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Eric Helleiner

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The life and times of embedded liberalism: legacies and innovations since Bretton Woods

Eric Helleiner
Political Science, University of Waterloo, Waterloo, Ontario, Canada

ABSTRACT
In a widely cited 1982 article, John Ruggie identified the normative framework of Bretton Woods as ‘embedded liberalism’ and pointed to its enduring legacy in international economic governance through the 1970s. Revisiting Ruggie’s analysis at the 75th anniversary of Bretton Woods, I advance three arguments about the content and legacy of embedded liberalism in the international monetary and financial system. First, the embedded liberalism of Bretton Woods was an even more innovative normative framework than Ruggie’s important article suggested, involving a new commitment to a form of institutionalized liberal multilateralism that was compatible with various kinds of active public management of the economy. Second, in the 1944–1980 period, embedded liberalism was more contested and malleable than is often understood, as it coexisted with important alternative normative frameworks and as distinct varieties of embedded liberalism emerged in international monetary and financial governance. Third, in the post-1980 era, scholars have correctly highlighted a ‘neoliberalization’ trend in international monetary and financial governance, but assessments of the degree of the challenge posed to embedded liberalism by this trend need to be nuanced. They also risk overlooking different and newer kinds of challenges to embedded liberalism arising from growing opposition to institutionalized liberal multilateralism.

KEYWORDS Embedded liberalism; Bretton Woods; multilateralism; neoliberalization; money; finance; governance

What are the legacies of Bretton Woods in the context of various innovations in international monetary and financial governance over the last 75 years since the famous 1944 conference? Some proposals endorsed at Bretton Woods left no legacy for the simple reason that they were never implemented, such as the resolution recommending the liquidation of the Bank for International Settlements (BIS) ‘at the earliest possible moment’ (US State Department, 1948, p. 939). Other features of the Bretton Woods agreements were abandoned in the early 1970s, such as the gold-exchange standard and adjustable peg exchange rate regime. Because those features were core to the original Bretton Woods vision, scholars have often seen the upheavals of the early 1970s as signaling the unraveling of the ‘Bretton Woods system’. Yet, there are clearly some legacies of Bretton Woods that endured after
the early 1970s, such as the International Monetary Fund (IMF) and World Bank (WB, originally the International Bank for Reconstruction and Development), which remain in place to this day, even if some of their roles have changed from those intended in 1944.

In 1982, John Ruggie highlighted another legacy that he felt had survived the upheavals of the early 1970s: the ‘normative framework of embedded liberalism’ (Ruggie, 1982, p. 399). His article attracted enormous attention among IPE scholars and has become one of the most widely cited publications in the field today (Seabrooke and Young, 2017, p. 17). While many analysts interpreted the transformations of the early 1970s as a sign of discontinuity with Bretton Woods, Ruggie saw more continuity at a normative level. From his perspective, many transformations at the time simply reflected efforts to preserve the ‘social purpose’ of the embedded liberalism of Bretton Woods with new instruments in a new international environment. In his words, they represented ‘norm-governed’ – rather than ‘norm-transforming’ – change (Ruggie, 1982, p. 384).

Part of the appeal of Ruggie’s analysis was its innovative interpretation of embedded liberalism as a ‘central institutional feature’ of the postwar international economic order (Ruggie, 1982, p. 415). The analysis also assumed a high profile in IPE literature because of the growing political influence of neoliberal ideas in global economic governance after 1980, a development that many scholars saw as challenging the normative legacy of Bretton Woods that Ruggie had identified. Ruggie (1982, p. 413) himself hinted at this possibility in his initial 1982 article, and he – like many others – became increasingly convinced in later writings that a kind of norm-transforming change was finally underway (Ruggie, 1995, 1997, 2003, 2008).

The 75th anniversary of the Bretton Woods conference provides an important opportunity to reflect on the history and legacy of embedded liberalism. This article takes up this task, focusing on the central subject of the 1944 conference: international monetary and financial governance.1 Three core arguments are advanced. First, building upon historical research since the publication of Ruggie’s initial analysis, I argue that the embedded liberalism of the Bretton Woods conference was even more innovative than his important 1982 article suggested. Ruggie’s analysis described embedded liberalism as a commitment to a new kind of liberal multilateralism that was compatible with ‘domestic interventionism’ aimed at supporting domestic social security and economic stability within Western industrialized countries (Ruggie, 1982, p. 393). I highlight that the liberal multilateralism of Bretton Woods was also seen by its architects to be compatible with other kinds of ‘domestic intervention’ associated with state-led development strategies in poorer countries and even Soviet-style central planning as well as with limited forms of active public management of the international economy. I also suggest that Ruggie’s widely used 1982 definition of embedded liberalism downplayed the significance of the institutionalized form of liberal multilateralism that was endorsed by the Bretton Woods architects in international monetary and financial governance. Tweaking Ruggie’s definition, the first section of the article summarizes the embedded liberalism of Bretton Woods as a new commitment to a form of institutionalized liberal multilateralism that was compatible with various kinds of active public management of the economy.

The second section of the article turns to examine the significance of embedded liberalism in international monetary and financial governance during the
1944–1980 period that Ruggie examined. Although embedded liberalism was certainly significant in this period, I argue that its influence was also complicated by two important phenomena. One was the co-existence of influential alternative normative frameworks that rejected institutionalized liberal multilateralism and/or active public management of the economy. The other was the emergence of distinct varieties of embedded liberalism that differed from that of Bretton Woods in terms of the types of liberal multilateral institutional arrangements they backed and/or the kinds of active public management of the economy they supported. In other words, I argue that embedded liberalism in the pre-1980 period was both more contested and more malleable in its content than is often recognized.

The final section considers the legacy of embedded liberalism in international monetary and financial governance since 1980. In this part of the analysis, I concur with those IPE scholars who have highlighted the growing influence of neoliberalism in this period, but I also suggest that assessments of the degree of the challenge posed to embedded liberalism by this ‘neoliberalization’ trend in international monetary and financial governance need to be nuanced. In addition, I argue that the heavy scholarly focus on this trend risks steering attention away from newer challenges of a different kind to the normative framework of embedded liberalism. While the neoliberalization trend has threatened the ‘interventionism’ of the embedded liberalism of Bretton Woods, these new developments challenge its commitment to institutionalized liberal multilateralism.

Before launching into these arguments, two important caveats need to be made. First, because of space considerations, I make no effort to explain the episodes and trends discussed. My goal is to analyze the content and legacies of the embedded liberalism of Bretton Woods rather than provide reasons why specific transformations in international monetary and financial governance have or have not taken place. Second, this analysis – like that of Ruggie’s and other IPE literature on embedded liberalism – is focused on normative frameworks. Scholars who are skeptical of the influence of norms and ideas in international monetary and financial governance will find this focus frustrating. I have no room to persuade them otherwise in this article, but can refer them to broader literature on this topic, including that of Ruggie himself (see also, e.g., Abdelal, 2007; Baker 2018; Best, 2005, 2014; Johnson, 2016; Kirshner, 2003; McNamara, 1998; Nelson, 2017; Thurbon, 2016; Widmaier, 2016).

