

# *Osher Lifelong Learning Institute, Fall 2023*

## **Contemporary Economic Policy**

West Virginia University  
Fall, 2023

Jon Haveman, Ph.D.  
National Economic Education Delegation



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## **Course Outline**

### • **Contemporary Economic Policy**

- Week 1 (10/6): Economic Update (Geoffrey Woglom, Amherst College)
- Week 2 (10/13): Trade and Globalization (Avik Chakrabarti, U of Wisconsin Milwaukee)
- Week 3 (10/27): Economics of Immigration (Robert Gitter, Ohio Wesleyan)
- Week 4 (11/3): Monetary Policy (Geoffrey Woglom, Amherst College)
- Week 5 (11/10): Federal Debt (Joseph Carolan, Oakland University)
- **Week 6 (11/17): International Institutions (Alan Deardorff University of Michigan)**



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## Submitting Questions

- **Please submit questions in the chat.**
  - I will try to handle them as they come up, but may take them in a bunch as time permits.
- **We will do a verbal Q&A once the material has been presented.**
  - And the questions in the chat have been addressed.
- **OLLI allowing, we can stay beyond the end of class to have further discussion.**

## International Economic Institutions

**Alan V. Deardorff**  
**University of Michigan**

Presentation to West Virginia University  
November 17, 2023

## 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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### 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

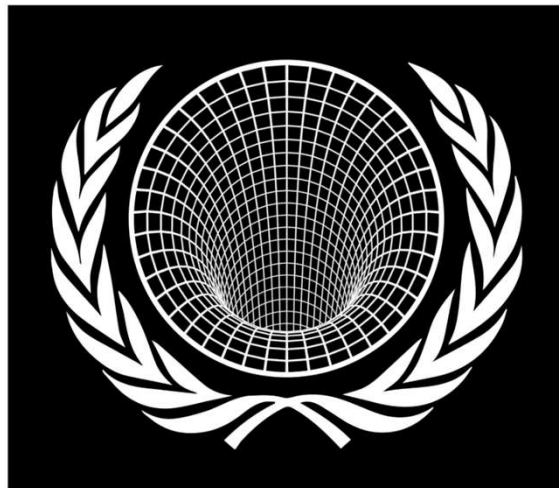


Sorry sir, I'm only allowed to watch the genocide, not stop it.



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## IMF & World Bank



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## World Bank



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## World Bank



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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



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# United Nations

## • United Nations

- Created after World War II (replacing League of Nations from post-WWI)
- Major organs:
  - General Assembly
  - Security Council
  - Economic and Social Council
  - Trusteeship Council
  - Secretariat
  - 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



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## United Nations

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



## 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)
      - (2023) Albania, Brazil, Gabon, Ghana, UAE
      - (2024) Ecuador, Japan, Malta, Mozambique, Switzerland
  - Presidency cycles through members each month (Nov 2023 is China)
  - All 193 UN members "are obligated to comply with Council decisions."
- **General Assembly votes to express opinions but has no power**



