

## Chapter 6

# The Normative Construction of Modern Development at the Bretton Woods Institutions

### ABSTRACT

*This chapter depicts the operational stages through which a norm on modern development evolved institutionally at the level of the World Bank and the International Monetary Fund. It describes such historical evolution within two biographical periods of both institutions, the first one between their foundation in 1945 until the 70s decade. The second one, from that decade until today. In recent decades, the influence of the regulatory scope of the Bretton Woods Institutions extensively shaped domestic and international identities and norms. In essence, for the last 70 years, settings of the global economy were transposed along the cultural, social, industrial, and overall political architecture of each one of the nation-states part of the World Bank or the IMF.*

### INTRODUCTION

In recent decades, the influence of the regulatory scope of the Bretton Woods Institutions extensively shaped domestic and international identities and norms. In essence, for the last 70 years, settings of the global economy were transposed along the cultural, social, industrial and overall political architecture of each one of the nation-states part of the World Bank or the IMF. On the other hand, since these customary political transitions have affected dissimilarly the conditions within which nation-states have endured over time the transnational economic arena, little can be said about the role of global organizations in affecting such domestic institutional biographies. Aiming to disentangle this historical constellation, the goal of the present chapter is twofold. On the one hand, it explains how the Bretton Woods Institutions managed to create a norm of “modern development” that evolved globally, discursively and normatively along diverse spheres of social systems. This process was carried out through two operational stages. The first one was in between the end of the Second World War and the 70’s decade, when following harsh volatilities, the Bretton Woods convertibility system developed amidst international actors eager

DOI: 10.4018/978-1-6684-9794-4.ch006

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to increase their influence in a highly unstable international realm. The second one, is framed between the end of the 70's decade and today. This period is characterized by the institutional attempts of the Bretton Woods Institutions to broaden the influence of its normative construction to spheres of social systems beyond the economy, such as the family structure, the forms, dimensions and shapes of urban settlements, the structure of income and knowledge based societies, the institutions of governance at the national level, the architecture and role on social spheres of highly sophisticate financial systems, the ideological boundaries of deontological practices of the organizations, and the principles of global trade, among others.

For conducting the depiction of such historical transitions, the present chapter adheres to the contributions of historical institutionalism and critical constructivism. On the one hand, historical institutionalism conceives institutions not only as systemic and deterministic arrangements of social systems, but also as political construction that arouse within singular historical events. Moreover, they operate not only as appendices of nation state entities, but create and reproduce their own cultural, political, ideological and overall normative practices. This process takes place through interaction of representatives of the institutions (bureaucrats), but also through power structures, institutional arrangements and tradeoffs of information, practices and interests within the organization. On the other hand, institutional analysis frequently adheres to the practice of not questioning how normative constructions of highly influential international organizations evolve through processes of asymmetric interaction. In this matter, the role of critical constructivism aims to offer a defined theoretical framework able to contextualize the role of the ideology and the economy in the formation of late modern social systems. As such, in an attempt to cover the limitations of alternative theoretical standpoint, the present chapter aims to validate the use of historical institutionalism and critical constructivism as an empirical research framework to contextualize international discursive interventions and normative constructions, such as the norm of "modern development".

## **PART ONE**

### **Historical Background**

After the end of the Bretton Woods convertibility system, the increase of global economic flows of capital was triggered by two causes. On the one hand, the demand of the global economy to boost financial markets eager to take advance of a more interconnected world in which traceability of investment was possible due to relatively new technological improvements. Since the agents carrying out this process were also aware of the limitations of and exchange rate tied to gold reserves, the increasing demands of capital generated distrust over the amount of *gold-backed dollars* into the global economy. On the second hand, global economic growth was accompanied with the expansion of liberal democracies in which education systems increased the cognitive capacities of populations to play a role into vacancies of technical or scientific labor. Likewise, social nets built sectors increasingly coordinated between each other to attend demands on health or household utilities. This phenomenon was boosted by the immense mobilization of populations between rural to urban areas, generating strong social and economic differences between workers engaged into agricultural production, and population keen to participate in sectors like manufacture or services at the level of highly dense urban settlements (Habermas, 2000, p. Ch 3).

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