Guyana, (South) Korea, Sierra Leone, Slovenia
 - Presidency cycles through members each month (May 2024 is Mozambique)
 - All 193 UN members "are obligated to comply with Council decisions."
- **General Assembly votes to express opinions but has no power**



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United Nations

• Security Council Actions

- So far in 2024, it has adopted 15 resolutions
 - o 6 adoption of reports on Sudan and South Sudan
 - o 6 on “The situation in...” (Libya, Iraq, Middle East (2), Afghanistan, Cyprus)
 - o 3 others:
 - Threats to international peace and security caused by terrorist acts
 - Protection of civilians in armed conflict
 - Maintenance of international peace and security
- Vetoes so far in 2024
 - o Non-proliferation, by Russia
 - o Admission of new members, by US
 - o Non-proliferation/N. Korea, by Russia
 - o Middle East, including Palestinian question, by China & Russia
 - o Middle East, including Palestinian question, by US

United Nations

• Major UN Organizations are

- UNICEF = United Nations Children's Fund
 - o (Originally United Nations International Children's Emergency Fund)
 - o Humanitarian and developmental aid to children
- UNHCR = United Nations High Commissioner for Refugees
 - o Aids and protects refugees
- WFP = World Food Programme
 - o Provides food assistance worldwide
- WHO = World Health Organization
 - o Responsible for international public health
- UNDP = United Nations Development Programme
 - o Helps countries eliminate poverty and achieve sustainable economic growth and human development.

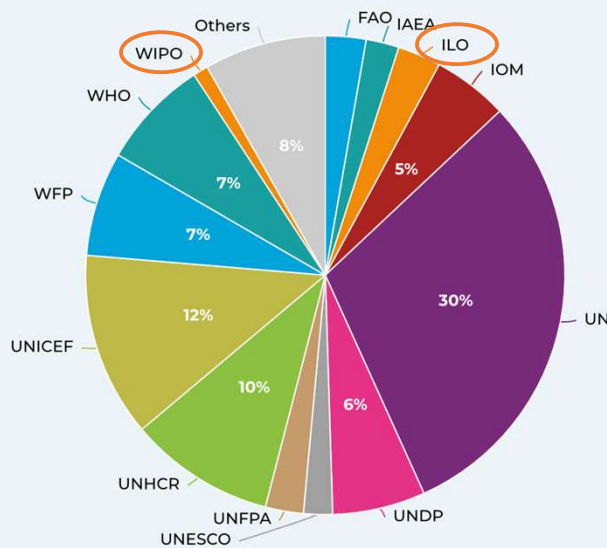
United Nations

- **UN Economic Organizations are**

- WIPO = World Intellectual Property Organization
 - o Founded 1967
 - o Forum for intellectual property policy (patents, trademarks, copyrights, etc.)
 - o Has no enforcement power
- ILO = International Labour Organization
 - o Founded 1919 under League of Nations
 - o Sets international labor standards
 - o Has no enforcement power

UN Personnel

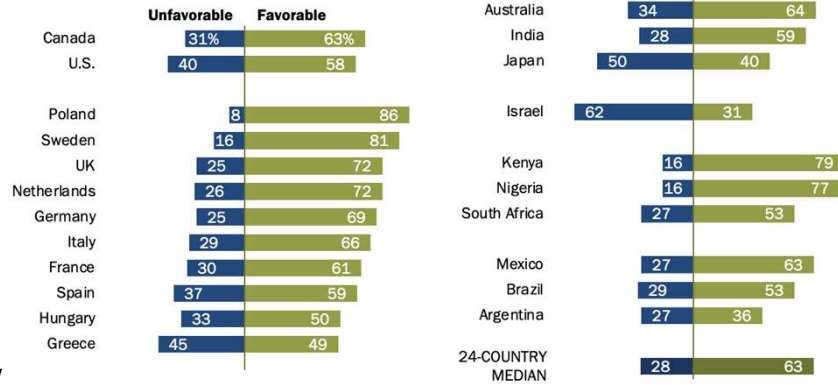
Personnel by Organization



UN Views

Views of the UN are generally positive

% who have a(n) ___ opinion of the United Nations



Source: Pew
Research Center,
Aug 31, 2023



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UN Budget

• UN has two budgets, plus voluntary contributions

- Regular budget
 - o Country contributions based on “capacity to pay”
 - Decided every three years
 - Formula uses shares of gross national income with adjustments for debt, population, and level of development
- Peacekeeping budget
 - o Decided by Permanent Members of Security Council
 - o Contributions from same formula, with additional adjustment for
 - Contributing troops
- Voluntary contributions
 - o Fund a large part of disaster relief, development work and agencies such as UNICEF.



