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Carnegie Endowment for International Peace
Publications Department
1779 Massachusetts Avenue NW
Washington, DC 20036
P: + 1 202 483 7600
F: + 1 202 483 1840
CarnegieEndowment.org

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Introduction

Around the world, there is growing demand to restructure governance of the global economy. Sources of dissatisfaction with the current arrangements are varied, but many critics seem to agree on one thing: it is time for a "new Bretton Woods moment."[1] Would-be reformers seek a multilateral settlement similar to the one established to manage the post-Second World War economy, which first took shape at the 1944 United Nations Financial and Monetary Conference in Bretton Woods, New Hampshire. Those demanding change come from many different corridors of power: ranging from senior U.S. officials to leading figures from developing countries and the heads of the United Nations and International Monetary Fund (IMF).

There is persuasive force in calls for reform that are framed around a return to the past. The appeal to Bretton Woods conjures a period of sustained economic prosperity and relative political stability—at least among the liberal democracies of the West. More generally, embracing the authority of history anchors reform proposals on seemingly firm ground during a time of mounting international turbulence. But the call for a new Bretton Woods elides considerable disagreement. There are many competing views of the post-1945 international economic order, and each generates alternative understanding of how Bretton Woods should guide today's proposed reforms.

This paper presents an historical-analytical review of Bretton Woods, based on the assumption that a better understanding of the postwar order can inform today's efforts to restructure governance of the global economy. The paper first looks at the goals of those who evoke Bretton Woods in their calls for reform, focusing especially on the way leading U.S. officials link their ambitions to the history of the postwar settlement. It then shows that today's calls for reform reflect four attitudes toward Bretton Woods that have been present in analysis since its inception. The next section explains how these attitudes are attributable to different understandings of Bretton Woods and its core features. The final section offers a periodization of the global economy since the end of the Second World War, showing that each understanding of Bretton Woods explains important developments over the following decades. The paper concludes by drawing on these insights to show how a new Bretton Woods moment can deliver on reformers' ambitions for a renewed economic multilateralism—one that attempts to manage geopolitical change and to establish a clear role for the state in addressing today's many economic governance challenges.

Renewing Economic Multilateralism: Expectations and Aspirations

Several factors animate growing calls for a new system of international economic governance. A shift in the composition of global power is changing the scope and aims of international cooperation. Many states now view preexisting forms of multilateralism as a source of unacceptable risks. Some also seek to reorganize the rules governing international economic relations around an updated set of goals.

The suspension of the Appellate Body of the World Trade Organization (WTO) is a prominent example of these parallel trends. Ever since the Trump administration first blocked the appointment of new Appellate Body judges in 2019, an approach maintained by the Biden administration, the WTO has been prevented from addressing disputes relating to membership.[2] This move reflects a choice by the United States, alongside many other states, to protect its perceived strategic interests by sidelining the existing international trade regime. States are increasingly intervening in markets to hedge against vulnerabilities that arise from economic interdependence in an uncertain geopolitical context. They seek to ensure that inputs to produce essential technologies (such as for defense and the green transition) will neither be weaponized nor withdrawn from their country's markets. This logic guides the U.S. CHIPS Act of 2022, which aims to jump-start a domestic semiconductor industry, as well as many efforts to reorganize key global supply chains.[3]

Meanwhile, states are departing from a longstanding emphasis on the efficiency-enhancing effects of a multilateral trading regime. Prominent among their new priorities are efforts to require trading partners to adjust their production processes to meet higher environmental standards. This is the case with the European Union's carbon border-adjustment mechanism and with the attempt to strike an agreement on steel production between the European Union and the United States through the General Agreement on Sustainable Steel and Aluminum.[4] Shifting goals for economic multilateralism can also be seen in efforts to build greater labor protections into the United States-Mexico-Canada Agreement, which limited the potential for weaker labor laws in Mexico to maintain its competitive advantage.[5] These emerging priorities mean that core features of the existing trade regime, like equal treatment and nondiscrimination, now face significant strain.

Change in the international trade regime is but one example of how geopolitical dynamics increasingly shape international economic relations. This is a far cry from past visions that aimed to use the rules of international economic governance to promote peaceful relations among states. Instead, there is now pressure to adjust the rules, norms, and institutions that manage the global economy to competing ambitions between states, so as to ensure they do not lose their coordination function altogether.

At much the same time, a decades-long rise in inequality has shaken preexisting consensus as to the irrefutable benefits of free trade and financial flows, as well as the general presumption against state intervention in the economy.[6] This is seen in the United States, where both Democrats and Republicans now embrace industrial policy and reject efforts to further liberalize trade. As part of this broader change, governments increasingly see the need to adjust international economic relations to address challenges outside the traditional purview of the Bretton Woods institutions, such as tax policy, public health, technological regulation, and climate change.[7] Paradoxically, as space for global cooperation appears to recede, demand grows to restructure the global economy in order to manage shared challenges that are straining politics and reshaping governance across the world.

