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Crisis as Opportunity: Nixon's Announcement to Close the Gold Window

Christoffer J. P. Zoeller[1] and Nina Bandelj[1]

Abstract

The authors reexamine the announcement of the August 1971 decision to suspend convertibility of U.S. dollars to gold, or closing of the gold window, which ended the Bretton Woods system and ushered in the neoliberal era. Existing accounts identify critical pressure on the U.S. gold supply after May 1971 international currency disruptions as a tipping point for this policy. In contrast, using new archival evidence, the authors reveal that Nixon strategically framed May 1971 events as an urgent economic "crisis," deploying "crisis" as a justification for closing the gold window. Nixon seized crisis opportunism to announce a policy decided upon significantly before May 1971, to privilege U.S. interests in the international arena and to assuage his reelection concerns, before potential backlash by the International Monetary Fund members and the U.S. Congress. The authors draw lessons from this historical case for contemporary events and for examining economic crises as objects of inquiry in their own right.

Keywords

crisis, economic policy, political strategy, decision timing, Bretton Woods, Nixon

In 1971, the United States unilaterally acted to end the Bretton Woods era of global economy by removing the postwar international system of fixed exchange rates based on dollar-gold convertibility, agreed upon in Bretton Woods, New Hampshire, in 1944. This radical move, known as "closing the gold window,"[1] is widely seen as a foundation for the contemporary neoliberal economic order (Centeno and Cohen 2012; Slobodian 2019). When President Nixon announced this decision, he presented it as a necessary response to a "crisis", or in his words from the televised speech on August 15, 1971, a defense against "an all-out war on the American dollar."[2] Standard academic accounts, mostly by economists and political scientists, have not significantly challenged Nixon's assertion of this necessary reason to close the gold window. In fact, they explain this decision as structurally inevitable, on the basis of a declining supply of gold in the U.S. Treasury, pointing to international currency market events in May 1971 as the proximate cause for policy change. In contrast, we question the role of supposedly critical macroeconomic forces that coalesced in May 1971 in our temporal sequence analysis of the closing of the gold window. Recent scholarship on this case reveals that it was, in fact, already by the end of January 1971 that the closest advisers to Nixon decided that unilaterally closing the gold window was the preferred course of action to preserve the advantageous position of the U.S. dollar as the international reserve currency (Zoeller 2019), ahead of the international currency disruptions of May 1971. Our analysis here builds on these arguments and focuses on the timing of the announcement and the role of supposed economic "crisis," through new primary archival evidence.

[1]This term refers to the primary feature of the postwar "Bretton Woods" international monetary system: the convertibility of dollars to gold at the U.S. Treasury. This gold exchange with foreign central banks was the anchor in the International Monetary Fund–managed system of fixed exchange rates. "Closing the gold window" meant that this convertibility was no longer in effect, and therefore the postwar economic system based on exchange rate stability ended.

[2]Transcript of a video of the televised speech, "The Challenge of Peace: President Nixon's New Economic Policy," delivered August 15, 1971, available at the Nixon Foundation Web site (https://www.nixonfoundation.org/2014/08/challenge-peace-nixons-new-economic-policy/), accessed September 21, 2017.

[1]University of California, Irvine, Irvine, CA, USA

Corresponding Author:
Nina Bandelj, University of California, Irvine, 3151 Social Science Plaza, Irvine, CA 92697, USA
Email: nbandelj@uci.edu

More generally, our goal is to use this historical case of Nixon's announcement to close the gold window to point to the fundamentally political nature of economic decision making and the importance of scrutinizing policy decisions' timing (Pierson 2000, 2011; Thelen 2000), in particular instances of claimed crisis. We propose that powerful actors are well placed to seize a political opportunity when they use structural economic trends that arise after a given economic policy has already become a goal, presenting these trends as "necessary" or "urgently needed" to deal with an economic "crisis," as Nixon did in announcing the closing of the gold window. The value of the stock market, the annual budget deficit, the inflation rate, or the quantity of gold reserves in this case can be used to justify particular policy decisions, obfuscating the political nature of active interventions in the economy. Shrewd use of economic "crisis" likely also reduces political costs associated with radical or unpopular economic decisions. We argue that scholarship should not just try to explain economic crises but rather question their nature more fundamentally. Therefore, the broader contribution of our study is to urge sociologists to critically examine what is labeled an economic crisis, and when, and why such labeling occurs. Along these lines, our methodological suggestion is that being attuned to the timing of events allows an analyst to systematically parse the nature of "economic crises" as political phenomena.

In the first section of the article, we briefly situate our discussion in the sociological studies of economic crises. We then proceed to lay out why closing the gold window is an important historical case that changed the world economy and describe our archival data from the Treasury Department and Nixon White House records. The bulk of the narrative that follows presents the before, during, and after of the announcement of the decision to suspend gold convertibility by Nixon in August 1971. This narrative begins in 1971, after closing the gold window was already being actively considered by the Nixon administration. It proceeds to show how, and why, public macroeconomic events offered a concrete opportunity to implement this policy. In conclusion, we offer that our concept of crisis as opportunity is a timely one to understand the dynamics of contemporary political times and that social scientists are well positioned to process-trace the political construction of a crisis in order to analytically deconstruct it.

It is important to emphasize that the social science history of this case largely aligns with, rather than questions, Nixon's own presentation of his policy as a necessary response to a crisis. As one key analyst concluded, Nixon's move "should have surprised no one who analyzed U.S. balance of payments statistics," as the critical weakness of the dollar became "unstoppable" because of mounting speculation in European currency markets (Gavin 2004:188–89). Existing accounts, often without primary source analysis, attribute the decision to the closing of European currency markets and the revaluation of the German mark in May 1971. These events caused another wave of gold purchases at the U.S. Treasury, which exacerbated the decline of balance of payments in relation to gold supply. This situation is considered the structural pressure responsible for the need to suspend convertibility of U.S. dollars to gold (Eichengreen 2008; Gavin 2004; Helleiner 1994) and therefore ending the Bretton Woods agreement that put this structure in place.

We want to be clear that in our view, existing explanations of the decision to close the gold window correctly identify the importance of the structural context in which Nixon acted. However, as we detail in our analysis, structural arguments miss the actual cause of the decision in the last instance. On the basis of our evidence from Nixon tapes and archived discussions of the Volcker Working Group (VWG), which was tasked with finding solutions to the structural dilemma posed by the gold standard, we are skeptical to validate Nixon's own public presentation of his decision. Specifically, we question the role of economic "crisis" as self-evident, and therefore our analysis departs significantly from the current understanding of these events.

To give a quick preview, the publicly available recording of Nixon's supposedly last-minute decision to dodge an international run on the dollar actually shows the president agreeing with Treasury secretary Connally's musing on August 12, 1971, that the United States need *not* "think in terms of a monetary crisis," that they could simply "pay out" their gold losses in the midst of European speculation (Nichter 2015:237). Still, Nixon, in his speech announcing the decision only three days later, on August 15, 1971, referred to fighting a "crisis," "an all-out war" against the American dollar, and described "an urgently needed" new monetary system. How do we explain this duality? Our analysis will systematically examine the timing of the decision's announcement, arguing that macroeconomic trends were less a serious structural threat than they were a political opportunity because they could be framed as a "crisis," and a crisis could be used to justify a bold decision by the United States to act unilaterally to end the Bretton Woods agreement. That is, the "crisis" was used as a justification to announce a policy change that had been already made earlier in the year but left unresolved in terms of timing because of its provocative nature. Our analysis shows that timing was not determined by a perception of macroeconomic constraint but rather by a desire to avoid potential political backlash from the International Monetary Fund (IMF) members and the U.S. Congress.