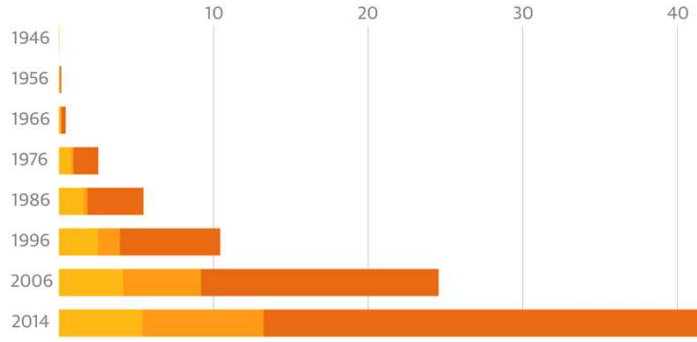
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UN Budget

UN budget

£bn (Apparently in 2015 currency)

Regular budget | Peacekeeping | Voluntary contributions



Looks big. But “still only about half of New York City’s \$75bn budget.”

Guardian graphic

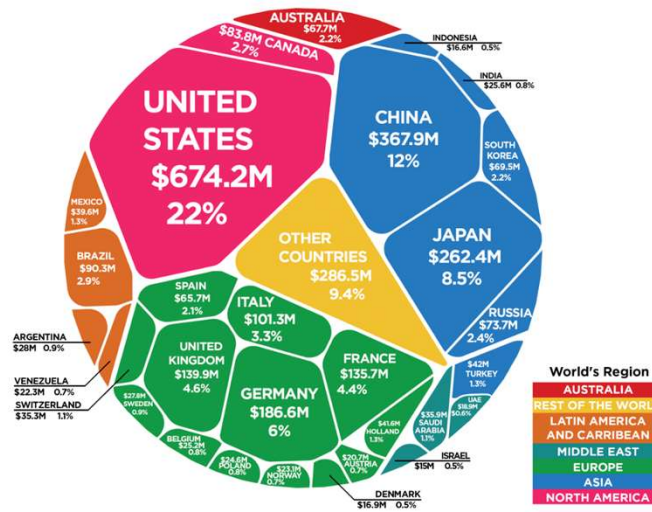
Source: UN

Source: Reed, “70 years and half a trillion dollars later: what has the UN achieved?” *The Guardian*, 2015.



UN Budget

United Nations Budget Contributions by Country 2019 Gross Contribution & Percentage Share



- World's Region
- Australia
- Rest of the World
- Latin America and Caribbean
- Middle East
- Europe
- Asia
- North America





• International Monetary Fund

- Created at Bretton Woods 1944
 - In response to collapse of Gold Standard and chaos after WWI
- Original purpose
 - To prevent international financial crises by
 - Overseeing exchange rates pegged to the US dollar
 - Providing resources to central banks to assist in exchange-rate management
- Current purpose
 - Major countries no longer have pegged exchange rates
 - “Promote financial stability and monetary cooperation”
 - “Lender of last resort and global standard-setter”



- **Managing Director: Kristalina Georgieva**

- Bulgarian economist



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- **Things the IMF does**

- Policy advice
- Loans to countries in financial distress
 - Conditional on agreeing to “undertake certain policy actions” (“Policy conditionality”)
 - Ceilings on external debt, government wage bill
 - Improve tax administration, fiscal transparency, anti-corruption
 - Charges interest rate based on the SDR interest rate (see below) plus a margin that is currently 100 basis points (one percentage point)
- Capacity development assistance and training



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Aside on SDRs

- **SDR = “Special Drawing Rights”**

- History is interesting but not important
 - o If interested, see my entry under Origins in my online Glossary
- A sort of international money
 - o Created by IMF
 - o Used only by central banks with each other
- Its value is basket of major currencies, used for IMF bookkeeping and transactions
 - o Dollar, euro, renminbi, yen, pound
- Interest rate posted by IMF each week is based on interest rates in component currencies



