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International Relations

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The development of the international economic system

International economic is the amalgamation of various countries’ economies. It is concerned with economic interaction and their effect on each other. Countries develop trade relations with other countries, and become part of the bilateral, trilateral or multilateral trading forums to strengthen the econonomyin this capitalist world. The fundamental concept of the international economic system is related to the influence of the international market on domestic conditions of any country. In this way, economic policies are redefined to accomodate the pressing cconcens of the time. Another fundamental concept of international economics is about the economic interdependence. Economic interdependence provides insight into why and how countries prioritize economic goals, and sometimes refrain from going into deals with any particular state. In addition to these concepts globalization, trade patterns, foreign direct investments, and trade gains conceptualize the international economic system from time –to- time.

These concepts of international economics define the basic parameters of the economy for better understanding. For example, these basic parameters of the economy are related to the businesses and their securities or insecurities. The most basic parameter for understanding the international economy is the role of a national economy and its currency. Moreover, at the very basic level, the interest’s rates, the growth domestic product (GDP) dynamics, trade surplus or deficits and the level of inflations play major parts in the international economy. The up- emergence of these concepts have a history which dates back since the end of the Second World War.

In the post-war period, reconstruction as a development objective was initiated by President Henry Truman of the United States. He prioritized the development of war-torn areas, which he believed will be crucial for the US and its allies. There have been major phases in the development theory since 1945. In the first two decades right after WWII, industrialization was given priority. This was the time when the economic concepts were used in raw form and much attention was given to human resource development. The major concepts related to economic development started in the 1980s when neoliberalism was the new norm (Hart and Spero). It primarily focused on free trading and removal of the trade barriers. The development in economics was parallel to physical developments on the ground. The above-mentioned aspect like globalization, GDP, etc also got attention in this period of time in history.

An interesting aspect of this development was the creation of the Bretton Wood System. The agreement for the Bretton Wood System was negotiated in July of 1944. In its development delegates from around forty-four countries were included, who presented their proposals in a financial conference held in Bretton Wood. The main achievement of this conference was the adoption of a resolution which associated dollar with the price of gold, other currencies from that time were then linked with the financial worth of the U.S dollar. World Bank and the International Monetary Fund (the IMF) were then set as the constituent institutions of the Bretton Wood System.

Besides providing the world a stable mechanism of economics and development, there were some governing principles of the Bretton Wood system. Some of these governing principles are as follows:

* Creation of the gold exchange standard.
* Establishment of the fixed party’s agreement, which allowed the formation of a formula for creating and developing exchange rates.
* Freedom for convertibility of economics.

There are many critics of the Bretton Wood system who argue that such a system is beneficial for the mighty economies. They base their arguments on the reason that since its creation it has benefitted the major economies and not the minor ones.

Besides being part of the world economy, the Breton Wood system has not remained beneficial for developing countries. For example, in the under the developed region of the world, it remained much visible that no monitory regulation policy was making its place. In essence, hallowness of the previous economic system paved way for the Bretton Wood economic politics in the world. This is the reason that Bretton Wood was soon associated with imperialism. Its critics started propagating that Bretton wood and its affiliated institutions are benefitting the United States and its allied countries. When in 1971, President Nixon ended the rate regime, it also impacted badly on the developing countries. Igwe argues that from 1971 and onwards, the developing countries were then made to work under a system of G-7 and G-5 (Igwe). They were then regulating international monetary policies. Besides providing an imperialist mentality to these countries, such policies hindered the development of the less developed region (Igwe).

The present age in which we are living is a time of individual development. Although globalization is the trending pattern in development, if any state remains unsuccessful in developing an economic mechanism of its own, it loses its share in global development. This is enough to prove that there exists economic inequality in the world. The only possible means to establish a general mechanism for development is assuring economic equality. To achieve this equality all across the globe, a general mechanism is needed to adopt. For example, countries should ensure that minimum wage across the world is the same. It can also be achieved by expanding the income tax ion earned income and by building assets for the working family. It shows that unless material security is not provided to anyone in the world, economic equality remains hardtop earn. Some more ways of assuring this could be ending him residential segregation, investing in education, making the tax collection more progressive and by reducing the developmental expenditures of the state.

Works Cited:

Hart, Jeffrey A., and Joan Edelman Spero. *The Politics of International Economic Relations*. Routledge, 2013.

Igwe, Isaac OC. *History of the International Economy: The Bretton Woods System and Its Impact on the Economic Development of Developing Countries*.