

Lessons from the Post-War Economic Order: Toward a Just Transition Framework

Discussion Paper

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Introduction

The scale of a just energy transition is not merely a matter of technology or finance; it is a profound social and political transformation. Climate change presents a systemic challenge that, like the crises of the mid-twentieth century, demands coordinated international action, innovative financial mechanisms and sustained political commitment.

The creation of the post-Second World War economic order – and the Marshall Plan in particular – offers a powerful, if imperfect, historical precedent for mobilizing global capital and political will in a moment of existential crisis. That transformation did not result from a single policy or event, but from a series of dynamic prototypes, experiments and institutional innovations that ultimately created the framework for a new global order. Post-war recovery in Europe succeeded because planners understood that pursuing prosperity solely along national lines risked a return to conflict. Lasting stability required institutional innovation and a new approach to international cooperation, implemented decisively at a critical political moment.

This paper draws on that history to highlight key lessons, and builds on an earlier submission to the Circle of Presidents, a signature initiative of Brazil's COP30 Presidency. The Circle of Presidents will gather, for the first time, the Presidents of previous climate Conferences of the Parties (COPs) since COP21, when Parties adopted the Paris Agreement.¹ Led by former French Foreign Minister Laurent Fabius, who presided over COP21, this group's work will focus on reinforcing global climate governance efforts and accelerating implementation of the Paris Agreement. By bringing together leaders with direct experience guiding the COP process, the Circle of Presidents aims to provide strategic guidance, foster continuity and identify pathways for more ambitious climate action.

Just as the post-war order emerged from a series of dynamic prototypes rather than a single grand design, the international community today must pursue an adaptive and experimental approach to climate governance and finance. The post-war era's success lay not only in the volume of resources mobilized, but in its ability to inspire confidence, restore dignity and meet urgent human needs – lessons that remain vital for guiding global climate action today.

The power of prototypes

The post-war economic order was not a spontaneous creation but an evolution of earlier experiments. In the case of the International Monetary Fund (IMF), those experiments were exchange stabilization mechanisms between the United States (US) and Latin America in the 1930s. The US Exchange Stabilization Fund (ESF), established in 1934, was used for foreign exchange market intervention and providing stabilization loans, primarily to Latin American countries.² This experience demonstrated the need for a mechanism to stabilize exchange rates and manage international payments in a world without the gold standard. Harry Dexter White, the IMF's chief architect, drew directly on his experience with the ESF when drafting the IMF's structure.³ Another plan for an Inter-American Bank (IAB) in 1939–1940, developed within the context of US-Latin American relations, is considered a "first draft" of the Bretton Woods system.⁴ The IAB was designed to provide financial assistance for development through both currency stabilization and public lending, and according to Eric Helleiner was "the first international financial institution ever created on the basis of very inclusive multilateralism with wide membership". The US saw this regional cooperation as a way to counter German influence and project its "Good Neighbour" policy.⁵

Similarly, the United Nations Relief and Rehabilitation Administration (UNRRA) served as a critical first draft for the Marshall Plan. Created by 44 nations in November 1943, UNRRA's mission was to provide relief to victims of war, including food, clothing, shelter and medical services. UNRRA played a major role in repatriating millions of displaced persons and was a significant global experiment, distributing approximately \$4 billion in aid to Europe and Asia. The United States contributed 70 per cent of the funds.⁶ In March 1944, Jan Masaryk, Foreign Minister of the Czechoslovak Government-in-exile, predicted that the successes of

¹ COP30 Brazilian Presidency, "Circle of Presidents", 4 September 2025. Available at <https://cop30.br/en/brazilian-presidency/cop-30-circles/circle-of-presidents>.

² "Exchange Stabilization Fund History", US Department of the Treasury. Available at <https://home.treasury.gov/policy-issues/international/exchange-stabilization-fund/exchange-stabilization-fund-history>.

