BOOK-How Global Institutions Rule the World

Josep M. Colomer

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“In this thoughtful and thought-provoking book, Josep Colomer demonstrates that effective institutions of global governance exist. A single world government is neither possible nor desirable. But it is also unnecessary. Instead, a number of effective institutions already carry out essential functions of world governance. Moreover, in spite of worries about ‘democratic deficits’, those institutions are able to meet the essential requirements of an effective democracy: representation, competence, consensus, and accountability.”

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**Rein Taagepera**  
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HOW GLOBAL INSTITUTIONS RULE THE WORLD

Josep M. Colomer
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Cover Meeting of the Group of Eight at Camp David, United States, May 18–19, 2012. From center-left and around the clock: Yoshihiko Noda, prime minister of Japan; Mario Monti, prime minister of Italy; Stephen Harper, prime minister of Canada; François Hollande, president of France; Barack Obama, president of the United States; David Cameron, prime minister of the United Kingdom; Dmitry Medvedev, prime minister of Russia; Angela Merkel, chancellor of Germany; Herman Van Rompuy, president of the European Union Council; José Manuel Barroso, president of the European Commission.

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Does world government actually exist? Are the current global institutions efficient in making decisions? Can they be compatible with basic democratic principles?

Michael Froman was the Sherpa of United States President Barack Obama a couple of years ago. The original “sherpas” are the guides and porters in the Himalayas who prepare the way to ascend to the “summit.” I met Mike in Washington when he was preparing the annual “summit” meeting of the heads of government of the Group of Twenty, which was going to be held in Los Cabos, a touristic beach resort in Lower California, Mexico, in June 2012. Apparently, the Group of Twenty, also known as G-20, has gone beyond its initial purpose as it is now dealing not only with financial and economic matters but also with security, energy, environmental, and many other issues. Asked whether the G-20 has a boundless agenda to deal with all the problems of the world, Mike responded: “The G-20 is a global forum; at any moment, the issues in one country can become global issues that we will need to address.”

The following year, Michael Froman had been appointed the US Trade Representative to negotiate partnerships with a dozen Asian and Latin American countries and with the European Union. The new US Sherpa was Caroline Atkinson. I had similar encounters when she was preparing the summit meetings to be held in Saint Petersburg, Russia, in September 2013, and in Brisbane, Australia, in November 2014. She dismissed the idea that “the G-20 should do a ‘back to basics’ and only worry about the global economy debate.” Caroline argued that the G-20 “can have an important role in setting a global agenda and in affecting the global economy in a larger sense, not just the current and fiscal account deficits but other important areas”; actually, the G-20 should not be only an agenda setter, but “a problem solver,” in her words.

The G-20 is the second circle of the G-8, which gathers the heads of government of the largest economies of the world. The G-8 and the G-20 have been dubbed the world’s self-appointed steering committee. In addition to the summits, they hold regular meetings of the ministers
of foreign affairs and finance, as well as those of trade, labor, tourism, agriculture, and others. They have created their own Financial Stability Board, based in Basel, Switzerland. The G-8 and G-20 do not have a permanent administrative apparatus, but they rule the world through the state members, the European Union, other world regional unions, and the most relevant global institutions, whose heads are permanent participants in the summit meetings, including the United Nations, the International Monetary Fund, and the World Bank, as well as the World Trade Organization, the International Labor Organization, the Organization for Economic Cooperation and Development, and others.

The G-8 system is the closest thing to a world government that has ever existed. It has established a new world’s directorate that—as acknowledged by the two high officers quoted above—deals with boundless agendas, while it effectively implements its decisions through the states and other organizations. There is not a single sovereign government that happens to rule the entire globe. The world is actually ruled by a few dozens of those global bureaus, unions, agencies, funds, banks, corporations, and courts. As we will see, they use different institutional, voting, and decision-making formulas, rely on nonelected experts, and employ diverse mechanisms to try to make high officers accountable. Yet, I will argue in this book that the variety of institutional arrangements is not an indicator of weak capacity of decision-making or of policy enforcement, but it rather reflects the extensive scope of the global institutions’ activities and the complexity of the global agenda of issues.

This book is conceived for the educated common reader, not only for the academic expert. Everything can be understood without any specialized technical knowledge. I have taken this option precisely because the topic of global governance is of paramount importance for everybody in the current world and I feel that there is underprovision of appropriate publications on the matter for the regular reader. In order to facilitate readership, all sources for data, facts, insights, quotations, and paraphrases are given at the end, in the appendices and in the sources and further reading section, where more interested readers can check the grounds of my narrative and my statements.

The first part of the book addresses who the rulers of the world are. We will start with reviewing the oldest bureau-type organizations that deliver network goods such as the calendar, systems of weights and measures, and standards for transport and communication, some of them for several centuries already. This type of international organization has not attracted much attention from scholars or news-makers, but this is due precisely to their effectiveness in providing vital public goods by simple institutional means.
Then, we will briefly review the failed experience of the League of Nations, the first attempt to establish a real worldwide government dealing with security and all major affairs. The institutional design of the League could not be more mistaken: by trying to make decisions by simple rules as the aforementioned bureaus, and especially by unanimity, it contributed the most to the failure of the first globalization at the beginning of the twentieth century.

The following chapters deal with the most relevant global institutions in the current world. The resilient United Nations was established as the world’s directorate by the winners of the Second World War with much more hierarchical formulas than its predecessor. The UN was plagued for a few decades by the Cold War between the United States and the Soviet Union, but it has managed to develop broad multilateral cooperation in the last 20 or so years.

The International Monetary Fund and the World Bank are very powerful and influential in the current world, in great part due to the fact that they managed to preserve their functional independence from the UN system. By using complex institutional formulas such as weighted votes and qualified majorities, the Fund and the Bank have been able to create broad economic policy consensus and adapt to periods of both depression and growth.

In contrast, we will see how the World Trade Organization, which intends to make decisions on equal vote for every country and actual unanimity, has been almost paralyzed for decades and has hardly been able to promote any new world trade agreement.

Finally, we will expand on the G-8 and the G-20, which, as I have put forward, act nowadays as the real world’s directorate.

The second part of the book analyzes how these global institutions rule. The main point to develop is that, indeed, institutions do matter, and that different institutional formulas are capable of different performances depending on the type of collective goods they intend to provide.

First, I discuss the weakness of current domestic, state-based governments in comparison with less globalized past periods. The inappropriateness of traditional systems based on political party electoral competition in dealing with some of the current global problems is exposed.

Then, several global institutional formulas are discussed in more detail in successive chapters. I start with the forms of representation of countries, including equal vote, rotation of countries, and weighted votes, which challenge the classical notion of the state’s sovereignty.

I also highlight the role of nonelected experts in shaping alternatives and decisions, in contrast to professional politicians and traditional diplomats specialized in general affairs. The appropriate institutional rules
and the expertise of high officers permit global institutions, in contrast to relatively common patterns at the state level, to build knowledge-based policy consensus on many relevant subjects.

Finally, I review and discuss specific forms of accountability of the heads and high officers of global institutions.

A very relevant question is whether these institutional formulas and patterns of decision-making can be compatible with a valid notion of democracy. I hold that democracy is an ethical notion that can be compatible with different institutional formulas. As happened with the replacement of city-based direct democracy with state-based representative democracy in early modern times, in the current globalized world the principle of democracy requires new institutional formulas. Democracy is scaling up from states to the global level, and that this change of scale requires paramount changes of rules and basic democratic conceptions. This will be mainly discussed in the last chapter.

In short, the answers to the questions inserted at the frontispiece of this book read as follows: Yes, indeed, world government actually exists, even if it works with very different formulas from what we are used to seeing at state or local levels. Undeniably, most global institutions have greatly improved their effectiveness during the last few decades. The main challenge for making them compatible with an acceptable notion of democracy is the design and choice of appropriate institutional rules.
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INTRODUCTION
CHAPTER 1

WORLD GOVERNMENT IS HERE

The specter of global government has been haunting the world for centuries. For some, its mere evocation raises fears of despotism and imperialistic domination, whereas some idealist thinkers have equated global government with general prosperity and perpetual peace. This book does not deal, however, with alarming fears or with well-intentioned wishes. Its focus of attention is the current, real world. In the following pages I show how world government actually exists, to what degree the current global institutions are efficient in making decisions for the provision of global public goods, and how their institutional rules and procedures can be compatible with some acceptable notion of democracy.

That world government is already with us in many important respects may appear a dubious statement in the light of the high fragmentation among bureaus, unions, organizations, agencies, and groups that try to deal with global affairs. There are several thousand international associations in the current world, counting federations of nations, regional unions, military alliances, nongovernmental organizations, religious groups, informal networks, private/public arrangements, treaties, and agreements. But only 36 of such entities can be strictly considered “intergovernmental, universal membership organizations” (which are defined as those including at least 60 countries or at least 30 if they are equitably distributed in several continents, with the diversity of membership reflected in their management structures, according to the database of the Union of International Associations). They include, most prominently, the United Nations and its dozen agencies, the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organization (WTO), the International Criminal Court, a number of technical bureaus like the Universal Postal Union or the International Telecommunication Union, as well as other, apparently more informal but highly powerful
mechanisms, such as the Group of Eight (G-8) and the Group of Twenty (G-20).

The degree of internal consistency and effectiveness in delivering public goods of all these global institutions is uneven. Even the most prominent of them have different memberships, as not all officially recognized states are members or can participate directly in their activities. They use different rules for representation and different procedures for decision-making. And states choose to develop international cooperation either within or outside those global institutions to different degrees, depending on the matter at hand and the specific rules enforced.

A centralized, unitary, sovereign world government, thus, does not exist—that is obviously a fact. But the main point I will argue in this book is precisely that the variety of institutional arrangements currently used by different international organizations is not an indicator of weak capacity of decision-making or of policy enforcement at the global level. It reflects, on the contrary, the extensive scope of their activities and the complexity of the global agenda of issues.

In fact, the world is forcefully governed by global institutions, such as those mentioned above, which deal with such vital issues as security, political violence, financial stability, economic and human development, poverty, trade, climate change, crimes against humanity, standards for time, transport and communications, just to mention a few. Governing the whole world on all these and many more issues could not be done efficiently if all the tasks were in the hands of a single body or regime. Governing a world as large and complex as the current one on a large multiplicity of issues requires different institutions and rules.

A major confusion when we consider the strength and importance of the currently existing global institutions derives from comparing them with the archetypical model of a sovereign national state. If the existence of world government were to be measured by the capability of a global central body to directly raise taxes and sustain its own permanent powerful army, as is essential in the building of a new state, certainly, the verdict would be negative. Such a global state does not exist and it is not likely that will ever be built and will endure. Yet, the current global institutions are extremely effective in making decisions on war and peace and on fiscal policy, among many other issues, decisions which are enforced by themselves or by the member-states’ apparatuses.

The confusion comes from the ignorance that “state” is not the only form of political community. Other forms, such as the city, empire, federation, and international and global institutions, can and do efficiently manage collective affairs at different levels and in different contexts. In contrast to other forms of polity, the state is defined by its sovereignty,
which implies a single source of legitimacy over a population within a
fixed territory with stable borders. In this sense, the form “state” has
existed mostly in Western Europe within a historical period that began
only about 300 years ago. Yet, even where the original experience of
statehood took place, the model of the state as the only monopolistic
provider of public goods has reduced relevance, as many of its fundamen-
tal endeavors are now largely superseded by the multinational European
Union. Most of North America, Russia, and Asia have historically been
unacquainted with the West European model of sovereign states, as
broad empires and federations have incorporated most of the population
in those continents. In many of the former European colonies in Africa,
the Arab region, and Latin America, attempts to build sovereign states
with closed borders imitating the former metropolis have largely failed,
since some of the newly created governments have not actually attained
internal monopoly of violence or external sovereignty.

Rather than successful new state building, it is regional integration
in very large size areas of economic, security, and political cooperation
that have been spreading across the world during the most recent period.
The most relevant case is, of course, the building of the European Union,
which has reached the point of becoming a permanent, regular member
of top global institutions such as the G-8 and the G-20. Other, smaller
experiences at different stages of development include the Organization
of American States, the African Union and the League of Arab States. They
are paralleled by more limited, but robust agreements, including security
alliances such as the North Atlantic Treaty Organization (NATO) and
the Association of South East Asian Nations (ASEAN), and trade agree-
ments such as the North American Free Trade Agreement, the Southern
Common Market (Mercosur), or the Southern African Development
Community. Global arrangements—partly relying on states and regional
structures—are also increasingly numerous and over time more effec-
tive on many issues, as we will review in the following chapters of this
book.

All these processes involving ever larger areas of human exchanges
have been made possible by crucial technological innovations, especially
regarding war, transports, and communication. The skeleton of tradi-
tional empires was formed by roads, canals, ships, harbors, railways, and
highways. But more recently, aviation, telegraphy, telephony, and the
Internet have enlarged the territorial scope of military operations, trade,
migrations, and information. The art of government at a distance has
multiplied the size of viable public institutions.

Several authors have extrapolated the tendency toward increasingly
larger sizes of governments and found only a 50 percent probability of
a single world government by a date placed between 2200 and 3800 (depending on the author), if size is measured by territory, and as late as 4300 if size is equated to the proportion of the world’s population.