The embedded liberalism of Bretton Woods

In his widely cited 1982 article, Ruggie highlighted the innovative nature of the embedded liberal normative framework that informed the Bretton Woods agreements. He described its ‘essence’ in a passage that was often repeated in subsequent literature: ‘unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism’ (Ruggie, 1982, p. 393). I suggest in this section that the embedded liberalism of Bretton Woods was even more innovative than Ruggie’s analysis suggested in two ways.
The ‘interventionism’ of the initial Bretton Woods framework

The first concerns Ruggie’s discussion of the kinds of ‘interventionism’ supported at Bretton Woods. Ruggie derived the idea of ‘embeddedness’ from Karl Polanyi’s (1944) critique of the 19th century project of classical economic liberals to build an economy centered on the self-regulating market (including the gold standard). From Polanyi’s standpoint, that project endorsed a socially ‘disembedded’ economy which inevitably provoked widespread social countermovements in the late 19th and early 20th centuries. Ruggie depicted the Bretton Woods agreements as part of the re-embedding process as its architects sought to construct an international monetary and financial order that provided national governments with greater policy space to intervene in their domestic economies than the gold standard had allowed. Although they required stable exchange rates and current account convertibility, the IMF’s Articles of Agreement empowered national governments to cushion their domestic economies from what Ruggie (1982, p. 395) called ‘the strictures of the balance of payments’ by mechanisms such as exchange rate adjustments, controls on cross-border flows of capital and short-term borrowing from the IMF. With their enhanced policy autonomy, Ruggie (1982, p. 398, 388) argued that national authorities were empowered to pursue ‘a set of social objectives to which the industrial world had moved’ by the early 1940s, namely that governments were “assuming much more direct responsibility for domestic social security and economic stability’.

Since Polanyi had more ambitious socialist goals in mind than welfare states and Keynesian-style macroeconomic management (and was explicitly opposed to US postwar international economic plans), Lacher (1999) has questioned whether the social purpose of Bretton Woods should be linked to Polanyi’s particular conception of ‘embeddedness’. Although Ruggie (1983, p. 433fn14) himself only claimed that Bretton Woods was ‘heading in the direction’ of embeddedness (a point also made clear by the ‘liberal’ part of his phrase ‘embedded liberalism’), it is indeed important for scholars to be careful when linking the concept of embedded liberalism to Polanyi’s thought. At the same time, however, both Lacher and Ruggie downplayed how the Bretton Woods architects themselves had a wider view of the kinds of ‘domestic interventionism’ that might be compatible with the Bretton Woods agreements. It is certainly true that American and British policymakers at the time were most interested in providing policy space for national public authorities in industrialized countries to support welfare states and activist national macroeconomic management. But negotiators at the Bretton Woods conference also saw the Bretton Woods agreements as compatible with two other forms of active public management of the domestic economy.

The first involved state-led development strategies that had become increasingly popular during the 1930s across many poorer parts of the world that sent delegations to the Bretton Woods conference such as Latin America, China, India, the Philippines, Ethiopia and Eastern Europe. During the Bretton Woods negotiations, delegations from many of these places (which made up a majority of the 44 delegations at the conference) supported the creation of the WB, seeing it as a body that would support their increasingly ambitious development goals through its mobilization of long-term development finance. Many of them also backed the IMF’s lending role and/or its endorsement of adjustable exchange rates and capital controls.
on the grounds that these provisions could strengthen their policy autonomy to pursue state-led development strategies. US policymakers involved in the Bretton Woods negotiations also shared the view that the Bretton Woods framework was designed to support these strategies in these ways. As part of their construction of the new Bretton Woods order, US financial advisors even went out of their way at this time to support domestic reforms in various poorer countries that aimed to strengthen state capacity to pursue these kinds of development goals (Helleiner, 2014).

Given their efforts to involve the Soviet Union in the Bretton Woods negotiations, it is also clear that US policymakers in the early 1940s saw the Bretton Woods framework as potentially compatible with centrally planned economies (Acsay, 2000, chs.6-9; Pechatnov, 2017). Many on the Soviet side agreed. After supporting his country’s participation in the 1944 conference, Soviet leader Joseph Stalin ultimately chose in 1946 not to ratify the Bretton Woods agreements for what Vladimir Pechatnov (2017, p. 103) calls ‘mostly political’ motives related to the deterioration of relations with the West after the war. Before this, however, many of his advisors had recommended Soviet participation in the new system. Although they expressed some concerns about various issues (such as the sharing of information about their country’s gold and currency reserves, constraints on exchange rate policy and potential IMF interference), they highlighted a number of potential larger offsetting benefits for the USSR stemming from the agreements, such as support for the USSR’s international trade, the stabilization of gold prices and access to short-term and long-term loans from the Bretton Woods organizations (BWOs) (Pechatnov, 2017).

In its original formulation, the Bretton Woods order was thus designed to provide domestic policy space not just for welfare states and activist macroeconomic management within industrialized countries but also for other kinds of ‘domestic interventionism’, such as those associated with state-led development strategies in poorer regions of the world and even central planning. Whether these other kinds of ‘domestic interventionism’ fit Polanyi’s sense of embeddedness remains an interesting question, although it is also worth noting that Polanyi does not have a monopoly on the concept and meaning of ‘embeddedness’ (e.g. Fioretos and Heldt, in press; Granovetter, 1985). For the focus of this article, however, the more significant issue is that the concept of ‘domestic interventionism’ needs to be cast in more diverse context than it has been in most IPE literature on the embedded liberalism of Bretton Woods. As noted below, with the onset of the Cold War, embedded liberalism began to be implemented in a manner that gave it narrower content, a fact that no doubt helps to explain the downplaying of this diversity in Ruggie’s initial analysis and most subsequent IPE writing. Despite this historical turn, it is important to recall the original goals at Bretton Woods not just for the purposes of historical accuracy but also because, as noted below, they are sometimes invoked today by officials from emerging powers.

It is also necessary to broaden the idea that the embedded liberalism of Bretton Woods supported active public management of economy only at the domestic level. In his initial writings about embedded liberalism, Ruggie (1982, p. 398fn54; 1983, p. 429-30) noted briefly that the early plans of the lead British and American negotiators – John Maynard Keynes and Harry Dexter White – also included proposals for public management of the international economy relating to goals such as
global commodity price stabilization, international counter-cyclical lending and the development of the world economy as a whole. Ruggie noted how these ambitious proposals were shelved by the time of the 1944 conference. But the Bretton Woods agreements did still include a limited commitment to the idea of public management of the international economy to serve broader global social purposes. For example, the WB’s mobilization of international development finance was meant not only to support the domestic state-led development strategies of poorer countries but also to reduce global poverty in ways that fostered global prosperity and peace as well as the embryonic conceptions of universal human rights embodied in US President Franklin Roosevelt’s idea of ‘freedom from want’ (Helleiner, 2014, ch.4). The IMF was also designed to provide public international lending and to foster international monetary cooperation in ways that supported not just national policy space, but also these broader global goals.