What Is an Economic Crisis? When Is an Economic Crisis?

Most recently, the 2007–2008 financial crash has spurred prolific social scientific writing on crisis, portraying its multifaceted nature. This literature has revealed that crises are shaped by the nature of the models and the technologies on which markets are built; they are shaped by cultures of trading and of regulation; they are historically located and yet

often obscure because they are embedded in other infrastructures that can be new and thus difficult to place in historical context (e.g., Blinder 2013; Chinn and Frieden 2011; Friedman 2010; Gorton 2010, 2012; Lounsbury and Hirsch 2010a, 2010b; Reinhart and Rogoff 2009; Shiller 2009). In sociology, some have focused on the general role, and rise of, financialization (Davis 2009; Krippner 2011) that contributed to the 2008 crisis. Others have scrutinized the influence of microlevel structures and trading instruments (MacKenzie 2011). Many have placed governments front and central as culprits, arguing that governments helped innovate financial products and pioneered securitization (Fligstein and Goldstein 2012; Quinn 2010). On the whole, the answers as to why the 2008 crisis happened are complex, as Lounsbury and Hirsch (2010a) summarized, taking into account "financial products, organizations, regulators, and infrastructure organizations (e.g. rating agencies), and other experts as elements of an interconnected system" (pp. 10–11). The goal of this body of work, nevertheless, as well as that on previous economic crisis such as the Great Depression (e.g., Bernanke 2000; Calorimis 1993), has been to explain why economic crises happen.

We shift focus in how we approach the analysis of crisis in this article. Instead of asking why economic crises happen, we argue that sociologists should also pay more attention to "economic crisis" as an object of knowledge (Roitman 2013) that deserves attention in its own right. When is an economic trend pronounced as a crisis? With what consequences? For instance, since 2007–2008, economic crisis has increasingly come to be seen as the "new normal" (el-Erian 2008). This upsets our usual frame of reference for crisis, which is often seen as lying outside the norm. It would appear that natural disasters such as earthquakes and hurricanes are self-evident crises or, as a common definition of crisis would hold, times of intense difficulty, trouble, or danger. But what about economic crises? Are they equally self-evident? To what extent can economic decision makers manipulate a "crisis," and to what extent does the construction of crisis frames depend on existing political goals? That is, we can imagine that decision makers can ignore or downplay potential threats, or they can add to the sense of urgency and spin something as a damaging threat. For example, the Bush administration's stance on al-Qaeda before 9/11 can be seen as downplaying a potential threat ('t Hart and Tindall 2009), and Trump's stance on the U.S. economic situation during the 2016 election can be seen as magnifying a sense of threat (Swedberg 2018).

But does it even matter if an economic trend is labeled a "crisis"? We argue, yes, because crises are not only unusual threatening events but also shared perceptions about these events. That is, stakeholders can downplay, or magnify, a sense of urgency, and different stakeholders will do so on the basis of their values, positions and responsibilities (Rosenthal, Charles, and 't Hart 1989). We know from the framing literature (Goffman 1974) that political (and economic) actors are "signifying agents actively engaged in the production and maintenance of meaning for constituents, antagonists, and bystanders or observers" (Benford and Snow 2000:613). As such, framing particular trends in the economy as "crises" can be advantageous for political actors because it can help obfuscate the political nature of the interventions in the economy and portray them as "necessary" structural adjustments to solve an unavoidable crisis. This may be especially effective in institutional environments, in which the general understanding of how economy should function relies on the idea of a self-regulating market, such as in the United States, and economic policy decisions can be construed as undue interference (Krippner 2007).

Therefore, we urge that analysts examine the timing of economic policy decision making in relation to how the public framing of crisis potentially relates to this decision and, if so, when an "economic crisis" may be used as an opportunity and as a justification. Importantly, we do not claim that framing something as a "crisis" is the only possible way in which policy makers can justify controversial policies and reduce potential political cost of making them. However, we propose that when one or more key economic indicators, such as the value of the stock market, the annual budget deficit, the inflation rate, or in this case the quantity of gold reserves, show signs of behaving outside of the normal range, falling too quickly or rising too rapidly, policy makers can use the materiality of the economic trends to frame them as an economic crisis and, in turn, engage in *crisis opportunism*, using "crisis" as a justification to push their ex ante policy decisions.

Our approach builds from sociological research that has served to demystify the supposed naturality of economic events and their exogeneity to social and political institutions (for review, see Bandelj and Sowers 2010). Blyth (2013) argued, for example, that the persistence of fiscal austerity as a dominant policy maxim is due to its political and ideological power, although history has shown the economic theory underlying fiscal austerity to be consistently misguided. Block and Somers (2014), in a deep reading of Karl Polanyi, powerfully demonstrated that the mechanics of market economies are, in fact, never "natural" but are always premised on political action. In a specific analysis of the development of central bank "transparency" in the late 1970s, Krippner (2007) articulated a "neoliberal dilemma" whereby deference to markets in policy making is actually an active political choice, relying on the ideology of autonomous markets (Block and Somers 2014), to obscure the political nature of the policy change.

In what follows, we extend these arguments to a case in which events outside of direct political control are framed as critical in order to naturalize a preexisting policy initiative. We illustrate the applicability of this concept of crisis opportunism and demonstrate the utility of historical methodology as one way of empirically deconstructing a prominent case of economic policy change, Nixon's closing of the gold window in 1971. The substantive significance of this case is that

it fairly immediately transformed the institutional architecture of the global economy, by undermining the postwar system of fixed currency exchange rates, ending the Bretton Woods era of "embedded liberalism" (Ruggie 1982) in favor of the contemporary regime of financial globalization.

Empirical Case: Closing of the Gold Window

Why should we care about Nixon's decision to close the gold window? Throughout the Bretton Woods era, fixed exchange rates meant significant macroeconomic stability because investments or trade contracts had crucial certainty in their future value, because the exchange rates could be largely counted on as a constant. Because this whole system functioned on the basis of dollar-gold convertibility at the U.S. Treasury, Nixon's closing of the gold window meant removing the linchpin of the Bretton Woods system, leaving no institutional structure to assure exchange rate stability, which rapidly broke down. Liberalized exchange rates allowed, or led to, several key transformations in the global economy, not the least of which was the recurrence of foreign exchange volatility, a major boom in international private bank lending, and unsustainable sovereign debt. With that came "shock therapy" and fiscal austerity policies mandated by the IMF, particularly in the developing economies of the world (Kentikelenis et al. 2016). Although these latter economic developments are well documented (Babb 2005; Hickson 2005; Panitch and Gindin 2012; Stiglitz 2002), they are all dependent on the underlying system of liberalized exchange rates, which was the result of the closing of the gold window.