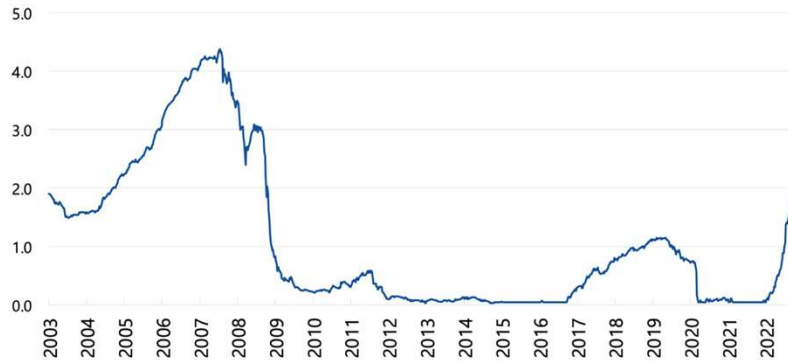
Aside on SDRs

Currency	Weights determined in the 2022 review	Fixed number of units of currency for a 5 year period <i>Starting Aug 1, 2022</i>
US dollar	43.38	0.57813
Euro	29.31	0.37379
Chinese Renminbi	12.28	1.0993
Japanese Yen	7.59	13.452
Pound Sterling	7.44	0.080870



Aside on SDRs

Interest Rate on SDR, 2003-end November 2022
(percent a year)



Source: IMF Finance Department.



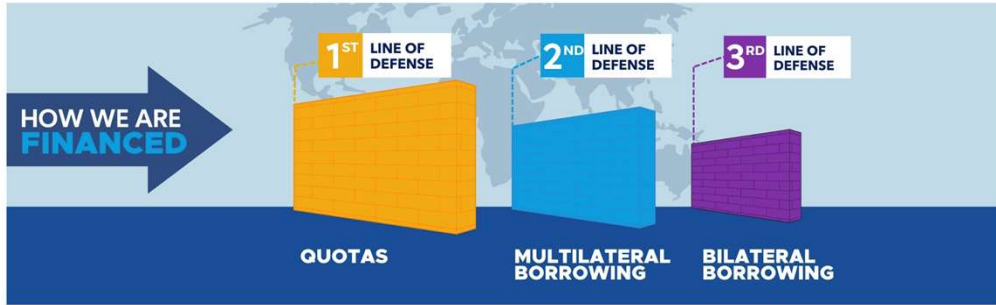
IMF Funding

- **IMF Funding comes from 3 sources:**

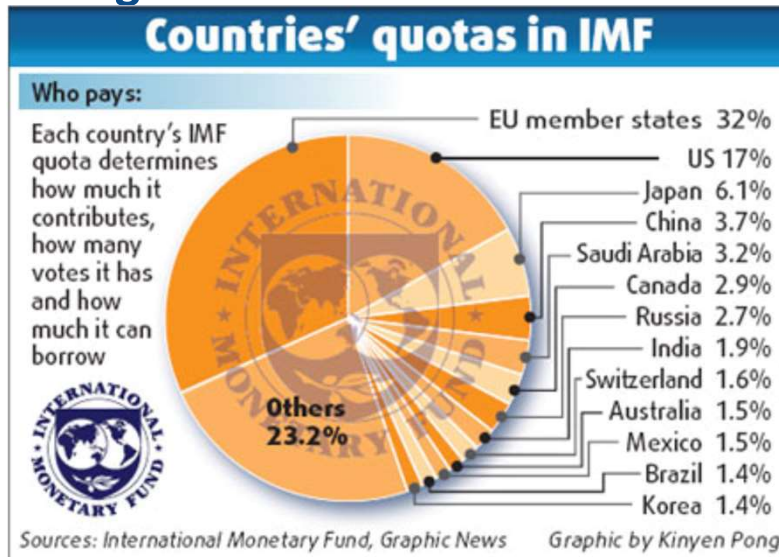
- Member quotas
 - o Assigned based “broadly on its relative position in the world economy”
 - o Reviewed every 3 years
 - o Last increased (by 50%) at meeting December 15, 2023
- New Arrangements to Borrow
- Bilateral Borrowing Agreements



