

# IMF Bailout : Roads to Stability or recipes for disaster

## 1 Introduction

Hook

General Statement

**Thesis Statement:** While the IMF main objective is to promote stability in the country; It have often led to disaster. However, 'some pragmatic measures can help to reduce the negative consequences of imp in the a country

2 A brief overview of IMF bailout

3 Role of IMF bailout for working as recipes for disaster

(a) Strict IMF economic policies is playing a critical role in promoting income inequality

[ Case study : Argentina ]

(b) The external control over domestic affairs leads to loss of economic sovereignty.

[ case study : effects of IMF bailout on Greece economic sovereignty ]

(c) IMF conditionalities results in reduced government funding, leading to decreased accessibility of essential public service.

[report from (ILO) on the impact of IMF conditionalities on Public services in Pakistan]

(d) IMF imposed austerity measures trigger social unrest, protests, and political instability.

[The Guardian: Sri Lanka's Economic Crisis Deepens on brink of chaos as IMF austerity measures spark unrest in 2024]

(e) IMF conditions compromise a country's ability to implement its own economic policies, eroding sovereignty and violating human rights.

[Human right watch report]

(f) Increased influence of foreign institutions and creditors undermines government accountability and transparency.

[Case Study: Argentina's IMF Deal: A Lack of Transparency and Accountability]

(g) IMF is known as debt trap because countries contact again for IMF bailout because of its inefficiency.

[Pakistan IMF bailouts]

(h) IMF policies prioritize economic growth over environmental protection.

[Ecuador's IMF deal a threat to Amazon Rainforest]

4 Pragmatic measures offer a viable solution to minimize the harmful impacts of IMF bailouts and promote stability.

(a)

Gradually implementing structural reforms can help minimize the shock of IMF-induced austerity measures.

[Ireland's 2010 bailout

program]

(b)

Targeted support to vulnerable populations can help to mitigate the negative poverty and inequality.

[Supply-side Economics:  
macroeconomic theory]

(c) Ensuring transparency and accountability in the implementation of IMF programs can build trust and promote political stability.

[Principal-Agent Theory]

(d)

Implement fiscal discipline to reduce debt and ensure sustainable public finance.

[IMF-Inspired Fiscal Sustainability Framework]

5 Conclusion

# The Essay

The International Monetary Fund's (IMF) bailout programs proclaimed as a lifeline for struggling economies, but in reality they often pave the road to disaster. As in 2024, Egypt economy was on the verge of collapse. That time, IMF offered \$10 billion loan to help in balancing economy. Egypt accepted some austerity measures ~~that~~ result was disastrous. Similarly, Economist Joseph Stiglitz noted that "IMF policies have led to disaster in country after country". This highlights that despite a temporary belief IMF in the long run plays role as recipe for disaster. As strict IMF economic policies promotes inequality among wealthy and poor peoples. The influence of external actors damage the economic sovereignty of a country. Moreover, IMF conditions like reduce government fundings on public service result in social unrest, protest and political instability. Similarly, IMF conditions harm human rights.

because of implementing <sup>to own</sup> economic policies. Likewise, IMF is like a debt trap and it reduce government accountability and transparency in front of public. However, some appropriate steps can help to mitigate negative impacts of IMF bailouts. Gradually implementing structural reforms and targeted support to vulnerable population can help to diminish unfavorable outcomes of IMF bailouts. Additionally, by ensuring transparency and accountability in implementation of IMF programs can bear fruit for political stability. In short, Despite IMF purposes to assist vulnerable countries; it play a role as recipe for disaster. However, appropriate steps could help to lessons the negative impacts of IMF bailouts.

An IMF bailout is financial intervention by International Monetary Fund (IMF) for assisting struggling economies of different countries. IMF provides loan to countries whose economy

situations are worse. Moreover, IMF apply some stringent condition known as structure adjustment programs on borrowing country. These conditions are reduce government spendings, increase taxes, and remove subsidies. The main objective of these conditionalities are diminish the root causes of economic crisis and promote long term stability. But in reality, IMF bailout programs proved a road to disaster. The austerity measures bring social unrest, political instability, a debt trap and economic crisis. Similarly, IMF's policies have exacerbated poverty and inequality in many countries. As Jeffrey Sachs, economist said that "The IMF's policies have failed to address the root causes of economic crises. In short, IMF bailouts are double edged sword offering relief and potentially intensifying domestic economic and social strain."

IMF austerity measures play a critical role to increase the

income inequality. The main aim of austerity measures which are reduce government spending, increase taxes and have contributed in widening the gap between poor and wealthy. Because of less government spending on public services; the poor people do not have basic facilities like healthcare and education. Moreover, increasing interest rate to combat inflation create more poverty and unemployment. The world Bank report "Argentina Overview" noted that Argentina have taken \$57 billion loan on conditionalities of IMF Reducing budget deficits, increasing taxes and raising interest rate led to poverty unemployment and income inequality. This report proves that IMF strict measure in the long run create income inequality rather than income stability. Inshort, IMF authority measure is contributing to raise income inequality in a borrowing country.



Similarly, the influence of external actors harm the economic sovereignty of a country. IMF impose condition to dictate the economic policies of the borrowing country. This reduce the government ability to implement his own economic policies in the country. Moreover, these strict economic policies from IMF prioritize creditor interest over national interest. lead to dependence on foreign capital. For instance, Joseph Stiglitz argued that the IMF provided \$40 billion bailout package with conditions. These conditions like fiscal austerity, monetary policy tightening and structural reform reduce economic sovereignty. Similarly IMF conditions restricted Argentina's ability to implement independent economic policies. This reveals that IMF austerity measures and monetring reduce reduce the government abilities to maintain and decide her h own fiscal policies. In the nutshell, economic sovereignty of a country face lesson because of

external influence on domestic affairs.