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**International Organization:
Systematic Failure in the
Management of International
Relations**

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The limits of international organization: systematic failure in the management of international relations

Giulio M. Gallarotti

“Nothing in excess” is the warning inscribed on the Temple of Apollo at Delphi and echoed in the literature and mythology of ancient Greece. According to the logic of excesses, too much of anything—even a “good” thing—can be detrimental. This lesson appears to be as relevant for international organization (IO) as it is for other social contexts.¹ Just as poorly managed or “bad” IO can be harmful, “good” IO in excess can have adverse effects.

On the one hand, IO can be counterproductive when management is of the wrong kind or is executed poorly. Critics of the Food and Agriculture Organization, for example, argue that the institution’s administration supports a model of agricultural development that is antithetical to private sector growth and therefore inhibits general economic development in Third World countries.² On the other hand, excessive IO can be bad even when the management is apparently good. Some have argued, for example, that the provision of abundant liquidity to debt-ridden nations creates a moral hazard in that it gives debtors fewer incentives to promote the economic changes

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1. Throughout this article, I refer to international organization (IO) and international organizations (IOs) in keeping with the following distinction made in the mainstream IO literature: the term “IO” refers to both the formal (institutionalized) and informal (noninstitutionalized) processes of management, while the term “IOs” refers to the institutions engaged in the formal processes of management. IOs are thus a subset of IO. See J. Martin Rochester, “The Rise and Fall of International Organization as a Field of Study,” *International Organization* 40 (Autumn 1986), pp. 753–75; Friedrich Kratochwil and John Gerard Ruggie, “International Organization: A State of the Art on an Art of the State,” *International Organization* 40 (Autumn 1986), pp. 777–813; and Inis Claude, *Swords into Plowshares*, 4th ed. (Random House: New York, 1984).

2. See Roger Brooks, “Africa Is Starving and the United Nations Shares the Blame,” *Backgrounder* 480, Heritage Foundation, January 1986.

that would make them less dependent on foreign lending.³ In this case, as with the recent case of savings and loans bailouts in the United States, it appears that safety has its price. Similarly, food aid, as traditionally practiced with respect to less developed countries (LDCs), has often served to compound problems of hunger and food dependence because of its "disincentive effects" on domestic food production.⁴ And, finally, too much IO may be undesirable if it is costly and has no appreciable effect on international relations.

While IO can be said to "fail" in any of these ways, it is most antithetical to orderly international relations when its failures make international problems worse or generate new problems—that is, when IO itself is a destabilizing force in world politics. In his first annual report on the work of the United Nations (UN), Secretary-General Javier Pérez de Cuéllar sensitized the international community to such destabilizing failings in the multilateral management of interdependence by citing the adverse effects that UN resolutions can have on international security and by admitting that the misuse of the UN has contributed to the global problems facing the organization.⁵ In light of the failures of IO, bureaucrats and scholars alike need to reassess the role of multilateral management and its effects on international relations within and across issue-areas. Or, more formally, they need to take into account the limitations of IO when considering the optimal scope and level of multilateral management.⁶

As Friedrich Kratochwil, John Ruggie, and J. Martin Rochester have argued, recent scholarship has increasingly strayed from the study of IO as distinct from world politics and has relinquished much in terms of the normative foundations of the traditional literature on IO. A result is that the processes of IO and international relations have been conflated in a way that makes the specific assessment of managerial processes and institutions more difficult. Furthermore, the analytic modes and conclusions generated by recent work have insufficiently addressed issues that contribute to social engineering at the level of multilateral management; that is, they have provided little food for consumption on the part of international bureaucrats

3. General arguments on moral hazard in the international monetary system have most recently been made by Charles Kindleberger in *The International Economic Order* (Cambridge, Mass.: MIT Press, 1988).

4. See Raymond Hopkins, "Reform in the International Food Aid Regime: The Role of Consensual Knowledge," *International Organization* (forthcoming).

5. Javier Pérez de Cuéllar, *Report of the Secretary-General on the Work of the Organization*, no. A/37/1 (New York: United Nations, 1982).

6. The scope of IO is defined by neofunctionalists as the range of issue-specific tasks involved in a managerial scheme, while the level is defined as the "central institutional capacity to handle a particular [issue-specific] task." See Joseph Nye, "Comparing Common Markets: A Revised Neo-Functionalist Model," in Leon Lindberg and Stuart Scheingold, eds., *Regional Integration* (Cambridge, Mass.: Harvard University Press, 1971), p. 201; and Philippe Schmitter, "Three Neo-Functional Hypotheses About Integration," *International Organization* 13 (Winter 1969), p. 162.

and national policymakers.⁷ Historically, the study of IO has to a large extent been coterminous with the study of the structures, roles, and goals of international institutions. The traditional literature has placed much emphasis on institutional origins and developments in the frameworks and objectives of specific organizations and has paid considerably less attention to the effects of these organizations on international relations. Moreover, when scholars have assessed the effects, they have tended to offer a rather benign vision in which the process of multilateral management is characterized as invariably contributing to the stabilization of relations among nations and in which the limitations of management are ignored or downplayed. Thus, traditional contributions to the IO literature have been heavy on the positive side (the stabilizing outcomes of management) and light on the negative side (the failures of management), whereas the recent contributions have been instrumental in addressing the negative side but have taken a somewhat restricted approach to organizational failure. To use Kratochwil and Ruggie's analogy, while the doctor has more recently stopped visiting the patient altogether, the doctor has traditionally visited the patient without systematically diagnosing illness.⁸

In addressing these limitations in the IO literature, this article presents a typology of the systematic (inherent rather than mistake-related) failures of IO. In doing so, it brings the processes and institutions of multilateral management back into focus as phenomena that are *sui generis* and therefore distinct from the underlying relations they oversee. While its conclusions about the nature of overmanaged relations and the partial solutions that it offers are intended to serve as potential normative guidelines, its focus on the effects of IO is intended to complement the traditional focus on the roles, goals, and structures of international institutions. Thus, by emphasizing the destabilizing effects of IO and presenting a less benign view of the management of international relations, the article makes a contribution toward filling in the negative side of the managerial ledger. In Kratochwil and Ruggie's terms, the present enterprise once more attends to the patient, but with an emphasis on diagnosing illness.

The article begins with a discussion of the managerial approach to IO and the recent revisionist scholarship. It then confronts the managerial vision of IO by offering a more general theoretical approach to understanding the destabilizing effects of multilateral management than has commonly been taken in the critical IO literature. In presenting a typology of systematic failures, it seeks to bridge the gaps in our understanding of why many different institutions and managerial schemes fail. That IO has virtues and can

7. See Kratochwil and Ruggie, "International Organization"; and Rochester, "The Rise and Fall of International Organization as a Field of Study." Regarding the normative rationale for the study of IO, see also John Gerard Ruggie, "The United States and the United Nations: Toward a New Realism," *International Organization* 39 (Spring 1985), p. 345.

8. Kratochwil and Ruggie, "International Organization."

have a positive impact on international relations is not denied. Nevertheless, the article concludes that it is often in the best interest of stable international relations in and across issue-areas to be regulated by IOs that are limited in their scope or level of management. In addressing the general issue of IO failure, rather than addressing why a particular institution or managerial scheme fails, the analysis is thus intended to serve both as a focal point for understanding critical approaches to the study of IO and as an alternative rationale for eliminating the excesses of multilateral management.⁹

The managerial approach to international organization

Traditional IO scholars have tended to take a rather benign view of the process of multilateral management.¹⁰ For these scholars, IO at best provides the necessary management dictated by the growing complexity of interdependence within and between issue-areas. At worst, this management appears as a benign redundancy in functions insofar as it is targeted to bring about order that is already existent in some set of relations. The tone of the literature has for the most part been uncritical both on a systematic and a general level,¹¹ and any explicit or implicit critiques that have been offered have tended to be issue- or case-specific.¹²

9. Regime analysts and neoliberal institutionalists have argued that big government can be redundant and is unnecessary when limited forms of management are sufficient. But the viability of smaller government is all the more compelling when big government is subject to organizational failure.

10. As Conybeare notes, "Federalists, functionalists, neofunctionalists, and pluralists all agree as to the inherent desirability of world government. . . . It would not be a caricature to infer from the modern IO literature that the world needs more supranational authority to manage interdependence, public goods, and externalities in general." See John Conybeare, "International Organization and the Theory of Property Rights," *International Organization* 34 (Summer 1980), pp. 307-8. The critical focus of my article, however, is not the modern IO literature per se but, rather, those strands in the IO and international relations literature that uncritically profess the need for the extensive multilateral management of international relations and support the benign view of IO from which this prescription stems. Some strands are not overtly managerial in orientation. And in many cases, as pointed out in my article, the logics of their arguments are not antithetical to the usefulness and importance of limited forms of IO.

11. Critiques of domestic government have been far more prevalent and systematic than have general critiques of IO. For a typical example of the former, see Richard Rose, "What If Anything Is Wrong with Big Government?" *Journal of Public Policy* 1 (February 1981), pp. 5-36. An inquiry into the reasons for this neglect would be speculative. Perhaps it is simply a matter of specialization, with IO failing to attract the attention of erstwhile critics of big domestic government who are specialized in domestic political issues. Or perhaps the unpleasant effects of IO are not felt on an individual level to the same extent as the unpleasant effects of domestic government are. IOs do not conscript or tax individuals, for example. Their dues come from nations rather than individuals; their laws do not affect individuals directly; and there is no authoritarian appropriation of human capital and resources. Quite simply, there are fewer reasons for individuals to be angry with IO.

12. There are, of course, exceptions to this trend, notably in the classic literature on integration and interdependence. But even these show limitations. Early neofunctionalists argued that IO can have adverse effects on specific interest groups and elites within nations but have said

According to the functionalists, the growth of technology, the awareness of its possible adverse and positive effects, and the spread and intensification of demands for higher material welfare place increasing pressure on nations to seek what Ernst Haas calls "managerial leadership" at the multilateral level.¹³ The growth of "common activities and interests across nations," argues David Mitrany, requires a concomitant growth in the "common administrative agencies" that manage interdependence. International government must grow so that it remains "co-extensive with international activities." Hence, like the activities it must oversee, international management must itself become "all-embracing and all-pervasive."¹⁴ In this sense, the growth of IO is consistent with the ongoing evolution and greater centralization of functions in human society. For a working peace system, notes Mitrany, nations must collectively "take over and coordinate activities hitherto controlled by the nation state, just as the state increasingly has to take over activities which until now have been carried on by local bodies."¹⁵ Thus, the goal of global security is reached through a process involving "a sufficient addition" of managerial functions, which together "would create increasingly deep and wide strata of peace."¹⁶

For neofunctionalists, the causal link between technological and welfare problems on the one hand and international management on the other is mediated by interest groups and elites, but the vision of IO is quite similar. For them, the process of spillover is the forcing variable.¹⁷ As the pressures for integration spread laterally and vertically, the level and scope of international management must be expanded. According to Haas, the problems of international security, economic development, and technological and scientific interdependence require an "upgrading of common interests" among nations, which is only realizable within "the framework of supranational institutions." The intensification of this "upgrading" in turn requires "continuing supranational activity."¹⁸ For Ruggie, the impact of scientific and technological interdependence on international relations necessitates a "col-

much less about the adverse impact on international order and relations between nations. Haas noted that organizations can sometimes fail to achieve their goals, but he did not go on to explore the possible negative consequences of this failure. Morse noted that IO can adversely affect nations by limiting their autonomy, but he did not pursue the manifold consequences of this constraint. See Ernst Haas, *The Uniting of Europe* (Stanford, Calif.: Stanford University Press, 1958), pp. 288-89; Ernst Haas, *Beyond the Nation-State* (Stanford, Calif.: Stanford University Press, 1964), p. 126; and Edward Morse, *Modernization and the Transformation of International Relations* (New York: Free Press, 1966), p. 100.

13. Haas, *Beyond the Nation-State*, p. 31.

14. David Mitrany, *A Working Peace System* (Chicago: Quadrangle, 1966), pp. 52, 63, and 97.

15. *Ibid.*, p. 37.

16. *Ibid.*, p. 98.

17. Of course, even for neofunctionalists, spillover is not a given. Integration has been conceptualized as positive, stagnant, and negative.