## United Nations

### • Some 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.

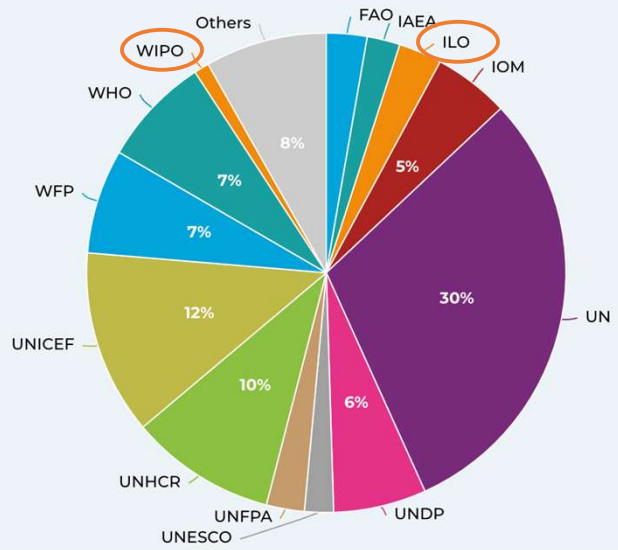
## United Nations

### • 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



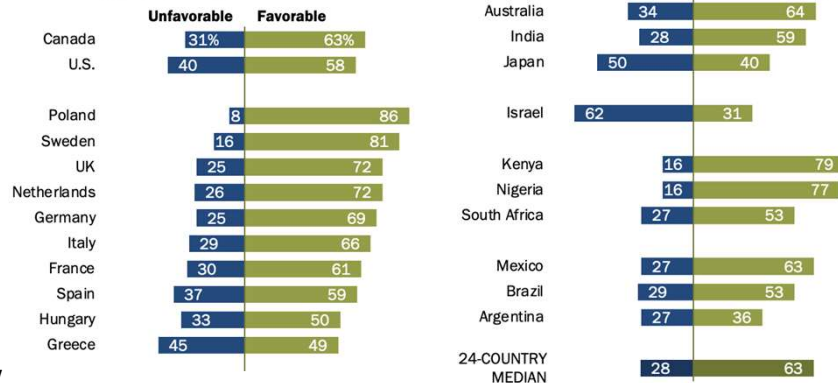
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## UN Views

### 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**

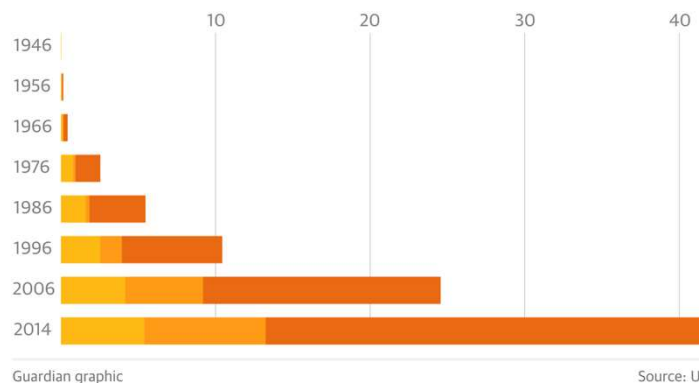
- Regular budget
  - o Country contributions based on “capacity to pay”
    - Decided every three years
    - Formula uses shares of gross national income with adjustments for debt, population, and level of development
- Peacekeeping budget
  - o Decided by Permanent Members of Security Council
  - o 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.

## UN Budget

### UN budget

£bn (Apparently in 2015 currency)

Regular budget | Peacekeeping | Voluntary contributions



Guardian graphic

Source: UN

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

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







## • International Monetary Fund

- Created at Bretton Woods 1944
  - o In response to collapse of Gold Standard and chaos after WWI
- Original purpose
  - o 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
  - o Major countries longer have pegged exchange rates
  - o “Promote financial stability and monetary cooperation”
  - o “Lender of last resort and global standard-setter”



## • Managing Director: Kristalina Georgieva

- Bulgarian economist





### • 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

## Aside on SDRs

### • SDR = “Special Drawing Rights”

- History is interesting but not important
- A sort of international money
  - Created by IMF
  - Used only by central banks with each other
- Its value is basket of major currencies, used for IMF bookkeeping and transactions
  - 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

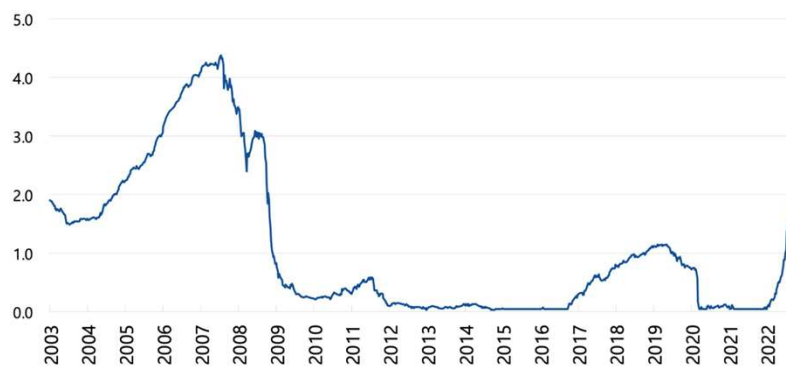


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## Aside on SDRs

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



Source: IMF Finance Department.