In his more recent writings, Ruggie (2003) has called for ‘taking embedded liberalism global’ through international initiatives such as the promotion of global corporate social responsibility as a strategy for responding to the globalizing of firms and markets. Given the initial content of the embedded liberalism of Bretton Woods, Ruggie’s willingness to widen the meaning of the term in this way is very welcome. It encourages IPE scholars to recognize how embedded liberalism can be associated with support for ‘interventionism’ aimed at both the domestic and the international economy. It also highlights how the 1982 initial definition of embedded liberalism as a kind of multilateralism ‘predicated upon domestic interventionism’ was too narrow. To allow for a wider conception, my suggestion is that embedded liberalism can be defined as a normative framework committed to a form of institutionalized liberal multilateralism that is compatible with various forms of active public management of the economy.5

The institutionalized liberal multilateralism of Bretton Woods

This definition retains the importance of the commitment to ‘multilateralism’ that Ruggie described in 1982 as part of the ‘essence’ of embedded liberalism, but adds the two adjectives ‘institutionalized’ and ‘liberal’. They are added to highlight the distinctiveness of the multilateralism of Bretton Woods. The importance of the adjective ‘liberal’ stems simply from the fact that non-liberal conceptions of economic multilateralism were also prominent during the years leading up to the Bretton Woods conference. For example, Jens Steffek (2015) describes how Italian thinkers in the mid-1930s had proposed transferring Italy’s fascist economic model to the global level, complete with multilateral economic organizations dedicated to economic planning along ‘corporative’ lines. Another example of what Steffek (2015, p. 5) calls this kind of ‘non-liberal variety of internationalism’ was a German government proposal developed in the wake of its military victories in Europe in the first half of 1940. As Ruggie (1982, p. 387) noted, the German minister for economic affairs Walther Funk proposed at this time a new European monetary order with a multilateral clearing mechanism. Indeed, this Nazi proposal served as a prompt for Keynes’ initial thinking about postwar international economic plans. In contrast to these kinds of ‘fascist multilateralism’, the multilateralism promoted by Keynes and other backers of embedded liberalism at Bretton Woods was informed more by liberal values, including support for an open
international economic order as well as the broader aspirations of the United Nations alliance under whose auspices the 1944 conference took place.\textsuperscript{6}

I have also emphasized the ‘institutionalized’ nature of the liberal multilateralism of Bretton Woods to highlight its distinctiveness vis-à-vis the international gold standard. In his much cited definition quoted above, Ruggie (1982, p. 393) suggested that the core difference between the ‘multilateralism’ of Bretton Woods and that of international gold standard was that the latter was ‘predicated upon domestic interventionism’. This framing downplayed the importance of the formal institutionalization of liberal multilateralism that was endorsed at Bretton Woods.\textsuperscript{7} When Ruggie described the pre-1914 international gold standard as a form of ‘multilateralism’, he had in mind a very generic definition of that latter term. He elaborated in later writing that he conceived multilateralism as ‘an institutional form which coordinates relations among three or more states on the basis of “generalized” principles of conduct – that is, principles which specify appropriate conduct for a class of actions, without regard to the particularistic interests of the parties or the strategic exigencies that may exist in any specific occurrence’ (Ruggie, 1992, p. 571). Using this definition, Ruggie depicted the international gold standard as a multilateral order because it enabled multilateral convertibility and adjustment, with monetary relations coordinated on the basis of generalized principles of conduct such as maintaining gold convertibility of currencies at a fixed rate and allowing gold inflows and outflows.

In contrast to this very limited conception of multilateralism, the multilateralism of Bretton Woods was centered around formal multilateral organizations and rules. The decision to create this more institutionalized kind of multilateralism stemmed partly from the new commitment to ‘interventionism’ that Ruggie highlighted. But equally important was a second belief that formal multilateral organizations and rules were needed to protect an open international economic order. This belief emerged as a reaction against the various beggar-thy-neighbor polices witnessed during the 1930s and it was held not just by ‘embedded liberals’ but also by ‘neoliberals’ such as Friedrich Hayek who were skeptical of the new ‘interventionism’ (Masini, 2016). To constrain beggar-thy-neighbor policies, the IMF’s Articles of Agreement outlined a number of precise legal commitments for member governments concerning their international monetary and financial policies. Once ratified by those member governments, these IMF membership rules constituted a new kind of highly legalized constitution for the international monetary and financial order (Kahler, 2002).

By contrast, the pre-1914 international gold standard had not been governed by formal multilateral organizations and rules, or even established by multilateral means. It had emerged in the second half of 19th century in an unplanned and gradual manner simply through the ad hoc decisions of individual states to peg their currencies to gold (Gallarotti, 1995).\textsuperscript{8} It was not until policymakers set out to reconstruct the international gold standard after World War 1 that they finally made efforts to set out more formal rules for governments to follow to support the international gold standard. But these rules – outlined at international conferences such as those in Brussels (1920) and Genoa (1922) – were voluntary and had no legal force. The economic and financial section of the newly created League of Nations also did not have the kind of authority and resources assigned to the BWOs. The international gold standard of the 1920s and earlier was governed
more by informal networks of central bankers (many of whose institutions were still privately owned) and powerful international private financiers as well as the heavy hand of imperial power (Bytheway & Metzler, 2016; De Cecco, 1974; Kahler, 2002).

The IMF’s Articles of Agreement were important in creating not just a new kind of highly legalized multilateral monetary and financial order but also one that was highly centralized. They placed the IMF at the core of international monetary and financial governance, as did a provision that countries could not join the WB without becoming members of IMF. The centralized nature of this new institutionalized multilateral order was reinforced by the conference resolution calling for the liquidation of the BIS (noted at the start of this article). Top US officials at Bretton Woods saw the BIS, which had been created in 1930 as the world’s first multilateral financial organization, as a competitor to the BWOs. They also associated it with the ‘old’ international financial order that Bretton Woods was meant to reform and replace. During the 1930s, the BIS had earned a reputation as defender of classical liberal monetary orthodoxy and it did not have the same public accountability of the intergovernmental BWOs, having been established as Swiss-chartered bank with founding members that included a US private banking consortium and six central banks.

In addition to its legalized and centralized nature, the institutionalized liberal multilateralism of Bretton Woods was also distinctive in its universal aspirations. The BWOs were created at a conference involving all members of the United Nations at the time (as well as some ‘Associated Nations’ which were neutral in the war but had broken diplomatic relations with the Axis powers). The ambition of the Bretton Woods architects was that these institutions would have universal membership in the postwar period (Kahler, 2002). This feature of the Bretton Woods institutions was quite different from the much more narrowly constituted BIS. It also contrasted with the multilateralism of pre-1914 international gold standard whose ‘membership’ had emerged in an ad hoc, uneven and incomplete manner (with important countries such as China never joining).

In sum, it was not just the new commitment to ‘interventionism’ that distinguished the multilateralism of Bretton Woods from the pre-1914 international gold standard. Also important was its institutionalized character, centered around formal international organizations and rules. Indeed, the Bretton Woods architects backed a particularly ‘strong’ form of institutionalized liberal multilateralism by committing to highly centralized and legalized institutional arrangements with universal aspirations. Using the terminology of Fioretos and Heldt (in press), the multilateralism of Bretton Woods was distinctive not just because of its ‘embeddedness’ but also with respect to its particular approach to ‘organizational focality’, ‘international legalization’ and ‘membership’.

**Influence from Bretton Woods to 1980**

How influential was the new normative framework of embedded liberalism in the international monetary and financial system up until 1980? IPE scholarship often points to its centrality in this period, but I suggest some reasons not to overstate its importance. Although the normative framework of embedded liberalism was certainly influential, I highlight two important phenomena that need to be
recognized in this period: the co-existence of influential *alternative* normative frameworks and the emergence of distinct *varieties* of embedded liberalism that were different from that of Bretton Woods.

