The Bretton Woods system breakdown started with the August 15th, 1971 flotation of the US dollar following implementation of the Nixon Measures. However, a new fixed exchange rate regime with modestly revised parities was cobbled together at a meeting at the Smithsonian Institute in December 1971. These arrangements quickly unravelled and collapsed over the course of the Spring of 1973 as country after country floated its currency.[12] The current international exchange rate regime—effectively the international dollar standard—has since evolved as a mixed regime in which the major currencies floated against each other while second-tier currencies adopted varying forms of floating, managed floating or soft or hard pegs to one of the major currencies.

The clear inference is that convergence was stronger under the more rigid regime in both 19th Century and 20th Century globalization. Even as a conjecture, this may be taken as sheer heresy since it is widely held that fixed exchange rates are the *cause* of crises, not the reason for rapid growth. However, it is important to bear in mind that what is at issue here is a *regime*, not the case for an individual economy floating or not floating, against the background of the modern mixed regime (which is the fact base on which the modern case for floating exchange rates is built). It is interesting to see where this thought leads.

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[12] The breakdown of Bretton Woods arrangements is usually described as an inevitable consequence of the "impossible trinity" of independent monetary policy, a fixed exchange rate and capital mobility. The rise in capital flows over the postwar period is described as making the management of the fixed exchange rate regime impossible, necessitating the move to floating exchange rates. Vietnam War-era "guns and butter" policies in the US which weakened its external balances and undermined the stability of the US dollar determined the timing of the break down. The earlier break down of the pre-WWI gold standard can be traced to the determined prosecution of WWI to its bitter end, rather than an early truce; the result was a huge wartime inflation and erosion of Britain's external balances. The attempt to restore the gold standard following WWI is generally judged in retrospect to have been badly managed. For a good history, see Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton: Princeton University Press, 1996).