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The perils of technocratic power: central bank discretion and the end of Bretton Woods revisited

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Abstract
Recent crises have cast doubt on the legitimacy of technocratic power, yet its role in global economic governance remains poorly understood. Revisiting the collapse of Bretton Woods, we propose a dynamic theory of global monetary governance to explain how expanding central bank discretion can destabilise systems. While most studies attribute the postwar system's failure to power-political struggles, institutional weaknesses, or shifting economic ideas, they overlook the policies designed to manage and stabilise it. Drawing on historical institutionalism, we show how coordination tensions between rule-bound and discretionary policymakers – and the mutually reinforcing adaptation risks they faced – produced responses that appeared stabilising in the short term but ultimately eroded long-run stability. New archival evidence from the International Monetary Fund, Bank for International Settlements, and Organisation for Economic Co-operation and Development reveals how tools like the London Gold Pool and currency swap lines extended central bank power, concealed macroeconomic imbalances, and crowded out political momentum for structural reform. As technocratic authority grew misaligned with political support and functional economic adjustment, it became a liability. In building this theory, we highlight the sociological, agent-level sources of instability rooted in technocratic policy discretion and interpersonal ties among central bankers – challenging the dominant view that technocratic actors are inherently superior in managing global economic policy.

Keywords: technocratic power; policy discretion; Bretton Woods; central bank cooperation; monetary system stability

Introduction

National and global governance has increasingly shifted into the hands of technocratic agencies and independent institutions.[1] A prime example of this trend is the

[1]Mounk 2018.

delegation of key domestic and global financial and monetary policymaking to central banks.[2] These unelected, independent technocrats work alongside political financial authorities (state treasuries and finance ministries) to maintain domestic and global economic stability, each with specific goals and distinct capabilities.

Compared to political actors and institutions, technocratic central banks possess relatively unchecked discretionary power in pursuing policy goals, justified by the need to keep politics out of monetary policy and allow for the long-term stewardship of stability.[3] While scholars have long debated this organisational setup and questioned the domestic legitimacy of technocratic power – primarily citing normative concerns about democratic shortcomings – recent global crises and persistent instabilities have also illuminated deeper questions about the policy effectiveness of central banks' creeping mandates and discretionary global power.[4]

How, and through what governing processes, does technocratic power shape international monetary systems? We argue that coordination mismatches between discipline and discretion, fuelled by technocratic overreach, can destabilise monetary systems. Central bankers' flexibility to generate ad hoc crisis interventions, compared to rule-bound political counterparts, tends to foster an over-reliance on technocratic discretion. Over time, expanding technocratic policies crowd out structural reforms, stifle market adjustments, and incite political backlash that curbs central bank power itself to erode system stability.

We develop our argument through an inductive, theory-building historical case study of international monetary cooperation, re-examining the collapse of the Bretton Woods monetary order. We find that the reliance on central bankers' discretionary policies, enacted partly to bypass formal intergovernmental and political constraints, created self-undermining feedback effects, resulting in a poorly adapted set of policies and supports for the system. These dynamics also led to political dysfunction in the form of policy competition between ministries of finance and central banks, exacerbating rather than addressing the system's inherent macroeconomic design flaws and mounting balance of payments problems.

To be clear, we do not seek to establish a new causal explanation for why the Bretton Woods system collapsed, nor do we directly challenge existing explanations. Robert Triffin anticipated this collapse in the early 1960s, identifying inherent economic fault lines and political constraints on reform.[5] Still, the system was propped up until its collapse in the 1970s. To jointly keep the system going, central banks created technocratic fixes, such as the London Gold Pool, and liquidity, through the Federal Reserve (the Fed) and Basel swap networks,[6] while treasuries

[2]Tucker 2018; McDowell 2012; Broz 2015; Garriga 2025; Bodea and Hicks 2015; Allen and Sahasrabuddhe forthcoming.

[3]Alesina and Tabellini 2007; 2008.

[4]We join a growing body of literature raising questions about central bank activism that extends beyond their formal mandates. This work highlights policies such as quantitative easing (Braun 2016), central bank currency swaps (Allen and Sahasrabuddhe forthcoming), and the distributive implications of monetary policy, crisis interventions, and opacity in decision-making (Dietsch 2020; Ehrmann et al. 2013; Jones and Matthijs 2019; Roth 2009). For normative critiques of central bank discretion and democratic deficits, see Berman and McNamara 1999; Downey 2024; Mounk 2018.

[5]Triffin 1961.

[6]Sahasrabuddhe 2024; Toniolo 2005.

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and finance ministries managed formal exchange rate commitment devices and longer-term borrowing facilities.[7]

We advance a theoretically grounded interpretative account of *how* the system's global governance unravelled. We trace the sequence of events, institutional dynamics, and reactive policy interactions between finance ministries and central banks that shaped the development of the system.[8] This builds on studies that highlight the negotiated nature of the Bretton Woods system and the critical role of technocratic governance agents.[9] Using the historical institutionalist (HI) concept of self-undermining feedback effects,[10] we show that the policies built to solve technical problems became maladaptive and destabilising in themselves.

In the early 1960s, when functional problems emerged, central banks responded flexibly, while finance ministries were more constrained; this cultivated an increasing dependence on ad hoc and expanding technocratic solutions. As solutions to past crises like the Gold Pool were consolidated into ongoing institutionalised practices, the over-reliance on stopgap technocratic fixes became a source of policy disjuncture across governance sites: necessary currency realignments and structural reforms being negotiated by finance ministries were crowded out, cultivating downstream market instability and breeding political resentment. By the end of the decade, even as global technocratic power grew, it became impaired by a loss of political support and misaligned with fundamental economic adjustment needs, evolving into a source of weakness that undermined stability.

We demonstrate the system's unbalanced evolution empirically using new archival materials from key governing bodies, including Working Party 3 (WP3) of the Organisation for Economic Co-operation and Development (OECD), the Bank for International Settlements (BIS), the G-10 Deputies meetings linked to the International Monetary Fund (IMF), and national finance ministries and central banks. We reveal policy distortion and self-undermining processes emerging from multi-site governance interactions. Surprisingly, many policymakers were aware of the accumulating flaws in their policies but pursued them anyway. This highlights ground-level factors driving the decisions of technocrats, who at times knowingly implement counterproductive policies because doing so empowers them or supports their organisational interests in global governance.

The forked policy development we identify in the Bretton Woods system, where central bankers relaxed constraints while finance ministries hardened them, is not unique. A similar pattern appeared in the central bank gold devices used to circumvent the interwar gold standard fetters;[11] in the 1980s European Monetary System, where initially flexible exchange parities gave way to rigid rates, the system grew dependent on short-term central bank liquidity support;[12] it is also visible in the Eurozone, where fiscal policy becomes 'ever tighter and more rules-based' while monetary policy becomes 'ever looser and more discretionary' as the system deviates

[7]James 1996; Toniolo 2005.

[8]By focusing on the mechanisms and interactions among key actors, this approach emphasises process over causation, highlighting the evolving constraints and policy adaptations that ultimately contributed to the breakdown of the system.

[9]Best 2004; Bordo and Eichengreen 1993; Volcker and Gyohten 1992.

[10]Farrell and Newman 2021; Hacker et al. 2015; Mahoney and Thelen 2009.

[11]Morrison 2021; Seddon 2021.

[12]James 2012a, 232; see also Giavazzi and Giovannini 1989.

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from its origins.[13] These cases are potential avenues for further research on maladaptive technocracy in global monetary governance.

Our central theoretical insight is surprising, even counterintuitive: the Bretton Woods system was destabilised not despite technocratic power, but in part because of it. Technocrats are often assumed to be superior monetary governors due to their proclaimed long time horizons and insulation from politics. Critiques typically focus instead on democratic deficit and domestic legitimacy concerns.[14] Moving past these standard normative criticisms, we argue that the substantive nature of technocratic policies can undermine global governance performance and destabilise international monetary systems.[15] In particular, we theorise how policies enacted in different institutional settings can interact in ways that destabilise the broader system. Our argument focuses on sociological, agent-level sources of instability – specifically, technocratic discretion and informal relationships among central bankers – and explains how the temporal logics of policymaking and interactions across institutional settings give rise to self-undermining dynamics. By focusing on technocratic discretion, we offer new insights into how the institutional logics, epistemic practices, and procedural dynamics of technocratic policymaking shape its role and effectiveness in global governance.

This claim regarding global technocratic power speaks to three related theoretical debates. First, this paper contributes to the literature on institutional change in central banks, a field that has gained significant momentum since the 2008 crisis.[16] We show that formal legal constraints – and even the need for political acquiescence for institutional reform – often dissolve during crises. This dynamic, we argue, creates a distinct risk of technocratic overreach. In going back to an earlier period, we also illuminate a recurring historical pattern: the material expansion of central bank power has consistently led, in the long run, to political backlash, loss of market control, and eroding public trust – exposing the essentially contested nature of technocratic authority.[17]

Second, our argument intersects with debates about agency and institutional performance in global governance. While some portray international organisations (IOs) as rogue agents subject to bureaucratic pathologies,[18] others argue that myopic state principals cause poor institutional performance.[19] In this view, institutional autonomy and power improve outcomes in global governance. We demonstrate, instead, that global technocratic autonomy can backfire in ways that this debate has not considered: by enabling state principals' moral hazard, letting states and markets dodge crucial economic reforms.

Third, we contribute to HI by specifying a historical logic of self-undermining technocratic power.[20] Here, we utilise the concept of mutually reinforcing

[13]Matthijs and Blyth 2018.

