RESTORING THE DEVELOPMENT DIMENSION OF BRETTON WOODS

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Abstract

The slow pace of the post-2008 global financial reform is encouraging growing discontent among policymakers from emerging market and developing economies who lament the continuing dominance of the Bretton Woods institutions by Northern powers and the inadequate attention given to their developmental priorities in multilateral financial reforms. Questions are increasingly raised about whether their time might be better spent constructing alternative institutional arrangements to the Bretton Woods system. As the future of the Bretton Woods institutions comes into question, it is worthwhile recalling their original purpose. The initial Bretton Woods negotiations are often described as an Anglo-American affair in which developing countries played little role and the development issues were largely ignored. However, the Bretton Woods architects included officials from many poorer countries and international development goals were explicitly prioritized in the design of the post-war international financial order. Remembering this original development content of Bretton Woods may be politically very useful for reformers seeking to construct a more development-friendly global financial system today.

Introduction

Many analysts anticipated that the 2008 global financial crisis would generate very substantial reforms to global financial governance (see references in Helleiner, 2014a). To date, however, reforms have been more incremental than transformative, generating growing frustration in many quarters. Discontent is particularly strong among many policymakers and analysts in emerging market and developing economies (EMDEs) who lament the continuing dominance of the Bretton Woods (BW) institutions by Northern powers and the inadequate attention given to their developmental priorities in multilateral financial reforms. These frustrations are generating support for initiatives to create alternatives to the BW institutions, such as the New Development Bank (NDB) and Contingent Reserve Arrangement (CRA) between Brazil, the Russian Federation, India, China and South Africa (referred to as BRICS).

As the future of the BW institutions comes into question, this chapter argues that it is worthwhile recalling their original purpose. The BW negotiations are often described as an Anglo-American affair in which developing countries played little role and the development issues were largely ignored. This portrayal fosters pessimism about the prospects for reform today by suggesting that the design of the BW system was development-unfriendly from the very start. In fact, however, this history story is quite inaccurate, given that the BW architects included officials from many poorer countries and international development goals were explicitly prioritized in the design of the post-war international financial order. Indeed, the BW negotiations pioneered the idea of constructing a multilateral economic order to support the development aspirations of poorer countries. Resurrecting this original development content of BW may be politically very useful for those reformers seeking to strengthen international development goals within global financial governance at present.

I. Growing discontent

Officials from EMDEs have many reasons to be dissatisfied with the content of post-2008 global financial reforms to date. One such reason is the slow pace of efforts to enhance their influence within the BW institutions. At their first summit in November 2008, the G20 leaders noted that "emerging and developing economies, including the poorest countries, should have greater voice and representation" in the International Monetary Fund (IMF) and World Bank (quoted in Helleiner, 2014a: 37). Reforms were agreed two years later, involving a shift in approximately six per cent of voting shares to EMDEs and a reduction by two members of European representation on the IMF Executive Board to make room for more emerging market and developing country representatives. However, the Congress of the United States has since delayed approval of the new reforms (Helleiner, 2014a: 50–51).

EMDEs have also been frustrated by inadequate efforts to strengthen a "global financial safety net" that could address their special needs for short-term balance of payments support. Indeed, the G20 leaders dramatically increased the size of the IMF resources from \$250 billion to \$750 billion during their April 2009 summit, in order to help countries cope with balance of payments shocks in the wake of the 2008 financial crisis. Yet, few EMDE countries took advantage of the IMF enlarged lending capacity to borrow from the institution in the following months. A central reason was the ongoing concern about the IMF record during the 1997–98 Asian crisis, when its loan conditionality was widely criticized for being overly intrusive, neoliberal and excessively influenced by the policy goals of the United States. Since 2008, the IMF has made some efforts to address the stigma associated with its borrowing by creating new facilities and streamlining conditionality. Nonetheless, potential borrowers remain understandably wary, particularly as the shift in the content of conditionality in IMF crisis lending has been uneven and the IMF governance reforms remain stalled (Helleiner, 2014a).