³ Michael Bordo and Anna J. Schwartz, "From the Exchange Stabilization Fund to the International Monetary Fund", NBER Working Paper Series (2000). Available at https://www.nber.org/system/files/working_papers/w8100/w8100.pdf.

⁴ Eric Helleiner, *The Latin American Origins of Bretton Woods* (International Studies Association, 2014). Available at <http://web.isanet.org/Web/Conferences/FLACSO-ISA%20BuenosAires%202014/Archive/5bbba258-c417-415f-9a9a-5ca4eb225875.pdf>; Eric Helleiner, *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order* (Cornell University Press, 2014).

⁵ In fact, according to Helleiner, the IAB's design "was no accident" but built on earlier precedents in the Inter-American system, where universal, region-based participation had become a norm to address Latin American concerns about US domination. By 1939–40, US officials saw this inclusive multilateral model as a way to strengthen Inter-American solidarity against the Axis and avoid criticisms of "dollar diplomacy" in their lending programmes.

⁶ A detailed institutional history of UNRRA was written shortly after it wrapped up. See George Woodbridge, *UNRRA: The History of the United Nations Relief and Rehabilitation Administration*, 3 vols. (Columbia University Press, 1950).

UNRRA – “the first great agency of the United Nations” – would have “great repercussions on the new forms of international organisation” after the war.⁷

This massive, but temporary, humanitarian effort demonstrated the challenges and possibilities of large-scale international aid cooperation. However, the US became increasingly concerned about the financial burden, and the organization's mandate was allowed to expire in 1947. Its functions were subsequently absorbed by successor organizations like the International Refugee Organization and the World Health Organization, and its temporary relief model was replaced by the more ambitious, State-led Marshall Plan, which began operations in 1948. UNRRA's experience in organizing relief and its eventual dissolution set the stage for the next phase of recovery, informing the more comprehensive and politically-driven approach of the Marshall Plan.

Post-war plans meet the moment

The institutions of the post-war economic order were forged in a grand contest of ideas and interests. At the 1944 Bretton Woods Conference, the American vision, authored by Harry Dexter White, ultimately prevailed over the more expansive plan of British economist John Maynard Keynes. Keynes sought a global system to regulate trade imbalances, believing it would ensure “a grand and fruitful cooperation of all nations”. White's plan, which established the IMF and World Bank, was more pragmatic and focused on currency stabilization. As IMF chief historian James Boughton notes, White believed that “prosperity, like peace, is indivisible”, and that the US economy could not thrive unless other countries could buy its output.⁸

Initially, even some of the plan's architects failed to grasp its full potential. Former Secretary of State Dean Acheson candidly recalled in an oral history that early officials saw the European Recovery Program, or Marshall Plan, as “an outgrowth of UNRRA” or simple “relief work” and “didn't really see” the grand vision. Acheson would later articulate a more strategic view, stating that European recovery was “the fundamental security of the United States”.⁹

It was not until the frigid winter of 1946–1947, amid widespread coal shortages, hunger and political unrest, that Washington responded with urgency. During his trip to the Moscow Foreign Ministers Conference in March and April of 1947, Secretary of State George Marshall was alarmed at the deteriorating conditions in Europe, with “the whole structure of European economy ... in danger of giving way completely”.¹⁰

The US Government response was a programme of unprecedented scale in international diplomacy. Announcing the programme to the graduates of Harvard's class of 1947 – as well as a few dozen specially invited foreign journalists – Marshall declared that the aid was “directed not against any country or doctrine but against hunger, poverty, desperation and chaos”. He also emphasized that the Europeans must draw up the plans, stating, “It would be neither fitting nor efficacious for this Government to undertake to draw up unilaterally a program designed to place Europe on its feet economically. This is the business of the Europeans. The initiative, I think, must come from Europe.”⁴

Integration and Europe's just transition

The planners of the post-war economic order understood that prosperity and peace were inextricably linked. In particular, they saw the “beggar-thy-neighbour” protectionist policies of the 1930s as a direct cause of economic collapse and conflict. Their most ambitious proposal was the International Trade Organization (ITO), a comprehensive body to regulate global trade and prevent a return to autarky. However, the ITO was ultimately too ambitious for its time. It failed to be ratified, primarily due to resistance from the US Congress, which saw it as an infringement on national sovereignty. As a result, the General Agreement on Tariffs and Trade (GATT) was negotiated as a provisional and more limited substitute. On the other hand, the GATT's success as a framework for reducing tariffs and fostering multilateral trade demonstrated the value of continued cooperation when best laid plans are laid low.