[14]See Downey 2024; McNamara 2002; Mounk 2018.

[15]We thus point to a specific context and set of mechanisms through which 'technocratic myopia,' to use the term coined by White (2024), can undermine long-term policy objectives.

[16]Kern and Seddon 2024; Morrison 2021; Moschella 2024; Sahasrabuddhe 2025.

[17]Our argument also resonates with assessments of contemporary central bank over-reach in domestic and international governance (Johnson et al. 2019).

[18]Barnett and Finnemore 1999.

[19]Lall 2017.

[20]We contribute to HI efforts to unpack various logics through which systems are governed by their own history, such as Farrell and Newman 2021, Mahoney and Thelen 2009, Pierson 2004, Seddon 2021, and Sewell 2005.

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pathologies when policy processes in parallel domains interact, exacerbating dysfunctions in each.[21] Our case study illustrates the role of technocracy in a destructive cycle of policy action, *inaction*, and reaction, where technocratic decisions in one domain prompted political (non-)responses in another, ultimately destabilising the Bretton Woods system.

The breakdown of the Bretton Woods system

Why did the Bretton Woods regime collapse? Three broad scholarly explanations of this outcome stand out: institutional economic, power-political, and ideational accounts.

Institutional economic accounts focus on the problems of adjustment, liquidity, and confidence.[22] Adjustment between major economies failed because the 'Nth Currency Problem' rendered the dollar exchange rate immutably overvalued. The system became dependent on ballooning U.S. deficits as increases in other sources of liquidity (e.g., gold and IMF credits) proved difficult to arrange.[23] Exchange rate rigidity and excessive U.S. monetary expansion were central to the Bretton Woods system's collapse.[24] External dollar liabilities dwarfed available gold reserves, causing confidence in the gold-dollar convertibility pledge to flounder. This unsolved 'Triffin Dilemma'[25] caused the system to break at its golden anchor.

The political power and interest-based theories locate the failure of the gold-dollar system in the breakdown of a hegemonic bargain.[26] They point to the shifting distribution of economic power between America and its allies that undid a deal based on cheap credit for America and plentiful reserves for emerging Europe and Japan. These accounts focus on the political reaction to this change in the United States amid strained domestic conditions emerging from the Vietnam War and Great Society social programs that undermined any willingness to adjust to the requirements of supporting the international system.[27]

A third approach points to the shifting ideas and beliefs underlying the system that changed state interests and policy decisions.[28] Helleiner argues that a shift away from Keynesianism and towards neoliberal norms destabilised the system.[29] Blyth emphasises ideational conflicts in the construction, and later dismantling, of the postwar order.[30] Best shows that a gradual hollowing out of Keynesian norms in 'technical fixes' undermined the system.[31]

[21]This multi-situational analysis also responds to calls for a more nuanced understanding of the complex topological contexts of international governance. See Abbott et al. 2016; Morse and Keohane 2014.

[22]Bordo and Eichengreen 1993.

[23]Garber 1993.

[24]James 2012a.

[25]Triffin 1961.

[26]Gowa 1983; Gilpin 1987.

[27]James 1996; 2012b.

[28]Hall 1993; McNamara 1998.

[29]Helleiner 1994.

[30]Blyth 2002.

[31]Best 2004, 387.

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We do not challenge these accounts but instead extend them by analysing the micro-foundations of the breakdown of governance. We examine the technical solutions adopted to address the challenges identified by economic institutionalist accounts, and how these solutions inadvertently fuelled discontent and instability, unpacking the process that led to the redirection of state power and interest emphasised in power-political explanations. Our analysis is most similar to ideational accounts that emphasise the importance of misdirected beliefs and policy paradigms, such as errant learning in the Eurozone,[32] the hollowing out of Keynesian norms,[33] and the flawed gold standard mentality that informed the interwar return to gold.[34] It is distinct in our analytical emphasis on technocratic agency and informal ties, rather than ideas, through which we problematise central bankers' discretion in the governance process to illustrate the gradual erosion of technocratic policy effectiveness. Our argument adds to existing debates, explaining *how* people acted in a particular historical-institutional setting and shaped the development of the gold-dollar system. We draw attention to endogenous sources of instability – rooted in the interaction between the varying adaptation risks of technocratic and political agents – within a system that policymakers were battling to stabilise.

Bretton Woods governance was a dynamic process that continually generated new dilemmas. Even if the system's economic problems were profound, an understanding of the processes and pathologies through which adopted policies became maladapted and failed to deal with fundamental macroeconomic problems is needed to provide a fuller historical account. Parallel stabilisation efforts – heavily reliant on central bankers' discretion and tight intergovernmental commitments – created a poorly adapted system. In time, growing technocratic power, shaped by dynamic interactions and reactive policy sequences, became self-undermining. We aim to fill a gap in the literature by theorising this self-undermining process of system governance that contributed to Bretton Woods' downfall.

The theoretical framework

We develop a dynamic framework to explain the implications of technocratic power in multi-setting international monetary governance. We explain how tensions between rules and discretion, as well as discipline and liquidity, can generate self-undermining feedback effects. In particular, ad hoc short-term crisis management policies by central banks exacerbate systemic instability – a dynamic we term *maladaptation*. Meanwhile, policies by political ministries of finance and formal intergovernmental settings often fail to adapt at all – or *non-adaptation*. We theorise this process and the emergent coordination tensions between discretionary and rule-bound policymakers in three steps: first, by unpacking the multi-site, political and technocratic, 'body politic' of international monetary governance; second, by considering the different policy adaptation risks and pathologies that governance agents are prone to; and third, by demonstrating how a skewed reliance on central bank technocratic power and agency can emerge, and generate self-undermining dynamics over time.

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[32]Matthijs and Blyth 2018.

[33]Best 2004.

[34]Eichengreen and Temin 2000; Morrison 2021.

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The 'body politic' of international monetary governance

In domestic and global monetary governance, there is a clear institutional division between technocrats – central banks and the BIS – and political agents – treasuries or ministries of finance and the IMF. While they sometimes come together in common fora, this institutional division forms the 'body politic' of international monetary governance, where these governing agents operate in parallel spheres of influence. Political and technocratic agents are equipped with different tools to perform their functional tasks and achieve their goals.

Broadly, technocratic central banks, charged with monetary stability, derive their authority and legitimacy from their technical expertise, knowledge, and proficiency in a specific field, and their market access, influence, and informational advantages.[35] In contrast, treasuries and finance ministries exercise political authority with their ministerial mandate, fiscal policy levers and broader responsibilities for economic planning across government departments. This political authority is derived from democratic legitimacy, institutional power, and the charges granted through political processes.[36] The distinction between political and technocratic actors is fundamental to global monetary governance processes.[37]

State treasuries and finance ministries operate through more formal channels of national and international commitments designed to govern system participation. They are agents of governments pursuing national agenda in the financial realm, possessing limited autonomy and discretion in policymaking. Cooperation between national financial authorities is supported by more formal institutional ties and perceived converging interests, and maintained through formal legal mechanisms to allow for credible commitments and enforce cooperation.[38] Resulting policy arrangements tend to be more rigid and rules-based, and policymakers act with much less discretion than their central bank counterparts.

Technocratic central banks are designed to keep monetary policy detached from political interference and election cycles. Central bankers' longer tenures in office and longer policy time horizons cater to mitigating time inconsistency concerns, managing inflation expectations, and preserving long-term stability.[39] Notably, as studies show, even when many central banks did not enjoy statutory independence in the 1960s, delegated technocrats' discretion and political insulation manifest in policymaking not only through institutional but also through unique informal channels.[40] This allows them great flexibility to transcend their institutionally specified roles and

[35]Alesina and Tabellini 2007; Alesina and Tabellini 2008; Tucker 2018.

[36]Büthe and Mattli 2011; Seddon 2017.

[37]We recognise that the distinction between central banks' discretion and that of fiscal actors is neither rigid nor historically fixed. In the aftermath of the Great Depression and the Second World War, many central banks were nationalised, reducing their autonomy and technocratic authority (Bordo 2007). More recently, in some countries such as the United Kingdom, fiscal actors themselves have become increasingly technocratic in character (see Clift 2023).

[38]Moe 1995.

[39]Alesina and Tabellini 2007; 2008.

[40]Coombs 1976; Johnson, Arel-Bundock, and Portniaguine 2019; Sahasrabuddhe 2025; Volcker and Gyohten 1992; White 2024. Even before *de jure* central bank independence was institutionalised across most countries in the 1980s and 1990s, central banks were insulated in their foreign operations, given the technical nature of their responsibilities. Note also that the Fed and the Bundesbank in West Germany were granted independence in the 1950s.

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respond quickly to changing circumstances.[41] However, central bankers' discretion can also lead to more unsavoury actions as we discuss below.

The relationship between central banks and governments has always been shaped by a fundamental distinction in their sources of power: although central banks are nominally agents of governments, they have historically competed with finance ministries for policy influence, leveraging their ties to financial markets and specialised expertise to assert autonomy and exercise power. This dynamic has evolved – earlier central banks acted as private entities before being brought under government control in the mid-twentieth century, with contemporary frameworks often granting them formal legal independence. Yet, despite changing institutional arrangements, the distinction between political and technocratic power remains, making this duality one of the most enduring features of monetary governance.

Technocratic maladaptation and political non-adaptation

Why does the constitutional division between finance ministries' political authority and central banks' technocratic authority matter? As noted, constitutional differences between political rule-bound constraints and technocratic discretionary leeway shape the types of policies each can enact and their adaptability.

