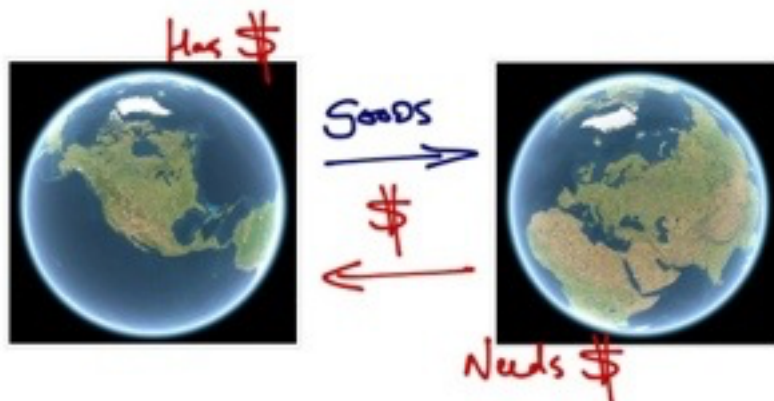


PO230 States and Markets: An Introduction to International Political Economy
Seminar Week 15. Keynesianism: Rise and Demise

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What kind of system did the Bretton Woods architects seek to establish? What was the goal?

Post war



Marshall Plan



<http://www.rollingalpha.com/2016/01/13/petrodollar-103-the-collapse-of-bretton-woods/>

Triffin's Dilemma

- The US had to run trade deficits in order to maintain the world's liquidity (otherwise, the rest of the world suffers dollar shortages like just after the war, and global trade grinds to a halt); but
- Constant trade deficits were eroding faith in the dollar.

1960s a decade of increasing measures to try and maintain the price of the dollar relative to gold.

Then the **Vietnam War** happened....

- The Johnson administration refused to fund the war effort from taxes, so American monetary policy became expansionary. What did this do to the value of dollars?
- In order to borrow from the Federal Reserve, Congress had to repeal the requirement that the Fed maintain a 25% reserve of gold backing to the dollar. How can speculators take advantage of this?

- France and a few other nations began to build their gold reserves
- By 1970, the US was in reserve deficit.

What is the US going to do?

Was Nixon changing reality, or acknowledging it?



What happened in 1971?

Open link <https://wtfhappenedin1971.com/>

Why was the Post-war order termed “Embedded liberalism”?

A liberal compromise (J Ruggie) or a class compromise? (D Harvey)

Hegemonic stability theory? What is it and do we agree with it?

The politics of it?

“The bargain, never clearly stated but often hinted at, was that the USA would use its nuclear power to shield Europe and Japan from Soviet attack, and would pay the lion's share of the necessary defence costs. In return, the allies would not seriously question the right of the USA to run the monetary and financial systems as it thought best.”
(Strange, pg57)

Read the Susan Strange article... a lot here analytically, that will help you answer exam questions.

Next week presentation: What is the “Washington consensus” and is it a useful economic strategy?