**Co-existence of alternative normative frameworks**

Let us begin with the first phenomenon. Despite the multilateral aspirations of Bretton Woods, Ruggie (1982, p. 398) noted that ‘bilateral currency arrangements in the late 1940s and early 1950s became far more extensive than they had ever been in the 1930s’. Bilateralism was also evident in the lending patterns of the US at this time, beginning with the British loan in 1945–1947 and then intensifying with the onset of the Cold War through programs such as the Marshall Plan which marginalized the BWOs (Ruggie, 1982, p. 398, 407fn90). US bilateral relationships with various countries also helped shape the latter’s international financial policies during the long ‘transition period’ – much longer than expected at Bretton Woods – before the IMF’s legal obligations on members first began to come into effect in the late 1950s. Later in the 1960s, when pressure on the dollar grew, the US also defended its currency through key bilateral arrangements with key allies to discourage selling of dollars (Gavin, 2004; Zimmermann, 2002). Other bilateral deals were important to the evolution of the international financial system in the 1970s, such as the US-Saudi arrangements concerning the recycling of petrodollars (Spiro, 1999).

To what extent were these various bilateral arrangements a challenge to the formal multilateral content of embedded liberal normative framework of Bretton Woods? In later writing, Ruggie (1992, p. 571) identified bilateralism as one of the key alternatives to multilateralism, defining it as a generic institutional form that ‘differentiates relations case-by-case based precisely on a priori particularistic grounds or situational exigencies’. As a key example, he cited the pattern of restrictive and discriminatory bilateral agreements that Germany constructed in its sphere of influence during the 1930s. The kinds of postwar bilateralism noted above differed from the German example in that they existed alongside the formal institutionalized liberal multilateral normative framework of Bretton Woods. In many instances, bilateral practices were in fact explicitly aimed at supporting the broader goals of Bretton Woods; that is, bilateralism was seen as a means to a broader multilateral end. Indeed, this idea had been apparent in the original construction of the Bretton Woods system itself which had combined procedural multilateralism with a heavy dose of bilateral ‘sterling-dollar’ diplomacy (Gardner, 1980).

In some instances, however, bilateralism was promoted explicitly as an alternative to the normative framework of Bretton Woods. An important example involved the ideas of some of the US supporters of the British loan of 1945–1947. In the early 1940s, much of the New York financial community had opposed the Bretton Woods vision, objecting both to its ambitious multilateral design and to its support for new kinds of ‘interventionism’. These financiers had backed an alternative ‘key currency’ plan that had been developed by John Williams of the Federal Reserve Bank of New York (who himself was less opposed to new kinds of ‘interventionism’ than many of them). Instead of establishing ambitious multilateral organizations and rules, Williams argued that international trade and investment could be revived more quickly if the US simply extended a
bilateral loan to Britain that quickly restored dollar-sterling convertibility at a fixed rate. Although he hoped to encourage multilateral trade settlement via the dollar and sterling (and thus embraced a ‘weak’ kind of multilateralism), he opposed the institutionalized liberal multilateralism of the Bretton Woods plans, including the idea that all countries should be required to follow the same rules. For example, while Williams (1947) wanted Britain and the US to establish convertible currencies at a fixed exchange rate, he thought other countries should be allowed to choose different exchange rate regimes to fit their specific circumstances. Proponents of the key currency plan did not succeed in blocking the Bretton Woods agreements, but they helped to inspire US policy towards the British loan soon thereafter (Helleiner, 1994, p. 52-8; Best, 2005, p. 66-70).

There were other challenges to embedded liberalism in the early postwar years that took different forms (some of which are summarized in Figure 1, which also includes some alternatives to this normative framework discussed in the previous section). One emerged when the USSR refused to participate in the BWOs, and then created its own alternative economic bloc in 1949 (the Council for Mutual Economic Assistance, or COMECON). In addition to undermining the universal aspirations of the Bretton Woods architects, COMECON was organized around a different normative framework involving central planning principles, non-liberal values, and a heavy dose of bilateralism (Wiles, 1968, ch.12). Soviet allies that had participated in the founding of Bretton Woods soon ceased to be members of the IMF and WB, such as Poland (which withdrew in 1950) and Czechoslovakia (which was forced out by the US in 1954). With the Chinese Communist revolution of 1949, mainland China was also marginalized from the Bretton Woods system as Western powers endorsed Taiwan as the representative of China.

The influence of embedded liberalism was also absent in large parts of Africa and Asia that remained under colonial rule during the early postwar years. Imperial powers such as Britain maintained currency boards in their colonies, a

Figure 1. Embedded liberalism and some alternatives, pre-1980.
monetary arrangement which managed local monetary systems in a manner that simulated the automatic market discipline of the gold standard. In other words, while rejecting the discipline of the gold standard for itself at Bretton Woods, the British government continued to insist on this discipline for many of its colonies during the early postwar years.9

At a deeper level, the multilateralism of embedded liberalism was also missing in colonial contexts. Alongside bilateralism, imperialism is identified by Ruggie (1992, p. 571) as alternative to multilateralism in that it coordinates relations between states only by formally ‘denying the sovereignty of the subject states’. The sovereignty of many regions of the world was formally denied within the early postwar international monetary and financial system by their colonial status, a denial confirmed also by their lack of representation in the BWOs. Not until the wave of decolonization in the 1950s and 1960s did these parts of the world experience the much-trumpeted multilateralism of Bretton Woods. In this sense, formal imperialism existed alongside embedded liberalism as part of the normative framework of this early postwar international monetary and financial system.10

Indeed, it is important to recall that most colonies found no representation at the Bretton Woods conference, with the only exceptions being India (whose delegation was led by a British colonial official but included some Indian delegates) and the Philippines (which had been promised independence after the war by the US and whose delegation was headed by a Filipino). Imperial norms trumped multilateral ones in other specific ways as well during the conference. For example, delegates at Bretton Woods rejected demands by Indian nationalists for the IMF to help liquidate the enormous Indian blocked sterling balances that had accumulated during the war with imperial authorities in London (Helleiner, 2014, p. 221-2; Simha, 1970, ch.14). In this way, imperial relations within the sterling bloc were insulated from the multilateralism of Bretton Woods. The same was true of other colonial monetary arrangements such as the CFA monetary zones in French colonial Africa. Formal imperial norms were also baked into the calculation of IMF quotas at the 1944 conference. When the Dutch invoked their colonies to justify a request for a large IMF quota, US officials fretted privately that acceptance of this idea (and large quotas for other imperial powers) would effectively endorse colonial rule. To avoid this situation, they debated amongst themselves whether separate quotas should be created for colonies or whether an explicit provision should be made that these countries’ quotas would be divided up when their colonies became independent. In the end, however, the issue was simply dropped to avoid a major political conflict at the conference over the issue of colonialism (Helleiner, 2014, p. 184-5).

Even once colonized regions became independent in the 1950s and 1960s, they still often did not experience the full influence of the embedded liberal normative framework because of their dependence on the IMF whose advice turned in a more neoliberal direction from the 1950s onwards. US policymakers encouraged the Fund to increasingly promote stabilization programs in these countries involving, in Ruggie’s (1982, p. 407fn90) words, ‘exchange depreciation, domestic austerity measures, reduced public spending, rigid conditionality’. As Ruggie (1982, p. 413) put it, ‘[t]he compromise of embedded liberalism has never been fully extended to the developing countries. They have been disproportionately subject to the orthodox stabilization measures of the IMF’. Because Ruggie did not analyze the significance of development issues in the initial embedded liberal normative framework of Bretton Woods, he did
not discuss how significant this departure in the IMF’s role was from the vision of the Bretton Woods architects (who had anticipated that the IMF would do more to support policy space for state-led development strategies in poorer countries). During the late 1940s and 1950s, officials in Latin America, India and other poorer regions of the world were also deeply disappointed by the limited role played by the WB after the war in mobilizing long-term development finance to support their state-led development strategies. Once again, US officials played a major role in scaling back the WB’s ambitions in the early postwar years. These changes in US policy stemmed from a rapid erosion of support in that country for the development dimensions of the initial embedded liberal normative framework in new political circumstances after the war (Helleiner, 2014, p. 260-73).