18. See Haas, *Beyond the Nation-State*, p. 459; and Haas, *The Uniting of Europe*, p. 287.

lective response" based on "mutual accountability."¹⁹ The collective response will be manifest in "greater amounts of joint services and joint production, and a greater degree of joint regulation of national activities."²⁰ For Eugene Skolnikoff, this interdependence requires that nation-states "accept a degree of international regulation and control over their nominally domestic activities that goes well beyond the situation today."²¹

Traditional scholarship in the field of modernization and interdependence has similarly argued that the greater interpenetration of the social and economic spheres that occurs with industrialization necessitates a collective approach to the specific needs of nations. Edward Morse, for example, indicates that "modernization is accompanied by increased levels and types of interdependences among societies, which require . . . a high level of cooperation."²² This interdependence, adds Morse, makes "international coordination of policies highly desirable" because the "attainment of basic domestic policy goals" can no longer be realized through independent actions.²³

These managerialist strands in the traditional literature on IO and interdependence have numerous counterparts in the general literature on international relations. For example, Seyom Brown and Larry Fabian would address the problem of the global commons with a comprehensive oceans authority, an international scientific commission on global resources and ecologies, a global weather and climate organization, and an outer space project agency.²⁴ Stanley Hoffmann, in mainstream fashion, argues that the future of the world order will depend on the growth of IO as a means of integrating inherently conflictual interests and realizing joint gains both in a political and an economic context.²⁵ In explicating the assumptions underlying Hoffmann's vision, Richard Cooper states that "where trust is not complete, some form of international organization may be helpful to police the rules and supervise the imposition of penalties for violations of the rules."²⁶ Regarding the international political economy, the exhortations of Fred Block and Robert Solomon are characteristic. According to Block, "If

19. John Gerard Ruggie, "International Responses to Technology: Concepts and Trends," *International Organization* 29 (Summer 1975), pp. 557-83.

20. John Gerard Ruggie, "Collective Goods and Future International Collaboration," *American Political Science Review* 66 (September 1972), p. 875.

21. Eugene Skolnikoff, *The International Imperatives of Technology* (Berkeley, Calif.: Institute of International Studies, 1972), p. 153.

22. Morse, *Modernization and the Transformation of International Relations*, p. 80.

23. *Ibid.*, pp. 85 and 93.

24. Seyom Brown and Larry L. Fabian, "Toward Mutual Accountability in Nonterrestrial Realms," *International Organization* 29 (Summer 1975), pp. 887-92.

25. Stanley Hoffmann, "International Organization and the International System," in Leland Goodrich and David Kay, eds., *International Organization: Politics and Process* (Madison: University of Wisconsin Press, 1973).

26. Richard Cooper, "Prolegomena to the Choice of an International Monetary System," in C. Fred Bergsten and Lawrence Krause, eds., *World Politics and International Economics* (Washington, D.C.: Brookings Institution, 1975), p. 83.

our goal is the improvement of human welfare, this requires subordinating market forces to conscious human will."²⁷ Similarly, Solomon argues, "Cooperation and joint management are still necessary. . . . The international system has tended to follow the evolution that has occurred within individual countries. One of the major lessons learned in the thirties . . . is that the pursuit of self-interest by individual entities in an economy does not necessarily bring about optimal results for the economy as a whole."²⁸ The high point of this managerialism in international economic relations is embodied in Irving Friedman's call for a "new Bretton Woods."²⁹

More recently, scholars have taken a much more systematically critical approach to IO and have qualified the traditional arguments about the need for extensive supranational government. IO has been attacked both from the right and the left and both in theoretical and nontheoretical treatises. On the right, the ongoing studies of the Heritage Foundation have expounded a vision of IO, especially as manifest in the UN, as a destabilizing force in international politics because of the inflammatory way it mediates disputes (for example, supporting the positions of guerrilla groups) and the way it generates other managerial failures.³⁰ A frequent critique of the UN is that it perpetuates underdevelopment because its approach is biased against market solutions. In exploring the ways in which UN management in and across issue-areas makes the world a more "dangerous place," Abraham Yeselson and Anthony Gaglione have adopted the same destabilizing view of the UN.³¹ Others have underscored that deficiencies in the managerial structures of the UN are the sources of its failure and inefficiencies.³²

27. Fred Block, *The Origins of International Economic Disorder* (Berkeley: University of California Press, 1977), p. 225.

28. Robert Solomon, *The International Monetary System, 1945-1981* (New York: Harper & Row, 1982), p. 379.

29. See Irving Friedman, *Toward World Prosperity: Reshaping the World Money System* (Lexington, Mass.: Lexington Books, 1987), p. 273. More specifically, Friedman calls for a resuscitation of the managerial instruments of the Bretton Woods system, which he and many others believed were strong. Actually, the system reflected rather weak management in configuring monetary relations. Relations carried on in a rather haphazard way with occasional multilateral (G-10) and unilateral (U.S.) management.

30. In its journal, *Backgrounder*, the Heritage Foundation has published numerous studies that take a critical view of UN operations. See especially Juliana Geran Pilon, "The Center on Transnational Corporations: How the UN Injures Poor Nations," *Backgrounder* 608, October 1987; Thomas Gulick, "How the U.N. Aids Marxist Guerrilla Groups," *Backgrounder* 177, April 1982; and Brooks, "Africa Is Starving and the United Nations Shares the Blame." See also Charles Lichenstein et al., *The United Nations: Its Problems and What to Do About Them* (Washington, D.C.: Heritage Foundation, 1986); and Burton Yale Pines, ed., *A World Without a U.N.* (Washington, D.C.: Heritage Foundation, 1984).

31. See the following works by Abraham Yeselson and Anthony Gaglione: "The Use of the United Nations in World Politics," in Steven Spiegel, ed., *At Issue: Politics in the World Arena* (New York: St. Martin's Press, 1981), pp. 392-99; and *A Dangerous Place* (New York: Viking Press, 1974).

32. Robert Jackson argued, for example, that the UN could be likened to "some prehistoric monster, incapable of intelligently controlling itself. This is not because it lacks intelligent and capable officials, but because it is so organized that managerial direction is impossible." Jackson is quoted in "The United Nations Agencies: A Case for Emergency Treatment," *Economist*,

The leftist literature on IO has tended to take the same pejorative view of supranational structures of governance that leftists normally take of domestic structures of governance: both types institutionalize class hegemony. In the case of supranational government, leftists speak of economic (capitalist) classes of nations as well as social classes. Most of their studies are targeted at specific organizations, while some contributions exhibit a general orientation.³³

On a more theoretical level, proponents of rational choice and public choice approaches to IO have argued that supranational management is either redundant or the source of inefficiencies in the relations between nations. John Conybeare argues that the market can sufficiently allocate goods and address international problems in relations that do not exhibit high levels of publicness and that supranational management in these relations is unnecessary and would only replicate the outcomes generated by less centralized schemes.³⁴ John Ruggie and Per Magnus Wijkman marshal similar, albeit more restrictive, arguments.³⁵ Roland Vaubel sees the collusive and redistributive nature of international collaboration as inherently imposing welfare losses on the international system in general as well as on specific subnational groups.³⁶

At the same time that scholars have taken a more critical approach to IO, they have also taken a more decentralized approach to the possibilities for order and cooperation in international politics. This trend is particularly evident in the regime and neoliberal institutionalist contributions to the international relations literature. According to proponents of the decentralized approach, institutions serve as facilitators of cooperation. This suggests positive, rather than critical, sentiments about the role of IO. Where they

2 December 1989, p. 23. See also David Pitt, "Power in the UN Superbureaucracy: A Modern Byzantium," and Johan Galtung, "A Typology of United Nations Organizations," in David Pitt and Thomas Weiss, eds., *The Nature of United Nations Bureaucracies* (Boulder, Colo.: Westview Press, 1986), pp. 23–38 and 59–83, respectively.

33. See, for example, Ismail Abdalla, "The Inadequacy and Loss of Legitimacy of the International Monetary Fund," *Development*, vol. 22, Society for International Development, Rome, 1980, pp. 46–65; Cheryl Payer, *The Debt Trap: The International Monetary Fund and the Third World* (New York: Monthly Review Press, 1974); Cheryl Payer, *The World Bank: A Critical Analysis* (New York: Monthly Review Press, 1982); Teresa Hayter, *Aid as Imperialism* (New York: Penguin, 1974); Robert Cox, "The Crisis in World Order and the Problem of International Organization in the 1980s," *International Journal* 35 (Spring 1980), pp. 370–95; Robert Cox, "Labor and Hegemony," *International Organization* 31 (Summer 1977), pp. 385–424; and Peter Cocks, "Toward a Marxist Theory of European Integration," *International Organization* 34 (Winter 1980), pp. 1–40.

34. Conybeare, "International Organization and the Theory of Property Rights."

35. Ruggie and Wijkman, however, are generally positive about the functions of IO with respect to confronting issues of publicness. See Ruggie, "Collective Goods and Future International Collaboration"; and Per Magnus Wijkman, "Managing the Global Commons," *International Organization* 36 (Summer 1982), pp. 511–36.

36. Roland Vaubel, "A Public Choice Approach to International Organization," *Public Choice*, vol. 51, 1986, pp. 39–57.

depart from traditional managerial approaches, however, is in their sensitivity to the conditionality of management. Since relations in and across issue-areas are seen as heterogeneous, rather than homogeneous, the requirements for regulation will vary in scope and level. Some constellations of relations (particularly those with preexisting norms about appropriate policies) will require institutions only to reduce the organization or transaction costs of cooperation, while others will require more careful and extensive regulation.³⁷

Although the revisionist literature on IO offers a valuable counterbalance to the traditional managerial view, it nevertheless exhibits limitations in its identification and analysis of organizational failure. The existing critical literature, for example, tends to be disproportionately specific in its targets and orientation. While the work of Yeselson and Gaglione, the studies from the Heritage Foundation, and the literature on bureaucratic failure are specifically targeted toward the UN, the leftist literature has commonly focused on the World Bank, International Monetary Fund, and the UN. Even the work that appears to be of a more general orientation is still quite restricted and sometimes insufficiently systematic in its identification of IO failure. General leftist critiques, such as those of Robert Cox and Teresa Hayter,³⁸ are fundamentally restricted to the adverse distributional effects of the institutionalization of First World hegemony and are much less concerned with instabilities within classes of nations. Conybeare, Wijkman, and Ruggie are more concerned with why IO might be unnecessary than with how and why IO fails. Although Vaubel is both general and systematic in the identification of IO failure, he is more concerned with the inefficiencies than with the destabilizing effects of IO, and his analysis of inefficiencies is restricted to those generated by the collusive and redistributive nature of IO.

In contrast to the revisionist literature, which offers a restricted critique

37. See the contributions to *International Organization*, vol. 36, Spring 1982, a special issue on regimes. See also Robert Keohane, *After Hegemony* (Princeton, N.J.: Princeton University Press, 1984); and Robert Keohane and Joseph Nye, *Power and Interdependence*, 2d ed. (Glenview, Ill.: Scott, Foresman, 1985). For surveys of the literature on regimes and neoliberal institutionalism, see Stephan Haggard and Beth Simmons, "Theories of International Regimes," *International Organization* 41 (Summer 1987), pp. 491-517; and Joseph Grieco, "Anarchy and the Limits of Cooperation: A Realist Critique of the Newest Liberal Institutionalism," *International Organization* 42 (Summer 1988), pp. 485-507. For other works that are concerned with less managed relations, see Conybeare, "International Organization and the Theory of Property Rights"; Wijkman, "Managing the Global Commons"; W. Max Corden, "The Logic of the International Monetary Non-System," in Fritz Machlup, Gerhard Fels, and Hubertus Muller-Groeling, eds., *Reflections on a Troubled World Economy: Essays in Honor of Herbert Giersch* (New York: St. Martin's Press, 1983), pp. 59-74; W. Max Corden, "Fiscal Policies, Current Accounts and Real Exchange Rates: In Search of a Logic of International Policy Coordination," *Weltwirtschaftliches*, vol. 122, 1986, pp. 423-38; Roland Vaubel, "Coordination or Competition Among National Macro-Economic Policies?" in Machlup, Fels, and Muller-Groeling, *Reflections on a Troubled World Economy*, pp. 3-28; and Martin Feldstein, "Let the Market Decide," *Economist*, 3 December 1988, pp. 21-24.