The Marshall Plan's legacy extends far beyond financial aid. Totalling approximately \$13.3 billion (the equivalent of more than \$150 billion today), the aid was not large enough on its own to drive the recovery. In fact, the grants amounted to less than 3

⁷ Quoted in Jessica Reinisch, “Internationalism in Relief: The Birth (and Death) of UNRRA”, *Past & Present*, vol. 210, No. 6 (2011), pp. 258–289. Available at <https://doi.org/10.1093/pastj/gtq050>.

⁸ For more on White's views, see James M. Boughton, “The Messy Legacy of Harry Dexter White”, *IMF Finance and Development Magazine*, June 2024. Available at <https://www.imf.org/en/Publications/fandd/issues/2024/06/The-Messy-Legacy-of-Harry-Dexter-White-James-M-Boughton>; and James M. Boughton, *Harry Dexter White and the American Creed: How a Federal Bureaucrat Created the Modern Global Economy (and Failed to Get the Credit)* (Yale University Press, 2021).

⁹ Harry S. Truman Library & Museum, “Dean Acheson”, oral history interview, 30 June 1971. Available at <https://www.trumanlibrary.gov/library/oral-histories/acheson>.

¹⁰ George C. Marshall, “The Marshall Plan Speech at Harvard University, 5 June 1947”, OECD. Available at <https://www.oecd.org/en/about/history/the-marshall-plan-speech-at-harvard-university-5-june-1947.html>.

per cent of the combined national incomes of the recipient countries.¹¹ The plan's true genius, as historians have argued, lay in its political and psychological impact. As Benn Steil explains, the Marshall Plan restored the "confidence of the European people in the economic future of their own countries" and created the fiscal space for European nations to undertake necessary reforms. This confidence was the "critical margin" on which other investments and efforts depended.¹²

This is the key lesson: the money itself, while substantial, was a catalyst for a more profound systemic change. Although clearly in the economic self-interest of the US, the plan was not a purely American imposition; instead, European leaders used the aid to pursue their own national economic and political goals, leveraging the assistance to build substantial welfare states for their war-weary citizens. The result was a period of unprecedented economic growth, with most economies returning to pre-war output levels within five years.¹³

This logic was the foundation of the European Coal and Steel Community (ECSC), forerunner of the European Community (and later European Union), and a direct outgrowth of the plan's strategy to promote integration and prevent future conflict. In fact, the ECSC was a practical solution to the "German problem" and a political tool to bind a re-industrializing Germany to Western Europe. The Schuman Declaration, drafted by Jean Monnet, famously stated that the goal was to make war between France and Germany "not only unthinkable but materially impossible". The declaration called for the pooling of coal and steel production as "the first concrete foundation of a European federation", an explicit political solution to a long-standing security problem. It would also provide Europe with the resources to pursue acts of solidarity beyond its own needs: "This production will be offered to the world as a whole without distinction or exception, with the aim of contributing to raising living standards and to promoting peaceful achievements. With increased resources Europe will be able to pursue the achievement of one of its essential tasks, namely, the development of the African continent."¹⁴

Europe's post-war transformation through economic integration holds a powerful lesson for our work today. The scale of a just transition from a carbon-based economy is not merely a matter of technology or finance; it is a profound social and political transformation. Post-war recovery in Europe succeeded because planners understood that pursuing prosperity on strictly national lines would lead Europe right back into war. It recognized that lasting stability required institutional innovation and a new way of thinking about international cooperation, all while meeting a critical political moment.