A consequential fault line is that finance ministries and central banks face distinct policy dysfunction or adaptation risks. We refer to these as *maladaptation* and *non-adaptation*, drawing on Hacker, Pierson, and Thelen's concepts of 'conversion' or 'drift,' respectively, and applying them to the governance of the international monetary system.[42] Our variation on this theme emphasises the power differences and coordination tensions between discretionary technocratic and rule-bound political agents. These adaptation risks create points of policy disjuncture and political friction, as each governing agent's power and stabilisation policies can inadvertently exacerbate the very risks the other seeks to mitigate.

'Maladaptation,' which central banks are particularly prone to, refers to poor policy adaptation or even malfeasance enabled by high levels of discretion. To maintain power, central banks can leverage their insulation from political and public scrutiny, using creative methods to obscure economic issues while safeguarding their autonomy.[43] Central banks may also engage in joint schemes with foreign counterparts, relying on informal, interpersonal channels of cooperation for more candid exchanges to pursue these efforts.[44] While discretion and informal arrangements are not inherently problematic, they can lead to central bankers becoming 'thick as thieves.' Ad hoc and informal central bank governance arrangements neither guarantee commitment nor policy restraint, and are vulnerable to policy slack, rule avoidance, and information distortion, which can drive maladaptation.

[41]Friedman (1962) cautioned against central bankers' heightened discretion in periods of crisis. Sahasrabuddhe (2024) illustrates the global implications of this heightened discretion in the pursuit of expansionary and experimental central bank policies.

[42]Farrell and Newman 2021; Hacker et al. 2015.

[43]See Garrett (1995) on the Bank of England's obfuscation of gold reserves in the 1920s. For a broader range of examples on central bank obfuscation, see Best 2022; Braun and Düsterhöft 2025; Fink 2023; van 't Klooster and Fontan 2020.

[44]Bytheway and Metzler 2016; Coombs 1976; Sahasrabuddhe 2025.

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To illustrate, in the 1920s, Montagu Norman (the governor of the Bank of England) falsely reported gold flows to directly manipulate market expectations, to maintain control over monetary policy.[45] These operations were secretly carried out through the Federal Reserve Bank of New York (FRBNY), so this manipulation of gold reserves was not traceable at the Bank of England.[46] Such arrangements have always required the support of foreign counterparts; mid-century bankers similarly obscured their operations and collective arrangements in their 'idea of a club of friends "*on peut se permettre le luxe de certaines volies avec ces gen là*" [we can afford the luxury of certain follies with these people].'[47]

'Non-adaptation' afflicts agents who are more institutionally and politically constrained, such as treasuries or finance ministries, and thus take more of a restrained or 'do-nothing' approach to new challenges. Institutional rules and political control mechanisms are designed in part to impede unchecked bureaucratic agency and guard against problems of time inconsistency, agency slack, and political uncertainty.[48] Intergovernmental contracts and political organisations are not just highly formalistic in their rules and procedures, but also limited in ambition by interstate coordination problems and distributional tensions.[49] Such rigid governing arrangements may fail to adapt to changing problems.

Again, historical examples of monetary accords between treasury departments that have been too formalistic are easy to isolate. One example is the European Monetary System (EMS), the *de facto* failure of which in September 1992 is often attributed to the increasing rigidity of the European Treasury-engineered system.[50]

The limits of technocratic power

What mechanisms lead stabilising central bank policies to become destabilising? We argue that this process is embedded in the dynamic logic of multi-setting global governance. As monetary systems develop, new pressures may weaken the functional fit between the governance system and the problems it was created to solve, generating demands for change. Because technocratic and political actors have different preferences and capabilities and different policy adaptation risks, the modalities of change within different governance settings will vary, creating the potential for policy disjuncture and discontent.

These potential downside risks are often not immediately apparent, a fact that may facilitate cooperation and action. Ad hoc central bank policies and technocratic fixes can help delay and defer economic adjustment costs,[51] and so buy time to find solutions to emergent systemic problems, while treasury and finance ministries affirm the status quo and thereby assuage market volatility and public concerns. However, this is not stable or durable as over time, underlying tensions and deferred

[45]Garrett 1995.

[46]Bytheway and Metzler 2016.

[47]Bank for International Settlements Archives, Basel (hereafter BIS Archives), DEA.12 (F35), 'Note of Meeting of the Study Group on the Creation of Reserve Assets,' Rome, October 26–30, 1964. See also LeBor (2013) on the shadowy history of interwar central bank cooperation.

[48]Moe 1995.

[49]Voeten 2022.

[50]Giavazzi and Giovannini 1989, emphasis added.

[51]Cohen 2019; Seddon 2021.

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balance of payment pressures eventually resurface, necessitating deeper structural change. With time, the distributional implications of steady central bank empowerment will become clear. In response, political groups whose relative power has weakened may seek to rein technocrats back in.

The distinction in policies enacted in crises and normal times is central to understanding why central banks often take the lead in active policymaking, and why system-supporting arrangements come to operate as they do.[52] Central bankers can rapidly direct policies to respond to immediate challenges with relative ease and discretion.[53] In contrast, rule-bound political actors struggle to update policies in rapidly changing or worsening external environments and may rightly fear indiscipline adding to instability. Stable periods should provide an opportunity to realign policies with the changed post-crisis environment – updating outdated disciplines and tempering new forms of discretion – but distributional conflict within and between states, and incomplete information often impede such adjustments. As such, time inconsistency problems skew the policy mix.[54] Over time, multi-setting global governance often becomes unbalanced, standing almost entirely on ongoing discretionary central bank policies and technocratic devices introduced in past crises.[55]

This asymmetric extension of technocratic power can frustrate essential economic adjustments and trigger political backlash. The short-term fixes and concocted liquidity provision by central banks can create benign market conditions on the surface, generating non-adaptation by crowding out any impetus for rule-bound actors to take on systemic reforms. If ad hoc technocratic measures are deemed to overreach or fail to calm markets, the dynamic interaction can shift into an even more negative pattern, as political actors move to rein in technocratic agents.[56] Central banks may then resort to obfuscation or extra-legal acts to circumvent political constraints. If exposed, such malfeasance will further erode trust in them. The organisational rivalry and backlash often peak when policymakers publicly challenge each other's authority.[57] At this juncture, political actors move to aggressively undercut the technocratic discretion and devices upon which the system has evolved to depend.

[52]This is a specific example of a key idea in HI: timing (when events occur) and sequence (the order in which they occur) can significantly influence long-term institutional development and outcomes (Fioretos et al. 2016; Pierson 2004; Rixen, Viola, and Zurn 2016; Sikkink 2017).

[53]See Farrell and Newman (2021) on rule-bound agents' limited adaptability, and Hacker et al. (2015) and Mahoney and Thelen (2009) on discretion and adaptability.

[54]McDowell (2017) shows that the United States acts unilaterally when the IMF is too slow to respond. Sahasrabuddhe (2025) shows the historical reliance on ad hoc central bank actions during crises.

[55]A contemporary example of such a dynamic is the growing reliance on Fed swap lines for dollar liquidity. Ad hoc arrangements created during the Global Financial Crisis have evolved into fixtures in the monetary governance system, breeding an over-reliance on the Fed discretion for system stability today.

[56]This reactive logic of political backlash resembles the kind of 'power-outcome decoupling' and broken 'authority-legitimacy links' discussed by Hanreider and Zurn (2017). As we show, finance ministries and treasuries established the rules for the Bretton Woods system and were held accountable for economic outcomes. However, they could not control the ongoing technocratic tools developed by central banks. This decoupling of responsible power and control and a perceived legitimacy deficit produced a political countermobilisation against technocratic central banks as the multi-site governance system evolved.

[57]This mirrors Farrell and Newman's (2021, 339) insight that governance systems can develop into 'sites of contentious politics, riddled with contradictions and tensions.'

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In sum, evaluating technocratic power and multi-site global monetary governance in time reveals how mutually reinforcing maladaptation and non-adaptation pathologies produce self-undermining feedback effects. While ensuring stability at first, the growing reliance on discretionary central bank interventions – while finance ministry-led policymaking ossifies – creates a widening governance imbalance. As crises escalate, central banks take the lead with short-term, ad hoc response measures. Meanwhile, finance ministries, constrained by politics and disciplinary constraints do little or tighten policy commitments further. This policy mismatch eventually fuels backlash: political actors resent central bank overreach, prompting finance ministries to reclaim control, pulling back technocratic discretion, and undermining policy effectiveness. As rivalries grow and policies falter, global governance fractures – until it can no longer hold.

Illustrating the theoretical framework

In this section, we trace the unravelling of the Bretton Woods system governance. While the Bretton Woods system briefly functioned well in the 1950s, speculative currency pressures, the United Kingdom's sterling troubles, and concerns over the dollar and U.S. gold reserves soon became apparent. Technocratic devices – the Gold Pool and the central bank swap lines – initially reinforced stability in the early 1960s, but policy mismatches and structural flaws developed. Expanding central bank discretion paradoxically weakened the system, as finance ministries deferred action despite mounting imbalances. The plan for adjustable currency pegs hardened into a rigid set of parities under non-adaptation, while efforts to create international liquidity faltered amid distributional conflicts. After 1968, latent political discontent and policy adaptation failures surfaced – governments tightened exchange controls while central banks struggled to extend maladapted ad hoc technocratic interventions – fracturing effective responses to exchange crises and undermining international monetary governance.