Against the background of these trends, there are intensified calls to overhaul international economic governance, which are often guided by perceptions about the history of Bretton Woods. For example, leading U.S. officials treat Bretton Woods as a source of justifications, principles, and strategies for reform. In their telling, history shows that a new Bretton Woods moment can manage geopolitical change and also transform the role of the state in the economy.

Secretary of the Treasury Janet Yellen has emphasized the potential for a renewed economic multilateralism to stabilize geopolitical relations. This formed a key part of her invocation of Bretton Woods to legitimize the United States' response to Russia's invasion of Ukraine. Beyond forcefully criticizing Russia for "having flaunted the rules, norms and values that underpin the international economy," she said that the war demonstrated a need to "address the gaps in our international financial system" during a moment of geopolitical disorder.[8] In Yellen's interpretation, the history of Bretton Woods showed that restructuring international economic relations could generate the enabling conditions for sustained peace and stability. As she put it, a new Bretton Woods moment offers to turn global "problems into opportunities." It is poised to secure a volatile international order even as rules first agreed with the initial post-1945 settlement still grounded the Biden administration's response to the crisis.

Meanwhile, Trade Representative Katherine Tai has cited the Atlantic Charter of 1941—which set out principles that guided the Bretton Woods negotiations—to argue that economic multilateralism should be reorganized to underwrite a "new social contract."[9] In her interpretation, the Atlantic Charter's vision for an open world order was predicated on a more expansive role for the state in managing the domestic economy to ensure "improved labor standards, economic advancement and social security."[10] Tai emphasized that during the Second World War the leading powers created new norms for economic governance and an international structure that supported states in maintaining them. She suggested that a new relationship between the state and international order is necessary to manage contemporary economic governance challenges. If an alternative paradigm for economic policy is to meaningfully take root within the United States, Tai stressed that there must be a complementary set of reforms in the rules that govern the global economy and delineate the proper role of the state in the market.[11]

In his keynote speech on the Biden administration's international economic policy, National Security Advisor Jake Sullivan cited both these ostensible lessons of Bretton Woods. He argued that a restructured international economic order could simultaneously respond to geopolitical dynamics and shape a new paradigm for domestic economic governance. Sullivan framed the administration's policy as an effort to return to fundamental Bretton Woods principles. He described it as a plan to repair the "cracks" that have appeared in the foundation of the international economic order since 1945. Beyond advancing the United States' national security through the restructuring of international economic relations, Sullivan said that the administration was "returning to the core belief…that America should be at the heart of a vibrant international financial system that enables partners around the world to reduce poverty and enhance shared prosperity."[12] Sullivan suggested that the U.S.-led international economic order needed not only to secure the country's interests, but also to enable a paradigm for economic governance that generates positive outcomes for partners in a shared multilateral system.

As the above attests, those seeking to reform the international order often draw on the history of Bretton Woods. They do so to suggest that reform should serve two ends: to stabilize geopolitical change and to facilitate a new role for the state in managing urgent economic governance challenges. At the same time, they often fail to detail how the post-1945 order achieved these purported accomplishments or to explain whether its lessons might still be applicable today.

Appeals to the lessons of Bretton Woods are hardly unique to U.S. officials. Others around the world make frequent, if selective use of the same history. UN Secretary-General António Guterres and IMF Managing Director Kristalina Georgieva, for instance, have both called for a "new Bretton Woods moment."[13] A recent report by a global consortium of leading think tanks identified the 1944 Bretton Woods negotiations as an "unprecedented moment of collective action." These think tanks—hailing primarily from developing countries—argued that the world needs a similarly monumental instance of cooperation to address today's challenges, while also correcting the global "hierarchies" that persisted as other core elements of the postwar arrangement "withered."[14] The analysis presents Bretton Woods as a model of broad cooperation to instruct the present and as a cause of global inequalities to be overcome.

