

The Rules-Based International Order

A Historical Analysis

Marc Trachtenberg

On February 14, 2025,

U.S. Vice President J. D. Vance gave a speech at the Munich Security Conference that sent shock waves across Europe. Vance was not particularly concerned, he said, with the threat from Russia or China or from any other external actor. He was more worried about the “threat from within, the retreat of Europe from some of its most fundamental values—values shared with the United States of America.”¹ Free speech in Britain and across Europe, he charged, was in retreat; democratic norms were no longer treated as sacrosanct; popular concern about massive immigration was being shunted aside, and right-wing anti-immigration parties were being treated as political pariahs. But “shutting people out of the political process” was “the most surefire way to destroy democracy.” What no democracy could survive, he said, “is telling millions of voters that their thoughts and concerns, their aspirations, their pleas for relief are invalid or unworthy of even being considered.”²

Many Europeans were appalled by those comments. Vance seemed to be siding with hard-right parties like the Alternative für Deutschland, parties that mainstream opinion in Europe viewed as utterly beyond the pale. And his remarks clearly suggested that the United States and Europe no longer saw eye to eye on some fundamental issues. As one German analyst put it, Vance had “declared a culture war and said: ‘Join us or not. We have the right values and you have it wrong.’”³ And that had major political implications.

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1. J. D. Vance, “Remarks by the Vice President at the Munich Security Conference,” American Presidency Project, February 14, 2025, <https://www.presidency.ucsb.edu/node/376339>.

2. Ibid.

3. Claudia Major, the director for security policy at the German Institute for International and Security Affairs, quoted in Steven Erlanger, “Indifference or Hostility? Trump’s View of European Allies Raises Alarm,” *New York Times*, February 28, 2025, <https://www.nytimes.com/2025/02/27/world/europe/trump-eu-allies.html>.

"The country that brought us back our freedom and our democracy," she said, "is turning against us."⁴ The Christian Democratic leader Friedrich Merz—the man who would soon become Germany's chancellor—spoke, in fact, of an "epochal rupture" with the United States.⁵

Perhaps the most amazing reaction came from Christoph Heusgen, the outgoing chair of the security conference. Heusgen was not a minor figure. He had served for twelve years as Chancellor Angela Merkel's adviser on security and foreign policy affairs before becoming Germany's ambassador to the United Nations (UN) in 2017. For Heusgen, what had happened at Munich was a kind of nightmare.⁶ The United States and Europe seemed to be pulling apart: After Vance's speech, he said, "we have to fear that our common value base is not that common anymore."⁷ He tried to put his finger on the heart of the problem: "It is clear that our rules-based international order is under pressure. It is my strong belief that this more multipolar world needs to be based on a single set of norms and principles, on the UN Charter and the Universal Declaration of Human Rights. This order is easy to disrupt. It's easy to destroy, but it's much harder to rebuild. So let us stick to these values. Let us not reinvent them but focus on strengthening their consistent application. Let me conclude, and this becomes difficult . . ." ⁸ He then broke down in tears and, to the applause of the assembled dignitaries, had to leave the stage before he could finish his speech. It was as though his whole world was collapsing around him. It was an extraordinary moment in an extraordinary week.

"Our rules-based international order": That phrase stood for a whole way of thinking about how international politics should be conducted—a set of ideas that Europeans like Heusgen, and many Americans as well, strongly believed in, but that the new U.S. administration headed by Donald Trump clearly did not accept. "America under Trump," as Heusgen put it, "lives on

4. Ibid.

5. Quoted in Steven Erlanger, "Next Likely Chancellor Promises a Tougher Germany," *New York Times*, February 20, 2025, <https://www.nytimes.com/2025/02/20/world/europe/germany-merz.html>.

6. "'In gewissem Sinne ein europäischer Albtraum'" ["In a certain sense, a European nightmare"], interview with Christoph Heusgen, *zdfheute*, February 16, 2025, video, 20 sec., <https://www.zdf.de/nachrichten/politik/ausland/muenchner-sicherheitskonferenz-heusgen-usa-europa-ukraine-fazit-100.html>.

7. "Live: Munich Security Conference 2025—Day 3," *DW News*, February 16, 2025, YouTube, Christoph Heusgen closing remarks, 3hrs., 52 mins., 10 secs., <https://www.youtube.com/watch?v=tCbK6XdQH8c>.

8. Ibid., 3 hrs., 56 mins., 12 secs.

another planet.”⁹ Under President Joe Biden, the U.S. government had seen itself as the great defender of the rules-based order—“the system of laws, agreements, principles, and institutions that the world came together to build after two world wars to manage relations between states, to prevent conflict, to uphold the rights of all people,” as Secretary of State Antony Blinken defined it.¹⁰ President Biden, Secretary Blinken, and other Biden administration officials had, in fact, referred to the rules-based order hundreds of times in official pronouncements, far more often than any of their predecessors. Indeed, as one journalist noted, a commitment to the rules-based order seemed to lie at the core of their foreign policy.¹¹ But it was clear that Trump, even in his first term, did not think that it was the U.S. government’s job to defend the rules-based order.¹² As Julianne Smith, who had worked with then–Vice President Biden on national security affairs in the Barack Obama administration, remarked in 2018: “We’re at a point where we have a U.S. president who doesn’t value the rules-based international order, and I’m not convinced he even knows what it is.”¹³ Many writers have made the same point during Trump’s second term.¹⁴ It was often claimed that that shift in policy would have disastrous consequences—that the collapse of the rules-based order would result in a violent, anarchic, “Hobbesian” world.¹⁵ And that meant that there was no viable alternative to the policy of defending the rules-based order—that if the liberal

9. “In gewissem Sinne ein europäischer Albtraum,” 41 secs.

10. Antony J. Blinken, “The Administration’s Approach to the People’s Republic of China,” speech, George Washington University, May 26, 2022, <https://2021-2025.state.gov/the-administrations-approach-to-the-peoples-republic-of-china/>.

11. Matthew Miller, “Department Press Briefing—March 27, 2024,” U.S. Department of State, <https://2021-2025.state.gov/briefings/department-press-briefing-march-27-2024/>.

12. See Mark Landler, “Trump, the Insurgent, Breaks With 70 Years of American Foreign Policy,” *New York Times*, December 28, 2017, <https://www.nytimes.com/2017/12/28/us/politics/trump-world-diplomacy.html>; Peter S. Goodman, “The Post-World War II Order Is Under Assault from the Powers That Built It,” *New York Times*, March 26, 2018, <https://www.nytimes.com/2018/03/26/business/nato-european-union.html>.

13. Michael D. Shear, Peter Baker, and Emily Baumgaertner, “Trump Attends G-7 with Defiance, Proposing to Readmit Russia,” *New York Times*, June 8, 2018, <https://www.nytimes.com/2018/06/08/world/americas/trump-g7-trade-russia.html>.

14. See, for example: David E. Sanger, “Power, Money, Territory: How Trump Shook the World in 50 Days,” *New York Times*, March 11, 2025, <https://www.nytimes.com/2025/03/11/us/politics/trump-50-days-foreign-policy.html>; Hans-Dieter Heumann, “This Is How Europe Becomes the Military Power That the World Needs Now,” March 17, 2025, *Die Zeit*, <https://www.zeit.de/politik/ausland/2025-03/geopolitics-europe-usa-west-ukraine-russia-english>.

15. Charles A. Kupchan, “The Clash of Exceptionalisms: A New Fight over an Old Idea,” *Foreign Affairs*, Vol. 97, No. 2 (March/April 2018), p. 146, <http://www.jstor.org/stable/44822088>. See also Steven Erlanger, “Is the World Becoming a Jungle Again? Should Americans Care?,” *New York Times*, September 22, 2018, <https://www.nytimes.com/2018/09/22/world/europe/trump-american-foreign-policy-europe.html>.

order collapsed, the result might well be, as Secretary Blinken said, “a world in which might makes right and winners take all. . . a far more violent and unstable world for all of us.”¹⁶

That, at any rate, has long been the prevailing view, at least in elite circles in Western countries. But that kind of thinking has by no means been universally accepted. Russian and Chinese officials, not surprisingly, often charged that the rhetoric about the rules-based order was just a cloak for U.S. imperialism. “Rule America—that is the essence of the notorious rules-based order,” Russian Foreign Minister Sergei Lavrov declared. Chinese officials also argued that in promoting that concept the Americans were trying to impose their own will and their own standards on the rest of the world.¹⁷ But many people in countries such as India actually welcomed Trump’s return to office, in large part, it seems, because they sensed that “under Trump, America will no longer aim to spread its values and act as a global defender of the liberal international order.”¹⁸ Even within the United States, liberal internationalism has had its share of critics. John Mearsheimer’s *The Great Delusion* and Stephen Walt’s *The Hell of Good Intentions* are particularly worth noting in this context.¹⁹

So should protecting and extending the rules-based order be a fundamental goal not just for the United States but for the Western world as a whole? That question can be dealt with in a number of ways. My approach here is based on a simple observation—namely, that arguments about the rules-based order have a strong historical component. An analysis of the historical claims that

16. Antony J. Blinken, in “Secretary Antony J. Blinken, National Security Advisor Jake Sullivan, Director Yang and State Councilor Wang at the Top of Their Meeting,” remarks at Anchorage, Alaska, U.S. Department of State, March 18, 2021, <https://2021-2025.state.gov/secretary-antony-j-blinken-national-security-advisor-jake-sullivan-chinese-director-of-the-office-of-the-central-commission-for-foreign-affairs-yang-jiechi-and-chinese-state-councilor-wang-yi-at-th/>.

17. Michelle Nichols, “Lavrov Says U.S. Threatens Multilateralism, U.S. Rejects Remarks as ‘Whining,’” Reuters, July 16, 2024, <https://www.reuters.com/world/lavrov-says-us-threatens-multilateralism-us-rejects-remarks-whining-2024-07-16/>; Paul Gewirtz, “China, the United States, and the Future of a Rules-Based International Order,” Brookings Institution, July 22, 2024, <https://www.brookings.edu/articles/china-the-united-states-and-the-future-of-a-rules-based-international-order/>; Wang Yi, “Uphold World Peace and Promote Human Progress,” keynote speech, 9th World Peace Forum, Tsinghua University, July 3, 2021, http://en.cidca.gov.cn/2021-07/08/c_641268.htm.

18. Timothy Garton Ash, Ivan Krastev, and Mark Leonard, “Alone in a Trumpian World: The EU and Global Public Opinion After the U.S. Elections,” European Council on Foreign Relations, January 15, 2025, <https://ecfr.eu/publication/alone-in-a-trumpian-world-the-eu-and-global-public-opinion-after-the-us-elections/>.

19. John J. Mearsheimer, *The Great Delusion: Liberal Dreams and International Realities* (New Haven, CT: Yale University Press, 2018); Stephen M. Walt, *The Hell of Good Intentions: America’s Foreign Policy Elite and the Decline of U.S. Primacy* (New York: Farrar, Straus and Giroux, 2018).

champions of the rules-based order make is therefore bound to shed some light on the issue. I will therefore look in the next section at arguments about how that order—the “liberal international order,” as it is often called—came into being. The following sections will deal first with arguments about how the North Atlantic Treaty Organization (NATO) system worked and then with arguments about the Bretton Woods monetary system and its place in the international order. In the final section, I will address the issue in a somewhat broader context; the discussion there will focus on whether there is any viable alternative to the kind of policy that the liberal internationalists call for.

The analysis here yields three basic conclusions. The first is that a good deal of what is said about the origins of the liberal international order is not supported by the historical evidence. The U.S. government had not set out during and immediately after World War II to construct a liberal international order, and the liberal system that did come into being in the Western world did not in itself produce a relatively peaceful world. If there was peace, that was because a fundamental understanding with the Soviet Union was eventually worked out. And the policies that led to that understanding were not liberal ones. They were based instead on respect for the power of one’s rival and the legitimacy of its interests. The second point relates to liberal internationalist arguments about institutions as building blocks of a stable international order. The basic finding here is that institutions were not nearly as important as many writers say they were, and that they could actually have a destabilizing effect. The third and most important conclusion relates to the claim that there “is simply no grand ideological alternative to a liberal international order.”²⁰ What the analysis here shows, I believe, is that there were, and are, alternative approaches that are very much worth considering, approaches based on certain traditional ideas about how policy should be conducted.

The Making of the Liberal Order

Many authorities, including prominent members of the Biden administration, argued that the rules-based international order had to be defended because its collapse would result (to quote Secretary Blinken again) in “a far more violent and unstable world for all of us.”²¹ That was why, in their view, the rules-based

20. G. John Ikenberry, “The End of Liberal International Order?,” *International Affairs*, Vol. 94, No. 1 (January 2018), p. 23, <https://www.jstor.org/stable/48587221>.

21. Blinken, remarks at Anchorage, Alaska.

order was not just an abstraction, and why policy in more concrete areas had to be rooted in that basic philosophy. In dealing with the Russo-Ukrainian War, for example, top U.S. officials during the Biden period often argued that the fate of the rules-based international order was at stake.²² As Secretary Blinken put it in June 2022, that war was “not just about Ukraine,” it was also an assault “on the fundamental principles of a rules-based international order.”²³ Indeed, it was because the fate of the “order” was at risk that the United States had to pursue the policy that it did. It was important, as President Biden put it, to stand up for Ukraine “in its hour of need” in large part because a Russian victory in that war “could mark the end of the rules-based international order.”²⁴

That same philosophy lay at the heart of the Biden administration’s China policy. China, Blinken said, posed “the most serious long-term challenge” to the “rules-based order.”²⁵ It was “the one country in the world that has the military, economic, [and] diplomatic capacity to undermine or challenge the rules-based order that we care so much about and are determined to defend.”²⁶ And it was not just a question of actions that China might take at some point in the future. The Chinese challenge, as he saw it, was real today. He pointed to Chinese actions “in Xinjiang, Hong Kong, Taiwan, cyberattacks on the United States, and economic coercion toward our allies.”²⁷ These were “not merely internal matters”; each of those actions threatened the rules-based order, and in the face of that threat, the United States would not remain passive.²⁸ With regard to China, he said, “we are determined to uphold the so-called rules-based international order that we’ve invested so much in over so many decades.”²⁹ “So when anyone”—and he was

22. See, for example: Ned Price, “Department Press Briefing—April 21, 2022,” U.S. Department of State, <https://2021-2025.state.gov/briefings/departments-press-briefing-april-21-2022/>; Wendy R. Sherman, “Remarks by Deputy Secretary Sherman at the American Society of International Law Annual Meeting: Personalizing International Law,” U.S. Department of State, April 8, 2022, <https://2021-2025.state.gov/remarks-by-deputy-secretary-sherman-at-the-american-society-of-international-law-annual-meeting-personalizing-international-law/>.

23. Antony J. Blinken, in “Secretary Antony J. Blinken at the Foreign Affairs Magazine Centennial Celebration,” U.S. Department of State, June 1, 2022, <https://2021-2025.state.gov/secretary-antony-j-blinken-at-the-foreign-affairs-magazine-centennial-celebration/>.

24. Joseph R. Biden, “President Biden: What America Will and Will Not Do in Ukraine,” *New York Times*, May 31, 2022, <https://www.nytimes.com/2022/05/31/opinion/biden-ukraine-strategy.html>.