Assembling the sites of Bretton Woods governance

The gold-dollar system established at Bretton Woods in 1944 hinged on gold-dollar convertibility and support for international adjustment, liquidity, and confidence. Member countries' currencies would be convertible for current transactions at fixed exchange rates based on the U.S. pledge to convert dollars into gold at a fixed price. Finance officials were tasked with collectively adjusting exchange rate parities in the case of 'fundamental' payment disequilibria and contemplating long-term structural reforms. Central banks, managing gold and dollar reserves, were primarily responsible for short-term credits and liquidity provisions, and day-to-day exchange and gold market interventions.

Briefly in the late 1950s, with postwar dollar shortages passed and convertibility restored, the system was largely stable. However, very quickly, underlying design flaws manifested as heightened market instability. By 1960, the U.S. deficit could not be covered by U.S. gold stocks (see Figure 1). Policymakers faced mounting challenges regarding the balance of payment imbalances, maintaining the gold-dollar parity, and exchange rate adjustments that needed stabilising.[58] The first shock

[58] Borio et al. 2008; James 1996; Toniolo 2005.

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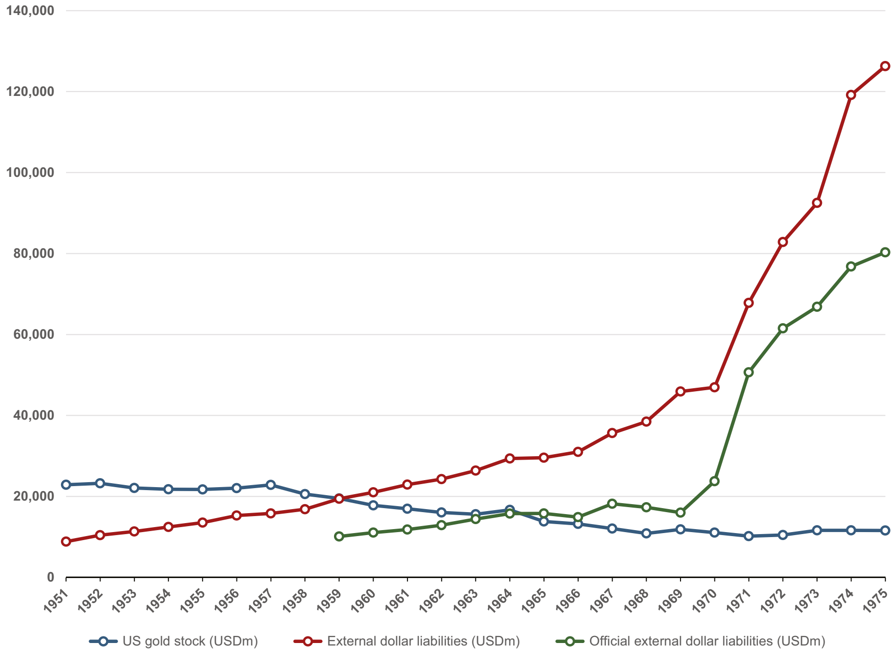

Figure 1. U.S. external liabilities (official and unofficial) and U.S. gold stock, 1960–1975.
Source: Board of Governors of the Federal Reserve System. Banking and Monetary Statistics, 1941–70, September 1976, Tables 14.1 and 15.1; Annual Statistical Digest, 1971–75, October 1976, Tables 59 and 62; Annual Statistical Digest, 1972–76, December 1977, Table 51. Washington, DC.

occurred in October 1961 when the Berlin crisis caused the private London gold price to spike, exposing a weakness in the anchor between gold and currency markets. The system's invulnerability was shaken.

In response, as Douglas Dillon, then U.S. Treasury Secretary, explained, it was now time to 'create and carry out a new and different policy for the United States – a policy of close cooperation with all the other industrialised countries that had convertible currencies.'[59] A complex multi-setting governance system was established in the early 1960s around the G-10 that orchestrated tasks across the IMF in Washington, WP3 of the OECD in Paris, the BIS in Basel, and ad hoc groupings and committees. These bodies comprised officials of national treasuries and central banks that assumed responsibility for the defence of the system, negotiated the terms of its extension, and studied its long-term future.

Finance ministries and central banks undertook distinct functional roles and implemented various schemes across these global governance sites to stabilise the Bretton Woods system in the 1960s. Alongside short-term credits provided to the Bank of England, central bankers created the two key cooperative schemes: the Gold Pool – a 'gentleman's agreement,' founded through the BIS to stabilise the London gold market – and the central bank swap lines through the Fed and the BIS to forestall

[59]Douglas Dillon and Robert Roosa, 'Recorded Interview by Dixon Donnelley,' 25 January 1965, John F. Kennedy Library Oral History Program, p. 9.

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an official run on the U.S. gold stock.[60] Central bankers relied on high levels of discretion and informal cooperation to make these arrangements. They preserved autonomy in their foreign operations via interpersonal relations and closed-door meetings.[61] The central bank swap lines and Gold Pool emerged out of private, informal conversations between Coombs from the New York Fed and his counterparts in Europe, at their homes or in Basel.[62]

The Gold Pool was created to discourage central banks from seeking arbitrage profit if the private market gold price rose above the official price of $35 an ounce. When moral suasion failed to dissuade central banks from buying U.S. gold, the Bank of England stepped in on behalf of a consortium of seven central banks to stabilise the private market price of London gold around the official price. The consortium was established on the understanding that activating gold sales required joint authorisation on a case-by-case basis and only in response to a 'sudden and heavy speculative attack that could be attributed to a specific incident.'[63] This 'Berlin test' (labelled after the Berlin crisis) amounted to an *unwritten* agreement that the Gold Pool should not be used to cover U.S. deficits or interfere with the normal disciplines of the gold-dollar system.

The swap network between the FRBNY, eventually 14 central banks, and the BIS sought to augment the liquidity available in the Exchange Stabilization Fund, which was constrained by Congressional limits. Alongside the FRBNY, other central banks advocated for swaps in hopes of obtaining 'as much freedom of action as [they] could.'[64] When parties drew on their swap lines, their reserves would increase by the amount drawn; the increase could stall market pressures on a currency. Drawings could be disbursed to strengthen a currency through spot or forward market intervention, and could cover the exchange risk of holding dollars, thereby inhibiting the risk of conversion into gold.[65]

These central bank initiatives were backed by an implicit understanding that national financial authorities would, working through traditional intergovernmental channels, enact more fundamental reforms to shore up the system. In 1961, G-10 finance officials established the WP3 to consult on national and international policy measures that might 'promote a better balance of payments equilibrium.'[66] The IMF took up the problem of creating more dollar liquidity and, ultimately, an alternative reserve asset whose supply could be systematically increased as the world economy expanded. This agenda first bore fruit in 1961 when the United States and the other G-10 countries negotiated a mechanism to permanently increase the availability of their currencies to the IMF under the General Agreements to Borrow (GAB). As we

[60]Bordo et al. 2015; Germain 2021; Kindleberger 1981.

[61]Sahasrabuddhe 2025; Toniolo 2005.

[62]Coombs 1976.

[63]Bank of England Archives, London, (hereafter BEA), C43/233, 'Draft Submission to the Chancellor on the US Proposal about Gold,' 3 November 1961.

[64]BEA, C43/233, Bridge, 'Telephone Conversation with Coombs (F.R.B.) on 23 September 1963', 24 September 1964.

[65]Bordo 2007. Also, US Congress, 'Gold and the Central Bank Swap Network: Hearings Before the Subcommittee on International Exchange and Payments of United States,' Joint Economic Committee Hearings, September 11–15, 1972; and Federal Reserve Bulletin 48 1138, September 1962, p. 92.

[66]Organisation for Economic Co-operation and Development Archives, Paris, (hereafter OECD Archives), 'The Balance of Payments Adjustment Process, A Report by Working Party No. 3 of the Economic Policy Committee of the Organisation for Economic Co-operation and Development,' August 1966, p. 8.

shall see, because these political agents were tied to national power goals and operated without the discretionary latitude of technocratic institutions, these policy responses were slower and less adaptive in moments of crisis.

At the outset, however, these sites of governance worked in common cause and briefly, policies pulled in the same direction. Paul Volcker, then at the U.S. Treasury, recalled that: 'The participants saw themselves as carrying a very special and important, if arcane, responsibility to protect the stability of the international monetary system … A few of them had personally participated, at least at the margins, at the Bretton Woods conference and saw themselves as disciples of the founders, who would keep their vision intact.'[67] Similarly, key central bankers – Charles Coombs (FRBNY), Johannes Tüngler (Bundesbank), Roy Bridge (Bank of England), Julien Koszul (Bank of France), and Max Iklé (Swiss National Bank) – determined, through the 'process of almost daily consultation with one another,' that technocratic interventions based on 'market and institutional realities' should become 'permanent features of the system.'[68]

In the early 1960s, political commitments and technocratic interventions worked together to counter the loss of market trust and gave the impression of emerging stability. In the central bank domain, the Gold Pool and swap lines became major sources of prestige.[69] For a time, the official and private gold prices remained closely aligned and market pressures on currencies receded. The BIS stated that 'by acting jointly, the principal central banks have the power and resources to keep the market under control.'[70] Those directly involved felt there was 'little doubt that the knowledge that central banks were working together in the gold, as well as in the exchange markets, has helped to maintain public confidence in the international monetary structure.'[71] In the adjoining domain of finance ministries, the WP3 secured a collective agreement to maintain existing parity commitments while measures were taken to address the U.S. deficit. The WP3 Chairman felt that 'there were good reasons to believe the United States would achieve external equilibrium in a reasonable time.'[72] The GAB also appeared as a promising first step towards a new form of international money that could resolve the Triffin Dilemma.