However, not all invocations of Bretton Woods treat it as a useful guide. A recent report by the Chinese Communist Party casts the settlement as one in need of replacement rather than renewal.[15] Stressing China's opposition to "unilateralism and protectionism" in international economic relations, it depicts the goal of modernization as a "brand-new option" for organizing the international economy. The report endorses an international principle rooted in a strict idea of economic self-determination: namely, that "every country's effort to independently explore the path to modernization in line with its national conditions should be respected." (This is ironic, considering this was also a formative principle for Bretton Woods' leading architects.) This framing depicts Bretton Woods as an antiquated regime featuring a set of impositions that a few powerful states foisted on the rest of the world. The Chinese Communist Party seeks to start anew and to present a meaningful rival—notwithstanding the benefits that current global economic arrangements brought to China.[16]

These comparisons underscore the growing competition, within and among states, to redefine the priorities, principles, and rules for international economic governance. Much of this contestation is waged through different interpretations of the history of Bretton Woods and varied conceptions of the type of international system that it created. In fact, there is even disagreement as to whether the postwar system still exists. Such disparate understandings of the past shape discussion of what reforms are possible and desirable today. Closer attention to the history of Bretton Woods—and to the different interpretations of its role in the postwar economy—can inform these contemporary debates. It deepens appreciation of shifting geopolitical pressures and the novel governance challenges that are closely related to today's global economy, but it also shows how similar developments have previously been managed through economic multilateralism. Reviewing the history of Bretton Woods thus helps to evaluate various approaches to reforming international economic order.

Four Attitudes Toward Bretton Woods

There is a recurrent tension in today's invocations of Bretton Woods: must it be recovered or is it now being supplanted? A closer look reveals four long-standing attitudes toward it in scholarship and commentary—attitudes which mirror those evident in today's calls for reform.

A first tradition looks to Bretton Woods with nostalgia. This view is reflected in the recent pronouncements by Biden administration officials. It is also prominent in academia, notably in the political science literature on "embedded liberalism." This tradition interprets Bretton Woods as the basis for "a form of multilateralism…compatible with the requirements of domestic stability."[17] It stresses that the system's main aim was to prevent a repeat of the economic nationalism and escalatory beggar-thy-neighbor policies that led up to the Second World War. This legacy of providing countries with sufficient room to structure domestic economic policy so as to preserve the multilateral system is viewed by its champions as a primary source of stability throughout the second half of the twentieth century. Many sense that this principle for economic multilateralism has been lost, and with it the stabilizing function of the international economic order.

A contrasting tradition charges Bretton Woods with responsibility for global economic inequality. This critique peaked with the calls for a New International Economic Order (NIEO) in the 1970s. As one leading international lawyer explained at the movement's onset, the calls for a NIEO were due "first and foremost to the determination of the new States that emerged from decolonization to participate effectively in international life and, if not to discredit, at least to radically overhaul the global economic system put in place in the aftermath of the Second World War."[18]

From this perspective, Bretton Woods preserved an old world instead of delivering a new one. It constrained postcolonial states rather than facilitating their ambitions for economic transformation.[19] (That is in spite of the fact that one of the major efforts in negotiating Bretton Woods was to diminish the likelihood of a return to an international economic system organized around imperial preference.) Proponents of a NIEO asserted that full membership in the international community—and, in turn, the legitimacy and continued stability of the international system—hinged on delivering a fairer share of the benefits from international economic cooperation to postcolonial and developing countries. In this view, the gains from economic multilateralism did not matter as much as their distribution. The view that Bretton Woods is responsible for sustained inequality and global instability persists today. Many critics, particularly from the Global South, blast the IMF, the World Bank, and other international institutions for their failure to respect different national pathways to development or to ensure fair access to international capital. These institutions are also seen as sclerotic in addressing climate change and other global collective-action problems that disproportionately hurt states that are already most disadvantaged in the global economy. This is why calls for a NIEO persist.[20]

A third tradition treats Bretton Woods as in need of an update, which is manifest in several attempts to revitalize its core institutions to solve urgent challenges. The Bridgetown Initiative, one of the most prominent reform efforts, seeks to make the existing Bretton Woods institutions fit for purpose in a world of climate change by ensuring that vulnerable countries can access financing to manage the effects of a fast-changing environment.[21] Recent reform efforts led by the G20 also set out to drastically expand the capacity of the World Bank and other multilateral development institutions to mobilize financing for sustainable development.[22] These initiatives treat Bretton Woods as an institutional infrastructure that remains uniquely positioned to address global challenges, provided that it can be reinforced. They echo long-standing efforts to boost the capacities of international financial institutions, such as through the creation and expansion of the IMF's Special Drawing Rights.

A fourth tradition frames Bretton Woods as something that must be recovered. Instead of calling for its institutions to be revitalized, proponents suggest that its animating purpose has been lost. Commentators with this perspective interpret Bretton Woods as a set of ideas for managing the postwar international system that were superseded by other arrangements. The scholars Michael Pettis and Robert Hockett, for example, seek to recover the initial vision of John Maynard Keynes, one of the architects of Bretton Woods. They stress how Keynes sought to create an International Clearing Union that featured an automatic mechanism to correct global economic imbalances and smooth the burdens of adjustment between surplus and deficit states.[23] Appeals to recover Bretton Woods' foundational ideas bring together the other three attitudes: nostalgia for what has been lost, criticism of the outcomes that global governance institutions produce today, and confidence that the original vision for the postwar order can make existing institutions fit for purpose.

