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Book review

Naomi Lamoreaux and Ian Shapiro (eds), *The Bretton Woods Agreements: Together with Scholarly Commentaries and Essential Historical Documents* (Yale University Press, New Haven, CT, USA 2019) 504 pp.

Adrien Faudot*
CERAG, University of Grenoble Alps, France

Paul Einzig (1944) wrote that the 1943–1944 discussions on international monetary reform could be studied in many ways and would be the subject of much ink for many years. He was not mistaken. The subject is far from being exhausted, and this book is further proof of that. The book provides a series of expert commentaries on Bretton Woods, accompanied by a collection of essential historical documents. The commentaries come first, in the form of an introduction and 12 chapters. The introduction, written by the editors, Naomi Lamoreaux and Ian Shapiro, describes the outline of the chapters, which are split into four main parts. The first, 'The weight of the past,' looks at the pre-Bretton Woods period, particularly the influence of the interwar experience on the discussions at Bretton Woods. The second, 'The disappearing order,' deals with the discussions that took place there. The third, 'Paths taken and not taken,' looks at developments after the Bretton Woods conference. The fourth part, 'Denouement and legacy,' exposes the fragility and unsustainability of the Bretton Woods compromise that contributed to its break-up.

In the first chapter, Jeffry Frieden discusses the context in which the Bretton Woods conference took place. The world had just gone through two wars and the Great Depression. In contrast to the pre-1914 era, the working class was organized and its voice now carried political weight. It was impossible to expect that workers alone would bear the adjustment costs brought about by the functioning of the gold standard. A consensus emerged at Bretton Woods on a certain number of issues, but disagreements were most potent on the question of how to deal with adjustments in the event of balance-of-payments imbalances. The American hegemonic power was crucial to reach a final agreement and overcome opposition.

The second chapter, by Barry Eichengreen, deals with the role of gold in the Bretton Woods negotiations. It had been anticipated by some economists, notably Feliks Mlynarski and after Bretton Woods by Robert Triffin, that the gold peg would be problematic in the context of a gold-exchange-standard centered on the dollar. Eichengreen notes that foreign-exchange reserves against gold had been steadily increasing since the late nineteenth century and that the 1930s saw the emergence of monetary arrangements unrelated to gold, such as the Exchange Equalization Account (1932) and the Tripartite Agreement (1936), which Eichengreen sees as early examples of 'proto-gold-free agreements' (p. 43). However, gold retained a central place in the Bretton Woods discussions,

* Email: adrien.faudot@univ-grenoble-alpes.fr.

and the final agreement. The first reason was the willingness of the participating countries to maintain the discipline of adjustment. The second was that the United States was attached to gold following the precious metal inflows that the country had enjoyed since the 1930s. Finally, the difficulty of the economists of the time in imagining a system without gold is another reason.

Douglas Irwin provides a detailed literature review in chapter 3, which draws a clear picture of discussions on exchange-rate regimes. At the time, the dominant view, influenced by the turbulence of the 1930s, was that a fixed exchange-rate regime was preferable, but with adjustable parities. Only a few economists from Princeton (Charles Whittlesey and Frank Graham) and Chicago (Lloyd Mints) advocated flexible exchange rates during this period. Flexible exchange rates were relevant, according to these authors, because in their view the maintenance of fixed parities within the framework of Bretton Woods would make domestic expansionist policies (which were essential for reconstruction) of secondary importance. It is regrettable that several Oxford economists, such as Ernst Schumacher or Thomas Balogh, were not cited for their participation in this debate with the exception of Hubert Henderson. Their approach was radically different, since they proposed maintaining exchange controls to ensure both exchange stability and the promotion of full employment policies at the domestic level.

In chapter 4, James Boughton, in contrast to the many contributions that have sought to account for the differences between Keynes's and White's plans, looks at the shared, interventionist, and multilateral vision that animated the two main delegations. While such a thesis necessarily overlooks the originality of Keynes's plan concerning the concept of international liquidity, it also restores some truth to the common goals of the two delegations and the open-mindedness of White.

The fifth chapter, by Andrew Bailey, Gordon Bannerman, and Cheryl Schonhardt-Bailey, recalls the stormy debates that accompanied the validation by the British Parliament of the various texts discussed at Bretton Woods. While the Keynes Plan of 1943 was widely supported by parliamentarians who saw it as a proposal consistent with the excessive debtor position of the United Kingdom, the same was not true of the following compromises, which permanently incorporated the American demands and led many British politicians to fear the abandonment of imperial preferences and a deflationary future. In 1944 and 1945, therefore, the British Parliament renounced imperial preferences. This episode is little known, particularly the part in which Keynes had to defend, in May 1944, the joint declaration of the American and British delegations, which had already abandoned the vast majority of the elements of Keynes's plan and met with a certain amount of hostility among several parliamentarians opposed to the dismantling of the Sterling Area (Kahn 1976).