Yet, while these exercises assume that, like the typical state, all collective issues can be handled up by a single centralized institution, the efficient provision of public goods actually requires diverse territorial scales. The provision of collective goods and rules for security, communication, markets, climate change, can be very large, indeed global, as it actually is already, much earlier than predicted by those exercises in projection, while other goods such as public education, health policy or personal services may still be provided at smaller scales.

Global governance implies that each public good can be provided in an area of efficiency encompassing its consumers, which contrasts, of course, with the traditional model of the sovereign state pretending that one size fits all, and, as in the Greek myth of Procustus, those not fitting the one-size bed are amputated.

In the framework of multiple levels, overlapping institutions all across the world, no authority rules with exclusive powers. Each level of government and each specialized global institution deals with different sets of issues and can make final decisions on some of them.

The different levels of government also cooperate and share power. Most relevant for the democratic legitimacy of the rulers of the world is the fact that the existing local and state democracies support the selection of high officers in global institutions. The other way around, global institutions also rule, in part, indirectly through large regional organizations, multinational federations and unions, and state and local governments. In this way, representatives and officers based on competitive elections do participate, albeit indirectly, in the actual ruling of the world.

**Institutions Matter, Also at Global Level**

Institutions indeed do matter, at the global level as much as they do at domestic levels. The main challenge for the efficient provision of public goods and effective governance at global scale is the design and choice of the appropriate institutional rules and procedures, which is the focus of this book. Institutions define the territorial areas in which markets can develop, public goods can be provided, and democracy can be exerted. They also establish the rules for selecting leaders and for making collective, enforceable decisions.

It was the lack of suitable global institutions that contributed the most to the failure of the so-called first globalization, which developed at the beginning of the twentieth century. A little more than 100 years ago,
the relative levels of transnational circulation of persons, goods, services, and capital were not very different from the current ones. By that time, an inhabitant of, say, London could order by telephone any quantity of the various products of the whole earth to be delivered upon his doorstep, adventure his assets in new enterprises of any quarter of the world, and travel to any country or climate without passport or other formality while bearing coins or bills of almost any currency without expecting any grievance or interference.

The first globalization took place under the protection of the Pax Britannica, that is, the control of routes, territories, and population by the first imperial power of the time, rather than within effective intergovernmental organizations or formal rules. But the larger European states were colonial rivals and unilaterally sought the conquest of large populations and protected markets both in the continent and in the rest of the world. The atrocious First World War, the destructive Russian Revolution, the failure of the League of Nations—which will be analyzed in chapter 3—the subsequent outburst of rival state nationalisms and economic protectionism, the rise of violent Fascism and Nazism, and the devastating Second World War, were successive episodes of global collapse.

A new period of increasingly larger human exchanges and globalization of affairs has developed since the mid- and especially the late twentieth century, this time in a more institutionalized setting favoring stability and efficiency. Although the outcome of the Second World War, as well as the end of the Cold War created the image of a new Pax Americana, most successes have been attained by means of broad multilateral cooperation. While the United States has asserted itself as “the indispensable nation”—an expression that was popularized by US secretary of state, Madeleine Albright, in the 1990s—in the current world most successful global endeavors require the collaboration of multiple, no less indispensable partners.

The main focus of the following analyses is the internal rules and procedures that global institutions use for decision-making. In order to assess the institutions’ performance, several indicators are taken into account, including, in particular: (1) broadness of membership, (2) level of activity, and (3) the frequency and importance of outside deals. More precise measurements of institutional performance should be the subject of further research, but for now we have to rely on less systematic, although sufficiently compelling assessments.

Whether this practical model of global governance involving multiple institutions and a variety of procedural arrangements is compatible with some acceptable notion of democracy is more disputable, although indeed
a question to discuss. Nowadays, we tend to think of democracy first and foremost in terms of competitive political party elections with universal adult suffrage. By that definition, global democracy looks pretty hopeless. Yet, this and other definitions with similar attributes are not the only possible ways to make sense of the democratic form of government.

Actually, the cradle of democracy in ancient Athens, to refer to the most prominent example, did not make use of elections. Ancient, local democracy was based on people’s direct decisions on policy alternatives and the subsequent selection of delegates (typically by lots or turns) to implement the agora’s mandate.

The alternative notion that democracy must be based on parties and competitive elections is heavily linked to the modern notion of state, which has been addressed above. Most modern states are relatively large and complex in comparison with ancient and medieval cities, which discard direct democracy as a regular way to make decisions. Many states have drastically reduced people’s diversity of interests and values by building relatively homogeneous nations. State democracy has been largely based on the presumption that, under a sufficient degree of national homogeneity, aggregative mechanisms such as parties and elections can produce enforceable decisions on a single sovereign body. Yet, the building of federations based on various states or nations already implied the acknowledgement that multiple levels of government and indirect selection of some upper rulers may be needed to make broader aggregations feasible.

Thus, democracy already scaled up before, from direct democracy in ancient and medieval cities, to representative democracy in modern nation states and federations. That change of scale implied paramount changes of institutional rules. Likewise, democracy can be scaled up in the current world to the global level, which also requires the adoption and acceptance of new rules and procedures to make this new upper level of governance effective and legitimate.

**Wide-Ranging Institutional Diversity**

Many global organizations have attained relatively high rates of success by using specific combinations of institutional rules and procedures. Only a few of them respect the notion of state sovereignty and give each state the same seats or voting rights independent of their size, population, or amount of resources to contribute to global governance. Alternative, more efficient formulas of representation at the global level include rotation of countries in councils and boards, the allocation of weighted votes to every country, and the formation of multi-country coalitions.
Most global institutions are not ruled by professional politicians or traditional diplomats. Most global bureaus providing standards and network goods, as well as major economic organizations dealing with finance and development, rely on independent bodies of non-elected experts to make decisions on major issues. Many officials are recruited with criteria of political independence, technical expertise and honest behavior. Generally, global institutions tend to make policy by consensual knowledge, rather than by voting on political party alternatives.

Yet, world politics displays huge institutional variety. In order to make sense of this, it is important to realize that the fundamental activities of international organizations entail the provision of large-scale collective goods involving different degrees of interstate conflict of interest, whether security, justice, financial stability, economic promotion, communication networks, standards for weights and measures, or others. The effectiveness of international organizations in fulfilling their aims strongly depends on the fit between the type of collective goods they are intended to provide and the formulas chosen for their institutional design.

Several types of global collective goods can be distinguished for the different coordination and cooperative efforts that their provision may require. First, “network” goods provide higher potential benefits to each user the higher the number of users; they do not involve significant conflicts of interests among states. This happens, for instance, with standards such as the calendar or weights and measures, as well as with agreements for a number of communication media, including the post, aerial travelling or the Internet, which will be reviewed in chapter 2.

This type of global goods is served by simple bureau-type organizations. The assembly composed by all member-states holds infrequent meetings in which decisions are made by near-unanimous consensus. The main body is the permanent professional secretariat, which implements the decisions consistent with the assembly’s mandate and the achievement of the institution’s goals. In fact, the specific organizational forms for the provision of this type of goods are relatively indifferent, as the technical solution is a focal point—such as a standard for a measure or a medium of communication—on which everybody can converge. As we will see with a few prominent cases, great powers, neutral countries and small gatherings of scientists and technicians efficiently provide global standards for time, weights, measures, and communication networks.

Due to the importance of the services provided and the relative ease in agreeing on standards, these are the oldest and some of the more durable international organizations currently existing, some for a few centuries already. Cooperation is more likely to be initiated by larger
potential partners, but even a smaller state can found an organization of this type, as happened, for instance, with the creation of the International Meteorological Organization in Belgium or the Universal Postal Union and the International Telecommunication Union in Switzerland in the late nineteenth century.

Second, some “competitive” global goods, typically dealing with economic issues, can clearly grant net benefits to all users, but they also imply some asymmetry and conflict of interests. This is the widely observed case of employers and workers regarding the regulation of labor conditions. But it is also the case of international financial institutions: they can reduce market instability, but debtors and creditors may pay different costs for making that collective good feasible. Likewise, global free trade agreements can produce positive returns for both producers and consumers, but exporters and importers can expect different benefits and different producers may exploit the different comparative advantages of their products. The provision of this type of collective good involves a mixture of conflicting and complementary interests which may make allocation and redistribution matters relevant in the design of institutional rules.

A relatively more complex type of institution, involving weights and balances among its members, tends to be efficient for this type of goods. The IMF and the WB, as well as their specialized branches and regional banks, work along these lines. In the founding constitutional agreements of these organizations, as negotiated between the United States and the United Kingdom at meetings in Bretton Woods, New Jersey, and Savannah, Georgia, during the last period of the Second World War—as we will document later on—there is a neat distinction between the legislative assembly of all members or Board of Governors and the Executive Board. The former delegates substantial powers to the latter. A relatively powerful and operational Executive Board includes a few permanent members, holds very frequent or permanent meetings, and uses weighted votes and qualified majority rules.

Finally, the provision of some “conflict” global goods may bring about winners and losers with even more clarity. The dilemma between war and peace is the most obvious example of this type of situation. Every state can be an attacker and a defender regarding others, but there can be enormous differences in military potential between states. Although the collective good of peace can certainly provide net benefits to everybody, the great powers always have to deal with the temptation to undertake unilateral initiatives addressed to dominate or exploit weaker or smaller states.

In practice, the great powers tend to impose their directorate for the provision of these highly conflictive goods. A directorate is the product of
unilateral decisions over institutional rules by relatively powerful actors, reflecting their privileged availability of resources. In these arrangements, the core council includes a few permanent members and make most legislative and policy decisions. The enlarged assembly is rather submitted to the council, as it tends to ratify its decisions or deal only with issues not previously included in the council’s agenda.

This was the profile of the agreements between the United States, the United Kingdom, and the Soviet Union in meetings at Dumbarton Oaks, in Washington, and at the summit conference in Yalta, Crimea, during the last months of the Second World War. These agreements were merely ratified at the inaugural conference of the United Nations in San Francisco, as we will explain in chapter 4. Regarding this type of conflict good, the great powers may always have an attractive “outside” or “exit” option, leading them to take some unilateral initiative with strong factual decision-making power. We will also recount the frequency of this type of choice away from the United Nations, especially during the Cold War, but also in the more recent period.

Similarly, the finance ministers and the chief executives of the United States, the United Kingdom, France, Germany, and Japan established the bases for the G-8 and the G-20 at a series of meetings in Washington several decades later, as we will also review. The G-8 system includes a threefold set of concentric circles of decision-making: the small core G-8 with the largest democratic economies, the broader G-20 involving some world regional balance, and the implementation of agreed initiatives through universal institutions. The G-8 and the G-20 have expanded the scope of their agenda to deal not only with financial or economic matters, but also with global security and many other issues, as I have remarked from the very first page of this book. Rather than reforming the United Nations Security Council (UNSC), the G-8 chose to replace it by its own action, although it has achieved collaboration with the United Nations as well.

If we observe the type of public goods that are served by every type of institution, a “heterogeneity/complexity” relationship appears.

Network and communication goods with high homogeneity or harmony of interests all across the world can be efficiently provided through simple institutional formulas largely relying on bureaus of experts.

The higher is the degree of heterogeneity and interstate conflict of interests on the issue, as happens with most economic and social matters, the more complex the structure of the organization must be for efficient performance. In particular, equal votes for every sovereign state independent of its size can be replaced with weighted votes based on financial contributions or on the intensities of interest in the activity that
defines the institution, as is the case of the IMF, the WB, and other global institutions.

At the peak, high conflict issues like global security and related matters tend to be dealt with by hierarchical directorates in which the most powerful states occupy salient institutional positions and prevail in decision-making, as in the UNSC or the G-8.

We will also see how some organizations underperform because their institutional design turns out to be inappropriate for providing certain types of collective goods and some of the potential partners choose outside options. This is the case in particular, of the World Trade Organization, which tries to deal with a relatively conflictive issue with an extremely simple organizational model. All in all, different performances of international organizations can be explained by different degrees of institutional fit with the aims for which they have been created and exist.

The Importance of Foundational Moments

Institutional innovation is usually feasible at some critical moment, when unanticipated events—such as a world war or a deep and broadly spread economic crisis—shake the previously existing rapport of forces among states and open room for creativity. But some basic rules and procedures chosen at the foundational moment of a global institution may continue to exist even beyond the context that can explain their initial adoption. Institutions have the capability to reinforce themselves and make their reform or replacement difficult, which can explain how some inefficient institutions survive. Nowadays, certain well-established decisions regarding institutional formulas can be difficult to change in the absence of a major conflict at a new critical juncture.

The endurance of certain rules can reflect their own success at permitting effective decision-making and sufficiently satisfactory outcomes in comparison with the benefits that can be expected from acting in the outside world. But for actors with the possibility to obtain some amount of collective good outside a global institution, remaining in it can be a rational decision only if the costs of leaving are higher than the disadvantages of playing by the existing rules.

It has also been observed that some institutions that start with one mission wander away from their original mandate and into new terrains and territories to form more complex “regimes.” Notorious examples include the United Nations moving way beyond the initial aim to “maintain international peace and security”; the WB becoming involved in an assortment of issues directly or indirectly related to the promotion of development; the IMF establishing that its initial goal of monetary
stability may require regulations of a broad set of macroeconomic policies; or the G-8/G-20 feeling the need to be implicated not only in economic crises, but also in issues of security, energy, or even climate change.

