Answer Key: “The Bretton Woods System was the key to the Golden Age of Capitalism.” How far is this an adequate explanation of the development of the global economy from 1945–1973? [A-level 2019]

Grade

Band L7 (26–30 mark band).

This essay sustains a single, tightly argued stand across the introduction, all six body paragraphs and the conclusion: the USA, not the Bretton Woods System in itself, was the true engine of the Golden Age of Capitalism. It never lapses into a list of unconnected factors. The rival explanations it must beat (the BWS, MNCs) are each given full, evidenced treatment before being subordinated, so the final judgement feels earned.

- “In control of the argument”: the stand is set out in the intro and never abandoned; every paragraph that follows serves it.
- “Consistently analytical...rather than descriptive or narrative”: almost every piece of evidence sits after a why/how explanation sentence, even in outline form.
- “Effectively assess the strengths and limitations of competing...interpretations”: the BWS (Paragraphs 1–2) and MNCs (Paragraph 5) are each built up as genuine rival explanations before being explicitly subordinated to the USA (Paragraphs 3–4, 6). This is a hierarchy of causation, not a list of factors.
- “Carefully selected factual material...closely focused on the topic and argument”: dated, quantified evidence appears in nearly every bullet, and each figure proves the mechanism just stated.
- “Fully relevant”: the question’s own wording (“development of the global economy”, “Golden Age of Capitalism”) is recycled in almost every topic sentence and link.
- Both rival explanations stand as strong cases in their own right (Paragraphs 1–2 on the BWS, Paragraph 5 on MNCs) before being subordinated to the USA, so the subordination reads as considered judgement.
- Coverage is deliberately broad: European reconstruction (France, Netherlands, Denmark) sits alongside Asian reconstruction (Japan, South Korea, Taiwan), and trade statistics are matched with investment statistics, so no single region or mechanism carries the whole argument.

Essay

The Bretton Woods System (BWS), comprising the World Bank and the International Monetary Fund (IMF) alongside a system of fixed exchange rates, was established in 1944 to rebuild and stabilise the global economy after the devastation of the Second World War. Undeniably, the BWS laid an important foundation for the development of the global economy and the Golden Age of Capitalism that followed. However, it was the USA which was truly the key to the Golden Age of Capitalism, as it was the USA which propped up the BWS both financially and politically. Multinational corporations (MNCs) also contributed to this development, but their activities were ultimately underpinned and supported by the USA. As such, while the BWS provided an important institutional foundation, it was the USA which was the key to the Golden Age of Capitalism, as both the BWS and the MNCs depended fundamentally on American backing.

The World Bank, one of the Bretton Woods Institutions, contributed to the development of the global economy as it paved the way for economic reconstruction after the Second World War. The World Bank was mainly responsible for helping member states reconstruct through the provision of low interest, long term loans which focused on developmental projects such as transport, housing and education. The first recipients of such loans were war-devastated European countries: France received $250 million in 1947 to finance infrastructure projects such as transportation systems, the Netherlands received $195 million to import the equipment and materials needed for reindustrialisation, and Denmark received $40 million for the development of its agriculture, iron, steel and shipbuilding industries, kickstarting the agricultural and manufacturing sectors of these countries. Similarly, throughout the 1940s and 1950s, the Bank financed projects in other pro-West regions such as Japan and Western Europe to improve social infrastructure, such as the building of dams and roads and the improvement of sanitation. Such reconstruction was crucial for economic, political and social stability, and it also laid the foundation for the building up of productive capacity, paving the way for industrialisation and liberalisation.