The above shows that there has long been a mix of inspiration and dismissal with respect to Bretton Woods. Some celebrate it for stabilizing the post-1945 world; others disparage it for deepening global inequality. Many treat it as uniquely positioned to meet today's challenges; others as something lost to the past. Each attitude reflects a different historical interpretation. When some cite Bretton Woods, they are referencing the institutions that have been at the center of managing the international economic order since the end of the Second World War. Others refer to the ideas that shaped initial plans for these institutions rather than subsequent practice. Still others suggest that the ideas and institutions overlapped at some point, even if they no longer do so today. Some also view the terms Bretton Woods II and Bretton Woods III as analytic descriptions of dynamics in the global economy rather than of the system that governs it.

Four Definitions of Bretton Woods

The first major study of the conference and its aftermath declared Bretton Woods dead by 1949, when the demands of economic recovery in Europe led to a very different set of responses than those envisioned during wartime negotiations.[24] By contrast, one of today's leading scholars of Bretton Woods says that the system did not begin until the late 1950s, when the restoration of current-account convertibility across Western Europe brought many states in line with commitments they had undertaken in the IMF Articles of Agreement.[25] Others date the collapse of the Bretton Woods system to the Nixon administration's decision to end the dollar's convertibility to gold, and inaugurate floating exchange rates.[26] Still another view suggests that Bretton Woods lasted longer, insofar as it represented an international system rooted in principles for structuring economic multilateralism around a common purpose, rather than any one mechanism for managing international monetary and trade relations.[27] Other commentators claim that Bretton Woods primarily served to ratify the hegemony of the dollar in the global economy, which suggests that the regime remains in place today.[28]

This shows there is little agreement as to when Bretton Woods existed, let alone on its core features.[29] This lack of consensus helps to explain the varied attitudes taken toward Bretton Woods—both throughout its history, and in today's calls for reform. At least four plausible definitions of Bretton Woods are on offer:

- As the institutional arrangement that managed interstate economic relations following the Second World War;

- As a regime of international economic governance built around a particular understanding of the interaction between international trade and finance in structuring the global economy;

- As a set of ideas about the proper relationship between international economic order and the role of the state in managing the economy;

- As an ambitious vision for international economic governance that failed to organize international economic relations.

The first definition takes Bretton Woods as a specific configuration of institutions established to manage the global economy and "win the peace" after the Second World War—namely the IMF and the International Bank of Recovery and Development (the precursor to the World Bank). This appears to be the most straightforward definition, but things become complicated upon reflection. The liberal trading regime is often considered essential to post-1945 economic multilateralism, yet its origin cannot be traced directly to the Bretton Woods Conference. The initial agreement focused on the international financial architecture as well as issues of recovery and reconstruction. Discussions of international trade were deferred to separate negotiations over the Havana Charter and its ambitious vision to create an International Trade Organization. Opposition in the U.S. Congress and the British parliament upended this plan, meaning that trade liberalization occurred under the auspices of the less comprehensive General Agreement on Trade and Tariffs (GATT). Nevertheless, many continue to see the GATT/WTO regime, alongside the IMF and the World Bank, as part of the Bretton Woods regime and as byproducts of an international economic bargain forged under U.S. hegemony.[30] Viewing Bretton Woods through the prism of institutions created at the onset of the postwar period makes it possible to treat it as something that remains largely intact.

The second definition treats Bretton Woods as a consensus regarding the proper relationship between international trade and finance in structuring the global economy. For example, the political scientist Eric Helleiner stresses that the initial agreement secured the renewal of a liberal trade regime by allowing states to limit international capital flows. From this perspective, Bretton Woods enshrined a rare point of consensus between Keynes and its other leading architect, Harry Dexter White. It granted states an "explicit right to control all capital movements" as a way of ensuring the efficacy of their domestic economic policies.[31] Fear of footloose capital, alongside the early postwar experience with the Marshall Plan, solidified a transatlantic consensus as to the need for public management of international capital movements. Limits on capital flows allowed states to effectively pursue full employment policies, and the resultant macroeconomic stability promised to reinforce their commitment to the multilateral trading system. The architects of Bretton Woods anticipated that a stable and steadily expanding international trade regime would secure broadly distributed economic benefits as well as a peace dividend. On this definition, the arrangement continued until a persistent shortage of dollars generated pressure in the late 1960s and early 1970s to lift capital controls and accelerate financialization of the world economy. This led to the emergence of the eurodollar market and eventually to a much different set of prescriptions to liberalize cross-border financial flows. It also prompted the Nixon administration's decision on the dollar's convertibility to gold. According to this understanding, Bretton Woods lasted as long as the consensus held to limit flows of capital to rebuild a viable liberal system among trading partners.