IMF Funding



IMF Funding



Source: *China Daily*, 2009

IMF Funding

• IMF Quotas and Voting

- Countries' voting shares are similar to their quotas
- Today, US quota share is 17.43% and its voting share is 16.50%
 - o That and voting rules gives US a veto on all major decisions
- These quotas
 - o Had not been increased since 2010, limiting the IMF's ability to operate
 - It expanded borrowing to compensate
 - o They were finally increased (by 50%) December 15, 2023



IMF Funding

• IMF Quota Formula (as of 2008):

- 50% GDP
- 30% Openness
- 15% Variability
- 5% Reserves
 - o (Above summed) Compression factor



IMF Loan Repayment

- **Do borrowers repay their loans from IMF?**

- As yet, I don't really know.
- Recent data:

Year	Disbursements (\$bil)	Repayments (\$bil)
2023	17.6	18.6
2022	27.3	18.6
2021	9.2	11.1
2020	37.0	4.6

World Bank



World Bank

- **World Bank Group**

- Created at Bretton Woods 1944
- Original purpose
 - o To assist war-destroyed countries to recover from WWII
- Current purpose
 - o To assist developing countries with
 - Loans
 - Policy advice
 - Assistance

World Bank

- **Managing Director:** Wencai Zhang

- Appointed Feb 20, 2024
- Former Vice President of Export-Import Bank of China



World Bank

• World Bank Institutions:

- International Bank for Reconstruction and Development
- International Development Association
- International Finance Corporation
- Multilateral Investment Guarantee Agency
- International Centre for Settlement of Investment Disputes

World Bank



WORLD BANK GROUP

- Comprises 5 institutions
- Collectively, all 5 institutions are known as the "World Bank Group"

WORK WITH GOVERNMENTS		WORK WITH PRIVATE SECTOR		TRIBUNAL
International Bank for Reconstruction and Development	International Development Association	International Bank for Reconstruction and Development	International Development Association	International Development Association
1 IBRD Est. 1945	2 IDA Est. 1960	3 IFC Est. 1956	4 MIGA Est. 1988	5 ICSID Est. 1966
Financing for middle-income developing countries	Financing for low-income developing countries	Investments and advisory services to encourage private-sector development	Political risk insurance and credit enhancement guarantees	International arbitration of investment disputes

Together IBRD and IDA are known as the "World Bank"

Source: Nancy Bikondo-Omosa (World Bank): Business outreach event with DevelopmentAid (18 November 2021).

World Bank Lending

- **World Bank borrows all the money that it lends**
 - It borrows from all over the world at very low interest rates
- **It lends**
 - To middle-income countries at rates below commercial banks
 - To the poorest countries at no interest
- **Borrowers must**
 - Cover part of any project from other sources (own funds or commercial loans)
 - Pay back their loans



World Bank Lending

- **Projects help countries to**
 - Supply safe drinking water
 - Build schools and train teachers
 - Increase agricultural productivity
 - Manage forests and other natural resources
 - Build and maintain roads, railways, and ports
 - Extend telecommunications networks
 - Generate and distribute energy
 - Expand health care
 - Modernize



World Trade Organization



WTO

• World Trade Organization

- Created 1995 by Uruguay Round Ministerial of the GATT
- Purposes
 - o Operate a system of rules on international trade policies
 - o Serve as forum for negotiating trade agreements
 - o Settle trade disputes between countries



- **Director-General:** Ngozi Okonjo-Iweala
 - Nigerian-American economist
 - Previously Minister of Finance, Nigeria



- **Three parts:**
 - GATT = General Agreement on Tariffs and Trade
 - GATS = General Agreement on Trade in Services
 - TRIPs = Trade-Related Aspects of Intellectual Property Rights
- **GATT requires (with exceptions) nondiscrimination:**
 - “Most Favored Nation” (MFN) tariffs
 - Same on all exporters
 - “National Treatment”
 - Once in country, treat the same as own-country products

WTO Functions

Functional Outline of the World Trade Organization
Communication
Constraints
Exceptions
Dispute Settlement

