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Bretton Wood System

Bretton Wood system, that was created initially to protect the war-ridden economies of the World, has taken hold of the World’s economic system. Whether or not, it has been removed, revamped or reoriented; it still is impactful for the present economic structure of the World. The following readings are important to analyses the trends in which the impacts of this system appear apparent.

The World Trade Organization (WTO) and the future of Multilateralism by Richard Baldwin, published in the Journal of Economic Perspectives[[1]](#footnote-1), provides a thorough an overview of how multilateralism act as a tool for multilateral organizations- importantly the WTO. After presenting a precise overview of the history of the General Agreement on Tariff and Trade (GATT) and its subsequent evolution to WTO, the authors consider as to why the WTO is unable to achieve the wider consensus on the trade and tariff negotiations. The author opines that since the launch of Doha negotiations, the members of the WTO were unable to cope up with the failures of the Doha talks. Despite the failure of the Doha roundup of talks, the WTO has maintained the lowest tariff rate for unilateral, bilateral and multilateral trade, which is below 5 per cent. If any region has the maximum flow of trade and services, the tariff rate remains zero per cent. In chronological order, the author has discussed the following points in the article.

* A brief analysis of the original GATT agreement clauses
* How the GATT agreement strengthened the concept of political economy
* An analysis of the reasons behind failed Doha talks

The *theory of political economy* underlays the whole perspective of the WTO and how this multilateral economic structure, pushes the countries to work in an economically conducive way. The concept of free market, of the political-economic theory, is the cornerstone of the WTO and such other multilateral economic organizations. This reading helps in analyzing how WTO- as a multilateral economic organisation has evolved throughout the times and its principles of non- discrimination, transparency, reciprocity, flexibility and consensus orientation has served its purpose throughout the times. The much important lesson from the WTO’s evolution is that “not the result based- but the rules-based system assures the success of a larger body.” Considering the scope, vision and functions of the WTO, this reading presents two main questions

* *How the role of WTO could be maximized, to yield economic outcome from conflict-prone regions?*
* *What are the institutional flaws in the WTO, which restricts the achievement of creating more free trade and tariff zones?*

The article titled The New Role for the World Bank, authored by Michael A. Clemens and Michael Kremer was published in the Journal of Economic Perspective[[2]](#footnote-2). This article presents to the readers a thorough understanding of the institutional structure of the World Bank, how it pursues its goals of eliminating poverty, how the state economies benefit from the sources of the World Bank and why States prefers moving their capitals away from the World Bank. The authors in this article are of the view that the present-day economic structure encompasses tow important aspect; one is the World Bank (the global financial institution) and the second are the private entities that now holds many capitals. They opine that the absence of a common mission between these two entities- at last keeps them away from achieving their desired goals. To substantiate this argument- consider these two important perspectives; Has the World Bank has been successful in eliminating poverty from the world- despite having ample resources at this disposal, and have the private economic entities proved to be providing equal opportunities to every country of the World?

The *theory of capitalism* helps in understanding the underpinnings of this article. For example, capitalist entities which are blamed to protect the interests of specific entities; results in financial instability, create the chances of the financial crisis and often distance itself from the disadvantaged. This reading therfor puts forward the following questions

* *What new framework could be adopted to amalgamate these two, unlike ends?*
* *How the World Bank be made free of the impression of serving capitalist interests.*

The article includes many important points which substantiate the author's view of what should be the new role of the World Bank. The author substantiates his view by providing the overviews and importance of trade policy, tariff policy, tax policy, regulatory policy, conflict recovery policy and property rights policy of the World Bank. This brings the readers to a conclusion that in view of the increasing overlapping of economic entities, expansion of the authorities of the multilateral entities and failure of each one in achieving the desired outcome is pressing factors which restrain their institutional efficiency.

Martin Ravallion writes titled The World Bank: Why it still needed and why it disappoints; that the world bank is beneficial still today, as it has partially moved away from exactly why it was created[[3]](#footnote-3). To authenticate the importance of his claim, one might have to look back to the circumstances for which it was created and then at the present-day economic conditions of both the developed and the underdeveloped countries of the world. the author opines that things and economies today are not like, they were after the end of the World War. Let's suppose a war-ridden country at that time had nothing to offer to trade, it was solely dependent on the foreign support, which helped those war-ridden economies to get themselves stand. Now, at present, the political situation at first instance- reduces the chances of the war, then the perpetrators consider whether the war would guarantee peace, and then reconsider the economic cost of the war. According to the author, beyond all these, the World Bank remains impactful. Then the author presents what exactly are now the threats to the World Bank's effectiveness, how more conducive a proper research-based technique could be implied to support the programs of the World Bank around the World i: e the expansion of the knowledge bank and finally, he presents the following three changes that are crucial for the effectiveness of the World Bank.

* States must be generally incorporated in the structure of the World Bank. I: e, any state must not be a party or beneficiary of a single organ of the World Bank, rather be included in all its organs.
* A thorough knowledge-based approach be inculcated before initiating any World bank’s program
* Ambitious must be the all the World Banks programs.

Broadly, the *theory of liberalism* and more narrowly *the theory of economic liberalism* serves the purpose of this reading. Unless a liberal order is achieved, the countries of the world will remain doubtful of the roles of other states and of the multilateral organizations such as the board bank too. This reading appears too ambitious and remains hollow in answering the following two questions

* Is the World Bank system being ready to provide far reaching economic benefits to under developed economies?
* Is the political situation supportive to reconsider the World Banks remodeling?

All three readings generally provide a thought on the effectiveness of multilateral economic institutions. The core idea which all three readings provide is that the current World economic order, is not new, neither it is too obsolete. Before the analysis of this economic system, one must consider the political situation of that time. For example, the political situation during and after the world war was totally different from what the political situation of today is. Secondly, one then needs to be open to revamp the economic orders of the countries, and more importantly of the multilateral organization. Finally, these readings provide a sense that a state must always keep itself intact with the world’s financial system, to reap the benefits.

1. Baldwin, Richard. “The World Trade Organization and the Future of Multilateralism.” *Journal of Economic Perspectives*, vol. 30, no. 1, 2016, pp. 95–116., doi:10.1257/jep.30.1.95. [↑](#footnote-ref-1)
2. Clemens, Michael Andrew, and Michael R. Kremer. “The New Role of the World Bank.” *SSRN Electronic Journal*, 2016, doi:10.2139/ssrn.2737047. [↑](#footnote-ref-2)
3. Ravallion, Martin. “The World Bank: Why It Is Still Needed and Why It Still ...” *The World Bank*, 23 Apr. 2015, pubs.aeaweb.org/doi/pdfplus/10.1257/jep.30.1.77. [↑](#footnote-ref-3)