
Neoliberalism and International Organizations

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ABSTRACT

This paper entitled, “Neoliberalism and international organizations” examines Neoliberalism as the dominant political ideology shaping international relations. Neoliberalism dictates the policies of the government, and shapes the actions of key institutions such as world trade organization (WTO), World Bank and international monetary fund (IMF). This article would discuss the nature, history, strengths, weaknesses, and implications of neoliberalism in the international political system taking IMF as a case study. This paper argues that the neoliberal perspective relies on the assumption of rationality that the states calculate the cost and benefits of different courses of action and choose the course of action that gives them the highest net pay off. This paper concluded that the neoliberal theory of international relations is a powerful way to understand the dynamics of international organizations (IOs) and international conflict and cooperation more generally.

Keywords: Neoliberalism, Emergence, Critiques, Advantages, International Organizations.

Introduction

Neoliberalism refers to ideas or movement in international relations that states should be concerned with absolute advantage rather than relative gains to other states. Neoliberalism focuses on the central role of international institutions and organizations in the international political system or politics Tim *et al*(2006)¹. The international political and economic system is highly structured and institutionalized and international organizations like the IMF play a very vital role in the international distribution of wealth and power. Neoliberalism is an approach to study's international organizations (IOs) and patterns of international cooperation. International organizations address problems or dilemmas at the bargaining, monitoring and enforcement stages. For the IMF, the basic problems are to encourage beneficial

exchanges while avoiding moral hazard problems, as a result, the IMF balance political and economic interest, and balance between rule-based interaction and the unconstrained exercise of economic and political power. Neoliberalism emerged out of the older intellectual paradigms in the study of international relations.

The Emergence of Neoliberalism as a political theory

The Neoliberalism as a political theory of international relations emerged in the 1980s, Martin and Simons: (1998:52)², stated that, “the study of international institutions or organizations was policy-oriented and descriptive in nature and lacking analytical framework”, they further stated that, “there is no any theoretical foundation meant for the study of international organizations (IOs) in the world economy”.

Robert, Keohane, (1984:223)³ and Krasner, (1983:34)⁴, provided new direction and explanatory framework for studying international organizations (IOs) and patterns of international behavior. They were motivated by two factors, that international economic cooperation in the 1970s was stable despite the changes in the distribution and allocation of economic power and secondly international organizations such as Breton Woods Institutions and the General Agreement on Tariffs and Trade (GATT) were dominant characteristics of the economic landscape. Keohane,(1984:25)⁵, further argued that “these two factors were connected and the existence of international institutions and organizations explained the persistence of economic cooperation in the international political system’s

Neoliberals’ scholars reacted to two established theoretical traditions, Neo- means talking about a new kind of liberalism or structural realism and transnationalism. Neorealist, Waltz, (1979:23)⁶, argued that “the international distribution of power as the dominant explanatory factor driving patterns of international cooperation”, while Keohane and Nye, (1971:45)⁷, rejected the neorealist assumption that “states were the sole important actors on the international level”, suggesting “non-governmental actors might also have an impact on international political behavior”. The levels of international cooperation were much higher than could be explained by the neorealist theory. The states were the dominant actors in international relations.

The Main Arguments of Neoliberalism

The rule of the market- liberating “free” enterprise or private enterprise from any bonds imposed by the government or state. Great opportunities for International Trade and Investment as obtained in NAFTA. No price control, total freedom of movement for capital, goods, and services which means that “an uncontrolled market is the best way to increase economic growth and development, which will at long runs benefit everyone”. Keohane (1982)⁸. Reducing down public spending for social services- reducing the safety net for the poor, even maintenance of roads, water supply in the name of reducing government role or spending, they don’t oppose government subsidies and tax benefits for business. Deregulation- reduces government regulation of everything that could minimize profits, including the protection of environmental safety on the job. Privatization and commercialization- sell state public enterprises, goods and services to private stockholders. They include banks, industries, electricity,

schools, hospitals, and water, done in the name of efficiency and effectiveness, privatization had the effect of accumulate wealth more in few individuals and making the public pay even more for its needs. Eliminating the concept of “the public good” or “community” and replacing it with “individual responsibility”. Pressurizing the poorest people in the society to find solutions to the lack of health care, education, social security themselves- then blaming them, if they fail as “lazy”.