This initial success, however, masked the deeper vulnerabilities of Bretton Woods' segmented global governance, whose cracks – overlooked in the literature – proved increasingly consequential over time.

Policy patches and growing disjunctures

Our framework suggests that coordination problems in multi-site governance can, over time, erode complementarities between governance channels. We show how central banks overseeing the Gold Pool and swap networks devised increasingly

[67]Volcker and Gyohten 1992, 29–30.

[68]BEA, OV44/34 1521/2, Coombs, 'Memo: Conversations among C. A. Coombs, M. Iklé, E. Randalli and J. Tüngler in New York and Basle December 1962 – January 1963,' February 1963; see also Coombs 1976.

[69]'A Good Start,' *The Economist*, 12 January 1963.

[70]BIS Archives, DEA 14.F38, Draft Memorandum, 'The Cooperation of Central Banks in the Gold Market,' undated, circa 1964.

[71]BEA, Bank of England, Quarterly Bulletin, Vol. 4, 1 (March) 1964, pp. 20–21.

[72]OECD Archives, CPE/WP3, Lennep, 'Record of Meeting held in December 1961,' p. 6.

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opaque and contrived mechanisms – forms of internal maladaptation – to circumvent both the functional economic problems and political constraints of the Bretton Woods system. As crises deepened in the 1960s, expanding ad hoc central bank interventions crowded out efforts by finance officials to develop new sources of liquidity through the IMF, while inaction within the WP3 reinforced existing parity alignments. In this way, maladaptation hollowed out the technocratic props of the system, while large-scale reforms remained stuck in interstate conflict and prolonged indecision – that is, a corrosive pattern of non-adaptation.

Maladapted technocratic schemes. The Gold Pool was never intended to become a permanent feature of the system. To central bankers, it symbolised 'an acceptance of the *de facto* partial inconvertibility of the dollar.'[73] They acknowledged among themselves: 'It is hard to see how this can be a permanent state of affairs. [Its function was instead] to provide breathing space during which steps can be taken that will make its existence no longer necessary.'[74] The scheme broke the link between U.S. gold reserves and the balance of payments adjustment pressures that underpinned the system.[75] The BIS demurred: 'We have long argued in favour of market forces and are now asked to participate in a scheme which aims at putting these on one side, so that the inconvenience of certain financial policies can be avoided. This may be justifiable in the short term, but in the longer term, it could be disastrous, not least of all for the US.'[76]

Similar anxieties existed around the Fed swaps. Many Fed members were against their creation. Then chair Bill Martin noted that the Fed 'was not anxious to engage in this type of activity.'[77] Swaps were thought to be legally unsound, politically inadvisable, and economically objectionable because, as one regional Fed chairman Malcolm Bryan put it, 'A great deal more harm can be done, with good intentions, by intervening to save the patient some pain than by letting him realize he is sick.'[78] Some central bankers in France, Switzerland, and Britain were similarly hesitant to enter into swap agreements.[79]

However, through private and informal conversations, a few bankers in various central bank foreign departments got these arrangements off the ground.[80] Coombs successfully got approval on the proviso that the intervention would be experimental and run within clear guidelines.[81] The FRBNY was restricted to offsetting temporary and reversible imbalances and prohibited from inhibiting

[73]BIS Archives, DEA.14.F38, Bank of England, Draft Memorandum, 'The Cooperation of Central Banks in the Gold Market,' undated, circa 1963.

[74]Ibid.

[75]The Fed saved and even acquired gold despite persistent payment deficits, and avoided tightening the liquidity of the U.S. banking system. Bank of France Archives, Paris, Box No. 1489299803, Brunet and Calvet to Guindey, 'Note,' undated, circa 1961.

[76]BIS Archives, DEA.14.F38, Gilbert to McDonald and Dealtry, Memorandum, 'The Cooperation of Central Banks in the Gold Market,' 19 November 1963.

[77]FRASER, Box 26, Folder 3, Joint Economic Committee Hearings, 19 January 1962.

[78]Federal Open Markets Committee (FOMC) Transcripts and Other Historical Material, Bryan, 'FOMC Historical Minutes,' 13 September 1961, p. 68.

[79]Gilbert 1980; Schweizerische Nationalbank 2007.

[80]Coombs 1976; Sahasrabuddhe 2025; Schweizerische Nationalbank 2007.

[81]FRASER, Box 24, Folder 8, Joint Economic Committee Hearings, August 1962.

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market adjustments. The credit lines were set at 3-month tenors, and each swap period was capped at one year. Iklé, Koszul, and Lord Cromer (governor of the Bank of England) similarly succeeded in gaining support for the Basel and Fed swap lines in their own banks.[82] The terms of these discretionary central bank operations were negotiated informally and never committed to paper or fully explained in public, making the guardrails themselves susceptible to further distortion downstream.[83]

As might be expected among central bankers who could work together in private and through interpersonal channels, members of the schemes habitually did each other special favours, not only in arranging the credit lines. Notably, central bankers' technocratic discretion allowed them to collectively manipulate the optics of public data, by shifting around gold and credit financing arrangements, to 'cook' their balance of payments and currency reserve statistics.[84] Central bank swaps and the Gold Pool were attractive precisely because they were 'within the central bank sphere' and avoided unwanted 'political implications.'[85]

While expedient, the secretive special reciprocity and expansion of these central bank schemes were destructive for the system as a whole. An important early maladaptation in the Gold Pool was the removal of the 'Berlin test' and the need for collective approval to initiate gold sales. In July 1962, central bank governors in Basel delegated the power to activate the sales consortium to the FRBNY to be exercised 'as a matter of conscience,' subject only to collective appraisal after the fact.[86] It was also agreed that selling could be activated to cover gold losses, which would be 'embarrassing to have to cover through published losses to the American gold stock.'[87] In a sign of things to come, gold sales were activated in 1962 in response to a mere ebbing of confidence in the U.S. dollar.[88]

Maladaptation continued through the 1960s. Through secret internal dealings and special favours (see Figure 2), the Gold Pool transitioned from a flexible device designed to defend the dollar against occasional shocks to an endogenous and continuing part of the system. To bolster the scheme's capacity to help the United States avoid adjustment, Coombs pressed for surplus gold to be retained by the consortium rather than disbursed to members as initially agreed, which threatened to undermine central bank support for the scheme.[89] While Gold Pool fortunes briefly improved in 1964, market conditions worsened as the Vietnam conflict deepened in 1965. Further maladaptation followed as members committed to rigidly defending the inward shipping parity, a defence that had been expressly resisted before because speculators thrive on one-way bets.[90]

[82]See Schweizerische Nationalbank 2007. Cromer was critical to generating support for a Fed swap at the Bank of England as Bridge had 'not yet come to trust' Coombs (McCauley and Schenk 2020).

[83]BEA, Economic Intelligence Department (hereafter EID), Balance of Payments Estimates, EID3/352, 'Basle [Basel] Guidance,' undated.

[84]BEA, C43/233, 1965/3, Bridge to the Governor, Deputy Governor, Parson and Stevens, 'Notes on a Visit to the Federal Reserve Bank of New York 3rd/6th January 1964.' Note that this practice was not new and was similar to Norman's false gold flow reports in the 1920s.

[85]BEA, OV44/35, Cobbold to Lee, 10 May 1961.

[86]BEA, EID 10/15, 1275/3, Bridge, 'Gold Operations – Basle, 8 July.'

[87]BEA, EID 10/15, 1275/3, Bridge, 'Central Banks Gold Pool, 18 July 1962.'

[88]BEA, EID 10/15, 1275/3, Bridge, 'Gold Operations – Basle, 8 July.'

[89]BIS Archives, DEA.20.FO.50, 'Meeting of Exerts, 6/iii/65' (handwritten note).

[90]BEA, EID 10/15, 1275/3, Bridge, 'Central Banks Gold Pool,' 18 July 1962.

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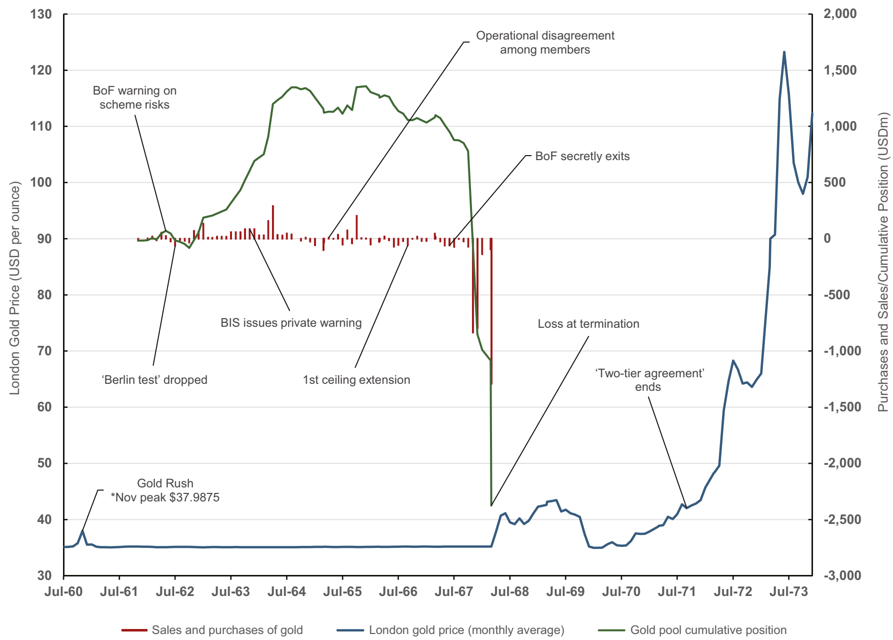

Figure 2. The maladaptive development of the Gold Pool.
Source: Data on the Gold Pool cumulative position and purchases and sales of gold, April 1961 to February 1968, provided by BIS.
Note: Author annotations showing key events and policy maladaptation drawn from various archival records. See text for details. BoF refers to the Bank of France (Banque de France).

