A NEW INTERNATIONAL ECONOMIC ORDER?
TOWARDS A RENEWED
BRETTON WOODS AGREEMENT

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Let me start addressing a warm welcome to the speakers, discussants and to the 80 participants to this webinar devoted to question if a new international economic order is on the agenda today, after the 2008 economic crises and the pandemic one. The webinar is the first of three meetings presenting some of the issues of Villa Mondragone Conference, to be held next July 6 and 7, titled “Lessons from Covid-19. A stronger EU: Staying together in a new policy space”.

The subtitle of today webinar is: “Toward a renewed Bretton Wood Agreement”.

The Bretton Woods agreement was initially successful in allowing the world to recover after the war.

The President Nixon declaration in December 1971 and the G10 arrangement on March 1973 indicated the abandonment of the Bretton Woods fixed exchange rate system in favor of the current system of floating exchange rates.

Over the subsequent years the structure of the global economy changed rapidly.

In finance, the change was marked by a fundamental shift in governments’ attitudes away from managing capital flows and toward liberalization.

Emerging markets and developing countries have been the major engine for global growth for many years.

Large global imbalances were the prevailing feature of the world economy.

Quoting Mario Draghi, global excess of savings over profitable investments tended to prevail.

The large surpluses of Germany, China, Japan caused by insufficient effective demand are today confronted with a retreating globalization and with global value chains suffering the Covid effects.

In this scenario it is questionable whether the Bretton Woods principles are the most appropriate way to manage global imbalances.

Indeed, the principle eventually embodied in the Bretton Woods system, and persisting even after its demise, tends to identify money with a reserve asset, making possible,
and even necessary, the accumulation of global imbalances, despite original intentions
to reabsorb them.
On the contrary, the principle that inspired the Keynes plan was intended to deprive
money of the character of a reserve asset, thus making it the rule for international
exchanges, rather than an object of regulation among others.
Consequently, incremental changes of Bretton Woods agreements are unlikely to
be able to address today challenges. And without changes, the Bretton Woods
institutions - and the international economic system that they support - will
continue to erode, until at some point they break. The rise of cryptocurrencies,
starting with Bitcoin, has shown that the introduction and circulation of a World
Wide Currency no longer requires a central bank - private entities can create them,
as in the case of Libra.
In August 2019, Mark Karney, Governor of the Bank of England, argued that it is
time to move the world off its reliance on the US dollar and replace it with a new
international monetary system. He said that more thought should be given to
creating a global electronic currency
Let me conclude quoting Kristalina Georgieva, IMF managing director, recently
pointing out that today we face a new Bretton Woods “moment” he said that once
again, as in 1944, we face two massive tasks: to fight the crisis today and build a
better tomorrow.
I am sure that the speakers and the following discussion will offer many
suggestions and ideas to about.
We start with the speech of Federico Arcelli author with Giovanni Tria of the essay
Toward a Renewed Bretton Woods Agreement.
I give the floor to Federico Arcelli, Marconi University, for his speech.