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Are we entering a post-Keynesian interregnum?

By Håvard Halland / 10 July 2026



For a century, economics has taken for granted an international order that is now fraying

The disruption of shipping through the Strait of Hormuz and the vulnerability of other trade [choke points](#) are only the most visible signs of the many cracks that are appearing in the international economic and financial system.

[Capital flows](#) and [portfolio flows](#) are increasingly clustering along geopolitical lines, as is [foreign direct investment](#) in strategic sectors. Trade protection measures have [proliferated](#) and strategic use of tariffs is becoming [mainstream](#). Payment systems, until recently considered merely the ‘plumbing’ of international finance, are now seen as [strategic assets](#) that can be ‘weaponised’, and several groupings of countries are seeking to establish alternatives to the US-dominated [Swift system](#).

Macroeconomic theory is the foundation for advice provided by economists to governments, central banks and businesses worldwide. This theory rests on a set of implicit open-economy assumptions that macroeconomics has taken as given. Geoeconomic fragmentation reverses these conditions for the first time since the collapse of the gold standard in 1914.

This reversion invites a reflection on whether we are now entering the first post-Keynesian interregnum of the global economic order, the second such period since Adam Smith published *The Wealth of Nations* in 1776. If we are, what does this mean for the economics discipline?

When the hegemon steps back

Crucially, the US appears to be withdrawing from its role as the hegemonic provider of the five public goods that are, according to the economic historian Charles Kindleberger, [essential](#) for a stable international economic order: an open market for the rest of the world’s exports, stable long-term lending, policing of a stable exchange-rate system, coordination of macroeconomic policies and acting as a lender of last resort in financial crises.

The UK, the previous global hegemon, provided these goods in the 19th century and until the first world war, even if imperfectly. Already in 1776, [Smith](#), the founder of modern economics, argued against the then prevailing British [mercantilism](#). Smith’s argument, carried forward by David Ricardo and the classical liberal political economists, made possible the free-trade order of the 19th century. This first period of globalisation was sustained by Britain’s unilateral move to free trade in [1846](#) and by the [Pax Britannica](#): imperial Britain’s underwriting of open markets, stable money and the security of the sea lanes.

That system broke down during the first world war, and the gold standard that had underpinned it collapsed. After the war ended, a diminished Britain was no longer able to provide the global public goods of system stability, and the US had not yet fully stepped into its role as the new global hegemon. A period of instability and disintegration followed, most notably the Great Depression and another world war, until the US emerged as the new hegemon.

The key monetary dimension of the Great Depression was arguably the leading powers’ return to the gold-exchange standard. Reconstructed in the mid-1920s, it transmitted deflation across borders before collapsing in stages between 1931 and 1936, into a more fragmented and less anchored monetary reality, until Bretton Woods was established in 1944.

Macroeconomics originated under a period of disintegration

[John Maynard Keynes](#), with the publication of his [General Theory](#) in 1936, invented modern macroeconomics. At the [Bretton Woods](#) conference, in New Hampshire in 1944, he and [Harry Dexter White](#), the leader of the American delegation, [designed](#) the international institutional architecture that has since then provided the implicit terms for macroeconomic thinking.

This international order was anchored by the US through the International Monetary Fund and the World Bank, the [General Agreement on Tariffs and Trade](#) and later the World Trade Organization, and the Federal Reserve’s network of [swap lines](#). Capital accounts were gradually liberalised across the advanced economies. The settlement envisioned an open trading system, an integrated capital market, a politically neutral payments architecture and the US as a stabilising hegemon.

Bretton Woods was negotiated at the end of the first interregnum of the open global economic order. The Italian political thinker Antonio Gramsci, writing from Benito Mussolini’s prison in 1930, defined an *interregnum* as a period when ‘the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear’. Keynes’ *General Theory*, published six years later, was written during the period of that breakdown.

Keynes therefore invented modern macroeconomics under conditions of disintegration, not entirely unlike what we may now be returning to. The institutional architecture he and Dexter White designed, which has since provided the terms for macroeconomic thinking, is now dissolving. Setting aside the interregnum between 1931 and 1944, macroeconomics, and the classical political economy that preceded it, has rested on a single set of open-economy assumptions that reach back to 1776, or certainly to 1846.

How far will fragmentation go?

If geoeconomic fragmentation persists, economists will need to become explicit about the configuration of system stability that they assume. An analyst would then need to specify for each country under study: which geopolitical bloc it belongs to, which security guarantees it relies on, which choke points it depends on remaining open, which payments systems its trade and reserves run through, how open its capital account is and how exposed its cross-border capital and portfolio flows are to the geopolitical alignment of its partners. For central banks, sovereign-wealth funds and finance ministries, such considerations will increasingly shape reserve composition, swap-line access and the geography of capital allocation.

The extent of further geopolitical fragmentation will depend crucially on how the US-China relationship develops. But several other factors matter as well.

Essential questions are, first, whether the second Donald Trump administration’s dismantling of US-supplied global public goods proves permanent or can be at least partly reversed by future administrations.

The second is whether China decides to expand and globalise its provision of the kind of hegemonic global public goods described by Kindleberger. This would require China to liberalise its exchange rate and further open its markets and [capital account](#), which would in turn imply trade-offs with regard to industrial policy priorities. To become a hegemon, China would need to move from industrial policy to Kindleberger.

Third is whether Europe develops real strategic independence or remains captive to terms set by the two dominant powers.

The final question is whether the major middle powers, such as India, Brazil, the Gulf, Indonesia, and Türkiye, are able to continue their hedging between Washington and Beijing or are at some point obliged to choose.

Whether we are entering an interregnum, in the Gramscian sense, will depend on the answers to these questions. Even if the existing framework holds, the concept of a possible interregnum gives a sharper way to think about the limitations of current macroeconomic approaches.

Macroeconomics, and the macroeconomic advice underpinning government and business decisions, is in any case likely to remain subject to post-hegemonic geopolitical shifts. As Smith [wrote](#) in 1776, ‘Commerce, which ought naturally to be, among nations as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.’

Håvard Halland is Professor and Chair of Sustainable Finance at Heriot-Watt University’s Edinburgh Business School. He was formerly a senior economist at the World Bank and Organisation for Economic Co-operation and Development.

This essay draws on a [keynote](#) given at a macroeconomics symposium in honour of Professor Knut Anton Mork for his 80th birthday, in Oslo in May 2026. The author is grateful to him for framing questions and for comments on earlier drafts.

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