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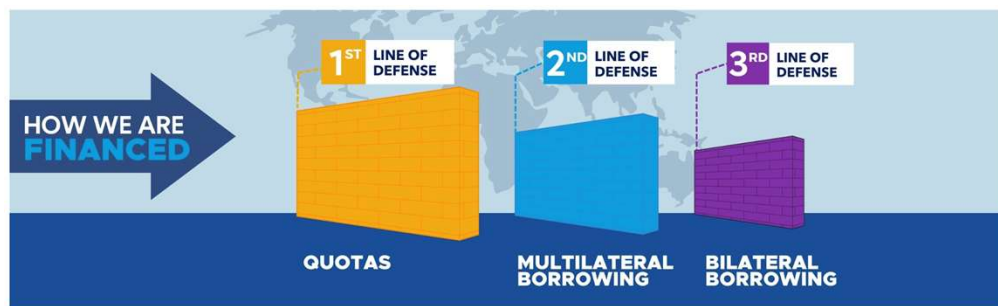
## IMF Funding

- **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 2010 for effect 2016
  - o Current review due mid-December 2023
- New Arrangements to Borrow
- Bilateral Borrowing Agreements



## IMF Funding



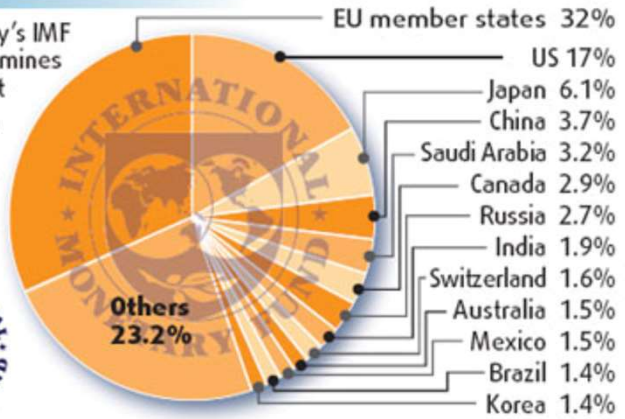


## IMF Funding

### Countries' quotas in IMF

#### Who pays:

Each country's IMF quota determines how much it contributes, how many votes it has and how much it can borrow



Sources: International Monetary Fund, Graphic News

Graphic by Kinyen Pong

Source: *China Daily*, 2009



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## 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 Have not been increased since 2010, limiting the IMF's ability to operate
    - It has expanded borrowing to compensate
  - o They were to be discussed for revision at annual meeting
    - October 9-15, 2023



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## IMF Funding

- **IMF Quota Formula (as of 2008):**

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



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## World Bank



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# 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: Anshula Kant

- Former CFO of State Bank of India





### • 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



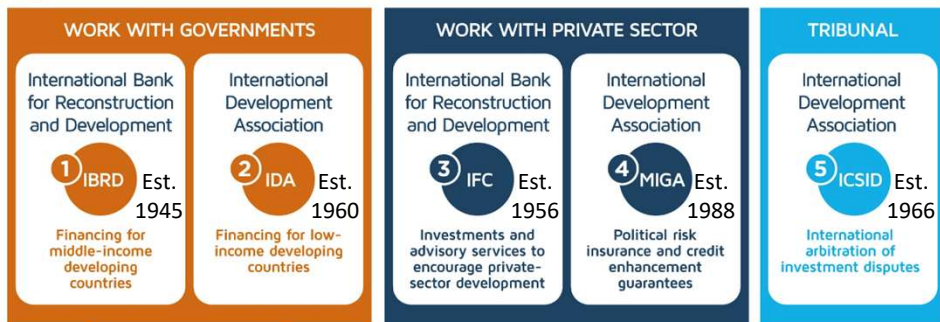
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### WORLD BANK GROUP