WTO Functions

Communication	Ministerials
	Negotiating Rounds
	Working Groups
	Trade Policy Review Mechanism
	Councils and Com

Trade Ministers (USTR, etc.) Meet "Every" Two Years

Tariff Reductions; Changes in Rules

WTO Functions

Constraints	Tariff Bindings
	Customs Valuation
	Product Regulations
	Quantitative Restrictions
	Subsidies
	Foreign Direct Investment (TRIMS)
	Services (GATS)
	Intellectual Property (TRIPs)

Countries negotiate and commit to maximum tariffs

National Treatment for Service Firms (only in some industries)

Enforce Patents, Copyrights, Trademarks

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WTO Functions

Exceptions	Anti-Dumping
	Countervailing Duties
	Safeguards
	Balance of Payments Protection
	Preferential Trade Agreements

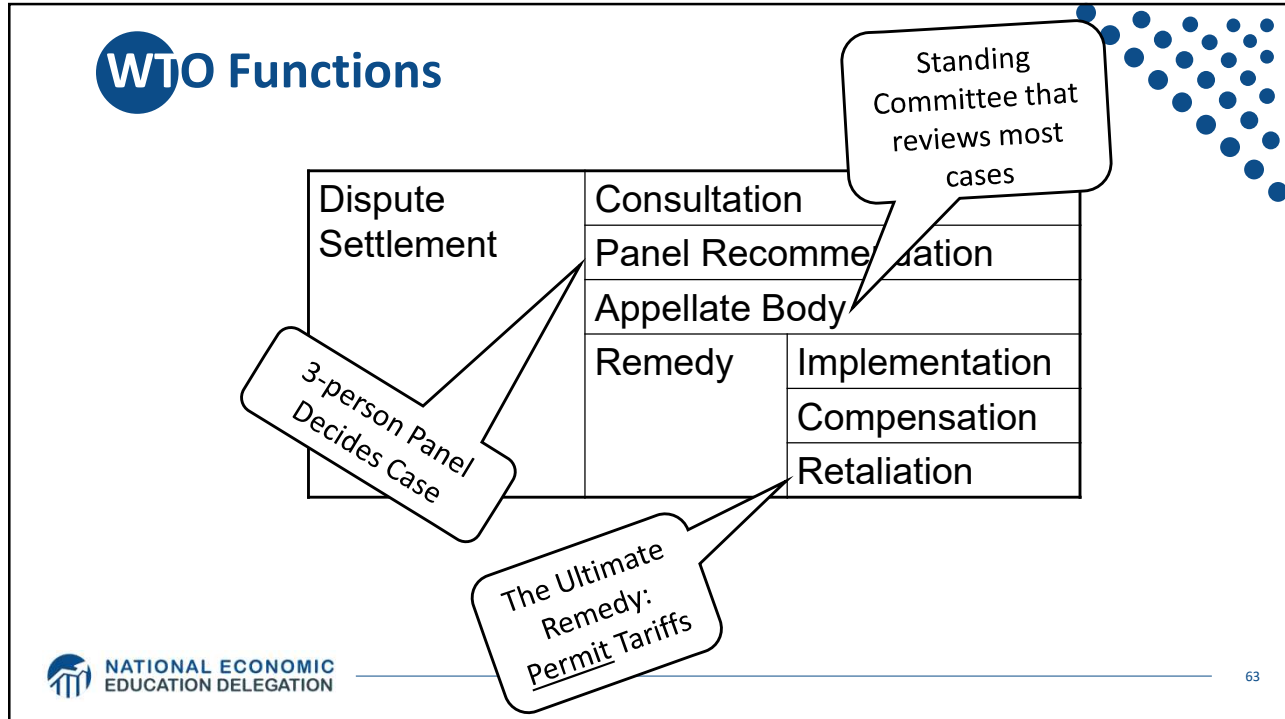
Permitted; not required

Most commonly used

Allows NAFTA, EU, etc.