Frustration with the IMF as a source of balance of payments finance encouraged discussion in 2010 within the G20 of mechanisms to try to institutionalize and expand the conditionality-free bilateral swaps arrangements that the Federal Reserve of the United States (thereafter Fed) had extended during the financial crisis. Four EMDE countries – Brazil, Mexico, the Republic of Korea and Singapore – received Fed swaps of \$30 billion in October 2008, which were important in boosting confidence at the time, particularly in the Republic of Korea, which drew extensively on its swap. When the Fed let its crisis-era swaps expire in February 2010, the Government of the Republic of Korea – then chair of the G20 – proposed the creation of a multilateral swap arrangement that would make permanent the swap arrangements created in the crisis, as well as extending them to a wider group of emerging market countries by embedding them within the G20 framework (Helleiner, 2014a).

However, this proposal was resisted by officials of the United States, who preferred swaps to be bilateral and extended on a discretionary basis to minimize the burdens and responsibilities that might be placed on the Fed (Helleiner, 2014a: 45–47). As the now-released minutes of the Federal Open Market Committee (2008: 11, 16, 29–30, 35) make clear, the Fed's resistance to lending to a wider group of countries had also been apparent at the height of the crisis, when its officials had explicitly decided that most Southern countries were not considered deserving of swaps, even including important G20 members such as India, Indonesia and South Africa. The reluctance of the United States to institutionalize swaps with EMDE countries was subsequently confirmed in October 2013 when the Fed only chose to make swap arrangements permanent with the central banks of Canada, England, Europe, Japan and Switzerland.

Such developments have encouraged EMDEs to search out alternative mechanisms to insulate themselves from balance of payments crises. In 2014, the BRICS announced the creation of the CRA, a $100 billion swap arrangement among themselves (whereby 30 per cent of the funds can be accessed without an IMF programme). Many EMDE Governments have also turned to self-insurance by unilaterally building up national foreign exchange reserves. In addition, there has been a proliferation of bilateral swap arrangements among EMDEs, particularly involving China. Regional swap arrangements have also been strengthened, most notably in East Asia, where members of the Chiang Mai Initiative transformed their network of bilateral swaps into a self-managed multilateral fund that opened in March 2010 with $120 billion. This Chiang Mai Initiative Multilateralism was subsequently doubled to $240 billion in June 2012 and the portion of its funds available without an IMF programme was increased from 20 to 30 per cent (rising to 40 per cent in 2014) (Helleiner, 2014a: 47).

The same centrifugal pressures can be seen in the world of long-term international development finance. In the wake of the 2008 crisis, the G20 leaders boosted the resources of a number of multilateral development banks, including that of the World Bank, which experienced its first general capital increase in over twenty years. However, many officials from EMDEs still perceive these initiatives as quite inadequate to meet their development needs and they remain frustrated by enduring G7 influence in the World Bank and other multilateral development banks. Reflecting these sentiments, the BRICS countries committed in 2014 to create a new institution, the NDB, devoted to long-term development lending, particularly for infrastructure projects. It was established with an initial capital of $50 billion, with the idea that this will rise to $100 billion. China is also promoting the creation of a large Asian Infrastructure Investment Bank with initial capital of $100 billion, not much smaller than the existing Asian Development Bank (whose capital is $165 billion) and World Bank ($223 billion) (Leahy and Harding, 2014). The importance of the World Bank lending role has also been increasingly challenged by the growing bilateral official lending of countries such as China and Brazil.

North-South tensions also characterized post-2008 international discussions about the role that capital controls could play in preserving national policy space. These tensions were already on display at the time of the late-1990s Asian crisis, when a number of Southern officials expressed concerns about speculative capital flows while Northern policymakers – particularly officials of the United States – strongly defended the virtues of financial liberalization. In the wake of the financial crisis, many EMDE Governments became bolder in arguing that controls on excessive capital inflows and outflows might need to play a larger role in their policy toolbox. The political salience of the issue was heightened by the fact that dramatic monetary easing in the leading economic powers encouraged large capital outflows to many Southern countries, threatening to generate financial bubbles and drive up exchange rates in those countries (Gallagher, 2014).