25. Blinken, “Secretary Antony J. Blinken at the Foreign Affairs Magazine Centennial Celebration.”

26. Antony J. Blinken, in “Secretary Antony J. Blinken with Norah O’Donnell on CBS 60 Minutes and 60MinutesOvertime.com,” U.S. Department of State, May 2, 2021, <https://2021-2025.state.gov/secretary-antony-j-blinken-with-norah-odonnell-on-cbs-60-minutes-and-60minutesovertime-com/>.

27. Blinken, remarks at Anchorage, Alaska.

28. *Ibid.*

29. Antony J. Blinken, in “Secretary Antony J. Blinken with Andrea Mitchell of MSNBC Andrea

clearly referring to the Chinese here—“takes actions that undermine their word, when they don’t play by the rules, when they renege on commitments, whether it’s in the commercial area, whether it’s on human rights, or anything that undermines that order, we’re going to stand up and defend it.”³⁰

What exactly was that rules-based order and why was it so important? For Blinken, the term referred to both a set of principles that took hold after the two world wars and the institutions and agreements that gave substance to those principles. “Its founding documents,” he noted, included “the UN Charter and the Universal Declaration of Human Rights, which enshrined concepts like self-determination, sovereignty, the peaceful settlement of disputes.”³¹ The system, he and other Biden administration officials declared, was based on a set of shared values—on respect for human rights and for the territorial integrity of all states—principles that had been laid out in the UN Charter.³² The core idea was to construct something better than the world that had existed before World War II—a world in which “big countries could bully small countries,” in which “borders could be redrawn by force,” “in which might could make right.” U.S. policy instead needed to be rooted in a vision of a rules-based order, of a world “of democracies living peacefully side by side.”³³

That last phrase is particularly worth noting. The rules-based order was *not* a system in which all states, regardless of their internal political systems, could live in peace with one another. When people used the term, they were not thinking of a world in which states with different systems could get along by respecting one another’s core interests. It was one thing to call for a country’s sovereignty to be respected when it was a question of, say, admitting Ukraine to NATO. Ukraine’s right to “decide its own foreign policy course free from outside interference,” according to a State Department spokesperson, was a “very core tenet of the rules-based international order that the United States has protected and defended, and promoted around the world.”³⁴ But countries like Russia and

Mitchell Reports,” U.S. Department of State, May 6, 2021, <https://2021-2025.state.gov/secretary-antony-j-blinken-with-andrea-mitchell-of-msnbc-andrea-mitchell-reports-2/>.

30. Ibid.

31. Blinken, “The Administration’s Approach to the People’s Republic of China.”

32. See, for example, Price, “Department Press Briefing—April 21, 2022”; Ned Price, “Department Press Briefing—February 22, 2023,” U.S. Department of State, <https://2021-2025.state.gov/briefings/departments-press-briefing-february-22-2023/>; “Readout of President Biden’s Meeting with President Zelenskyy of Ukraine,” White House, December 12, 2023, <https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2023/12/12/readout-of-president-bidens-meeting-with-president-zelenskyy-of-ukraine/>.

33. Price, “Department Press Briefing—February 22, 2023.”

34. Ned Price, “Department Press Briefing—December 6, 2021,” U.S. Department of State,

China did not have the sovereign right, in the rules-based order, to do as they pleased at home. The Americans and their friends, on the other hand, had every right to promote democracy abroad, even if that meant violating the norm of national sovereignty as it had been traditionally understood. A statement issued by the United States and several of its allies in December 2021 made the same point in more general terms. “Respect for human rights, fundamental freedoms, and the rule of law,” it pointed out, “constitute one of the foundations of the rules-based international order.”³⁵

The Biden administration’s arguments about the rules-based order had a major historical component, and, in fact, in reading what people have had to say about the issue, one is struck by the role that historical claims play in those discussions. It is commonly argued, first of all, that the “order” was consciously designed by U.S. and Allied leaders during World War II and in the immediate postwar period—that is, that it did not just come into being as political leaders developed policies to deal with the specific problems they faced. “Rather than continue to see economic and security issues as solely national concerns,” Joseph Nye writes, “they now sought to cooperate with one another, devising a rules-based system that in theory would allow like-minded nations to enjoy peace and prosperity in common.”³⁶ Or as Ivo Daalder and James Lindsay put it: President Harry Truman in the late 1940s “sketched the blueprint for a rules-based international order”; his goal, they say, was “to prevent the dog-eat-dog geopolitical competition that triggered World War II.” They, in fact, characterize the rules-based order as America’s own “geopolitical invention.”³⁷

There was nothing idiosyncratic about that view. Many writers have argued that U.S. and other Western leaders looked back on what had happened before the war and decided that a new and fundamentally different system needed to be brought into being. Note, for example, a passage in a report issued in July 2014 by a panel of prominent former officials and high-ranking military officers, chaired by former Secretary of Defense William Perry and

<https://2021-2025.state.gov/briefings/departments-press-briefing-december-6-2021/>.

35. United States, Australia, Canada, the European Union, and the United Kingdom, “Joint Statement on Russian Court Decisions to Liquidate Memorial,” U.S. Department of State, December 31, 2021, <https://2021-2025.state.gov/joint-statement-on-russian-court-decisions-to-liquidate-memorial/>.

36. Joseph S. Nye Jr., “Will the Liberal Order Survive? The History of an Idea,” *Foreign Affairs*, Vol. 96, No. 1 (January/February 2017), p. 10, <http://www.jstor.org/stable/44823225>.

37. Ivo H. Daalder and James M. Lindsay, “The Committee to Save the World Order: America’s Allies Must Step Up as America Steps Down,” *Foreign Affairs*, Vol. 97, No. 6 (November/December 2018), pp. 72–73, <https://www.jstor.org/stable/26797934>.

General John Abizaid. “In the first half of the 20th century alone,” according to that report, “the world experienced two devastating world wars, the rise of the Soviet Union as a totalitarian menace, and the advent of the nuclear age. This grim history and the threats to America and her interests following World War II prompted America’s leaders to employ our extraordinary economic, diplomatic and military power to establish and support the current rules-based international order that has greatly furthered global peace and prosperity and ushered in an era of post-war affluence for the American people.”³⁸

Or, to give another example, note the passage dealing with this issue in an article by Gideon Rose, the editor of *Foreign Affairs*:

Reflecting on the nightmares of the interwar period, when unregulated markets and uncoordinated behavior led to economic disaster and the rise of aggressive dictatorships, Western policymakers in the 1940s set out to construct a global system that would prevent such problems from recurring. They ended up doing a masterful job, weaving together several components of domestic and international affairs into a unified, expansive, and flexible structure that has proved more durable and beneficial than they could ever have imagined.

At the core of the order are democracies with mixed economies, peacefully cooperating and trading with one another while nestling closely under an American security umbrella; that core was embedded in a variety of overlapping institutional structures, from the Bretton Woods institutions and the UN, to NATO and the European Union, to an endless array of cooperative bilateral, regional, and functional groupings.³⁹

And those institutions, the liberal internationalists felt, played an important role in the working of the “order”—indeed, the “order” was sometimes defined as the set of institutions that were created at the time.⁴⁰

But perhaps the most fundamental claim made by writers in this school is that the order created at the end of the war was a phenomenal success. Biden administration officials often argued along these lines. To give but one example: A White House spokesperson claimed, in July 2022, that the “rules-based international order” had “fueled over the course of not only 30 years but really going back to the end of the Second World War some eight decades of unprecedented levels of

38. William J. Perry and John P. Abizaid, eds., *Ensuring a Strong U.S. Defense for the Future*, National Defense Panel Review of the 2014 Quadrennial Defense Review (Washington, DC: U.S. Institute of Peace, 2014), pp. 1, 10, https://www.usip.org/sites/default/files/Ensuring-a-Strong-U.S.-Defense-for-the-Future-NDP-Review-of-the-QDR_0.pdf.

39. Gideon Rose, “What Obama Gets Right: Keep Calm and Carry the Liberal Order On,” *Foreign Affairs*, Vol. 94, No. 5 (September/October 2015), p. 3, <http://www.jstor.org/stable/24483732>.

40. As in Nye, “Will the Liberal Order Survive?” p. 11.

stability, of security, of prosperity, the spread of democracy as well.”⁴¹ And that basic claim has been echoed by many prominent writers. But these arguments were generally made in a fairly offhand way. It was as though everyone knew how valid they were; these arguments therefore did not need to be supported with hard evidence.

What that means is that in analyzing the issue one needs to focus on the works of those writers who developed the strongest and most scholarly arguments of this sort, and in that group G. John Ikenberry stands out. Patrick Porter, for example, after talking about the rules-based international order, called Ikenberry the “idea’s principal theorist,” and Robert Jervis refers to him as the “leading academic proponent” of the “liberal international order.”⁴² Jervis’s precise phrasing is worth noting: Although the term “rules-based” appears many times in Ikenberry’s work (often preceded by the adverb “loosely”), he prefers to speak about the “liberal international order.” But the exact terminology is not of fundamental importance. Ikenberry is the most prominent—and most impressive—academic champion of this general approach to U.S. policy.

And he has certainly produced a good deal of important work—three major books and a whole slew of articles—that relate directly to this issue. Those writings have been influential, even in policy circles.⁴³ But Ikenberry, in all these works, is not concerned only with current issues of policy. He is also interested in the general problem of international order—of how states “create rules and arrangements for ongoing relations of competition and cooperation.” “World politics,” he writes, “is not simply states operating in anarchy.” International political life instead takes place in “an active political order with rules, institutions, and accumulated understandings and expectations.”⁴⁴ But how do such political orders come into being, and why did at least some of them prove to be so stable and durable?

To get at those issues, he focuses in the first of those three books, *After Victory* (2001), on some key times when powerful states built an international order.

41. Ned Price, “Department Press Briefing—July 25, 2022,” U.S. Department of State, <https://2021-2025.state.gov/briefings/departments-press-briefing-july-25-2022/>.

42. Patrick Porter, *The False Promise of Liberal Order* (Cambridge: Polity, 2020), p. 4; Robert Jervis, “Introduction,” in “H-Diplo Roundtable XXIII-3 on G. John Ikenberry, *A World Safe for Democracy: Liberal Internationalism and the Crises of Global Order* (New Haven, CT: Yale University Press, 2020),” September 20, 2021, p. 2, <https://hdiplo.org/to/RT23-3>.

43. See Michael Hirsh, “Why Liberal Internationalism Is Still Indispensable—and Fixable,” *Foreign Policy*, December 5, 2020, <https://foreignpolicy.com/2020/12/05/liberal-internationalism-still-indispensable-fixable-john-ikenberry-book-review/>.

44. G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order After Major Wars*, rev. ed. (2001; Princeton, NJ: Princeton University Press, 2019), p. xi.

Those moments came at the end of great conflicts—in 1815, 1919, 1945, and 1989. At those key points, the argument runs, a victor power has just “received a windfall of ‘power assets.’”⁴⁵ It is now much stronger than its recently defeated adversaries. But how would it use that power advantage? Broadly speaking, he argues, it has three options. It could try to remain the dominant power in the system. If successful, the result would be a hegemonic or imperial order. Or it could withdraw from the system—that is, it could “wash its hands of postwar disputes and return home”—in which case whatever order there was would result from a balance of power.⁴⁶ But there is, in principle, a third choice: The victor power could “try to *transform* its favorable postwar power position into a durable order that commands the allegiance of the other states within the order.”⁴⁷ The result in that case would be a sort of “constitutional” system, in which “power is exercised—at least to some extent—through agreed-upon institutional rules and practices, thereby limiting the capacities of states to exercise power in arbitrary and indiscriminate ways or use their power advantages to gain a permanent advantage over weaker states.”⁴⁸ In that third type of system, the leading power enters into a kind of bargain with its weaker partners. It agrees to exercise its power in a relatively moderate and predictable way, and, indeed, to accept institutionalized constraints on its power. In exchange, its partners accept the legitimacy of the system and are more willing than they would otherwise be to go along with what that powerful state wants. And liberal democracies, in Ikenberry’s view, are more able than other kinds of countries to create that type of order—they were, in fact, able to build a system of that sort, what he calls a “liberal hegemonic order,” after World War II.⁴⁹

Those basic themes are echoed in his two other books on the subject, *Liberal Leviathan* (2011) and *A World Safe for Democracy* (2021). His thinking, to be sure, has changed a bit over time. There is less emphasis in the last two books, for example, on the postwar moment as the point at which the new international order was brought into being. Although Ikenberry still sees U.S. leaders as engaged in an “order-building project” after World War II, he now writes of a “rolling” process. And he seems more concerned, in those later works, with the need to adjust the system over time to take account of new political and economic realities. But

45. *Ibid.*, pp. xiv, 4.

46. *Ibid.*, p. 4.

47. *Ibid.*

48. *Ibid.*, pp. xiv–xvi, 19.

49. *Ibid.*, pp. xiii–xvi, xxii, 4, 17–19, 253, 258–259. Note also the title of the second chapter in this book, “Varieties of Order: Balance of Power, Hegemonic, and Institutional.”

the basic arguments that he makes in *After Victory* about the three broad choices, about how institutions can bind and constrain the leading power, about the bargain that that power can strike with its weaker partners, and about how that sort of bargain can serve as the basis of a viable international order, appear in those works as well.⁵⁰

In all three books Ikenberry makes a point of showing in some detail how all this worked in practice, and those historical arguments play a major role in supporting his basic thesis. His most important historical claims, as he himself points out, relate to “American order building after World War II.”⁵¹ “American officials and planners during and after the war,” he writes, “shared a central conviction that the United States, because of its power and interests, needed to underwrite a new postwar international order.”⁵² U.S. leaders therefore “set about building an international order.”⁵³ And they knew what they were doing: “Liberal international order,” Ikenberry writes, “did not spontaneously emerge. It had to be created and ruled.”⁵⁴ A certain vision had taken shape, a vision outlined in a series of declarations and formal agreements—the “Atlantic Charter of 1941, the Bretton Woods agreements of 1944, the U.N. Charter in 1945,” and the many others that followed—and that vision led to the establishment of a series of institutions.⁵⁵ “In the years between 1944 and 1951,” he writes, “the United States and its partners engaged in the most far-reaching international order building ever attempted. Order was built around new forms of economic, political, and security co-operation. Large multilateral institutions were established: the UN, the Bretton Woods institutions, the General Agreement on Tariffs and Trade (GATT), the World Health Organization, and an array of regional organizations,” the most important of which was NATO, established toward the end of that period.⁵⁶

And those institutions, he argues, provided the basis for a relatively stable

50. On the three basic choices: G. John Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton, NJ: Princeton University Press, 2011), pp. 13, 15, 61, 281; Ikenberry, *A World Safe for Democracy*, pp. 71–72, 302. On the bargain: Ikenberry, *Liberal Leviathan*, pp. 72, 116, 207–213; Ikenberry, *A World Safe for Democracy*, pp. 197–202. On how binding institutions can (and, after 1945, did) serve as the basis of a viable international order: Ikenberry, *Liberal Leviathan*, pp. 61–62, 104, 183–185, 214, 242; Ikenberry, *A World Safe for Democracy*, pp. 194, 196.

51. Ikenberry, *After Victory*, p. xiv.

52. Ikenberry, *A World Safe for Democracy*, p. 188.

53. Ikenberry, *Liberal Leviathan*, p. 159.

54. *Ibid.*, p. 297.

