



MIM in International Finance Admissions Case Study: Financial Institutions and National Economies

Introduction:

Ecuador has faced persistent financial challenges throughout its history, marked by economic instability, currency crises, and external debt burdens. In the late 1990s, the country experienced a severe economic downturn, exacerbated by a banking crisis and the collapse of its national currency, the sucre. In response to these challenges, Ecuador adopted the U.S. dollar as its official currency in the year 2000, a move aimed at restoring confidence and stability. While dollarization initially brought some benefits, such as reduced inflation and interest rates, it also limited the country's ability to conduct independent monetary policy. Over the years, Ecuador struggled with high levels of external debt, reliance on oil exports, and fiscal mismanagement, contributing to periodic economic downturns. The country's financial difficulties have been further exacerbated by external factors such as fluctuating oil prices, global economic conditions, and natural disasters.

In mid-2017, the Ecuadorian government turned to the IMF in an attempt to help the country climb out of public debt and stabilize the Ecuadorian economy. A key element of the IMF's plan for Ecuador has been the implementation of austerity measures. In an economic context, austerity can be defined as "strict economic policies that a government or international organization imposes to control growing public debt". However, austerity measures have been criticized in the past for their failures in countries such as Greece, Portugal, Ireland, and Spain.

Instructions:

As mentioned in the section above, the IMF's austerity measures in Ecuador have been faltering and have received criticism from scholars and other external analysts. Ecuador's financial woes were further exacerbated by the COVID-19 pandemic as well. As it stands currently, the Ecuadorian economy is slowing and the country is in the midst of political turmoil.

Your task for this case study is to examine the root causes of Ecuador's current economic struggles and analyze the shortcomings of the austerity measures being put in place by the IMF. This will be accomplished by completing the following tasks:



1. Read the following articles:
 - a. [Austerity is killing Ecuador. The IMF must help end this disaster.](#)
 - b. [Ecuador: A Decade of Progress, Undone](#)
 - c. [Ecuador's Distant Dream of a Green Recovery](#)
 - d. [Austerity Measures in Crisis Countries – Results and Impact on Mid-term Development](#)

2. Conduct some background research on current events in Ecuador and the history of austerity as an economic policy.

3. Write a 1-2 page paper which answers the following questions:
 - a. Based on the articles and your research, what are some of the biggest factors causing Ecuador's economic struggles?
 - b. From your perspective, why have the IMF's austerity policies in Ecuador been so heavily criticized?
 - c. If you were a decision-maker at the IMF, what changes would you make to the IMF's recovery plan for Ecuador?
 - d. If you were a decision-maker in the Ecuadorian government, what are some initiatives that you would recommend to get the country's economy back on track?



Artificial Intelligence Disclaimer:

You are permitted to use whatever AI productivity tools you desire to assist with this case study. The only requirement is that they properly cite the use of AI in their paper. The guidelines to do so are as follows:

1. Include a disclaimer at the end of the citation section which reads: “This project was completed with the assistance of artificial intelligence. Artificial intelligence was used to help write the following sections/pages:”
2. Include what sections/pages of the paper were written with the help of AI in this disclaimer.

Please note that we are assessing your critical thinking skills while you complete this case study, not how well you can prompt A.I. While you are permitted to use it as an assistant, please make sure that the answers are coming from your analysis of the articles and video.