The third definition treats Bretton Woods as a set of ideas about the proper relationship between the international economic order, the state, and the market—suggesting it is a norm-governed consensus rather than any particular institutional arrangement. From this perspective, Bretton Woods' core consisted of an international economic order in which social democracies retained a significant degree of autonomy in their domestic economic governance, thus guaranteeing their ability to enact policies in pursuit of full employment, macroeconomic stability, and essential regulatory goals. At the same time, the consensus ensured coordination to manage market pressures, like flows of hot money, and potential backlashes to expanding markets, like the risk of spiraling protectionism—neither of which could be addressed successfully through unilateral means. In this view, Bretton Woods and postwar social democracy were mutually constitutive. It produced an international economic framework that prioritized the efficacy of social democratic governance by ensuring that the state could manage various market dislocations. At the same time, well-functioning social democracies were expected to maintain support for economic multilateralism and give clear direction to adaptations in the Bretton Woods institutions as new circumstances arose. This offered to secure the continued benefits of international trade for members of the multilateral system as well as the durability of a common economic bloc among like-minded states. According to this understanding, the Bretton Woods era lasted as long as the international economic regime legitimized social democratic forms of governance (and vice versa).

The fourth definition takes Bretton Woods as a set of ambitions for a better functioning and more just international economic order that never took hold. Its proponents point out that wartime negotiations and postwar realities watered down the role of international institutions as envisioned by the architects of Bretton Woods. This meant its seemingly fundamental commitments were never realized. For instance, although Keynes envisioned the creation of an international currency managed by the IMF to facilitate clearing and to ensure sufficient liquidity for all members, the dollar ended up playing this role. Likewise, Keynes's initial vision assumed that surplus countries would automatically bear some costs of adjustment to correct for global economic imbalances. This plan represented a drastic departure from the gold standard, which had imposed deflationary pressures on deficit countries to maintain stable exchange rates. But these more radical proposals were struck from the plans for the IMF. In a similar manner, the failure to launch an International Trade Organization marked diminished ambitions for the governance of trade. The GATT's focus on lowering tariffs formed a significant contrast with the Havana Charter's attempt to organize the rules of trade to promote full employment, macroeconomic stability, and broadly distributed development.

Postwar conditions also turned out to be much different than those anticipated by the Bretton Woods negotiators.[32] With the IMF unwilling and unable to meet the demand for liquidity across Europe, the United States launched the Marshall Plan (formally, the European Recovery Program). This support ensured the continent's ability to purchase food, capital goods, and other imported necessities to jump-start its recovery. By 1950, the European Payments Union emerged—deepening Western Europe's economic integration, while instituting a protectionist approach toward the rest of the world to facilitate the continent's further recovery. From this perspective, ideas at the core of Bretton Woods were never implemented, due to their dilution during negotiations and unanticipated postwar exigencies. From such a view of Bretton Woods, this stillbirth marked the end of its aspirations to guarantee economic stability in order to secure a more just and peaceful world.

Four Periods of the Post-1945 Global Economy

Understanding how Bretton Woods has shaped the global economy since the Second World War clarifies its role in managing geopolitical shifts and securing a new mandate for economic governance—the challenges at the root of today's calls for a new Bretton Woods moment. The record suggests that each of the four competing definitions of the postwar settlement explains key developments in the global economy and thus sheds light on the possibilities of a revitalized economic multilateralism.

The history of the global economy since 1945 can be divided into four periods. The first extends until around 1960, and featured reconstruction and rapid economic growth across the West. The second lasted from 1960 until the late 1970s—a period of challenge and transition that involved the initial liberalization of global finance, the end of the dollar's convertibility to gold, the expansion of the GATT's remit, and the onset of stagflation. A third period from the 1980s to the late 2000s consisted of accelerating globalization alongside shifting geopolitics at the end of the Cold War. A fourth period of reaction and proposed reform began after the 2008 financial crisis and continues today. This came amid a return to geopolitical competition, rising discontent with the experience of rapid globalization and growing appreciation of the need to manage shared challenges such as climate change, inequality, financial instability, pandemic risk, and dislocations resulting from rapid technological change.[33]