A well-established postulate in the academic literature in international relations is that some multipurpose global institutions can perform relatively well, as long as there is “issue linkage.” This means that different issues can be submitted to efficient management by the same institutions if they are sufficiently compatible, because they bring about complementarities and similar degrees of interstate conflict of interests. Under this condition, the same institutional rules can favor exchanges, promote increasing demands for global action, and foster sustained cooperation, which eventually feeds loyalty to the institution.

However, the institutional and organizational costs involved in reconciling distinct objectives may rise with the number of issues and the variety of actors’ preferences. For instance, different states can have different relative intensity of preferences or interests and different availability of resources to deal with security, finances, or trade. It is not difficult to realize that, for example, the heavily armed China, the fiscal paradise of Switzerland, and the very open city of Singapore have very different intensities of interests in the three issues just mentioned. That is why a compact, global institutional regime pretending to deal with several disparate issues at the same time can be highly inefficient in making acceptable decisions and providing collective goods. Those countries with more intense preferences on an issue need to be given more decision power in the institution dealing with that issue.

Let me remark that it is not only that different territorial scales can exist for the efficient provision of collective goods. This is the well-known, traditional problem addressed by federalism and multilevel governance, as local governments can deal more efficiently with traffic or schools, state governments can manage larger scale transports or safety nets, and continental or global institutions can address trade, financial, or security issues more appropriately. But the point here is that even within the same territorial scale of efficiency, multiple issues with different degrees of conflict of interests and redistributive implications may require different institutional solutions. Peacekeeping, climate change, and telecommunication standards, just to mention three more disparate issues with worldwide scope, present very different degrees of difficulty to be addressed by agreement and consensus among most countries of the world. A number of institutions, each with different decision-making rules to deal separately with disconnected global issues, such as those just mentioned, can do better and potentially generate efficient provisions of a variety of collective goods.
Most global institutions have shown their capability to select competent and honest rulers and favor effective decision-making, as we will discuss later. The additional, crucial criterion that should be satisfied in order to make them compatible with a pertinent notion of democracy is the capability to make the rulers accountable. Decision-makers in global institutions are held to explicit goals and policy mandates for whose compliance they must be controlled, made responsible and sanctioned if necessary.

I will hold that, in fact, many global rulers are accountable, and in some respects they are more accountable than most rulers of democratic states, as the latter are not submitted to imperative mandates and have, thus, more room for discretionary behavior. Global rulers render counts, though, by different means than those by which representatives at state level can be subject to scrutiny and control. In the absence of direct global elections, the basic mechanisms of accountability at the global level include information and transparency, critical evaluation and revision of policies for their results and consequences, and the use of standards to judge and sanction rulers and officers according to specific institutional norms and codes of conduct. We will return to this important question in chapter 13, near the end of the book.

There is still much to do to attain an efficient multilevel, multipurpose, and responsible world government. But most global institutions have greatly improved their effectiveness, increased their transparency and expanded their mechanisms for democratic accountability during the last few decades. With institutions able to provide the appropriate incentives at global level, the fundamental tenets of democratic governance can be respected by the actual rulers of the world.
PART I

WHO RULES
CHAPTER 2

NETWORK GOODS ARE SERVED
BY SIMPLE BUREAUS

If all world problems were like the setting of a calendar, the adoption of measurement standards, or the coordination of the post, air travel, or the Internet, global government would be simple and effective. Successful global providers of this type of services have included such disparate fellows as the Roman papacy, the French revolutionaries, the powerful United States, the neutral and broadly respected Switzerland, as well as a high number of anonymous scientists, technicians, and public servants who keep working in discreet offices at different locations across the planet.

What all the above-mentioned and comparable affairs have in common is that they deal with the so-called network goods. In contrast to issues that will be analyzed in later chapters, such as currencies or trade, or even more so with anything related to armed conflicts or justice, “network” goods involve little conflict of interest. Almost everybody can be interested in coordinating standards for time, weights and measures, or in facilitating communication exchanges—well, “almost” because a few people still may prefer to live in isolation and self-contentment.

Network goods bestow higher benefits to each user the higher the number of users. For example, the higher the number of people using the same calendar or the metric system, the easier the coordination among them; the more widely accepted the criteria and decisions to use air space, the safer and more numerous travels can be; the higher the number of websites, blogs, and links, the larger the amount of information and potential communicators every web user may enjoy. There is no rivalry of direct conflict between users for using the same good. For any person or group, the option to stay outside this kind of network and try to build its own services by itself may not produce the same benefits as those that
can be expected from broad cooperation. This is not certainly the case for economic or security issues, in which competition and conflict may prevail.

Very simple organizational structures at the global level can be efficient in attaining coordination and agreements for “network” goods and services. In the current world, there are not only gigantic and complex international organizations dealing with conflictive matters, but also a high number of lesser-known “bureaus,” “secretariats,” and “offices” that make the universal use of such extremely useful agreements possible. Their typical institutional formula, which may be backed by near-universal membership or adherence, focuses on a technical and administrative secretariat formed by experts in the field, which usually performs rather efficiently.

Due to its effectiveness and ease, this type of international organization is little intriguing and therefore has not attracted much attention from scholars or news-makers. But, it is precisely their effectiveness and ease that can make bureau-type organizations a helpful reference to realize that other types of organizations need to overcome different problems and difficulties to attain a satisfying provision of global public goods.

Networks goods can be provided by very different actors, organizations, and groups, as we will illustrate in the following few pages. Their success is not due to any special circumstance in world affairs or to the good skills of the initial institutional designer, as we will see with a few outstanding examples. It mainly depends on the intrinsic nature of network goods, which, as they can provide universal benefits, can generate relatively easy coordination and cooperation among potential partners acting in their own self-interest. The same simplicity in organizational structure does not work well for other type of collective goods involving higher levels of conflict of interests.

Yet, in spite of its simplicity and efficiency, building these global institutions has not always been an easy endeavor. Two things seem to be necessary to effectively organize the global provision of a network good: formula and authority.

First, there must be a formula that can act as a “focal point” able to attract the agreement of all powers of the world. The focal point can be a technical or scientific proposal, even if mistaken, as we will see for the measurements of time and space, but with the aura of prestige and reliability, on which everybody can converge.

Second, the proposal for coordination of rules and standards must be presented by somebody with sufficiently accepted authority to be heeded. In principle, and given the potential benefits that everybody can obtain from cooperating on these issues, any actor’s unilateral initiative to start cooperating can attain broad following. But the actor in question must
have high visibility, spiritual, economic, or military strength, a neutral, privileged position to build bridges with many different countries, or some other universally recognized ascendancy. That is how some of the aforementioned disparate providers attained their accomplishments. In the following pages, I present a few of these cases related to time, measures, and communications, as well as a general survey of simple yet not-so-easy-to-build organizations that supply global network goods.

The Universal Catholic Calendar

In the late sixteenth century, the Catholic pope was already much weaker than a century before, as the Protestant Reformation had hugely eroded his authority. Yet, the papacy was still the only great power able to provide a global public good by making an enforceable decision that everybody could accept in their own interest. Doubtless, the most celebrated decision made by Pope Gregory XIII was the issuing of a new worldwide calendar.

All civilizations have had calendars to measure and apportion such a vital dimension for human beings as time. The length of a day and night did not present major trouble, while its arbitrary division in 24 hours of 60 minutes and in minutes of 60 seconds had existed since the Babylonians. The measure and the apportionment of the year, though, required more sophisticated calculations. For the Egyptians, a year had 365 ¼ days, while for the ancient Chinese, Greeks, and Hebrews, the basic year had 354 days to which a variable number of days were added at intervals in order to keep the calendar aligned with the seasons. The early Romans used an official 335-day year, which was increasingly misaligned with the solar year. None of these calendars was universal, of course.

It was the Roman emperor Julius Caesar who established, for the first time, a calendar that would surpass the borders of his great empire. Going back to the measurements of the Egyptians, Julius decreed that a year lasted 365 ¼ days. Therefore, a year of 365 days plus a leap year, adding one extra day every four years, was established from January 1, of 46 BC, after adding 90 missing days to the previous counting during the year 45. Julius Caesar also replaced the previous division of the year into 10 months into one with 12, while keeping the seven-day week. The names of July and August still recognize the foundational role of the emperor and his successor. The Julian calendar was adopted by the Christian Church, which gave it its aim of universality (and it is still used for religious festivities by the Greek Orthodox Church).

However, the Julian measure of the solar year was a little too long, so that the seasons were running earlier and earlier, up to the point that in
the sixteenth century the real spring equinox arrived as early as March 12th instead of the 21st. The Catholic pope’s main concern was the calculation of Easter, the Christian holiday celebrating the resurrection of Jesus Christ, which had been established for the first Sunday after the first full moon after the spring equinox, and it was going away. There were also concerns about the measurement of the universal time as a consequence of recently completed expeditions to travel around the globe.

By 1575, Gregory XIII appointed an expert commission chaired by mathematician Jesuit Christopher Clavius and formed by astronomers and physicists, which established that the most appropriate length of the year, as measured by the mean duration of a few tropical years, should be 365.2425 days. The commissioners, thus, proposed to keep the year of 365 days, as well as a leap year every four years, but to skip the additional day on leap years, coinciding with the end of a century in three of every four hundred years. The solution was simple and elegant and was enthusiastically endorsed by the pope, who issued his bull Inter gravissimas on the matter on February 24, 1582. The immediate implementation of the new, adjusted calendar required the omission of ten days, which was scheduled for October that year.

Pope Gregory XIII had been very active in the Catholic Counter-reform. His calendar proposal was immediately adopted by Catholic rulers in Italian cities and principalities, in the kingdoms of Spain, Portugal, and their overseas colonies, in Austria, Hungary, Poland, as well as in Catholic German and Dutch territories and Swiss cantons. It found strong resistance in Protestant lands, where astronomers, priests, and kings released a number of counterproposals, but none of them was able to create a unified, sufficiently attractive alternative focal point. Different countries with various traditions in different parts of the world may have had varying levels of rejection of a proposal coming from the Roman pope. But the embracing of the Gregorian calendar by a succession of territories eventually provoked a chain reaction in favor of it. For some, a “sufficient” number of adherents was enough to forecast positive benefits of joining, while for others the fear of being left in isolation may have been the major concern.

All of Western Europe, including England, had adopted the calendar by 1700. Japan, China, Russia, and Eastern Europe followed by the early twentieth century—which caused, for instance, the anniversary of Glorious October Revolution in Russia, which kept being commemorated for decades every October 26, to actually occur on November 8, according to the new calendar. The further development of navigation, commerce and the increasing frequency of long-distance
travel and communications transformed the Gregorian calendar into an unavoidable common reference for all humankind.

The most striking alternative emerged during the French Revolution. The Jacobin rulers instituted a new rationalized calendar formed of 12 months of 30 days each, plus five or six extra days at the end of the year, with weeks of 10 days, days of 10 hours, hours of 100 minutes, and minutes of 100 seconds each, in 1793. The names of the months were also shifted into references to natural events. The symmetry and systematic quality of the new decimal structure was difficult to surpass. The new revolutionary calendar did not stick, however, and it was abandoned after 12 years.

The Gregorian calendar is nowadays almost universally used. What is most remarkable is that the success in the provision of such an important global standard was attained despite numerous drawbacks. The pope’s main motivation, as noted, was related to the calculation of Christian festivities, which was not a main concern for most people in the world. The measurement of the year’s length had previously been calculated on the moment when the center of the sun appears to cross the equator, on the assumption that the earth was the center of the universe and the sun orbited over an immobile sphere above, which was still the most common belief among educated people at the time. The new measure of the year, although closer to the real solar year than the Julian one, was still a few seconds too long, so that the Gregorian calendar will be one entire day ahead of the solar year by about 5000. In addition, notorious laws can result from the facts that the divisions in months and quarters are of unequal length, the days of the week drift each year, and both the months and the week days keep arbitrary names originally derived from planets or from ordinal references depending on the region of the world. In spite of all this, however, the Catholic pope’s proposal eventually became the sole calendar in the world.

During the twentieth century, several initiatives were launched to improve the design of the global calendar. The League of Nations appointed a special reform committee, with the intention of finding a more rational way of arranging the months and their lengths that would be of great benefit to public life, the economy, and international relations, which went to be called “Universal Calendar.” Later on, the United Nations developed several consults about it, especially through its Economic and Social Council. The Second Vatican Council of the Catholic Church declared that it would not oppose the change, as long as a Sunday every seven days was retained. Yet, none of these and other initiatives succeeded in replacing the existing calendar. The formula
decree by a lackluster Renaissance pope had certainly become a focal point on which everybody converged, and nobody has any incentive to take the risk of moving away from it.

Only the measurement of the variable length of the year, always imperfect, has changed. By 1955, it was found that more regular than the sun crossings of the equator or the earth rotation orbits would be the oscillations of an atom of cesium, a rare metal. A year is now equated to 290,091,200,500,000,000 (more than 290 quadrillion) oscillations of such an atom. This may sound impressive, yet adjustments to the actual, somewhat irregular earth rotation are necessary, so that a few leap seconds are added almost every year to establish the Coordinated Universal Time. A Master Clock making such a measurement and adjustments, in synchrony with the Gregorian calendar, is located inside the US Naval Observatory, in Northwest Washington, DC, a greenly compound that also encloses one of the oldest telescopes of the world still in use and the official residence of the vice president of the United States. The Master Clock takes the average time of an ensemble of about 120 cesium beam clocks. Twenty-five officers suffice to keep the clocks working. As for many other global standards, getting a benefit from the collective advantages provided by the universal calendar and the universal time attached to it does not require large administrative apparatuses or any explicit affiliation. Just using them for free can benefit everyone in the world.