38. See Cox, "The Crisis in World Order and the Problem of International Organization in the 1980s"; Cox, "Labor and Hegemony"; and Hayter, *Aid as Imperialism*.

of how IO can fail *within* specific issues and institutions, the following general critique of managerialism offers a typology of systematic organizational failure and suggests how IO can fail *across* issues and institutions.

Critique of managerialism: the systematic failure of international organization

The failures of IO, defined here as the negative or destabilizing effects of IO on international relations, can generally be classified as either unsystematic or systematic. While unsystematic failures are related to mistakes or malfunctions in the management of international problems, systematic failures are considered inherent in or endemic to IO.³⁹ There is no systematic reason, for example, why one supranational organization would make the mistake of overmanaging relations while another would not; why one would be too extreme in demanding adherence to its rules while another would not; or, more generally, why one institution or managerial scheme would be characterized by or result in poor management. While unsystematic failures are stochastic and have a chaotic distribution, systematic failures are determined by bias (by the roles, functions, and goals of IO, which naturally encourage failure) and have an identifiable pattern in their distribution. IO can fail systematically in four general ways that will be summarized briefly here and discussed in detail below.

First, IO can be destabilizing when it attempts to manage complex, tightly coupled systems. Because management of complex relations and issues is one of the goals of IO and because these complex systems are difficult to understand and therefore manage successfully, there are inherent possibilities for destabilizing management.⁴⁰

Second, IO can be destabilizing when its solutions discourage nations from pursuing more substantive or long-term resolutions to international problems, including disputes, or when it serves as a substitute for responsible

39. This dual categorization of managerial failure is somewhat problematic because what some consider to be random mistakes of bureaucrats may be seen by others as problems endemic to the bureaucratic structure of IO. Similarly, depending on the manner in which malfunction is defined, IO can be said to malfunction systematically or unsystematically. Further research may improve upon the present typology by suggesting a better differentiation both between and within categories. Nevertheless, the dual categorization is useful as a first-cut approach to the general failures in the process of international management. The alternative presentation of undifferentiated failure does little service to the normative and theoretical importance of distinguishing endemic failures from failures that are more stochastic.

A point that deserves emphasis here is that while IO is by nature prone to several types of failure, it does not follow that IO will invariably fail. A simple analogy is that the inherent or genetic predisposition to diabetes does not always manifest itself as disease.

40. The mainstream IO literature has tended to offer a "complexity" rationale for supranational government: as interdependence becomes more complex and issue-spaces increase in density, the need for IO to orchestrate relations also increases.

domestic or foreign policy. It is in the nature of supranational management to generate solutions and resolutions (output) that address international problems, and to the extent that it does so, it reduces the incentives of nations to come up with better alternatives.

Third, IO can actually intensify international disputes under several circumstances: when it is used as a weapon of confrontational statecraft, when it encourages confrontational solutions to problems, when it creates roadblocks to the resolution of disputes, when it is a source of destabilizing linkages, when it is a source of predatory or confrontational collusion, and when it takes sides in international disputes. In the case of international disputes, IO is by nature prone to confer greater legitimacy to one of the competing factions and thereby shift the moral balance of power. Like other instruments of international competition, then, IO support can be an important instrument of statecraft. This was evident, for example, in President Kennedy's desire to have the approval of the Organization of American States before confronting the Soviets on the issue of Cuban missiles.

Fourth, IO can have destabilizing effects when it is a source of moral hazard. Supranational management is fundamentally based on the desire to prevent crises or provide insurance against the untoward effects of potential crises that emanate from a state's irresponsible behavior. In mitigating the adverse consequences of this behavior, IO reduces the incentives for the state to eliminate the underlying problem, which is the behavior itself.

The principal element of failure in the first category—the management of complex, tightly coupled systems—is essentially a technical one: cooperation yields inferior outcomes because of the technical difficulty of managing systems of relations and issues. The principal element of failure in the other three categories—which we can label adverse substitution, dispute intensification, and moral hazard—is not technical: a technical basis for cooperation does exist, but the political systems act in ways that can make cooperation destabilizing.

Managing complex, tightly coupled systems

Organizations often attempt to manage systems whose problems emanate from what Charles Perrow would refer to as the "complex, tightly coupled" nature of international relations.⁴¹ As with any cybernetic system, the feedback effects of the systems of relations and issues are complicated and frequently unpredictable. And as with any complex chaotic system, these systems commonly exhibit what the chaos literature refers to as a sensitivity

41. The subject of complex, tightly coupled systems is formally explored by Perrow in the context of accidents which involve nuclear power, chemicals, and other high-risk technology and which have adverse effects on the various ecosystems. See Charles Perrow, *Normal Accidents: Living with High-Risk Technologies* (New York: Basic Books, 1984).

to initial conditions, or a macrosensitivity to developments in microconditions. Their complexity and unpredictability are thus a function of the numerous and highly conditional connections between the many variables that contribute to systemic outcomes. As Perrow argues, the complexity of tightly coupled systems makes it impossible to manage them in a way that avoids periodic crises; in other words, catastrophes and accidents are "normal" and are the rule rather than the exception.⁴² Not only is IO incapable of avoiding crises, but IO often causes or exacerbates problems by offering solutions that have unpredictable and destabilizing effects.⁴³

Contributors to the literature on interdependence, most notably Robert Keohane, Joseph Nye, Richard Cooper, and James Rosenau, have essentially viewed the international political economy as a system with the characteristics noted above and have emphasized the complexity of interdependence emanating from process and issue density (the tight linkage of different economic processes and international issues).⁴⁴ The literature has also highlighted the similarities between international political economic relations and the processes of systems theory and chaotic systems: feedback processes are numerous and not fully understood; knowledge about principal relationships is often indirect and inferred; there are strong systemic sensitivities to small changes in underlying conditions; policies and actions are connected in complicated constellations of relations; and simple policy initiatives often generate unintended systemic outcomes.⁴⁵

The period from the mid-1940s to the present, for example, has been one in which international monetary schemes have been aimed at instituting and managing equilibrium exchange rates while economists have continually argued that we do not know what equilibrium rates are *ex ante* and can only know what they are *ex post*. Gottfried Haberler's statement on the equilibrium value of the dollar is representative: "With all due respect, it must be said that we, economists as well as ministers and other officials, simply do

42. Ibid.

43. Economists of the Austrian school have underscored this point with respect to attempts at managing complex systems such as markets and prices. Centrally planned economies, contrived price systems, and other forms of control, they argue, produce outcomes that are Pareto-inferior and significantly worse than those effected by a market approach. See, for example, the following works of Friedrich Hayek: *Individualism and Economic Order* (Chicago: University of Chicago Press, 1948), p. 187; *Law, Legislation and Liberty*, vol. 1 (Chicago: University of Chicago Press, 1973), pp. 48–50; and *The Fatal Conceit: The Errors of Socialism* (Chicago: University of Chicago Press, 1988), pp. 85–88.

44. See Keohane and Nye, *Power and Interdependence*; Richard Cooper, *The Economics of Interdependence* (New York: Council on Foreign Relations, 1968); and James Rosenau, *Turbulence in World Politics* (Princeton, N.J.: Princeton University Press, 1990).

45. For a discussion of systems in international politics, see Robert Jervis, "Systems Theories and International Politics," in Paul Gordon Lauren, ed., *Diplomacy* (New York: Free Press, 1979), pp. 212–43. On the subject of chaos, see James Gleick, *Chaos: Making a New Science* (New York: Penguin, 1988).

not know enough to say what the equilibrium exchange rate is."⁴⁶ More generally, William Branson argues that the management of exchange rates is well beyond our state-of-the-art methods of rational organization: "With this range of disagreement on [the] economic analysis [of exchange rate equilibration], how are negotiators to reach agreement? The topic is one for the National Science Foundation, not a new Bretton Woods."⁴⁷

There is significant disagreement on a plethora of issues, not the least of which is what economic indicators are a valid reflection of equilibrium. It has been commonly thought that equilibrium is determined on the real side: the exchange rate at which trade balance is encouraged. But even this long-honored wisdom has been called to task both on the empirical and the theoretical side. The U.S. deficit with Japan budged only hesitantly from 1985 to 1987, while the dollar lost 50 percent of its value vis-à-vis the yen during this period. Japanese retail pricing trends showed that the yen-denominated prices of American goods in Japan had remained almost unchanged. Evidently, Japanese importers enjoyed the greater purchasing power of the yen but did not pass the savings on to the Japanese consumer. Hence, the decline of the dollar vis-à-vis the yen effected a redistribution from American exporters and Japanese consumers to Japanese middlemen, rather than eradicating the bilateral trade imbalance. Outcomes such as this have led some economists, Jagdish Bhagwati and Robert Mundell included, to question whether any continued change in the dollar will significantly dent the trade deficit. They argue that because competition in industrial markets is imperfect and because nations can counteract an appreciating currency with more protectionism so as to maintain a trade balance, exchange rates are rendered less effective in adjusting trade flows.⁴⁸

Attempts at managing the complex, tightly coupled system of political economic relations have created a trail of international events that leads to the graveyard of misguided social engineering. The Louvre Accord of February 1987, for example, was negotiated and adopted by the G-7 for the purpose of strengthening the dollar following its sharp two-year decline. It ended up having just the opposite effect in the short run because it was perceived by the market as a signal of the dollar's weakness rather than its strength, and the resulting run against the dollar brought it well below the Louvre target. The G-7 did not anticipate this negative feedback. As it turned out, the intervention scheme initiated a destabilizing self-fulfilling prophecy: investors, thinking that the fall of the dollar was not yet over, took actions that brought such an outcome about. If the accord had not been concluded,

46. Gottfried Haberler, "The International Monetary System: Recent Developments in Perspective," *Aussenwirtschaft*, vol. 42, 1987, p. 379.

47. William Branson, "The Coordination of Exchange Rate Policy," *Brookings Papers on Economic Activity*, no. 1, 1986, p. 176.

48. See "Passing the Buck," *Economist*, 11 February 1989.

the market might have been prepared to accept the Louvre target. In other words, less management might have brought about a better outcome.⁴⁹

Unfortunately, the Louvre story does not end there. U.S. authorities tried to counteract the destabilizing speculation by raising interest rates and demanding specific macroeconomic policies from other G-7 nations. These actions destabilized financial markets during the period in which the Dow speculative balloon was most inflated. The October crash followed. Haberler bluntly called the Louvre Accord "a striking example of how *not* to fix exchange rates."⁵⁰ Pointing out the dangers involved when less than well conceived and organized schemes are used in an attempt to manage complex systems, he argued that "the foreign exchange market, like the stock market, is a very delicate and sensitive mechanism that does not lend itself to continued manipulation by a loosely organized group of nations."⁵¹ In this case, the solution made the problem worse because the approach in counteracting the adverse effects of the initial managerial miscalculation was essentially a linear solution to a tightly coupled problem. Decision makers proceeded as if moods in domestic financial markets were isolated from international policy initiatives. They erroneously assumed that policies geared toward the defense of the dollar in international forums would not feed back adversely onto perceptions of prevailing trends in domestic financial markets.⁵²

The Louvre Accord was presented to the public in a way that reduced rather than increased confidence. "The accord," noted one journalist, "focused attention on the weakest elements of cooperation. Every time [James] Baker spoke he offered a new version of what the accord was expected to

49. For discussions of the Louvre Accord and its results, see "The Show Can't Go On," *Economist*, 21 November 1987, pp. 13-14; Haberler, "The International Monetary System"; and Yoichi Funabashi, *Managing the Dollar: From the Plaza to the Louvre* (Washington, D.C.: Institute for International Economics, 1988), pp. 187-92. It is not clear that defenders of the Louvre Accord are correct in attributing positive externalities to it. The argument that even misaligned rates stabilize trade flows assumes that volatility following the imposition of the exchange rate was less than it would have been if the rate had been allowed to converge by market forces. There is more evidence to suggest that, on the contrary, the imposition and market reaction to it created more volatility than would have otherwise occurred.

50. Haberler, "The International Monetary System," p. 383.

51. *Ibid.*, p. 381.

