

In their short histories, the Bretton Woods institutions have continuously adapted to major changes in the international system. From maintaining fixed exchange rate regimes (IMF) and rebuilding Europe after WWII (World Bank), these institutions have evolved into the foremost multilateral lender and development organizations in the world. As the institutions have changed to accommodate the breakdown of the gold standard and to address diverse development challenges, their respective missions never strayed from their goal of facilitating prosperity through international cooperation. Today, in an environment of political polarization, backlash to globalization, and rising populism, it is critical that these multilateral institutions, created in response to these trends, do not exacerbate existing tensions. These pressures are intensified by attempts to undermine truth and unity in an age of information saturation.

Political and social factors, not economic or operational, therefore pose the greatest challenge to the Bretton Woods organizations. In many countries, the IMF in particular is vilified as a symbol of the Western Washington Consensus. Although the US has historically been one of the main supporters of the organizations, US Secretary of State Mike Pompeo accused the World Bank and IMF of “impos[ing] austerity measures that inhibit growth and crowd out private sector actors.¹” Too often, politically self-serving claims are made about these institutions that run contrary to their missions of inclusive and sustained growth. Reiterating these goals in a convincing way to member countries and the public remains a difficult task for the organizations to undertake. However, in this environment of soundbites and Twitter, these multilateral institutions must strive to provide concise, approachable information to non-economists and act on the defensive when necessary to preserve their integrity.

Furthermore, global power dynamics have significantly shifted since 1945. Former World Bank President James Wolfensohn noted in a 2010 lecture at Stanford Business School that there has been a “monumental switch in terms of economic power” and a “fundamental change in the way the world is balanced.²” The global financial system has completely transformed since 1944, not only in complexity, but especially in terms of distribution of economic power. Many large economies view the US dollar’s dominance as an unfair advantage in an old-fashioned system. China has notably responded to this by creating the Asian Infrastructure Investment Bank (AIIB). The World Bank and the IMF, in order to deal with a shifting economic distribution of wealth, must work to make themselves more cooperative not only on paper but operationally, perhaps by adjusting their representative structures to be more amenable to all member states.

Another way to address waning multilateralism is to revisit Keynes’ and Tiffin’s advice of creating a truly supranational currency. Although idealistic, many economists, including former IMF Managing Director Jacques de Larosière, recognize that the development of a truly international currency could correct some of the “drawbacks of national currencies.³” Special Drawing Rights have existed since 1969 but perhaps a reevaluation of this reserve currency or a

¹ Pompeo, Michael. 2018. “Restoring the Role of the Nation-State in the Liberal International Order.” German Marshall Fund. Brussels, Belgium. Dec. 4. <https://www.state.gov/secretary/remarks/2018/12/287770.htm>.

² Wolfensohn, James. 2010. “Former World Bank President: Big Shift Coming.” Stanford Business School. January. https://www.youtube.com/watch?v=6a0zhc1y_Ns

³ de Larosière, Jacques. 2019. “The Demise of the Bretton-Woods System Explains Much of our Current Financial Vulnerabilities.” The London School of Economics and Political Science. January 31. <https://academiciencesmoraletpolitiques.files.wordpress.com/2019/02/lse-london-financial-resilience-by-j-de-larosiere.pdf>

continued justification for it could appease a wider global community. In order to remediate a perceived asymmetric power structure and US dollar dominance, the Bretton Woods institutions should work to resolve discontent among and within member countries.

The staying power of institutions depends on their ability to adapt to new exogenous situations or changes in overall assumptions. The institutions that came about during the Bretton Woods Conference in 1944 are no different. In the last 75 years of their operations, these organizations have successfully adapted their methods in pursuit of their underlying missions of development and global financial stability. Therefore, their future success depends on adapting to a quickly-changing global environment that is complicated by incorrect information being disseminated online, thus perpetuating undeserved misunderstandings. In 1946, the IMF noted that, “an indispensable element in a prosperous world economy is cooperation among all countries for establishing and maintaining an enduring peace.⁴” Operating in new circumstances, the Bretton Woods institutions can revive the spirit of international cooperation for the future by prioritizing interactions with member states and the global community as they pursue their economic and developmental goals.

⁴ International Monetary Fund. 1946. *Annual Report of the Executive Directors*. September. <https://www.imf.org/external/pubs/ft/ar/archive/pdf/ar1946.pdf>