55. *Ibid.*, p. 29. See also Ikenberry, *After Victory*, p. 9; Ikenberry, *A World Safe for Democracy*, pp. 167–168.

56. Ikenberry, *A World Safe for Democracy*, p. 178.

international order—at least within the Western world. The Europeans could accept a system based on overwhelming U.S. power for two reasons. That system, first of all, would provide a degree of reassurance that the United States would remain involved in European affairs (and not pull out, as it had after the previous world war). But it also assured them that U.S. leaders would exercise their power in a relatively moderate way—not because the United States was particularly benign, but because the institutional framework that the Americans had inserted themselves into would impose major limits on what the United States could do. The Europeans had received “institutional assurances that they would not be dominated or abandoned.”⁵⁷ The institutional arrangements had “made the leading state more predictable, restrained, and accessible.”⁵⁸ Institutions like NATO could blunt the sharp edge of U.S. hegemonic power and make a U.S.-dominated system more acceptable to U.S. partners; those institutions could provide the system with an element of legitimacy that would make it more durable and more stable than it would otherwise be. And that effort, in Ikenberry’s view, was “remarkably successful.”⁵⁹ “In the fifty years following World War II,” the U.S.-dominated liberal order “provided a stable foundation for decades of Western and global growth and advancement.”⁶⁰ The Western countries “reopened the world economy, ushering in a golden era of economic growth.”⁶¹ U.S. relations with Germany and Japan were utterly transformed—the ex-enemies became close allies—and the system brought peace to Western Europe. It even contributed in important ways to the ending of the Cold War itself.⁶²

Historical arguments thus play a key role in supporting the liberal internationalist worldview, but what are we to make of them? To begin with, what are we to make of the idea that U.S. leaders set out from the start to create a *liberal* international order? According to Ikenberry, the postwar order that President Franklin D. Roosevelt (FDR) wanted to establish would be a kind of “club of democracies”—“a global space where liberal democracies joined together to build a cooperative order that enshrined basic human rights and social protections.”⁶³

57. Ikenberry, *After Victory*, p. 265.

58. *Ibid.*, p. 212. See also Ikenberry, *Liberal Leviathan*, pp. 183, 208, 213.

59. Ikenberry, *Liberal Leviathan*, p. 2.

60. *Ibid.*

61. *Ibid.*

62. *Ibid.*, pp. 2–3.

63. On a “club of democracies,” see Ikenberry, *A World Safe for Democracy*, pp. 175–176, 181–182. On the “global space,” see Ikenberry, “The End of Liberal International Order?,” p. 15. For a brief portrayal of Franklin D. Roosevelt as a liberal internationalist order builder, see Ikenberry, “The End of Liberal International Order?,” p. 13. But note the very different (and, to my mind, more accurate) account in Ikenberry, *Liberal Leviathan*, pp. 200–201.

FDR and his advisers had concluded “that the United States could survive and prosper as a democracy only in a unified world in which the liberal democracies held sway.”⁶⁴ Indeed, the idea of “creating an open, stable, and managed order among the Western democracies” had been “conceived by American officials before the onset of the Cold War—at least as early as the issuance of the Atlantic Charter in 1941.”⁶⁵ Many writers take much the same view. The Roosevelt administration, as one of them put it, had laid out a vision of “an open postwar world based on the principles of liberal internationalism, including sovereign equality, collective security and international law, and equal commercial access and treatment”; the Atlantic Charter is often mentioned in that context.⁶⁶

The problem was that FDR’s wartime policy was not really cut from that cloth. The president certainly understood that the Soviet Union was not a democracy, but he strongly believed, at least from 1942 on, that that country had a key role to play in the postwar system. Along with the United States, Britain, and China, the USSR would be one of the “Four Policemen” responsible for keeping the peace in the postwar period—a view, as the historian Warren Kimball points out, that he “never abandoned.”⁶⁷ And FDR certainly did not believe in the “sovereign equality of all states.” In his view, in fact, the big powers would make the “real decisions.”⁶⁸ Ikenberry himself, it should be noted, is well aware of these basic realities. “Roosevelt’s goal up until Yalta,” in February 1945, he writes, “was to maneuver the allied victors into a great-power peacekeeping organization,” and Ikenberry certainly knows that the Soviet Union was one of the victor powers.⁶⁹

A second issue relates to spheres of influence. Liberal internationalists often argue that the U.S. government, in pursuing its plan to build a liberal international order, had ruled out the alternative realist approach, which would have allowed each great power to dominate areas that it saw as essential to its

64. Ikenberry, *A World Safe for Democracy*, p. 310.

65. Ikenberry, *Liberal Leviathan*, p. 161.

66. Stewart Patrick, *Best Laid Plans: The Origins of American Multilateralism and the Dawn of the Cold War* (Lanham, MD: Rowman and Littlefield, 2009), p. 47. See also Ikenberry, *A World Safe for Democracy*, pp. 193–194.

67. For FDR’s “vision of the postwar world”—a vision in which the “Four Policemen” idea loomed large—see Warren F. Kimball, *The Juggler: Franklin Roosevelt as Wartime Statesman* (Princeton, NJ: Princeton University Press, 1991), pp. 83–105, esp. 85–86. On the Four Policemen concept, see also Warren F. Kimball, *Forged in War: Roosevelt, Churchill, and the Second World War* (New York: Morrow, 1997), pp. 201–202, 205, 368n11. For the point that FDR “never abandoned” that concept, see *ibid.*, p. 202.

68. FDR, quoted in Kimball, *Forged in War*, p. 205.

69. Ikenberry, *After Victory*, p. 175; Ikenberry, *Liberal Leviathan*, p. 201.

security. One writer claims, for example, that U.S. leaders during the war had simply rejected that “alternative approach to world order,” and had “refused to negotiate spheres of influence arrangements” with Britain and Russia.⁷⁰ But historians show that FDR was a good deal more open to that type of approach than those liberal internationalist writers would have us believe. Indeed, as a number of scholars point out, FDR’s Four Policemen concept had a certain spheres-of-influence flavor (since each “policeman” would be responsible for a certain region of the world)—and this was true even if the term “spheres of influence” did not quite capture what the president had in mind.⁷¹ Roosevelt, those historians point out, had no objection, for example, to the famous Winston Churchill–Joseph Stalin “percentages” agreement, dividing southeastern Europe into spheres of influence.⁷² And it is also now clear that FDR’s successors in the second half of 1945 were even more open to a spheres of influence arrangement with the Soviets. President Truman himself, in July 1945, had no problem accepting Soviet control of the areas that the USSR had occupied during the war. Thanks to Hitler, he said, “we shall have a Slav Europe for a long time to come. I don’t think it is so bad.”⁷³

A third point has to do with FDR’s thinking about how the Four Policemen idea would work in practice. What Roosevelt had in mind was a system in which not just the defeated aggressor states but every nation aside from the four big powers would be disarmed permanently. In his draft for what would

70. Patrick, *Best Laid Plans*, p. 81. See also Ikenberry, *Liberal Leviathan*, p. 166.

71. See: Kimball, *Forged in War*, pp. 242, 322, 332; Kimball, *The Juggler*, pp. 96, 103, 182, 195–197. Kimball thinks that a softer term like “area of responsibility” would be more in keeping with FDR’s thinking. John Harper argues that FDR’s cousin Theodore Roosevelt’s “notion of great-power regional hegemony was central to” FDR’s vision and quotes the president as saying in November 1942: “Russia would be charged with keeping peace in Europe. The United States would be charged with keeping peace in the Western Hemisphere” and the “U.S. and China would be charged with keeping peace in the Far East.” John Lamberton Harper, *American Visions of Europe: Franklin D. Roosevelt, George F. Kennan, and Dean G. Acheson* (Cambridge: Cambridge University Press, 1996), pp. 95–96.

72. See: Robert Dallek, *Franklin D. Roosevelt and American Foreign Policy, 1932–1945* (Oxford: Oxford University Press, 1979), pp. 479–480; Kimball, *Forged in War*, pp. 289–290; Kimball, *The Juggler*, pp. 161–164, 169. On FDR’s general tendency to think in spheres of influence terms, see also Harper, *American Visions of Europe*, pp. 81–82, 88–89, 95–97, 100–101 (on the percentages agreement), 124.

73. “28 July, 1945, European Trip,” James Forrestal Diaries, Vol. 2, 1945 July, James V. Forrestal Papers, 1907–1958 (mostly 1940–1949), Princeton University Library, p. 36, https://findingaids.princeton.edu/catalog/MC051_c05074?onlineToggle=false. For my own analysis of these issues, see: Marc Trachtenberg, *A Constructed Peace: The Making of the European Settlement, 1945–1963* (Princeton, NJ: Princeton University Press, 1999), chap. 1; Marc Trachtenberg, “The United States and Eastern Europe in 1945: A Reassessment,” *Journal of Cold War Studies*, Vol. 10, No. 4 (Fall 2008), pp. 94–132, <https://muse.jhu.edu/article/252651>.

soon become the Atlantic Charter, he called for the disarmament of “nations which threaten, or may threaten, to use force outside of their frontiers.”⁷⁴ He had to be talked into agreeing that that principle would apply only until “a wider and more permanent system of general security” was set up.⁷⁵ But the fact that he was prepared to amend his draft in that way did not mean that he had given up on his basic idea here. In May 1942, for example, he explained to Soviet Foreign Minister Vyacheslav Molotov what he had in mind for the post-war period. The four major powers—Britain, the United States, the USSR, and possibly China—should “act as policemen of the world.” He was not really interested in a broader organization like the old League of Nations. Instead, the four big countries would “maintain sufficient armed forces to impose peace.” “All other nations save the Big Four should be disarmed”; he had in mind even countries such as France. The goal was to “guard against the sort of clandestine rearmament in which Germany had notoriously engaged during the pre-war years.” Countries that posed a potential threat could be forced into line: “If any nation menaced the peace, it could be blockaded and then if still recalcitrant, bombed.”⁷⁶ He took the same line with Stalin in Tehran in November 1943. In the case of serious threats to the peace, he said, “the four powers, acting as policemen, would send an ultimatum to the nation in question.” A refusal “would result in the immediate bombardment and possible invasion of that country.”⁷⁷ Other U.S. leaders expressed the same basic thought. Especially striking was the role that air power would play in this system. When this war comes to an end, Vice President Henry Wallace said in 1942, the victor powers

74. For Roosevelt’s original draft, see Winston Churchill’s report to the War Cabinet on the Atlantic Conference, “Annex I: Joint Declaration,” WP (41) 202, August 20, 1941, Cab 66/18, British National Archives, Kew, frame 251, https://webarchive.nationalarchives.gov.uk/ukgwa/20231023132535mp_/http://filestore.nationalarchives.gov.uk/pdfs/large/cab-66-18.pdf. The revised draft is on frame 258.

75. See Memorandum of Conversation, by the Under Secretary of State (Welles), August 11, 1941, U.S. Department of State, *Foreign Relations of the United States (FRUS) 1941*, Vol. 1, *General, Soviet Union*, edited by Matilda F. Axton et al. (Washington, DC: Government Printing Office [GPO], 1959), doc. 371, <https://history.state.gov/historicaldocuments/frus1941v01/d371>; and Theodore A. Wilson, *The First Summit: Roosevelt and Churchill at Placentia Bay 1941* (Boston: Houghton Mifflin, 1969), pp. 173–175, 192, 197–199.

76. Roosevelt–Vyacheslav Molotov meeting, see Memorandum of Conference Held at the White House, by Mr. Samuel H. Cross, Interpreter, May 29, 1942, *FRUS, Diplomatic Papers, 1942*, Vol. 3, *Europe*, edited by G. Bernard Noble and E. R. Perkins (Washington, DC: GPO, 1961), doc. 468, <https://history.state.gov/historicaldocuments/frus1942v03/d468>.

77. Roosevelt–Stalin meeting, see Bohlen Minutes, November 29, 1943, *FRUS, Diplomatic Papers, 1943, the Conferences at Cairo and Teheran*, edited by William M. Franklin and William Gerber (Washington, DC: GPO, 1961), doc. 365, <https://history.state.gov/historicaldocuments/frus1943CairoTehran/d365>.

“would have such an overwhelming superiority in air power that we shall be able to enforce any mandate.” The way to maintain peace and security in the postwar world, he said a year later, was to “bomb the aggressor nations mercilessly” until they agreed to disarm themselves.⁷⁸ This was scarcely the sort of principle that liberal internationalists today would place at the heart of the international order.

Those points are important, but for the liberal internationalists other historical claims play a more fundamental role. Ikenberry especially focuses on the great institution-building effort the U.S. government engaged in toward the end of and immediately after the war. The institutions that were established at that time, the argument runs, served as the basis for the international order that still exists today. And at a number of points in his writings, Ikenberry lists the institutions that served as the fundamental building blocks in what he views as a successful international order: the Bretton Woods institutions (the International Monetary Fund [IMF] and the World Bank), the GATT, the UN, NATO, and U.S. alliances with Japan and other countries in Asia.⁷⁹

What we are to make of the liberal internationalist argument therefore turns in large measure on a judgment about how important those institutions actually were. And the first point to note here is that it quickly became clear in the postwar period that the UN could not play a fundamental role in international political life. It could function effectively only if the major powers were united, but with the coming of the Cold War in 1946 it became abundantly clear that that would not be the case. And, as it turned out, a new institution, established well after the end of the war—NATO—ended up being far more important. Indeed, NATO was so important that much of Ikenberry’s argument boils down to a series of claims about how that institution worked.

78. Quoted in Robert C. Hilderbrand, *Dumbarton Oaks: The Origins of the United Nations and the Search for Postwar Security* (Chapel Hill: University of North Carolina Press, 1990), p. 142. Stalin, incidentally, fully agreed with this general concept. Roosevelt-Molotov meeting, see Memorandum of Conference Held at the White House, by Mr. Samuel H. Cross, Interpreter, June 1, 1942, *FRUS, Diplomatic Papers*, Vol. 3, *Europe*, doc. 472, <https://history.state.gov/historicaldocuments/frus1942v03/d472>. See also: Hilderbrand, *Dumbarton Oaks*, p. 137; Warren F. Kimball, “The Sheriffs: FDR’s Postwar World,” in David B. Woolner, Warren F. Kimball, and David Reynolds, eds., *FDR’s World: War, Peace, and Legacies* (New York: Palgrave Macmillan, 2008), p. 95.

79. Ikenberry, *After Victory*, p. 9; Ikenberry, *A World Safe for Democracy*, p. 178; Ikenberry, *Liberal Leviathan*, pp. 159–160.

The Argument About NATO

Ikenberry argues that NATO, as an institution, lay at the center of a viable international order. It played that role, first of all, because it reassured the European allies that the United States would not leave them in the lurch—that is, it made the U.S. commitment more solid and more permanent than it would have been if no such institution had been created. He also argues that NATO was a binding institution in another sense. It bound the United States to pursue a more moderate, consensus-oriented, and restrained policy than it otherwise might have—that is, it gave the Europeans certain guarantees that the United States would not abuse its power in a way they would find hard to accept. And he makes a third claim about NATO. He argues that there was a sort of bargain. In exchange for the United States binding itself in those two ways—in return, that is, for agreeing to be part of an institution that would deepen its commitment to Europe while at the same time preventing it from abusing its power—the Europeans would support “the United States as it led the larger order.”⁸⁰

Of those three claims, the first is clearly the strongest. The more firmly established NATO became—the more it came to be seen as an unalterable fact of international life—the less likely the United States would be to actually withdraw from Europe. A mere unilateral commitment to the defense of West Germany, even if it was backed up by the presence of U.S. forces on German territory, would not have carried the same weight, for either the Americans or the Europeans. And it was not just the formal institutional structure that was important. The fact that the alliance included so many countries—even small countries such as Luxemburg and Iceland—also mattered a great deal. The member states, it seemed, were not just pursuing relatively narrow national interests, but had come together to defend Western civilization as a whole. All this meant that the U.S. commitment to Europe had a depth and permanence that it would not have had without that formal institution.