On the basis of analysis of significant new audio and textual data we gathered from the Nixon tapes (Nichter 2015), from the Nixon library in Yorba Linda, California, and from recently declassified data from the National Archives in College Park, Maryland, we conclude that we should no longer accept the explanation that closing the gold window, on August 15, 1971, was structurally determined in a moment of self-evident economic crisis. This is important for understanding the end of Bretton Woods as a critical historical pivot but also because nowadays "economic crisis" is a timely issue in the global economy and domestic politics around the world. We propose that framing something as a "crisis" may be useful to strategic policy makers to justify political action that may be unpopular, as our analysis of Nixon's decision demonstrates. More specifically, we propose that one way of critiquing taken-for-grantedness of economic "crisis" underlying political action is to focus on the timing of events and announcement of decisions. Our analysis sequences the macroeconomic events surrounding international currency markets together with the classified U.S. government responses to these events to determine whether structural economic pressure, specifically macroeconomic events in currency markets, was the impetus to close the gold window, or rather a post facto justification.

In the following paragraphs, we first provide information about our data and methods, followed by some historical background to explain our account of the case that contradicts the standard structural interpretation. Then we analyze Nixon's own words in the announcement of the decision to close the gold window to demonstrate the framing of "crisis," followed by a historical narrative of the events leading up to it, to scrutinize the timing of the decision. In conclusion, we provide a brief analysis of the public reaction to the "crisis" Nixon spoke of from the news media, internationally and domestically, to show how Nixon's framing colored the public, as well as academic, understanding of this event.

Data and Methods

The availability of archival data pertaining to the end of Bretton Woods calls for a thorough revision of the standard interpretation. As discussed above, the premise of our intervention, in the historical record and in general social scientific understanding of crisis, is that policy changes framed as responses to "crisis" should be reexamined as political operations rather than exogenously determined events. Methodologically, attention to timing is a promising way to empirically investigate this idea. Having established, on the basis of previous accounts (Eichengreen 2008; Williams 1977), that May 1971 was a critical point at which the United States is thought to have been forced into action, primary documents from working group meetings, memos to the president, and conversations in the Oval Office allow us to examine the actual response to the May events by Nixon and his closest advisers. Finally, our data allow us access to the U.S. Treasury's own macroeconomic "forecasts" to shed light on their reaction to actual events. This allows us to leverage the causal sequence of decisions and events into clearer causal analysis of the "crisis" said to have forced Nixon to close the gold window.

The narrative is constructed from archival documents gathered from the National Archives. These were taken from the Treasury Department Record Group, and more than 7,000 pages of documents were sorted and analyzed to compile a detailed narrative analysis.[3] The documents represent daily memoranda from within the VWG, which was created in 1965 to spearhead international monetary reform, as explained later.

The working group was composed of high-level members of the Treasury Department, the State Department, the White House, and the Council of Economic Advisers. The group was given and maintained significant authority over the execution of international monetary reform, without

[3]Records were taken from National Archives II, record group 56, entry A1-952, box 1-13: "Records Pertaining to the International Monetary Fund."

congressional oversight and in direct concert with the White House (Gowa 1983). Key members of the overall executive body on this issue were Paul Volcker, the eventual chair of the group (and, later, the chairman of the Federal Reserve during the Reagan administration), and his deputy, George Willis, a long-time Treasury staff member. Another important figure was George Shultz, director of the Office of Management and Budget, who would go on to serve as secretary of the Treasury under Nixon in his second term and as secretary of state under Reagan. Shultz, along with Treasury secretary John Connally, was part of Nixon's inner circle when it came to closing the gold window. Connally was appointed by Nixon to the head of Treasury in early 1971, with little knowledge of international monetary affairs (he was not an economist)[4] but with great charisma and political skill. It would appear that Connally, as he assumed the Treasury secretary position in early 1971, took the action of closing the gold window as one of his priorities, given that he was instrumental in moving the policy forward in consultation with the working group, the Council of Economic Advisers, and the American executive director for the IMF, Bill Dale. Dale was a key voice in articulating the international political situation and developing American strategy for monetary reform.

In this article, we use documents from 1971, after the VWG was already analyzing gold suspension as its most serious policy option, focusing specifically on the period around the supposed monetary "crisis" in May of that year. The documents include mostly internal memoranda, that is, communication among members and the chairman that discuss strategy, opinion, draft policy, or diplomatic proposals and discuss external political issues. The documents also include very important correspondence between the VWG and the White House. These particular documents are revealing, as reports to the White House or directives from it typically involve changes or solidification of policy direction. Two other significant types of correspondence are memoranda to and from U.S. and foreign diplomats on the topic of negotiating monetary reform and solicitations of academic studies. Together these documents represent a fairly deep look at the process of international monetary reform that eventually unfolded, as the VWG was a central node in both the planning and coordination of international monetary reform generally and closing of the gold window specifically.

Our process tracing involves the construction of chronologically organized event sequences, to identify a clear causal narrative behind the event in question (Mahoney 2012). All key actors were identified through primary documents and secondary sources, and their discussions of monetary reform were categorized by subject matter, date, and content. The content of the discussions was analyzed to show the preferences, biases, and opinions of the actors involved. Quotations were selected on the basis of their reflection of the prevailing views on a given topic among the key actors and their illustration of the broader population of documents. Events included in the narrative were selected on the basis of their influence on subsequent events. The result is a complex narrative from which we extract relevant information to illustrate individual components of our argument.

"Crisis" in Context: American, and Nixon's, Motivations in International Monetary Reform

The standard explanation for why the gold window needed to be closed emphasizes the structural problem within the Bretton Woods system, known as the "Triffin dilemma" for its original author, economist Robert Triffin. Triffin (1960) pointed out that the United States tended to accrue deficits as the issuer of the international reserve currency: most international transactions were mediated by the dollar as a common denominator, and the world's central banks largely held dollars as their source of liquidity, rather than gold. Nixon's advisers were aware that this "monetary dominance"[5] allowed the U.S. Treasury significant leeway in domestic policy and an extraordinary pool of credit to finance its global military apparatus (Eichengreen 2011; Gavin 2004). Many viewed this as a sort of indefinite blank check for the United States (Williams 1977), but Triffin's observation was that under a system of controls on the movement of capital, eventually the flood of dollars outside the country would undermine the dollar's value under the Bretton Woods gold-exchange system (Triffin 1960). Indeed, as the major postwar economies regained competitiveness through the Bretton Woods period, and trade among them expanded, the world was flooded with an ever increasing supply of dollars (Block 1977), and the Treasury's supply of gold began to dwindle. Critical to our analysis, large speculative sales of dollars for European currencies forced the German mark and several other currencies to revalue in May 1971, which is taken by analysts as the critical blow to the U.S. Treasury's already tenuous position that necessitated Nixon's actions (Eichengreen 2011; Gavin 2004).