The Revolutionary Decimal Metric System

The establishment of a system of standard measures that could be valid across the world was a revolutionary step. In truth, it was the initiative of the newly elected National Assembly of France at the beginning of the process of the Revolution, in 1790. The assembly mandated the Academy of Sciences to design a system of uniform measures that should “encompass nothing that was arbitrary, nor to the particular advantage of any people on the planet.” The academics thus declined to declare the units of measure that were used in Paris national or global units, and sought, in contrast, a firmer foundation by looking at something embedded in nature: the size of the earth itself. The newly designed “meter” was conceived to become all the world’s common standard of measure.

Everybody in the world had, of course, used weights and measures for agriculture, commerce, communication and administration for centuries. Although there was a great diversity of names and measures in different towns, counties, and regions (up to about 800 only in France), most systems included standards referenced as for a trace (or ligne), the width of a finger (digitus, inch, puce), the lengths of the hand or the foot (also virtula,
(palm), of the arm or a footstep (like yard, vara), and so on. A comparable set was intended to be designed by the French enlightened academics by establishing decimal multiples and submultiples of a central reference.

The French Academy appointed a Commission of Weights and Measures, which would be chaired successively by mathematicians Jean-Charles de Borda and Joseph-Louis Lagrange. The commission discarded a previous proposal, which had been supported, among others, by the secretary of the Academy and Borda’s intellectual rival, Marie-Jean-Antoine-Nicolas de Caritat, marquis de Condorcet, which would have been based on the length of a pendulum beating one second, that is, for reference to another standard—of time—which had been established in a different context. They chose instead “the meter” that would equal one ten-millionth of the distance from the North Pole to the equator. They were thus bending on the natural facts of the planet earth and on the aesthetics of multiples-of-ten divisors—as the Revolution would also try to do with the measurement of time, as discussed earlier. But actually, the academics knew that by choosing a decimal fraction of a quarter and not of the entire meridian, the meter would be close to the length of the aune, which was the common measure used in Paris.

All the other dimensions would be established with reference to the meter, such as area (the squared meter); capacity (the cubic decimeter or liter); or weight (one liter of rainwater weighted in a vacuum at the melting point of ice or kilogram). With such firm natural and scientific foundations, the secretary of the academy, Condorcet, was confident enough to solemnly proclaim that the decimal metric system would be “for all people, for all times.”

Although the meridian had already been measured on several occasions, a new expedition was organized to do it again with new techniques and equipments, including the traditional triangulation used by land surveyors and a repeated circle invented by Borda. The commissioners chose to measure the piece of the meridian arc that runs from Dunkirk through Paris to Barcelona. They started from the two more distant seaports in order to ground on presumably stable sea level and converged on the intermediate fortress town of Carcassonne. Apparently, the expeditionary topographer sent to Barcelona made a measurement error at triangulating from the “Fontana d’Or,” a Romanesque building with a fortified tower accommodating a famous restaurant, to the castle over the hill of Montjuic. As a consequence, we know now that the standard meter fell roughly 0.2 millimeters short of the length of its official definition.

A provisional estimate of the length of the meter was presented in 1793 to the French National Assembly, which ruled the metric system as obligatory. Yet the system was not really accepted until the holding of
what possibly was the first international scientific conference ever, which took place in Paris on February 8, 1799 (the word “international” had been coined and first published by the English thinker Jeremy Bentham only ten years before). A bar of platinum adopted at the Paris conference became the basis for officially declaring the metric system as the sole measurement system for all of France, in November 1800. While other European countries, such as Belgium, Denmark, Holland, Spain, Sweden, Switzerland, also adopted the decimal metric system in the following few decades, in Great Britain and the United States it was widely mocked as another weird invention—like the decimal calendar system—engendered by the loathed French Revolution.

Broader acceptance was reached after a second international conference in Paris in 1875, at which a convention was signed by representatives of 17 countries. These included most of Europe, adding the just created unified Germany and Italy, as well as Russia, Turkey, the United States, and the larger South American republics, Argentina, Brazil, Peru, and Venezuela. A new bar with the official measure of the meter, this time made 9 percent of platinum and 10 percent of iridium in order to prevent corrosion, was deposited in the pavilion de Breteuil, a seventeenth-century building located in Sevres, near Paris, where it has remained ever since. An International Bureau of Weights and Measures (BIPM for its name in French) was created to preserve standards and prototypes, which eventually expanded to measures for electricity, temperature, and other physical phenomena.

The meter has become a global standard despite the fact that its natural scientific foundations were no more than a useful fiction. The choice of a fraction of the quarter of the earth meridian was indeed arbitrary—against the original mandate of the French deputies. In fact, it intended to approach already existing measures of similar length. Its designers did not measure the real distance of the meridian, but they calculated it from a portion of the surface of an imaginary sea-level geoid for just one of all meridians, which have different lengths as the earth is irregular. They also made a measurement error. The original standard model had to be replaced because the metal was deteriorating.

In spite of all this, the French revolutionaries and enlightened academics of the late eighteenth century eventually attained worldwide success which was not replicated by their proposal of a comparably founded calendar. A crucial difference between the two initiatives was that the metric system did not have to oppose a previously well-established international standard, as happened with the Gregorian calendar. The meter was also able to become a focal point because, for its supposedly natural and scientific bases, it appeared as a neutral reference for all countries, thus fulfilling the initial intention not to run “to the particular advantage of any people on the planet.”
The decimal metric system was adopted by China at the beginning of the twentieth century and again at the victory of the revolution by mid-century; by the Soviet Union after the revolution; and by Japan, Korea, and other countries after the Second World War. Great Britain, whose House of Commons had voted in favor of the meter in the nineteenth century, actually adopted the system only in 1965, as an obligation to join the European Community, a decision that shortly preceded similar choices by most members of the British Commonwealth. Over 95 percent of the world population officially uses the metric system today.

The United States, together with Liberia and Burma, remain the most visible exceptions. Actually, the US Congress voted to make the metric system legal although not obligatory in 1866; it favored its adoption again in 1971; and made the metric system “the preferred system of weights and measures for U.S. trade and commerce” in 1988. While the old British-inherited system composed of inches, feet, yards, miles, as well as of pints, gallons, ounces and pounds, is still vigorous in America’s daily life, “metrication” is dominant in science, engineering, and medicine and it has expanded in the industry and food products.

Meanwhile, the original definition of the meter has been revised more than once. In 1960, the International Bureau of Weights and Measures defined the official meter as the wavelength of light emitted in the krypton86 atom at a specific energy transition. Since 1983, the meter equals the distance travelled by light in a vacuum in 1/299,792,458 seconds. This may sound more intrinsically natural and precise than the burdensome measurement of the irregular earth, but it is still based on an arbitrary, artificial standard called “second.”

The Convention of the Meter is monitored by a very simple organizational structure, which corresponds to the “Bureau” type of global institution that can be associated to standards and other network goods. A General Conference meets only every four years, while a committee comprising 18 scientists holds annual gatherings. The permanent bureau with headquarters at Sevres, which serves as depository of the primary standards and as certifier of national copies, employs only about 70 staff. In order to benefit from a common global standard like the metric system and also produce additional benefits for the other users, not even affiliation is required; its adoption is unilateral and free.

Universal Communication Networks

Putting letters, documents, or packages into the mail, talking or texting on the telephone, broadcasting radio or television programs, sending messages, photos or videos by email, or using social networks, are typical human activities that take general benefit from large sets of connections.
The broader the coordination of standards, codes, frequencies, links and tariffs, the easier it can be for everybody to communicate with anybody else. Yet, it has taken time and effort to reach universal coordination for such communication media, especially since sovereign states raised borders and pretended to keep control of anything happening within their territories.

Nowadays, some crucial networks for global communication are maintained, updated, and surveyed by the oldest of the currently existing international organizations, namely the Universal Postal Union (UPU) and the International Telecommunication Union (ITU). Their basic institutional design has proven effective as it has permitted those organizations to retain a central role in the provision of specific services for a very long time. While these precursory experiences settled patterns for further development of other simple bureaus, they also made ground for more complex organizational structures dealing with more conflictive issues, as we will discuss in further chapters.

For many centuries, long-distance communications did not provoke significant disagreements. Messages and packages were carried on foot or on horseback by specially designated individuals in specific missions. In general, the roads and byways were free to all users. A source estimates that at the time of the Roman Empire a passenger could travel near 300 kilometers in 24 hours. Yet over the centuries, while the expansion of printing, literacy, and commerce greatly increased the volume of correspondence, the speed of communications slowed down.

As different kingdoms established exclusive control over relatively smaller territories, especially from the seventeenth century on, they needed to negotiate treaties with the rulers of other territories for the exchange of mail. As borders were closed to foreign couriers, large-scale postal communication required carrying mail to the border where it would be transferred to another postal organization for further delivery or more transshipment. Eventually, the post became a monopoly controlled by the state, which involved the request of special passports for postmen, restrictions on routes and types of correspondence permitted, and special charges for transit. By the mid-nineteenth century, a letter could travel from Irun, near the Spanish border, to Paris, that is, about 750 kilometers, in about six days, while another from Lyon to Rome, which are located at similar distance, would take about 12 days; this implied more than two and four times, respectively, longer travels than the estimate for the Roman era. Most European countries needed over dozen international bilateral treaties on postal traffic to coordinate classifications of mail by weight, size and contents, and rates of postage.
The first international conference to create a “single postal territory” was held in Paris, in 1863. It was called at the initiative of the United States, where the Postal Office had been created as a far-reaching network even before independence from Britain, and it had greatly facilitated expansion into the West. A treaty to standardize weights and rates and to simplify procedures was signed in Paris by 13 European countries, the United States and Costa Rica. A few years later, a revised convention established a “single unit” for the exchange of postal correspondence among 21 countries and created the General Postal Union, later renamed Universal Postal Union (UPU), in Berne, Switzerland, in 1874.

In parallel, wired communications have developed since the invention of the telegraph. This new medium of communication became vital for the expansion of commerce and the working of large-scale administrations, as transport costs were also reduced by steamship and railways, as well as for transmission of news. The first international telegraph convention was held in Paris in 1865. The participants from 14 European countries plus six German territories, who were both diplomats and technical experts, realized that the technology associated to telegraph did not need detailed or extensive international regulations. While each country would keep using different technologies, all, however, were interested in connecting with an international cable network. The new-flanged telephone mechanism was also brought within the competence of the Union since 1885.

Initially, communications by radio were managed by a different bureau. Radio at first developed mainly for communication between ships at sea and the land, but the proliferation of broadcasts and subsequent increasing interferences soon required agreements for allocating frequency bands at transnational scale. This was the main task of the International Radio Union (IRU), which was established by a convention adopted in Berlin in 1906. The regulations of wired and wireless electrical communications eventually merged into a single organization, the current International Telecommunication Union, which was created by fusion of the previous ITU and the IRU at a conference in Madrid in 1932. Today, the Union allocates global radio spectrum and satellite orbits and develops technical standards that help form networks for digital broadcast, Internet, mobile phones, and three-dimensional television.

The initial structure of these pioneer networks was very simple and provided models for the bureaus and secretariats of later international organizations. The bureaus of the UPU and of the ITU provide centralized information on tariffs and practices, gather proposals for changes of regulations, and can also act as conciliator or arbitrator of disputes.
between governments. They succeeded in surviving wars and censorship thanks to having their headquarters in neutral Switzerland—in Berne and Geneva, respectively. Actually, the International Bureau of the UPU was overseen by the Swiss government, which also provided all its personnel, until 1972.

After the Second World War, the newly created United Nations Organization (UNO) managed to transform all these and other preexisting international organizations into its own agencies. Both the UPU and the ITU maintained high autonomy, but they needed to adapt their internal structures in order to be able to hold regular relations with the appropriate UNO councils.

Specifically, delegates of the UPU global membership gather every four years in a congress in which most delegates are not politicians or diplomats but experts in postal affairs. The tellingly named Council of Administration, which is merely a nominal and advisory body that meets only once a year, is formed by 41 members with “due regard to geographic distribution.” Every country has one vote. The permanent International Bureau, which is now supervised by the Council of Administration, has a staff of about 250 employees from about 50 different countries.

The ITU holds a similar structure. The Plenipotentiary Conference gathers delegates of all members every five years. The membership of the council, which meets once a year, is not to exceed 25 percent of the total number of member states (currently 48 for 193 members). The council members are selected with “due regard to the need for equitable distribution of the seats among all regions of the world.” The council chairman and vice chairman are also elected “taking into account of the principle of rotation between the regions.” Each country delegation, which includes two technical advisors, has one vote. The bureau, now called General Secretariat, employs over 750 people from 85 different countries, mainly telecommunications engineers.

In both organizations, decisions tend to be made by broad consensus among experts in the field, although simple majority voting can be used in case of deadlock. As witnessed by a renowned consultant and political scientist, George A. Codding, “The rules involved in such multilateral conferences are fairly simple and can be learned without much difficulty. Indeed, participation in one conference is often enough to make one an expert.”