80. For the argument about how NATO strengthened the United States' commitment to the defense of Europe, see: Ikenberry, *After Victory*, pp. xx–xxii; Ikenberry, *Liberal Leviathan*, pp. 183–184, 214; Ikenberry, *A World Safe for Democracy*, pp. 193–197. For the argument about how NATO helped assure the Europeans that the United States would not abuse its power, see Ikenberry, *After Victory*, pp. 166, esp. 166n3, 170. For the argument about the transatlantic bargain—about how the Europeans would support the United States as the leader of the liberal order in exchange for the U.S. government's commitment to exercise its power in a predictable and restrained way, see Ikenberry, *After Victory*, pp. 258–259, xiv–xvi. See also Ikenberry, *Liberal Leviathan*, pp. 207–218; Ikenberry, *A World Safe for Democracy*, pp. 197, 200–202, 270–273.

But what can be said about the second claim? Did NATO as an institution prevent the United States from being as domineering as it would otherwise have been? The idea that it had that effect has by no means been universally accepted. In the 1960s, for example, French President Charles de Gaulle made exactly the opposite argument, claiming that NATO made it easier for the United States to dominate Europe by making it seem that it was not actually doing so. NATO was a “faux-semblant,” he said—a sham, an illusion—“a device for disguising the fact that America had a stranglehold on Europe. Thanks to NATO, Europe was made dependent on the United States, without seeming to be.”⁸¹ But Western Europe’s dependence on U.S. military power was quite clear at the time, and NATO, as an institution, did little to conceal that fact. To the extent that it made a difference, it gave the Europeans—or at least those who were not on the front line—more political freedom than they would have had. By strengthening the U.S. commitment to the defense of Europe, it allowed countries such as France to part company with the United States on political matters without having to worry too much about being abandoned by their great ally.

The NATO structure, on the other hand, did little to constrain the U.S. government’s own freedom of action. During the Berlin Crisis period (1958–1962), for example, U.S. officials certainly consulted with the two other Western occupying powers in the city, Britain and France, about what to do if access to Berlin was cut off. The three powers, in fact, created an organization outside NATO (called “LIVE OAK”) to do the planning.⁸² But if Britain and France were unwilling to take action if the time came, the United States was prepared to move ahead unilaterally. Indeed, the U.S. government early on had established its own military command in Europe—EUCOM—in order to be able to act unilaterally, if

81. See, for example: Alain Peyrefitte, *C’était de Gaulle* [This was de Gaulle], Vol. 1, *La France redevient la France* [France becomes France again] (Paris: Fallois and Fayard, 1994), p. 289 (May 9, 1962), p. 350 (January 9, 1963), pp. 352, 355 (January 16, 1963), p. 378 (February 13, 1963, for the quotation). See also Charles de Gaulle, *Mémoires d’espoir: Le renouveau 1958–1962* [Memoirs of hope: The renewal] (Paris: Plon, 1970), pp. 15, 177.

82. LIVE OAK, however, was not a totally separate operation. Since General Lauris Norstad, who was in charge of LIVE OAK, was also both NATO commander and commander of U.S. forces in Europe, NATO planning would inevitably have been taken into account when contingency plans for a Berlin crisis were worked out. In 1961, moreover, NATO as such began to play a more active role in the planning process. On these matters, see especially Gregory Pedlow, “Allied Crisis Management for Berlin: The LIVE OAK Organization, 1959–1963,” in William W. Epley, ed., *International Cold War Military Records and History: Proceedings of the International Conference on Cold War Military Records and History Held in Washington, D.C., 21–26 March 1994* (Washington, DC: Office of the Secretary of Defense, 1996), pp. 87–116.

necessary; the integrated NATO command structure, it was felt, would not in itself allow the United States to act in that way.⁸³

None of that meant, of course, that the United States could do whatever it wanted in Europe. If the Europeans refused to go along with certain of their plans, there was little the Americans could do about it. That was the case with the plan for a European Defense Community, which the Dwight Eisenhower administration had set its heart on; when the French in 1954 proved unwilling to ratify the treaty establishing the European Defense Community, the United States, rather grudgingly, had to accept alternative arrangements.⁸⁴ The same point applied to the U.S.-sponsored plan for a multilateral force, which collapsed in the early 1960s. But probably the best example has to do with the way the Europeans resisted U.S. pressure, in late 1950, for a rapid rearmament of West Germany. The U.S. threat not to deploy U.S. combat forces on the Continent if the Europeans did not go along with the U.S. plan did not have the desired effect, and the U.S. government had to change course when the Europeans (and especially the Germans) refused to cooperate.⁸⁵ So while it is correct to say that the Europeans, at times, were worried about an overly aggressive U.S. policy, it was not NATO as such, by limiting how far the United States could go, that put their minds at rest. What mattered was that the European countries, despite their military weakness, still carried political weight. The U.S. government, for all its power, could not simply dictate to them. The views even of countries such as West Germany (even before it had become an independent state) could not be ignored—not if the United States was going to construct an effective counterweight to Soviet power in Europe. Purely political considerations of that sort were of primary importance in limiting how far the United States could go. NATO as an institution did not play a key role in that regard.

What does all this imply about Ikenberry's third point, about how what he calls the "liberal hegemonic order" rested on a kind of bargain? "The United States," he writes, "would lead and manage the international order by providing security, supporting economic openness, upholding its rules and institutions, and other countries would agree to operate within this order and acquiesce in

83. See H. H. Lumpkin, *The SACEUR/USCINCEUR Concept*, August 15, 1957 (Stuttgart, Germany: U.S. European Command, 1957), Freedom of Information Act release, July 24, 1995, <https://www.sscnet.ucla.edu/polisci/faculty/trachtenberg/cv/lumpkin.pdf>. See also Trachtenberg, *A Constructed Peace*, pp. 118–119, esp. 119n76.

84. See Trachtenberg, *A Constructed Peace*, pp. 122–125.

85. See Marc Trachtenberg and Christopher Gehrz, "America, Europe, and German Rearmament, August–September 1950," *Journal of European Integration History*, Vol. 6, No. 2 (2000), pp. 9–37, https://eu-historians.org/wp-content/uploads/2017/03/jeih-12-2000_2.pdf.

American leadership.”⁸⁶ It would also “provide an array of services,” and “other countries would affiliate with rather than resist the United States. The United States would be first among equals and exercise hierarchical political control over the functioning of the order. It would have privileges and discretionary authority, but other countries would countenance American hegemonic power if it remained within limits.”⁸⁷ All this, he believes, goes a long way toward explaining why the political system that was constructed in the Western world after 1945 proved to be as stable and as durable as it was.

But had the United States and its western European allies actually struck a bargain of this sort, even tacitly? Had the Europeans really accepted the United States as a sort of hegemon? The term meant not just that the United States was the strongest power in the Western system. As Ikenberry uses it, it meant that the United States occupied a “commanding international position”—that it could “assert control over other nations” in the system and that its ability to get its way rested on something more than its power to threaten its allies with abandonment.⁸⁸ But I wonder how many Europeans actually viewed (and continue to view) the United States that way. De Gaulle certainly never did. His view was that the United States was in Europe because it had a fundamental interest in preventing the USSR from taking over the entire continent. And since the Americans were pursuing a policy based on their own national interest, the Europeans did not owe them anything in return. As de Gaulle’s foreign minister, Maurice Couve de Murville, later put it: U.S. policy was based on a judgment about where America’s true interests lay, so security for Europe was therefore not a function of the “degree of docility” the Europeans showed toward the United States.⁸⁹ Most Europeans did not go quite that far, but they certainly did not

86. Ikenberry, *Liberal Leviathan*, pp. 207–208.

87. Ikenberry, *Liberal Leviathan*, p. 208. See also Ikenberry, *A World Safe for Democracy*, pp. 200–202. Ikenberry elsewhere frames the argument in general terms. See especially Ikenberry, *After Victory*, pp. xv–xvi, 257–259. The fact that a bargain of that sort could lie at the heart of the international order is, to his mind, what distinguished a “liberal hegemonic” system from an imperial one. See Ikenberry, *Liberal Leviathan*, pp. 71–72.

88. G. John Ikenberry, “The Political Origins of Bretton Woods,” in Michael D. Bordo and Barry Eichengreen, eds., *A Retrospective on the Bretton Woods System: Lessons for International Monetary Reform* (Chicago: University of Chicago Press, 1993), p. 159n3; G. John Ikenberry and Charles A. Kupchan, “Socialization and Hegemonic Power,” *International Organization*, Vol. 44, No. 3 (Summer 1990), p. 283, <https://doi.org/10.1017/S002081830003530X>; Ikenberry, *After Victory*, p. 12, esp. 12n15.

89. See Maurice Couve de Murville speech at the Semaine Européenne de l’Ecole Centrale, January 23, 1974, pp. 4–5, and Maurice Couve de Murville speech at Hanover, March 11, 1974, p. 18, both in Maurice Couve de Murville Papers, box CM5, Fondation Nationale des Sciences Politiques, Paris.

think of themselves as obliged to follow the U.S. lead, without regard to where the U.S. government was leading them. They might defer to the United States in certain ways, sometimes against their better judgment. But that was not because they had agreed to take their place in a U.S.-dominated hegemonic system. It was not because they accepted America's "commanding" role as legitimate. It was because they were afraid of what the United States might do if they were not sufficiently cooperative.⁹⁰

Bretton Woods and Its Meaning

The U.S.-led liberal hegemonic order, in Ikenberry's view, had two sides. The most important institutions, especially NATO, dealt with security. But economic institutions also played a major role in his analysis. Other liberal internationalists also think that those institutions are important. In their lists of the key institutions that lay at the heart of the liberal international order, the economic institutions established at the end of the war and in the immediate postwar period—especially the IMF and the World Bank, both established at Bretton Woods in 1944, and the General Agreement on Tariffs and Trade of 1947—loom large.

The GATT, however, especially in its early years, can scarcely be called an institution. It did little more than establish a framework within which trade negotiations could take place—a point that Ikenberry recognizes.⁹¹ What really mattered were the policies that governments adopted within that framework. Those policies, pursued in a succession of negotiating "rounds," did result in a general lowering of trade barriers within the Western world. And Ikenberry is correct to note that relatively free trade was an important part of the system that eventually took shape. But the GATT, as an institution, did not play a fundamental role in bringing that kind of world into being. And even looking at the GATT not just as an institution in the strict sense, but as encompassing the whole web of understandings and expectations associated with it, it still does not seem to have had much of an effect. That, in any case, was the conclusion that Douglas Irwin, a leading expert in this area, reached in 1995. "The formation of the GATT," he wrote, did "not appear to have stimulated a particularly rapid liberalization of world trade in the decade after 1947." It was "therefore

90. The main example here is the way that West Germany was made to accept a non-nuclear status in 1963. See Trachtenberg, *A Constructed Peace*, chap. 9.

91. See Ikenberry, *A World Safe for Democracy*, p. 193.

difficult," he concluded, "to attribute much of a role to the GATT in the dramatic economic recovery during the immediate post-war period beyond that of an effective supporting actor."⁹²

The IMF and the World Bank, however, were far more important. Indeed, for Ikenberry "the Bretton Woods institutions were central to the establishment of a working international order," and he pays a good deal of attention to those institutions in all three of his books.⁹³ And he is far from alone in taking that line. The Bretton Woods institutions, in fact, were from the start seen as key elements in the liberal international economic system that U.S. leaders hoped to bring into being. When explaining why the agreements had to be ratified, prominent officials, from the president on down, often argued in that vein. The international monetary system that the Bretton Woods agreement called for—a system of more or less fixed exchange rates—was viewed as particularly important in that regard.⁹⁴ That point was stressed even in the IMF's founding documents.⁹⁵ The idea was that stable exchange rates would provide the most hospitable environment for expanding international trade, and a more open world economy would in turn facilitate economic growth more generally. It was because the system would have that effect, U.S. leaders insisted, that the Bretton Woods agreement had to be approved. "The Fund agreement," FDR said in his message urging adoption, "spells the difference between a world caught again in the maelstrom of panic and economic warfare culminating in war—as in the 1930's—or a world in which the members strive for a better life through mutual trust, cooperation, and assistance. The choice is ours."⁹⁶

And many people were convinced, even years later, that in approving the agreement the country had made the right choice. Former Under Secretary of the

92. Douglas A. Irwin, "The GATT's Contribution to Economic Recovery in Post-War Western Europe," in Barry Eichengreen, ed., *Europe's Postwar Recovery* (New York: Cambridge University Press, 1995), pp. 128, 147–148.

93. Ikenberry, *Liberal Leviathan*, p. 359; for the importance of Bretton Woods, see Ikenberry, *After Victory*, pp. 190, 253.

94. See, for example, Henry Morgenthau Jr., "Bretton Woods and International Cooperation," *Foreign Affairs*, Vol. 23, No. 2 (January 1945), pp. 182–194, <https://doi.org/10.2307/20029886>. Note also FDR's welcoming statement to the Bretton Woods conference, "Statement by President Roosevelt, June 29, 1944," *United Nations Monetary and Financial Conference: Bretton Woods, New Hampshire, July 1 to July 22, 1944: Final Act and Related Documents* (Washington, DC: GPO, 1944), p. 1, <https://heinonline.org/HOL/P?h=hein.hoil/unmtfc0001&i=1>; and Morgenthau address at closing session of the Bretton Woods conference, "Honorable Henry Morgenthau, Jr., at the Closing Plenary Session, July 22, 1944," p. 7.

95. Final Act, *United Nations Monetary and Financial Conference*, p. 24.

96. "Message of the President (Roosevelt) to the Congress, February 12, 1945," *Public Papers and Addresses of Franklin D. Roosevelt*, Vol. 13 (New York: Russell and Russell, 1969), p. 552.

Treasury for Monetary Affairs Robert Roosa, for example, had no doubt in 1967 that the Bretton Woods project had been a great success. The fixed exchange rate system, in his view, had “made possible in this past decade the greatest expansion of capacity and output that has been achieved by any group of countries at any time.”⁹⁷ Or, as one historian put it in 1978, the agreement had stood for a quarter century as the “foundation upon which world trade, production, employment and investment were gradually built.”⁹⁸ Some economists took much the same line. “The Bretton Woods system,” one of them wrote in 1993, “was the framework for an impressive worldwide liberalization of trade and payments. By banning exchange rate [re]alignments, except for fundamental imbalances, an important contribution was made to nurturing international capital markets in a relatively risk-free setting.”⁹⁹

But few scholars who work in this area still see things that way. The new thinking has two taproots, one relatively minor and the other far more important. The minor one has to do with how the making of the Bretton Woods agreement was to be interpreted. The traditional view, laid out, for example, in Richard Gardner’s famous book on the subject, *Sterling-Dollar Diplomacy*, is that the Bretton Woods system is the product of an “extraordinary effort of a small group of men to create a new international economic order—an economic order designed to provide the foundations for world prosperity and world peace.”¹⁰⁰ But a rather different picture emerges from later historical work on the subject. The key finding here, as the historian Francis Gavin notes, is that the whole Bretton Woods project was not driven by “some grand idealistic purpose.”¹⁰¹

This historical work focuses mainly on the British side of the story. The famous British economist John Maynard Keynes was, along with the U.S. Treasury official Harry Dexter White, one of the two main architects of the Bretton Woods system, and for Keynes, it turns out, British national interests were of

97. Milton Friedman and Robert Roosa, *The Balance of Payments: Free Versus Fixed Exchange Rates* (Washington, DC: American Enterprise Institute, 1967), pp. 66–67.