**Norm-governed change and varieties of embedded liberalism**

US reluctance to implement the initial development goals of Bretton Woods led many Southern governments to increasingly view the Bretton Woods system as unfriendly to their development aspirations. As their voice in international forums grew in the wake of decolonization, they pressed for reforms, culminating in the initiative during the 1970s to create a New International Economic Order (NIEO). First proposed in 1974, the NIEO proposal involved calls for greater financial assistance, regulation of capital flows, respect for policy autonomy and a larger role for the UN in global economic planning, among other ideas (including many relating to trade and foreign direct investment) (Murphy, 1984). The initiative to create an NIEO did not succeed in the face of opposition from the US and other industrial countries, but its content was interesting in that it shared a similar goal as that of the Bretton Wood architects: to combine institutionalized liberal multilateralism with support for the state-led development goals of poorer countries (Helleiner, 2014, p. 273-6). For this reason, the NIEO initiative can be seen as an effort to generate what Ruggie called ‘norm-governed’ rather than ‘norm-transforming’ change. At the same time, the NIEO outlined a vision of embedded liberalism that was distinctive, embodying more ambitious ideas about public economic management at the international level and with larger institutional role for the UN. The NIEO can be seen, in other words, as an effort to carve out a distinct variety of embedded liberalism from that of Bretton Woods.

There were other examples of initiatives that developed distinct varieties of embedded liberalism in the postwar period. They differed from the embedded liberalism of the initial Bretton Woods vision across one or both of the two dimensions discussed earlier: the kinds of institutionalized liberal multilateral arrangements involved (vis-à-vis the issues of organizational focality, international legalization and membership) and the types of active public management of the economy supported. The variation in the content of these initiatives along these dimensions highlighted the flexibility and malleability of the new normative framework of embedded liberalism.11

One such initiative was cited by Ruggie (1982, p. 406-8): the creation of Special Drawing Rights (SDRs). This reform was designed to address the fact that the provision of international liquidity in the early postwar years relied so heavily the US external payments position and US dollar. First created in 1969, the SDR was a supranational reserve asset whose supply could be boosted multilaterally through
IMF processes. New allocations were subsequently approved in 1970–1972 and 1979–1981, representing a new and more ambitious kind of public management of the international economy than that supported at Bretton Woods (but with less universal aspirations, given the narrower IMF membership at this time). By enhancing the international liquidity available to each specific member state to cushion external payments problems, new SDR allocations also supported governments’ efforts to actively manage their domestic economies.

The move to floating exchange rates was another example cited by Ruggie (1982, p. 408-9). Floating exchange rates provided a new instrument for encouraging a more symmetrical adjustment process as well as for preserving a degree of monetary policy autonomy in an environment of growing capital mobility. The new exchange rate arrangements were also legitimized multilaterally in a 1978 amendment to the IMF Articles of Agreement which allowed each member government to choose its own exchange rate regime, subject to a set of IMF surveillance procedures and some vague commitments, including to ‘avoid manipulating exchange rates or the international monetary system to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members’ (Article 4.1(iii)). This new legal regime upheld embedded liberal norms but embodied a ‘weaker’ form of institutionalized multilateralism that was more permissive of national policy space in this area than the original Bretton Woods agreements had been. It was also focused primarily on augmenting the policy space of national authorities to manage their domestic economies, with only a limited nod (via IMF surveillance) to the idea of public management of the international economy.

Another ‘norm-governed’ innovation has already been noted: the fact that the embedded liberal order of Bretton Woods assumed a less universal form with the emergence of the Cold War. Innovating further, policymakers also created smaller sub-system regional financial arrangements informed by embedded liberal principles. An early example in the 1950s was the European Payments Union (EPU) which took over key roles of the IMF in the western European context and provided important policy space for activist macroeconomic policies and welfare states in that region (Best, 2005, p. 78-81). In the 1960s, regional multilateral development banks (MDBs) in Asia, Africa and Latin America were also created to supplement the development financing role of the WB. Working alongside the BWOs, these institutions diluted the ‘organizational focality’ of Bretton Woods, embodying a less centralized vision of institutionalized liberal multilateralism (Heldt and Schmidtke, in press).

That centralized vision was diluted further by the fact that the BWOs also found themselves working alongside other multilateral organizations in international monetary and financial governance. Many of these also had a much less formal legalized structure, such as the OECD (whose Working Party Three played a surveillance role in the 1960s) and the informal G groups (beginning with the G10 in the 1960s and intensifying with the G5/7 in the 1970s) (see Fioretos, in press). With a more formal structure than these bodies but a narrower membership than the BWOs, the BIS also emerged in an increasingly significant role. Although its fate was meant to have been sealed at Bretton Woods, the BIS secured its future in the late 1940s and 1950s when it became agent to the EPU. It also subsequently helped to coordinate the central bank swap lines of the 1960s (which supplemented
the IMF’s financing role) as well as to facilitate the negotiation of the Basel Concordat in 1974 (which established the first principles for supervisory coordination of international banks).

These various developments highlighted how considerable innovation could take place in international monetary and financial governance that remained within the embedded liberal normative framework. Ruggie (1982, p. 384, 412) himself had highlighted this possibility with his concept of norm-governed change, but his focus was more on the changing ‘instruments’ that could uphold the same norm. Here, I have also emphasized the flexibility and diversity of the content of the norm itself by highlighting distinct varieties of embedded liberalism (see summary in Table 1).

**Legacies and innovations since 1980**

This analysis sets the stage for interpreting the significance of trends after 1980. As noted in the introduction, the strong interest of many IPE scholars in Ruggie’s 1982 analysis has partly stemmed from a sense that the normative order he described has been eroding after 1980 in the context of the growing political influence of neoliberalism. Ruggie (1982, p. 413) himself presciently pointed to this prospect in 1982, arguing that ‘the resurgent ethos of liberal capitalism’ in leading economic powers was ‘the foremost force for discontinuity’ at the time in the normative framework of the postwar international economic order.

**Neoliberalization as norm-transforming innovation?**

In subsequent years, Ruggie (1995, 1997, 2003) echoed others in highlighting various dimensions of the unfolding of this discontinuity. Much of the focus of his analysis was on changes taking place in international trade and global production, but he and others also highlighted the liberalization and globalization of financial markets, a trend that signaled the erosion of the more controlled international and domestic financial orders of the earlier postwar era (Kirshner, 1999). Although this

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**Table 1.** Some varieties of embedded liberalism up to 1980.