In October 2011, a compromise was reached on this issue through an ambiguous statement issued by G20 financial officials. While the statement noted that "there is no one-size-fits-all approach or rigid definition of conditions for the use of capital flow management measures", it also outlined the long-term goal of putting in place conditions "that allow members to reap the benefits of free capital movements" (quoted in Helleiner, 2014a: 120–121). This G20 statement subsequently helped to inform a new "institutional view" of the IMF on the issue, which was announced in late 2012 to help inform its surveillance activities. The document noted that "there is no presumption that full liberalization is an appropriate goal for all countries at all times" and it endorsed the use of "capital flow management measures" to contain inflow surges or disruptive outflows. At the same time, it stressed the need for these measures to be temporary and noted that "careful liberalization of capital flows can provide significant benefits, which countries could usefully work toward realizing over the long run" (quoted in Helleiner, 2014a: 121). EMDE officials from countries such as Brazil who had played a leading role pressing for change were left dissatisfied, complaining that the IMF position remained far too cautious and pro-liberalization (Helleiner, 2014a: 121).

Frustration has also been evident about the lack of attention in the post-2008 global financial reforms concerning the need for a sovereign debt restructuring mechanism (SDRM) at the international level. After the East Asian crisis and 2001 Argentine default, the first deputy managing director of the IMF Anne Krueger proposed the establishment of a SDRM, arguing that its absence was a "gaping hole" in the international financial architecture. While her proposal generated enormous debate, it was ultimately shelved in the face of opposition, most notably from the United States (Helleiner, 2009). The importance of the issue was once again highlighted after 2008 by sovereign debt crises in the eurozone and elsewhere, as well as by the continuing efforts of vulture funds to disrupt existing debt restructuring deals (most notably in the Argentine case). Reflecting the new interest in the idea, the United Nations General Assembly adopted a resolution for the first time in September 2014 that called for a "multilateral legal framework for sovereign debt restructuring processes". The resolution was proposed by Argentina and fully backed by the G77, although it was met with opposition in the United States and some other G7 countries, whose support would be important for a substantial initiative of this kind to move forward (Muchhala, 2014).

Such developments have left many EMDE officials pessimistic about the prospects for substantial change to the BW system. Questions are increasingly raised about whether transformative reforms of the system are possible, as well as whether time may be better spent constructing alternative institutional arrangements such as the CRA and NDB. This pessimistic perspective about the prospects for reform is often reinforced by histories of the BW system, which argue that its design was unfriendly to developing countries and development issues from the very start.

II. American goals for Bretton Woods

Is this pessimism deserved? Its historical foundations certainly warrant questioning. Many histories of the BW negotiations depict them as an Anglo-American affair in which development issues were largely ignored. However, recent research has shown that this perspective on the origins of BW is inaccurate. Far from being development-unfriendly, the BW system was originally designed with the promotion of international development as one of its core goals (Helleiner, 2014b).

Policymakers of the United States were particularly keen on this goal. From the very start of their planning of the post-war international economic order, American officials made it very clear that international development issues would be prioritized. Even before the United States entered the war, the President Franklin Roosevelt committed in his famous "four freedoms" speech of January 1941 that the post-war world should provide "freedom from want" for people "everywhere in the world" (quoted in Helleiner, 2014b: 120). As historian Elizabeth Borgwardt (2005) has argued, Roosevelt's vision was part of his bold attempt at this time to "internationalize the New Deal". Just as his New Deal had promised greater economic security to Americans, Roosevelt now saw bolstering the standards of living in poorer regions of the world as a crucial foundation for post-war international peace and prosperity. The commitment to promote "freedom from want" worldwide was subsequently enshrined in the Atlantic Charter that Roosevelt and British Prime Minister Winston Churchill announced in August 1941, as a statement of their combined vision of the post-war world.