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



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

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



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## 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



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### • 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



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



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- **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



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## WTO Functions

### Functional Outline of the World Trade Organization

Communication

Constraints

Exceptions

Dispute Settlement



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## WTO Functions

Communication

Ministerials

Negotiating Rounds

Working Groups

Trade Policy Review  
Mechanism

Councils and Comm

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

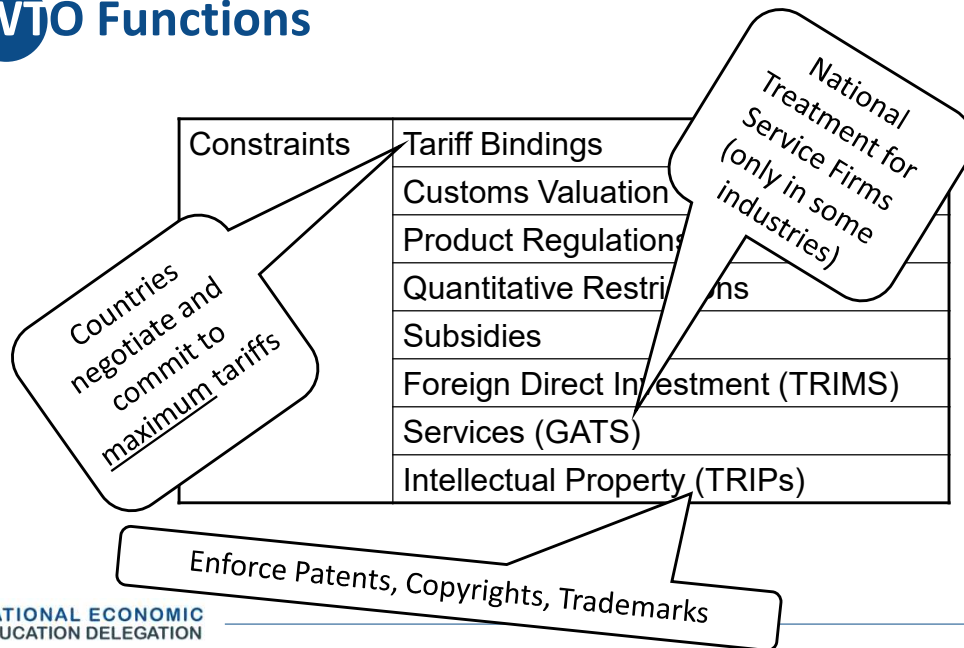
Tariff Reductions;  
Changes in Rules



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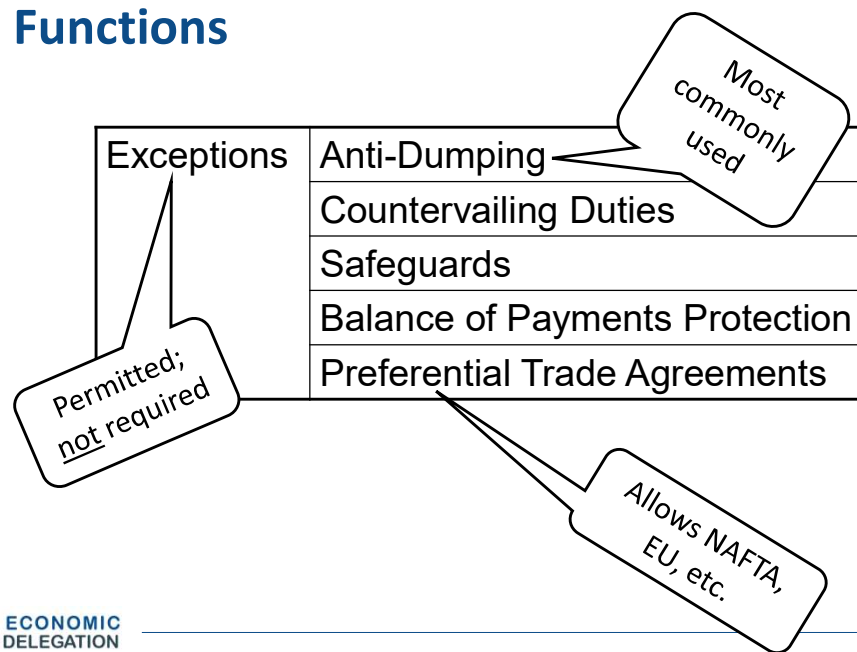
## WTO Functions



