

# Y376 International Political Economy

September 1, 2009

# What the Course is About

- How is the global economy governed?
- What is globalization and how far has it progressed?
- Is global economic governance keeping up with the pace of globalization?
- If not, what are the consequences?

We will use the idea of international economic regimes to talk about global governance.

# Definition of a Regime

- A set of norms, rules, procedures and institutions which constrains the behavior of the members of the regime.



e.g., the World Trade Organization in Geneva, Switzerland.



# Organization of Spero and Hart

Regimes	Periods		
	Bretton Woods	Interdependence	Globalization
Monetary			
Trade			
Investment			

# The Bretton Woods System

- Named for meeting at Bretton Woods, New Hampshire, in 1944
- Established these formal regimes:
  - International Monetary Fund (IMF)
  - International Bank for Reconstruction and Development (now called the World Bank)
  - the General Agreement on Tariffs and Trade (GATT) -- since 1995 known as the World Trade Organization (WTO)

# Mount Washington Hotel in Bretton Woods, New Hampshire



John Maynard  
Keynes (center)



44 countries sent  
delegates, July 22, 1944

# The Bretton Woods System

## (continued)

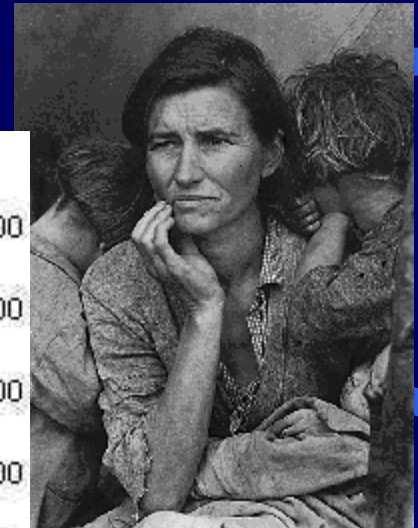
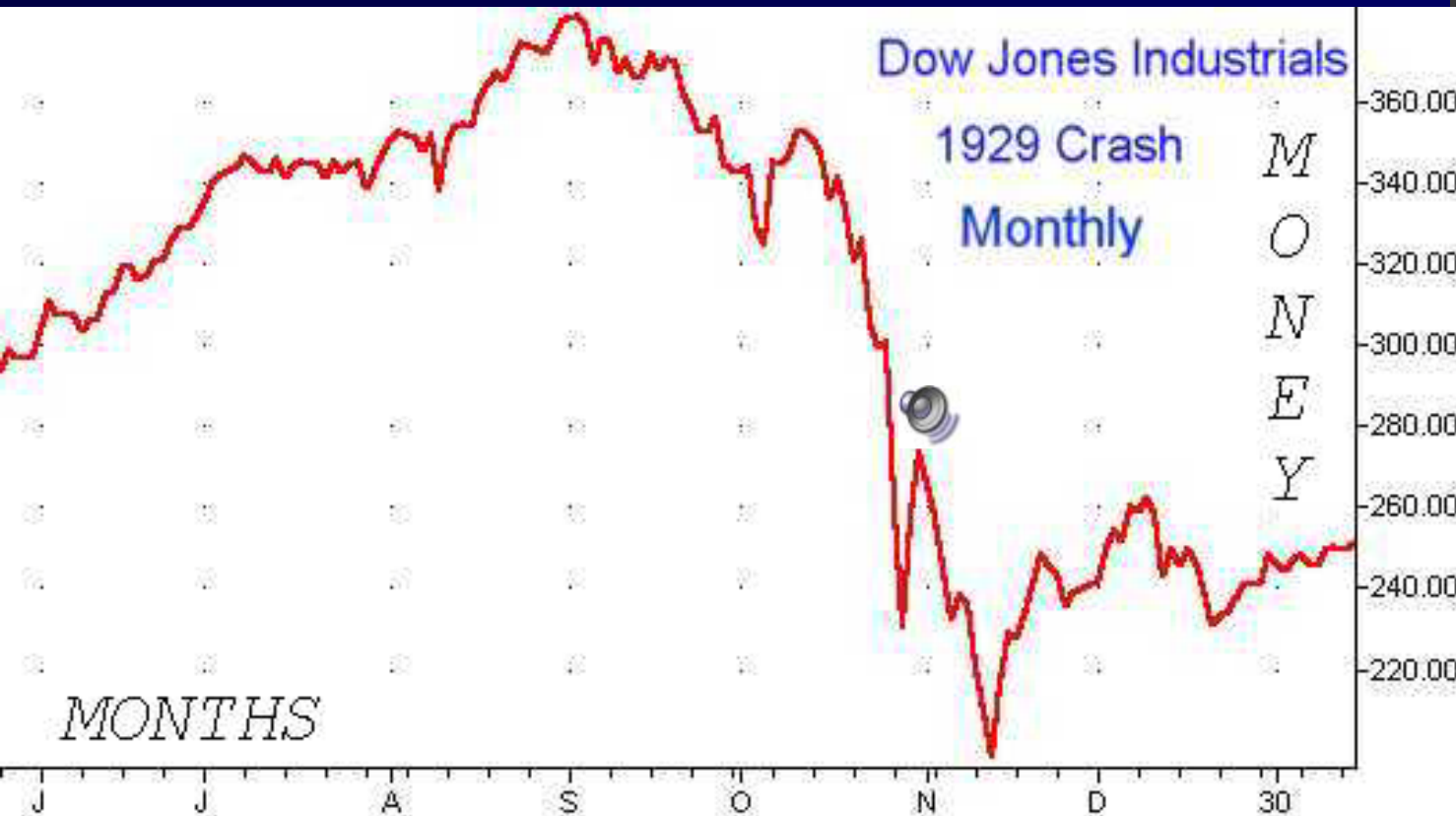
- Established an informal monetary regime:
  - the dollar was backed by gold at a fixed exchange rate (\$35 per ounce)
  - the dollar was a “key currency” -- that is, most international transactions were denominated in dollars
  - many currencies were “fixed” against the dollar and exchange rates could be changed only infrequently