<table>
<thead>
<tr>
<th>System</th>
<th>Types of institutionalized liberal multilateralism (vis-à-vis organizational focality, international legalization, membership)</th>
<th>Types of active public management of the economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bretton Woods in 1944</td>
<td>Centralized; legalized; universal aspirations</td>
<td>Mostly domestic (and quite diverse) with some international</td>
</tr>
<tr>
<td>Actually-existing Bretton Woods up to 1980</td>
<td>Less centralized; legalized and informal; less universal</td>
<td>Mostly domestic (and less diverse) with some international</td>
</tr>
<tr>
<td><strong>Specific initiatives</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIEO (1974)</td>
<td>Centralized (and UN centred); legalized; near universal</td>
<td>Domestic and international</td>
</tr>
<tr>
<td>SDR (1969-81)</td>
<td>Centralized; legalized; less universal (IMF members only)</td>
<td>Domestic and international</td>
</tr>
<tr>
<td>1978 reform of exchange rate rules</td>
<td>Centralized; legal (but weak); less universal (IMF members only)</td>
<td>Mostly domestic with some international</td>
</tr>
<tr>
<td>EPU (1950s) &amp; regional MDBs (1960s/1970s)</td>
<td>Less centralized; legalized; regional</td>
<td>Mostly domestic with some international</td>
</tr>
</tbody>
</table>
trend often emerged from unilateral decisions by states, it also had important multilateral dimensions, including its promotion by the IMF and its consolidation through the strengthening of a OECD code and regional rules within the EU (Abdelal, 2007). In the context of various debt crises, the IMF and the WB also assumed more prominent roles in the 1980s and 1990s across Latin America, Africa and Asia as enforcers of structural adjustment policies that promoted neoliberal goals such as economic liberalization and cutbacks to the state’s role in the domestic economy.

In these ways, institutionalized multilateralism became increasingly associated with neoliberal economic values in this period. As noted earlier, neoliberal thinkers such as Friedrich Hayek at the time of Bretton Woods had opposed the embedded liberal idea that institutionalized multilateralism should support various kinds of active public management of the economy. But Hayek had supported the notion that multilateral organizations and rules had a role to play in constraining states from engaging in policies that might undermine an open world economy. Indeed, he went further to suggest that multilateral organizations and rules could help discourage active public management of the economy more generally by insulating policymakers from popular demands and fostering market discipline and competition between jurisdictions (Masini, 2016). With the ending of the Cold War, the potential geographical reach of this Hayekian neoliberal vision expanded in the 1990s, as the BWOs finally came close to achieving the kind of near universal membership that the Bretton Woods architects had initially intended.

Although many multilateral organizations and rules shifted in a neoliberal direction in the 1980s and 1990s, the degree of erosion of embedded liberalism remains a controversial subject. One reason is that neoliberal advocates suffered occasional political defeats at the international level in this period, such as the failed effort launched in the mid-1990s to amend the IMF charter to give the body a stronger legal mandate to promote the liberalization of capital controls. The instabilities generated by the 1997-98 international financial crisis undermined support for this effort in the countries affected as well as in the US, with the result that the right of countries to control capital movements – enshrined at Bretton Woods – remained untouched in the IMF Articles of Agreements (Abdelal, 2007). Many countries accepting IMF loans during that crisis also reacted against the IMF’s harsh conditionality by attempting to insulate themselves from future IMF influence through unilateral reserve accumulation and the construction of alternative multilateral financing mechanisms such as the Chiang Mai Initiative (CMI). The confidence of the BWOs themselves in structural adjustment policies also began to erode in some limited ways in the wake of the 1997–1998 crisis (Best, 2014).

The neoliberalization trend was also uneven across regions (e.g. Latin America and Africa were influenced more than East Asia) as well as across sectors. Regarding the latter, those who focused on financial globalization were often more inclined to highlight the erosion of embedded liberalism than scholars studying the international exchange rate regime (who could point to greater policy space provided by 1978 amendment to the IMF’s Articles of Agreement). Even within each of these two issue areas, there were important debates. For example, global financial markets did not always act as enforcers of neoliberal discipline; they could also be very permissive of national policy discretion, helping to finance fiscal and external deficits as well as state-led development strategies. Some of the stronger claims
about the emerging neoliberal nature of financial governance also came from those studying exchange rate politics in Europe in the context of the move to regional monetary union (McNamara, 1998). Given the unevenness and controversies, the phrase ‘neoliberalization’ (e.g. Brenner, Peck, & Theodore, 2010) may be a more useful one to describe the post-1980 trends.

Further complicating the story of eroding embedded liberalism was that the fact that the BWOs were not always associated with neoliberal reforms in this period. China’s engagement with the BWOs provided a very significant case. The Chinese government joined these organizations in 1980 as part of its launching a new outward-oriented, state-led development strategy rather than the embrace of neoliberalism. That strategy was supported by WB loans (China quickly became the WB’s largest borrower) as well as by the IMF’s permissive rules relating to capital controls and exchange rate regimes. In other words, China’s post-1980 experience highlighted how, even in an era of neoliberalization, the institutionalized liberal multilateralism of the BWOs could continue to support a diversity of domestic economic strategies, including the kinds of state-led development goals that had been discussed at Bretton Woods. Indeed, Chinese officials have made a point of reminding Western audiences how the Bretton Woods agreements sought to reconcile liberal multilateralism with various forms of active public management of the economy. As China’s executive director at the IMF, Jin Zhongxia, recently put it, ‘The Bretton Woods conference agreements … embody a mixture of the thoughts of both the socialist and capitalist economies. It was an important trial and a form of rehearsal for countries of different social systems to learn from one another and to seek common ground while preserving differences in the name of peace and cooperation.’ (Jin, 2015, p. 14).

Debates about the extent of neoliberalization in international monetary and financial governance have become even more heated in the wake of the 2008 financial crisis, not least because there have been some international initiatives that can be interpreted as efforts to reinvigorate embedded liberal principles, albeit in relatively limited ways. For example, soft-law international financial standards were strengthened after the crisis in ways that combined new kinds of strengthened liberal multilateralism (the newly created G20 leaders forum and Financial Stability Board) with support for moderately enhanced domestic regulation. In 2012, the IMF also announced a new ‘institutional view’ of capital controls, one that went further in recognizing their usefulness in specific circumstances than the Fund had been willing to identify in its recent past (Gallagher, 2014). Both of these initiatives were inspired in part by a new ‘macroprudential’ social purpose in expert circles that could be used to support more active public management of the economy, including that with developmentalist goals in poorer countries (Baker, 2018; Gallagher, 2014; Thurbon, 2016). The G20 also became a forum for what Jonathan Luckhurst (2012) calls other kinds of ‘ad hoc embedded liberalism’ involving initiatives ranging from the regulation of illicit financial flows to macroeconomic coordination. In 2009, the G20 also endorsed a new allocation of SDRs by the IMF, the first since 1981.

Another interesting development was the creation in 2014 by the BRICS countries of two new institutionalized multilateral arrangements that replicated the kinds of roles assigned to the BWOs at Bretton Woods: the Contingent Reserve Arrangement (supplying short-term liquidity) and the New Development Bank
(mobilizing long-term development finance). Other initiatives with similar goals have been launched since 2008 in regional contexts, most notably the creation in East Asia of the new Chiang Mai Initiative Multilateralization (CMIM), which builds on the earlier CMI, and the Chinese-led Asian Infrastructure Investment Bank (AIIB). Some analysts have argued that these new multilateral arrangements are undermining the legacy of Bretton Woods by threatening to displace the BWOs from their central place in international monetary and financial governance. If we are concerned with the broader normative framework of embedded liberalism, however, they signal more continuity with Bretton Woods than discontinuity: they combine institutionalized liberal multilateralism with a commitment to various kinds of active public management of the economy. Indeed, a number of them have been created explicitly to address the perceived inadequacies of the BWOs in meeting embedded liberal goals such as the prioritization of policy space and the mobilization of development finance. In other words, they can be seen as norm-governed innovations that seek to uphold those broad goals in new ways by creating distinct varieties of embedded liberalism from that of Bretton Woods. It is also striking that these new arrangements are often working closely with the BWOs in ways that complement, rather than challenge, the latter.14

**Challenges to the liberal multilateralism of Bretton Woods**

These trends and controversies suggest the need for nuance in discussions about the degree of neoliberalization in international monetary and financial governance. Debates about neoliberalization will undoubtedly continue to be important for those interested in the future of embedded liberalism. At the same time, however, an exclusive focus on this issue risks steering attention away from growing challenges of a different kind to the normative framework of embedded liberalism (summarized in Figure 2). While the neoliberalization trend has threatened the

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**Figure 2.** Embedded liberalism and some contemporary alternatives.
commitment to active public management of the economy, these new developments challenge its commitment to institutionalized liberal multilateralism.

