

The Bretton Woods Agreement 75 years on

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Today marks the 75th anniversary of the conclusion of the Bretton Woods conference, which played a key role in laying the foundations for the restabilisation of the world capitalist economy after the devastation of two world wars and the Great Depression of the 1930s, thereby opening the way for the post-war capitalist boom.

Three quarters of a century on, the world capitalist system faces an eruption of the very disasters that shook it to its foundations and gave rise to revolutionary struggles by the working class, beginning with the October 1917 revolution in Russia.

The participants at the conference, the representatives of the allied powers still engaged in the final stages of the war against Germany and Japan, were acutely conscious that what was at stake in their deliberations to establish a new world economic order was nothing less than the survival of their rule.

Speaking at the conclusion of the meeting, US Treasury Secretary Henry Morgenthau summed up its conclusions: “We have come to recognise that the wisest and most effective way to protect our national interest is through international cooperation—that is to say, through the united effort for the attainment of common goals.”

The fears driving this orientation were articulated in March 1945 in an address to Congress by US Under Secretary of State for Economic Affairs William Clayton. Directing his remarks against the advocates of high tariffs, he warned that “world peace will always be gravely jeopardised by the kind of international economic warfare which was waged so bitterly between the two world wars,” and that “democracy and free enterprise will not survive another world war.”

That precisely describes the road on which the world is now headed—deepening economic conflict and war spearheaded by US imperialism under the presidency of Donald Trump.

In his inaugural address, Trump declared: “We must protect our borders from the ravages of other countries making our products, stealing our companies and destroying our jobs. Protection will lead to great prosperity and strength.” In the more than two years since, the US has carried out escalating economic warfare, hitting out at allies and rivals alike as it imposes tariffs or threatens them in the name of “national security.”

But no one should succumb to the illusion that the very policies the architects of the Bretton Woods agreement warned would lead to a catastrophe are simply the product of the Trump White House. In fact, the Democrats are even more bellicose. They have given their support to a resolution directed against the Chinese telecom giant Huawei that would prevent Trump, as part of any trade deal, lifting the crippling US sanctions imposed on it.

This bipartisan support points to the fact that the escalating trade war and the threat of world war are not the product of the psychology or mindset of a particular group of capitalist politicians that can be overcome by some kind of “course correction.” Rather, these processes are rooted in the deep-seated and intractable crisis of US imperialism, itself the product of the historical evolution of the world capitalist system in the three quarters of a century since Bretton Woods.

There were two key pillars of the Bretton Woods Agreement, one political and the other economic.

The political foundation, which made it possible for the leaders of world capitalism to come together to construct a new world economic order, was the betrayal by the Stalinist bureaucracy in the Soviet Union and the Stalinist Communist Parties around the world of the revolutionary struggles of the working class that had erupted in the 1920s and 1930s, and the renewed anti-capitalist struggles of workers throughout Europe and in much of Asia that were erupting as the war hurtled toward its bloody conclusion.

In the lead-up to the war, the Stalinist program of the popular front—an alliance with supposed democratic sections of the ruling classes—had led to the betrayal of the French working class in 1936 and the beheading of the Spanish working class in the civil war of 1936-39. The Stalinist bureaucracy, which had emerged as a result of defeats suffered by the European working class and the resulting isolation of the first workers’ state after the 1917 revolution, was now the chief prop of world imperialism.

In 1943, the Stalinist bureaucracy gave its guarantee to world imperialism of the role it would play in the post-war world when it dissolved the Communist International. This was underscored at the Yalta summit in February 1945 with British Prime Minister Churchill and US President Roosevelt. Stalin made it clear that the Soviet Union would support the return of capitalist governments in Western Europe after the war—a pledge that was honoured when the Stalinist parties entered bourgeois governments in France and Italy after the defeat of the Nazis and suppressed the drive of the working class for socialist revolution.

The economic foundation was the strength of US capitalism, whose industrial capacities had grown in the course of the war to such an extent that by 1945 it accounted for some 50 percent of world manufacturing.

Having secured the collaboration of the Stalinist parties, which enjoyed mass support in the working class because they were mistakenly seen as the continuators of the October Revolution and because of the pivotal role of the Red Army in defeating Nazi Germany, the US was able to use its economic strength to reconstruct world capitalism.

