

Bretton Woods System, 1944-1971

- Established International Monetary Fund (IMF) – to monitor currency exchange rates; loaned reserve currencies to nations with balance-of-payments deficits.
- Created the World Bank (originally International Bank for Reconstruction and Development) – provided financial assistance for postwar reconstruction and economic development of Global South.
- U.S. dollar became main international currency for global trade; dollar pegged to gold whose price was fixed at \$35 an ounce. U.S. Treasury was responsible keeping the price of gold fixed and had to adjust the supply of dollars to maintain confidence in future gold convertibility.

Cold War and U.S. Hegemony

- After WWII, the U.S. emerges as the preeminent global economic and military power. Through NATO (and other treaty organizations) and The Marshall Plan – U.S. seeks investments, raw materials, new markets, cheap, disciplined labor force.
- U.S. and corporate interests face three obstacles:
 - 1) Communism
 - 2) Militant and organized working class.
 - 3) Non-Aligned Movement. Set out to rebuild their economies on social democratic or socialist lines; resisted transnational corporations and U.S. domination, various efforts to liberalize their economies, etc.

Fourth Rupture: Revolt of the Global South

- Postwar moment: Chinese Revolution, Cuban Revolution, Decolonization, Eurocommunism, struggle for peace and a welfare state.
- Goal: to transform the very state (developed under fascism and colonialism) into tool for redistribution, justice, worker power, but against militarism.
- Global South defeated: result are extractive industries, suppression of trade unions and democracy in the name of global market integration and free trade.

The Globalists: Varieties of Neoliberal Thought



The Globalists: Central Players

- Ludwig von Mises (1881-1973) Founder of Austrian school of Economics; emigrates to U.S. 1940
- Friederich A. von Hayek (1899-1992) Student of Mises at Univ of Vienna; taught at London School of Economics (1929) Univ of Chicago (1950 - 62), Univ of Freiburg, West Germany (1962 - 68), UCLA (1968 - 69), Austria to 1992
- Wilhelm Röpke (1899 - 1966) German, ordoliberal, founder of Geneva School (Institute of International and Development Studies)
- Lionel Robbins (1898 - 1984) British, London School of Economics
- Michael Heilperin (1909 - 1971) Polish-American, Geneva School economist

Rupture I: WWI and End of Empire

- War-time measures granting state control over national economies, collapse of Habsburg and Ottoman empires, and national self-determination blurred distinction between the political domain (**imperium**) and the economic domain (**dominium**).
- Neoliberals feared:
 - 1) Democracy granted masses (and states) too much control over economic policy
 - 2) Self-determination was misunderstood to mean national self-sufficiency and national sovereignty over economies.
 - 3) Socialist revolutions—notably Russia (1917)—threatened property rights and capitalism.

Fixing the World Economy

- Neoliberals turn to International Chamber of Commerce (ICC) and the League of Nations to protect capital rights.
- ICC formed in 1920, promoted limiting national power over free trade, but often at odds with League of Nations for its defense of national self-determination
- League and ICC jointly organized World Economic Conference 1927-- argued tariffs, national sovereignty, and **trade unions** were the main barriers to global free trade
- ICC proposals: lower wages, cut corporate taxes, state repression of labor unions. Mises promoted anti-terror laws and state violence to suppress labor.

Birth of Neoliberalism

- Walter Lippmann Colloquium (August 1938) devoted to his book, *An Inquiry into the Principles of the Good Society* Launches International Study Center for the Renovation of Liberalism
- French industrialist Louis Marlio suggests term “neoliberalism.”
- Lippmann acknowledged need for institutions to preserve/protect the market but also supported measures associated with welfare state: eugenics, education to public works and urban recreation facilities.

Neoliberal War on Planning

- Hayek attributes the collectivism of National Socialism to social democracy, but the social democrats were not in power long, and virtually collapsed not because of planning or collectivism but because they supported German aggression in World War I.
- Economic collapse and retreat to economic nationalism convinced neoliberals to create world governing institutions to protect/encase the global economy.

Friedrich Hayek's *The Road to Serfdom*

- Free markets preserve individual liberty; state's role to guarantee a basic “negative” freedom
- Inequality is a given; to try to create equality by redistribution can lead to manipulation by a despot or a government. Also means treating individuals *unequally* to create equality.
- Creating equality is not only a disincentive to personal initiative, but actually morally debilitating.
- Social mobility is possible under free market for those willing to work.
- Govt. may legitimately regulate some aspects of economy: monetary system, prevent private monopolies, limiting working hours, environmental hazards, having system of social services.

Neoliberals and Decolonization

- Promoted decolonization without the “destructive” economic nationalism
- Believed the world created by empire represented the natural division of labor: former colonies produce raw materials; “advanced” countries manufacture.
- National sovereignty must be limited: economic domain can never be subject to democratic rule.
- Röpke supported white supremacy and authoritarian government to protect capital from backward “natives.” Champion of South Africa and Southern Rhodesia. Proposed drawing a “Zambezi line” dividing white settler colonial nations of Southern Africa with the rest.