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WTO and the United States

- **Dispute Settlement Body (DSB)**
 - Lacks a quorum since Dec 11, 2019
 - Trump blocked all new appointments
 - Biden has not changed this
- **Without DSB no case can finish if it is appealed (which all are)**
 - Losers “appeal into the void”
- **Other countries formed an alternative mechanism, not including US**

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WTO Disputes

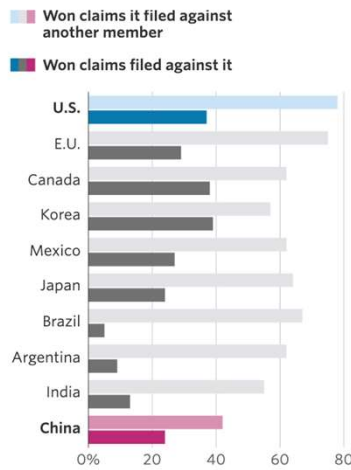
• Trump and the WTO

- Oct 25, 2017, on Fox interview with Lou Dobbs:
 - o “The WTO, World Trade Organization, was set up for the benefit for everybody but us.”
 - o “we lose the lawsuits, almost all of the lawsuits ... within the WTO”
- In fact, like other countries, US
 - o Wins most of the cases it brings
 - o Loses most the cases brought against it
- Since 1995, in all cases, complainant has won 90%
 - o As complainant, US has won 91%
 - o As respondent, US has lost 89%

WTO Disputes

Who Wins at the WTO

The success rate of WTO members in filing claims, or defending against them, at the dispute panel level



Source: WSJ, 2017

Note: Includes cases from 1995 through Feb. 23, 2016; countries shown were involved in at least 10 cases.
Source: Louise Johannesson and Petros C. Mavroidis

WTO and the United States

• National-Security Tariffs (on steel, aluminum)

- Cases brought by EU and many others
- EU, Canada, & Mexico cases settled by negotiation
- Other cases status: panel composed
- How did WTO rule?
 - Panel report in December 2022 found against the US
 - Said action was not “in time of war or other international emergency”
 - US appealed (but has blocked the Appellate Body)
- WTO provision:
 - Article XXI: “[n]othing in this Agreement shall be construed . . . to prevent any contracting party from taking **any action which it considers necessary** for the protection of its essential security interests . . . taken in time of war or other emergency in international relations[.]”

WTO and the United States

• Trade war with China

- Tariffs levied under US Section 301 not consistent with GATT/WTO
 - WTO panel ruled against US Sep 15, 2020
 - Panel: “Trump’s tariffs violated several global rules” (NYT)
 - US appealed but case cannot be completed
 - Even without that, would WTO permission for China to levy tariffs be meaningful?

WTO and the United States

• Trade war with China

- Biden actions (5/14/24) to protect “Workers and Businesses from China’s Unfair Trade Practices”
- Tariffs on China raised
 - o On steel & aluminum, from 7.5% to 25%
 - o On semiconductors, from 25% to 50%
 - o Electric vehicles, from 25% to 100%
 - o Lithium-ion batteries & parts, from 7.5% to 25%
 - o Some magnets, from zero to 25%
 - o Solar cells, from 25% to 50%
 - o Ship-to-shore cranes, from zero to 25%
 - o Syringes, needles, PPE, respirators, face masks, rubber gloves to 25%
- Too soon to know if China will complain to WTO

Other Institutions

• Other Institutions

- OECD
- G-7, G-20
- UN Organizations
 - o UNCTAD
 - o ILO
 - o WIPO
 - o Regional Commissions for Economic and Social Development
- International Development Banks






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- **OECD = Organization for Economic Cooperation and Development**
 - 38 member countries
 - *The Economist* calls it a “rich-country think tank”
 - “provides governments a setting in which to discuss, develop and perfect economic and social policy”
 - Recently, in October 2023, OECD agreed on a “global treaty” to tax digital technology giants in the countries where they do business
 - 143 countries took in the negotiations
 - It still needs to be signed and ratified by “enough countries”.
 - Some important ones (e.g., US) may not



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OECD
OECD ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



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G-20



भारत 2023 INDIA

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G-20

- **G-7: US, Canada, Japan, Britain, France, Germany, and Italy (plus the EU)**
 - Began annual meetings of heads of state in 1976
- **G-20: G7 plus 13 others, both major developed and developing countries**
 - Founded 1999 with only finance ministers
 - Began head-of-state meetings after financial crisis of 2008
 - “Summit on Financial Markets and the World Economy”
 - Today, G7 deals more with politics, G20 with economics
- **G-20 met in India September 9-10, 2023**
 - Launched India-Middle East-Europe Economic Corridor

G-20





UNITED NATIONS
UNCTAD



• **UNCTAD = United Nations Conference on Trade and Development**

- Supports “developing countries to access the benefits of a globalized economy more fairly and effectively.”