98. Armand Van Dormael, *Bretton Woods: Birth of a Monetary System* (New York: Macmillan, 1978), p. 307.

99. Rudiger Dornbusch comment on Michael D. Bordo, “The Bretton Woods International Monetary System: A Historical Overview,” in Bordo and Eichengreen, *A Retrospective on the Bretton Woods System*, p. 100.

100. Richard N. Gardner, *Sterling-Dollar Diplomacy: The Origins and Prospects of Our International Economic Order*, first revised ed. (New York: McGraw Hill, 1969), p. xvii.

101. Francis Gavin, “The Legends of Bretton Woods,” *Orbis*, Vol. 40, No. 2 (Spring 1996), p. 185, [https://doi.org/10.1016/S0030-4387\(96\)90059-9](https://doi.org/10.1016/S0030-4387(96)90059-9). See also Francis Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958–1971* (Chapel Hill: University of North Carolina Press, 2004), pp. 18–20.

fundamental importance. The economic historian Robert Skidelsky, a leading authority in this area, places great emphasis on this point; the subtitle for the third volume of the British edition of his biography of Keynes—the volume covering the 1937–1946 period—was “Fighting for Britain.”¹⁰² During the war years, Keynes was well aware that the United Kingdom was going to have a serious balance of payments problem in the postwar period, especially if the country were to pursue the domestic policies that he and many of his compatriots favored.¹⁰³ And various scholars have interpreted the international monetary plan that he came up with in that context—that is, that Keynes’s fundamental goal was to create a system that would allow Britain to cover the payments deficit it might run by drawing on U.S. resources. Gavin, for example, seems to lean in that direction. The Keynes plan, he writes, would have provided a “convenient and politically painless way to get money out of the United States in the guise of international reform.”¹⁰⁴ And Gavin quotes from an official paper that Keynes wrote just before the United States entered the war, in which Keynes pointed out that while the British would not be able to ask for U.S. assistance directly, they could “attract the interest and enthusiasm of the Americans” by coming up with “an ambitious plan of an international complexion,” which would serve the interests of others besides themselves.¹⁰⁵

Keynes’s efforts in this area are not, of course, to be understood simply as an attempt to “get money out of the United States,” but the documents strongly suggest that for him this was a major factor. He had, in fact, initially hoped that the new international institutions he wanted to establish would help Britain make it through the postwar period. The problem was that it became clear by late 1943 that those institutions would not be able to play that role.¹⁰⁶ The U.S. government refused to create the massive overdraft facilities that Keynes had wanted, and that refusal was bound to affect his feelings about this whole business. And his interest in the institution-building effort soon faded. Indeed, as one scholar points out, his “disappointment was so great that by the time

102. Robert Skidelsky, *John Maynard Keynes*, Vol. 3, *Fighting for Britain, 1937–1946* (London: Macmillan, 2000). For the U.S. edition, published the following year, the subtitle was changed to *Fighting for Freedom*.

103. See especially John Maynard Keynes, “The Problem of Our External Finance in the Transition,” June 12, 1944, in John Maynard Keynes, *The Collected Writings of John Maynard Keynes*, Vol. 24: *Activities 1944–1946: The Transition to Peace*, ed. D. E. Moggridge (Cambridge: Cambridge University Press, 1979), pp. 34–65.

104. Gavin, “Legends of Bretton Woods,” p. 188.

105. J. M. Keynes, “Proposals for an International Currency Union,” November 18, 1941, quoted in Gavin, *Gold, Dollars, and Power*, p. 20.

106. D. E. Moggridge, *Maynard Keynes: An Economist’s Biography* (London: Routledge, 1992), p. 756.

of his death in 1946 he had developed profound misgivings about the entire Bretton Woods project.¹⁰⁷ On his way home from an important meeting with U.S. officials in March 1946, he had actually prepared “an article for publication condemning American policy with extraordinary ferocity and passionately recommending” that the British government refuse to join the Bretton Woods institutions.¹⁰⁸ He was talked out of publishing it—Britain had to join if it was to get the important loan from the United States then being negotiated—but his anger and disillusionment at that point are hard to miss. The Americans, he wrote to his former student Richard Kahn, “seem to have absolutely no conception of international cooperation”—certainly not as he understood the term.¹⁰⁹ Keynes’s first major biographer, his friend and fellow economist Roy Harrod, thought that U.S. behavior at that meeting was “the immediate cause” of his death.¹¹⁰

As for White, he too soon became disillusioned with the way things had worked out. Gardner ends the chapter in his book on “The End of Bretton Woods” (dealing with the 1946–1947 period) by quoting an assessment that White made in the spring of 1948: “A candid appraisal of the contribution which both [of the Bretton Woods] institutions have so far made toward the stated objectives would force us to the conclusion that achievement has been much less than anticipated.” “It was a difficult admission for White to make,” Gardner remarks. “The Bretton Woods institutions had disappointed the hopes of their principal author.”¹¹¹ But if the two main architects of the system were so disillusioned with their handiwork so early on, doesn’t that tell us something about how the Bretton Woods system is to be assessed? And if the system was not really designed with some “great idealistic purpose” in mind, is it really surprising if it ended up functioning in a less-than-ideal way?

This brings us to the second, and far more important, basis for our current understanding of these matters: a clearer sense for how the Bretton Woods system actually functioned. The traditional view, as Skidelsky noted in 2003, was that the Bretton Woods agreement had led directly to “the ‘golden age’ of the 1950s

107. Scott Newton, “A ‘Visionary Hope’ Frustrated: J. M. Keynes and the Origins of the Postwar International Monetary Order,” *Diplomacy & Statecraft*, Vol. 11, No. 1 (March 2000), p. 191, <https://doi.org/10.1080/09592290008406145>.

108. This was according to George Bolton of the Bank of England, who had been with Keynes on the trip. The Bolton article containing the story, published in 1972, is quoted in *ibid.*, p. 203.

109. Keynes to Kahn, March 13, 1946, quoted in *ibid.*, p. 204.

110. Harrod to Kahn, September 19, 1949, quoted and discussed in *ibid.*, p. 205.

111. Gardner, *Sterling-Dollar Diplomacy*, p. 305. See also Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton, NJ: Princeton University Press, 2013), p. 317.

and 1960s, so different from the interwar years." But that view, he said, simply did not "square with the facts."¹¹² First, there was the problem of timing: "For the first fourteen years after the war," he noted, "the Bretton Woods System was in virtual cold storage. Its cornerstone, currency convertibility at fixed, though adjustable, exchange rates, was not restored in the main European countries till the end of the 1950s, by which time 'the golden age' was in full flower."¹¹³ And it was not the Bretton Woods system that had made the return to convertibility at fixed rates possible. The Europeans solved their balance of payments problems, but not by drawing on what the IMF had made available. Instead, what the United States had transferred to them for Cold War-related purposes turned out to be crucial. But there was also a structural problem. The Europeans might be building up their reserves to the point at which they could return to convertibility thanks to all that U.S. spending, but the other side of that coin was that U.S. reserves were in effect being depleted and the U.S. balance of payments position was weakening. Britain had similar problems. And that "trend in the reserve positions of its leading members," Skidelsky points out, meant that "the System was in crisis from the moment of its 'completion' [when it became operational in late 1958] till it broke down in 1971."¹¹⁴

This was not the first time that kind of argument had been made. Gavin had argued in 1996 that the idea that the Bretton Woods system had served as the basis for "economic stability and international cooperation over the quarter century following World War II" was a myth. You could not have fixed exchange rates, full convertibility, free trade, and domestic autonomy, he argued, all at the same time, so when the Europeans returned to convertibility in late 1958 and the Western countries tried to achieve all those goals simultaneously, "the system promptly began to break down."¹¹⁵ Some economists had already made much the same point. One well-known specialist in this area, Michael Bordo, referred in 1993 to the "fatal flaws" in the design of the system, the most

112. Robert Skidelsky, "Keynes's Road to Bretton Woods: An Essay in Interpretation," in Marc Flandreau, Carl-Ludwig Holtfrerich, and Harold James, eds., *International Financial History in the Twentieth Century: System and Anarchy* (Cambridge: Cambridge University Press, 2003), p. 125.

113. *Ibid.*, pp. 125–126.

114. *Ibid.*, p. 126.

115. Gavin, "Legends of Bretton Woods," pp. 183, 185. For the point about how quickly the problems emerged and how seriously they were taken by top U.S. officials as early as 1960, see Francis Gavin, "Ideas, Power, and the Politics of U.S. International Monetary Policy During the 1960s," in Jonathan Kirshner, ed., *Monetary Orders: Ambiguous Economics, Ubiquitous Politics* (Ithaca, NY: Cornell University Press, 2003), esp. p. 199. These matters are treated in greater detail in Gavin, *Gold, Dollars, and Power*, esp. pp. 9–10, 198–200.

important of which was the absence of an effective arrangement for adjusting exchange rates to deal with persistent payments imbalances.¹¹⁶

With different governments pursuing different policies—especially monetary policies—balance of payments problems were more or less bound to develop in that system. Imports into a country with a relatively high rate of inflation, for example, would become less expensive, and such a country would import more; its exports would be affected in the opposite way; and its trade balance—a key component of the overall balance of payments—would deteriorate. And under the Bretton Woods system, payments deficits could not be ignored; countries running a surplus had the right to cash in what they were accumulating for gold. What if they had done so, and what if the deficit country had run out of reserves—as it was bound to, if the problem lasted long enough? Political leaders during the Bretton Woods period dreaded that prospect and felt they had to do what they could to prevent that situation from arising.

But what could be done? In principle, in the Bretton Woods system, the exchange rate could be adjusted to deal with persistent payments imbalances, and various adjustments were in fact made from time to time. In practice, however, it was hard to make changes: Governments with deficits disliked devaluations, which were viewed as humiliating, and governments with surpluses disliked revaluations upward because of their effect on exports. Given that the dollar had in practice come to play a central role in the system, the United States found it especially difficult to make any adjustment. And without a workable arrangement for changing the exchange rate, the system was in crisis practically from the start. “In the absence of an adjustment mechanism,” as the economist Barry Eichengreen notes, “the collapse of the Bretton Woods international monetary system became inevitable. The marvel is that it survived for so long.”¹¹⁷

It was not, of course, that a country running a deficit could do nothing about it, short of devaluing its currency. All sorts of measures could be taken to restrict the outflow of capital; imports could be reduced in all kinds of ways; and governments could limit overseas spending in other ways as well. And, in fact, during the Bretton Woods years—the thirteen years from December 1958 when the Europeans restored convertibility to August 1971 when the Richard Nixon administration announced it would no longer exchange dollars for gold—the U.S. government (and other governments as well) sought to deal with their

116. Bordo, “The Bretton Woods International Monetary System,” pp. 74, 83–84.

117. Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, third ed. (Princeton, NJ: Princeton University Press, 2019), pp. 88–89.

balance of payments problems in those ways. The effect on capital flows is particularly worth noting. As the economist Richard Marston points out in an important paper on the subject, the Bretton Woods system eventually “degenerated into a system plagued with controls” on the movement of capital. What was most striking about the Marston paper, Paul Krugman writes, was “its demonstration that the Bretton Woods system bore very little resemblance to the golden age of financial markets that many people now think that they remember,” especially with regard to controls on capital.¹¹⁸

But what about the exchange of goods and services? It is often pointed out that international trade expanded significantly during the Bretton Woods period; isn't it reasonable to assume that the stable exchange rates of the Bretton Woods system made that possible? But most economists who study the issue do not think that that system was very important in this regard. The European economies, the argument runs, were growing rapidly in those years for reasons that had little to do with the particular international monetary regime in place at the time; because of the Great Depression and the two world wars, the Europeans had fallen behind where basic economic forces would have taken them and were now catching up to where they should be.¹¹⁹ The implication was that the rapid growth of international trade was mainly a by-product of the economic growth generated by that catching up process. It was, after all, scarcely to be expected that with the European economies growing so rapidly, trade would not grow at all. Increased trade might, of course, have been something more than a mere by-product of the more basic forces driving economic growth; trade liberalization might well have played a certain role. But even if that was the case, that does not mean that it was the Bretton Woods system that had made freer trade possible; trade liberalization was possible no matter what international monetary system was in place.

Indeed, the Bretton Woods system created strong incentives for countries

118. Richard C. Marston, “Interest Differentials Under Bretton Woods and the Post-Bretton Woods Float: The Effects of Capital Controls and Exchange Risk,” in Bordo and Eichengreen, *A Retrospective on the Bretton Woods System*, p. 537; Paul Krugman, “Comment,” in Bordo and Eichengreen, *A Retrospective on the Bretton Woods System*, p. 539.

119. Nicholas Crafts and Gianni Toniolo, “Postwar Growth: An Overview,” in Nicholas Crafts and Gianni Toniolo, eds., *Economic Growth in Europe Since 1945* (Cambridge: Cambridge University Press, 1996), pp. 2–3, 20; Barry Eichengreen, “Institutions and Economic Growth: Europe After World War II,” in Crafts and Toniolo, *Economic Growth in Europe*, p. 38. The basic argument had been developed most notably by Moses Abramovitz. See, especially, Moses Abramovitz, “Rapid Growth Potential and Its Realization: The Experience of Capitalist Economies in the Postwar Period,” in Moses Abramovitz, *Thinking About Growth: And Other Essays on Economic Growth and Welfare* (Cambridge: Cambridge University Press, 1989), chap. 6.

to put up barriers to the free flow of goods, services, and, especially, capital. Those barriers had to be erected if payments deficits—essentially unavoidable under the system—were to be reduced or eliminated without devaluation or revaluation upward. “By discouraging exchange rate changes,” as one economist points out, “the Bretton Woods system pushed countries toward imposing import restrictions to facilitate balance of payments adjustment.”¹²⁰ The U.S. government from the start had sought to build a freer, more open, and more highly integrated international economic system. But its efforts were frustrated by the pressures generated by the Bretton Woods system—a system that, as the economist Milton Friedman put it, had turned out to be “an enemy to free trade.”¹²¹

All of this had a major impact on the real economy. For theorists like Ikenberry, international economic “openness”—that is, the degree to which a country is integrated into the larger economic system—is a fundamental component of the liberal international order.¹²² But the Bretton Woods system, it turns out, did not have much of an effect in this area. Openness is usually measured by adding a country’s imports to its exports and dividing that figure by its gross domestic product (GDP), and the openness index, calculated in that way, was relatively flat for the world as a whole during the 1960s, the heyday of the Bretton Woods system. The index increased from 22.45 in 1960 to only 23.75 in 1969. But it rose dramatically following the collapse of that system in 1971, reaching a peak of 61.49 in 2008 (see figure 1).¹²³ For the United States, the openness index rose in the 1960s from 9.1 at the beginning of the decade to only 10.5 at the end. The index doubled—from 10.5 to 20.5—in the 1970s and continued its rise over the next decades, peaking at 31 in 2011 (see figure 2).¹²⁴

These developments must have come as a surprise to defenders of the par

120. Douglas A. Irwin, “Esprit de Currency,” *Finance & Development*, Vol. 48, No. 2 (June 2011), p. 32, <https://www.imf.org/external/pubs/ft/fandd/2011/06/irwin.htm>.