When Harry Dexter White – who was an ardent New Dealer – drew up his initial drafts of the IMF and International Bank for Reconstruction and Development (IBRD) in early 1942, he made explicit reference to these international development goals. White's interest in international development was hardly surprising, given that he had already been a very strong advocate within the Government of the United States of initiatives to promote Latin America development since the late-1930s as part of the Roosevelt administration's Good Neighbor policy towards the region. These initiatives represented the first-ever foreign assistance programmes of the United States to promote development and they were not only driven by New Deal values, but also by the geopolitical goal of offsetting the German influence in Latin America. White had been particularly supportive of this new aspect of the Good Neighbor policy and Latin American industrialization which, he argued was essential if the region's standards of living were to be raised (Helleiner, 2014b).

A number of features of White's initial plans drew directly upon his Latin American experience. The first was the IBRD's mandate to mobilize long-term development lending. This feature was highly novel, given that no public international financial institution had ever been created with the purpose of supporting long-term development loans to poorer countries. Interestingly, White's idea built on a United States-Latin American initiative of 1939–1940 to construct an Inter-American Bank (IAB) with this precise mandate in the Americas. White had taken the lead role in drafting the IAB, which he had empowered to support Latin American development through direct lending and by guaranteeing private lending to the region. While the IAB was never established (because the Congress of the United States did not approve it), White imported these features of his IAB plan into the initial IBRD proposal in early 1942 (Helleiner, 2014b).

White's proposal to create an international fund offering short-term lending for balance of payments purposes also grew directly out of his previous experience of pioneering bilateral loans of this kind of the United States to Latin American countries. On his initiative, the Exchange Stabilization Fund of the United States had begun to extend these loans in 1936. These were particularly useful to Latin American countries whose dependence on commodity exports left them vulnerable to unexpected seasonal fluctuations and price swings. White's colleagues noted that his initial draft of the IMF (which he initially called a "Stabilization Fund") simply multilateralized that policy and they emphasized how the Fund's role would be particularly helpful for Latin American countries addressing these balance of payments difficulties (Helleiner, 2014b: 110).

White also expressed support in his initial drafts for efforts to curtail capital flight from poorer countries (or what he called "the steady drain of capital from a country that needs the capital but is unable for one reason or another to offer sufficient monetary return to keep its capital at home", quoted in Helleiner, 2014b: 110). Once again, this concern had emerged out of his work in Latin America. During the drafting of the IAB and some financial advisory work in Cuba in 1941–1942, White and other officials of the United States had become interested in how some Latin American countries were afflicted by large volumes of capital flight to New York. In the IAB discussions, they had explicitly designed the institution to recycle that flight capital by accepting private deposits and lending the funds back for development purposes to the Latin American country from which they had originated (Helleiner, 2014b: 67–68).

Perhaps because that specific proposal had generated much opposition in the New York financial community, White did not resurrect it in his initial BW plans. Nonetheless, he continued to promote the idea of a cooperative approach to tackling the problem of flight capital. Under the proposed Fund's charter, White included a provision that all member countries would undertake commitments to help enforce each other's controls by agreeing "(a) not to accept or permit deposits or investments from any member country except with the permission of that country, and (b) to make available to the Government of any member country at its request all property in form of deposits, investments, securities, safety deposit vault contents, of the nationals of member countries" (quoted in Helleiner, 2014b: 111). In subsequent drafts, he also added the idea that countries receiving capital flows would commit to sharing information about those flows with the sending countries. White argued – as did Keynes at the time – that countries experiencing illegal outflows of capital would have a greater chance of making their controls effective with these kinds of international assistance.

White's Latin American experience also encouraged him to assign a role for both the Fund and Bank to help facilitate international debt restructuring. During the 1930s, many Latin American countries that had defaulted on external loans and efforts to settle these loans became a major irritant in United States-Latin American relations throughout the decade. Like Roosevelt and other New Dealers, White had little sympathy for New York creditors who were seen to have engaged in irresponsible and fraudulent lending practices to the region during the 1920s. In his initial drafts of the BW plans, White gave his proposed Fund a formal role in settling international debts through "compulsory arbitration". He also inserted a provision into his proposed IBRD that allowed it to lend to a country in default on external debts if that country had accepted the recommendations of a Bank-appointed committee for settling the outstanding debts "irrespective of whether the bondholders did or did not" (quoted in Helleiner, 2014b: 112).

