

Institutional discrimination usually refers to the way that an institution or an organization systematically or repeatedly treats people differently because of their race (or sex). This refers to the effect of practices and policies that may at times be carried out without conscious regard to race, but which has the net effect of having an adverse impact upon a group of a people. Individuals need not be personally prejudiced for institutional discrimination to be present.

The study of intergroup relations and its correlates (i.e., social identity, stereotypes, prejudice, and discrimination) continues to be a fruitful area of inquiry for researchers and policymakers. People around the world belong to many different types of groups, and groups often exert powerful influences upon individual group members and other groups. Recent and continuing world events underscore the importance of research aimed at explicating the conditions most likely to produce favorable intergroup relations.

SEE ALSO *Al-Qaeda; Contact Hypothesis; Discrimination; Economics; Economics, Stratification; Ethnocentrism; Genocide; Groups; Identity; Other, The; Prejudice; Racism; September 11, 2001; Social Categorization; Social Identification; Social Psychology; Stereotypes; Stratification*

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Kellina Craig-Henderson

INTERNATIONAL BANK FOR RECONSTRUCION AND DEVELOPMENT

SEE *World Bank, The*.

INTERNATIONAL COVENANT ON CIVIL AND POLITICAL RIGHTS

SEE *Civil Liberties*.

INTERNATIONAL ECONOMIC ORDER

The term *international economic order* refers to the set of proscribed rules, norms, and procedures that regulate the cross-border exchange of goods, services, and capital. While economists have persistently preached the virtues of an open economy since David Ricardo (1772–1823), leaders have been warier because of a combination of ideological concerns, domestic politics, and realpolitik.

At present, the idea of an international economic order seems inextricably linked to multilateralism. However, in the century prior to 1945, almost all of the global economic rules were established at the bilateral or unilateral level. The opening of the global economy to trade in the mid-1800s was due to the Cobden-Chevalier Treaty (1860) between France and Great Britain, and the decision to extend most-favored nation trading status to

new trading partners (Stein 1984; Lazer 1999). As for capital markets, the gold standard was a creation of British hegemony; its large domestic market and deep capital markets compelled other countries to operate by the Bank of England's rules (Eichengreen 1996).

These arrangements were temporarily suspended during World War I (1914–1918), and then disintegrated after 1930. The British tried to sustain the pre-war order, but their economic power had waned, and the United States refused to act as a supporter of the system (Lake 1983). The interwar economic system was characterized by high tariffs and beggar-thy-neighbor policies, in which countries engaged in competitive devaluations of their currency as a means to improve their balance of trade (Kindleberger 1973).

During and after World War II (1939–1945), the United States was bound and determined to foster an international economic order that would prevent the high tariff barriers and beggar-thy-neighbor policies of the 1930s. This included a global trading system to ensure that all participating members received nondiscriminatory treatment in traded goods. To aid in trade expansion, the United States also pressed for currencies to be fixed in value relative to the dollar, which in turn could be exchanged for gold. Great Britain was reluctant to accede to this kind of regime, because it undermined the British system of imperial preferences, threatened currency runs on the war-torn European economies, and potentially constrained the autonomy of domestic policymakers.

In 1944 a conference in Bretton Woods, New Hampshire, hammered out a compromise that John Gerard Ruggie (1982) famously labeled “embedded liberalism.” The world trading system was opened, and exchange rates would be fixed. Governments, however, were still given significant policy leeway to ensure full employment policies at home.

To ensure the stability of the system, the United States endorsed and funded the creation of international financial institutions (IFIs) to monitor and enforce the international economic order. The International Monetary Fund (IMF) was designed to prevent a balance-of-payments crisis among the participating countries. The World Bank was intended to help the European economies recover from the war. In contrast to the one-country/one-vote principle of other international organizations, decision-making power in the IFIs was weighted by economic size.

The third leg of the international economic order was to be the International Trade Organization (ITO). However, the proposed institution was never created due to the U.S. Senate's failure to ratify the Havana Charter. As a result, the General Agreement on Tariffs and Trade (GATT)—originally designed as an interim facility until

the ITO came into existence—became the international regime governing trade.

