

Imperative to Adapt: How Populism Requires Bretton Woods Institutions to Change
By Abigail Stahl

Globalization saw its most challenging year in 2016. Arguably numerous events took place that presented underlying tensions or an outright rejection of globalization and freer economic exchange, but perhaps the United Kingdom vote to leave the European Union and the election of Donald Trump to the American presidency were the most significant. In a wise op-ed written shortly after Trump's election, Ruchir Sharma describes the parallels between 2016 and 1914 (a year that welcomed steep declines in international trade and dragged the world economy down) in what he predicts is an impending era of "deglobalization"¹. For those who support the economics tenets that were borne out of the 1944 Bretton Woods conference, the problems of rising populism and the potential for "deglobalization" are of deep concern.

To address the question of how Bretton Woods institutions should address these concerns as well as demonstrate their relevance and the value of international economic integration, a three pronged approach is required.

Foremost, to address concerns of an outright rejection of globalization and the economic tenets of Bretton Woods institutions, the institutions must address the concerns of the citizens who ushered in recent populism in the first place. In large part, populists have risen to power as many people across the world feel left behind by the spoils of globalization. Their sense of abandonment is not entirely misplaced. It is clear that while globalization benefits the world economy overall, it hurts certain individuals and groups.² The Bretton Woods institutions must undertake efforts to connect people to the gains of globalization while mitigating the inevitable pains. Concretely, the International Monetary Fund should encourage the governments it works with to enact more redistributive national policies to rebalance inequality. When groups who have been economically disadvantaged by the growth of free markets see international institutions attempting to equalize the scale, this is a first step to showing skeptical populations the benefits of an interconnected world economy.

In addition to fostering a redistributive model, the Bretton Woods institutions must embark on a campaign to change the narrative that populists use to misrepresent the consequences of free trade and globalization. For example, in the U.S. a populist refrain is that American jobs are being outsourced to China. While there may be a grain of truth to this sentiment, the pain disenfranchised workers feel is largely a consequence of the automation of their jobs, a changing economy, and dying sectors. Bretton Woods institutional representatives and their members should speak unapologetically of globalization in terms of the cheaper products it provides to consumers worldwide, the better jobs it creates through diffusion of technology, and richness of cultural exchange that is facilitated through more open borders. When Ukrainians rose up in 2013 after their president pivoted away from an Association Agreement with the EU, it was in part because they knew the benefits that come with connecting to more open markets. The awareness so many Ukrainians had needs to be illuminated in other parts of the world.

Finally, connecting those hurt by globalization to greater equality through redistribution and changing the narrative on globalization will only happen through better messaging. Populism, in part, thrives on simple

¹ Sharma, Ruchir, "When Borders Close", *New York Times*, 12 November 2016, opinion page:
https://www.nytimes.com/2016/11/13/opinion/sunday/when-borders-close.html?_r=0

² "Anti-Globalists: Why They're Wrong", *The Economist*, 1 October 2016,
<http://www.economist.com/news/leaders/21707926-globalisations-critics-say-it-benefits-only-elite-fact-less-open-world-would-hurt>

messages that stick. Policy-makers, think tanks, and leaders of multi-lateral organizations often communicate in nuanced, complex, and abstruse ways that do not resonate with ordinary people. This communications divergence works to populists' favor as they paint elites as disconnected from "the people". In striving for greater economic equality and relentlessly campaigning to change the narrative on globalization, the Bretton Woods institutions must be much more creative in distilling complicated economic realities into clear, brief messages. Clearly spelling out the benefits of a more open world economy will be necessary to disputing populist claims to the contrary.

It would be naïve to think that substantial threats to the economic tenets championed by Bretton Woods 73 years ago would not arise. The 1944 conference sought greater economic interconnectedness with the aim to ensure global prosperity, stability, and peace. These goals remain as noble as ever but it is critical for the institutions to adapt to the rising challenge of this era.