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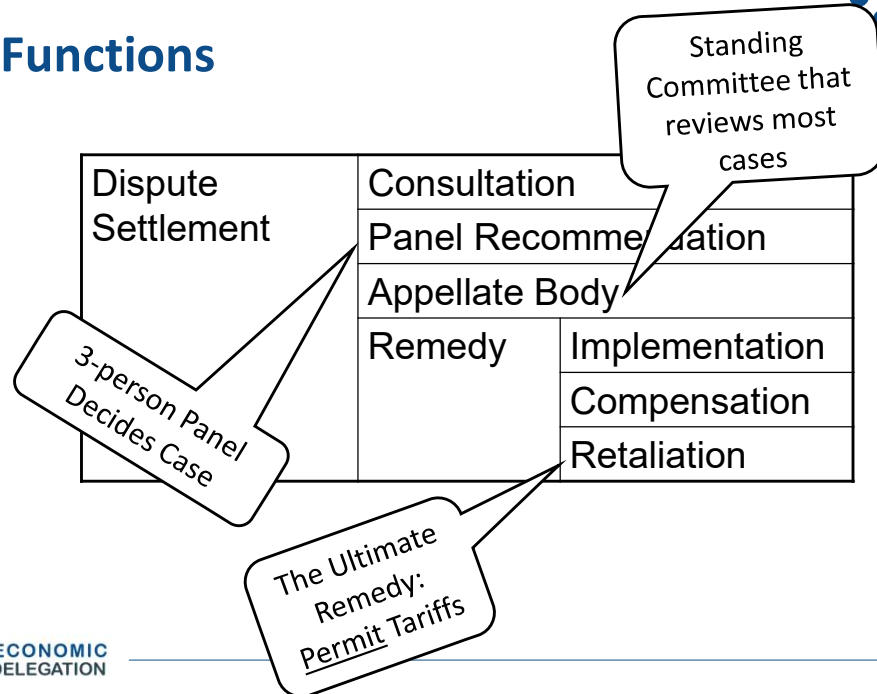
## WTO Functions



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## WTO Functions



## 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)**
- **Other countries formed an alternative mechanism, not including US**



## 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%



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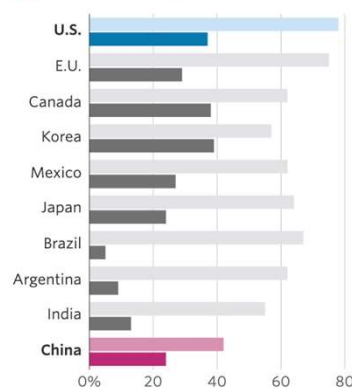
## WTO Disputes

### Who Wins at the WTO

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

■ Won claims it filed against another member

■ Won claims filed against it



Source: WSJ, 2017



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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

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## 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?