Finally, in his initial drafts, White also referred to two trade issues with international development significance that had emerged from out of the context of the United States-Latin American relations. The first was international commodity price stabilization. As part of efforts to assist Latin American countries, the United States had signalled its support in mid-1940 for the development of commodity agreements that would help to stabilize prices of major Latin American exports, with the first such agreement – the Inter-American Coffee Agreement – established later that year. In a March 1942 draft of the IBRD, White reiterated this idea, proposing that the Bank could "organize and finance an International Commodity Stabilization Corporation for the purpose of stabilizing the price of important commodities" (quoted in Helleiner, 2014b: 112–113).

In his initial drafts of the Fund, White also went out of his way to signal his support for poorer countries' use of infant industry tariffs, a support he had already expressed in the Latin American context. He argued that the belief that trade liberalization would generate rising standards of living in poor countries made the mistake of assuming "that a country chiefly agricultural in its economy has as many economic, political and social advantages as a country whose economy is chiefly industrial, or a country which has a balanced economy." He added: "[i]t assumes that there are no gains to be achieved by diversification of output. It grossly underestimates the extent to which a country can virtually lift itself by its bootstraps in one generation if it is willing to pay the price. The view further overlooks the very important fact that political relationships among countries being what they are vital considerations exist in the shaping of the economic structure of a country other than that of producing goods with the least labor" (quoted in Helleiner, 2014b: 113).

Taken together, these provisions in White's initial drafts outlined a highly innovative vision for a multilateral economic framework that was supportive of the economic development of poorer countries. Never before had a global framework of this kind been put forward for international negotiation. White's specific proposals drew directly from experiments in the regional inter-American context that had arisen out from the politics of United States-Latin American relations in the late-1930s and early-1940s. Inspired by New Deal values, White and others in the Roosevelt administration now proposed to expand these experiments on a worldwide scale as a key foundation of the post-war international financial order.

As White's proposals were subsequently refined in internal discussions in the United States in 1942–1944, some of his ambitious ideas were eliminated or watered down, often with an eye to what might be eventually acceptable to the Congress (particularly after the Republican gains in the autumn 1942 elections). While the IMF and IBRD's lending roles remained, White's proposals concerning debt restructuring, commodity price stabilization and infant industry protection were eliminated (in the latter case, because the BW negotiations were meant to focus on finance rather than trade). Mandatory international cooperation to enforce capital controls was also replaced with a provision simply permitting such cooperation among countries (Helleiner, 2014b: 115–117). However, to offset the latter change, White strengthened the right of all countries to employ capital controls – even on a permanent basis – without obtaining permission from the Fund.

Policymakers in the United States considered the endorsement of the use of both capital controls and adjustable exchange rates in the Fund's final articles of agreement to be important in bolstering the policy space of Southern Governments to promote their countries' rapid economic development (Helleiner, 2014b). Support for this kind of "development-oriented" policy space was particularly evident during and in the immediate wake of the BW negotiations, when American officials advised countries that had attended BW – such as Ethiopia, Guatemala, Paraguay and the Philippines – to undertake domestic monetary reforms that were designed to strengthen the capacity of public authorities to pursue development goals. These reforms not only included the creation of new central banks, national currencies and mechanisms for public authorities to finance development objectives, but also domestic legislation that incorporated the Fund's provisions for exchange rate adjustments and capital controls. While BW established a new multilateral framework that was supportive of State-led development strategies, these financial advisers of the United States helped to build domestic institutional capacity to enable these strategies to be pursued (Helleiner, 2014b,).

At the BW conference itself, officials of the United States continued to stress their commitment to the idea that the post-war international financial order must be supportive of international development. White's boss, the Treasury Secretary Henry Morgenthau, used his welcoming address to speak of the importance of establishing “a satisfactory standard of living for all the people of all the countries on this earth”. As he put it, “Prosperity, like peace, is indivisible. We cannot afford to have it scattered here or there among the fortunate or to enjoy it at the expense of others. Poverty, wherever it exists, is menacing to us all and undermines the well-being of each of us”. The last sentence was reminiscent of the wording in a statement that the International Labour Organization (ILO) had endorsed a meeting two months earlier, claiming that “poverty anywhere constitutes a danger to prosperity everywhere”. At the end of the ILO meeting, Roosevelt went out of his way to praise that statement, noting that “this principle is a guide to all of our international economic deliberations” and citing his concern to bring greater prosperity to poor regions of the world that he had visited, such as the Gambia (quotes from Helleiner, 2014b: 122).