52. The direction of swings in response to changes or developments in financial markets, currency markets, and other complex systems is difficult to predict, as are the perceptions of investors and other actors. This brings up the question of whether these systems would be more manageable if actors knew more about the manifold effects of different policies. In some situations, even supposedly prudent policies may have adverse effects if actors in systems are adapting to rather than passively accepting policy. (Such adaptive microbehavior typifies complex, tightly coupled systems.) But this could also be the case when actors are cognitively rigid. For example, given a particular nervous state in currency markets, investors may interpret any kind of interest rate policy (even the most prudent one based on knowledge of how currency markets work) as signaling trouble for a currency. An interest rate hike to prop up the dollar, for instance, may be perceived as a signal that the dollar is weak. A rate decrease may be perceived as a signal that U.S. policymakers will let the dollar slip. And finally, no change in the interest rate may be taken as indecision on the part of U.S. policymakers and perceived as a sign of trouble.

achieve, and of the roles of the various partner countries' policies. . . . Each new disagreement with West Germany . . . made the Louvre agreement seem hollower than it really was."⁵³ The April 1987 communiqué of the G-7 on the state of monetary relations was an especially glaring failure. Baker called the April meeting of the G-7 "quite successful," but the communiqué failed to make mention of any specific intentions to support the dollar. A strong-dollar statement was necessary to get the dollar out of its bearish state, given that trade figures for February were announced in mid-April and were dismal, causing dismay among dollar holders. James Vick of Manufactures Hanover Trust reflected how the market in general perceived this omission and what it indicated about G-7 intentions when he commented that the G-7 "seemed to be accepting the current level of the dollar and the downward direction."⁵⁴ This perception was reinforced by the G-7's approval of the new rate around "the most current levels."⁵⁵ These outcomes were further manifestations of the strong sensitivity of macroproperties to apparently small developments in international markets.

The managerial pattern continued under James Brady. In November 1988, following the election of Bush, the dollar declined sharply. This was met with intervention both by the Federal Reserve Bank and by several European central banks to keep the dollar from declining to a new low against the yen. On the second day of this intervention, Brady made the following statement: "Markets go up and down. I really don't worry about it very much."⁵⁶ The statement was perceived as signaling that the commitment of the G-7 was not strong and that the dollar might fall even more. This led to foreign exchange trading that ran counter to the intervention of the central banks (and, of course, imposed losses on the banks that had purchased depreciating dollars). One New York banker said, "We've had Brady make several statements early on that have not given the indication that he recognizes or has the judgment to understand that he has a profound impact on the marketplace."⁵⁷

In the cases of both the Louvre Accord and the Plaza Accord that preceded it, policymakers failed to accept a fundamental lesson: exchange rates are not imposed upon markets; they are determined by markets.⁵⁸ In 1987, after Louvre ranges were established and defended, Baker and the G-7 kept talking (telling the market what equilibrium rates were), but the market failed to

53. See "Almighty Fallen," *Economist*, 14 November 1987, p. 11.

54. James Vick, quoted by Funabashi in *Managing the Dollar*, pp. 189-90.

55. Funabashi, *Managing the Dollar*.

56. See "Brady Avoiding Critics as Group of 7 Gathers," *The New York Times*, 2 February 1989, p. D-1.

57. *Ibid.*

58. Rates were imposed much more frequently under the Bretton Woods regime in the 1950s and 1960s than they have been recently. But the size and the sensitivity of exchange markets were considerably smaller than they are now. And, in fact, the destabilizing money flows of the 1960s attest to the difficulty of sustaining rates misaligned with respect to the market rate.

listen.⁵⁹ In both cases, agreements were ill-conceived because they were attempting to coordinate unstable policy preferences.⁶⁰ The outcome was that the nations violated both the letter and the spirit of the agreements, thereby producing bad relations among the participants.⁶¹ These events served to further destabilize financial markets. Investors perceived that the G-7 was unable to impose order on the international monetary system, and this in turn fed back domestically and internationally to create pessimistic investment moods.⁶² Decision makers continued to remain out of touch with the complete range of reactions to the nature and effectiveness of their multilateral policy initiatives. And these reactions continued to be principal sources of instability in financial and exchange markets.⁶³ In sum, for reasons relating to the limitations of regulating complex economic systems, the Louvre and Plaza schemes produced some cures that ended up being worse than the diseases.

The outcomes of policy coordination in recent years are quite consistent with recent theoretical findings regarding the pursuit of collective macroeconomic management in the face of disagreements on the fundamental workings of national and international economies and in the face of limited information. Jeffrey Frankel and Katherine Rockett, for example, have shown that in cases in which nations disagree on the macroeconomic models (an expected situation, since macroeconomies themselves constitute complex, tightly coupled systems) and in which the effects of economic policy are not perfectly predictable because of the complexity and tightly coupled nature of causal relations in economic markets, macroeconomic policy coordination

59. See Funabashi, *Managing the Dollar*, p. 190.

60. See *ibid.*, pp. 28, 29, 34, 205-7, 214, and 228.

61. Especially distasteful were the U.S. threats; the U.S. insistence on a high yen rate; the constant changes in negotiating forums, including at various times the G-2, G-3, G-5, and G-7; and the attempts at unilateral management of the dollar rate, characterized by "talking the dollar down" when others refused to accommodate the downward trend of the dollar. See *ibid.*, pp. 53, 182, 217, and 235-37.

62. An alternative interpretation of the Louvre and Plaza episodes might be that large and responsive capital markets, in combination with high mobility in the flow of goods and capital, have made it necessary for advanced industrial nations to coordinate their economic policies and that failures are a small price to pay for the necessary long-term management. No one would argue that coordination is not valuable or that the market can resolve all economic problems. But the Louvre and Plaza agreements generated significant instabilities that most likely would not have occurred in the absence of intervention. Even the necessity of long-term coordination is no excuse for generating market instability that has short-run effects and might in turn generate lasting effects. Given the adverse outcomes of linear managerial approaches taken in the past, it seems all the more inexcusable to turn to them again and again in the present.

63. For reasons relating to the unpredictability of international reactions to the construction of international managerial schemes in the area of the debt problem, Kindleberger appears cautious about the desirability of even attempting to develop collaborative multilateral solutions. If such attempts were made and fail, he argues, and if this generated pessimistic forecasts about developments in the issue-area, the problem is likely to be exacerbated. See Kindleberger, *The International Economic Order*, p. 12.

can almost as likely be bad for nations in terms of welfare as it can be good. In some instances, constellations of uncoordinated unilateral actions would be preferable to cooperation, especially the type of cooperation founded on linear approaches to market interventions.⁶⁴

These findings point to a common failure for any organization solving problems in complex, tightly coupled systems. There are side effects, many of which are unforeseeable. With respect to the problem of economic development, Paul Streeten notes that "scientists may have a solution to every problem, but development has a problem for every solution."⁶⁵ Such conditions put a premium on nonlinear solutions to the problem of poverty. "Single actions which look technically correct," he emphasizes, "can be worse than useless if they are not accompanied by supplementary actions."⁶⁶ This is especially true about managing nations toward higher levels of economic development. According to Streeten, "Development is . . . like a jigsaw puzzle. To be effective, several actions must be taken together, in the right order; rural education has to be combined with the improvement of rural amenities or the educated will leave the countryside. The new seeds have to be applied with fertilizers and water at the right time; there must be extension services and roads to get the food to the markets."⁶⁷

Adverse substitution

Nations are continually faced with difficult domestic and international problems whose resolution entails political, economic, or social costs. Although IO can alleviate short-run pressures and provide nations with an "out" from more costly solutions, doing so can be counterproductive in that it discourages nations from seeking more substantive and longer-term resolutions to their problems. To the extent that time horizons are short (which is certainly the case in domestic political systems where political survival is predicated on short-run imperatives) and national leaders are sensitive to differing domestic costs of competing solutions to domestic and international problems (which also appears to be the case), nations will be encouraged to substitute less costly and less viable multilateral schemes for more costly and substantive solutions.⁶⁸ The problem of substitution is systematic be-

64. See Jeffrey Frankel and Katherine Rockett, "International Macroeconomic Policy Coordination when Policymakers Do Not Agree on the Model," *American Economic Review* 78 (June 1988), pp. 318-40.

65. Paul Streeten, "The United Nations: Unhappy Family," in Pitt and Weiss, *The Nature of United Nations Bureaucracies*, p. 187.

66. Ibid.

67. Ibid.

68. It has, in fact, been a long-standing characteristic of international economic summitry for leaders to use international agreements to reduce some of their domestic economic and political costs. See Robert Putnam and Nicholas Bayne, *Hanging Together: Cooperation and Conflict in the Seven-Power Summits* (Cambridge, Mass.: Harvard University Press, 1987); and Vaubel, "A Public Choice Approach to International Organization."

cause it is in the nature of IO to solve international and domestic problems. But because of jurisdictional limitations and the bargaining process, the solutions offered by IO are often not substantive.

Secretary-General Pérez de Cuéllar pointed to one of the largest and most prevalent drawbacks of IO substitution in his first annual report on the work of the UN: "There is a tendency in the United Nations for governments to act as though the passage of a resolution absolved them from further responsibility for the subject in question."⁶⁹ Particularly in the case of dispute resolution, the tendency has been to offer flimsy "patch job" solutions that reduce the incentives for disputants to find a better way of resolving their differences. This point was emphasized by James Stegenga in his 1968 assessment of the effects of UN efforts in Cyprus: "UNFICYP [the UN Peacekeeping Force in Cyprus] is vulnerable to the charge that it may very well be inhibiting settlement. By helping to protect and thus consolidate the abnormal status quo and by reducing the sense of urgency felt by both sides, the Force may actually be making a negative contribution to what in the long run is the most important requirement, a viable political order."⁷⁰ Yeselson and Gaglione have questioned whether the UN Emergency Force (UNEF) efforts in the Middle East have had the same negative effect by providing an inferior substitute for a viable resolution in the region.⁷¹

Patrick Garrity has recently argued that UN peacekeeping efforts have allowed U.S. policymakers to postpone crucial security decisions that eventually must be made.⁷² In this regard, we must question the effects of the UN in general and its solutions in particular on the relations between the superpowers. In the UN General Assembly, majorities have always favored one superpower over the other, offering more support to the United States in the early decades and more to the Soviet Union in later decades. Historically, the UN has provided a rational incentive for one of the superpowers to try to marshal collective support for a UN resolution against the other and thereby extract some desired action or policy through collective confrontation rather than through direct negotiations that would involve some form of concessions or quid pro quos. In short, given the tendency of UN members to automatically side with the appropriate superpower, collective confrontation via the UN has provided the superpowers with a relatively costless substitute for more costly direct bargaining. As Yeselson and Gaglione have observed, "Victories at the [UN] were cheap. They involved no

69. Pérez de Cuéllar, *Report of the Secretary-General on the Work of the Organization*, p. 3.

70. James Stegenga, *The United Nations Force in Cyprus* (Columbus: Ohio State University Press, 1968), p. 186.

71. See Yeselson and Gaglione, *A Dangerous Place*.

72. See Patrick Garrity, "The United Nations and Peacekeeping," in Pines, *A World Without a U.N.*, p. 155. See also Ruggie's response to Garrity, "The United States and the United Nations," p. 348.

cost in blood and very little in treasure, and they lent an aura of righteousness to . . . foreign policy."⁷³

For the same or similar reasons, the diversion of important issues or controversies into IOs that are mainly ceremonial forums (which many are) is often counterproductive. Nations may perceive negotiations in international forums either as viable substitutes for more fruitful negotiations at the bilateral or multilateral level or as viable substitutes for real cooperation.⁷⁴ The result, as Robert Rothstein pointed out in his study of the UN Conference on Trade and Development (UNCTAD) is that "the situation may get worse simply because living with an increasingly ceremonial process is much easier than trying to reform it. . . . And, of course, the most obvious consequences ought to be reemphasized: problems get worse, time is lost, and resources are expended."⁷⁵

Critics of IO-orchestrated development schemes argue that the public funds of IOs are inferior substitutes for private investments in the Third World and tend to generate negative externalities. IO funds are often tied to government planning that is antithetical to market processes. Because regulated economies are less attractive to international investors, this has the effect of driving out private investment, which is especially bad given the link between economic development and the growth of the private sector in underdeveloped nations.⁷⁶ Roger Brooks makes a related point with respect to agricultural development in Africa.⁷⁷

Food aid, as commonly practiced before the 1970s, has encouraged LDCs to substitute food transfers for domestic agricultural production. This has served to reduce agricultural self-sufficiency in the long run through disincentive effects on local food production, thus compounding the problems of hunger and food dependence in underdeveloped nations. Moreover, food

73. Yeselson and Gaglione, *A Dangerous Place*, p. 178.

74. The literature on collective action suggests that sometimes it is to the benefit of a community as a whole for people not to have private substitutes for poor public services. The fact that they have such substitutes encourages them to exit (vote with their feet) rather than use their voice to contribute to the improvement of those services. For example, communities will be less likely to have poor public schools if private schools do not exist. This will encourage the wealthiest and most educated to contribute to collective action schemes designed to improve the school system. Collective action is enhanced to the extent that private substitutes for public goods are unavailable. One could make an interesting argument about the destabilizing nature of the "star wars" program on these grounds. The program's technology would increase the risk of war among the superpowers because if developed (even by both) it would represent a substitute for further cooperation. For a discussion about the adverse effects of private substitutes, see Russell Hardin, *Collective Action* (Baltimore, Md.: Johns Hopkins University Press, 1982), p. 73.

