



ESSCA

To what extent are the Bretton Woods institutions under threat today?

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A system under pressure

"The United States executive order mandating a review of membership in all international intergovernmental organisations."

White House Executive Order — April 2025

The country that built this system is now questioning it.

What are the Bretton Woods institutions?

IMF

International Monetary Fund



- Lends to countries in financial crisis to stabilize their economy
- Acts as a global financial safety net
- 190 member states



World Bank

Founded 1944 in Bretton Woods, N.H.



- Funds infrastructure and development in poorer countries
- Original goal: prevent chaos of the 1930s from repeating
- Built on a dollar-centered system giving the US structural dominance from the start



Central Argument

*"The Bretton Woods institutions are not disappearing but their dominance is.
The threat is structural, not existential."*

Three concurrent threats

- geopolitical,
- institutional,
- and legitimacy

How they evolved: the Washington Consensus

1944

Keynes vision

- Keynes proposes a neutral system (the Bancor) where no country dominates, the US rejects it.
- The dollar becomes the world's reserve currency
- Result: structural advantage for the US built into the system from day one



1980s

Friedman's influence

- Friedman's ideas dominate, free markets always outperform state intervention
- US Treasury pushes this ideology into the IMF and World Bank
- Developing countries seeking loans must accept conditions: cut spending, privatize, open markets
- This package is called the Washington Consensus



They moved from managing a flawed system (dollar dominance) to promoting a specific economic model (neoliberalism), the one of Milton Friedman.

Threat 1 — Geopolitical fragmentation

- 2025: US executive order reviewing membership in all international organisations
- Project 2025 explicitly calls for US withdrawal from both the IMF and World Bank
- IMF Managing Director described Trump's course as a significant risk to the global outlook
- IMF projects global growth at 2.8% in 2025 — below the historical average of 3.7%

Trump did not break the system, he exposed that it was always held together by American willingness to lead. That willingness is now gone.

Key mechanism

Without US commitment, the institutions lose their anchor.

The country that built the system is now its biggest threat.



Threat 2 — Rise of competing institutions

- BRICS now represents 42% of global GDP and over 50% of world population
- Institutional alternatives to replace IMF/World Bank functions
 - New Development Bank
 - Asian Infrastructure Investment Bank
- Monetary alternatives that challenge dollar system
 - CIPS
 - de-dollarization

Note: At the 2025 Rio BRICS summit, de-dollarization was barely mentioned in the final declaration. The challenge is real but slower than headlines suggest.

Key mechanism

Countries now have options.

Dependence on the BWI is no longer automatic.



Threat 3 — Legitimacy crisis

- Developing countries hold ~40% of global GDP but a fraction of voting power at the IMF
- The US retains veto power over major decisions — a structure designed in 1944
- Austerity policies have been widely criticized for their social and economic consequences
- The 1997 Asian crisis and 2001 Argentine collapse (both under IMF programs) became defining symbols of this resentment

Key mechanism

When countries feel unrepresented and have alternatives, they stop complying.

Influence erodes quietly — without a dramatic break.

BUT WHY HAVEN'T THEY COLLAPSED?

No Real Alternative Yet

The AIIB and New Development Bank are complements, not replacements. No currency rivals the dollar's liquidity, legal infrastructure, and global trust. Alternatives take decades to build.

Network Effects of the Dollar

Switching costs are enormous. Oil contracts, trade finance, sovereign debt — all denominated in dollars. Diversifying reserves takes years; dumping dollars overnight would hurt the seller as much as the US.

Institutional Inertia

IMF and World Bank have deep expertise, established relationships, and legal frameworks accumulated over 80 years. Crisis management still runs through them — even China uses these channels when it suits.

Reforms Are Happening (slowly)

IMF quota reforms did expand developing country voice in 2010 and 2023, even if inadequately. The institution is aware of its legitimacy deficit — it is adapting, not ignoring the challenge.

To what extent?

Institutions still standing

190 members, still lending, still relevant

A structural shift

A shift toward a fragmented, multipolar world

Losing their monopoly

Over global economic governance

Friedman's legacy questioned

From left and right simultaneously

The system isn't collapsing. It's losing control.

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