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## Bretton Woods Institutions



### International Organisations

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## Objectives

- **Introduction to universal economic organisations**
- **Overview of activities of the International Monetary Fund and the World Bank Group**

2

## Economic organisations

- **Universal organisations**
  - Institutions of Bretton Woods (BWI)
    - International Monetary Fund (IMF)
    - World Bank Group
  - World Trade Organisation (WTO)
- **Regional organisations**
  - OECD
  - Free Trade Organisations
- **Financial organisations as organisations sui generis**

3

## BWI: Historical development

- **Basis: Atlantic-Charter 1941**
- **Conference of Bretton Woods**
- **Stability of the monetary system as precondition for international trade**
  - Free convertibility
  - Fixed exchange rates
  - Distribution of responsibilities between IMF and World Bank

4

## Monetary System 1946-1973 (1/2)

- **Gold standard**
  - Goal: Stable exchange rates
  - Method: "Price" (parity) of national currency in gold
    - Each member has to define the parity of its national currency in terms of gold
    - Obligation to maintain the exchange rate within  $\pm 1\%$  of parity
  - Relevance of the USD

5

## Monetary System 1946-1973 (2/2)

- **Collapse of the Bretton Woods System in 1973**
  - Suspension of dollar-gold-convertibility 1971
  - Since February 1973 Floating
  - Adjustment of the IMF Agreement in 1976
    - Abandonment of the official gold price
    - IMF becomes responsible for monitoring exchange rate policies

6

## International Monetary Fund (1/2)

- **Membership**
  - 186 members
  - Voting power according to quota
- **Organisation**
  - Board of Governors
    - All members
    - Normally meets once a year
  - Executive Board
    - 24 members
    - Voting groups

7

## International Monetary Fund (2/2)

- **Mandate: Articles of Agreement**
  - Facilitate international trade
  - Stable exchange rates
  - Support of countries with balance of payments problems
- **Instruments**
  - Reports: supervision and consultation
  - Financial assistance
  - Technical assistance
  - Development of standards

8

## World Bank Group

- **Membership**
  - World Bank: only IMF members
  - Other institutions (except ICSID): only World Bank members
- **Composition**
  - World Bank (IBRD), 186 members
  - International Development Association (IDA), 169 members
  - International Finance Corporation (IFC), 182 members
  - Multilateral Investment Guarantee Agency (MIGA), 175 members
  - International Centre for Settlement of Investment Disputes (ICSID), 155 members

9

## World Bank

- **Membership**
  - Only IMF members
  - Voting: same as IMF
- **Organisation**
- **Mandate**
  - Poverty reduction
  - Development assistance
- **Means**
  - Technical assistance
  - Financing projects
  - Reform programmes (adjustment)
- **Criticism**

10