At the start of the first period, in the war's immediate aftermath, the demands of economic recovery upended much of the blueprint agreed at the Bretton Woods Conference. Europe faced a severe balance-of-payments crisis in 1947, but the IMF hesitated to intervene for fear that this would exhaust its resources and prevent it from exercising its primary functions over the longer term. The ensuing crisis affirmed fears that full convertibility and the free flow of capital would lead to destabilizing consequences. Deteriorating conditions across Europe and the onset of the Cold War prompted the United States to launch the Marshall Plan instead. Although the Soviet Union and the Eastern European countries under its control participated in the negotiations, they did not ratify Bretton Woods or accept Marshall Plan aid. Instead, two economic blocs solidified, and largely mirrored the continent's political split. The academic Richard Gardner suggested that, at this point, the "universalism" at the core of the "spirit of Bretton Woods had suffered a major eclipse."[34] On this reading, Bretton Woods never came into being; rather, its main features were sidelined as a result of unanticipated developments and new ways of managing them. An alternative view is that postwar circumstances actually cemented the animating purpose of Bretton Woods: it structured the international economic order to strengthen social democratic forms of government in a divided world.

Initial plans for the international economic order underwent significant adjustment in the early postwar years. With the failure of the Havana Charter, efforts to drastically reshape the international trade regime gave way to a far more modest attempt to facilitate lower tariffs through the GATT, while enshrining nondiscrimination and equal treatment in their application (even if the meaning of these principles changed significantly over time). The European Payments Union was launched in 1950 to bring about currency convertibility in Europe, and also to protect the continent from international competition that might otherwise undercut its industrial reconstruction. Meanwhile, Japan adopted its own regime for control of foreign exchange, which remained in place until 1980, to facilitate its recovery and development. As Helleiner details, the early postwar moment set the stage for an international economic order that sanctioned limits on financial liberalization to ensure states retained the capacity to pursue full employment and other key economic policies. This, in turn, offered to maintain the multilateral trade regime and secure its anticipated economic and political benefits. These developments show how different adaptations in the early postwar period upheld one purported core element of Bretton Woods: the restoration of multilateral trade and its expected benefits through managed financial flows.

This first period is now associated with *les Trente Glorieuses*—an approximately thirty-year period of rapid recovery from total war, sustained economic growth, and falling inequality across major Western economies.[35] However, economic trends elsewhere, including in some members of Bretton Woods were far more mixed. During these decades, the Bretton Woods institutions enjoyed significant economic tailwinds. Their early development also unfolded alongside that of the Cold War. Economic multilateralism became part of the growing geopolitical contest, rather than serving as a means of avoiding it. Geopolitical pressures strengthened support for a postwar international economic order built around symbiosis between economic multilateralism and the furtherance of social democracy as a bulwark against communism. The multilateral system's institutions solidified in tandem with the development of NATO and deeper security alliances between its leading economies. Thus, following another view of Bretton Woods, a shared economic system deepened a political-security alliance that maintained social democracy throughout the Cold War.

But this period also created the conditions for key elements of the Bretton Woods institutions to come undone. The lack of an international system for clearing led to the dollar's rise as the global reserve currency. Due to the United States' massive postwar surplus, persistent shortfalls in global liquidity and limited access to reserve assets proved a feature of the early postwar global economy. The eurodollar market developed to circumvent this dynamic, and the balance between a liberal trading order and capital controls began to unravel. Insufficient multilateral arrangements between like-minded countries—specifically, the failure to adhere to the initial ambitions to ensure liquidity, share burdens of adjustment, and give countries space to enact key economic policies—eventually placed significant strain on the Bretton Woods order. This supports the view that Bretton Woods was never properly equipped to ensure its initial vision.

At a minimum, it soon became clear that the IMF, the World Bank, and the GATT were insufficient to uphold many of their foundational commitments on their own, and significant other arrangements were made for managing the global economy. The Marshall Plan injected substantial liquidity into Western Europe's economies to prevent their collapse. The European Payments Union deepened economic coordination across the continent and facilitated protection against the rest of the world, sustaining the continent's recovery for some time thereafter. These institutions were not just postwar stopgaps; they reflected the deeper limitations of the main Bretton Woods organs. Over time, important commitments in the Bretton Woods settlement would be secured by many other institutions—including domestic legal regimes, regional forms of cooperation, and governance bodies such as central banks, the G10, and the Bank of International Settlements. However, these additional institutions eventually advanced goals other than those that animated the initial Bretton Woods settlement.

The second period in the evolution of the global economy began around 1960, when some key parts of the Bretton Woods agreements came into force. The restoration of current-account convertibility brought major economies into alignment with their obligations as members of the IMF. For this reason, many regard this as the one period when the Bretton Woods system functioned as intended. At the same time, ad hoc responses were increasingly needed to ensure that the international monetary system did not recreate deflationary pressures, beginning the shift toward a financialized global economy. As tariffs had also fallen significantly from their wartime highs by 1960, efforts began to repurpose the GATT—namely by expanding its ambit toward the reduction of nontariff barriers to trade. The space for states to pursue their own economic policies—one of the core Bretton Woods principles—started to shrink. Western liberal democracies began to face diminished policy autonomy while states that were peripheral to the system bucked the evolving rules to jump-start their development, such as the East Asian Tigers protecting their infant industries.