With increasing membership under the rule of equal vote, the organizations’ aims have somewhat broadened. The UPU is now concerned not only with guaranteeing “the free circulation of postal items over a single postal territory composed of interconnected networks,” but also with stimulating the use of technology and services in all countries, especially
the underdeveloped ones. The ITU is also committed to “improve access to international communication technologies to underserved communities worldwide.”

In contrast to the old story of multiple bilateral treaties for every state, the UPU and the ITU have developed multilateral arrangements, even though individual transships, cables, and waves may imply bilateral connections within broad networks. Near-universal membership has resulted from the collective advantages that everybody can obtain from adopting common standards and contributing to the provision of global network goods.

Focal Points and Bureaus

The cases reviewed in this chapter are just a few outstanding examples of how global network goods can be efficiently provided by very simple organizational structures. As everybody can obtain net benefits from sharing standards and communication sets of connections, the provision of a focal point can generate broad cooperation and universal adherence, even in the absence of complex apparatuses, as long as the provider is sufficiently recognized as likely to succeed in attracting broad membership.

In modern times, the typical network has been supplied and maintained by simple institutions of the bureau type based on equal vote for every state and significant delegation to a technical secretariat. In addition to the organizations above surveyed, others fitting this model include the following: The World Meteorological Organization (WMO), which was created in 1873, emerged from the realization that weather elements move across country boundaries and that standardizing, exchanging, and sharing knowledge at a worldwide level is needed for weather forecasting, including for advance warnings regarding incoming natural catastrophes. The International Meridian Conference, in charge of time zone reckoning throughout the world, originated in 1884. The International Standard Organization was set up to codify common practices covering almost all aspects of technology and business in 1947. The International Civil Aviation Organization regulates the use of the airspace since 1947. The International Maritime Organization does about the same for navigation on international waters since 1948. The Internet Corporation for Assigned Names and Numbers coordinates Internet identifiers across the world since 1998.

There are few or no votes at all in this type of institutions. No electoral contests have been necessary to choose the calendar, the meter, radio frequencies, time zones, air routes, maritime itineraries, or Internet codes and domains. Decisions on standards and common procedures are
mostly made on the basis of experts’ solutions, which become focal points for broad agreements. Although these institutions have considerable legal powers of action, which significantly limit in practice the sovereignty of the states, their decisions can enter into force without ratification by the states. Even if the institution itself has no administration to enforce its decisions directly or compulsory jurisdiction over interstate disputes, states usually comply voluntarily and decisions are largely self-enforced out of national self-interest.
CHAPTER 3

UNANIMITY RULE FAILED TO MAKE
THE WORLD MORE SECURE

Some historians wonder whether had the United States President
Woodrow Wilson not suffered a stroke at a critical moment, the
Second World War might have been avoided. Actually, the failure of
the League of Nations—which was Wilson’s cherished, unaccomplished
creation—in preventing a new global war did not have much to do with
the president’s health or with the haphazard absence of the United States
from the organization. At the end of the First World War in 1918, Wilson
developed a strenuous effort “to promote international co-operation and
to achieve international peace and security.” As is well known, he bla-
tantly failed. As we will discuss below, tremendous responsibility for the
failure must be charged to the League of Nations’ ill-fated institutional
design.

The Council of the League of Nations included as permanent mem-
ers the great powers of the moment, beginning with the winners of the
First World War. But its rules gave equal vote to every state, whatever its
population, its economic, or military strength, and required that deci-
sions be made by unanimous agreement, which gave actual veto power
to any member-state. These simple rules were justified with the prin-
ciple of equal sovereignty of the states. For novice institution-makers,
they might have appeared as almost obvious from a few previous, recent
experiences of international organizations available, such as those deal-
ing with communications or the post that we analyzed in Chapter 2. But
the issue of global security does not face the same challenges as building
communication networks or similar endeavors—as we know today very
well. Dealing with war and peace involves very heavy conflicts of interest
among states, precisely because it entails trading with rival sovereignities.
The huge asymmetries of power among states make the kind of simple,
apparently easy conventions such as equal vote and unanimity rule unacceptable for crucial potential participants.

**President Wilson versus the Senate**

Most probably, President Woodrow Wilson believed that he was going to be able to prevent a new world war. After the Great War in 1914–1918, he prophesied that if America did not take its “rightful part” in the organization of peace, another struggle would come “in which not a few hundred thousand fine men from America will have to die [again], but as many millions as are necessary to accomplish the final freedom of the world.” In reality, America did not take its due part and a few years later the Great War began to be known as only the first of the two increasingly lethal world wars.

Wilson, a Democrat, had been the accidental president, as he had won the 1912 election with less than 42 percent of the votes against two major candidates that split the Republican side. He ran successfully for reelection in 1916 under the slogan “He kept us out of war!” Yet, a month after his second inauguration, Wilson called to enter the war because “the world must be made safe for democracy.” In fact, the involvement in the Great War was going to be the first US experience of real foreign policy beyond its borders and disputed frontiers. Greatly as a consequence of Wilson’s breach of his electoral promise, in the following mid-term Congressional election, in November, 1918, the Democrats lost their majorities in the House and the Senate. The election was held just 6 days before the armistice ending the Great War; had the armistice come a few days earlier, the election results might have been different. Instead, the president had to face an unanticipated adverse political majority in Congress.

Wilson went to Paris for the Peace Conference with the other victors of the war, Great Britain and France (which were the greatest colonial powers of the time), and Italy, in January, 1919. Woodrow Wilson is still the only US president who had a PhD degree and the only one who was a professor in political science, at Princeton University. Yet, he was as inexperienced in foreign policy as any other American official. Wilson was the first American president who travelled to Europe while in office. He refused to include any Republican congressman in his delegation and was ready to negotiate the peace treaty by himself, in spite of not having any significant precedent or close reference upon which to rely. He spent six months in Paris, with only one intervening voyage by boat, back and forth, across the Atlantic, which took about ten days each way.

Wilson’s main initiative was a draft covenant for a league of nations, which he conceived as the core of a new international order. The covenant
was especially negotiated with the British and the French governments and it would be included in the peace Treaty of Versailles. Wilson, determined to curb the power of the great European colonial empires and favoring the “self-determination” of the small nations, waved the principle of the equality of nations. Accordingly, he personally introduced the rule of unanimity for both the assembly and the council of the league, which gave de facto equal veto power to every member-state.

Back in the United States, the peace treaty and the covenant for the league had to be ratified by two-thirds of senators. Wilson’s project was clearly supported by 35 “internationalists” and totally rejected by 15 “irreconcilable” senators. In between, 46 mostly Republican senators felt different degrees of reluctance in being involved in a worldwide organization, although most of them were open to negotiate their “reservations.” Wilson’s main opponent was the Senate majority leader and chairman of the Foreign Relations Committee, Republican Henry Cabot Lodge. He had been the first student of Harvard University to graduate with a PhD in political science and had reciprocated sentiments of rivalry with Wilson. Lodge was also known for his ill-temper and sharp tongue and deemed Wilson as hopelessly idealistic.

Lodge’s main reservation regarding the League of Nations’ covenant concerned the provision that all the members of the League would be committed to defend any nation suffering an external aggression. The United States, by virtue of its size and location, was much less likely to suffer from the attack of enemies than many of the other nations, especially in Europe. But that clause implied an obligation with any decision made by the League, which would have purportedly given the US president the capacity to go to war without the approval of the Congress.

Cherishing the covenant for the league as his own triumph in the international arena, Wilson refused to negotiate with the Senate. It is said that he treated his opponents with disdain and contempt—referring, for instance, to his dinner meeting with congressional foreign relations leaders as a “tea with the Mad Hatter.”

Rather than trying to compromise, the president launched a campaign to call on direct support from the public. In September 1919, he initiated a tour all across the country in a seven-car train filled with journalists and secret service agents. The car at the end, the blue-painted Mayflower, boarded the president, his wife, his physician, a maidservant, and a valet. The trip was to wind through the regions with stronger Republican support: the Midwest, the Northwest, down the Pacific Coast, and through the Southwest in 27 days.

On the 22nd day of his campaign, after having covered 9,000 miles in 12 states, having visited 29 cities and delivered 36 speeches in defense
of the League, Woodrow Wilson got news of what seemed like fresh betrayal. His Secretary of State, Robert Lansing, was quoted saying in private: “I consider the League of Nations at present is entirely useless. The great powers have simply gone ahead and arranged the world to suit themselves . . . If the Senate could only understand what this treaty means, and if the American people could really understand, it would unquestionably be defeated.” The presidential train was leaving Pueblo, Colorado, and rolling to the next stop, Wichita, Kansas, when Wilson suffered a massive stroke which left him prostrate and paralyzed the left side of his face. Quickly returning to Washington, he suffered a second and even more serious stroke one week later. Wilson was confined to his bed or wheelchair for the rest of his term. Some of his biographers presume that his physical collapse further clouded his political judgment.

Still, the US Senate achieved having its reservations to the covenant accepted by the British and the French governments. In February 1920, the Senate Foreign Relations Committee approved the treaty with Lodge’s reservations. Had Wilson compromised at this stage, the United States would have ratified the treaty and confirmed its membership to the league. Yet the president, unable to communicate directly with the Senate and transmitting his pronouncements through his wife, refused to compromise. In the plenary session of the Senate, the treaty, with Lodge’s reservations, failed to gain the required two-thirds support. Congress never ratified US entry into the league.

**Broken Unanimities toward Second World War**

The adoption of equal vote for every state and unanimity rule to make decisions in the League of Nations was not controversial. US President Woodrow Wilson chaired the covenant-making committee. He introduced the norm himself, as mentioned, in accordance with his previously announced conditions of peace, which envisioned a general association of nations “to create mutual guarantees of the political independence and territorial integrity of states, large and small equally.” The league was going to have an assembly of all members and a council that would be permanently formed by the victors of First World War, that is, the United States, Great Britain, France, Italy, and Japan, plus five nonpermanent members. (These numbers were later changed to include six permanent members, excluding the United States and adding Germany and the Soviet Union, and up to 11 nonpermanent ones).

As stated by the covenant, except for matters of procedure and admission of new members, “all decisions at any meeting of the Assembly or of the Council shall require the agreement of all the Members of the League
represented at the meeting.” This certainly included any decision regarding war and peace, which was the main issue for which the League was created. The assembly would be able to deal with any matter of substance, even if it had not been taken into consideration by the council.

As suggested above, the adoption of unanimity rule was coherent with the notion of state sovereignty and the principle of equality of nations, as well as with Wilson’s promotion of nations’ self-determination and his aim to curtail the great colonial powers. But it certainly was not an appropriate rule for a more lasting organization pretending to establish enduring peace across the world.

In fact, the only recent precedents to which the covenant-makers of the league could refer to were a few military coalitions, especially the so-called Concert of Europe, which had been established at the downfall of the Napoleonic empire by the Quadruple Alliance, that is, Austria, Prussia, the Russian Empire, and Great Britain. Besides this, it was possible to find some indications on how a worldwide organization could work only in a few bureaus that erected wide-reaching networks of communication. As was discussed, in this type of network consensus emerges easily due to the technical nature of the issue. Actually, the Covenant of the League explicitly mentioned the Universal Postal Union—which we surveyed in Chapter 2—as inspiration for its internal rules, as well as nothing else than the nongovernmental Red Cross for cooperation to mitigate suffering throughout the world. But technical consensus did not emerge as easily, of course, on matters of war and peace.

The requirement to make decisions by unanimity completely paralyzed the action of the League of Nations. The council was expected to convene only annually, but in practice it met about five times a year. Yet, the league failed dramatically in its main objectives. In order to try to reach unanimous agreements, some resolutions desired by a majority of members were watered down or just withdrawn. The aim of disarmament to secure enduring peace was eventually replaced with a policy of “appeasement” of the aggressors. As Germany, Japan, and Italy became to be ruled by national-socialist, military and fascist governments, respectively, all with barely unconcealed aims of external belligerence and territorial expansion, they departed from the league. The exit option spread; in total, 16 members of 63 withdrew. In addition, Communist Soviet Union was expelled for having attacked neighboring land. By late 1939, only two permanent members remained in the council, Great Britain and France. The Second World War had already blown up.

Had the United States ratified the treaty and confirmed its membership to the League, with the acquiescence of a healthier or more alert President Wilson, in 1920, things probably would have been even
worse. As no effective decision could have been made anyway, given the requirement of unanimous agreement, to prevent rearmament, aggression and war, the United States would have been involved in the league’s failure to about the same extent as Great Britain and France were. It can be presumed that in that occurrence the U.S. would have found even more difficulties in entering the Second World War as a kind of external, unscathed rescuer than it actually faced.
CHAPTER 4

A GREAT-POWERS’ DIRECTORATE HAS AVERTED THE THIRD WORLD WAR

The United Nations Organization (UNO), as it currently works, is a global directorate originally shaped as long ago as the mid-twentieth century by the victors of the Second World War. Still now, when the “Big Five”—the United States, Great Britain, Russia, China, and France (in order of appearance on stage)—agree on an issue, they can cooperate and impose a turn of events on the rest of the world. As long as they are in conflict, as they were during the Cold War, most efforts for peace in the world can be jeopardized. But the United Nations has endured largely because, in contrast to its predecessor, the League of Nations, its institutional design has been more effective for preventing a new world war. The United Nations has presided, in fact, over an unusually long period of relative global peace.