What our data reveal is that the August 1971 announcement of closing the gold window was not a response to a sudden critical blow but came as the culmination of years of study behind closed doors on the subject of international monetary reform and public conversations on the sustainability of the system. Although it was well known by 1968 that monetary reform was on the agenda of the IMF, Nixon's August 1971 move still came largely as a surprise to the

[4]Connally was a former naval officer later trained in law, serving briefly as a lawyer, notably for Texas oil magnate Sid Richardson, before rising rapidly into office as secretary of the Navy, a position he left for a successful campaign for the governorship of Texas.

[5]National Archives II, record group 56, entry A1-952, box 1-13: May 7, 1971.

domestic and international public (Gavin 2004; Silber 2012). However, the U.S. executive branch had been studying reform for several years before that, and the interests motivating this can be characterized best as American national political interests rather than an interest in the maintenance of the international order per se (Zoeller 2019).

Our evidence also shows that Nixon was greatly concerned about his reelection campaign coming up in 1972, and was convinced that he needed to bring down unemployment, as the United States was in the midst of a minor recession. As Nixon revealed in a conversation with Peter G. Peterson, assistant to the president for international economic affairs, "I've never seen anybody beaten [in elections] on inflation in the United States. I've seen many people beaten on unemployment" (Nixon tapes, conversation 546-2, July 26, 1971). A devaluation of the dollar, eventually achieved by closing the gold window, would actually serve as an expansionary domestic monetary policy that would affect unemployment.

It is important to note that the expansionary domestic monetary policy was not necessary. In addition to fiscal cuts, the balance of payments deficit and loss of international reserves that the United States was experiencing in 1971 could have been corrected by a tighter domestic monetary policy. However, Nixon pushed for just the opposite, monetary expansion, even as then Federal Reserve Bank chief Arthur Burns warned against it, saying at one point, "If we flooded the banks even more than we have I think you could have awful problems in 1972 and beyond" (Nixon tapes, conversation 454-4, February 19, 1971, with Nixon, Connally, Burns, Shultz, and Council of Economic Advisers chairman Paul McCracken). This view, that U.S. monetary policy was already too expansionary, was also shared by Milton Friedman, the famous Chicago economist who visited Nixon in the White House in June 1971 (Nixon tapes, conversation 514-8, June 8, 1971, with Nixon, Shultz, and Friedman). However, expansionary monetary policy, both domestically at the Federal Reserve and internationally at the gold window, would, in Nixon's view, help reduce unemployment, a card he wanted to bet on for winning reelection (Abrams and Butkiewicz 2012; Nichter 2015). Closing the gold window was thus a preferred action furthering Nixon's political agenda to be reelected.

Indeed, many alternative courses of action were considered by economic advisers to deal with the structural pressures on the dollar due to the gold-based fixed exchange rate system, but, as Zoeller (2019) explained, the decision to close the gold window became the preferred course of action in early 1971, that is, well before the May 1971 events. Still, the issue of timing of the announcement of the decision remained, and this is where our investigation begins. Our analysis critically examines whether the circumstances in international money markets prompted Nixon's action for economic or political reasons. We find that the timing of Nixon's August 1971 decision was precipitated by May 1971 currency market disruptions but mainly because these disruptions provided a public justification for a course of action already decided upon before May 1971, rather than being action-forcing events. We provide historical evidence for these claims, and we conclude by discussing the significance of this crisis opportunism, but first we present the actual announcement of the decision by Nixon, to show how he used "crisis" as a powerful justification for his actions.

Crisis as Justification: Announcement to Close the Gold Window

Nixon announced his decision to close the gold window on August 15, 1971, when he described a package of reforms known as the new economic policy, to target "unemployment, inflation, and international speculation." In his televised speech to the nation that Sunday evening in August 1971, Nixon referred to a series of what he called international monetary *crises*, and a necessity to counter "an *all-out war*" by international money speculators, together with a need to engage in "*necessary* action to defend the dollar," as well as his commitment to setting up "an *urgently needed* new international monetary system." On the whole, Nixon created a sense of an economic crisis and emphasized how his policy actions, couched in the new economic policy, were urgently needed to bring stability and increase jobs. Here are the relevant excerpts of Nixon's speech, which deserve to be quoted at length to get a sense of his persuasive rhetoric:

> Prosperity without war requires action on three fronts: We must create more and better jobs; we must stop the rise in the cost of living; we must protect the dollar from the attacks of international money speculators. . . . The third indispensable element in building the new prosperity is closely related to creating new jobs and halting inflation. We must protect the position of the American dollar as a pillar of monetary stability around the world. In the past 7 years, there has been an average of one international monetary *crisis* every year. Now who gains from these *crises*? Not the workingman; not the investor; not the real producers of wealth. The gainers are the international money speculators. Because they thrive on *crises*, they help to create them. In recent weeks, the speculators have been *waging an all-out war* on the American dollar. The strength of a nation's currency is based on the strength of that nation's economy—and the American economy is by far the strongest in the world. Accordingly, I have directed the Secretary of the Treasury to take the *action necessary to defend the dollar* against the speculators. I have directed [Treasury] Secretary [John] Connally to suspend temporarily the convertibility of the dollar into gold or other reserve assets. . . . The effect of this action, in other words, will be to stabilize the dollar. . . . To our friends abroad, including the many responsible members of the international banking community who are dedicated to stability and the flow of trade, I give this assurance: The United States has always been, and will continue to be, a forward-looking and trustworthy trading partner. In full cooperation with the International Monetary Fund and those who trade with us, we

> will press for the *necessary* reforms to set up *an urgently needed* new international monetary system. . . . I am determined that the American dollar must *never again be a hostage* in the hands of international speculators. I am taking [steps] to protect the dollar, to improve our balance of payments, and to increase jobs for Americans [emphasis added]. (See note 2)

Announcing the decision to close the gold window, President Nixon cited urgent need to strengthen the domestic economy and avert international monetary crisis. However, as we show below, this closing of the gold window in August 1971 was not really due to an unavoidable economic crisis that needed to be urgently solved in this particular way. As we demonstrate, the "crisis" Nixon referred to was actually an opportunity for the United States to push through its preferred course of action, one that had already been decided. Although much of the world preferred that the structural pressure be handled by American fiscal or monetary contraction—and maintaining the Bretton Woods system—by early 1971, the American position came to be unilateral action to end the convertibility of the dollar into gold, and Nixon was waiting for an opportune moment to announce it that would fend off potential backlash and minimize political cost.

Before the "Crisis": Consideration of Alternatives

In 1965, the Lyndon Johnson administration commissioned what became known as the VWG, led by Paul Volcker (then undersecretary of the Treasury for international monetary affairs and a future Federal Reserve chairman) to study the issue of international monetary reform. The purpose of the working group was to make recommendations on different proposals to reduce "vulnerability to political and economic pressure through the threatened conversion into gold of any overhang of official dollar balances."[6] In a secret memo, Johnson directed the group to

> take full account of the interrelations between our monetary and economic objectives, and our more general foreign policy objectives. It should explore the entire range of actions open to the United States, which would bring to bear our economic strength, and our political strength, to secure reform which would be desirable in terms of the full range of our objectives. (See note 6)

Given commitments to military engagement in Vietnam, domestic spending, and the interest in maintaining American economic superiority, the strategy was to achieve a devaluation of the dollar rather than using contractionary fiscal or monetary policy to defend the dollar's international position against rising deficits and speculation. A devaluation would correct these deficits in liquidity to achieve export gains, increase the gold supply, and defend the dollar as the international reserve currency.