75. Robert Rothstein, *Global Bargaining: UNCTAD and the Quest for a New International Economic Order* (Princeton, N.J.: Princeton University Press, 1979), p. 20.

76. Data show that development is positively correlated with the growth of the private sector. See Edward Erickson and Daniel Sumner, "The U.N. and Economic Development," in Pines, *A World Without a U.N.*, pp. 1-22. See also Pilon, "The Center on Transnational Corporations."

77. See Brooks, "Africa Is Starving and the United Nations Shares the Blame."

transfers have disrupted local systems of food production and distribution, generated extremely expensive subsidy programs, created administrative nightmares, and encouraged corruption.⁷⁸

It is interesting, Inis Claude notes, that some of the fiercest enemies of IO have been strong proponents of world government (federalists).⁷⁹ This animosity is not surprising, however, according to the federalist logic. As an unsatisfactory substitute for more comprehensive managerial arrangements, IO serves as a "palliative" that reduces the fervor for real world government. In this sense, IO is more antithetical to international government than anarchy is. Agreeing with this assessment, Claude has argued that world government requires an existing community. IO can delay or prevent that community from arising because it reduces the sense of urgency for real and substantive community building.⁸⁰ Consistent with this same line of argument, Adam Roberts and Benedict Kingsbury have argued that the UN has actually worked against international security in its function as a perceived potential substitute for arms control. "By presenting a mythological alternative to armaments," they argue, "it may distract attention from other possibly more fruitful approaches to the urgent problem of controlling and limiting military force."⁸¹

IO sometimes functions as another kind of substitute: a substitute for responsible domestic policies. In this function, IO can be destabilizing in the long run not only at the national level but also at the international level if domestic disorder spills over into international relations. In the case of the Plaza Accord, for example, the United States was given a way of escaping necessary and costly adjustments in government spending: bringing down the dollar through intervention was preferred to bringing down the dollar by cutting the budget, which would have brought interest rates down.⁸² Defenders of the conditionality policies of multilateral lending institutions have used the substitution logic to justify their argument that unconditional lending would only make loans a substitute for responsible macroeconomic and foreign economic policy management.⁸³ In the case of the Bretton Woods

78. Hopkins identifies these problems as central targets for multilateral food aid reform in the 1970s and 1980s. See Hopkins, "Reform in the International Food Aid Regime."

79. See Claude, *Swords into Plowshares*, pp. 417-19.

80. *Ibid.*

81. Adam Roberts and Benedict Kingsbury, "The UN's Roles in a Divided World," in Adam Roberts and Benedict Kingsbury, eds., *United Nations, Divided World* (Oxford: Oxford University Press, 1988), p. 11. The problem is not a matter of nations believing that the UN is a real and significant instrument of world peace and that they therefore avoid other means of addressing global security issues. Rather, the problem is that any positive perceptions of the security-enhancing potential of the UN may alter their incentives to apply their full resources to other strategies. This suggests an element of moral hazard, a subject discussed in a later section of my article.

82. See Funabashi, *Managing the Dollar*, p. 41.

83. It is impossible to definitively state that in the absence of IO, nations would act more responsibly or make the necessary hard choices required for long-run stability in their econ-

system, liquidity became a substitute for adjustment. External adjustment was constrained by means of fixed exchange rates and rules governing trade policy, while internal adjustment was no longer accepted as a viable means of eradicating external payment imbalances.⁸⁴ In another context of adverse substitution, Vaubel argues that as a forum for collusion, IO can make it easier for governments to pursue unstable economic policies. Monetary collaboration, for example, can shield policymakers from criticism over high inflation by bringing inflation rates into conformity.⁸⁵

Jan Tumlir and others have argued that it should be a principal goal of IO to limit this substitution and enhance responsible policies at home. According to Tumlir, IO should "help national governments . . . discharge those basic domestic functions on which the economic stability of their societies depends in the long run."⁸⁶ If nations would all follow responsible policies at home, then IO would be less necessary. Certainly this argument is common in the context of international economic relations. As a recent article in the *Economist* noted, economic ministers could "think of cooperation as a boring means to an end, not as a glorious goal in its own right. Because if they all stayed home and adopted sensible domestic policies there would be precious little need for cooperation on trade or exchange rates."⁸⁷ A similar view was offered by Max Corden: "It can be argued that if countries make adequate use of the policy instruments available to them, there is no need for coordination of policies. . . . One can thus imagine countries reacting quickly and atomistically to the events from outside them, including the consequences of other countries' stabilization policies. And if their policies are

omies. Certainly, nations might seek other ways to avoid making hard choices. However, to the extent that IO provides additional "outs" or, alternatively, fails to close off less responsible avenues, it augments or maintains the possibilities for destabilizing policy choices in the long run.

84. Some might argue that this tendency toward substitution was not as apparent to the founders of the Bretton Woods system, since their principal goal was to provide nations with liquidity as a way to avoid market intervention (prompted by balance-of-payments disequilibria) in the short run and thus give them the opportunity to develop more incremental adjustment policies in the long run. Furthermore, the fixed exchange rates and the circumscription of internal adjustment were a reaction to the problems that prevailed during the interwar period. The point to be made here is that the opportunities for adverse substitution which IO provides can as likely be unintended as intended. For a discussion of the early objectives of the Bretton Woods system, see Richard Gardner, *Sterling-Dollar Diplomacy: Anglo-American Collaboration in the Reconstruction of Multilateral Trade* (Oxford: Clarendon Press, 1956), chap. 5.

85. In "A Public Choice Approach to International Organization," pp. 47-49, Vaubel cites evidence that inflation tends to be higher among nations that exhibit more convergent inflation rates.

86. See Jan Tumlir, *Protectionism: Trade Policy in Democratic Societies* (Washington, D.C.: American Enterprise Institute, 1985), p. 12. On a related note, critics of super-301 and strategic American trade policy argue that these initiatives represent a destabilizing substitute for a long-term resolution to the trade deficit, which would require the elimination of the underlying microeconomic and macroeconomic causes. See "The Snit List," *Economist*, 3 June 1989, pp. 30-31.

87. *Economist*, 26 September 1987, p. 56.

intelligent and speedy, they will achieve whatever stabilization they wish to achieve."⁸⁸

The argument for responsible domestic policies reflects the belief that domestic problems have a tendency to spill over and become international problems. In the economic realm, excessive internal deficits and inflation alter exchange rates, and this in turn influences external positions. Differential rates of inflation in a fixed exchange rate system redistribute trade surpluses to nations with low inflation. While these effects are unintentional (externalities), there are also intentional actions (policies) that are instituted to redistribute external surpluses—for example, tariff barriers and exchange controls keep imports down and capital in. Both externalities and policies can therefore be quite destabilizing internationally.⁸⁹ Similarly, in the political realm, domestic problems can become international problems. For example, oppressive authoritarian regimes may find foreign adventurism a necessary remedy to quell domestic unrest.

Dispute intensification

IO can be a destabilizing force when it intensifies disputes. Because IO can lend moral force to the foreign policy positions of nations, it has the tendency to be used by them as a means of statecraft to further their global interests. To the extent that these interests create confrontational behavior, IO generates utility not only as a forum in which accusations are made and brinkmanship is practiced in front of the community of states but also as a vehicle through which collusion and alliance building are effected.

In general, scholars have tended to underplay these and other negative uses of IO that interfere with negotiations and make agreements difficult to achieve. Rather than serving as vehicles to resolve conflict, IOs are often used to promote or magnify conflict. As Claude has noted, they frequently function as arenas "for the conduct of international political warfare."⁹⁰ The UN, for example, has historically served as a forum to embarrass nations. In 1956, Western nations brought up the Hungarian issue for the purpose of embarrassing the Soviet Union. The Soviets vindicated themselves in 1965 when they brought up the Dominican Republic issue to embarrass the United States. As Yeselson and Gaglione have pointed out, "Real negotiations

88. See W. Max Corden, "The Coordination of Stabilization Policies Among Countries," in Albert Ando, Richard Herring, and Richard Marston, eds., *International Aspects of Stabilization Policies* (Boston: Federal Reserve Bank of Boston, 1977), pp. 139–40.

89. See Giulio M. Gallarotti, "Toward a Business-Cycle Model of Tariffs," *International Organization* 39 (Winter 1985), pp. 155–87. The success of GATT in lowering tariffs may be counterproductive, given the fact that nations often substitute nontariff barriers. These barriers are more protectionist and more distorting of trade flows, since producers cannot compensate for them by managing prices and costs. This illustrates the fact that IO can channel policy into less stabilizing instruments.

90. Claude, *Swords into Plowshares*, p. 446.

require that the parties define differences as narrowly as possible, avoid recrimination, and exclude extremists from discussions. At the UN, issues are widened, insults are common, and the most violent spokesmen frequently dominate the debate. The effects of such deliberately provocative discussions is to contaminate efforts to achieve peaceful settlements."⁹¹

The "safety valve" rationale for IO, which reflects the famous Churchill quote "better to jaw, jaw than war, war,"⁹² is based on the erroneous assumption that battle among diplomats is a perfect substitute for battle in the fields. In fact, however, "war jaw" in the UN merely compounds conflicts, as Maurice Tugwell has pointed out.⁹³ For example, the verbal aggression traditionally marshaled toward the United States by the Soviet Union and involving the use of terminology such as "racist," "imperialist," "anti-peace," and "neocolonial" served to compound confrontations outside of the UN both directly and indirectly, since it prompted as well as justified the arms buildups and supported the extremist views of Cold Warriors in domestic debates over foreign policy. In this respect, Jeane Kirkpatrick, former U.S. Ambassador to the UN, was probably justified in saying that she has "never believed that the release of aggression is healthy or therapeutic" and that "it is a sorry state of affairs when the United Nations, which was conceived as an instrument for the building of peace, is now justified as an instrument for the release of aggression."⁹⁴ She was also at least partially correct in calling the UN a "dangerous place."⁹⁵

The UN was historically used as an instrument of Cold War competition, with each superpower marshaling voting alliances against the other. Claude underscored the point that the superpowers competed for control of the organization and viewed it as the ultimate ally in the Cold War, while Ruggie added that the Soviets considered it "a vehicle to delegitimize the postwar international order constructed by the capitalist nations."⁹⁶ Yeselson and Gaglione have noted that what many have seen as UN failures in cooperation are in fact successful instances of the organization's use as a weapon to embarrass nations.⁹⁷ According to them, much can be understood about the UN if it is seen as a tool of statecraft in the Cold War. To say that this use has substituted for more direct confrontation assumes that the marshaling of alliances which occurred earlier outside the UN was subsequently re-

91. Yeselson and Gaglione, "The Use of the United Nations in World Politics," p. 396.

92. See Maurice Tugwell, "The UN as the World's Safety Valve," in Pines, *A World Without a U.N.*, pp. 157-74. The Churchill quote is from his speech on 26 June 1954 in Washington, D.C.

