



# We're in danger of forgetting the lessons from Bretton Woods

Roberto Azevêdo says the world risks forgetting the importance of a rules-based system of economic cooperation, which has underpinned decades of unprecedented peace and prosperity

**T**he WTO, the World Bank, and the IMF have a long track record of working together. It's something I've worked to enhance while in office. Based on my interactions with David at the G7 and in Berlin, and Kristalina's strong support for the trading system, that cooperation is set to keep growing.

Big anniversaries are an occasion to look back and reflect. Today's event is timely for reasons that go beyond a 75<sup>th</sup> birthday. Not because the key lessons from the Bretton Woods Conference have changed. But because — more than at any point in the past seven decades — we seem to be in danger of forgetting those lessons.

When policymakers from 44 Allied nations gathered in New Hampshire in July 1944, battles were still raging in Europe and the Pacific. Yet their focus was not the war, but the peace that had become visible on the horizon.

Their goal was to prevent a repeat of the 'beggar-thy-neighbour' trade and currency policies of the 1930s. Economic isolationism had deepened the Great Depression and fuelled political extremism, fragmentation and war. More trade and economic interdependence, they believed, would foster durable prosperity and security. Economic cooperation was the means to that end.

They succeeded. The Bretton Woods Conference laid the groundwork for a new era of global economic cooperation. This cooperation was embedded in the International Monetary Fund, the World Bank, and the multilateral trading system.

Any institution created by humans is imperfect. Our institutions were — and are — no exception. Nevertheless, this system of rules-based economic cooperation has underpinned decades of unprecedented peace and prosperity. International trade has increased more than 37 times since the GATT was created in 1947, far outstripping growth in economic output. The WTO's binding rules now extend to 164 members, covering 98% of world trade.

Predictably open international markets have helped enable rapid growth and poverty reduction in developing countries. As recently as 1980, 40% of people lived in extreme poverty. Today it is fewer than one in ten, and the international community aims to end extreme poverty by 2030.

Here's one measure of the success of the post-Bretton Woods order: try to picture how the world would look without institutionalized economic cooperation. It takes more than a bit of imagination.

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enforced*

In contrast, participants at Bretton Woods knew exactly how the absence of cooperation looked. They had lived through the political and economic disaster of the interwar period. Good ideas were out there — for example, ill-fated world economic conferences in the 1920s and 30s had sought to bring down trade restrictions and restore monetary order.

But institutions were weak. And the Depression swept away whatever willingness leading economies had to work together. Countries turned inward — with results that were collectively, and individually, disastrous.

As the late MIT economist Charles Kindleberger put it: *“When every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all.”*

Compare this with the response to the financial crisis of 2008-09. By acting through international forums like the WTO, the IMF and the G20 — and with the World Bank ramping up lending support — governments delivered coordinated fiscal and monetary stimulus. They kept markets broadly open. Global value chains remained intact, with the jobs and purchasing power they entail. By paying heed to the global public interest, countries better served their national interests, and the interests of their citizens.

Nevertheless, a decade on, the global economic order is under severe strain. Powerful voices claim that national well-being is hurt, not helped, by international rules.

Yet the fact is that international economic cooperation is perhaps even more necessary today than it was in 1944. The world economy is increasingly multipolar, making national and international economic interests intertwined even for the largest economies. Policies have economic and environmental effects that are keenly felt across international borders.

Institutions like the WTO, the World Bank, and the IMF have a critical role to play in managing spillovers and mediating tensions in the collective interest. Only by working together — and coherently — will we be able to meet the growth, sustainability, employment, and development goals we all share.

We cannot afford to stand still. Over the past 75 years, our three institutions have already changed in ways that would have astonished the officials who went to Bretton Woods.

As far as the WTO is concerned, our ability to foster predictability, investment, and growth requires us to adapt to a fast-changing world — a world of disruptive technologies and unprecedented ways of doing business.

The good news is that WTO members are working to modernize our rulebook. Indeed the much-called-for WTO reform is already happening. Starting with the Trade Facilitation Agreement in 2013, members have pragmatically struck deals that delivered gains for everyone.

Alongside longstanding issues like agriculture and development, they are now addressing issues that define 21<sup>st</sup> century commerce. This December, WTO members have an opportunity to strike an agreement on curbing fisheries subsidies. This would make an important contribution to restoring depleted marine fish stocks.

Rules are critical for global economic growth, and they are better when they can be effectively enforced.

In closing, I want to recall something US Treasury Secretary Henry Morgenthau said at the end of the Bretton Woods Conference: *“We have come to recognize that the wisest and most effective way to protect our national interests is through international cooperation — that is to say, through united effort for the attainment of common goals.”*

His words were true in 1944. They are every bit as true today. ■

## **Roberto Azevêdo is Director-General of the World Trade Organization**

*This article is based on a [speech](#) delivered at an event in Washington on 17 October to mark the 75th anniversary of the Bretton Woods Conference*