The archival evidence reveals that the process of international monetary reform was not a neutral process of shoring up the liquidity of the international monetary system but a political battle over who should bear that burden. In 1969, the *New York Times* made this observation, noting that American-led discussions of exchange rate flexibility were about making currency revaluations more "politically palatable."[7] However, as international negotiations proceeded, it became clear that the rest of the world preferred the onus be on the United States. A German delegate summed up these views, suggesting that domestic policy should be used to address the shortfall in global liquidity, given that U.S. deficits were driving this shortfall.[8] However, rather than sacrificing domestic economic growth, the Americans aimed to correct their deficits by altering the international monetary system.

The senior officials responsible for U.S. international economic policy showed an astute awareness that market actions could easily be construed as autonomous events that preclude political initiative. In the late 1960s, the preferred U.S. option for exchange rate flexibility was a "crawling peg," which would actually alter the par value of currencies relative to gold, gradually and in a carefully managed way. The strongest, and preferred, form of this U.S. proposal was an "automatically adjusted" crawling peg, where par values would migrate not by government policy but by an algorithm based on market activity. This would prevent the "bias toward devaluation" by removing exchange rate adjustments from state hands. In this way, deference to market mechanisms in lieu of political choice was explicitly recognized as a "sleight of hand" that was intended to actively achieve political goals, rather than economic efficiency. In a written statement, Bill Dale, the instrumental advocate for U.S. interests within the IMF, noted that the beauty of the automatic adjustment system was that it would be

> first and foremost a decision-making system which substitutes . . . for the existing procedure of each individual government coming separately to its own conclusion that its exchange rate needs to be changed. . . . The advantage would be the presumed "objectivity" and disinterestedness of the market; the disadvantages, that markets can be wrong at times, and that the government concerned would be hard put to resist intervention with an eye to influencing the future parity (in which case the claim of objectivity would be thinner).[9]

Dale's analysis of the crawling peg plan nicely illustrates a common characterization of a neoliberal policy: transferring functions to markets away from other institutions as a

[6]National Archives II, record group 56, entry A1-952, box 1-13: June 16, 1965.

[7]National Archives II, record group 56, entry A1-952, box 1-13: September 4, 1969.

[8]National Archives II, record group 56, entry A1-952, box 1-13: January 1969.

[9]National Archives II, record group 56, entry A1-952, box 1-13: March 11, 1970.

conscious political strategy to hide the political nature of the economic change. This strategy relies on the conception of an autonomous market (Block and Somers 2014; Hay 2005; Krippner 2011), following an "objective" self-regulating internal logic outside of social and political influences, but the policy is actually implemented to achieve a political goal. In this case, allowing market mechanisms to govern exchange rates would increase the likelihood that foreign currencies would rise relative to the dollar. Note, however, that Dale was well aware that objectivity of the market is "presumed," and he emphasized that by putting the word *objectivity* in quotation marks to indicate that objectivity of markets is in no way self-evident.

During 1969 and 1970, the VWG (through Dale) took the crawling peg proposal to the IMF's Group of 10 for negotiation. The VWG cautioned the U.S. representatives to the IMF to deny publicly that flexibility was a substitute for domestic policy to reduce deficits.[10] Rather, the functioning of an autonomous international monetary system was portrayed as a universal interest, rather than a one-sided, American one. Dale presented exchange rate flexibility as important "*less to ourselves* than to the rest of the world" (emphasis added).[11] Although Dale and George Willis, Volcker's deputy in the VWG, publicly reaffirmed the IMF's desire to strengthen the IMF's ability to coordinate policy,[12] the United States was seeking to tip the system in its favor by realigning exchange rates to deal with its own deficits. Willis summarized the U.S. negotiating objective to the VWG as a "shift in the psychological environment"[13] and an "educational effort"[14] to encourage other countries to redirect their surpluses away from the United States.

Significantly for our analysis of the crisis, two years prior in 1968, Hendrik Houthakker, a member of the Council of Economic Advisers, had stated to the working group that a diplomatic push toward exchange rate flexibility "might be interpreted as a determination that our balance of payments problem cannot be solved within the present system." However, as Houthakker continued, if flexibility initiatives were "first advanced *at a time of crisis* . . . precautions may not be necessary" (emphasis added).[15] As such, Houthakker seemed to have been well aware that an economic situation, which can be framed as a "crisis," could be an opportunity to push a controversial policy action.

Response to Crisis: Necessity or Opportunity?

The specifics of planning of the closing the gold window dates to a series of memos between late 1970 and early 1971. It is said that President Nixon himself was enamored by a presentation toward this end by Pete Peterson in January 1971 (Nichter 2015), and archival data give ample evidence that his advisers had pivoted to unilaterally ending the fixed-rate system even before this (Zoeller 2019). The critical aspect of the findings here is that Nixon's preference for closing the gold window significantly predates the May 1971 currency market fluctuations. As World Bank data reveal, the Treasury's gold reserves in 1970 were not significantly different from their 1969 levels, and while Treasury did anticipate some losses in 1971, they were not viewed as critical. For instance, a February 1971 memo from Volcker to Willis titled "Financing the 1971 Deficit—And Beyond 1971" laid out projections for $2 billion to $3 billion in "non-recurrent" gold losses in 1971. This was over and above cyclical transactions. Volcker noted two courses of action, indicating two key points for our analysis of the "crisis." The first course of action was to simply "pay out this gold and make no change in present convertibility procedures." The second alternative, which was embarked on shortly after, was to "begin in 1971 the transition to a different system, using the heavy non-recurrent drains on our gold and other reserves in 1971, which may not be repeated for several years, as a justification."[16] The choice to act in 1971 would not only assuage future concerns about the dollar but it also had the advantage of being a nonelection year for the president and would allow a year of experience with flexible exchange rates before the IMF's special drawing rights activation, that is, supplementary foreign exchange reserve assets defined and maintained by the IMF since 1969 (see note 16). It is important to note that these considerations were made well before the public drains on the U.S. gold supply in the wake of the May 1971 currency revaluations.

By unilaterally closing the gold window, the United States was able to push through its devaluation initiative, over and above the political objections of other Group of 10 member countries. While doing this, the United States relied on the perception that closing the gold window was "necessary" and "urgently needed," as codified in Nixon's speech announcing

[10]National Archives II, record group 56, entry A1-952, box 1-13: September 14, 1970.

[11]National Archives II, record group 56, entry A1-952, box 1-13: April 27, 1970. The quotation emphasizes that the American negotiating position was built on a systemic concern rather than a one-sided one. The United States, here, is using the familiar structural argument to present its interest in reform as necessary for the world given the macroeconomic constraints of Bretton Woods.

[12]National Archives II, record group 56, entry A1-952, box 1-13: February 14, 1969.

[13]National Archives II, record group 56, entry A1-952, box 1-13: January 13, 1970.

[14]National Archives II, record group 56, entry A1-952, box 1-13: March 27, 1970.