93. Tugwell, "The UN as the World's Safety Valve," p. 157.

94. Jeane Kirkpatrick, speech before the Anti-Defamation League on 11 February 1982 in Palm Beach, Fla., pp. 11-12.

95. Kirkpatrick, quoted by the Associated Press, 29 October 1982.

96. See Claude, *Swords into Plowshares*, pp. 89-94; and Ruggie, "The United States and the United Nations," p. 354.

97. Yeselson and Gaglione, *A Dangerous Place*, pp. 31-43.

placed by the formation of voting blocs within the UN forum. This is not the case, however, since confrontations within the UN were merely added to confrontations outside it. In this sense, according to Tugwell, instead of acting as a "safety valve," the UN became "a threat to peace."⁹⁸ This is also evident in the fact that the organization has actively taken part in conflicts and either escalated them, as in the Korean War, or intervened to suppress them, as in the siding with Kasavubu in the Katangan revolt led by Tsonbe. In the latter case, Belgian Prime Minister Paul Henry Spaak cited the intervention in the Congo affairs as a "UN war operation."⁹⁹

In addition to these direct effects, IO has had indirect international and domestic effects that run counter to the ideals of multilateral cooperation. The constant attacks of the UN on Israel, South Africa, and Rhodesia, for example, have had the unfortunate effects of strengthening the political position of "hawks" in Israel and of providing racial extremists in the African nations with a weapon to use against moderates.¹⁰⁰ For this reason, nations have become reluctant to bring disputes or problems to IOs that have historically been mobilized against them. Israel, a victim of Egyptian and Syrian attack in 1973, chose not to bring the problem to the UN Security Council because of the anti-Israeli sentiment there. The Soviets bypassed the UN often during the earlier period in which the Western coalition dominated the organization, and the United States has done so following the organization's shift to Soviet and Third World domination. Claude underscored this point with respect to the earlier period: "To the degree that the United States succeeded in using the [UN] as a pro-Western device, it reduced the utility of the organization as an agency of conciliation and stabilization in the Cold War."¹⁰¹

98. Tugwell, "The U.N. as the World's Safety Valve," p. 158.

99. The ultimate outcome in this intervention was markedly different from the original intention "not to take any action which would make [the UN] a party to internal conflicts in the country." See UN Security Council, *Official Records*, meeting no. 872, 7 July 1960, p. 5.

100. See Yeselson and Gaglione, *A Dangerous Place*, p. 203. With respect to the indirect effects of IOs on African politics, Jackson and Roseberg see a quite different deleterious effect. By accepting African nations as members regardless of their political regimes, IOs serve to legitimize oppressive political systems. See Robert Jackson and Carl Roseberg, "Why Africa's Weak States Persist: The Empirical and Juridical in Statehood," *World Politics* 35 (October 1982), pp. 1-24.

101. See Claude, *Swords into Plowshares*, p. 130. Some analysts might interpret the 1990 involvement of the UN in the Iraq-Kuwait crisis as a breakdown in the deleterious Cold War use of the organization and argue that with superpower agreement the UN can be a positive force in abating and preventing crises in global security. There are several problems with this interpretation. The first and most obvious is that it is premature to draw conclusions, given that the crisis is still in progress at the time of the writing of this article. The second is that we have to question whether the UN initiated or followed the U.S. lead in attempting to resolve the crisis. The United States, defending its geopolitical and resource-security interests in the Middle East, played the major role with regard to constructing a unified response to the invasion of Kuwait. Insofar as the 1990 UN resolutions called for actions that the United States and its allies had already committed themselves to, the organization merely served as a stamp of approval or vehicle for legitimating the actions. The European Community has, in fact, at the

In resolving smaller controversies or contentious issues, IO has often created roadblocks to the resolution of more important issues. For example, the 1948 Security Council resolution endorsing self-determination in Kashmir drove a major wedge into Indian-Pakistani relations, while resolutions favoring South Korea fueled bad North-South Korean sentiment. The result was that substantive relation improvements were impeded. In the greater scheme of international relations, it may have been better for the resolutions not to have been made, regardless of their short-run successes in addressing injustices.¹⁰²

Furthermore, as a facilitator of issue linkage, IO has often had negative rather than positive effects. Scholars have argued that linkage leads to greater possibilities for exchange and bargaining and thus enhances the potential for substantive agreements. "Clustering of issues," according to Keohane, "facilitates side-payments among these issues: more potential *quids* are available for the *quo*."¹⁰³ Although linkage can be stabilizing if it encourages cooperation, it can have destabilizing effects if it instead fuels conflict. In 1974, the Arab states traded votes with the Black African nations in the UN: the former pledged their vote to silence the South African delegation in exchange for the latter's vote in support of the Palestine Liberation Organization (PLO). This not only intensified old disputes but also brought new participants into the disputes. In IOs, voting alliances whose purposes revolve principally around confrontation are quite the rule rather than the exception.¹⁰⁴

Along this line of logic, it is not the case that IO always enhances the conditions favorable to cooperation or dispute resolution. In the case of dispute mediation, IO may restrict, rather than expand, the number of mediators. The restriction occurs as a result of nations being identified as biased either because they took a particular position on an issue in IO debates or because they failed to take sides. For example, India's abstinence on a UN

time of the writing of this article made a collective request to the Security Council to pursue air blockade in addition to naval and ground coverage. Critics of the confrontational style within the UN forum might argue that since nations are committed to a confrontational response to the invasion outside this forum, it would behoove the UN to expend its energies toward engineering a diplomatic resolution. This would reduce the possibilities of pan-Arab antagonism (especially from Iraq, Iran, Yemen, and Jordan) toward the UN and would place the organization in a better position to fulfill its role with respect to resolving other disputes in the Middle East. Given the fact that Hussein has threatened war in response to the UN resolutions, we have to question whether confrontational resolutions are counterproductive and whether the UN has served as a positive force.

102. See Yeselson and Gaglione, "The Use of the United Nations in World Politics," p. 396.

103. Keohane, *After Hegemony*, p. 91. See also Robert Keohane, "The Demand for International Regimes," *International Organization* 36 (Spring 1982), pp. 325-56; and Robert Tollison and Thomas Willett, "An Economic Theory of Mutually Advantageous Linkages in International Negotiations," *International Organization* 33 (Autumn 1979), pp. 425-50.

104. See Yeselson and Gaglione, "The Use of the United Nations in World Politics," p. 397.

vote regarding Soviet intervention in Hungary discredited India as a Cold War mediator in the eyes of the United States. The potential for such outcomes is high, given that IO normally puts nations in a position of appearing to choose sides on divisive issues whether they elect to vote or not. This destabilizing transitivity can manifest itself also in terms of the effects of inner-IO confrontations on outer-IO negotiations. In 1973, for example, Americans were quite apprehensive about Chinese–South Korean interaction in the UN, given its potential effects on Chinese–U.S. rapprochement.

This tendency of “leaning” international support to one side or another is not peculiar to IO but is a characteristic of such social functions in general. When IO takes sides, however, it can have adverse effects on both the longevity and the intensity of a dispute. As Yeselson and Gaglione have observed, “Victorious states are emboldened by the vindication of their policies, and losers are embittered by injustice.”¹⁰⁵ Taking sides without regard to consequences—even in the form of condemning what is considered an illegitimate use of force, as in the cases of the Israeli occupation of Arab territories in 1967, the Falklands invasion of 1982, and Soviet intervention in Afghanistan in 1979—encourages the use of counterforce.¹⁰⁶ Critics have often lamented the overt UN support of groups such as the PLO, the Southwest African People’s Organization (SWAPO), the African National Congress (ANC), and the Pan-African Congress (PAC) and have argued that these groups use UN support as a legitimization of violent methods.¹⁰⁷ The following statement by PLO spokesman Massur on the murder of two Israelis by a PLO terrorist group in 1975 is revealing: “We sponsored the operation because it is our right to fight for our rights, and the whole world sponsored it . . . because the [UN] General Assembly has approved the right of the Palestinians to pursue their struggle *with all means* to gain usurped rights.”¹⁰⁸ In the Falklands case, it is difficult to separate the aggressive Argentine foreign policy of the late 1960s and the 1970s from the fact that the Falklands problem had been linked to decolonization by the UN after 1965. Great Britain asserted its sovereignty over the islands throughout the century, but

105. *Ibid.*, p. 395.

106. See Roberts and Kingsbury, “The UN’s Roles in a Divided World,” p. 19.

107. See Gulick, “How the U.N. Aids Marxist Guerrilla Groups.” It appears that this support has been uneven in a most destabilizing way, given the recent UN decision to allow South Africa to break Resolution 435 and confront SWAPO rebels in Namibia.

108. Massur, quoted in *ibid.*, p. 4. The argument that IO is supposed to promote change and that the PLO and ANC are therefore justified in their use of the UN to promote conflict in the Middle East and Africa presents some problems. First, it assumes that people think it worth the costs of conflict intensification, including death and destruction, to promote change. Many would not think so. Second, it assumes that any parties advocating changes to some status quo are justified in using IOs to promote conflict. In fact, nations have historically been encouraged to bring their disputes to IOs as a way of avoiding conflict. Finally, there are both peaceful and conflictual avenues to change. Some think it a bad precedent for IOs to expend resources in anything but peaceful solutions. Certainly the traditional spirit of IO suggests diplomatic approaches to resolving conflicts of interests.

it was not until after 1965 that Argentine terrorism and militarism became pronounced.¹⁰⁹ The problem was probably compounded when the General Assembly passed a resolution in December 1976 praising the Argentine government for "facilitat[ing] the process of decolonization" and thus legitimized its confrontational methods of using verbal and military aggression in resolving the problem.¹¹⁰

Finally, and most obviously, IO can be destabilizing by stimulating cooperation in the negative form of predatory collusion. When nations collude for the purpose of exploitation, redistribution, or aggression, collective action is bad, just as it is bad for economic efficiency when firms with market power collude to restrict output. Nations perceive confrontational alliances as bad, just as consumer-nations perceive international commodity cartels as bad. Depending on the goals of cooperation, it is sometimes in the interest of peaceful international relations for collective action and prisoners' dilemma problems to exist.

Moral hazard

Situations involving moral hazard are those in which a nation is relieved of the obligation of incurring the full costs of its social, economic, or political actions because some protective scheme allows it to impose those costs onto other nations through risk sharing. The problem of generating moral hazard has been most extensively discussed in the context of the social inefficiencies of insurance. An inherent problem of insurance is that it encourages individuals to be more reckless in the management of their possessions and consequently raises the risk of losses, which in turn imposes greater costs on society. Similarly, an inherent problem of IO is that by helping to ward off catastrophes or by insuring nations against them, it discourages individually responsible behavior on their part.

There are numerous examples in which IOs have functioned as providers of insurance. The International Energy Agency (IEA) has traditionally insured against energy shortages through resource-sharing schemes. The es-

109. Operation Condor in 1966 and the immediate reception of this terrorist operation on the part of the Argentine masses suggest a sharp turning point in Argentine policy toward the Falklands in the mid-1960s. See W. Michael Reisman and Andrew Willard, eds., *International Incidents* (Princeton, N.J.: Princeton University Press, 1988), pp. 121–22.

110. In 1974, the newspaper *Cronica* began a campaign for the invasion of the Falklands. In January 1976, the Argentine foreign minister predicted a head-on collision with Great Britain. Just one month later, an Argentine destroyer fired on the British research ship *Shakleton*. See *ibid.*, pp. 122–27. UN involvement may have contributed to the Falklands episode by exacerbating the domestic antagonism toward Great Britain and driving policy toward a more militant response. While this is somewhat speculative, one thing is certain: in its resolutions and other involvement in this matter, the UN provided sources of legitimacy that could be used by Argentina as justification for confrontational approaches to the problem. This in itself violated the traditional spirit of the UN objective to encourage peaceful diplomatic resolution of international disputes.

cape clauses of the General Agreement on Tariffs and Trade (GATT) have provided partial insurance to domestic industries in distress and alleviated balance-of-payments difficulties. The Financial Support Fund, agreed to by members of the Organization for Economic Cooperation and Development (OECD) but never instituted, was meant to serve as a lender of last resort that would spread the risk of loans given to nations in economic difficulty. The compensatory and contingency finance facilities of the International Monetary Fund (IMF) were instituted specifically as insurance against sudden economic disruptions that negatively affect the balance of payments. And the Lomé Convention's Compensatory Finance Scheme for Exports (STABEX) was instituted as insurance against a sudden decline in the key exports of the African, Caribbean, and Pacific nations.