Chapter 6, by Michael Graetz and Olivia Briffault, examines France's attachment to gold, a particularity that has shaped France's behavior for several decades, as a result of the influence of economists such as Jacques Rueff. France had been accumulating gold in the interwar period and maintained, including during Bretton Woods and after the war, its confidence in the precious metal's ability to discipline and coordinate national economies within the international economy. However, the global economy's need for international liquidity was met by the imbalances in the US external accounts that resulted in gold demonetization. The rivalry between France and the United States over the role of gold thus ended, to the former's detriment.

Chapter 7, by Martin Daunton, focuses on agriculture and nutrition in the international discussions of the 1930s and 1940s, which at that time was a topic of particular concern, but has since been relegated to the background. The lengthy contribution focuses on the debates in the conference convened by Roosevelt in 1943 at Hot Springs, Virginia, shortly before Bretton Woods.

Selwyn Cornish and Kurt Schuler, in chapter 8, focus on Australia's position, championed by economists Leslie Melville and H.C. Coombs, in the negotiations that accompanied World War II. As a country exporting raw materials and traumatized by the mass unemployment of the 1890s and 1930s, Australia insisted on full employment as a priority of the international monetary institutions, rather than the trade and financial liberalization to which the United States itself was committed. Australia failed in the face of American refusal.

Eric Helleiner, in chapter 9, argues that Bretton Woods was also a conference where the issue of the catching up by developing countries was discussed. For him, these discussions disappeared from the accounts that were subsequently made of Bretton Woods (for example, by Richard Gardner). Interestingly, Keynes, who represented the interests of the British Empire, which still included many territories in Asia and Africa, was more reluctant to accept the participating developing countries' claims. Nevertheless, Keynes and White listened to these claims, some of which may have appeared in the final agreement.

Chapter 10, written by Michael Bordo, deals with the period during which the Bretton Woods framework operated, that is, between January 1959, when the economies of Western Europe were able to make their current accounts convertible – it was not the case during the European Payments Union – and August 1971, when the dollar's gold convertibility ended. This chapter emphasizes that unsuitable institutions and significant turbulence marked this prosperous period, explaining why the Bretton Woods arrangement was finally rather short, at just over 12 years. Several problems were identified: the provision of global liquidity, the difficulty in maintaining confidence in the system, and the system's inability to establish a balance-of-payments adjustment process on the part of both surplus (Germany, Japan) and deficit (United States) countries.

Chapter 11, by Frances McCall Rosenbluth and James Sundquist, focuses on Japan, which emerged as a surplus country during the Bretton Woods period. As noted in the previous chapter, the institutions set up by Bretton Woods could not restore trade balances, and Japan pursued the interests of its industries. The chapter stresses, in particular, the conflict between the textile industries in Japan and the United States, the latter suffering from competition from the former. The conflict contributed to the decision to end gold convertibility decreed by Nixon on 15 August 1971. This chapter is all the more interesting as the collapse of Bretton Woods is rarely approached from the angle of trade disputes.

Finally, in chapter 12, Harold James provides a conclusion to the book. He highlights the context in which Bretton Woods took place, in particular, and the desire to internationalize the New Deal, to maintain a certain control over international financial flows, and to relaunch world trade on a multilateral basis. James's conclusion is not the most optimistic; for him, from the collapse of Bretton Woods, only the dollar's hegemony ultimately remained to this day, while growing hostility between nations and a legitimate mistrust of globalization are developing.

As noted, the book also provides several official documents pertaining to Bretton Woods, making them accessible to a wider readership. These texts, which nicely complement the preceding chapters in the book, include Keynes's and White's plans, as well as the French and Australian plans, which are less well known. The publication of the Joint Statement, the Final Act, and the Articles of Agreement establishing the International Monetary Fund (IMF) and the International Bank of Reconstruction and Development (IBRD), often referred to as the World Bank, provide an opportunity to see how the discussions painstakingly analysed in the commentaries were translated into the final agreements. Several famous speeches are also transcribed, such as Henry Morgenthau's at the end of Bretton Woods, or one of Keynes's last speeches, in Savannah in March 1946. Keynes died prematurely the following month. There are also speeches referring to the turbulence at Bretton Woods, such as De Gaulle's (1965) or Nixon's (1971) speeches, when the latter put an end to the dollar's gold convertibility.

One of the objectives of the volume is to analyse Bretton Woods from a variety of perspectives accessible to a broad audience. The bar may be a little high for the layperson, but the book might be very useful for the educated reader. For those interested in the theoretical disputes, in which Keynes was central, there is a shortage of material. With the exception of Irwin's and Boughton's contributions, the book makes little mention of the theoretical aspects of Bretton Woods, preferring a historical approach and putting into perspective the international economic relations of the time. Readers interested in the ideas of Keynes will eventually find relatively few references to the work of the man who led the British delegation to Bretton Woods. Understandably, the book is published as part of a series titled 'Basic Documents in World Politics' and is not intended for economists in particular. The authors' perspectives show the United States triumphing at Bretton Woods, capable of being open both to Keynesian ideas (chapter 4) and to the demands of developing economies (chapter 9). Conversely, the volume portrays a Europe in a state of defeat, withdrawn into bitter debates in the United Kingdom (chapter 5), or France's nostalgia for the gold standard (chapter 6). This is a highly recommendable book, and provides important lessons as the international monetary system is once again put to the test.

REFERENCES

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