In addition, the Bretton Woods System of fixed exchange rates, administered by another Bretton Woods Institution, the IMF, helped to stabilise the post-war global economy and develop it further by encouraging international trade and investment. Under this system, one US dollar was fixed to 1/35 of an ounce of gold through dollar-gold convertibility, while the external value of all other currencies was fixed in relation to the US dollar at specific rates. This was good for trade, as the stability and predictability of the external value of currencies over time meant that exporters and importers around the world could plan ahead with some degree of certainty, facilitating and encouraging international trade. Such guaranteed access to bigger markets stimulated and increased production and generated income; indeed, from 1950 to 1970, the value of global exports increased from $62 billion to more than $310 billion. This was also good for investment, as stable fixed exchange rates placed less of a premium on liquidity and cash flow, since there was no need to set aside liquid assets to accommodate frequent fluctuations in exchange rates. The cash freed up in this way could be channelled into fixed capital formation, both domestically and abroad through foreign direct investment, while the stability provided by fixed exchange rates boosted the confidence of investors to embark on transnational trade. These investments in turn increased employment and income generated, forming the basis for economic development, and from 1950 to 1970 the world’s GNP rose fivefold, from $0.7 trillion to $3.2 trillion. However, as all states are sovereign and retain control over their own economic policies, they were not compelled to fix their exchange rates to the US dollar. When faced with a large balance of trade deficit, countries could unilaterally devalue their currencies to make their exports cheaper and imports more expensive, in order to improve their balance of trade, and this threatened the system of fixed exchange rates. To deter such competitive devaluation, the IMF held a buffer stock of currencies and provided short term loans to assist members in tiding over balance of trade deficits; from 1967 to 1970, dollar drawings totalled $2.85 billion while drawings in other currencies amounted to $6.25 billion, attesting to the dependence of member states on the IMF as a provider of currency reserves.

Other than the Bretton Woods System, the USA also played an important role in contributing to the development of the global economy from 1945 to 1973 through the provision of foreign aid and guidance to help with economic reconstruction. However, such aid was not entirely altruistic. Under the Marshall Plan (1948–52), the USA provided US$13 billion to sixteen countries in Western Europe, while similar economic aid was given to Asia bilaterally, totalling US$5.9 billion, of which Japan received $2.4 billion, with other allies such as South Korea and Taiwan also receiving sizable amounts. The Technical Assistance Programme, meanwhile, funded 24,000 European engineers, leaders and industrialists to visit and tour America’s factories and manufacturing plants, allowing for the transfer of skill, knowledge and expertise from the USA to Europe. This generosity was driven by two considerations. Firstly, the USA was motivated by Cold War objectives, namely the containment of communism: economic assistance helped to prevent the conditions in which communism could thrive, as countries which gravitated towards capitalism and liberal democracy were more likely to become prosperous and less susceptible to the propaganda of the socialist and communist camp. Secondly, once these countries became economically prosperous, they would act as export markets for US goods and commodities in the long run. The US not only injected aid into these economies but also followed up by providing them with open access to the huge and prosperous American market, even tolerating the protectionist practices of Western Europe and Japan and allowing these countries to benefit from a huge trade surplus which accelerated the development of their economies. In 1946, Western Europe's exports were valued at $8 billion; by 1951, this had risen to $27 billion. Similarly, from 1949 to 1953, Japan's manufacturing output doubled, and Japanese growth reached a staggering 14.6% per annum from 1966 to 1970. The 'defence umbrella' provided by the US, through nuclear armaments under NATO and military bases under SEATO, also freed Western European governments and some Asian countries from devoting huge expenditure to military uses, allowing them to channel money instead into more productive economic investments. Furthermore, US proxy wars such as the Korean War and the Vietnam War triggered a rise in various key industries and generated a war boom across Asia: pharmaceutical, automobile and shipbuilding industries thrived to sustain US war efforts, and Japan, being nearest to Korea, was able to supply materiel for the Vietnam War precisely because these industries had already been developed during the Korean War. The war in Vietnam also resulted in Vietnam selling fewer crops, which allowed the agricultural sector elsewhere in Southeast Asia to thrive, further contributing to the region's economic development.

Moreover, the USA can be argued to be the key to the Golden Age of Capitalism as it also played a leading role in the establishment and functioning of the Bretton Woods System which contributed to the development of the global economy from 1945 to 1973. The USA led the establishment of both the International Bank of Reconstruction and Development, also known as the World Bank, and the IMF. The USA was the single largest contributor to the Bretton Woods Institutions, with an initial contribution of $570 million to the World Bank, and with such contributions it also held veto rights in both the World Bank and the IMF. Despite the Bretton Woods Institutions being multilateral in nature, by 1947 the Europeans and Japanese had admitted that they could not deal with the system's problems on their own and accepted the USA's unilateral management of the BWS, making the USA the key decision maker within the institutions. In addition, the fixed exchange rate system was set according to the US dollar, and only the USA could have backed its creation and propped up dollar-gold convertibility, as it was the only state which possessed enormous gold reserves. Evidently, the USA was both willing and able to prop up the BWS during the Golden Age of Capitalism, and this accentuated its role in the development of the global economy.