[15]National Archives II, record group 56, entry A1-952, box 1-13: August 19, 1968.

[16]National Archives II, record group 56, entry A1-952, box 1-13: February 22, 1971.

the decision, to stabilize the international monetary system. However, this was a cover for what was actually a proactive choice to act unilaterally. Although standard accounts trace the critical events that precipitated the decision to May 1971, when the European currency markets were forced to close, the decision to end the convertibility of the dollar to gold was not a direct response to these gold losses or increasing monetary instability in 1971 but rather was an attempt to force the rest of the world to shoulder the burden of maintaining the strength of the dollar by adjusting exchange rates and was something that played well into Nixon's reelection strategy. As discussed earlier, closing the gold window would represent an expansionary policy domestically, which would address unemployment Nixon wanted to use as a reelection platform. Although the international effect of closing the gold window, as discussed, would be a devaluation of the U.S. dollar that improved its overall balance of payments, this had domestic appeal as well. The balance of payments adjustment would mean a boost to U.S. exports and would bring some of the overly abundant dollars back into the country. This was effectively a domestic stimulus through international policy.[17]

Suggestions that closing the gold window was the best option came from Bill Dale in late 1970, and the first detailed plan to follow this suggestion came in January 1971. The plan outlined a suspension of gold convertibility aimed at a devaluation to achieve a "U.S. official settlements *surplus* . . . in the range of $2-3 billion per year" (emphasis added).[18] The advantage of this devaluation would be "an export-led upturn."[19] The timing suggested in this proposal was dictated by its negotiating strategy: the plan was to use the September meeting of the IMF to hold gold convertibility hostage in order to negotiate a "uniform appreciation of the currencies of all Fund members" (see note 19). Therefore, closing the gold window before September would maximize American political leverage at the scheduled IMF meeting.

In May 1971, all the pieces came together. Speculative purchases of German marks, among other currencies, forced several Western European governments to close exchange markets that were flooded with U.S. dollars. When markets resumed normal operation, the mark was allowed to stabilize at a new, higher price. So was this the critical strain on the U.S. dollar that made the Nixon administration's plans to close the gold window an imperative rather than a preference? As an initial response to the German revaluation, the Volcker group proposed three viable options to the secretary of Treasury as a response to the "crisis." First, they could "take a firm stand with the Germans to hold their current parity,"[20] that is for Germany to stick to the Bretton Woods agreement. Although Volcker would express doubts about the long-term success of this plan, he certainly saw corrective action against the German revaluation as a viable option in the short term. This is evidence for us that in no way did the German devaluation restrict the American options to one, namely, the announcement of the closing of the gold window. The second option proposed was essentially inaction, allowing currency market actors to either stabilize or further destabilize the exchange rates. To the extent that untenable monetary crisis did not develop, however, Volcker speculated that this would "[provoke] more intensive defensive reactions in Europe to our [American] monetary dominance" (see note 20). Volcker's statement here is indicative of the general view among policy makers that crisis itself was a political problem rather than an economic one, by virtue of their power to remake economic institutions as they saw fit. For this reason, "economic crisis" was viewed as potentially useful rather than damaging.

The third option put forward by Volcker was to "permit, and even encourage, a progressive disintegration of the structure of the fixed rates with the objective of seeking far-ranging reforms" (see note 20). The "far-ranging reforms" referred to here were to be initiated by a suspension of gold convertibility, which was not a new idea but rather the main policy being studied by the Treasury at this point (Zoeller 2019). And here, policy makers acted consciously on their knowledge that economic circumstances are perceived as external and therefore exonerate conscious political action. Within a day of Volcker's memo to the secretary, an eyes-only presidential memo was issued coordinating strategy across Treasury, State, and Defense along the lines of this third option. As stated by the White House, "it is only *in an atmosphere of crisis* and disturbance that . . . important changes in the policies of European countries and Japan can be brought about" (emphasis added).[21] These changes refer to the devaluation of the dollar, but also more broadly toward the Marshall Plan legacy of economic assistance and defense spending in Europe and Japan. The response to "crisis" was an "opportunity . . . to undertake negotiations on these major issues" (see note 21). The White House then explicitly intended to "permit foreign exchange crisis to develop without action or strong intervention," and "at an appropriate time when there is growing realization that substantial changes will need to be made, the U.S. should indicate its own preferred solution," which was now made explicit as the "suspension of gold convertibility," and engage in "diplomatic and financial intervention to frustrate foreign activities which interfere with the attainment of our objectives" (see note 21).

[17]Concern over this was significant: Nixon had to overrule Arthur Burns and several others, who objected that the devaluation stimulus would pose a significant danger of inflation.

[18]This is an "eyes only" memo, without a listed author. It has the White House declassification tag and was distributed to the Volcker group.

[19]National Archives II, record group 56, entry A1-952, box 1-13: January 28, 1971.

[20]National Archives II, record group 56, box 1-13: May 7, 1971.

[21]National Archives II, record group 56, box 1-13: May 8, 1971.

The concerns with this course of action, again, had little to do with objectively untenable structural economic conditions but with the response of foreign countries, which were expected to want to "reduce U.S. hegemony in the international economic and financial area" and

> to capitalize on any frictions which may develop to weaken U.S. ties with other European nations and to urge the use of restrictions on capital transactions as a device for restricting the operations of U.S. firms in Europe and reducing European dependence on U.S. high technology equipment. (See note 21)

Revisiting the Triffin dilemma itself produces a range of theoretical options the United States could have used to correct its longer term concerns. That is, the theoretical untenability of the situation was premised on the mix of deficits, capital controls, and fixed exchange rates. Of those three, two were more unpalatable politically.

European countries were also expected to make "public attempts to place all responsibility for the monetary crisis on the U.S." (see note 21). This all reveals that economic circumstances were not an objective "crisis" to force an inevitable urgent response to close the gold window, but rather an opportunity to "begin the transition to a different system, using the…drains on our gold and other reserves . . . as a *justification*" (emphasis added).[22]

Deploying "Crisis": The Timing of the Decision's Announcement

Revisiting the original plan of January 1971, the date for announcing the closing of the gold window was established for September of that year, intended to "concentrate action within a two week period . . . of the IMF Annual Meeting."[23] Immediately prior to the meeting, Nixon would have announced that the United States was suspending sales of gold and begun negotiations on a new set of realigned par values. The timing seemed strategic because the United States would have "the various groups of foreign officials at hand with which international negotiations would be orchestrated" (see note 23). This timing would be accelerated, however, as the White House realized that receiving approval of this action from the U.S. Congress might be difficult.

This is revealed in the most proximate record of the decision to close the gold window from the Nixon tapes, in a conversation on August 12, 1971, just three days before the public announcement on August 15, between President Nixon, Treasury secretary Connally, and director of the Office of Management and Budget George Shultz. It was then that Secretary Connally reflected to President Nixon that, "we have been actively discussing this [announcement of closing the gold window] since the [German] Mark crisis in the spring [of 1971]" (from Nixon tapes, quoted in Nichter 2015:252). The VWG's idea was to announce before the annual IMF meeting in September. September was also when Congress returned to session. Connally argued that it was preferable to accelerate the timeline to avoid being "nibbled to death" (from Nixon tapes, quoted in Nichter 2015:237) by the rigors of congressional involvement, suggesting that not all members of Congress would view the closing of the gold window as "urgently needed" to prevent "a crisis," as Nixon portrayed it in his announcement.