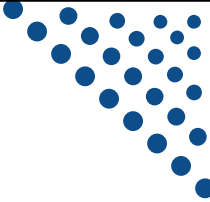



> 193 members of UN




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- **ILO = International Labor Organization**
 - Created 1919 by Treaty of Versailles
 - Tripartite: governments, employers and workers
 - Sets labor standards, develops policies, and devises programs promoting decent work
 - Has no power to enforce, but only to shame



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ILO Fundamental ILO Conventions

- 1. **Freedom of Association** (# countries ratifying)
 - a. Right to Organize (157)
 - b. Right to Collective Bargaining (168)
- 2. **Abolition of Forced Labor**
 - a. Forced Labor (180)
 - b. Abolition of Forced Labor (178*)
- 3. **Equality**
 - a. Discrimination (174)
 - b. Equal Remuneration (175)
- 4. **Elimination of Child Labor**
 - a. Minimum Age (175)
 - b. Worst Forms of Child Labor (187*)

* USA ratified

WIPO





- **WIPO = World Intellectual Property Organization**

- Global forum for intellectual property policy, services, information and cooperation.
- IP includes
 - o Patents
 - o Copyrights
 - o Trademarks
 - o Trade secrets

- **Has no power to enforce**



Regional Commissions for Economic and Social Development



Regional Commissions for Economic and Social Development

- Economic Commission for Africa (ECA), Addis Ababa, Ethiopia
- Economic Commission for Europe (ECE), Geneva, Switzerland
- Economic Commission for Latin America and the Caribbean (ECLAC), Santiago, Chile
- Economic and Social Commission for Asia and the Pacific (ESCAP), Bangkok, Thailand
- Economic and Social Commission for Western Asia (ESCWA), Beirut, Lebanon



Regional Commissions for Economic and Social Development

- What Regional Commissions for Economic and Social Development do:
 - They “promote economic development and cooperation in their respective regions”
 - They normally meet once a year
 - They enable member States to maintain contact with one another and with the Secretariat between sessions of the General Assembly, to which they submit their proposals and convey their concerns.
 - Each maintains offices and staff in their region to undertake programs of work



International Development Banks



AFRICAN DEVELOPMENT BANK GROUP



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International Development Banks

- There is a long list of International (or Multilateral) Development Banks. The largest are
 - The African Development Bank Group
 - The Asian Development Bank
 - The European Bank for Reconstruction and Development
 - The Inter-American Development Bank
 - The World Bank Group
- My Glossary lists 14 more and is surely incomplete



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International Development Banks

- Purpose: “to provide medium- and long-term capital for productive investment, often accompanied by technical assistance, in poor countries.”
- They “may be publicly or privately owned and operated, but governments frequently make substantial contributions to the private ones.”
- Concerns:
 - Bad investments
 - Imposing policies that destabilize countries
 - Moral hazard: encouraging irresponsible policies

Source: Britannica. Money

Economic Groupings of Countries

- Free Trade Agreements and Customs Unions
 - European Union
 - USMCA
 - CPTPP
 - RCEP
 - MERCOSUR
- Other
 - G-20 Developing
 - Cairns Group

Economic Groupings of Countries

European Union



Economic Groupings of Countries

NAFTA (now USMCA)



Economic Groupings of Countries

CPTPP
=
Trans-Pacific Partnership
minus US



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Economic Groupings of Countries

RCEP
=
Regional Comprehensive Economic Partnership



RCEP
REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP

- AUSTRALIA
- BRUNEI
- CAMBODIA
- CHINA
- INDONESIA
- JAPAN
- LAOS
- MALAYSIA
- MYANMAR
- NEW ZEALAND
- PHILIPPINES
- SINGAPORE
- SOUTH KOREA
- THAILAND
- VIETNAM

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Economic Groupings of Countries