Building an effective global organization to avoid war and preserve peace is the most difficult of all endeavors. Although the collective good of peace can certainly provide net benefits to everybody, the level of conflict implied by the issue is, obviously, the maximum it can be attained in human affairs. The international relations regarding security are never symmetrical. Every state, empire, city, or group can be an attacker and a defender regarding others, but there are always enormous differences in military potential between them. The great powers can always be tempted to undertake unilateral initiatives aimed to dominate or exploit weaker or smaller states. That is why the League of Nations, with its egalitarian distribution of power, was not recognized by several crucial states as an appropriate setting for dealing with international conflict. The great powers may accept to join, stay and be loyal to a multilateral institution designed to provide global security only if the institutional rules gives them a sufficiently dominant position to make that temptation
of attacking others unworthy of follow through because it would imply much higher costs and, at the end, similar power.

To remain outside an international organization dealing with war and peace can imply different costs for different actors. For great powers and large or powerful states, unilateral action can be relatively successful, as was the case, for example, of the NATO during the Cold War. Imagine an extreme situation, which exists only in science-fiction tales but can be enlightening. If an all-powerful great power able to dominate the world alone existed, it would expect little benefit from a multilateral institution; only the institutionalization of its own global directorate would be acceptable. Analogously, institutional arrangements for international security are accepted by powerful states and, as a consequence, tend to be durable and effective as far as they reflect the underlying uneven rapport of forces.

The alternatives are different for states heavily deprived of military resources, as they can be defenseless in the face of external attacks from more powerful foes. For relatively small or weak states, it can be beneficial to join any organization able to reduce the likelihood and the costs of being attacked, occupied, or exploited, even if its institutional rules give a dominant position to the great powers and relegate most members to a lesser place. The general benefits paradoxically provided by asymmetrical institutional settings have actually moved virtually all countries of the world to join and remain in the UNO, in spite of the fact that the winners of the Second World War took the initiative, shaped the rules, and keep playing a leading role in it.

The Winners of the War

The United Nations was, first of all, a military alliance. As early as the summer of 1941, after Germany had already invaded Russia, but before the United States had formally entered the war, the United States president, Franklin D. Roosevelt, and the British prime minister, Winston Churchill (whose mother was American), drafted an Atlantic Charter with a pledge to create a “wider and permanent system of general security.” The new organization was intended to replace the fading League of Nations, but, after the failure of the latter, with different rules. The following January, a formal military alliance was created by the two great powers with communist Soviet Union and nationalist China against “the Axis” powers, nazi Germany, fascist Italy and militaristic Japan. In a “Declaration by United Nations” the four signatories, the United States, Great Britain, the Soviet Union, and China, plus the smaller countries that followed pledged adherence to the Atlantic Charter’s principles.
As the tide of the war began to bend on the side of the Allies during 1943, Roosevelt put the State Department, led by Cordell Hull, to work on a plan for the future worldwide organization. The American president openly held that all real decisions would be made by the four great powers, which represented more than three-fourths of the total population of the earth and would be the powers for many years to come “that would have to police the world.” Churchill proposed on his own that the Three Big Powers (without China) form a Supreme World Council. Eventually, Roosevelt and Churchill conceded on creating an Assembly of all states that could meet only once a year, so that the smaller countries, which, in Roosevelt’s words, “should have nothing more dangerous than rifles,” could “blow off stream.”

After American and British troops landed on Normandy and liberated Rome, and while they were still fighting on their way to Paris and to the North of Italy, respectively, a conference of delegates of the great powers gathered in Washington to craft the Charter of the new organization, in August 1944. The Secretary of State, Cordell Hull, wanted to hold the meeting in a nongovernmental building and, at the suggestion of his director of special political affairs, Alger Hiss, who would later be unveiled as a Soviet agent, the place chosen was the Dumbarton Oaks magnificent mansion, in the neighborhood of Georgetown. The estate and gardens had been the property of a couple comprising an American diplomat and an art collector who had ceded the place to Harvard University a few years before. For a few weeks, Dumbarton Oaks ceased to be a scholarly center for Byzantine studies, which it still is, and sheltered no less convoluted negotiations for global peace.

The Soviet delegation, led by the Ambassador in Washington and future minister of Foreign Affairs for several decades, Andrei Gromyko, refused to accept China as a peer. Thus, the United States and British delegations, led by Assistant Secretary of State Edward Stettinius and Ambassador Lord Halifax, respectively, held two rounds of negotiations, first with the Soviets for five weeks, and later with the Chinese for just a week. The Chinese were given high pomp and ceremony at the Renaissance style music room, but basically acquiesced to the previously reached deals. The other dozen states in alliance against the Axis were not invited. The most consequential decision was that the four great powers would be permanent members of the United Nations Council and decide by unanimity among them, as they would have veto on most matters. They also settled on including in the Council six nonpermanent members for two-year terms, with no veto power, and on an Assembly to offer voice and nonbinding vote to the other member states.
Once the Soviet army had won the main battles in Russia and was advancing from Poland to within the borders of Germany, Roosevelt, Churchill, and the Soviet chairman Josef Stalin gathered in the former Russian tsar’s palace of Yalta, in the Crimean peninsula, on February 3, 1945. The three self-appointed rulers of the world confirmed the formation of a great-power directorate. The great powers would be permanent members of the Council. At Soviet insistence, they would have veto power on “substantive” matters, even regarding conflicts in which any of them were involved. The following month, all the states which had subscribed to the United Nations Declaration were invited to the foundational conference of the subsequent organization.

**Big Three Plus Two**

Why China became a permanent member of the United Nations Security Council (UNSC) with veto power can be explained only by US President Roosevelt’s strategy and insistence. After Japan’s attack on Pearl Harbor, which triggered the US declaration of war, the American president envisaged a sturdy alliance with China to face and deter further Japanese militaristic revivals. Yet, as a British diplomat stated, “We had to imagine that China was a world power in order to please president Roosevelt.”

In fact, the real developments did not fulfill the American president’s expectations. In the United Nations inaugural conference, the Chinese delegation was led by the nationalists, but also included communists. Even a future president of communist China, Tung Pi-wu, was among the signatories of the UN Charter. Four years later, the communists lead by Mao Zedong took over power and the nationalists guided by Chiang Kai-shek were expelled to the island of Taiwan, where they set up an alternative government. The candidacy of the communist-dominated People’s Republic of China to United Nations’ membership and the permanent seat in the Security Council at the expense of the Republic of China in Taiwan was supported by the Soviet Union and repeatedly voted in both the General Assembly and the Council during the following two decades. Nationalist China, nevertheless, kept the position, although it did not chair the Security Council when it was its rotating turn. Meanwhile, the United States developed its major alliance in Asia with Japan, which had become a democratic, capitalist, and strongly western-oriented country.

Finally, the General Assembly approved the replacement by the People’s Republic of China of the seat that the nationalists “unlawfully occupy,” in October 1971. A few months later, the US President, Richard Nixon, surprisingly travelled to communist China in an operation envisioning to
make—again—China an ally, this time against the new common rival, the Soviet Union.

Why France also became a permanent member of the Security Council with veto power was still chancier. France had been largely occupied by the German army and had held a “collaborationist” domestic government led by Marshal Philippe Pétain during all the war. Just for comparison, Italy, for instance, which, like France, had been a permanent member of the Council of the League of Nations, had a similar record. But when the French government capitulated to Germany in 1940, General Charles De Gaulle escaped to London, proclaimed that he assumed France, called for resistance, and eventually organized a provisional French government in exile, while the Italian antifascist resistance was organized from inside the country.

At the very moment that American and British troops were landing on the northern coast of France, De Gaulle travelled to Washington to meet president Roosevelt. After a first encounter in Casablanca a year and a half before, Roosevelt had been left with the impression that De Gaulle was “a prima donna” who “thought to be Jeanne d’Arc,” he was “devour of ambition and having of democracy a rather suspect notion…he’s crazy!.” The French general, in turn, was of the opinion that the flamboyant American president was a “vedette” who “disliked sharing the spotlight; he had difficulties in setting along with anyone . . . who was also a star.” As recorded in De Gaulle’s memoirs, president Roosevelt told him in the White House that “a fourth-fold directorate: America, Soviet Russia, China and Great Britain, will rule the problems of the universe.” Only as a complement, “a parliament of the united nations will give the power of the ‘four grands’ a democratic appearance.” Accordingly, France was not invited to the Dumbarton Oaks conference which opened a few weeks later. Yet, De Gaulle managed to arrive on time at the liberation of Paris and to parade, majestic and victorious, alongside the Allied and French troops through the Champs Elysées, while the four powers were still having sessions at the mansion in Georgetown.

It was Great Britain that pressured to include France among the victors in Europe. Winston Churchill feared that the American troops would return home after a couple of years of occupying Germany and it would not remain a strong country on the map between Britain and Russia. France appeared as the only candidate in continental Europe that could be festooned as a “winner” of the war. The Britons were also interested in keeping or being returned some of their colonies in Africa and Asia and sought the complicity of the other great colonial power, France, for similar endeavor. So Churchill got Roosevelt to agree that France would be assigned a permanent seat at the Security Council and, like the other
Big Three, an occupation zone in Germany (carved out of the United States and British zones along the Rhine river) and a sector of divided Berlin. Stalin conceded in implicit exchange for end to the discussion of the Soviet annexation of Eastern Polish territories.

In contrast to France’s vicissitudes, in Italy the Fascist dictator Mussolini was still alive and kicking at the time of the Yalta conference. With delayed liberation, the Italian resistance’s new government could not even make it for the inaugural conference of the United Nations. Actually the UN membership of Italy was repeatedly vetoed and was not approved until ten years later, at the same time as those of, among others, dictatorial Spain and Portugal.

Some other candidates to join the directorate or at least the arrangements for the great powers’ spheres of influence were also considered. The US president insisted on proposing Brazil as a permanent member of the Security Council on the basis of the great size of the country and its contribution in troops against the Axis. Brazil had withdrawn from the League of Nations precisely for having been denied a permanent council seat. However, the Brazilian candidacy was rejected by the British for fear that it would become an anticolonial force and by the Soviets for its pro-Western orientation.

Churchill also tried to introduce the Catholic Church. The Pope, Pius XII, had been wary of taking sides between the Axis and the Allies. The British prime minister feared that the Soviet ambition to control “catholic Poland” could further alienate him. In a meeting with Stalin, Churchill warned that certain developments in Poland could “complicate our [the great powers’] relations with the Vatican.” But, as reported by the Russian interpreter, Stalin famously cancelled the discussion with the question, “And how many divisions does the pope have?”

The Great Powers’ Veto

The current institutional design of the UNO can be explained by the breach between winners and losers in the Second World War, 70 or so years ago, as well as by the enormous differences in military strength between states in the current world. At the end of the Second World War, the four great powers, aware of their dominant position, invited 45 of the 72 recognized states of the moment to a conference in San Francisco, California, in April 1945, to set up the UNO on the basis of the agreements in Dumbarton Oaks and the Yalta meeting. Excluded were Germany, Japan, Italy and their accomplices, and extant allies.

During the course of two months, about 3,500 delegates and staff, surrounded by about 2,500 journalists and observers, discussed the Charter
of the new organization in the rooms of the city’s Opera House. Both the plenary meetings and the four commissions dealing, respectively, with general purposes, the Security Council, the General Assembly, and the International Court, were chaired by delegates of the four great powers. The above-mentioned American diplomat Alger Hiss was the secretary general of the conference. In the evenings, the delegates of the United States, Stettinius, then secretary of State, the Soviet Union, Vyacheslav Molotov and Gromyko, Great Britain, Anthony Eden and Halifax, and China, Wellington Koo, met privately to agree on how to respond to the numerous amendments to the draft introduced by the other participants.

The requirement of unanimous agreement by all members to make substantive decisions had been completely discarded. The General Assembly of the United Nations would be formed by all members with equal vote per state. But it would be able to make only nonbinding “recommendations” by a qualified-majority of two-thirds with respect to the maintenance of international peace and security, as well as to approve the organization’s budget and the admission of new members. The General Assembly would not be able to deal with matters of substance previously included in the agenda of the Security Council.

The Security Council, in contrast, would be formed by a few permanent and nonpermanent members. The permanent seats would be for the alleged victors of the Second World War, that is, the United States, Great Britain, the Soviet Union, China, and France. Six nonpermanent members (ten since 1963) would be selected from five different regions of the world. The Security Council would have “primary responsibility” for the maintenance of international peace and security and would act on behalf of all the United Nations. The Council could recommend peaceful action to states in rising conflict, but it could also take military action by mobilizing UN member states’ armed forces.

In contrast to the unanimity requirement in the League of Nations, the Council decisions could be made by qualified-majority rule. But as specified in a “Statement by the Delegations of the Four Sponsoring Governments on Voting Procedure in the Security Council,” “If a majority voting in the Security Council is to be made possible [sic], the only practicable [sic] method is to provide, in respect of nonprocedural decisions, for unanimity of the permanent members plus the concurring votes of at least two of the non-permanent members.” (The rule was changed to five permanent members plus four nonpermanent members when the Council membership was increased).