An important piece of evidence that May 1971 events were not the structural tipping point is the fact that the Treasury, under Connally's leadership, was becoming fully prepared to close the gold window months before these economic events. They had already engaged in a full legal analysis of the authority of the president to take this action without Congress. That is, in secret, the Treasury Department had been conducting legal studies throughout March 1971 on how to close the gold window without the permission of Congress. Under section 5 of the Bretton Woods Agreement Act, "the United States cannot propose or agree to a change in the par value of the dollar unless such action has been authorized by Congress."[24] However, a legal study dated March 31, 1971, determined that under section 8 of the (old) 1934 Gold Reserve Act, "*With the approval of the President*, the Secretary of the Treasury may purchase gold in any amounts at home or abroad . . . at such rates and upon such terms and conditions as he may deem most advantageous to the public interest" (emphasis added)."[25] Furthermore, there was "ample authority under the . . . Emergency Banking Act of 1933 to close exchange markets in the United States." Although these laws were enacted before the Bretton Woods agreement, they would allow Connally and Nixon to close the gold window without congressional approval. Just as the impetus for the decision was more political than economic, the concern with congressional involvement was more political than legal.

For Nixon, an objective behind the decision to close the gold window was to strengthen the dollar without damaging the domestic economy through fiscal or monetary contraction, as the Europeans wished, particularly with the 1972 election looming, and his conviction that addressing unemployment was key for reelection (Abrams and Butkiewicz 2012). Thus, closing the gold window was not a response to urgent monetary "crisis" in May 1971 but an already decided policy preference that only needed a crisis as justification. In fact, Connally stated explicitly on August 12, 1971, three days before Nixon announced the decision,

[22]National Archives II, record group 56, box 1-13: February 22, 1971.
[23]National Archives II, record group 56, box 1-13: January 28, 1971.
[24]National Archives II, record group 56, entry A1-952, box 1-13: May 4, 1971.
[25]National Archives II, record group 56, Entry A1-952, box 1-13: March 31, 1971.

> I don't think we ought to think in terms of a [structural monetary] crisis. We're lined up here with six billion dollars. What the hell difference does it make whether we've got six or ten billion, in the final analysis. *I'm not worried about that, that doesn't worry me in the least*, that's the reason I was thinking we [unclear] pay it out, I couldn't care less. We owe thirty billion, so what, so we can't pay it [unclear] if they call us. That [structural pressures on the dollar] *isn't the critical point* [emphasis added]. (From Nixon tapes, quoted in Nichter 2015:237)

It is clear from Connally's statement that the actual immediate or urgent structural pressure on the dollar because of spring 1971 gold losses wasn't "the critical point," and the United States could "pay it out." This adds credence to the idea that it was the appearance of that structural pressure, which could be framed as a "crisis," that could be shrewdly used as justification to push for a policy action that was already decided upon. The decision to close the gold window was finalized in Nixon's office on August 12, when he said, "I think we ought to go Monday [August 16, 1971] with the whole ball" (Nixon tapes, conversation 273-20, August 12, 1971, Nixon, Connally, and Shultz). In fact, Nixon's public announcement came on Sunday, August 15, in a televised speech to the nation.

Discussion

Although scholars have spent significant attention on what explains economic crises, most recently the financial one in 2008, sociologists have not made economic crisis an object of inquiry in its own right. But understanding when something becomes labeled as a crisis (or when not), in relation to which stakeholders, and with what consequences, is an important aspect of a sociological understanding of the economy. We believe that examining when decision makers use "crisis" as opportunity, and as justification, expands our understanding of economic crises and is a fruitful venue of inquiry for future research.

Using a historical case of Nixon's closing of the gold window in 1971, which ushered in the neoliberal era, we argued that policy makers can use specific macroeconomic trends that show a negative departure from expectations to label and frame them as an economic crisis. As such, the rhetoric of "economic crisis" is often meant to obfuscate the fact that decisions about economy are inherently political decisions, rather than deterministically driven. Specifically, we have demonstrated that attention to *timing* through primary source analysis is a promising way to give empirical precision to the broader Polanyian thesis that economic events are always underlain by political action (Block and Somers 2014), as applied to the particular question of "economic crises."

We reexamined the timing of Nixon's announcement to close the gold window in 1971. The conventional history of the case identifies dangerously depleting U.S. gold reserves as an underlying cause to close the gold window, triggered to a critical level in May 1971. The ability of the United States to maintain global liquidity, in its role as the issuer of the international reserve currency as set by the Bretton Woods agreement, was constrained by its tendency to accrue deficits because of this very same status of the dollar, given fixed exchange rates and mobile capital. These were actual structural conditions of the economy. Conventional history considers speculation against the dollar in spring 1971 as putting critical pressure on the U.S. supply of gold, necessitating the end of fixed exchange rates, in lieu of controlling international capital flows (Helleiner 1994). The assumption of this standard analysis is that the macroeconomic changes more or less dictated U.S. policy makers to take a unilateral decision to close the gold window in August 1971.

The evidence from historical analysis of more than 7,000 pages of documents from the National Archives and Richard Nixon's Presidential Library and Museum that we have presented in this article challenges this conventional explanation. Importantly, we do not deny the reality of economic trends, but we do question their autonomy from politics and the naturalness of structural economic pressures in May 1971 necessitating the closing of the gold window in August 1971. Instead, we argue that macroeconomic indicators behaving outside of what experts would recognize as a normal range, in this case the shortfall between dollars and gold, provided the U.S. president and his cabinet with an opportunity to push their politically preferred policy alternative, that is, the American unilateral suspension of fixed exchange rates. Nixon's repeated reference, in his August 15, 1971, speech, to an "urgently needed" and "necessary" response by the United States against "an all-out war" waged by international speculators, and his determination to stabilize the dollar in order to protect jobs, portrays the situation as an economic "crisis," which removing of the fixed exchange rates would conveniently solve. This is not to say that Nixon would never have closed the gold window if he had not framed the international currency markets situation as a "crisis." But our evidence does point to the fact that waiting for the right timing to do so was crucially important (specifically, doing it before the IMF meeting and before Congress came back from summer break), to avoid potential backlash and political costs.

Indeed, the domestic reception of the decision largely demonstrates the effectiveness of Nixon's ploy. In an editorial, the *New York Times* wrote,

> After months of drift, President Nixon has moved with startling decisiveness to stabilize the dollar and spur economic growth. The comprehensiveness of the program he announced last night makes immediate assessment of all its details impossible, but we unhesitatingly applaud the boldness with which the President has moved on all economic fronts. ("Call to Economic Revival" 1971)

The Associated Press reported that "industry executives and economists agree in general that the nation will benefit—through lower export prices . . . from the President's decision to stop paying out gold," repeating Nixon's assertion that this

would curb speculation against the dollar. However, as we know in hindsight, the policy was hardly meant as a response to foreign currency speculation or any short-term vulnerability of the dollar. A headline from Associated Press's London bureau read, "Foreign Pressure on Dollar Severe," but the content of this report focused largely on confusion and concern in European and Japanese markets. Much of the response was directed at the issue of the import surcharge announced by Nixon, rather than the policy of closing the gold window. This was especially true of U.S.-based coverage: the primary headline stories focused on the domestic action, namely the 90-day wage and price freeze, which was in fact Nixon's hope. This reception of the structural need to close the gold window is generally mirrored by the academic literature that has focused on this case and has viewed Nixon's actions as a necessary response to autonomous critical international currency markets pressure.