At the international level, neo liberalism has been imposed by powerful financial institutions like the IMF, World Bank, and WTO. Neo liberalism means neo-colonization of the world. George, (1994:12)⁹, argues that “neoliberals have dedicated on three things; free trade in goods and services, free movement of capital and freedom of investment”. Thus, neoliberal globalization means that there has been an emphasis placed on exchanges across nation-states. Monetization and expansion of civil non-governmental organizations. With the assistance of the IMF. Neoliberalist used their power and influenced in the world to convince most of the nations to comply to this structure- agreeing to promote the rule of the market, cut public cost, reduce administrative supervision and adopt the principle of individuality even if this means thrown away people aside and regarding them as “losers”, in a win-or-lose.

By adopting such a plan in the world, the well to do and fewer privilege variations, are to be overstressed, because neoliberalism leads to the overall buying and selling that states made decisions in a sensible and deliberate way. Neoliberals made intellectual contributions by focusing on international organizations and institutions. Keohane, (1982:326)¹⁰, stated that “in order for states to cooperate, states must overcome a range of collective-action problems which originated in transaction cost international organizations provide forums in which states can mitigate collective action problems that threaten stable patterns of cooperation.

International organizations or institutions can perform monitoring functions, providing assurance that others are living up to the terms of their commitments. International institutions or organizations are forums for negotiating to resolve coordination problems and to learn about the preferences and constraints facing other governments. International organizations or institutions create structures for enforcement and dispute resolutions, although actual enforcement powers remain with the member states. Krasner, (1982:186)¹¹, observed that “International institutions or organizations become a valuable foundation for international cooperation, defined a set of rules, norms, principles and decision-making procedures or processes.

Advantages/Strengths of Neoliberalism

Supporters of neoliberalism argued that neoliberalism intensifies the competence of buying and selling on the ground that policies with neoliberalism reduce the stimulus from administrative control, companies; the group producers can gain tremendous power in the market. Enterprise will produce goods more actively to increase their profits. One greatest example that neoliberalism facilitated the liberal flow of economy can be the Free Trade Agreement, choreu *at.el* (2006)¹⁶ in the form of transaction that induces the abolition of Tariffs or international limitations related to trading goods

between two countries. Furthermore, neoliberalism encourages free trade between nations and the reliability of buying and selling; globalization has been accelerated by the name of “realization of neoliberalism”. That is to say, neoliberalism boosted the exchange of information and cultures around the world.

Neoliberal theory of international relations became deeper and richer in the 1990s, Keohane, (1982:325)¹⁷, identified with the concept of multilateralism which means as cooperation among three or more states. International organizations are designed to resolve collective action problems, in practice; application of this neoliberal framework has directed attention to the relative influence of rules versus power in institutionalized settings and to the role of international organizations as agents.

Weaknesses/Disadvantages or Critiques of Neoliberalism

Stephan Haggard and Beth Simmons, (1987:491)¹², argued that” neoliberalism is the main cause of the increasing gap between the rich and the poor in contemporary society and between the rich and poor countries of the world”. Neoliberalism increase efficacy in the market through a vast contest between individuals, rich and poor countries of the world, it raises gap between rich and poor, well to do are becoming more wealthier based on their original assets which poor people are “sinking down” and suffering great economic difficulties in their lives. This experience occurs between individuals countries of the world.