121. Milton Friedman, “Free-Floating Anxiety,” *National Review*, September 12, 1994, pp. 32, 34, 36, <https://miltonfriedman.hoover.org/internal/media/dispatcher/215018/full>. Friedman made this argument many times. See, for example, Friedman and Roosa, *The Balance of Payments*, p. 13.

122. See, for example, Ikenberry, *Liberal Leviathan*, p. 283; Ikenberry, *A World Safe for Democracy*, pp. 28, 33, 208.

123. For figure 1 and the statistics for the world as a whole, see “Globalization Over 5 Centuries,” graph, Our World in Data, Global Change Data Lab, <https://ourworldindata.org/grapher/globalization-over-5-centuries>, as cited in Douglas A. Irwin, “The Pandemic Adds Momentum to the Deglobalization Trend,” Peterson Institute for International Economics, April 23, 2020, <https://www.piie.com/blogs/realtime-economics/pandemic-adds-momentum-deglobalization-trend>. Our World in Data uses data found in the Penn World Table 9.0. See Robert C. Feenstra, Robert Inklaar, and Marcel P. Timmer, “The Next Generation of the Penn World Table,” *American Economic Review*, Vol. 105, No. 10 (2015), pp. 3150–3182, <https://doi.org/10.1257/aer.20130954>.

124. FRED (Federal Reserve Economic Data), Research Department, Federal Reserve Bank of St. Louis, <https://fredhelp.stlouisfed.org/fred/>, was the source for the data about U.S. openness.

Figure 1. The Growth of Openness, 1950–2022: The World Economy

Shown is the "trade openness index". This index is defined as the sum of world exports and imports, divided by world GDP.

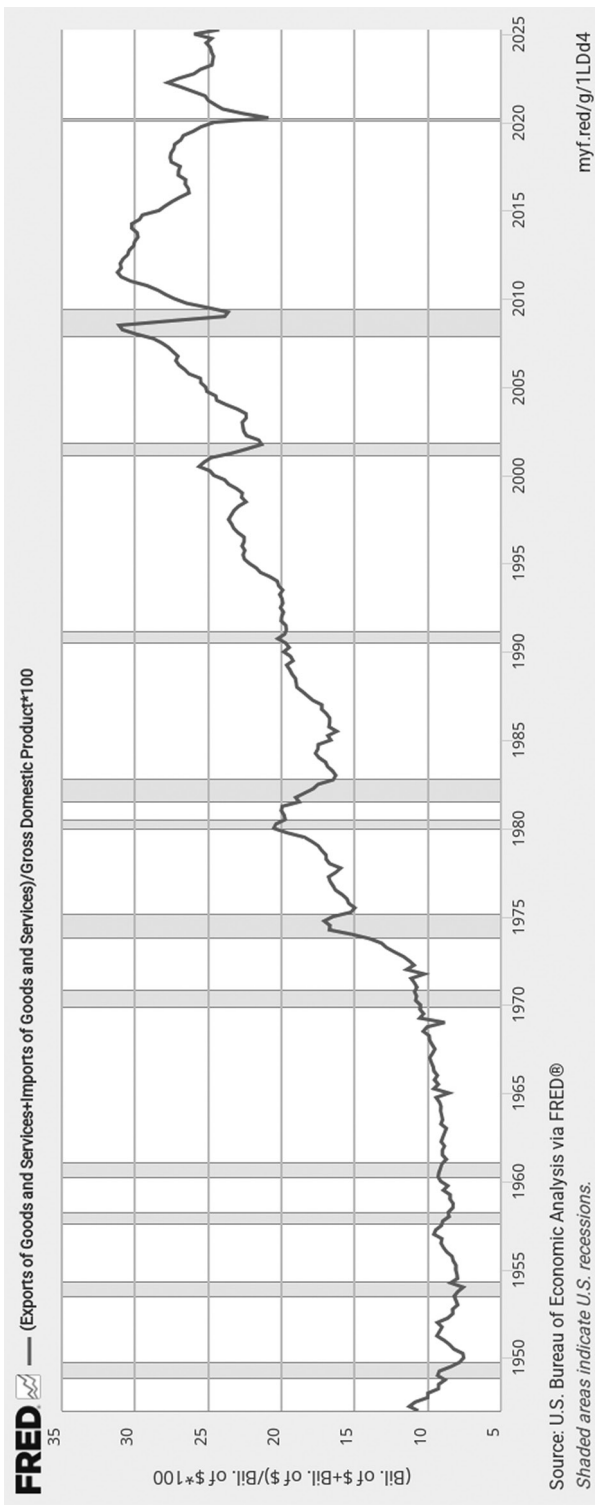


SOURCE: "Globalization Over 5 Centuries," graph, Our World in Data, Global Change Data Lab, <https://ourworldindata.org/grapher/globalization-over-5-centuries>, as cited in Douglas A. Irwin, "The Pandemic Adds Momentum to the Deglobalization Trend," Peterson Institute for International Economics, April 23, 2020, <https://www.piie.com/blogs/realtime-economics/pandemic-adds-momentum-deglobalization-trend>. Our World in Data uses data found in the Penn World Table 9.0. See Robert C. Feenstra, Robert Inklaar, and Marcel P. Timmer, "The Next Generation of the Penn World Table," *American Economic Review*, Vol. 105, No. 10 (2015), pp. 3150–3182, <https://doi.org/10.1257/aer.20130954>.

value regime (as the fixed exchange rate system was sometimes called), such as Robert Roosa. Roosa had thought in the 1960s that doing away with the Bretton Woods system would be a disaster for the world trading system. He was convinced that the basic alternative here—what was called a "floating" exchange rate system, a system in which exchange rates were set in the market—would "contribute to a greater economic isolationism. A wall of currency uncertainty would be built around every country."¹²⁵ If such a system were established, moreover, governments would not just stand aside and allow purely economic forces to set the exchange rate; they would intervene to secure whatever advantages they could; "a worldwide system of flexible rates," he feared, would "be a continuous invitation to economic warfare as countries maneuvered their rates

125. Roosa in Friedman and Roosa, *The Balance of Payments*, p. 42.

Figure 2. The Growth of Openness, 1945 –2024: The U.S. Economy



SOURCE: FRED (Federal Reserve Economic Data), Research Department, Federal Reserve Bank of St. Louis, <https://fred.stlouisfed.org/graph/fredgraph.png?g=1LDd4&height=490>.

NOTE: Shaded areas indicate U.S. recessions. Figure 2 was generated using the tools provided on the FRED website.

against each other.”¹²⁶ And that in turn, in his view, would probably have led to “the protectionism and economic autarchy of the sort of currency blocs that prevailed in the 1930s.”¹²⁷ But none of this happened, so something was obviously wrong with Roosa’s whole approach to the subject.

The “floaters,” on the other hand—and especially Milton Friedman, by far the most prominent floater—had in many ways been proven right. International trade did not collapse when the world moved to the market-based system in the early 1970s. The end of Bretton Woods led instead to a substantial increase in world trade and in economic openness. That effect was apparent very early on. As Friedman told a congressional committee in 1973, “the evidence to date suggests that the introduction of a floating exchange mechanism has facilitated rather than impeded international trade and investment transactions. Since I have long argued that floating rates would have this effect, I find the actual outcome reassuring but not surprising.”¹²⁸

Friedman, in fact, had long argued that the par value system would lead to restrictions on international transactions, and that floating exchange rates would, by the same logic, have the opposite effect. With floating exchange rates, he pointed out, there would be no balance of payments deficits for governments to worry about. The exchange rate would simply be set at the point at which the supply of a given currency equaled demand; payments, in other words, would automatically be in balance. The floating exchange rate system, as Friedman noted in 1967, would thus “completely eliminate” the balance of payments problem.¹²⁹ Imports and investment abroad and other forms of foreign spending would no longer need to be limited because of concerns about the balance of payments; that would make it much easier to remove the restrictions that had been put in place during the Bretton Woods period. And the new system did lead to the removal of at least some of the controls on international transactions that had been imposed in the 1960s for balance of payments reasons.¹³⁰ That

126. *Ibid.*, p. 50.

127. *Ibid.*, p. 67.

128. Milton Friedman, “How Well Are Fluctuating Exchange Rates Working?,” statement before the Subcommittee on International Exchange and Payments of the Joint Economic Committee, U.S. Congress, June 21, 1973, Reprint No. 18 (Washington, DC: American Enterprise Institute, October 1973), p. 3, <https://www.aei.org/wp-content/uploads/2023/07/AEIReprint018.pdf?x85095>.

129. Friedman in Friedman and Roosa, *The Balance of Payments*, p. 15. See also Harry G. Johnson, *The Case for Flexible Exchange Rates*, 1969 (St. Louis, MO: Federal Reserve Bank, 1969), p. 12, <https://scispace.com/pdf/the-case-for-flexible-exchange-rates-1969-2hrayxfq6j.pdf>. Originally published under the title *UK and Floating Exchanges* (London: Institute of Economic Affairs, 1969).

130. Note Friedman’s reference to the ending of certain controls of that sort in his article, Milton

shift in policy, although not as far-reaching as Friedman would have liked, was clearly a major factor in the story. It helped bring into being the more open international economy that took shape in the post-Bretton Woods period.

All this sheds some light on one of the basic issues that we are concerned with here. Institutions, like the Bretton Woods system, are not necessarily a source of order. They can easily be a major source of disorder. Order, on the other hand, can emerge spontaneously from the free play of individual interests. It can emerge, that is, not from the establishment of institutions but from their demise. Adam Smith's invisible hand might lead to greater stability and a more durable system than the heavy hand of government can bring into being.

Those are the main conclusions to be drawn from the analysis in this section, but one final issue needs to be dealt with before we move on: the whole question of whether the Bretton Woods system was a key element in a U.S.-led "liberal hegemonic order." For critics like de Gaulle, the Bretton Woods system, and the central role that the dollar played in it, both symbolized and helped prop up a U.S.-dominated political order. Thanks to that system, the argument ran, the United States was able to live beyond its means. It could run deficits that the Europeans (together with the Japanese) would, in effect, be financing. The United States, that is, enjoyed a kind of right of seigniorage—an "exorbitant privilege" in the eyes of French leaders in the 1960s. And it was U.S. hegemony within the alliance that enabled the Americans to behave that way. In theory, the dollars that the Europeans were accumulating as a result of the U.S. deficits could be cashed in for gold, but the United States had made it clear that it would view that as an unfriendly act; West Germany, in particular, was under enormous pressure to go along with what the hegemon wanted and soak up those surplus dollars. And the result was what in practice, if not in theory, was a pure dollar standard—a clear reflection of America's hegemonic position in the system.¹³¹

De Gaulle and his followers were not the only ones to argue that the Bretton Woods system was a key part of a U.S.-dominated hegemonic order. Many U.S. scholars characterize the system in much the same way. Benjamin Cohen, for

Friedman, "A Dramatic Experiment," *Newsweek*, April 1, 1974, p. 65, <https://miltonfriedman.hoover.org/internal/media/dispatcher/214126/full>.

131. For de Gaulle's own views, see Peyrefitte, *C'était de Gaulle*, Vol. 1, p. 518 (December 19, 1962); Alain Peyrefitte, *C'était de Gaulle*, Vol. 2, *La France reprend sa place dans le monde* [France regains its place in the world] (Paris: Fallois and Fayard, 1997), pp. 74–81 (February 27 and April 30, 1963; September 16, 1964; February 3, 1965; October 20, 1965); Charles de Gaulle, "Le retour à l'étalon-or" [The return to the gold standard], press conference, February 4, 1965, Fondation Charles de Gaulle, <https://fresques.ina.fr/de-gaulle/parcours/0005/de-gaulle-et-les-etats-unis.html#anchor23>.

example, writes of “a hegemonic system that accorded the United States special privileges to act abroad unilaterally to promote U.S. interests.”¹³² “America,” he thinks, “was effectively freed from balance of payments constraints to spend as freely as it thought necessary to promote objectives believed to be in the national interest.”¹³³ Robert Gilpin, another well-known scholar, takes much the same line. By the 1960s, he writes, “the dollar had become the basis of the world monetary system, and the United States had become the world’s banker. The United States controlled the printing press and printed dollars to meet its international needs: foreign investment by U.S. corporations, the importation of goods, the supply of foreign aid, the maintenance of troops abroad, and the fighting of the Vietnam War. Under the system of fixed exchange rates, others were obligated (and in most cases desired) to accept and honor these dollars.”¹³⁴ David Calleo, in a highly regarded book dealing with these issues, has a similar view. “As long as the United States held the monetary hegemony involved in the reserve-currency role,” he claims, “it could be certain that ample liquidity would be available to finance its foreign positions.”¹³⁵

And if the United States had indeed been able to run deficits that the Europeans and Japanese were required to finance by holding the excess dollars they were accumulating—if the U.S. government had indeed been “effectively freed from balance-of-payments constraints” in the 1960s—then the Bretton Woods regime could legitimately be characterized as a hegemonic monetary system. But in the Bretton Woods agreement, surplus countries were *not* “obligated” to “accept and hold” the dollars they were accumulating as a result of the U.S. deficits, and they had the legal right to cash in their dollar holdings for gold.¹³⁶ And U.S. leaders’ ability in practice to get the surplus countries to not cash in their dollars was by no means unlimited. That was why U.S. leaders had a balance of payments *problem*. The surplus countries, especially France, might actually exercise their right; and there was not enough gold in Fort Knox to meet the demand if all the surplus countries decided to do so.

132. Benjamin J. Cohen, *Organizing the World's Money: The Political Economy of International Monetary Relations* (New York: Basic Books, 1977), p. 97.

133. *Ibid.*, p. 96.

134. Robert Gilpin, *War and Change in World Politics* (Cambridge: Cambridge University Press, 1981), pp. 174–175.

135. David P. Calleo, *The Imperious Economy* (Cambridge, MA: Harvard University Press, 1982), p. 89. Note also his (uncritical) presentation of French views on the subject in *ibid.*, pp. 46–51, esp. 47. On this issue, see also Gavin, *Gold, Dollars, and Power*, esp. p. 10.

136. *Articles of Agreement of the International Monetary Fund*, Annex A to Final Act, Art. 4, section 1(a), and Art. 8, section 4, in *United Nations Monetary and Financial Conference*, pp. 31, 40.