Our analysis of the discussion among the VWG, and among President Nixon and advisers, showed that the United States did not view its lines of action to deal with the pressures on gold reserves as structurally determined by the macroeconomic circumstances of 1971. The alternative explanation we put forward is that the perception of economic circumstances requiring action (i.e., using "crisis" as an opportunity and as a justification) allowed the Nixon administration, very self-consciously, to justify unilaterally closing the gold window in August 1971. As our analysis has shown, closing the gold window was already the top policy preference among U.S. strategists well before the supposedly decisive May 1971 events. This unilateral move allowed Nixon to pursue the U.S. geopolitical interest in continued monetary hegemony, while at the same time meeting his goal of lowering unemployment to increase reelection chances (cf. Abrams and Butkiewicz 2012). The policy choice to close the gold window was made significantly before any May 1971 "crisis" emerged. Still, it was the timing of the decision's implementation that remained uncertain, and "crisis" was used strategically to announce this decision and avoid potential backlash and political costs.

The May 1971 events that put further structural pressures on the U.S. gold supply, therefore, were leveraged as an opportunity to take action because they allowed the United States to present the policy change as necessary to deal with a "crisis." This was more palatable politically, at least within the United States, than revealing a proactive pursuit of U.S. domestic interests in the international arena and Nixon's reelection calculations. The ultimate structural boundary of the U.S. gold supply was real but not decisive. The fact that plans for closing the gold window had previously been rejected by U.S. policy makers was significant, but their mere existence clearly paved the way for this and future reforms. As Milton Friedman (1962) famously wrote,

> only a crisis, *actual or perceived*, produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies . . . *until the politically impossible becomes politically inevitable* [emphasis added].

In fact, it was Friedman himself who capitalized significantly on this 1971 "crisis" as well, as his ideas gained significant legitimacy in public policy in the post–Bretton Woods period.

Conclusions

In this article, we reexamine the announcement of the August 1971 decision to suspend convertibility of U.S. dollars to gold, which ended the Bretton Woods system, ushering in the neoliberal era. Existing accounts identified critical pressure on the U.S. gold supply after May 1971 international currency market disruptions as a tipping point for policy change. To the contrary, we used new archival evidence to reveal that the announcement of the decision to close the gold window resulted from a strategic framing of May 1971 events as an urgent economic "crisis," deploying "crisis" as a justification for policy change. Ultimately, President Nixon seized crisis opportunism to announce a policy decision on August 15, 1971, a decision already made in early 1971, to privilege U.S. interests in the international arena and to assuage his reelection concerns, before potential backlash by the IMF members set to meet in September 1971, and before the U.S. Congress, which could have questioned the decision, returned from the summer break.

On the whole, crisis opportunism, or seizing a perceived economic "crisis" as an opportunity for economic policy change, entails reframing of what appear as inevitable material economic constraints into malleable political opportunities. As neo-Polanyian research in economic sociology asserts, economies are constructed by social and political action (Block and Somers 2014; cf. Block 1990; Krippner and Alvarez 2007). What our case adds to this discussion is that the materiality of economic trends is very important as well, but not exactly as the structural accounts emphasize. Indeed, the materiality of economy opens wider political space for interventionist economic action, because such materiality is interpreted as autonomous and objectively critical. It gives the framing of economic "crisis" an extra clout of credibility and urgency. When one or more important key economic indicators, such as the value of the stock market, the annual budget deficit, the inflation rate, or in this case the quantity of gold reserves, show signs of behaving outside of the normal range, falling too quickly or rising too rapidly, policy makers can effectively exploit this seemingly autonomous structural determinism of self-regulating markets heading to a crash, and publicly frame such events as an economic "crisis," using the crisis opportunism to advance their political agenda.

Other key economic policy transformations could be examined through the lens of crisis as opportunity. For example, in response to the 2007–2008 financial crisis, as government revenue dropped, policy makers presented drastic austerity policies as the only, necessary, urgently needed response to this visible shock. Furthermore, the contemporary decline of social protections and public spending in Europe has been couched in the same language of economic necessity (Blyth 2013). Moreover, as Swedberg (2018) captured,

> On June 16, 2015 Trump announced his candidacy [for President of the United States], standing at the top of the escalator in Trump Tower, addressing a crowd below. His main message was that the United States was *in a deep crisis* [emphasis added].

As such, we believe that our historical analysis of how Nixon turned economic "crisis" into political opportunity has ominous resonance with contemporary politics. These and other cases would be usefully explored from the perspective that looks beyond the face value of publicized crises and scrutinizes whether such "crises" are manufactured as strategic opportunities for policy makers to justify implementing their preferred course of action.

Admittedly, the question of how much political leeway exists to exploit materiality of economic conditions is always an empirical question, even if contemporary events suggest an ever increasing elasticity in this regard. As policy makers and political elites point to exogenous economic constraints that can be overcome only by their preferred policy intervention proclaimed to be urgently needed to prevent or solve a "crisis," we call on researchers to carefully examine the context of such justifications, potential alternative courses of action, and especially the decision's timing, and to not be surprised if they find that an economic "crisis" is not a result of economic determinism but constitutes a political strategy.

Authors' Note

The authors contributed equally to this article and are listed in reverse alphabetical order.

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Author Biographies

Christoffer J. P. Zoeller is a PhD candidate in sociology at the University of California, Irvine. He is interested in historical approaches to questions of institutional change and macroeconomic policy, and he works within economic sociology and political sociology. His research focuses specifically on changes to international economic institutions during the 1960s and 1970s to provide historical insight to conversations on contemporary global financial capitalism. He is currently pursuing a research agenda on international organizations during this time period to examine how contentious politics intersect with the production of economic knowledge during periods of major institutional change. He has been awarded a National Science Foundation Doctoral Dissertation Improvement Grant and has been a fellow at the Center for Global Peace and Conflict Studies at the University of California, Irvine. His work has appeared in *Politics and Society* and the *Oxford Handbook of Cognitive Sociology*.

Nina Bandelj is a professor of sociology, associate vice provost for faculty development, and codirector of the Center for Organizational Research at the University of California, Irvine. She is interested in how social relations, culture, power, and emotions influence economic and organizational processes, including investment and debt, inequality, globalization, postsocialist transformations, and ideas about economy. Her research has been published in the *American Sociological Review, Theory and Society*, the *Socio-economic Review*, and *Social Forces*, among others. She is the (co)author or (co)editor of six books, most recently of *Money Talks: Explaining How Money Really Works* (with Frederick Wherry and Viviana Zelizer, Princeton University Press, 2017).