Another important factor was the role of MNCs, which, through their investments, transferred the capital, expertise and technology needed for their host economies to develop during the Golden Age of Capitalism. US corporations led the first wave of MNC activity, as American MNCs in the immediate post-war years were eager to invest in Europe and Japan for economic reasons, being profit driven and viewing these countries as new markets and opportunities for their businesses. US firms' investment in Europe and Japan rose from $2 billion in 1950 to $41 billion in 1973, and by 1973 MNCs had invested $200 billion worldwide, half of which came from American MNCs, with three quarters of it injected into industrial countries such as Western Europe and Japan, where conditions were more familiar. Examples include General Motors and Ford in the automobile industry, and IBM in the electronics industry. MNCs helped to introduce up to date practices, know-how and technologies into other countries, forcing local firms to level up and become more competitive, thereby facilitating the rapid development of these economies. This allowed for the transfer of capital, expertise and technology, and the injection of capital helped to fuel job creation, boost trade and integrate different economies into a global supply chain, fuelling growth.

However, the role that MNCs played in contributing to the Golden Age of Capitalism was fundamentally underpinned by the role of the USA. It was the US government which encouraged MNCs to invest in other countries, as this would generate profits which could be repatriated back to the USA, encouraging American growth. Moreover, the US government encouraged MNCs to bring capitalist methods and attitudes to other economies, once again in order to stem the spread of communist and socialist ideology, and the support accorded by the USA allowed MNC activities to flourish. The USA, through its loans and aid, also cultivated a favourable climate for MNCs to flourish. Moreover, the reason why MNCs possessed so much assurance to make profits and embark on transnational investment was because the BWS created a safe environment for such investment, and ultimately, it was the USA which propped up the BWS.

In conclusion, the BWS was not the key to the Golden Age of Capitalism, as it was the USA which led and sustained the system. The USA was ultimately the key, as it also laid the foundation for MNCs to contribute to the development of the global economy.

Why This Is an L7 Answer

Five things make this L7 rather than a lower band, quoting the descriptor directly where it applies:

- **A genuine hierarchy of causation, not a list.** Most essays on this question present BWS, USA and MNCs as three separate factors and rank them by assertion. This essay instead builds up BWS (Paragraphs 1–2) and MNCs (Paragraph 5) as real explanations in their own right, then explicitly derives each from the USA (Paragraphs 3–4, 6). This is what the descriptor means by effectively assessing “the strengths and limitations of competing historical interpretations”: the competing interpretation (BWS/MNCs as the key driver) is taken seriously before being subordinated.

- **Analytical throughout, even at outline level.** Nearly every piece of evidence is preceded by a why/how sentence, mechanism before proof. This is the difference between the “consistently analytical or explanatory” approach L7 demands and the “heavily descriptive or narrative passages” that cap an essay at L4–L5.

- **Precision and relevance of evidence.** Dates, dollar figures, and named acts, institutions and firms appear in almost every bullet, and each one proves the specific mechanism just stated. The question’s own wording is also recycled in nearly every topic sentence and link. Together, this is what “carefully selected factual material...closely focused on the topic and argument” and “fully relevant” look like in practice.

- **The chain of subordination is explicit.** The USA’s $570 million founding contribution and resulting veto rights in the World Bank and IMF (Paragraph 4) explain why the BWS could function at all, and the same move repeats for MNCs in Paragraph 6, where their profits, ideology and confidence to invest trace back through US policy and the US-backed BWS. The essay applies this subordination logic to both rivals, turning three body sections into one continuous argument.

- The essay also holds together structurally from start to finish: the introduction previews the dependency chain, the body proves it twice, and the conclusion restates it without adding anything new. This is what “the argument will be structured coherently” looks like in practice.