Interestingly, one such challenge comes from neoliberal circles. During the 1980s and 1990s, neoliberalism was usually associated with support for the strengthening of multilateral economic organizations. Harmes (2012) notes, however, the growing prominence of a strand of ‘neoliberal nationalists’ who are critical of such organizations, often calling for their abolition. Concerned about the potential of those organizations to support active public management of the economy, these neoliberals have become fiercely protective of fiscal and regulatory sovereignty. The prominence of neoliberals among supporters of Brexit and among sceptics of multilateral organizations in the Trump administration suggests that this strand of neoliberal thought has become even more politically consequential than when Harmes first advanced this argument (Hopewell 2017; Schmidt, 2017).

Neoliberal nationalists favor an open international economic order, but one governed more by market forces than international public authorities (e.g. Sally, 1998). In this, they share some similarities with 19th century classical liberals (as well as some supporters of the key currency plan at the time of Bretton Woods).

In the US context, a fuller rejection of multilateralism can be found among other groups on the political right that Harmes (2012) calls ‘populist conservatives’. They share the same combination of backing free markets domestically and opposing multilateral economic organizations, but their defense of sovereignty is linked more to issues of cultural identity as well as national prestige and power. They also favor an international economic order that is governed more by bilateral mechanisms through which the US can use its might to get its way, including through the use of mercantilist policies. Their position has a long lineage in US politics. Writing soon after Ruggie’s 1982 article first appeared, Keohane (1984, p. 18) identified one of the alternatives to embedded liberalism to be ‘self-help’, a perspective that favored ‘laissez faire’ policies at home, but mercantilist ones abroad. He argued this perspective was particularly influential in US politics between its civil war and the Great Depression, but also had some support in US political circles in the post-1945 years: ‘One still observes nostalgic tendencies in this direction on the part of some Americans but the United States has not really fitted this category since the New Deal’ (Keohane, 1984, p. 19). Donald Trump’s election as US president suggests the growing political significance of this nostalgia. Other countries have also been witnessing the rise of populist conservatism, and it has often been associated with attacks on institutionalized liberal multilateralism, including in international monetary and financial realm (e.g. Johnson and Barnes, 2015; Johnson, 2016, ch.7).

Populist conservatives are not the only ones critiquing liberal multilateralism in the current era. As multilateral institutions and rules increasingly assumed a more neoliberal form, these institutions and rules have unsurprisingly become the target of protests from some groups on the political left committed to various kinds of active public management of the economy. In this new context, the defense of ‘interventionism’ has sometimes come to be associated with more nationalist politics than it had been in the earlier postwar era when multilateralism assumed a more accommodating and/or supportive role towards active public management of the economy. As early as the ‘Fifty Years is Enough’ protests of the early 1990s, criticisms of the BWOs in these circles have sometimes extended to calls for their abolition. Some nationalists on the left have also embraced a broader anti-
globalization message that is critical not just of the BWOs and other liberal multilateral institutions but also of an open multilateral economy more generally.

A quite different challenge to liberal multilateralism can be found in China, the key rising power in today’s global economy. Although Chinese officials are actively supporting many multilateral organizations – both old and new – they also are devoting much energy to boosting bilateral forms of international economic governance that back active domestic and international public management of the economy. Since the 2008 crisis, the People’s Bank of China has signed dozens of bilateral swap arrangements that can provide countries with short-term financial support. In the sphere of international development lending, the China Development Bank’s (CDB) bilateral lending has become more significant in size than that of the WB or any other multilateral development bank (Huotari and Hanemann, 2014). Since 2013, China has also wrapped much of its bilateralism within the framework of the ‘Belt and Road Initiative’ (BRI) that seeks to promote greater integration of China’s economic partners in the Eurasian region and beyond. This new economic diplomatic framework embodies some elements of multilateralism (e.g. the role of the AIIB and NDB, a multilateral “Belt and Road Forum for International Cooperation”, as well as broad rhetorical support for an open multilateral economy), but it is largely comprised of a loosely structured network of arrangements whose content and reach depend very heavily on China’s bilateral relationships with the countries involved and in which bilateral lending mechanisms dominate. Indeed, some analysts argue that the BRI and other new Chinese economic initiatives build upon an older ‘tributary’ tradition in Chinese foreign economic policy that promoted a kind of hub-and-spoke bilateralism embedded in a larger Sino-centric worldview (e.g. Pan and Lo, 2017; Park, 2015).

For those interested in the future of embedded liberalism, these various challenges to institutionalized liberal multilateralism, and even to an open multilateral economic order, represent potentially important norm-transforming innovations. Their systemic significance, however, remains unclear. For example, if the challenges outlined above led to the marginalization, or even abolition, of the BWOs, this outcome would certainly be significant. But its potential systemic importance should also not be overstated. After all, we have seen how the specific institutionalized liberal multilateralism of Bretton Woods – with its centralized nature around the BWOs, its universal aspirations and its vision of ‘interventionism’ – has been eroded throughout the postwar period by other kinds of institutionalized liberal multilateral arrangements associated with alternative varieties of embedded liberalism. We have also seen how institutionalized liberal multilateralism itself has coexisted with influential alternative organizing principles such as bilateralism and formal imperialism as far back as the Bretton Woods conference itself.

The more systemically significant outcomes would involve a more general marginalization of institutionalized liberal multilateralism in international monetary and financial governance. Since the time of Bretton Woods, a number of alternatives to institutionalized liberal multilateralism have existed in this realm of global economic governance. In some cases, supporters of these alternatives have explicitly sought to challenge the centrality of institutionalized liberal multilateralism as a normative framework for the postwar international economic order, such as backers of formal imperialism (e.g. British opponents of Bretton Woods who favored imperial preferences and closed sterling bloc) or COMECON. In other cases,
however, alternatives have been promoted as a means towards a broader institutionalized liberal multilateral end. Prominent historical examples include the bilateralism of sterling-dollar diplomacy at Bretton Woods or US Marshall Plan assistance in the early postwar years. In the post-1980 period, US bilateralism has continued to play this role when, for example, US bilateral lending has worked in tandem with IMF stabilization programs or broader multilateral efforts to promote global financial stability (e.g. McDowell, 2017).

To what extent are alternatives to institutionalized liberal multilateralism in the current era working to support or displace its centrality as a normative framework for international monetary and financial governance? This question may now be as important – perhaps even more so – to the future of embedded liberalism than the debates about neoliberalization that have dominated IPE literature about embedded liberalism since Ruggie’s initial article. The fact that some alternatives find considerable support in leading powers in the system only reinforces their potential systemic influence. After all, as Ruggie (1982, p. 382) noted, it was the ‘fusion’ of a certain configuration of state power and new legitimate social purpose that helped to generate the international political authority of the embedded liberalism of Bretton Woods.