A new vision for a new crisis: lessons for the Circle of Presidents

While the post-Second World War era saw the ascendance of a previously unimaginable set of global institutions, it was nonetheless characterized by profound political and economic inequality. The Bretton Woods-Marshall Plan era was still a world of formal empire, with a large portion of the world's population under some version of colonial rule. Driven largely by decolonization in Africa, Asia and the Caribbean, from 1945 to 1977 the number of United Nations Member States grew from 51 to 149. That growth was accompanied by increasing demands from developing countries to renegotiate the post-war rules of global trade, finance, and development—this time, with a seat at the table.¹⁵

The Marshall Plan was further enabled by specific structural conditions that do not exist today, including the US holding two-thirds of the world's gold reserves and running a significant balance of payments surplus, while Europe faced a severe "dollar gap" and was unable to pay for vital imports. Most of all, it was enabled by the looming Cold War between the US and the Soviet Union which began in Europe and came to cover the entire globe. A direct repeat of the Marshall Plan is neither possible nor desirable given this context.

Nevertheless, we still have much to learn from the post-war era. Here are five lessons for the COP30 Circle of Presidents to consider:

1. **Embrace prototypes:** The post-war order was built on a series of experimental efforts, from the ESF proposals (for the IMF) to UNRRA (for the Marshall Plan). Our path to a just transition will not be a single, perfect solution, but an evolution of dynamic prototypes in finance and governance.

¹¹ J. Bradford De Long and Barry Eichengreen, "The Marshall Plan: History's Most Successful Structural Adjustment Program", paper presented at the Centre for Economic Performance and Landeszentralbank Hamburg conference on Post-World War II European Reconstruction, Hamburg, 5-7 September 1991. Available at <https://faculty.econ.ucdavis.edu/faculty/alomstead/DeLong.pdf>.

¹² See Benn Steil, *The Battle of Bretton Woods: John Maynard Keynes, Harry Dexter White, and the Making of a New World Order* (Princeton University Press, 2013); and the Office of the Historian, U.S. Department of State, "The Marshall Plan, 1948".

¹³ Alan S. Milward, *The Reconstruction of Western Europe, 1945–51* (Berkeley, University of California Press, 1984).

¹⁴ Robert Schuman, "Schuman Declaration", 9 May 1950. Available at <https://www.robert-schuman.eu/en/declaration-of-9-may-1950>.

¹⁵ In the 1970s, the Group of 77 developing countries advanced proposals in the UN toward a New International Economic Order, an effort that was firmly resisted (though with varying means) by developed countries. See Michael Franczak, *Global Inequality and American Foreign Policy in the 1970s* (Cornell University Press, 2022).

2. **Identify and seize positive tipping points:** Like the ECSC, which set off a chain reaction toward European integration, bold action today can trigger self-reinforcing shifts in the climate transition. From clean energy out-competing fossil fuels to finance tipping toward resilience, the right moves now can make climate stability inevitable.
3. **Use finance as a catalyst for confidence:** While the Marshall Plan's financial aid was substantial, its greatest impact was psychological – restoring confidence and creating the fiscal space for Europe to undertake necessary reforms. Our climate finance efforts must similarly be designed to address people's social and economic needs, thereby restoring political confidence in a global green economy.
4. **Prioritize regional cooperation:** The ECSC was a direct outgrowth of the Marshall Plan's strategy to promote integration. It succeeded because it was a practical solution to a shared economic problem, pooling resources to foster a new kind of regional cooperation. We must similarly prioritize regional cooperative models that build on shared interests to accelerate a just transition.
5. **Develop proactive plans to match political moments:** The most successful post-war institutions were not created on the fly. Harry Dexter White and John Maynard Keynes had competing designs for the IMF and World Bank ready to go; White's own was informed by earlier experiments in Latin America. The Marshall Plan was successful because European nations drew up their own lists for aid – and because it met the moment. The lesson is not simply to "think big", but to have well-developed, concrete plans ready to implement when a political window is opened.

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