Originally both the pound and the dollar were to be key currencies, but the British economy was too weak.

# What Beliefs Inspired the Bretton Woods Agreement?

- that tariff wars and competitive devaluations of the 1920s and 1930s deepened the Great Depression
- that the fascist dictatorships of the period arose because of the Great Depression
- that a liberal international economic system would be the best underpinning for democracy and prosperity after WW2

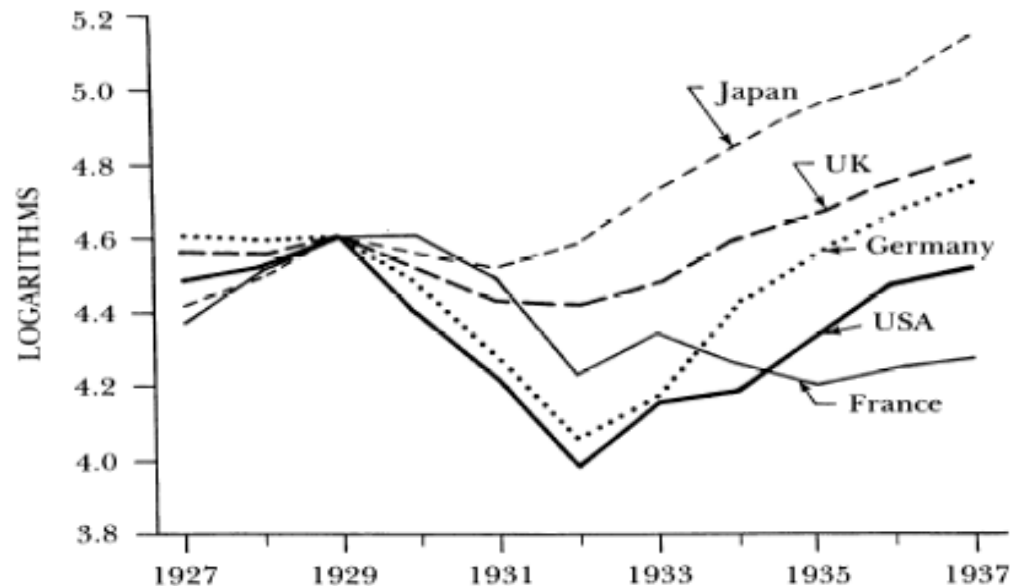
# Stock Market Crash of 1929 and the Great Depression



# Annual Production in Five Countries, 1927-1937

Figure 1

Annual Industrial Production in Five Countries, 1927-1937



Sources: The data on industrial production for 24 countries are from the League of Nations (1936, Appendix II, Table 2, p. 142 and 1938, Table 1, p. 44).

Source: Christina Romer (1993), "[The Nation in Depression](#)," *JEP* 7:2 (Spring), pp. 19-39.

# Who Were the World's Postwar Leaders?

- Churchill
- FDR
- Stalin

At the [Yalta Conference](#)



# The Anti-Communist Agenda

- Truman and Churchill both believed that Communism was as bad as fascism
- While FDR was willing to incorporate Stalin in postwar planning, neither Truman nor Churchill agreed with this
- Stalin himself was always critical/wary of global capitalism
- As a result, the Soviet Union was mostly excluded from the postwar capitalist regimes