Bridge and Coombs argued that 'on an objective assessment, the gold pool seems to have worked well so far and to have achieved its objectives [so] if the resources still available under the original commitment should become exhausted, support for the market should not cease but continue.'[91] This triggered several secret extensions of the scheme as the financial repression of the private gold market was ramped up. Central bankers kept outsiders in the dark about the losses incurred by the consortium.[92] By 1966/67, however, drains on the Pool had become chronic. France quit in June 1967 as the Pool's cumulative position rapidly weakened. The United States quietly took on the French share. But the dye was cast. The Pool was wound up in March 1968 by the Two Tier Agreement. The official gold stock would no longer be used to placate the London market now left to find its own price, while monetary authorities continued to exercise restraint in converting dollar reserves into gold.

Policy maladaptation likewise afflicted the swap networks. The aforementioned constraints placed on the activation of the network were quietly abandoned in a strikingly similar fashion to those of the Gold Pool. Figure 3 charts the dramatic increase in the volume of outstanding swaps through the course of the 1960s. The total facility in 1961 was only $700 million. The system ended up being more than 10

[91]BEA, EID 10/15, 1275/3, 'The Gold Pool,' 11 August 1966.
[92]BEA, EID 10/15, 1275/3, Parsons, 'Gold Pool,' 21 November 1967.

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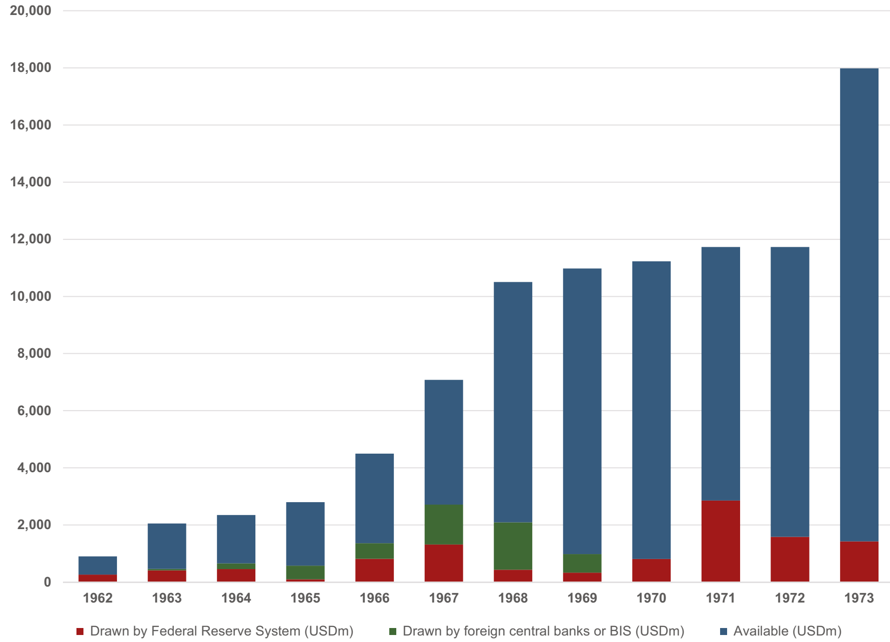

Figure 3. Federal Reserve swap lines, 1962–1973.
Source: Task Force on System Foreign Exchange Operations. Foreign Exchange Department of the Federal Reserve Bank of New York. Historical Review of Reciprocal Currency Arrangements (The 'Swap' Network). Paper #9, January 24, 1990, Unpublished document. Tables 2 and 3. Authors' calculations.
Note: All values reflect end-of-year balances. The total height of each bar represents the maximum amount of liquidity that the Federal Open Market Committee (FOMC) 'authorised' under its reciprocal currency arrangements (swap lines) in each calendar year. Each bar is composed of three cumulative segments. The segment labelled 'drawn by the Federal Reserve System' shows the cumulative amount of foreign currency borrowed and not yet repaid by the Federal Reserve under swap agreements with foreign central banks or the BIS. The segment labelled 'drawn by foreign central banks or the BIS' reflects the cumulative amount of U.S. dollars borrowed and not yet repaid by foreign central banks or the BIS under the same arrangements. Both figures are calculated as net drawings (drawings minus repayments) in a given year, plus any outstanding balance carried over from the prior year. The upper portion of each bar, labelled as 'available,' represents the unused portion of the swap line – that is, the gap between total authorised amount and the cumulative usage.

times larger, and Fed swaps between some countries were almost 20 times the level at which they started. The initial average term was 3 months, by 1964, it was 9 months, and by the end of the decade, the swap networks were a near-permanent feature of the system. Such growth indicated that short-term facilities were being applied to cover fundamental payment disequilibria.[93]

Put bluntly, the swap networks' primary purpose came to be to mask the true state of public finances in deficit countries. The network was used to make it look like the system was in a better state of repair than it was. These facilities blurred the distinction between credits and reserves, as central banks tended not to publish

[93]Bordo 2007. US Congress, 'Gold and the Central Bank Swap Network: Hearings Before the Subcommittee on International Exchange and Payments of United States,' Joint Economic Committee Hearings, 11–15 September 1972; and Federal Reserve Bulletin 48 1138, September 1962, p. 92.

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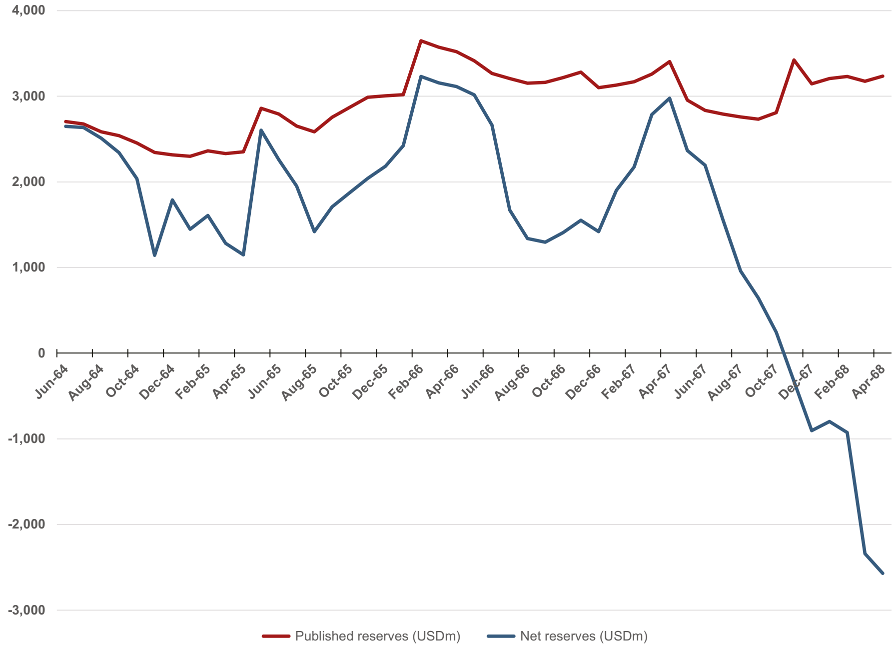

Figure 4. Bank of England window dressing: published vs. net reserves, 1964–1968.
Source: Capie 2010, pp. 231–2; BEA, 4A98/1. 'Gold and convertible currency reserves.'
Note: 'Net reserves' excludes guaranteed sterling, special swaps, and other loans, as well as short-term assistance.

reserves and compensatory or financing items separately. Behind closed doors, they deliberately used swaps to make currency-exchange transactions hard to trace, a significant example being between the United States and Britain, whose swap line effectively delayed the revelation of the U.K. bankruptcy to protect the dollar. The full extent of the distortion is revealed by the fact that even when the U.K. reserve position improved, the Bank of England could not move its published figures accordingly for fear that nobody would believe them due to prior distortions (see Figure 4).[94]

Such obfuscation, enabled by technocratic discretion, went against the best practice. Swaps and credits were intended as compensatory or financing items. Their use for window dressing was viewed poorly by finance officials with good reason. When it was suspected, the use of the swap network for window dressing damaged their capacity to instil confidence in the system and coordinate markets.[95] Bank of England officials privately noted that the 'markets expect the authorities to publish a [reserves] figure that they can reconcile in their own minds with their own impression of the true movement.'[96] But years of distortion meant the markets no longer took seriously central banks' published reserves figures: 'When the position begins to seem untenable

[94]BEA, C20/6 687/5, Cook and Bull, 1967, 'Draft Report on History of Sterling Crisis' (handwritten drafting points by Roy Bridge), p. 121.

[95]OECD Archives, 'OECD Statistical Problems in Short-term Balance of Payments Reporting,' Economic Policy Committee (61) 3, Paris, 16 May 1961, p. 2.

[96]BEA, OV44/35 1521/2, Cromer to Lee, 6 September 1961.