Non-white South Africans were “at a stage of development which excludes true, spiritual and political integration with the highly civilized Whites, and are at present in such numbers that they threaten to overwhelm the latter who are present upholders of the political, cultural and economic order.”

~Wilhelm Röpke (1964)

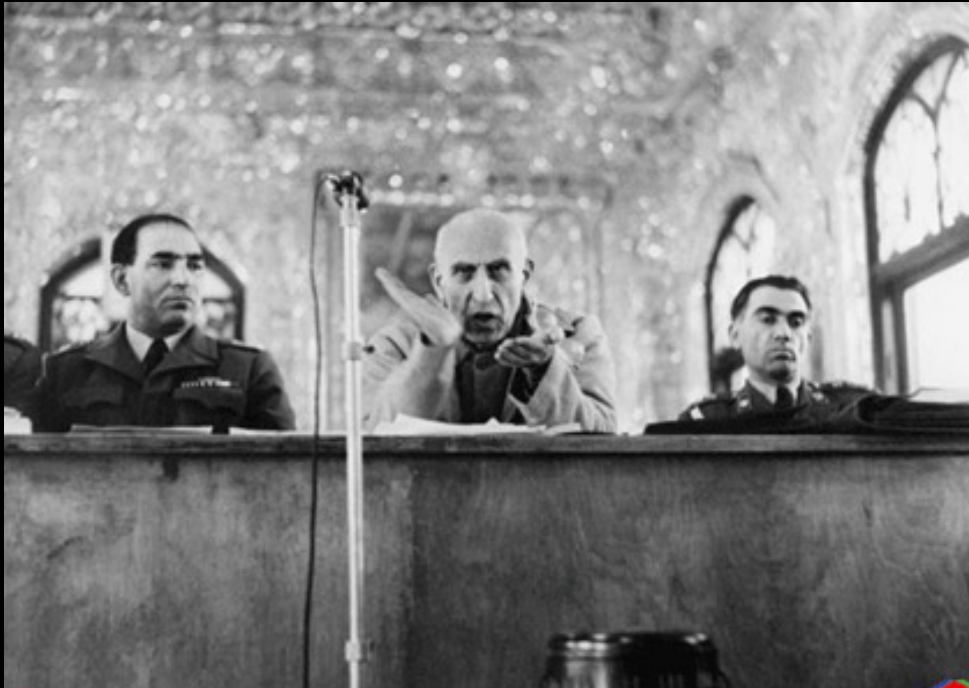


Killing the International Trade Organization

- Est. in Havana Charter (1948) to set basic rules for international trade, but Global South countries wanted to deviate from free trade orthodoxy (e.g., pursue full employment)
- Michael Heilperin derided ITO framework granting smaller nations to determine their own trade policy; argued for stronger limits on national governments and a stronger ITO empowered to override national sovereignty.
- “International Convention for the Mutual Protection of Private Property Rights in Foreign Countries” (1957) the so-called “Capitalist Magna Carta” – drafted by Hermann Josef Abs, head of Deutsche Bank. Required signatory nations to refrain from “direct or indirect illegal interference” with “foreign capital”

Iran, 1953

Overthrow of Mohammed Mosaddegh



- CIA and British intelligence organize coup against Mosaddegh; replaced by Mohammad-Reza Shah Pahlavi (the Shah of Iran)
- WHY?: Oil – British-owned Anglo-Persian Oil Co., est. 1909, had exclusive rights to oil fields, and UK govt owned part of company. Iran only received 16% of profits
- 1941-Britain and Soviets occupy Iran to control oil fields for the war
- Under Mosaddegh in 1951, nationalized Anglo-Iranian Oil Co.—offered compensation
- After coup, oil privatized again, divided between Britain (40%), U.S. (40%) and other countries (20%).

Guatemala, 1954

Overthrow of President Jacobo Árbenz



- Elected 1950, liberal reformist govt.
- Decree 900 – nationalized idle land for redistribution to peasantry, included land owned by United Fruit Company
- Arbenz govt. offered UF compensation of \$1,185,000 in govt. bonds, but company insisted on \$16 million
- June 1954, Arbenz govt. overthrown, replaced by a military junta

Congo, 1961

Assassination of Patrice Lumumba

- Province of Katanga—rich in copper, cobalt, uranium, gold, and other mineral wealth—secedes with U.S. and Belgian backing.
- Lumumba gets no help from U.N. or U.S., so appeals to Soviet Union. Further justifies CIA plans to eliminate him.



Assassination of Patrice Lumumba

- Congo president, Joseph Kasavubu, dismisses Lumumba as prime minister; later revealed Kasavubu worked for CIA
- 1960 – Joseph Mobutu seized power in Congo in a coup
- Lumumba tracked down with CIA assistance, arrested, beaten, killed by firing squad January 1961



Brazilian president João Goulart overthrown in U.S.-backed coup 1964



- Goulart administration limits profits multinational corporations can take outside Brazil
- Nationalizes subsidiary of ITT (International Telephone and Telegraph); threatened to nationalize the oil industry and impose rent controls
- Military Dictatorship rules Brazil 1964-1985