In a high profile article in *Foreign Affairs* in early 1945, Morgenthau (1945: 190) reiterated that the BW framework was designed to serve not only developed countries’ preferences, but also less developed countries’ objectives of raising levels of industrialization and standards of living. As he put it:

> Unless some framework which will make the desires of both sets of countries mutually compatible is established, economic and monetary conflicts between the less and more developed countries will almost certainly ensue. Nothing would be more menacing to have than to have the less developed countries, comprising more than half the population of the world, ranged in economic battle against the less populous but industrially more advanced nations of the west. The Bretton Woods approach is based on the realization that it is to the economic and political advantage of countries such as India and China, and also of countries such as England and the United States, that the industrialization and betterment of living conditions in the former be achieved with the aid and encouragement of the latter.

III. Inclusive multilateralism and North-South dialogue

One final way in which policymakers of the United States supported international development goals was through their backing of a very inclusive form of multilateralism that gave poorer countries more of a voice in international financial affairs. From the very start, Roosevelt and his officials favoured establishing public international financial institutions whose membership would be open to all the United and Associated Nations (“Associated” nations referred to countries that had broken diplomatic relations with the Axis powers but had not joined the United Nations). They were also strongly committed to what John and Richard Toye (2004: 18) call “*procedural* multilateralism”, in which all the United and Associated Nations would have an opportunity to contribute to the design of the post-war international financial order. White and other officials of the United States engaged in extensive consultations with other countries in 1943–1944, culminating with the BW conference itself, to which they invited 43 other Governments. Well over half of those Governments were from poorer regions of the world, including nineteen from Latin America alone, while their total delegates outnumbered those representing rich countries (Helleiner, 2014b: 14). The fact that the conference operated formally on the principle of one-government-one-vote reinforced the influence of poorer countries (although many issues were settled at the meeting without formal voting).

Officials from Latin America, China (which brought the second largest delegation to the conference) and India (whose delegation was divided equally between British and Indian officials, due to its colonial status at the time) were particularly active in the conference discussions. All of them very vocally highlighted how they saw the BW negotiations as an opportunity to construct a development-friendly international financial regime that was supportive of their State-led efforts to raising standards of living and levels of industrialization. Unsurprisingly, they were very supportive of the IBRD’s proposed development mandate. They ensured that the Bank's formal purposes included "the encouragement of the development of productive facilities and resources in less developed countries" (Helleiner, 2014b: 163). They also successfully lobbied at the conference to include wording that ensured development loans would be given equitable consideration vis-à-vis reconstruction loans in the Bank's operations. The Mexican official who led this initiative made the case in language very similar to that of the officials of the United States: "development must prevail if we are to sustain and increase real income everywhere" (quoted in Helleiner, 2014b: 164).

Southern officials also pressed for the IMF's lending provisions to be designed in a manner that was supportive of their countries' distinctive balance of payments challenges. Owing to the frequent fluctuations in their balances of payments caused by commodity exports, many Latin American officials had been very supportive of White's initial plans for the Fund. As one Brazilian official had put it, the proposed Fund would mean that his country no longer had to hold such large gold reserves, the conservation of which "has been onerous, since it may be likened to an insurance maintained exclusively by the insured" (quoted in Helleiner, 2014b: 166). At the BW conference, Latin American delegates subsequently played a key role in backing the inclusion of a "waiver" clause in the IMF's articles of agreement that allowed the Fund to override normal restrictions on its lending in situations that took into consideration the "periodic or exceptional circumstances" of the countries requesting the waiver. Latin American officials (and others) saw this clause as explicitly designed to serve the interests of commodity-exporting countries that faced larger balance of payments fluctuations (Helleiner, 2014b: 166–168).