If the Bretton Woods system, moreover, had made the United States a kind of “monetary hegemon”—if it had given the United States special rights and privileges, including the right to run deficits with impunity—one would think that U.S. officials would have been pleased with that state of affairs. One would think that they would have at least recognized the benefits they were drawing from the system, especially the ability to live beyond their means. An imperial power drawing tribute from its vassal states rarely complains about that type of arrangement. But U.S. leaders did not like the fact that the country was running such large deficits. They certainly did not enjoy having to deal with the problems that the deficits had created. The so-called “privileges” of the system were viewed as a sort of albatross—a straitjacket even. Again, the main reason was that they could not be certain that no matter how large the deficits were, the surplus countries would, in effect, continue to finance them by not cashing in the dollars they were accumulating. The Bretton Woods system, even at the end, never quite devolved into a pure dollar standard. The dollars that the creditors were accumulating could actually be cashed in for gold—not just in theory, but in practice. And the U.S. government had to worry that given how large those foreign dollar holdings were, it might have to default on its promise to exchange dollars for gold and that the whole system would collapse, with what many people predicted would be disastrous consequences.

But there was more to the problem than that. U.S. leaders also disliked all the things that they had to do to deal with the deficit. They disliked having to ask the surplus countries for help. They disliked being forced to adopt measures to limit the outflow of dollars; the restrictions on trade and investment were at odds with their basic goal of liberalizing the international economic system. They disliked having to take balance of payments considerations into account when making policy in all sorts of areas—on overseas military deployments, for example, or on internal economic matters. None of this was to their liking at all. And by the early 1970s they had come to dislike the fact that because of the dollar’s central role in the system they could not deal with the deficit the same way that other countries could—namely, by devaluing the dollar, which meant changing its price in terms of gold. After all, countries holding the dollar as a reserve currency had been led to believe that it was “as good as gold”; to devalue would be to default on a kind of promise. And it was in large part because they had come to view Bretton Woods as a sort of straitjacket that U.S. leaders in the early 1970s were willing to abandon the par value regime and move toward a floating exchange rate system. U.S. Treasury Secretary George Shultz, a friend, disciple, and former colleague of Friedman’s, played the key role in managing that transition,

and his views on the subject were quite clear. In moving away from Bretton Woods, he said, the goal was “to gain for the United States some of the freedom of action for its own exchange rate that was available to all other countries.”¹³⁷

People concerned with these issues, moreover, were coming to feel that there was something shameful—humiliating even—about all the expedients the U.S. government had adopted to deal with the deficit. Friedman was particularly scathing:

We adopt one expedient after another [he told a congressional committee in 1963], borrowing here, making swap arrangements there, changing the form of loans to make the figures look good. Entirely aside from the ineffectiveness of most of those measures, they are politically degrading and demeaning. We are a great and wealthy Nation. We should be directing our own course, setting an example to the world, living up to our destiny. Instead, we send our officials hat in hand to make the rounds of foreign governments and central banks; we put foreign central banks in a position to determine whether or not we can meet our obligations and thus enable them to exert great influence on our policies; we are driven to niggling negotiations with Hong Kong and with Japan and for all I know, Monaco to get them to limit “voluntarily” their exports. Is this posture suitable for the leader of the free world?¹³⁸

He made the same point in a widely read *Newsweek* column five years later. “How low we have fallen!” he wrote. “The United States, the land of the free, prohibits its businessmen from investing abroad and requests its citizens not to show their faces or open their pocketbooks in foreign ports.”¹³⁹ The pressure to reduce the outflow of dollars was having all sorts of unpleasant and undesirable effects, even on foreign policy—and all this, just to keep the system on life support.

One thus has to wonder whether the Bretton Woods system was really a key element in a U.S.-dominated *hegemonic* order. U.S. leaders at the time certainly did not think so. Even in the 1960s it was clear that Bretton Woods had not strengthened America’s international position. The never-ending balance of payments problem that system had given rise to was instead seen as an ongoing

137. George P. Shultz and Kenneth W. Dam, *Economic Policy Beyond the Headlines* (New York: W. W. Norton, 1977), p. 119. For a more detailed discussion, see Marc Trachtenberg, “The French Factor in U.S. Foreign Policy During the Nixon-Pompidou Period, 1969–1974,” *Journal of Cold War Studies*, Vol. 13, No. 1 (Winter 2011), pp. 9–24, <https://muse.jhu.edu/article/424240>.

138. U.S. Congress, Joint Economic Committee, *The United States Balance of Payments: III: Exchange Rates—How Flexible Should They Be?*, 88th Cong, 1st sess., November 14, 1963, pp. 458–459, <https://congressional.proquest.com/congressional/docview/t29.d30.hrg-1963-ecj-0012?>

139. Milton Friedman, “The Price of the Dollar,” *Newsweek*, January 29, 1968, p. 72, <https://miltonfriedman.hoover.org/internal/media/dispatcher/214016/full>.

source of weakness. And it was in large part for that reason that U.S. leaders by the early 1970s were so willing to do away with it.

Conclusion

What then is to be taken away from this analysis of some of the main historical arguments that liberal internationalist writers have made? The idea, first of all, that the liberal hegemonic order was consciously designed by U.S. leaders during and immediately after World War II has to be taken with a grain of salt. People like Roosevelt, Truman, and their top associates did, of course, have certain ideas about the kind of world they would like to see emerge, and those general views did help determine how they dealt with the problems they had to face. But they were not thinking in more grandiose terms about constructing an international order of the sort that liberal writers have in mind.¹⁴⁰ Indeed, insofar as U.S. leaders were thinking about how to construct a stable international system, their focus was not on establishing a “club of democracies.” Their focus during the war and in the immediate postwar period was instead on how to work out an acceptable relationship with the USSR, and that remained the primary focus of U.S. foreign policy throughout the Cold War period.

This matters because the idea that U.S. leaders came up with a plan for a liberal hegemonic order in the 1940s and that that plan lay at the heart of America’s dealings with the rest of the world ever since implies that that policy has such deep roots that it can never be changed or even questioned. But once one understands that U.S. leaders like Roosevelt and Truman—not to mention their successors—were not actually thinking in those terms, one is bound to approach even contemporary issues in an entirely different way.

None of this, of course, means that there is nothing to the idea that a liberal international system took shape within the Western world during the Cold War period, and that much of that system continues to exist today. It would be foolish to deny that that was the case. Perhaps it was a mistake for scholars to focus so much on the institutions that were set up. To emphasize the more formal, more visible, aspects of the system was perhaps to play down what was really

140. Paul Nitze was perhaps the only major policymaker from that period who consciously thought in terms of a building an “order.” See especially Paul H. Nitze, “Coalition Policy and the Concept of World Order,” in Arnold Wolfers, ed., *Alliance Policy in the Cold War* (Baltimore, MD: Johns Hopkins Press, 1959), pp. 15–30. The concept of “order among nations” also played an important role in the famous document largely drafted by Nitze, “NSC 68: United States Objectives and Programs for National Security,” April 14, 1950, National Security Council, <https://irp.fas.org/offdocs/nsc-hst/nsc-68.htm>.

important—the set of attitudes and beliefs and policies that made the system what it was. Thus, for example, the fact that the major Western countries pursued policies that promoted international trade was far more important than the fact that something like the GATT existed. But this is really a secondary issue. The key point is that a liberal international system—indeed one in which the United States played a central role—clearly did come into being (within the Western world, at any rate). And the basic historical question here is whether that system—the “liberal hegemonic system,” as it is often called, even by its proponents—produced a golden age the way people say it did. How that question is answered, in turn, has a major bearing on a fundamental issue of policy today; namely, whether preserving that system should be a central goal—perhaps *the* central goal—not just for the U.S. government but for the Western countries more generally.

Liberal internationalists do, in fact, base their key claims about what policy should be today on a particular interpretation of the past. International stability, they believe, does not just happen—it is not a direct product of the free play of political forces. It has to be constructed, and in building that system, in their view, a leading power has a fundamental role to play.¹⁴¹ The United States, the argument runs, failed to play that role in the interwar period; the great disasters of the 1930s and early 1940s were a direct result of that abdication of responsibility. But U.S. leaders learned the lesson and set out during the war to build a liberal order in which the United States would play a leading role. And they were astonishingly successful in that regard. As one writer puts it, “the liberal international order that emerged after World War II” was “the framework within which a great deal of economic, social and political development has proceeded around the globe, to the lasting benefit of both the United States and the world at large.”¹⁴² Or in the words of two other writers, the rules-based system “has proven to be more successful than any in human history at providing security, economic prosperity, and freedom.”¹⁴³ And a system that has worked so well for eight decades should obviously not be torn down now. It has worked so well, the argument runs, because the United States from the start played such a central role. As Joseph Nye put the point, it took a power like the United States to

141. See especially Ikenberry, *Liberal Leviathan*, p. 297.

142. Gideon Rose, in Graham Allison et al., “What Is America’s Purpose?,” *National Interest*, No. 139 (September/October 2015), pp. 41–42, <https://www.jstor.org/stable/44028492>.

143. Matthew Kroenig and Ash Jain, *Present at the Re-Creation: A Global Strategy for Revitalizing, Adapting, and Defending a Rules-Based International System* (Washington, DC: Atlantic Council, 2019), p. 13, <https://www.atlanticcouncil.org/in-depth-research-reports/report/present-at-the-re-creation/>.

provide the “public goods” that lesser powers could benefit from—“global public goods” like “an open economy or international security.”¹⁴⁴ And it should clearly continue to do so. “If the most powerful country fails to lead,” Nye wrote in 1990, “the consequences for the rest of the world may be disastrous.”¹⁴⁵ Nye was still taking the same line in 2020. “The most powerful country must lead in creating global public goods,” he wrote, “or they will not be provided—and Americans will suffer.”¹⁴⁶

Many writers in recent years have argued along those lines. Charles Kupchan, for example, wrote in 2018 that “failing to uphold rules-based governance would risk the return of a Hobbesian world, violating not just the United States’ principles but also its interests.”¹⁴⁷ Niall Ferguson is even more pessimistic about what the end of U.S. global dominance might mean. The only real alternative, he feels, is the “anarchic nightmare of a new Dark Age”—“an era of waning empires and religious fanaticism; of endemic plunder and pillage in the world’s forgotten regions; of economic stagnation and civilization’s retreat into a few fortified enclaves.”¹⁴⁸ This is perhaps a bit over the top, but most people who write on the subject feel that the world as a whole would suffer if the U.S.-led system were to unravel. Some writers, in fact, thought that with Donald Trump’s coming to power in 2017 the liberal world order was already on the way out. “America’s decision to abandon the role it has played for more than seven decades,” Richard Haass wrote in 2018, marked “a turning point. The liberal world order cannot survive on its own, because others lack either the interest or the means to sustain it. The result will be a world that is less free, less prosperous, and less peaceful, for Americans and others alike.”¹⁴⁹ Many other examples could be cited.¹⁵⁰

144. Nye, “Will the Liberal Order Survive?,” p. 10. This point about public goods plays a key role in Nye’s many writings on the subject. See also his comment in Allison et al., “What Is America’s Purpose?,” p. 38.

145. Joseph S. Nye Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990), p. xviii.

146. Joseph S. Nye Jr., “After the Liberal International Order,” *Project Syndicate*, July 6, 2020, <https://www.project-syndicate.org/commentary/biden-must-replace-liberal-international-order-by-joseph-s-nye-2020-07>.

147. Kupchan, “The Clash of Exceptionalisms,” p. 146. This, as noted previously, was also Secretary Blinken’s view.

148. Niall Ferguson, “A World Without Power,” *Foreign Policy*, No. 143 (July/August 2004), pp. 32, 34, <https://doi.org/10.2307/4152908>.

149. Richard Haass, “Liberal World Order, R.I.P.,” *Project Syndicate*, March 21, 2018, <https://www.project-syndicate.org/commentary/end-of-liberal-world-order-by-richard-n-haass-2018-03>.

150. See, for example, Michael Mandelbaum, “Pay Up Europe: What Trump Gets Right About NATO,” *Foreign Affairs*, Vol. 96, No. 5 (September/October 2017), pp. 108–114, <http://www.jstor.org/stable/44821874>.

What are we to make of those arguments? It is commonly assumed that there is no real need to look closely at these issues. The standard view, many observers believe, is so obviously valid that to even question its validity comes across as absurdly pedantic. The United States, after all, withdrew from Europe after the World War I, and the 1930s witnessed the Great Depression, the rise of Hitler, and the coming of a new world war. There had to be a connection here. After World War II, things were clearly very different. The United States remained involved, and Europe became secure and prosperous. Wasn't it obvious that the liberal hegemonic system should get the credit for what happened?

The issue, however, is not that simple. With regard to the 1930s, for example, it may well be true that with a better U.S. policy, the Depression could have been avoided. But that does not mean that to avoid such a catastrophe the system needed a hegemon. The main countries in the system, from 1919 on, could have pursued all sorts of alternative policies, in both the economic and the political spheres, and both internally and internationally. Perhaps some combination of those policies could have prevented the Depression, even in the absence of a hegemon. But no one really knows for sure what effect those alternative policies would have had, since they were never tried. The best one can do is to speculate about what would have happened, and to do so one has to draw on a theory—that is, on a certain sense for how things work. But what theory should be used?

That question has no easy answer, but one major theory in this area—the famous “hegemonic stability” theory—is no longer widely accepted. That theory derives from Charles Kindleberger’s argument (as Eichengreen paraphrases it) “that the instability of the world economy between the wars reflected the absence of a dominant power willing and able to manage the international financial system.”¹⁵¹ Kindleberger, in fact, argues that “the main lesson of the inter-war years” was “that for the world economy to be stabilized, there has to be a stabilizer, one stabilizer.”¹⁵² But leading economic historians—especially Eichengreen himself—challenge that interpretation, “arguing that the instabilities of those years reflected inadequate international economic cooperation and historically specific imbalances in the world economy rather than

151. Barry Eichengreen, “Hegemonic Stability Theory and Economic Analysis: Reflections on Financial Instability and the Need for an International Lender of Last Resort” (unpublished manuscript, 1996), p. 1, <https://escholarship.org/uc/item/7g49p8kj>.

152. Charles P. Kindleberger, *The World in Depression, 1929–1939* (Berkeley: University of California Press, 1973), p. 305.

any failure of hegemonic leadership."¹⁵³ Other economists criticize it on other grounds.¹⁵⁴ And political scientists, as a general rule, no longer accept that theory. As three well-known scholars put it in 1998, "by the middle of the 1980s the general assumption of the field was that hegemonic stability theory had been seriously undermined."¹⁵⁵

But even putting those debates about theory aside, there are certain points one can make just by looking at the historical evidence. One can agree, for example, that the whole post-World War II period was something of an economic golden age for the West but still wonder whether the liberal hegemonic system should get the credit. One cannot read Gavin's book, for example, without concluding that the Bretton Woods monetary system had a profoundly corrosive effect, not just economically but politically as well, and not just for the United States but for the Western world more generally. Trade liberalization is another story, but it is by no means clear that U.S. hegemony was the crucial factor here; and, indeed, one should not assume that the Western countries and their friends in East Asia owe their prosperity essentially to the free trade policies many of them pursued. Prosperity, after all, has a good deal to do with purely internal factors, and historically many countries have done quite well with mercantilist foreign economic policies. There is also the question of whether free trade policies have by now become dysfunctional, no matter what effect they might have had in the past—that is, whether globalization (now called "hyper-globalization" by its critics) might have gone too far, especially in terms of its impact on social cohesion at home.¹⁵⁶

And one has to wonder about some of the more general arguments that liberal

153. Eichengreen, "Hegemonic Stability Theory," p. 2. Eichengreen cites his own book, *Golden Fetters: The Gold Standard and the Great Depression, 1919–1939* (Oxford: Oxford University Press, 1992), in this context. Note also Ben Bernanke (with Kevin Carey), "Nominal Wage Stickiness and Aggregate Supply in the Great Depression," in Ben Bernanke, *Essays on the Great Depression* (Princeton, NJ: Princeton University Press, 2000), p. 276. Bernanke refers here to an emerging consensus among scholars "that the proximate cause of the world depression was a structurally flawed and poorly managed international gold standard"; Bernanke refers specifically to Eichengreen's work. Other scholars have indeed argued along these lines. Note the works cited in Barry Eichengreen and Marc Flandreau, "The Rise and Fall of the Dollar, or When Did the Dollar Replace Sterling as the Leading Reserve Currency?," Working Paper No. 14154 (Cambridge, MA: National Bureau of Economic Research, July 2008), p. 2, <http://www.nber.org/papers/w14154>.