## 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

## OECD





• **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”
- Most recently, OECD agreed on a “global treaty” to tax digital technology giants in the countries where they do business
  - o 143 countries took in the negotiations
  - o It still needs to be signed and ratified by “enough countries”.
  - o Some important ones (e.g., US) may not



**OECD** ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT



**G-20**



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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



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**G-20**



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**UNCTAD**



**UNITED NATIONS  
UNCTAD**



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

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



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> 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 shame



## Fundamental ILO Conventions

### 1. Freedom of Association

- a. Right to Organize (157)
- b. Right to Collective Bargaining (168)

(# countries ratifying,  
out of 187 members)

\* USA ratified

### 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\*)





- **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



... and many more

## 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

## 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
  - AfCFTA
- Other
  - G-20 Developing
  - Cairns Group



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## Economic Groupings of Countries

European  
Union



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## Economic Groupings of Countries

**NAFTA  
(now  
USMCA)**



## Economic Groupings of Countries

**CPTPP  
=  
Trans-  
Pacific  
Partnership  
minus US**



## Economic Groupings of Countries

**RCEP**  
=  
**Regional  
Comprehensive  
Economic  
Partnership**



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## Economic Groupings of Countries

**MERCOSUR**



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**AfCFTA**  
=  
**African  
Continental  
Free Trade  
Area**

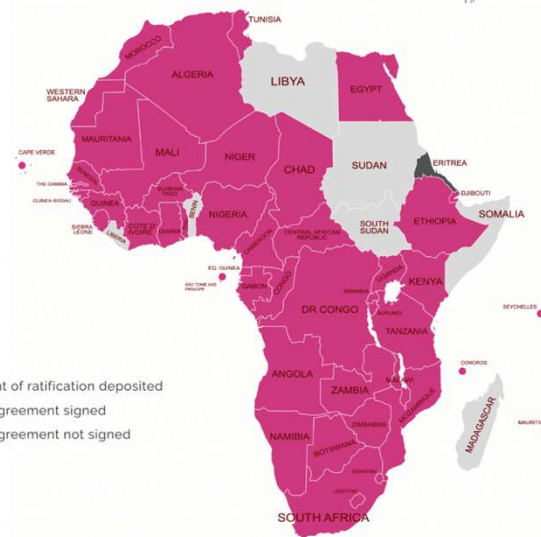
**Largest FTA, with  
55 countries**

Which countries have ratified the  
AfCFTA Agreement?

**Agreed  
2018**

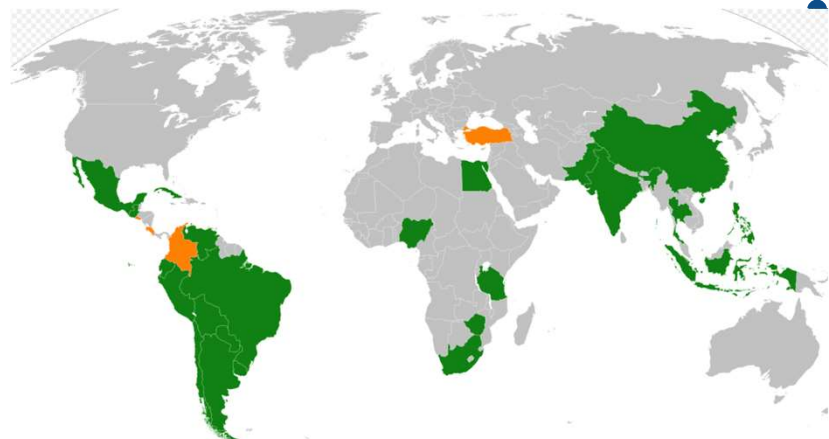
47 ratified  
as of Aug,  
2023

■ Instrument of ratification deposited  
■ AfCFTA Agreement signed  
■ AfCFTA Agreement not signed



## Economic Groupings of Countries

**G20 Developing  
Countries**



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## Economic Groupings of Countries

Cairns  
Group



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Thank you!

## Any Questions?

[www.NEEDEcon.org](http://www.NEEDEcon.org)

Alan Deardorff  
alandear@umich.edu

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