One of the British delegates at the San Francisco conference, Alexander Cadogan, permanent Undersecretary of the Foreign Office, anticipated
that regarding the voting rules in the Council: “We shall have the little fellows yapping at our heels, and it won’t be too easy. Of course one could crack the whip at them and say that if they don’t like our proposals there just damned well won’t be any World Organization.”

But the job was finally done by the US senator for Texas and chairman of the Senate committee on Foreign Relations, Tom Connally, who was a member of the commission on the Security Council in the conference. In his memoirs, Connally echoed the debates in the US Senate regarding the League of Nations and the troubles of his predecessor Cabot Lodge 25 years before. He remarked that if the United States would not have the veto power, “the majority of U.N. members—who were little countries—could vote us into a war we didn’t want. . . . I was also aware that the Senate would never agree to a document that let other nations decide when the United States should go to war.”

According to his own record, the issue was settled the following way:

The little nations at San Francisco, of course, were violently against the veto. . . . After [Australian Foreign minister H.V.] Evatt, [New Zealand prime minister Peter] Fraser and other delegates from the smaller countries had their long repetitious say in opposition to the veto, I finally pressed for action and the close of debate. Surprisingly, my motion carried. Then standing before the assembled delegates with a copy of the charter draft in my hands, I made the final plea. You may go home from San Francisco, if you wish’, I cautioned the delegates, “and report that you have defeated the veto. Yes”, I went on, “you can say you defeated the veto. . . . But you can also say, ‘We tore up the charter!’” At that point I sweepingly ripped the charter draft in my hands to shreds and flung the scraps with disgust on the table. The delegates fell silent, while I started belligerently at one face after another. Then a long moment of uneasiness descended on the gathering and the vote followed. I won, but not by more than a few votes. My action had proved effective in bringing home to the delegates the danger of prohibiting the veto.

Thus, the ensuing article in the United Nations Charter stated: “Each member of the Security Council shall have one vote. . . . Decisions of the Security Council on all other [non-procedural] matters shall be made by an affirmative vote of seven members including the concurring votes of the permanent members.”

One month later, in dramatic contrast with the voting on the League at the end of the previous world war, the US Senate ratified the Charter by 89 votes to 2 and the United States became a prominent member of the UNO.
Cold War and Hot Peace

The five-great powers’ directorate in the United Nations can control the world on issues of peace and security as long as there is sufficient agreement among them. This was the case when, in spite of their differences and conflicting interests, they had a common enemy during the Second World War. Soon after the Axis was wrecked, a major line of conflict was drawn between the United States and the Soviet Union, which seriously blocked the United Nations Security Council’s capability to make decisions.

But the veto power of the Big Five was instrumental to prevent a new world war. If the Security Council would have been able to make decisions by majority without such a veto device, it is highly likely that, during the Cold War period, some resolutions would have been approved against one or more of the great powers.

During the more than 40 years of the Cold War between the two greatest powers, the United Nations was in low form. About six Security Council resolutions per year were vetoed, on average, by some permanent member; in total, there were 279 vetoes on 67 different issues (the most conflictive issues being related to colonialism and to the Israel–Palestine conflict). A sizeable number of vetoes were made by the Soviet Union, especially during the first two decades. The United States largely used the so-called “hidden veto” by getting sufficient support from certain nonpermanent members to defeat the required majority, but it also cast a considerable number of “non-hidden” vetoes, especially during the 1980s.

The low performance of the Security Council in making binding decisions indirectly gave temporary hustle to the General Assembly, which multiplied the number of its nonprocedural recommendations by three between the late 1940s and the 1980s. Since the period in the 1960s and 1970s in which many former colonies became independent states and new U.N. members, the General Assembly, on the basis of the rule giving every state equal vote, can form a two-thirds majority with states gathering only 10 percent of the world population (and less than 2 percent of gross world product).

This kind of result again moved, as in past eras, the great powers to seek outside options. Military operations were mainly organized by regional alliances of countries with more compatible preferences, especially the North Atlantic Treaty Organization and the Warsaw Pact, “coalitions of the willing” and unilateral actions. Specifically, the old colonial powers, Great Britain and France, intervened in Suez in Egypt (1956); the United States unilaterally fought in Korea (1950–1953) and

The workings of the Security Council have noticeably changed since the end of the Cold War, the dissolution of the Soviet Union and its replacement with the Russian Federation, as these events brought about many more opportunities for substantial agreements among the five permanent members. In the following period, the average number of vetoes per year in the Security Council decreased from about six to less than one. The number of binding resolutions per year under Chapter VII of the U.N. Charter, which regulates “Action with Respect to Threats to the Peace, Breaches of the Peace, and Acts of Aggression” was multiplied by more than thirty (from about one every two years to about 15 per year). While NATO operated in Kosovo and Serbia (1999) and Afghanistan (2001–2014) and the United States unilaterally recruited allies only on Iraq (2003–2011), United Nations-backed military expeditions were sent to Kuwait and Iraq (1990), Somalia (1990), and Libya (2011). The General Assembly, in spite of its limited role, has still increased its activity: it has doubled the average number of annual resolutions approved (from 157 during the Cold War to 291 afterwards) and it has substantially enlarged the agenda, in recent times especially with issues related to human rights.

In the last few decades, the number of United Nations peacekeeping missions per year has multiplied by 12: during the Cold War years, 1946–1989, there was one about every three years, while from 1990 on there are about four new ones per year, with up to 16 set up at the same time. Since the adoption of the “Responsibility to Protect” doctrine by the General Assembly in 2005, peacekeeping missions to protect civilians from atrocities have been sent to the most difficult conflicts. Recent major operations include Darfur, with over 24,000 U.N. personnel since 2007; Congo, with more than 25,000 since 2010; Sudan and South Sudan with more than 15,000 since 2011; and Mali, with more than 6,000 since 2013. The total number of officers and soldiers with the iconic “blue helmets” deployed all across the world in peace-making and peacekeeping missions under the cover of the United Nations has increased from about 13,000 to near 125,000 at any given moment.

Meanwhile, virtually every new country of the world has wanted to enter the United Nations Organization, its membership having increased from 51 countries at the moment of its foundation in 1945, to 194 countries since 2013. During the 1980s, the United States, the Soviet Union,
and China repeatedly delayed paying their contributions to the U.N. (although a country could lose its vote in the General Assembly if the amount due overpasses the contributions of two years). But, in contrast to the League of Nations, almost no member state has ever withdrawn from the United Nations. (The only exception is Indonesia, which withdrew for 20 months in 1965–66, its absence being registered as a “cessation of cooperation.”)

In the most recent period, the number of military conflicts and the number of casualties in the world has remarkably decreased. The path toward increasingly frequent and lethal interstate wars, which was sustained during 300 years and culminated in the massacres of the two world wars, was finally closed. Territorial and border disputes between “sovereign” states, which were the major source of war from the time of the Westphalia treaty in the mid-seventeenth century to the end of the Cold War, have been replaced with relatively much less violent and sparse civil wars, guerrilla fights, and terrorist attacks.

Many decades after the creation of the UNO, the colonial empires have disappeared and many new countries have been created; some alternative large powers have emerged; the rapport of forces among the Big Five has changed; some of them are now less “big” than other states not formally included in the Security Council directorate. Consequently, multiple reforms have been proposed, especially regarding other permanent and veto-holding potential members. Yet, while the five permanent members of the Security Council count nowadays for only 2 percent of the member states of the United Nations, they still gather about 27 percent of the world population, about 45 percent of the gross world product, and more than 60 percent of the world military expenditure. The five also contribute to about 40 percent of the UN operating budget (as the ceiling for a country out of total budget was lowered in 2000 from 25 percent to 22 percent, which is what the United States is paying nowadays).

*    *    *

The endurance of the selection of veto powers and decision rules of the United Nations established by the winners of the Second World War somehow reflects their own long-term relative success. Even if the economic or military relations of forces change over time, the composition of a global directorate can be difficult to change in the absence of a new major conflict. The fact is that, despite all of its failures, the United Nations system has succeeded, in contrast to its predecessors, in preventing a new world war. The atomic bomb guarantee that a new global conflict would lead to mutual destruction became the crucial arm for
mutual dissuasion. Many local conflicts geared up with respect to the polarizing global scene. But the decision rules of the Security Council thwarted a direct conflict between the greatest nuclear powers. The Cold War eventually melted and opened a new period of higher multilateral cooperation. On the basis of the decision rules enforced since its foundation, when the five alleged victors of the Second World War agree on a decision they still have almost absolute power to impose it.
CHAPTER 5

WEIGHTS AND COALITIONS FOR
FINANCE AND DEVELOPMENT

Had the International Monetary Fund (IMF) and the World Bank (WB) been organized as the United Nations agencies they officially are, international monetary instability would probably be higher than it is and there would be more poverty in the current world. Monetary, financial, and economic issues require specific types of institutional decision-making rules, which do not fit typical UN formulas, whether those based on equal vote for every state or those establishing a great powers’ directorate. Financial stability, fair international trade, and general economic development, are global goods that can grant benefits to everybody. But they also involve some asymmetry and conflict of interests. Worldwide financial regulations, for example, can reduce market instability and favor ordered and potentially beneficial capital investments across state borders. But investors and consumers, as well as debtors and creditors, may be willing to pay different costs for making that collective good feasible.

Many global institutions dealing with economic and social issues, including agriculture, industry, tourism, labor, education, health, finance, trade, or development, work not with formulas giving equal vote to every sovereign state, but with formulas such as territorial rotation of countries or weighted votes depending on the country’s interest on the issue or its contribution to the organization. As the institutional setting can be a compromise among states with different preferences and availability of resources, it may not be completely satisfactory for any of them, even if the institution is durable and relatively effective. Internal discussion among members regarding decision-making rules and periodic attempts to revise them when their relative economic positions seem to have been altered can be an enduring feature of this type of organization, as is still the case, in particular, of the WB and the IMF. But under these types of rules,
many decisions can be made by broad consensus after long deliberations and exchanges.

**Replacing the Pound with the Dollar**

The institutional design of two major global organizations dealing with economic issues, the IMF and the WB, was relatively fortunate because it was shaped before the United Nations Organization was set up. Just a few weeks after the Allied troops landed in Normandy, and anticipating the Allies’ victory, the American and the British governments invited 44 countries to a conference to create “an International Monetary Fund and possibly [sic] a Bank for Reconstruction and Development.” The conference was held in Bretton Woods, New Hampshire, in July 1944, one month before the great powers gathered in Dumbarton Oaks to agree on the rules for the United Nations, and almost a year before the UNO was in fact created. This serendipitous circumstance made the designers of the Bretton Woods institutions able to adopt innovative rules that have proven to be more appropriate for the issues of global monetary stability and economic development than standard United Nations’ formulas.

Through their early process, the makers of the IMF and the WB were able to break new ground. They set up relatively complex structures in which the traditional principle of equal vote for every member state was discarded. It was established that, in accordance with their higher availability of monetary and financial assets, the United States and other great powers would have major institutional positions. But, in contrast to the ways in which the UNSC would deal with security issues, all the member states would also have the opportunity to participate in collective decision-making in proportion to their resources and the benefits they could expect from the organization.

The United States treasury department and the Great Britain Ministry of Finance had thoroughly prepared the rules for the new institutions. The Great Depression preceding the Second World War was greatly attributed to the collapse of the gold standard and the subsequent competitive devaluations and currency wars among the larger economies, as well as to the barriers to international trade and investments that had been introduced by most states. The intention was, thus, to establish the conditions for stable exchange rates among currencies, as well as for free trade and open mobility of capitals, which should in turn favor general economic prosperity and international peace.

The United States had an extraordinarily advantageous negotiating position for such an endeavor. As a consequence of the First World War, which was basically a European one, much of the gold that was used as the
standard for currency exchange rates had been transferred to the United States. During the years of the Second World War, the United States owned nearly 80 percent of the world’s estimated stocks in monetary gold (about 22 billion out of 28 billion). At the same time, Great Britain, which was still the greatest colonial and imperial power, had been badly damaged by the two wars and desperately needed a large loan or grant for reconstruction. While the United States had become the world’s largest creditor, Great Britain would be demoted to the world’s largest debtor.

The aim of the US administration, led by Treasury Secretary, Henry Morgenthau, was to establish a new world economic order in which the American dollar would replace the British sterling pound as the worldwide convertible currency. Also, markets would be open at the expense of traditional spheres of influence of the other great powers, especially the British “imperial trade preference” that implied privileged access to markets in its colonies.

Yet, in contrast to the decisive weight that the military resources of the most powerful countries could have in preventing any new attempt of aggression or conquest, the monetary and financial project could not be successfully imposed by unilateral action of the United States or a few great powers. The objective of global currency convertibility and open trade required broad multilateral cooperation, that is, the agreement and commitment of most countries of the world.