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in the eyes of all the economic world, the swap magic à la Iklé is suddenly also no longer of any use.'[97]

Another negative consequence of these technocratic fixes, as we expect, was to suppress the demand for institutional reforms and parity adjustments – enabling non-adaptation. The WP3 meetings between 1961 and 1968 reveal a confirmatory pattern of growing obsolescence, inaction, and rigidity as events progressed. Despite growing payments disequilibria, U.S. economic plans, without exception, received endorsement from the committee. Part of this inaction in centres of political and financial authority happened because parallel actions by central banks created a false image of stability and depressed any sense of urgency. Central bank actions had painted a picture of the United States and the whole system as moving towards a better equilibrium, when the opposite was usually true.

Central bank actions shifted attention away from the fundamental causes of global imbalances and the actual processes of economic adjustment in all their gritty distributional reality. As *The Economist* observed in 1966: 'Intricate currency problems have bedevilled the West for at least 6 years. Some hard choices have to be made. Governments as well as central banks prefer to duck them. So, they turn them over to those clever chaps in Basle, and, hey presto, another short-term credit is hatched, committing nobody and solving little. It is the financial equivalent of Immaculate Conception.'[98] Necessary policy recalibrations debated in WP3 were endlessly deferred. One WP3 member noted with concern that 'Public opinion [had become] less balance of payments minded.'[99] Many politicians 'seemed too satisfied with present trends,' another recorded.[100] The BIS and central banks, it seemed, 'had fooled not only the public but also the ministers.'[101]

Non-adapted political policies. While central bank technocratic schemes gradually expanded and became maladapted in the 1960s, longer-term reforms in the WP3 and the IMF stalled. As long as functional problems could be kicked down the road by central bank interventions, interstate finance ministry discussions could slip into obsolete policy debates and technical minutiae, avoiding the more distributionally difficult and politically contentious questions of adjustment. The only consistently tangible outcomes of intergovernmental meetings, meanwhile, were endorsements of national balance-of-payments policy packages and joint commitments to maintaining existing exchange parities. Political commitments to the status quo not only shored up official confidence in the dollar but also locked ministers into rigid policy alignments, further preventing them from contemplating flexible adjustments or deeper structural reforms.[102]

[97]'Devaluation of the Pound … and now the end?', *National Zeitung*, 24 November 1967.

[98]'Basle's Two Edges,' *The Economist*, June 18, 1966.

[99]OECD Archives, CPE/WP3, Ferras, 'Record of Meeting held in January 1968,' p. 32.

[100]Johnson Library, 1649z Box 4, 'Telegram from Califano to President Johnson,' Washington, 22 December 1967.

[101]OECD Archives, CPE/WP3, Gilbert, 'Record of Meeting held in July 1967,' p. 14.

[102]The calls for major reform, long championed by outsiders such as the U.S. Council of Economic Advisers, who consistently advocated for a fundamental shift in strategy and a new international treaty, were effectively suppressed – at least arguably frustrating necessary transformations. Kennedy Library, National Security Files, Kaysen Series, Balance of Payments, International Monetary Agreement, 8/62. No

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The WP3 also legitimised increased government intervention and policy rigidity, especially the progressive tightening of exchange controls that enabled parity non-adaptation.[103] Most perversely, the WP3 lost sight of its original mission – analysing basic international economic imbalances. The central economic causes of dollar overvaluation faded from view. It was never easy to identify the elusive 'fundamental disequilibrium' required for an IMF-sanctioned parity change. But WP3 did not try very hard to find that disequilibrium; references to actual international adjustment became rare in the committee. One member was surprised 'that the [WP3 report to the G-10 about the adjustment process] dealt so little with exchange rate adjustments.'[104] He need not have been shocked, though. The WP3 was being deployed for very different purposes: to justify increasing controls and make muscular verbal commitments to defend the status quo using whatever it takes.

The policy measures necessary to hold the line were increasingly severe, imposing ever greater limits on the *de facto* dollar convertibility and running against the spirit of the OECD Codes of Liberalisation. The WP3 nonetheless endorsed plans in 1966 that 'if regarded as permanent … would entail a sacrifice of a great part of the philosophy to which OECD countries subscribed – ending the freedom of movement of men and goods.'[105] BIS Managing Director Gabriel Ferras called out: 'an unsavory … backward step [reflecting an] increasing tendency to move towards measures of direct control of a more restrictive nature.'[106] *The Economist* reported complaints of 'external dollar pools,' 'investment currency premiums,' and 'effectively frozen dollar balances.'[107]

Policy progress at the IMF faltered in a strikingly similar manner. Following the GAB, the French proposed a collective reserve unit linked to gold and controlled by the G-10. But the G-10 Deputies' Report in June 1964 concluded that the present reserve situation was sufficient and any changes should seek only to build on the existing system rather than create a new one.[108] The only outcome was to commission the Ossola and Esteva Study Groups to investigate the issue of reform further: a kind of paralysis by analysis.' Things moved forward slightly in May 1965 when it was determined that the world faced a liquidity shortage and needed a new form of reserves.[109] However, for the next 2 years, negotiations on the creation of liquidity got bogged down, especially on the issue of reconstitution, that is, where Special Drawing Rights (SDRs), a synthetic asset introduced by the IMF to supplement member countries' official reserves, would sit along the spectrum of permanent reserves and temporary credits.[110]

The creation of alternative international monetary instruments was also prejudiced in the mid-1960s. Not only were short-term central bank facilities being used to

classification marking. 'Memorandum From the Chairman of the Council of Economic Advisers (Heller) to President Kennedy.' Washington, 9 August 1962.

[103]Organisation for Economic Co-operation and Development 1973a, 1973b.

[104]OECD Archives, CPE/WP3, Perouse, 'Record of Meeting held in December 1966,' p. 3.

[105]OECD Archives, CPE/WP3, Ossola, 'Record of Meeting' held in January 1968,' p. 14.

[106]OECD Archives, CPE/WP3, Ferras, 'Record of Meeting held in January 1968,' p. 32.

[107]'A New Plan for Gold,' *The Economist*, 23 April 1966.

[108]De Vries 1986, 41.

[109]BIS Archives, G-10–14 X/DEP/123, Ossola Group, 'Report of the Study Group on the Creation of Reserve Assets,' 31 May 1965.

[110]BIS Archives, 7(18).10.FER7.F, A34.F10, 'Three questions about reserve units,' Basel, 28 February 1966, p. 1.

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cover failed adjustments, but they also undermined the willingness and ability of policymakers to push the United States and the United Kingdom into reforms to reduce their deficits. This negative feedback effect between maladaptation and non-adaptation was particularly pronounced because, from the very beginning of the 1960s, central banks conspired to conceal the amounts they had lent to each other under swaps and bilateral credits. They sought to avoid the reputational damage that would result from the perception that 'short-term assistance had failed and forced governments to the Fund.'[111]

In 1967, a compromise on SDRs was finally reached, but it represented the smallest imaginable step into the unknown. SDRs were neither transferable nor could they be used for central bank intervention. They had no material or paper backing. The reason was simple: nobody, least of all the United States, was prepared to invent a new international currency that might be controlled by someone else. The term 'reserve unit' was really only 'provided for reasons of public presentation.'[112] Rinaldo Ossola of the Italian central bank clearly articulated this absence of any real adaptation: 'I have never considered this unit international money … international money is solely gold … so I feel inclined to regard this as a drawing right.'[113]

Political backlash and the end of Bretton Woods

Between 1961 and 1967, central bank and intergovernmental stabilising arrangements often worked in tension with their initial goals and with one another, generating a paradoxical dynamic of tightening and loosening that began to undermine overall system governance. The limits to the path of steady technocratic power enhancement were reached by 1968 when the undermining pattern triggered political backlash. The latent costs of relying on ad hoc technocratic governance – ranging from policy crowding out to reactive political sequences and backlash – surfaced with growing intensity. As political agents sought to rein in increasingly expansive ad hoc central bank enterprises, central bankers moved to circumvent those very constraints, fuelling market volatility and contributing to the final systemic rupture.

Finance ministries now openly complained that their liabilities were unclear under the swap network and Gold Pool, while national legislatures aimed to constrain central banks' discretion.[114] European finance officials tried to curtail the use of currency swaps to restore conventional balance of payment adjustment pressures.[115] Doubts also manifested in the United States. In early 1968, Fed chair Martin reported 'considerable resistance' in Washington to continuing the swaps.[116] According to another U.S. Treasury official, there was a growing 'attitude against a roll-over on

[111]BEA, OV44/35 1521/2, Cromer, 'Record of Conversation with Dr. Holtrop: Basle, 8 July 1961.'

[112]BIS Archives, G-10–14 X/DEP/134/, Ossola, 'Verbatim Record of Meeting, Group of Ten, Informal Record of the Discussions of the deputies of the Group of Ten meeting in the International Monetary Fund,' Washington, 30 November 1966.

[113]BIS Archives, G-10–14 X.DEP.134, G-10 Deputies Group, 'Summary of Views expressed by Ministers and Governors at their meeting at Lancaster House,' London, 17–18 July 1967.

[114]Guindey 1977.

[115]Bordo et al. 2015.

[116]BEA, OV44/130, 'Martin to the Chancellor,' 19 April 1968.

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swaps.'[117] In other words, the political limits to central bankers' covert swap and Gold Pool operations were being reached.