It did so, however, not out of altruism, but because the restabilization of capitalism in war-devastated Europe and Asia suited the interests of American imperialism. It was recognised in US ruling circles that if Europe and the rest of the world were returned to the conditions of the 1930s, the American economy, dependent on an expansion of the world market, would face disaster, and, notwithstanding the political role of Stalinism, the outcome would be the eruption of revolutionary struggles in Europe and the US itself.

From the outbreak of World War 1 in 1914, the Marxist movement had analysed that the eruption of global war was the outcome of the contradiction between the development of world economy and the division of the world into rival nation-states, which gave rise to ever more violent conflicts among the imperialist powers. Defending their own interests, involving centrally the struggle for markets, profits and resources, each of these powers sought to resolve the contradiction between world economy and the nation-state by establishing itself as the pre-eminent world power, leading to a war of each against all.

This contradiction found expression in the Bretton Woods monetary system, which was intended to minimize conflicts among the major capitalist powers. Defending the interests of British imperialism, economist John Maynard Keynes proposed the establishment of an international currency, the “bancor,” to finance global trade and investment transactions. The essence of the Keynes plan was to make the US subject to the same discipline as the other major powers, thereby lessening its dominance.

The “bancor” plan was flatly rejected and the US dollar was made the basis of a refashioned international monetary system. For all the rhetoric about the need for international collaboration, American hegemony was enshrined in the Bretton Woods agreement. The only constraint was that the dollar was to be exchangeable for gold at the rate of \$35 per ounce.

The contradiction between world economy and the national system was not overcome, but only suppressed, under the Bretton Woods system. It would come to the surface again.

The Bretton Woods monetary agreement, together with other measures such as the General Agreement on Tariffs and Trade and the reconstruction of the world economy through the use of more advanced American production technologies, gave rise to an economic expansion in all the major capitalist economies. During the ensuing post-war boom, the conventional wisdom was that capitalism had overcome the disasters of the previous half-century and the global economy could be successfully managed.

But the Bretton Woods monetary system contained an inherent contradiction. The more it promoted the expansion of the world market and the development of other capitalist economies—Germany, France, the UK and Japan—the more it undermined both the relative and absolute economic supremacy of the US on which the system was based.

This contradiction, which had already been identified by the early 1960s, exploded to the surface on August 15, 1971, when President Nixon, faced with a gold drain, unilaterally announced in a Sunday night television broadcast that henceforth the US would not redeem dollars for gold.

Nixon’s actions—which also included a wage freeze on US

workers and a 10 percent surcharge on imports—were aimed at maintaining the dominance of American imperialism over the world economy and its financial system. But the decline of US economic supremacy, both relative and absolute, only accelerated in the ensuing years. The establishment of a fiat currency, freed from backing by gold, was one of the major factors in the rise and rise of finance capital over the past four decades.

The US pre-eminence in industrial production steadily eroded, to the extent that it now ranks behind both China and the European Union, and profit accumulation has become increasingly dependent on speculation and financial market operations.

The case of Huawei—one of the key targets of the Trump administration and the American military and intelligence establishment—is a graphic expression of this process. It has been targeted because it is on the front line of the development of 5G mobile phone technology, which will have a major impact on the development of industrial capacity via the internet.

Huawei is now deemed an existential threat to a country that pioneered vast advances in technology going back to the latter years of the 19th century, because there is no comparable US firm. The reason for this absence is that profit-making in the US has become increasingly dependent on short-term gains and financial manipulations at the expense of investment and the development of the productive forces.

Three quarters of a century after the Bretton Woods Agreement, all the contradictions of the world capitalist system it sought to suppress have come bursting to the surface once again. They assume their most explosive form in the drive by US imperialism to reassert its hegemony by implementing the kind of tariff and protectionist measures that gave rise to the disasters of the 1930s, now augmented by technology bans, as well as by means of war.

The issue confronting the world working class is that set out by Leon Trotsky in the early years of the imperialist epoch, with the outbreak of World War 1. In 1915, he wrote that the perspective of world socialist revolution and the socialist organisation of economy had to become the practical program of the day guiding the struggles of the working class. That analysis is truer than ever as the contradictions of the capitalist system drive towards another world conflagration.



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