**Conclusion**

What has been the legacy of the embedded liberalism of Bretton Woods in international monetary and financial governance? To answer this question, I have begun by seeking to clarify its initial content. Ruggie’s 1982 analysis was extremely important in highlighting the innovative nature of the embedded liberal normative framework of Bretton Woods. I have argued that embedded liberalism was an even more innovative normative framework than his 1982 article suggested. The latter downplayed both the diverse kinds of active public management of the economy that could be supported by this normative framework as well as the importance of the institutionalized form of liberal multilateralism endorsed at Bretton Woods. Refining Ruggie’s definition, I have suggested that embedded liberalism can be described as a commitment to a form of institutionalized liberal multilateralism that is compatible with various kinds of active public management of the economy.

I have then explored the legacy of embedded liberalism in international monetary and financial governance during the years up to 1980 that were the focus of Ruggie’s initial analysis. IPE scholars often assume it was centrally important in this period, but I have shown that the legacy of embedded liberalism in the pre-1980 period was complicated by two phenomena. First, the international monetary and financial order was informed by a wider normative universe than just embedded liberalism. Both in the 1945–1980 period and even at Bretton Woods itself, the institutionalized liberal multilateral principles of embedded liberalism coexisted with formal imperialism and bilateralism, while its support for active public management of the economy was challenged in contexts such as the use of currency boards in colonial contexts and the IMF’s support as early as the 1950s for orthodox stabilization programs in developing countries. Second, a number of varieties of embedded liberalism emerged in this period that differed from the one that informed Bretton Woods. These norm-governed innovations diverged from the Bretton Woods model in various ways relating to the types of liberal multilateral
institutional arrangements they backed and/or the kinds of active public management of the economy they supported. They represented not just new instruments for realizing the same norm, but also variation within the content of the norm itself. Embedded liberalism, in other words, was a flexible and malleable normative framework.

In the period since 1980, embedded liberalism has been challenged by the growing political influence of neoliberalism in international monetary and financial governance. I have suggested, however, that analyses of this trend’s impact in this sector of the world economy need to be nuanced for a number of reasons. I have also suggested that the heavy focus on the neoliberalization trend risks steering attention away from new kinds of challenges to embedded liberalism stemming from increasingly powerful opponents of institutionalized liberal multilateralism. These new challenges are crucially important to the future of embedded liberalism at this 75th anniversary of Bretton Woods. In addition to studying neoliberalization, IPE scholars thus need to be exploring their causes and consequences at this particular historical juncture. I have had no room to explore these broader issues in this article, but they are critical for understanding how much longer the legacies of Bretton Woods will endure.

Notes

1. Ruggie’s 1982 article also addressed the governance of international trade. This is also a place to note that some of the reflections in this article update and refine my own earlier views, views that have evolved in the context of further research.

2. Another reason for scholars to be careful is that Polanyi’s interpretation of the gold standard had some limitations (Knafo, 2013; Helleiner, 2017). For Polanyi’s opposition to US postwar plans and support for a world of ‘tame empires’ instead, see Dale (2016).

3. Ruggie (1982, p. 392fn41) briefly alludes to this point: ‘mere state trading or even the participation of centrally planned economies, while posing special problems, were not seen to be insuperable obstacles to multilateralism’. See also Ruggie (1992, p. 591).

4. In his 1982 article, Ruggie makes little mention of the WB. The one exception comes in a footnote where he notes: ‘for the first time, international public responsibility was acknowledged for the provision of investment capital, supplementing the market mechanism’ (Ruggie, 1982, p. 398fn54).

5. I have chosen to refer to ‘active public management of the economy’ rather than ‘interventionism’ because even ‘free markets’ usually rely on various kinds of intervention in the economy by public authorities, such as the protection of private property and enforcement of private contracts. Indeed, Polanyi (1944) himself argued that state intervention was needed to bring ‘self-regulating’ markets into being. I continue to use the word ‘interventionism’ in some places in this article following Ruggie’s lead, but always with quotation marks and with the understanding that it refers broadly to active public management of the economy.

6. For this contrast, see Gross (2017). Initial US drafts of the IMF noted that members would need to subscribe to the objectives of the 1941 Atlantic Charter, while those of the WB included provisions for members to subscribe publicly to ‘a bill of rights of the peoples of the United Nations’ (quoted in Helleiner, 2014, p. 121). In discussing the German multilateral plan of 1940, Keynes famously argued that ‘much of what Dr. Funk offers is, taken at its face value, excellent’ but he objected that ‘the proposed system will not be administered to the general advantage but as a tyranny.’ (p.1) (Keynes to Mr.Waley, November 20, 1940, p.1 in UK National Archives T247/85).

7. It also overlooked how the classical liberal view of the international gold standard understated the considerable ‘domestic interventionism’ that was associated with that
monetary order (Knafo, 2013; Helleiner, 2017). In his later analysis of multilateralism, Ruggie (1992, p. 583-84) discussed the importance of the “move to institutions” in the 20th century.

8. The principal international monetary conferences in that era were focused either on promoting bimetallism or on establishing rules for, and sustaining, regional monetary unions such as the Latin Monetary Union or Scandinavian Monetary Union.

9. Keynes, however, was critical of colonial currency boards at the time of the creation of the Bretton Woods institutions (Helleiner, 2014, p. 225-26).

10. Critics of American power, of course, also depicted its relations with other independent states within this system as a form of informal imperialism.

11. Ruggie (1982, p. 393) hinted at this idea in his discussion of embedded liberalism at Bretton Woods where he noted ‘there remained enormous differences among countries over precisely what it meant and what sorts of policies and institutional arrangements, domestic and international, the objective necessitated or was compatible with’.

12. Although this variety of embedded liberalism contrasted with the universalism of Bretton Woods, the embedded liberal framework was, in fact, first conceptualized in both the US and Britain within regional contexts; that of inter-American relations in the late 1930s/early 1940s in the US case and the closed sterling bloc in the case of Keynes’s first rough draft of his International Clearing Union proposal in April 1941 (Helleiner 2007; 2014, p. chs.1-3).

13. Interestingly, White’s initial postwar plans in early 1942 allowed for this possibility by noting that a regional Inter-American Bank (providing both development finance and liquidity support) could exist alongside his proposed global Bank and Fund. He continued to discuss this idea in 1943 with Latin American officials (Helleiner 2014, p. 108, 167).

14. For example, the majority of the funds of both the CRA and the CMIM cannot be accessed by members without an IMF program (and access to even the ‘de-linked’ portion of funds requires compliance with the IMF surveillance and information provision obligations). The G20 leaders (2012) have also encouraged closer cooperation between the IMF and regional financial arrangements, even endorsing some non-binding principles about this issue at their 2012 summit.

15. For example, Rolland (2017, p. 129) notes that the China Development Bank’s expected contribution to BRI is approximately nine times larger that of the AIIB or NDB.

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Notes on contributors

Eric Helleiner is Professor in the Department of Political Science and Balsillie School of International Affairs at the University of Waterloo. His most recent book is Governing the World’s Largest Market: The Politics of Derivatives Regulation After the 2008 Crisis (Oxford, 2018) coedited with Stefano Pagliari and Irene Spagna.
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