In their various protective or safeguard functions, these and other IOs have frequently generated adverse effects in encouraging nations to be reckless in the management of their domestic economies. As Charles Kindleberger has argued with respect to the debt problem, last-resort and crisis lenders reduce the incentives of nations to make the internal economic adjustments necessary for long-term domestic stability. The fact that trade deficits can be financed through external funds allows nations to overinflate without worrying about the adverse effects of high prices on their trade balances. The guarantee of external sources of liquidity also allows nations to increase government spending, to prolong or expand their budget deficits, to smooth over exchange rate mismanagement, and, worst of all, to compound their foreign debt.¹¹¹ These domestic problems, spread over many nations, have the capacity to spill over and become international problems. For optimal stability in the international economic system, Kindleberger thus prescribes a lender whose commitment is uncertain: "Because of moral hazard, there should be some ambiguity about whether there will or will not be a lender of last resort."¹¹² Shrinking the safety net would encourage nations to manage their external accounts and macroeconomies in a manner that makes them more self-sufficient in the long run and is conducive to both domestic and international stability.

The logic of moral hazard suggests that managerial schemes can create conditions that cut against the spirit of their original purposes. In the case of the Plaza Accord, for example, cooperation provided a multilateral substitute for addressing U.S. economic problems. Instead of encouraging U.S. policymakers to bring interest rates down by instituting domestic measures to reduce their budget deficit, the G-7 stepped in to manage the dollar. In the short run, this redistributed some of the costs of the large U.S. deficit

111. Historical limitations in the demands and enforcement of conditionality have given nations more leeway than is good for their own long-run economic stability.

112. See Kindleberger, *The International Economic Order*, p. 39. See also Charles Kindleberger, "The International Monetary System," in *International Money: A Collection of Essays* (London: Allen & Unwin, 1981), pp. 297-300.

to the community of industrialized nations. But because it also reduced the incentives for the U.S. government to manage its deficit more cautiously, the deficit worsened and has become a significant potential source of international economic instability.

A better approach: limited international organization

Managerial prescriptions for IO and proscriptions against deregulating relations have led to a predilection for big supranational government. However, as Keohane and Nye have pointed out, supranational institutions "are not desirable for their own sake."¹¹³ Nor does a high level or large scope of international management ensure optimal results. More limited forms of IO are in fact preferable in many cases, particularly those in which IO is prone to managerial failures of the types noted above and those in which the interactive patterns among nations are less conflictual and thus more representative of coordination games than of stag hunt or prisoners' dilemma. Contributors to the revisionist literature on IO and the literature on cooperation have recognized the negative effects and conditionality of management and have provided a partial solution to these problems by recommending more limited managerial functions for IOs.

In determining the proper level and scope of IO, we should begin by questioning to what extent stable international relations in the past have been the result of extensive management. Contrary to common assumptions, history shows that extensive management of international relations in both orderly and disorderly periods has been more the exception than the rule. IOs have rarely been constructed to manage any issue-area extensively or even effectively. The constitutions of IOs, like most other constitutions, have commonly been so vague as to tolerate a wide range of behavior on the part of actors both close to and far from implicit principles. Rule breaking has been tolerated, escape mechanisms have always been pervasive, and the problems of compliance have been compounded by the lack or general underdevelopment of enforcement instruments.¹¹⁴

The calls for an escape from the present "nonsystem" (nonmanagement) of monetary relations and an adoption of a new Bretton Woods system on the part of managerialists such as Irving Friedman are rather curious considering that some have questioned whether management under the old Bret-

113. Keohane and Nye, *Power and Interdependence*, p. 274.

114. Interestingly, Puchala has argued that during the first half of the European Community's existence, much of its success was actually attributable to weaknesses in getting nations to follow rules. The Community has, however, shown itself to be much stronger in the second half of its existence in both generating legislation and encouraging adherence. See Donald Puchala, "Domestic Politics and Regional Harmonization in the European Communities," *World Politics* 27 (July 1975), pp. 496-520.

ton Woods plan was extensive or strong.¹¹⁵ Robert Solomon has observed that under the old Bretton Woods system

there were no accepted rules to govern changes in par values, yet such changes were necessary as economic policies and conditions diverged among nations. Furthermore, there was no systematic means for increasing countries' reserves in a growing world economy. The growth of reserves was the haphazard result of the outcome of the U.S. balance of payments, which then, as now, depended on developments in other countries as well as in the United States. For these two reasons alone, it may be concluded that the nostalgic desire to get away from the present "nonsystem" is a product of emotion rather than careful analysis.¹¹⁶

Furthermore, those who unequivocally profess the evils of decentralization and the superiority of extensive regulation ("bigger government is better") are sometimes guilty of overestimating the destabilizing elements in international relations and their effects on international politics, underestimating those forces which naturally inhibit nations from behaving predatorially in anarchic environments, and overestimating the capacity of IO to solve problems. Common rationales for extensive supranational management have centered around the conviction that international relations are permeated by prisoners' dilemmas, stag hunts, security dilemmas, and public goods problems. Under such conditions, even the least expansionist and aggressive nations would be rationally driven to participate in destabilizing behavior such as arms races, trade wars, and competitive depreciation. The result of the "pursuit of self-interest by each," Keohane and Nye have argued, would thus be a "disaster for all."¹¹⁷ But as the growing literature on cooperation suggests, the incidence and the adverse effects of predatory games have been overstated. The games that nations play are much more varied than the traditional literature on international relations has suggested, and the effects of conflictual games can vary in their level of adversity. Moreover, even under conditions that are potentially destabilizing, such as relative gains maximization, cooperative outcomes are still possible. Interactional patterns, according to this literature, are not so inherently unstable that they cannot often converge toward orderly equilibria under more limited international management. As Keohane and Nye note, "Issues lacking conflicts of interests may need very little institutional structure."¹¹⁸

115. In "Fiscal Policies, Current Accounts and Real Exchange Rates," p. 426, Corden sees the post-Bretton Woods period as a period of decentralized monetary relations, "an international laissez faire system."

116. Robert Solomon, "Issues at the IMF Meeting," *Journal of Commerce*, October 1979, p. 4.

117. Keohane and Nye, *Power and Interdependence*, p. 274.

118. *Ibid.*, p. 273. For other contributions to this literature, see John Conybeare, "Public Goods, Prisoners' Dilemmas and the International Political Economy," *International Studies*

The fears of less centralized management, which are frequently founded on the misconception that prisoners' dilemmas and stag hunts are ubiquitous in international relations, systematically discount the costs of predation. Imposing suckers' payoffs onto other nations incurs significant costs that are independent of those costs incurred as a result of retaliation. This is not to say that exploitation does not pay; rather, the point is that it does not pay as much as many believe and that, moreover, managerialists tend to mistake other games for prisoners' dilemma and stag hunt. With tariffs, for instance, there are obvious deadweight losses with respect to social welfare. Tariffs are conducive to inflation, which bears high economic and political costs. They raise the cost of domestic production as well as reduce the efficiency of a nation's capital stock in the long run by shielding domestic industries from competition and making it difficult to import foreign capital and inputs. Declining capital efficiency will also have adverse effects on wages in the long run. Finally, tariffs can adversely affect a nation's capital balance if investors perceive them as a sign of external difficulties or mercantilistic policy styles.¹¹⁹ Competitive depreciation causes not only inflation but capital flight. Depreciation can also adversely affect current balances if a nation's demand for imports and others' demand for its exports are inelastic.¹²⁰ Brinkmanship and wars can incur preponderant political as well as economic costs, as the Cuban crisis, the Vietnam War, and the Falklands War have demonstrated. The more prolonged and unsuccessful the adventurism, the greater are the costs.

The fears of decentralization are also fueled by a propensity to see disorder where it may not exist. For example, external imbalances are not in themselves a sign of economic disorder, any more than traders exchanging resources are a sign of market disorder. Much depends on the structure of the imbalances. In the present external imbalance between the United States and Japan, the former is running a current deficit against the latter, and the latter is running a capital deficit against the former. There are some important

Quarterly 28 (March 1984), pp. 5-22; Conybeare, "International Organization and the Theory of Property Rights"; Arthur Stein, "Coordination and Collaboration: Regimes in an Anarchic World," *International Organization* 36 (Spring 1982), pp. 299-324; Duncan Snidal, "Coordination Versus Prisoners' Dilemma: Implications for International Cooperation and Regimes," *American Political Science Review* 79 (December 1985), pp. 923-42; Duncan Snidal, "Relative Gains Don't Prevent International Cooperation," paper presented at the annual meeting of the American Political Science Association, Atlanta, Ga., 31 August 1989; Timothy McKeown, "Hegemonic Stability Theory and 19th Century Tariff Levels in Europe," *International Organization* 37 (Winter 1983), pp. 73-92; R. Harrison Wagner, "The Theory of Games and the Problem of International Cooperation," *American Political Science Review* 77 (June 1983), pp. 330-46; and Robert Axelrod, *The Evolution of Cooperation* (New York: Basic Books, 1984).

119. The conventional argument about the advantages of optimal tariffs assumes that other nations will not retaliate.

120. In "The Logic of the International Monetary Non-System," p. 65, Corden implies that these predatory costs increase on the margin, thus suggesting that the restraints against predation will rise as predation increases.

gains from trade in this reciprocal imbalance: Japan is helping finance the U.S. budget deficit in exchange for the exportation of goods.¹²¹

Various forms of limited IO have been suggested in the recent literature on cooperation and the critical literature on IO as a partial solution to the problems of managerial failure and the conditionality of international management.¹²² The transaction costs approach to IO, for example, has modest aspirations for the functions of institutions. Keohane and Nye specifically cite them as facilitators "of bargaining among member states that leads to mutually beneficial cooperation."¹²³ In this sense, order is institutionally assisted rather than managed. Institutions, they argue, can "set the international agenda and act as catalysts for coalition formation and as arenas for political initiatives and linkage by weak states."¹²⁴ The principal function of IOs in this case would be the reduction of organization costs, such as those deriving from asymmetric information, deception, irresponsibility, uncertainty, risk, and unstable expectations, all of which are potential impediments to stable relations and exchange patterns. Cost reduction can be effected through limited functions relevant to the roles of gathering and disseminating data and information about the preferences of nations, facilitating side-payments and communication, and reducing the costs of decision making. In general, in cases in which the construction of extensive managerial schemes (what Keohane refers to as "control" schemes) is fraught with problems or is unnecessary, less ambitious schemes become desirable.¹²⁵

The literature on regimes has also suggested substitutes for control schemes. According to this literature, preexisting norms and principles can reduce the need for extensive management in several ways.¹²⁶ First, they can render strategic interactional patterns less conflictual by altering payoffs. For example, they can make defection more costly. Second, they can facilitate intertemporal cooperation by generating expectations of reciprocity or, in more static games, by enhancing expectations of "nice" moves. And, third, in specific issue-areas where coordination games predominate, as described by Arthur Stein, or where spontaneous regimes exist, as described by Oran Young, the preexisting norms and principles either obviate the need for

121. See Corden, "Fiscal Policies, Current Accounts and Real Exchange Rates," p. 436. This is not to say that the imbalance cannot be politically destabilizing.

122. Even those contributors to the literature on cooperation who are quite sympathetic to the role of IO in world politics note that limited forms of multilateral management can be desirable and effective given the proper underlying conditions in relations among nations. See especially Keohane and Nye, *Power and Interdependence*, pp. 274-76; and Ruggie, "Collective Goods and Future International Collaboration," p. 888.

123. Keohane and Nye, *Power and Interdependence*, p. 274.

124. *Ibid.*, p. 35.

125. *Ibid.*, pp. 35 and 274. See also Keohane, *After Hegemony*; and Keohane, "The Demand for International Regimes."

126. See the special issue of *International Organization*, vol. 36, Spring 1982.

extensive regulation or eliminate the need for formal institution building.¹²⁷ The stable patterns of interaction in specific issue-areas, Duncan Snidal has argued, can be maintained through more modest functions concerned with "codification and elaboration of an existing or latent convention" and with "providing information and communication to facilitate the smooth operation of the convention."¹²⁸ In other words, by performing limited functions with regard to preexisting focal points, management can facilitate the convergence of expectations about international behavior.¹²⁹

Ruggie has noted that epistemic communities can be viable substitutes for extensive control schemes.¹³⁰ They are capable, for instance, of generating stable structures of expectations that are conducive to nonconflictual relations. Some of the limited management functions in the case of communities concerned with technology, for example, relate to facilitating efficient exchange through consensus about how and under which conditions transactions can be effected.