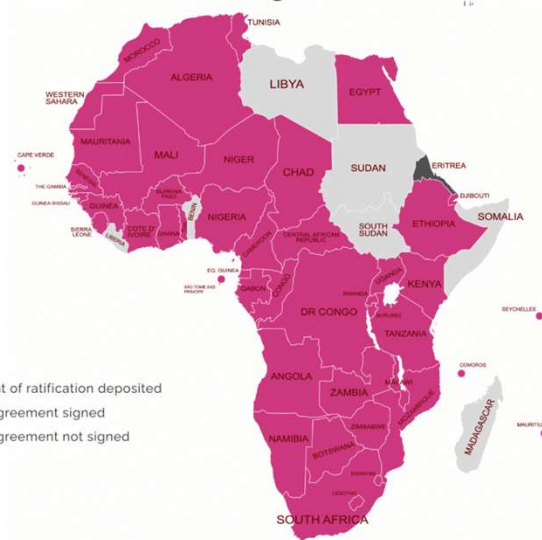
MERCOSUR



AfCFTA Largest FTA, with 55 countries

Which countries have ratified the AfCFTA Agreement?

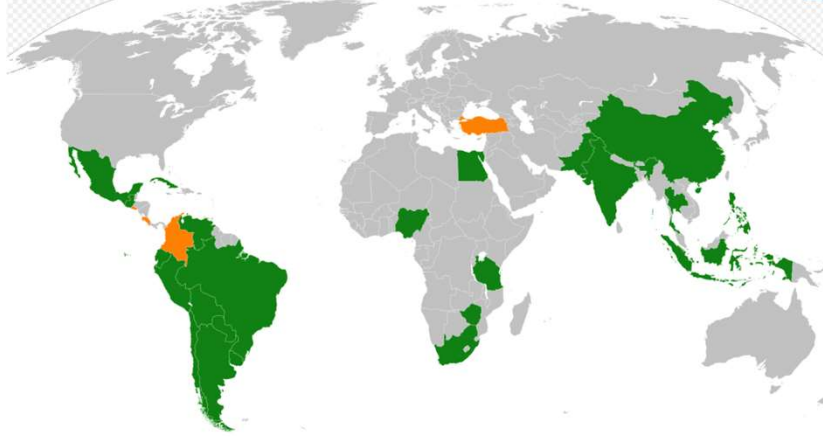
Agreed
2018



47 ratified
as of Aug,
2023

Economic Groupings of Countries

G20 Developing Countries



Economic Groupings of Countries

Cairns Group



Next Week

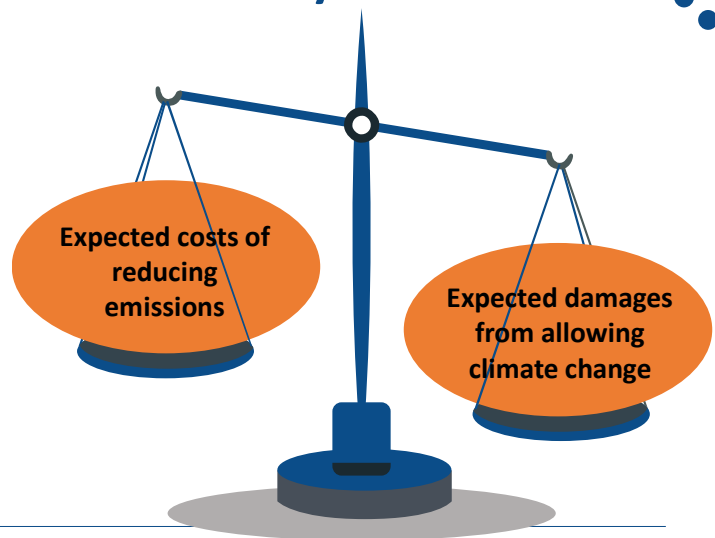
Climate Change Economics

Sarah Jacobson
Williams College

How Economists Decide How Much to Fight Climate Change: Cost Benefit Analysis

Abating greenhouse gas emissions is costly...
... but without action, climate change damages are even more costly.

Goal is not zero emissions, but efficient level that achieves a balance.



Thank you!

Any Questions?

www.NEEDelegation.org

Alan Deardorff

alandear@umich.edu

Contact NEED: info@NEEDelegation.org

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