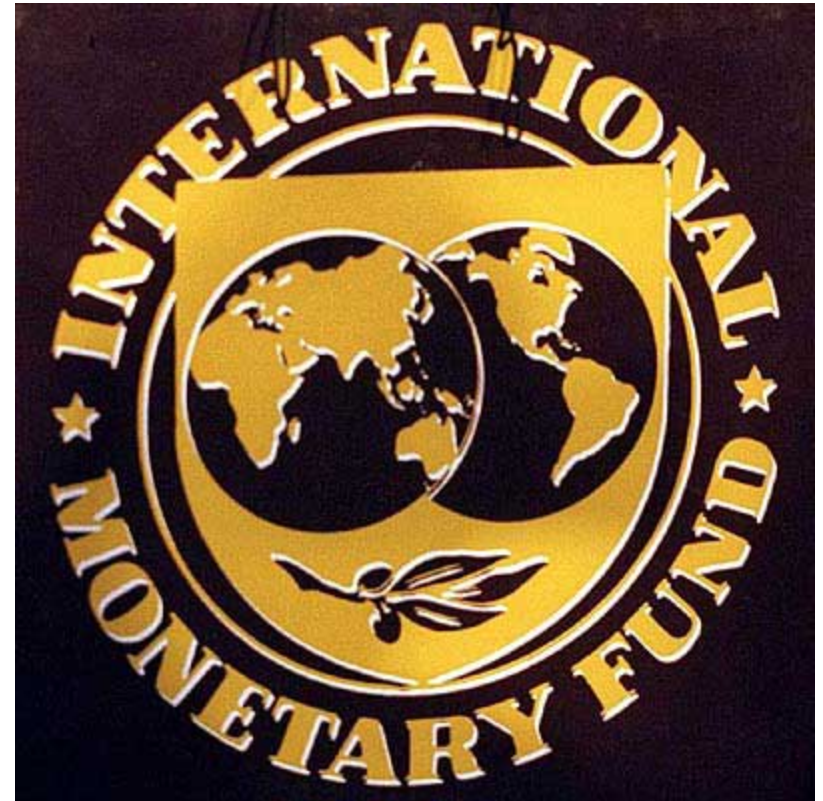


Global Economic Institutions



GLOBAL ECONOMIC GOVERNANCE SINCE 1944

The Bretton Woods System: aims/institutions/challenges/assessment

IMF = International Monetary Fund

World Bank

GATT = General Agreement on Tariffs and Trade

US draw on lessons of 1920s (exchange rate instability & protectionism)

Britain focus on 1930s (unemployment & financial collapse)

Common goals & US dynamism created a coherent framework

Was BW a US geopolitical plan to eliminate Britain as a rival?

Who's left out of the system? USSR signs but doesn't join

GATT signed in 1947 – adaptable and successful

IMF – rigid rules with moderate success

World Bank – least successful due to lack of developing world representation

The US played a dominant role with the agreement to make the dollar the currency of reference.

How did this work?



\$35 per ounce of gold



US \$ = reserve currency

Fixed rates of exchange

All other currencies are 'pegged' to the dollar

1971 – Nixon Shock = end of convertibility \$ to gold



Harry Dexter White & John Maynard Keynes

Challenges & Problems: 1947 – 1970

Post-WWII reconstruction & recovery

Economic performance of industrialized countries

Britain's 'stop-go' policies in 1950's

Emergence of the 'Third World'

Quotas on Japanese imports (1955-)

New Problems: 1971 – 1993

EEC & US farm subsidies

Economic slow-down in the 1970s

1971 dollar crisis (US balance of payments)

1973 oil crisis

Developing nations' rising debt

Exchange rates/\$ depreciation vs yen & mark

Trade policies – restrictive barriers

Capital mobility – investors escape devalued currencies

1970's developing nations challenged unequal power with proposals for a New International Economic Order(NIEO)

1964 UN Conference on trade and development UNCTAD had called for fair trade and liberalization of financing

1974 NIEO catalyzed by 1973 oil crisis and success of OPEC raising prices

NIEO proposals

price supports

0.7% of GNP to aid

Delocalization of industries to developing countries

Lower MEDC tariffs on LEDC manufacturing exports

Food program

Technology transfer not tied to FDI

Sovereignty over natural resources including nationalization

Primary producers cartels

Further Investigation

1. What is the significance of the Bretton Woods system?
2. What are the structures and functions of its institutions?
3. What challenges has it faced in the developing and developed worlds?
4. What role has the NIEO played?
5. What have been the issues since the 1990s?