As Keohane and Nye have pointed out and as the public choice literature on IO has demonstrated, in cases in which nations can agree upon reasonable entitlement rules, an institutionally assisted market solution is superior to an extensive managerial scheme.¹³¹ The conventional minimum-support functions in these cases are the definition, adjudication, and enforcement of property rights; the dissemination of information about preferences; and other functions related to the elimination of market distortions such as externalities. Conybeare has noted that in international environmental law, for example, there has been an impressive evolution that "illustrates the ability of states operating in a market exchange environment to develop a system of property rights and liability rules consistent with global welfare, in the absence of any overarching supranational IO directly intervening to force

127. See Stein, "Coordination and Collaboration"; and Oran Young, "Regime Dynamics: The Rise and Fall of International Regimes," *International Organization* 36 (Spring 1982), pp. 277-98. See also Wagner, "The Theory of Games and the Problem of International Cooperation"; and Snidal, "Coordination Versus Prisoners' Dilemma."

128. Snidal, "Coordination Versus Prisoners' Dilemma," p. 932. Even with more conflictual payoff structures, such as that of prisoners' dilemma, notes Wagner, functions relating to the dissemination of information about preferences and potential choices can play an essential role in bringing about cooperative outcomes. Furthermore, in cases in which conflictual games generate horizontal proliferation (interissue linkage in games), modest managerial assistance is required to arrive at mutually beneficial equilibria. Snidal argues that to the extent that horizontal properties emerge, the game "becomes embedded in a broader social context, and cooperation is increasingly possible with less centralized enforcement." See Snidal, *ibid.*, p. 939; and Wagner, "The Theory of Games and the Problem of International Cooperation."

129. For a discussion of the role of focal points in generating mutually beneficial outcomes in games, see Thomas Schelling, *The Strategy of Conflict* (Cambridge, Mass.: Harvard University Press, 1980).

130. Ruggie, "International Responses to Technology."

131. See Keohane and Nye, *Power and Interdependence*, p. 274; Conybeare, "International Organization and the Theory of Property Rights"; Vaubel, "A Public Choice Approach to International Organization"; and Wijkman, "Managing the Global Commons."

states to internalize the effects of externalities."¹³² Wijkman, who notes that environmental problems have historically been dealt with through the market approach of subdividing internationally shared resources into "national inheritances," has argued that this approach would be viable with regard to the deep seabed and the continental margin (which are less costly to subdivide than other environments) and possibly with regard to the orbital spectrum as well.¹³³

Even the traditional literature on IO, which has a strong managerial orientation, exhibits strands of logic that attest to the utility of limited IO. The functionalist concept of "technical self-determination" suggests that the nature of technological problems will dictate the scope and level of supranational regulation. Although the mainstream vision of functional interdependence foresees a growing need for the integration and management of technical issues, there is nothing in the logic to suggest that decentralized solutions in which each nation addresses a problem independently of other nations cannot sometimes be viable. If autarkic solutions to technical and welfare problems do not suffice, IO can serve minor functions in facilitating stable relations. Moreover, limited technical integration need not spill over into greater political integration.¹³⁴ Neofunctionalists acknowledge that IO is sometimes ineffective in achieving specified goals.¹³⁵ If this is because the goals are set too high, as in the case of grand collaborative schemes, it may be preferable to moderate the targeted level of cooperation, since failure may serve to delegitimize cooperation not only in the short run but also in the long run.¹³⁶ Edward Morse has argued that in some ways modernization breeds conditions that abate conflict and tension in international politics, thereby reducing the need for international management. In bringing low politics to the fore (for example, making issues relating to welfare and technology as important as those relating to power and status), the content of foreign policies becomes less threatening because conflicts are diverted into the positive-sum contexts of economics and technology.¹³⁷

The literature on collective action suggests another reason that limited IO can be viable. Russell Hardin, for example, has argued that it is easier to eradicate public "bads" than to procure or create public goods, since the goal of collective action in the former is more focused and since nations are likely to experience more "disutility" from bads than utility from goods.¹³⁸ In cases in which the elimination of bads is the primary goal, limited IO can

132. Conybeare, "International Organization and the Theory of Property Rights," p. 314.

133. Wijkman, "Managing the Global Commons," p. 527.

134. See Mitrany, *A Working Peace System*, pp. 28 and 73.

135. See, for example, Haas, *Beyond the Nation-State*, p. 126.

136. In *Power and Interdependence*, p. 276, Keohane and Nye make a similar point with respect to viable moderated management of crisis versus nonviable control management.

137. See Morse, *Modernization and the Transformation of International Relations*, p. 85.

138. See Hardin, *Collective Action*, pp. 62-65.

be effective. Moreover, the classic Olsonian treatment of collective action suggests that IOs with limited membership are more effective than large IOs in both eliminating bads and procuring goods.¹³⁹ Historically, however, the target of IO has tended to be the management of goods with little publicness. As Ruggie has pointed out, it has been "the production of [private] goods and services which accounts for most of the activities of international organization."¹⁴⁰ This essentially means that IO has historically been redundant in its managerial functions and has expended more managerial capital than is necessary, since relations involving private goods require the least supranational regulation.¹⁴¹

That limited IO can be effective, however, does not mean that it will be. For IO to be a viable means of contributing to order in international relations, the environment in which it functions must be conducive to the effectiveness of supranational management in general. It appears from the logic in this article that IO will be more effective in the management of relatively simple constellations of intra- or inter-issue relations than in the management of complex chaotic systems in which relations between relevant variables are difficult to understand and forecast. With respect to the complexity of the two major issue-areas of international economic and security relations, it is interesting to note that management will most likely be effective where it is least likely to emerge. The processes involved in economic cooperation are much more complex according to Perrow's definition than those involved in security cooperation, but cooperation in security relations has historically been much less visible than that in economic relations.¹⁴²

Moreover, IO will be more effective when it facilitates or encourages substantive and long-term solutions to problems than when it offers short-run and ad hoc approaches to them. UN peacekeeping functions, for example, have historically specialized in the latter approaches to abating conflict.¹⁴³ As valuable as these may be in insulating and desensitizing conflict, they need to be bolstered by viable schemes that raise and maintain the incentives for nations to continue pursuing substantive and lasting settle-

139. See Mancur Olson, *The Logic of Collective Action* (Cambridge, Mass.: Harvard University Press, 1965).

140. Ruggie, "Collective Goods and Future International Collaboration," p. 888.

141. See *ibid.*; Conybeare, "International Organization and the Theory of Property Rights"; and Wijkman, "Managing the Global Commons."

142. Jervis argues that cooperation is more likely to occur in economic relations than in security relations because the underlying strategic structure of the former is positive-sum, while that of the latter is closer to zero-sum. See Robert Jervis, "Security Regimes," *International Organization* 36 (Spring 1982), pp. 357-78. Of course, a disaggregation of economic relations would show a significant variation in the complexity of the various forms, ranging from commodity agreements, which are relatively simple, to macroeconomic coordination, which is highly complex.

143. See Brian Urquhart, "International Peace and Security," *Foreign Affairs* 60 (Fall 1981), pp. 1-16.

ments to their foreign relations problems.¹⁴⁴ Economic cooperation among the G-7 has also had a history of ineffectiveness because it has remained open to and often encouraged domestic and foreign policies that are inconsistent with the intentions and spirit of substantive economic policy coordination. Economic summitry has exhibited a tendency to be a legitimator of national economic policies as well as an instrument of domestic politics, rather than serving exclusively as a forum for substantive negotiations.¹⁴⁵ While the United States was able to use macroeconomic coordination in the 1980s as a means of escaping tough but necessary adjustments in spending,¹⁴⁶ future effectiveness in coordination will depend on the resolve of nations to limit such domestic policy responses. Similarly, with regard to the debt problem, strengthening conditionality will make international monetary management more effective in the long run. Greater conditionality can be even more effective if accompanied by some uncertainties regarding the provision of crisis liquidity in the international system, as suggested by Kindleberger. Absolute guarantees not only generate excessive moral hazard in the management of debt but also make conditionality more difficult to maintain.

Finally, IO is more likely to be effective when it does not put itself in a position to be a vehicle of international competition. In managing international conflicts and disputes, the UN has had mixed results. Notwithstanding its value as a forum for positive interactions, it has (even when siding with a position that seems morally correct) added fuel to international fires by intentionally or unintentionally producing instruments of confrontation and competition. By discouraging confrontational rhetoric and debate and making other adjustments in style or function, the UN might be more effective in reducing international tensions. The argument that a world with an imperfect UN is preferred to a world without a UN does not sufficiently justify the continuation of a style of dispute settlement that exhibits destabilizing characteristics.

Conclusions

Contributors to the IO literature have traditionally been overly optimistic about the ability of multilateral management to stabilize international relations and have generally ignored the fact that IO can be a source of, rather

144. These schemes require neither extensive scope nor extensive level. Their effect depends on their ability to address the right issues in the right ways. Depending on underlying strategic structures in specific relational contexts, institutions that assist cooperation may be more substantive means of generating positive outcomes than institutions that manage cooperation. Often, as has been suggested in this article, big and broad functions make it more difficult to substantively address issues.

145. See Putnam and Bayne, *Hanging Together*.

146. Critics of super-301 would identify a similar motive behind the U.S. trade policy toward Asia.

than a remedy for, disorder in and across issue-areas. Although recent revisionist scholars have recognized the destabilizing effects of IO, they have taken a somewhat restrictive view of organizational failure. In addressing the general issue of the ways in which IO can fail and outlining the conditions under which more limited and less centralized modes of regulation are preferable, this article has sought to develop a set of guidelines that are pertinent to decision making and serve as a rationale for eliminating the excesses of IO. The findings of the article have implications not only for policymaking but also for theory and research in the field of international relations.

According to conventional theories of cooperation and conflict, the sources of international disorder are the underlying strategic structures of relations between nations. However, the findings presented here suggest that disorder springs from more heterogeneous sources. Important sources of disorder—sources that are seemingly unlikely and have thus tended to be overlooked—are the solutions proffered by IOs. While these solutions are intended to moderate or eliminate the disorder created by strategic structures, they often have the opposite effect of exacerbating existing problems or creating new ones. Theories thus need to endogenize these origins of disorder. They also need to expand their menu of dependent variables, which has traditionally been limited to the roles, goals, and functions of IOs. Far more attention needs to be paid to the effects (impact) of management in shaping international outcomes. The finding emphasized here with regard to impact is that IO has the potential for negative as well as positive results, a finding that supports the view that conflict and cooperation coexist in close proximity and even overlap in international relations.¹⁴⁷

Recent research has tended to blur the distinction between international relations on the one hand and the schemes and institutions that are created to manage these relations on the other hand. In other words, it has failed to distinguish the forest from the trees. By focusing on the processes of IO, this article has attempted to avoid this pitfall. More work in this direction is needed, however, particularly with regard to better differentiating the impact as well as the roles, goals, and functions of IO.¹⁴⁸ Which specific IOs are more likely to generate moral hazard?¹⁴⁹ Which are more likely to generate inferior substitutes? Questions such as these only partially reflect the theoretical and empirical issues that need to be addressed.

Finally, international bureaucrats and national policymakers, like schol-

147. Nowhere is this more evident than in alliance relations. See Paul Diesing and Glenn Snyder, *Conflict Among Nations* (Princeton, N.J.: Princeton University Press, 1977), chap. 6.

148. Jervis, for one, has differentiated between security and international economic regimes in terms of viability and stability. See Jervis, "Security Regimes."

149. Discussions of moral hazard in international politics have generally focused on monetary relations, but the possibilities for moral hazard appear to be more far-reaching. Jervis and Nye, for example, make interesting albeit brief allusions to possibilities for moral hazard in security relations. See Jervis, "Security Regimes," p. 368; and Joseph Nye, "Nuclear Learning," *International Organization* 41 (Summer 1987); p. 390.

ars, need to be more sensitized to the complexity of the effects of IO when considering optimal responses to international problems. The problems themselves should not comprise the sole criteria according to which managerial schemes are constructed but must instead be carefully considered in conjunction with the likely effects generated by these schemes. In other words, the specific roles, functions, and goals of IO should be dictated both by the nature or underlying strategic structures of the international problems and by the potential positive and negative effects of possible managed solutions. Such a "conditional orientation" toward organizational design seems best adapted to the realities of IO failure and the underlying relations among nations.