Contest without administrative controls are causing increases in the economic gap between individuals and countries, the unemployment rate is high because of the policy adopted. A person with less aptitude is the target of unemployment or fire since a person with diverse and intense capacity will get the job. There is no care from government related to occupation; therefore, neoliberalism sustains misery on many countries of the world as well as many families’ budgets. Opponent of neoliberalism argued that globalization which is the trend deeply associated with the realization of neoliberalism, cannot be considered as a positive current situation. They claimed that over-globalization cause damage to some traditional cultures and forced developing countries to follow developed countries economic pressures or mechanism,

(Jackson; 1998:23)¹³. Another disadvantage of neoliberalism is its state-centric focus, reflecting neglect of domestic politics, based on the assumption that states were the dominant actors in international politics and that domestic politics did not have systematic effects on patterns of international cooperation. Garret, G.(1998:43)¹⁴, argued that international organizations failed in their attempts to manage difficult problems in international relations. The inability of international organizations to resolve conflict, in his analysis, reflected not just random mistakes, but a systematic pattern of failure. Stephen Krasner, (1999:21)¹⁵, editor of the *Regimes* volume stated that the work on regimes was too focused on market failures. E. g. where all could potentially benefit from mutual cooperation, but where collective action problems such as high transaction cost prohibited states from reaching the “Pareto frontier”, the set of arrangements from which it is not possible to make anyone actor better off without harming others.

The International Monetary Fund (IMF) Conditionality as a Case Study

The international monetary fund Stone(2004)¹⁸ is an international organization headquartered in Washington, D. C., formed in 1944 at the Bretton woods conference by the ideas of Harry White and John Keynes; it came to formal existence on December 1945. The purpose of the IMF was to promote international monetary cooperation, facilitate international trade, nurture bearable economic growth, and make resources available to members having a balance of payment difficulties. The organization has 189 countries as associates. The aim of the International Monetary Fund was to reform the international payment method. It now plays a vital role in the management of balance of payment difficulties and international financial problems. Member countries contribute resources through a formulae system from which countries experiencing balance of payments problems can borrow money.

The IMF works to stand in for global progress and economic firmness by providing policy direction, guidance, and monetary assistance to members, by working with developing countries to help them achieve macroeconomic stability and reduce poverty. At the establishment of the International Monetary Fund, it has three responsibilities to performed, these were; to oversee the fixed exchange rate arrangement between countries, to provide short term capital to help the balance of payments and thus help national governments manage their exchange rate and allowing these governments to highlight economic increase. This assistance was meant to prevent the expanse of international economic crises. The International Monetary Fund was also intended to help repair the pieces of the international economy after the great depression and world war 11. In addition, the IMF bargains prerequisite on lending and loans under their policy of conditionality which was established in the 1950s.

International Monetary Fund conditionality is a set of policies or prerequisites that the institution requires in exchange for financial resources Garristsen (1985)¹⁹. The IMF does necessitate surety from countries seeking loans but also requires the government to pursue financial assistance to correct its macroeconomic discrepancy in the form of policy change. If the requirements are not met, the funds are suspended. Some of the structural adjustment includes; Reducing costs, also known as austerity measures, depreciation of currencies, trade liberalization, or lifting of import and export limits, increasing the solidity of investment, by complementing external direct investment with opening of internal stock markets, balancing budget and not overspending, removing price controls and state subsidies, privatization of state-owned enterprises, enhancing the rights of foreign investors, fighting corruption and improving good governance and security.

Initially, some IMF members opposed the use of conditionality in its lending, arguing that the organizations' role was to provide funding as needed, the major creditors have insisted on imposing conditions Jensen (2002)²⁰.

Solutions for the Problems of Neoliberalism

There are three main problems which occurred because of neoliberalism. Neoliberalism increases in the gap between the rich countries and the poor countries, Unemployment and negative side effects of globalization.

Those three hot concerns can be remedy with one big way out. The government should take care of the market, the government should also concern about the welfare system and provide job so that poor people can get enough financial support to live a good lifeGallarotti (1999)²¹.

Conclusion

The neoliberal study of international organizations and the International Monetary Fund as a case study shows that International Organizations(IOs) will continue to have a major influence on the world's creation and distribution of wealth. The International Monetary Fundas an international institution use stipulations to enhance their authority, legitimacy or monetary payoffs. (Barnett and Finnemore, 2004:456)²².

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