The hope that major reforms might ever be enacted was also all but gone. It was clear from their muted launch that SDRs were not going to change the game. Milton Gilbert, at the BIS secretariat, had tried to make the G-10 Deputies go further, lamenting that when officials 'approach the fact that this [scheme] means that there's going to be a de-emphasis of gold, that it really means some profound changes in the system … there's an immediate tendency to back away from it.'[118]

The same story can be told about the parity and exchange rate adjustment system, where a decade of inaction met with a similar end. In November 1966, Otmar Emminger, vice president of the Bundesbank, conceded that authorities 'would have to discuss the exchange rate and gold price issues in some form or another.'[119] Yet, reflecting the inhibitive distributional stakes involved, it was only in January 1970 that international financial officials met to discuss more flexibility in exchange rates. Even then, they left the meeting ruing 'a not particularly satisfactory two days.'[120]

The backlash – fuelled by growing imbalances and exchange crises – that began as a constraint on central banks eventually escalated into destructive political upheaval. Late in 1966, UK Chancellor of the Exchequer James Callaghan sought to make monetary authorities in the leading countries 'understand how their policies affected others.'[121] The 1968 Bonn summit was undermined by 'an undercurrent of 'Ministers versus Governors' feeling.[122] When things tipped over, central banks were stripped of effective power: 'As policy decisions were elevated to the level of heads of government and became publicly debated in legislatures, the resources that trans-governmental coalitions could mobilise to influence policy decisions became less and less decisive for the outcomes.'[123] The Bank of Italy governor remarked in 1968 that, 'while his bank was still in control of the Italian situation, it might not be for much longer, since politicians were moving into the monetary policy field.'[124]

The sidelining of central banks undermined their ability to act in concert, neutered the technocratic devices acting to stabilise the system, fuelled market speculation, and exposed the vulnerability of exchange commitments. Traders all over the world sensed 'a total breakdown in policy coordination between the United States and its trading partners' and exploited the opportunities this created.[125] The system experienced repeated speculative attacks between 1967 and 1969; volatility was channelled primarily through the Eurodollar market, which had expanded rapidly in the early

[117]BIS Archives, G-10–14 X/DEP.134, Ossola, 'Verbatim Record of Meeting, Group of Ten, Informal Record of the Discussions of the deputies of the Group of Ten meeting in the International Monetary Fund,' Washington, 30 November 1966.

[118]BIS Archives, G-10–14 X/DEP.134, Gilbert, 'Verbatim Record of Meeting, Group of Ten, Informal Record of the Discussions of the deputies of the Group of Ten meeting in the International Monetary Fund,' Washington, 30 November 1966.

[119]OECD Archives, CPE/WP3, Emminger, 'Record of Meeting held in January 1966,' p. 13.

[120]BEA, OV4/110, 'Meeting on Exchange Rate Flexibility,' 12–13 January 1970.

[121]Johnson Library, Bator Papers, Chequers Trip, Box 8, Secret, 'Record of Meeting,' Chequers, England, 21 January 1967.

[122]BEA, OV44/139, 'Morse to O'Brien/Parson,' 25 November 1968; see also O'Brian, 26 November 1968.

[123]Russell 1973, 464.

[124]BIS Archives, 7.18(16).HAL2.F01, Macdonald, 'Gold and foreign exchange markets, meeting of the Governors and the US undersecretary of Treasury, Hotel Euler,' 11 December 1967.

[125]Coombs 1976, 214.

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1960s. Market instability forced realignments in sterling, the franc, and the mark, temporary floats in Canada and West Germany, and the massive tightening of controls across the board. The BIS described the period as the 'most disturbed since 1949.'[126]

Under pressure, the United States stopped trying to bring its partners along with it. The country chose to 'push to its logical and ultimate limit the role of the United States as a reserve centre.'[127] This meant 'the adoption of a more bullying and brutal way of dealing with international issues.'[128] The resulting policy was 'benign neglect.' The immediate objective was to force uncovered dollars onto European countries in amounts that compelled them to make exchange adjustments. U.S. Treasury Secretary John Connally summed up the new reality: 'The dollar may be our currency, but it is your problem!'[129]

The policy of benign neglect marked the destruction of the institutional relationships necessary for the system of management. In 1970, the BIS observed that different countries' monetary policies were now being applied 'forcefully' in opposing directions.[130] Renewed exchange instability in 1971 exposed instruments of market control and political coordination that were failing internationally and domestically. The final crisis came with U.S. President Nixon's decision to close the gold window on August 15. The Rubicon had been crossed. Nixon later wrote to British Prime Minister Heath, 'So much of my own concern in the period since last August 15 has been directed toward establishing the point that we need to go beyond a simple patching up of the Bretton Woods system.'[131]

Conclusion

The Bretton Woods system delivered impressive price stability and economic growth.[132] Still, neither this robust macroeconomic performance nor the layers of governance built around the system could save it from collapse. It is easy to see why many believe that collapse was preordained and would have come about even sooner, but for a constructive pattern of cooperation among G-10 countries. In this conventional view, policymakers, at worst, made some forgivable mistakes, given the system's flaws and the extraordinary complexity of the problems they faced.

We re-examine this history. While not disputing existing explanations for the Bretton Woods collapse, we show how central banks' over-reliance on ad hoc fixes and misaligned intergovernmental actions played a key role in the system's downfall. The different monetary governance sites fell into mutually reinforcing pathologies that simultaneously relaxed and tightened rules. Central bank swaps, along with the Gold Pool, evolved to conceal problems and avoid adjustment pressures triggered by U.S. gold losses. With market pressures eased by central banks, political treasuries

[126]BIS Archives, BIS Thirty-Eighth Annual Report, Basel, 10 June 1968, p. 7.
[127]James 1996, 221.
[128]Ibid., 212.
[129]Ibid., 210.
[130]BIS Archives, BIS Forty-Second Annual Report, Basel, 12 June 1972, p. 25
[131]Washington National Records Center, Department of the Treasury, Files of Under Secretary Volcker: FRC 56 79 15, UK British Float. Confidential. 'Letter From President Nixon to Prime Minister Heath,' Washington, 10 July 1972.
[132]Bordo and Eichengreen 1993.

succumbed to non-adaptation. The IMF and WP3 became almost irrelevant talking shops, not forums for exchange rate adjustments or reserve creation. Eventually, this maladaptation and non-adaptation worsened economic problems, led central bank controls to fail, and pushed politicians and finance officials to undercut the technocratic schemes underpinning the system.

This account augments the standard history of the Bretton Woods system. To be sure, there were technical economic problems, shifting political alignments, and contested ideas. But it was people, equipped with contextually determined powers, who decided how the system would be secured. For them, central bank ad hockery offered a pathway that avoided having to grapple with the difficult questions of adjustment and system reform. However, by persistently opting for technocratic devices, the development of the gold-dollar system was steered towards its eventual breakdown. Our intervention advances debates on the collapse of the Bretton Woods system, the governance of international monetary systems, and the legitimacy of technocratic discretion, by centering and theorising the sociological, agent-level sources of system instability. In doing so, it also builds a bridge to sociological accounts that show how institutional settings characterised by interpersonal bonds, insularity, and informal authority can generate distinctive opportunities for malfeasance, maladaptation, and rule avoidance – greater than in the absence of such embedded relations.[133]

Under this framework, the lessons of Bretton Woods also take on renewed significance. Using the historical logic of multi-setting governance, we can trace the path to the Eurozone and global financial crises – and the institutions that emerged to manage them. Political masters in Brussels have strengthened their grip on policy in recent years, yet Eurozone crisis management still hinges on the European Central Bank's ability to bypass the flaws in the euro's original design. Meanwhile, since 2008, extraterritorial and oversized central bank interventions have become a pillar of support for the global dollar system. The unanswered question is how this technocratic stability will hold up against decades of stalled monetary reform and mounting political backlash against opaque central bank policies.

Through history and into the present, the argument lays bare the overlooked perils of technocratic global governance. Our framework thus contributes to the theoretical understanding of autonomy and technocratic governance. While scholars have focused on the normative problem of democratic deficit, or domestic policy effectiveness, we draw attention to the substantive quality of *global* technocratic power and policy. By highlighting the destabilising effects of technocratic expansion, we challenge the commonly held view that central bankers are the better governors and stewards of long-term stability. The historical dynamics of technocratic global governance, which rely on stopgap fixes and provoke political backlash, show how central banks' power extensions can cannibalise the conditions needed for them to support the system.

This insight builds on HI theory by exploring reactive sequences and self-undermining feedback effects of technocratic discretion within multi-setting governance systems. We highlight the perils of technocratic expansion, not just for the pathologies it generates in parallel political governance domains, but also, in the long

[133]For example, Abolafia's (1996) classic account shows how interpersonal bonds and informal norms within insular professional networks on Wall Street can foster rule-bending and opportunism.

run, for itself, and therefore for system stability. Importantly, it is not technocratic pathology *per se* that is problematic, but its operation within the temporal and spatial dynamics of global policymaking that can lead once stabilising policies to become destabilising. Our analysis also contributes to HI efforts to move beyond static assessments of institutional change through exogenous shocks to show how global governance unfolds as a dynamic and sometimes endogenously destabilising process.

This analytical framework is not unique to the Bretton Woods system, but provides us with tools to understand the temporal dynamics and policy processes of technocratic governance. Technocrats operate in multi-stakeholder governance systems built to address various political, economic, and social problems, both domestically and globally. Our paper thus advances the understanding of global monetary governance and provides a framework unclouded by the conventional optimism to think about the broader dynamic implications of technocratic decision-making. An important avenue for further research would be to explore the specific ways in which technocratic power manifests in different monetary systems and other policy areas, and consider how its dynamics and effects vary across distinct contexts.

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