With the onset of stagflation in the 1970s, the Keynesian consensus around macroeconomic policy shattered. Alternative economic ideas—from monetarism to neoliberalism—filled the vacuum. Simultaneously, demands for a NIEO gathered momentum. The structure of Bretton Woods thus faced mounting opposition from two directions: from those who perceived it as a basis for continuing economic inequality in a postcolonial world, and from those who regarded its approach to economic governance as vulnerable to demands unleashed by decolonization and thus as ill-equipped to deal with the challenges of stagflation. Some calls for reform viewed the existing system as too susceptible to social democratic pressure; others argued it was not responsive enough to the demands generated by democratic process as it expanded to new parts of the globe. [36]

The third period in the development of the global economy saw neoliberal change and accelerating globalization, alongside the unwinding of the Cold War and the start of momentous economic governance reforms in China.[37] The increasingly dominant Washington Consensus attempted to extend a particular model of neoliberal economic governance across the world, as opposed to supporting social democracy in countries where it was already rooted. Technological advance, including the rapid reduction in shipping costs with the container revolution, spurred dramatic growth in global trade and financial flows.[38] This permitted the rise of development models in which manufacturing and export developed around regulatory arbitrage, rather than comparative advantage in the classical sense used by economists. Geopolitical, technological, and ideational change combined to drive a much more expansive form of economic globalization.

Structural changes were furthered by institutional developments, particularly as the international economic order increasingly turned into a legalized arrangement. The creation of the WTO's Appellate Body, the proliferation of investor-state arbitration under the International Centre for the Settlement of Investor Disputes regime, and the increased prominence of U.S. and European courts in managing global finance and sovereign debt transformed the multilateral regime into a far more juridical system.[39] The Bretton Woods institutions began to condition their external support to developing states on their further liberalization of capital flows, instead of the other way around. In short, states faced growing limits on their capacity to shape their economic policies. By this point, the international economic order created at Bretton Woods had seemingly turned upside down: states were now pressured by, instead of protected from, the global economy.

By this period, the international economic order diverged from most plausible views of Bretton Woods. Much of what remained were the institutions themselves, but the IMF and the World Bank adopted very different roles than the ones envisioned by their architects or those they played in the first postwar decades. More strikingly, the GATT was transformed into the WTO, which was charged with managing many new dimensions of trade with a view to creating nominally competitive global markets. The international economic order no longer functioned to strengthen social democracies; rather, it set out to extend markets while limiting the way states could intervene in them.

Still, the core ideas of Bretton Woods did not lose all purchase. For example, the European Union emerged during this period, cementing a monetary and customs union that realized one of the first Bretton Woods ideas. In his initial plan, Keynes called for a future of "small political and cultural units, combined into larger, and more or less closely knit, economic units."[40] This period also led to a configuration of the international monetary system that some economists term as Bretton Woods II. Thus, even as it appeared to have been supplanted, Bretton Woods still cast a long shadow in both shaping and understanding the global economy.

The fourth and still ongoing period in the history of postwar international economic order began after the 2008 financial crisis. Economic downturn kickstarted a rise in populism, protection, and economic nationalism across much of the world. Perhaps paradoxically, this period of turbulence coincided with deepening awareness of the need for international cooperation to address new challenges. The growing rejection of neoliberal globalization elicited two counter-movements: one rejecting nearly any form of international economic co-operation and another for reorganizing economic multilateralism to grapple with issues not traditionally associated with Bretton Woods, such as climate change, artificial intelligence, and the management of various risks associated with heightened interconnections ranging from finance to public health. These shifts thus return us to the question of whether Bretton Woods is being rejected or must be revived. This review of the history of Bretton Woods—and of competing interpretations of it—can sharpen debate as to the right answer.

The New Bretton Woods Moment

In the United States, growing calls for a new Bretton Woods moment often reflect grand ambitions for reform. Senior officials frame this as a means of managing geopolitical change and substantiating a new role for the state in the economy.

There are nevertheless glaring differences between the present and the context out of which Bretton Woods emerged. Today's calls to restructure the international economic order are intensifying in circumstances of rising geopolitical competition, and amid the growing risk of fragmentation in the global economy.[41] Demand for reform also comes against the backdrop of proliferating challenges that imply novel responsibilities for the state in governing the economy, and in a moment where America is no longer the world's unrivaled economic hegemon. By contrast, Bretton Woods emerged near the end of the most destructive war in history and at the height of U.S. economic power. It aimed at managing the one overriding economic governance challenge of macroeconomic instability and resulting unemployment, which had been enabled by the prewar international system. Amid the destruction of total war, preventing another spiral of depression and economic nationalism was seen as fundamental to maintaining peace.