In discussions before and during the conference, Southern delegates also highlighted their support for international provisions such as adjustable exchange rates and capital controls (including cooperative controls) on the grounds that these would help to protect their policy space to pursue activist domestic policies designed to promote development (Helleiner, 2014b: 170–172, 255–256). Some Southern officials also tried to resurrect White's initial proposals for development-friendly trade provisions. For example, there were calls at the conference to pay greater attention to the need for infant industry protection in poor countries (Helleiner, 2014b: 170, 253). Latin American proposals at the BW conference also called for an international conference to be held to establish a new international organization to promote commodity price stabilization. Pressure arising from these latter proposals led to the passage of a resolution at BW recommending that Governments seek agreement on ways and means to "bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike" (quoted in Helleiner, 2014b: 170).

In these ways, the BW negotiations represented the first substantial North-South multilateral dialogue on international development issues. At the end of the conference, Southern policymakers applauded the fact that the final agreements supported their development aspirations. As Chintaman Deshmukh, governor of the Reserve Bank of India, told an audience in India after the conference: "[w]e all now apparently subscribe to the belief that poverty and plenty are infectious, in the international as well as in the national field, and that we cannot hope to keep our own side of the garden pretty if our neighbour's is full of weeds" (quoted in Helleiner, 2014b: 254). The commitment to building a development-friendly international financial regime also found support among policymakers from other rich countries involved in the BW negotiations, such as Australia, Canada, the Netherlands and the United Kingdom (Helleiner, 2014b).

IV. The fate of the development content of Bretton Woods

Given this history, it is striking that so many scholars and policymakers have overlooked the international development content of BW. However, such neglect is more understandable once it is recognized that this content was dramatically watered down right after the war by changing priorities of the United States, particularly with the onset of the Cold War. This is not the place to analyse how and why officials of the United States withdrew their backing for the international development vision of BW so quickly. Nonetheless, the consequence of the changed policy of the United States was important, resulting in the fact that the "actually-existing" BW system was much less supportive of Southern development aspirations than the original BW vision had been (Helleiner, 2014b: 260–268).

This undermining of the BW development framework generated the result ominously predicted by Morgenthau in 1945: growing conflicts between North and South in international economic diplomacy. These conflicts escalated particularly after the wave of decolonisation in the 1950s and 1960s, and by the early-1970s Southern policymakers were demanding an entire New International Economic Order that would better support their development goals. At the time, the proposal was generally portrayed as a challenge to the BW system. Yet, many of its specific demands simply resurrected – usually unknowingly – ideas put forward at the time of the construction of the original BW international development vision, ranging from proposals for development assistance to commodity price stabilization schemes (Helleiner, 2014b: 268–276).

The same is true of many of the demands of EMDEs today. As noted above, officials of EMDEs are often quite critical of the BW system. However, the BW architects pioneered specific proposals for promoting international development that EMDEs continue to see as crucially important today: public international long-term development finance, short-term international lending for balance of payments support, multilateral support for capital controls and national policy space, SDRMs, and inclusive multilateral governance practices. The BW architects also included many policymakers from today's EMDEs. Indeed, some of the key countries' pushing for global financial reforms today – such as Brazil, China, and India – were among the most active of the poorer countries that helped to shape the international development content of the original BW agreements.

Recalling the original development content of BW helps to correct the historical misconception that the BW system was development-unfriendly from its very beginnings. This correction may be particularly useful for those seeking to bolster the prominence of international development goals within contemporary global financial governance. Rather than challenging BW norms, reforms with this goal can be accurately recast as those that resurrect and more fully realize the vision of the founders of the post-war international financial order. Indeed, a very strong case can be made that the future of the multilateral order established in 1944 depends on the fate of such reforms. If they are embraced, that multilateral order will likely be rejuvenated in the current context where EMDEs are gaining global economic influence. On the other hand, if these reforms fail, Morgenthau's 1945 predictions are likely to be realized once again, resulting in an increasingly conflictual and fragmented global financial system.

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