The GATT was considered to be a weaker institution compared to the IFIs. Despite this gap in institutional strength, however, the trade regime yielded significant results. Between 1950 and 1970, merchandise trade levels grew at twice the rate of the global economy. In contrast, Bretton Woods was short-lived; western European countries did not make their currencies convertible until 1958, and the United States unilaterally ended the fixed exchange rate portion of the Bretton Woods agreement in 1971. At crisis junctures, the United States acted outside the IFIs to promote its stated interests, deploying greater resources in the process. In the late 1940s, for example, the resources committed to the Marshall Plan dwarfed those of the World Bank. In the mid-1990s, the United States provided its own financing to bail Mexico out of its financial crisis.

The failure of the IFIs to fulfill their intended functions was also due to the economic contradictions contained within Bretton Woods. As capital controls were removed, it became next to impossible for countries to maintain the “unholy trinity” of fixed exchange rates, open capital markets, and monetary policy autonomy (Cohen 1993). The United States also ran into the “Triffin Dilemma”—it was incapable of simultaneously increasing international liquidity while pledging to keep the dollar convertible into gold.

The collapse of Bretton Woods in 1971, the rise of the third world in the form of the Group of Seventy-Seven (G-77), and the oil shocks of the 1970s led to a bifurcated, contested international economic order. To handle exchange rates, the Group of Seven (G-7) countries (Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States) supplanted the IFIs. This ad hoc arrangement proved moderately successful over the next two decades in managing the floating exchange rate system among the G-7. The IFIs found themselves bereft of their original purpose at the same time that developing countries were hit by the oil crises of the 1970s. These institutions increasingly focused their resources toward the developing world. The debt crisis of the 1980s ensured that many developing countries needed the imprimatur of the IFIs in order to secure external financing. The IMF in particular exploited the conditionality of loans to developing countries in order to affect national macroeconomic policies.

The growing reliance on official financial flows came as an important shift in economic ideas was taking place. The IFIs moved away from promoting Keynesianism and toward more neoclassical policies of balanced budgets, trade liberalization, and low inflation.

At the same time, the newly sovereign nations of the third world began to contest the market-friendly rules that underpinned embedded liberalism. A slow decline in commodity prices caused worsening terms of trade in the developing world in the 1970s, and led governments to be suspicious of the vicissitudes of market forces. Inspired by the success of the Organization of Petroleum Exporting Countries (OPEC) cartel in increasing the price of oil, these countries proposed a “new international economic order” (NIEO; Cox 1979) in the 1974 United Nations General Assembly. The NIEO included several initiatives, including orderly market arrangements to stabilize commodity prices, institutionalized forms of technology transfer, and changes in trade rules to allow the third world greater access to Organization for Economic Cooperation and Development (OECD) markets while protecting their home markets from foreign competition and the presence of multinational corporations. All of these requests were resisted by the advanced industrialized states, and the structure of IFI voting guaranteed a veto by the G-7 countries in those venues (Krasner 1985). With the debt crisis of the early 1980s, third world solidarity on the NIEO collapsed, with little achieved beyond a modest increase in UN development funds.

The end of the cold war and the rise of economic globalization expanded the assigned tasks of the IFIs to include everything from advising transition economies, to establishing common financial codes and standards, to promoting democracy, to combating corruption. The leverage of the IFIs in these issue areas, however, has been limited to countries that cannot borrow from private capital markets.

The GATT morphed into the World Trade Organization (WTO) in 1995. Although the WTO has stronger enforcement mechanisms, the rising influence of developing countries like China, India, and Brazil has threatened to paralyze its ability to expand trade further. A partial response to the gridlock within the WTO has been a proliferation of regional and bilateral trade agreements outside the WTO’s purview.

At the start of the twenty-first century, the international economic order remains relatively open for trade and finance, though there are no clear rules for migration. Increasingly, the focus of international economic negotiations has shifted to questions about business and social regulation (Braithwaite and Drahos 1999; Slaughter 2004). As China begins to challenge the United States as the economic hegemon, the stability of the current system will soon be open to question.

SEE ALSO *General Agreement on Tariffs and Trade; Globalization, Social and Economic Aspects of; International Monetary Fund; Internationalism; World Bank; World Trade Organization*

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Daniel W. Drezner

INTERNATIONAL LABOR ORGANIZATION

SEE *Gender and Development; Sweatshops.*

INTERNATIONAL LAW

SEE *Internationalism.*