154. Eichengreen, *Hegemonic Stability Theory*, pp. 1–2.

155. Peter J. Katzenstein, Robert O. Keohane, and Stephen D. Krasner, "International Organization and the Study of World Politics," *International Organization*, Vol. 52, No. 4 (Fall 1998), p. 661, <https://doi.org/10.1017/S002081830003558X>. In that passage the authors cite various works that criticize the theory.

156. Note especially the famous book by Dani Rodrik, *Has Globalization Gone Too Far?* (Washington, DC: Peterson Institute for International Economics, 1997).

internationalist theorists like Nye make. For one thing, if by “security” we mean a situation in which a country does not have to worry about a foreign attack or threats to its independence, then that is not really something that an outside power can provide unilaterally. Security, in that sense, is a product of a political system that a number of countries, interacting with one another, have brought into being. Nor is free trade a “good” that can be provided unilaterally by a single country, no matter how strong it is. A country such as the United States can open up its own markets, but smaller states have to cooperate to build such a system. And they are often perfectly willing to do so, because they too have a direct interest (perhaps an even greater interest than large continental states) in a relatively open international system. It is hard to see, in other words, why a low-tariff regime can come into being only if a very strong power pushes for it.

Power political considerations might actually lead a relatively weak great power to opt for a liberal economic regime. Some writers, in fact, interpret Britain’s embrace of free trade in the nineteenth century in those terms. The British Foreign Office official Eyre Crowe, for example, argued along those lines in his famous 1907 memorandum about Britain’s relations with France and Germany. His country, he said, “a small island kingdom not possessed of the military strength of a people trained to arms, and dependent for its food supply on over-sea commerce,” could not survive if the continental powers ganged up against it; it was for that reason that Britain could not pursue a purely selfish policy, the kind of policy that its naval supremacy might in theory have made possible.¹⁵⁷ Its policy instead had to be in harmony “with the general desires and ideals common to all mankind,” and that meant, in particular, that England had to champion “the principle of the largest measure of general freedom of commerce”; foreign countries would be more willing to accept British naval supremacy and not join an anti-British coalition than if the world’s premier naval power pursued a more selfish mercantilist policy.¹⁵⁸

So in the economic sphere the argument about the need for a hegemon is actually quite weak. On the political side, however, the story is somewhat different. The basic question here has to do with whether there were any alternatives to the U.S.-dominated NATO system. The most obvious alternative is a system in which the Europeans provide for their own defense. During the early Cold War

157. Eyre Crowe, “Memorandum on the Present State of British Relations with France and Germany,” January 1, 1907, in George P. Gooch and Harold Temperley, eds., *British Documents on the Origins of the War 1898–1914*: Vol. 3, *The Testing of the Entente, 1904–6* (London: His Majesty’s Stationery Office, 1928), pp. 397–410, esp. 402–403.

158. *Ibid.*, pp. 402–403.

that basic alternative was by no means out of the question. It was, for example, strongly favored by President Eisenhower himself, and important European leaders (like French President de Gaulle and German Chancellor Konrad Adenauer) were also attracted to that sort of approach.¹⁵⁹ But it turned out not to be viable. That was not because security was a public good that only a hegemonic power like the United States could provide. The real reason lay elsewhere. It was clear, during the Cold War period, that a truly independent Western Europe would have to include a nuclear-armed West German state. But such a state was utterly unacceptable to the Soviet leadership; movement in that direction, it was believed, might well have led to war. If the goal was to stabilize the peace, an understanding had to be reached with the USSR—an understanding that dealt with that issue. And, as it turned out, a tacit understanding was in fact reached during the period when John F. Kennedy was president: West Germany would remain non-nuclear and the Soviets, in return, would live with the status quo in Europe (and especially around Berlin); but if the Federal Republic was not allowed to defend itself, U.S. forces would have to remain in Europe.¹⁶⁰ That was how the present system based on a more or less permanent U.S. military presence on the Continent came into being. But what this implies for us today is that maybe the argument for the liberal hegemonic order is not as strong as people think. The NATO system might have made a good deal of sense during the Cold War. But political conditions are different now, and that means that the alternative of a free-standing Europe might again be worth considering.¹⁶¹

In thinking about these issues, we need to think about alternatives. The liberal internationalists themselves emphasize that point. Their critics, they note, need to do more than just criticize; they need to lay out some viable alternative to the U.S.-dominated “rules-based international order.”¹⁶² And the basic claim here is that viable alternatives simply do not exist. The alternatives to the “post-war liberal international order,” Ikenberry writes, “are various sorts of closed systems—a world of blocs, spheres and protectionist zones.” But none of those alternatives are particularly attractive. “There is simply no grand ideological

159. See Trachtenberg, *A Constructed Peace*, esp. chap. 5.

160. This is the basic argument of the book cited in the previous footnote.

161. For my own take on these issues, see Marc Trachtenberg, “Is There Life After NATO?,” in Diane Labrosse, ed., “Commentary III-3: Forum on Marc Trachtenberg, ‘Is There Life After NATO?’,” Robert Jervis International Security Studies Forum, H-Diplo, January 16, 2025, <https://issforum.org/to/CIII-3>.

162. See G. John Ikenberry, Inderjeet Parmar, and Doug Stokes, “Ordering the World? Liberal Internationalism in Theory and Practice,” *International Affairs*, Vol. 94, No. 1 (January 2018), p. 2, <https://www.jstor.org/stable/48587220>.

alternative," he says, "to a liberal international order."¹⁶³ And that claim is in line with what many other writers say, to the effect that if the liberal order collapses, we might end up—to quote Secretary Blinken again—with “a far more violent and unstable world for all of us.”¹⁶⁴

Not everyone, however, accepts that sort of argument. There is a counter-tradition here, based on the idea (to use Kenneth Waltz's term) that there can be “order without an orderer.”¹⁶⁵ The point is familiar from elementary economics—everyone knows about Adam Smith's “invisible hand.” It also applies, for example, to evolutionary biology. The conservative economist Friedrich Hayek referred, in fact, to the “astonishing fact, revealed by economics and biology, that order generated without design can far outstrip plans men consciously contrive.”¹⁶⁶ But can it apply to international politics as well? My own view is that order can emerge spontaneously from the free play of political interest. States have an interest in having as many friends and as few enemies as possible. That means they have an interest in relating to one another in a businesslike way—in respecting each other's core interests and not getting involved in each other's internal affairs. And that type of approach can give rise to a relatively stable international system.¹⁶⁷

But there is another body of thought that does not rely on invisible hand arguments—a body of thought about how the major powers *should* relate to one another—about the foreign policy ideology they *should* adopt. The basic idea here is that policy should not be based only on a state's parochial interests; political leaders should also consider the interests of the system as a whole. “Every nation has its rights,” the great powers declared in 1831, “but Europe also has

163. Ikenberry, “The End of Liberal International Order?,” p. 23.

164. Blinken, remarks at Anchorage, Alaska.

165. Kenneth Waltz, *Theory of International Politics* (Reading, MA: Addison Wesley, 1979), pp. 77, 88. Robert Jervis, incidentally, in referring to Waltz's point, contrasts it with what he sees as Kindleberger's mistaken view that “for the world economy to be stabilized, there has to be a stabilizer.” Robert Jervis, *System Effects: Complexity in Political and Social Life* (Princeton, NJ: Princeton University Press, 1997), p. 15.

166. Friedrich Hayek, “Was Socialism a Mistake?,” in W. W. Bartley, ed., *Collected Works of Friedrich August Hayek*, Vol. 1, *The Fatal Conceit: The Errors of Socialism* (London: Routledge, 1988), p. 8. Hayek claimed no great originality here. The idea that structures take shape “without a designing and directing mind,” he wrote, was the “great discovery of classical political economy which has become the basis of our understanding not only of economic life but of most truly social phenomena,” and he cited four eighteenth-century writers as having argued along those lines. Friedrich Hayek, *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), pp. 7–8. He was also strongly influenced in this regard by Darwin's work. See Alan Ebenstein, *Hayek's Journey: The Mind of Friedrich Hayek* (New York: Palgrave Macmillan, 2003), pp. 4–6.

167. See Marc Trachtenberg, “The Question of Realism: An Historian's View,” in Marc Trachtenberg, *The Cold War and After* (Princeton, NJ: Princeton University Press, 2012), pp. 29–31.

her rights.”¹⁶⁸ The European state system was seen as “a sort of republic” or a “kind of society,” whose members were bound together by a common interest in guaranteeing one another’s survival as independent states.¹⁶⁹ In that tradition, political order was based on the absence of hegemony—on the idea that political independence depended on a balance of power.

And that emphasis on the balance of power was a source of restraint in foreign policy: By providing a standard for determining when states should intervene, it automatically provided a yardstick for determining when they should *not* intervene. As Lord Castlereagh put it in 1820, Britain could intervene “when the Territorial Balance of Europe” was threatened; but when no such danger existed, intervention had to be ruled out. The policy of other powers, Castlereagh recognized, might be much more ambitious; they might aim at suppressing revolutionary movements wherever they found them lest they eventually gather enough strength to overthrow the established order in Europe. But for Castlereagh that type of policy had no appeal whatsoever: “We shall be found in our place when actual danger menaces the System of Europe,” he wrote, “but this Country cannot, and will not, act upon abstract and speculative Principles of Precaution.”¹⁷⁰ Even in the twentieth century, traditional realists often argued along those lines, and, indeed, took the view that problems emerge not when power political concerns are dominant, but rather when states pursue other sorts of policies—especially those driven by ideological ambitions. For traditional realists like George Kennan, to allow ideology and emotion and “impractical idealism” to shape policy was to court disaster.¹⁷¹ And Kennan was less of an outlier than one might think. U.S. leaders, even during the Cold War period, tended to approach fundamental issues of policy in a relatively sober, power politically oriented way,

168. Protocol of the London Conference, February 14, 1831, quoted in William Lingelbach, “The Doctrine and Practice of Intervention in Europe,” *Annals of the American Academy of Political and Social Science*, Vol. 16, No. 1 (July 1900), p. 7, <http://www.jstor.org/stable/1009439>. Theorists in the “English School” of international relations place great emphasis on this point. See, especially, Hedley Bull, *The Anarchical Society: A Study of Order in World Politics* (New York: Columbia University Press, 1977), pp. 53–54.

169. See Trachtenberg, “The Question of Realism,” pp. 29–31.

170. “Castlereagh’s State Paper of May 5, 1820,” in Harold Temperley and Lillian Penson, eds., *Foundations of British Foreign Policy from Pitt (1792) to Salisbury (1902)* (Cambridge: Cambridge University Press, 1938), pp. 48–62, esp. 62–63. According to the editors, this was the “most famous State Paper in British history and the one with the widest ultimate consequences” (p. 47). Castlereagh was British foreign secretary from 1812 to 1822; as such, he was a chief architect of the Vienna settlement of 1815.

171. See especially George Kennan, *American Diplomacy, 1900–1950* (Chicago: University of Chicago Press, 1951), p. 69. Kennan, in that passage, was targeting the liberal internationalism of Woodrow Wilson.

even when the official rhetoric gave a very different impression. Indeed, it was that kind of approach—and not the approach based on liberal principles—that enabled U.S. leaders, especially during the Kennedy period, to work out a set of understandings with the Soviet Union that served as the basis for a relatively stable international system.¹⁷²

That general approach is, of course, very much at odds with the liberal internationalist philosophy. It emphasizes the balance of power—and thus accepts the legitimacy of limits on one's own power; it looks askance at an ideologically oriented foreign policy, even one aimed at promoting liberal values abroad; it respects the core political interests of other states with different political systems and has no problem working with them. So it is a real alternative to the liberal approach. And one can scarcely say that that type of policy would produce "a far more violent and unstable world for all of us."¹⁷³ Quite the contrary: The liberal internationalists, as Ikenberry says, are engaged in an "ongoing project to make the world safe for democracy." But that project is bound to cause problems with non-democratic powers.¹⁷⁴ Many liberals seem prepared to take that prospect in stride. One of them, Connecticut Senator Chris Murphy, thinks it is quite possible that "American troops are going to have to fight abroad to protect the global world order," something he does not seem to find particularly alarming.¹⁷⁵ The traditional realist approach, on the other hand, is concerned above all with creating a stable international system and has little interest in promoting more ambitious goals, rooted in a country's own ideology. Those differences are reflected, for example, in Kennan's opposition to NATO expansion and the liberal internationalists' support for it.¹⁷⁶

172. See Trachtenberg, *A Constructed Peace*, chaps. 6–7. Note also McGeorge Bundy oral history interview, part 1, March and May 1964, John F. Kennedy Library, pp. 50–51, 55–56 (original pagination), <https://static.jfklibrary.org/q2h046pmn50j8v877t6o246sik35i8bt.pdf?odc=20231115182448-0500>.

173. Blinken, remarks at Anchorage, Alaska.

174. For the quotation, see Ikenberry, *A World Safe for Democracy*, p. 287.

175. Ian Schwartz, "Sen. Chris Murphy: There's a Real Possibility That American Troops Will Have to Fight Abroad 'to Protect the Global Order,'" *RealClear Politics*, February 20, 2025, https://www.realclearpolitics.com/video/2025/02/20/sen_chris_murphy_theres_a_real_possibility_that_american_troops_will_have_to_fight_abroad_to_protect_the_global_order.html.

176. For Kennan on NATO expansion, see George F. Kennan, "A Fateful Error," *New York Times*, February 5, 1997, <https://www.nytimes.com/1997/02/05/opinion/a-fateful-error.html>. Ikenberry does not seem to have strong feelings on NATO expansion one way or the other, but he does show how the policy itself was rooted in the basic liberal internationalist philosophy. See especially Ikenberry, *After Victory*, pp. 235–239, 246. Many writers, of course, argue that NATO expansion was a major source of tension between the Western powers and post-Soviet Russia. See especially Jonathan Haslam, *Hubris: The American Origins of Russia's War Against Ukraine* (Cambridge MA: Harvard University Press, 2025).

It should thus not be taken for granted that a policy that aims at establishing, defending, and extending the “liberal hegemonic” or “rules-based international” order is the only policy that makes sense. That policy is based on the idea that the collapse of the rules-based order would produce a violent, war-prone, Hobbesian world, but that claim is very much open to question. The policy favored by the traditional realists—one that aims at a businesslike relationship with the other major powers, that respects their fundamental interests and avoids involvement in their internal affairs—would, in fact, probably produce a more peaceful international system. For that reason alone, it is worth taking seriously.