

The Political Economy of International Capital Market: Bretton Woods Economic Regime and ‘Global Capitalism’

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1. Introduction

The financial character of ‘Global Capitalism’ is the removal of capital controls, namely liberalization of capital markets and the expansion of capital flows. Immediately after the Asian financial crisis, Jagdish Bhagwati precisely made the point that ‘despite the striking evidence of the inherently crisis-prone nature of freer capital movements’, the liberalization had been promoted by free market ideology and the financial interests of Wall Street. He asserted acutely that the interests had been pursued by ‘the Wall Street-Treasury complex’ which there was among ‘Wall Street, the Treasury Department, the State Department, the IMF, and the World Bank’ etc. (Bhagwati [1998]: 7,11-2, [2000]: 3,9)

Certainly, his points clear one of causes of Globalization since the 1980s. In order to understand the reason why Globalization has progressed rapidly since then, it is necessary to make a comparison between the situation before and after the 1980s. Also, he neglects a fact that it is not only the United States that has an influence on the international capital market after World War II.

Therefore it is essential to consider the postwar changes of capital movements to understand the financial features of ‘Global Capitalism’. The starting point is the Bretton Woods Agreement and it was a grand design that, we think, stipulated not only the international monetary system and the rule of capital transactions, but also the postwar international economic regime and the stance of national economic management. It was capital controls that were given a key role in the design. With the help of International Political Economy¹, we will clear the collapse of the economic regime that the design had formed, through the inquiry into the changes of capital controls. The collapse has appeared as ‘Global Capitalism’.