Today's geopolitical and economic challenges are different. The necessary elements of a stable, prosperous, and just world order are far more multidimensional. Efficiency and growth must be balanced against risk and resilience. Demographic shifts complicate prospects for sustained growth in mature economies. Various sectors now operate in ways that depart from assumptions that explained the benefits long associated with more free trade.[42] The most recent period of the international economic order also generated substantial imbalances between countries that are now geopolitical rivals.[43] Bearing in mind these key differences, this review sharpens understanding of what a new Bretton Woods moment should aim to deliver.

First, policymakers should not focus on a particular institutional configuration, but on the common orientation of a range of institutions.[44] A new Bretton Woods moment will not generate a well-defined set of arrangements to manage the global economy and stabilize geopolitics. Even in a moment when much of the world aspired toward universalism, and when the United States' unrivaled economic power allowed it to dictate many terms of the postwar arrangement, the implementation of Bretton Woods proceeded in a fragmented way. A diverse institutional landscape proved necessary to uphold its basic commitments. Alongside the IMF and the International Bank of Recovery and Development, the GATT substituted for the International Trade Organization, the Marshall Plan and the European Payments Union were necessary mechanisms to sustain recovery, and the G10, the Bank of International Settlements, and the Organization for Economic Cooperation and Development coordinated vital reforms in the international monetary system. Key functions of international economic governance were often delegated to various institutions as new circumstances arose. But, at least for some time, these institutions maintained commitments that were foundational to the original Bretton Woods project of buttressing social democratic governance and, by so doing, maintaining the peace.

Second, the sustainability of economic multilateralism hinged upon the functions that the international economic order left to the state. One of the key features of Bretton Woods was recognition that continued economic cooperation required assurance that states could still chart their domestic economic course. Each member of the system had different needs, circumstances, and demands from its citizens. For cooperation to be positive-sum, it had to remain limited to managing shared challenges, or else the entire system risked unraveling.

Preventing destructive economic nationalism required an international order built around guarantees of economic self-determination, not least to maintain the legitimacy of the social democratic governments that were at the core of the multilateral arrangement.

Third, governance of the international economy tracks geopolitical dynamics, just as much as it shapes them. The belief that economic multilateralism can tame world politics through a rigid set of rules intensified in the era of neoliberalism, which turned Bretton Woods upside down. Yet in the early postwar period, when wartime aspirations gave way to Cold War realities, it became clear that Bretton Woods was part of the geopolitical contest rather than an antidote to it. The arrangement strengthened like-minded states, and ensured the legitimacy of a common form of government by spreading the benefits of cooperation, while guaranteeing the capacity for member-states to manage pressing challenges. Both were necessary ingredients for maintaining Bretton Woods' commitments across time. One ambition associated with a new Bretton Woods moment might thus be slightly refined: rather than seeking to reshape or to stabilize geopolitical relations, restructuring economic multilateralism can be one tool in a broader approach for doing so.

These lessons come with a caveat. The like-minded social democracies at the core of Bretton Woods were principally the large, industrialized economies of the West. The system did not extend its essential commitments to all members, which is why calls for a NIEO emerged. Today, the definition of like-minded states must be expanded beyond advanced Western market democracies if a new Bretton Woods is not to recreate the kind of inequalities that placed significant pressure on the old one. Steps toward this approach are evident in the Biden administration's Indo-Pacific Economic Framework.[45] Some ideas that first animated Bretton Woods, such as closer forms of economic cooperation within a broader multilateral structure, offer further options for expanding the conception of like-minded states as an organizing principle for a new economic multilateralism.

These lessons lead to a final conclusion: the various ways of interpreting the history of Bretton Woods overlap in a crucial way. They all suggest that the two primary goals for a new Bretton Woods moment are deeply related. If a restructured international economic order is to play a role in responding to a fast-changing geopolitical landscape, then it must legitimate the approach of like-minded states in solving urgent challenges. This means the international economic order needs to assume responsibility over new governance issues, while empowering the state to take on a different role in managing the economy. Reviewing the history of Bretton Woods highlights plausible ways to structure economic multilateralism toward these ends. A subsequent paper will explore one way forward, focusing on how the international economic order can organize cooperation around common challenges that confront like-minded states and, in the process, play a role in stabilizing a turbulent moment in world politics.

About the Author

Matthew Hamilton is working on a PhD at University of California-Berkeley and a JD at New York University School of Law. His research focuses on the relationship between law, globalization and international order.

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