The first proposal for the new organizations was drawn by the US Treasury’s official in charge of international matters, Harry Dexter White. The American plan intended to mobilize capital for economic reconstruction and recovery, but its main goal was to achieve monetary stability to foster international trade and investments. In parallel, the British government presented a plan drawn by the world’s most famous and prestigious economist of the moment, John Maynard Keynes, also a Lord and a Director of the Bank of England. In order to prevent the dominance of the dollar, Keynes proposed to create a new international reference currency, which he would call “bancor” (from French “bank gold”). But he gave priority to the creation of a kind of global central bank of state central banks in order to help debtor countries, including the United Kingdom in particular. In addition, Keynes’ advice for exiting the Great Depression required a broad use of the states’ sovereignty for shaping fiscal and monetary policy, a path that would most likely also entail import tariffs and blocks on foreign investments. White and Keynes were, thus, two very different personalities representing highly disharmonious interests. They managed, nevertheless, to issue a “Joint Statement of Experts” in April 1943, which would be the basis for the meeting in Bretton Woods.
The Bretton Woods Conference

The officially named “United Nations Monetary and Financial Conference” brought together about 730 delegates during the first three weeks of July 1944. They joined up at the Mount Washington Hotel, in Bretton Woods, in the remote mountains of New Hampshire, at John M. Keynes’ demand to stay away from the Washington summer, which was “much too hot for white men,” in his words, before air conditioning was a regular device. The United States, as the host country and sponsor of the basic proposal, provided not only the resort for the meeting, but also all members of the conference secretariat. The US delegation also deployed the largest technical staff, while Harry D. White chaired Commission One on the Fund. Keynes chaired Commission Two on the Bank, and the Mexican Eduardo Suarez, Commission Three on “other means of international financial cooperation.”

In spite of the demise of the gold standard, the Joint Statement indicated that, in the future, the par value of a country’s currency would be expressed “in terms of gold.” Yet, at the conference, White submitted an amendment which added “or in terms of a gold-convertible currency.” Given the hoarding of gold in the United States, the US dollar was the only international currency with some degree of convertibility into gold; the amendment meant that in practice all currencies would be based on the US dollar and only indirectly in gold. After receiving some surprised and negative reactions, White sent the issue to a drafting committee, composed entirely of American officers, who finally settled on the phrasing that all currencies would be expressed “in terms of gold as a common denominator or in terms of the United States dollar.” As related by historian Benn Steil: “White never submitted the changes for consideration in Commission One, yet they would become an important part of the IMF Articles of Agreement [or charter]. Keynes would only discover them after his departure from Bretton Woods.”

Just as controversial were the organizational formulas for the IMF and the WB. As regulated by their “Articles of Agreement,” the two institutions would have the same basic structure. First, a Board of Governors would be formed by representatives of all member states, typically ministers of finance or governors of central banks, which would meet only once a year. Many decision-powers would be delegated to the smaller Board of Executive Directors or Executive Board, which would become the most important body. The composition of the Executive Board, its functions, the votes of its members, their organizational status, and the frequency of its meetings were the subject of heated argument.
The first American plan would have allocated to each country a quota for drawing rights and votes in the boards based on the amount of gold and reserves a member contributed to the Fund and subscribed to the Bank. This, of course, would have given the United States a strongly dominant position, but it could have jeopardized the acquiescence of most other countries. The British proposal, in contrast, would allocate quotas on the basis of each country’s contribution to world trade before the war (from when the most recent statistical data were available), which would have given imperial Great Britain 50 percent more votes than the United States. As presented by Keynes, the proposal also included self-protecting, explicit veto power to the United States and Great Britain during the first five years of the new organizations. Other countries proposed quotas based on population, gold production (not holdings), war damage, or other criteria unevenly distributed.

It is remarkable that neither the traditional formula of equal vote to every country, like in the UN General Assembly, which would have favored debtors over creditors, nor explicit veto rights to the great powers, as in the United Nations Security Council, was chosen. The actual allocation of quotas in the IMF and the WB was going to be weighted and relatively balanced. The distribution was decided before the conference by the US delegation on the basis of subjective expectations about the great powers’ relative muscle at the end of the war. As estimated by Harry D. White, “No combination of powers outside these four [the United States, Great Britain, the Soviet Union and China] would have the slightest chance of victory against them.” So the initial allocation of weighted votes was decided and imposed without permitting discussion to the other conference participants.

As related by his technical author, Raymond F. Mikesell, in mid-April 1943,

White called me to his office and asked that I prepare a formula for the ISF [International Stabilization Fund, later IMF] quotas that would be based on the members’ gold and dollar holdings, national incomes, and foreign trade. He gave no instructions on the weights to be used, but I was to give the United States a quota of approximately $2.9 billion; the United Kingdom (including its colonies), about half the U.S. quota; the Soviet Union, an amount just under that of the United Kingdom; and China, somewhat less. He also wanted the total of the quotas to be about $10 billion. White’s major concern was that our military allies (President Roosevelt’s Big Four) should have the largest quotas, with a ranking on which the president and the secretary of state had agreed. I was surprised that White did not mention France, which was usually regarded as being
third in economic importance among the Allied powers. He said he did not care where France ranked, and its ranking did not need to be an objective in the exercise.

Mikesell went through dozens of trials, using indirect estimates and extrapolations of prewar data and introducing different weights and combinations of variables, although he had to increase China’s quota and reduce France’s quota somewhat arbitrarily to fulfill the instructions.

In Bretton Woods, the Committee on Quotas was chaired by another American official, Frederick M. Vinson (future secretary of the Treasury after Morgenthau). Most delegates strongly objected to the quotas for their countries, but only a few, those from Australia, Brazil, India and Burma, and the Soviet Union, got to have them raised, while the French one was lowered even further. The chief of the French delegation, Pierre Mendes-France (future prime minister) directly faced, in rage, US secretary Morgenthau to ask about the method of quota determination, but to no avail. Most European countries, including France, were still under German occupation and were represented at the conference by governments in exile, which carried little authority. As summarized by Mikesell, “White and his staff used an arbitrarily determined procedure to produce the recommended quotas and then tried to keep the formula from most of the delegates.”

In the boards of both the IMF and the WB, the four great powers, that is, the United States, Great Britain, the Soviet Union, and China, would have a single, permanent seat each. The other countries would have to form coalitions, called “constituencies,” to get seats by aggregating weighted votes based on their quotas.

Most decisions would be made by qualified majorities. But even broader consensus should prevail. As would be coined by Harry D. White and included in the “By-Laws Rules and Regulations” of the two organizations, in any meeting of the Board of Governors or the Executive Board, as well as in those of committees and subcommittees, “the Chairman shall ordinarily ascertain the sense of the meeting in lieu of a formal vote.”

The founding Acts of the two new organizations were ratified by the United States Senate by a solid majority of 61 to 16 votes on July 19, 1945, the week before the Charter for the UNO was also ratified. Twenty-nine countries had ratified the Bretton Woods agreements at the end of 1945. The Soviet Union, in spite of its participation in the Bretton Woods conference, never ratified the Acts, as they were ultimately considered a new instrument of the capitalist enemy and unable to give the USSR any financial help. Immediately after the British House of Lords, through winning significant resistance, voted in favor of the Acts, the United
States approved—in expected side-payment—a loan to insolvent Great Britain for 3.75 billion dollars, with a low interest rate of 2 percent over a long period of 50 years. Churchill would soon comment, nevertheless, that “the British Empire seems to be running off almost as fast as the American loan.”

More relevant decisions were still made at the initial meetings of the two boards of the Fund and the Bank in Savannah, Georgia, in March 1946, which would be reflected in the By-Laws Rules and Regulations of the organizations. Against the opinion of Keynes and the British government, none of the two organizations’ headquarters was established in London, nor even in New York, which would have entailed more distance from the US government offices and more closeness to the United Nations, but in Washington, just walking distance from the White House and Capitol Hill. The Executive Directors would not be state officials meeting a few times a year, but qualified experts with permanent residence and very high salaries working in continuous session. The Fund and the Bank would not be just secretariats with a few dozen staff, but they would recruit hundreds of technicians on a permanent basis. In Mikesell’s words, as the founding charters had been ratified, “the United States delegation saw no further need for careful negotiations to take into account the interests and sensibilities of the other delegations. The decisions already made in Washington were adopted in Savannah.”

At the beginning of the process of institutional design of the future financial bodies, the British prime minister, Winston Churchill, had dismissed the worry as “hypothetical post-war problems in the middle of a struggle.” But Lord Keynes, concerned with the fading of the world British dominance in favor of the United States, was intensely implicated in devising and negotiating the new institutions and was badly defeated on all major issues. One night during the Bretton Woods conference, Keynes, after dining with Secretary Morgenthau, suffered a heart attack. Some German newspapers even published his premature obituary. A year and a half later, in the train in which he was leaving the Savannah meeting, which he described as “absolute hell,” Keynes suffered another, more serious stroke. Four weeks later, back in London, he had still another heart attack and passed away.

From Irrelevance to Overcommitment

As soon as the United Nations Organization was created, it tried to subordinate some previously existing organizations to its system of agencies. The United Nations achieved deals with entities such as the World Health Organization (WHO) (which had been created in 1919),
the International Labor Organization (ILO) (founded in 1907), and the Food and Agriculture Organization (FAO) (just set up in 1943). But the IMF and the WB had their own financial sources and stalled. After prolonged negotiations, a formal agreement was reached in November 1947, by which the Fund and the Bank were officially made “specialized agencies.”

Yet the agreement affirmed that “the Fund is, and is required to function as, an independent international organization.” The author of the draft, Richard Demuth, later remarked that it was more a declaration of the Bank and Fund independence from the United Nations than of cooperation with it. In practice, the agreement required the two institutions to report annually to the United Nations Economic and Social Council, which gives its members equal vote (without vetoes or weighted votes). The different internal governance structures of the Bretton Woods institutions gave them a special status of great autonomy regarding the UN system, which has helped them enormously to adapt to different circumstances and tasks over long decades.

In an IMF-sponsored study in the late 1990s, the General Counsel and Director of the Legal Department of the Fund, Francois Gianvitti, made clear that “the expression ‘specialized agency’ does not mean that the IMF is an agency of the UN Organization in the sense that it would be subordinate to that organization.” Still more explicit remarks can be found in internal instructions of the Bank and the Fund to their own staff. For example, in a private “Note by the General Counsel” addressed to the members of the Executive Board of the IMF in 2003, it was stated that “expressions such as ‘the Fund is a UN agency’ or ‘is a specialized agency of the UN’ are totally incorrect.” The General Counsel warned the staff that “no resolution of the UN Security Council could be binding on the Fund (Bank).”

The institutional autonomy achieved by the Bretton Woods institutions has permitted them to adapt to big changes in the global economic landscape. The two institutions—sometimes called “the Nineteenth Street twins”—are strongly linked, as any country’s membership in one of them implies membership in the other. (There is even a system of underground corridors in downtown Washington for the officers and staff of the Fund and the Bank to access each other’s buildings without having to cross Nineteenth Street).

Nevertheless, the two institutions have followed different paths. The role of the officially called International Bank for Reconstruction and Development (IBRD) in rebuilding postwar Europe was, in fact, largely replaced by the US sponsored Marshall Plan, which distributed 50 percent more funds than the Bank resources. But since the 1960s,
the Bank began to expand its activities, especially to promote development in poor countries, for which it had to create two new branches, the International Finance Corporation (IFC) and the International Development Association (IDA). The subsequent World Bank Group has expanded the recipients of its loans from governments to private investors that may not even have state guarantees. Its consulting job includes almost every imaginable issue that can be related to development, from environment to gender, from institution-building to poverty.

The performance of the IMF would have also disappointed some founders’ expectations for a long while. In fact, most European states did not make their currencies really convertible until 15 years after the creation of the Fund. Furthermore, the dollar-dominated monetary system devised in Bretton Woods collapsed in the early 1970s. By that time, the United States affronted increasing external balance deficits (as well as domestic ones, partly generated by spending on the Vietnam War), which required issuing dollars up to the point that they could not match its big reserves in gold. The US government, unable to maintain the gold-convertibility of the dollar and banned from devaluating its currency by the very same foundational agreement that it had mainly designed almost 30 years before, chose to leave the gold standard and declare the dollar nonconvertible in August 1971. Two years later, the pegged exchange rates of currencies were abandoned.

At that point, the IMF in charge of supervising the stability of exchange rates lost its foundational mission. A new basket of currencies, including the American dollar, the British sterling pound, the Japanese yen, the German marc, and the French franc (the latter two eventually replaced with the euro), was used to establish the value of the Special Drawing Rights (SDR) as a new standard for convertibility of other currencies, but it was scarcely used for a long time. Inflation was widespread in the following years. At some moments, the Fund was considered irrelevant and there were even calls for its dissolution.

Yet in the 1980s and 1990s, the IMF coordinated global responses to public debt crises, especially in Mexico, Brazil, and Argentina. The IMF also provided financial support and conditional policy advice to Russia and East European countries in their transitions from communism to market-driven systems, as well as to South Korea, Indonesia, and Thailand in financial turmoil. After the fall of communist regimes in Eastern Europe, about 30 new countries entered the IMF and the WB, whose membership closely matched the near-universal one of the United Nations for first time.

The international financial and economic crisis that exploded in 2008 gave the Bretton Woods institutions a new, even more prominent role
in the governance of the world. The Fund has expanded its initial mission of supervising monetary stability to the role of lender of last resort, which involves strong conditionality not only on monetary policy but also on fiscal, labor, social, and other policies by the states. Some voices have even alerted the Fund from being excessively implicated in missions that it does not control, as happened with its collaboration with the European Union regarding the financial crises in Greece, Portugal, and other peripheral countries in Europe.

The WB currently employs more than 10,000 people of which about 7,000 work in its headquarters in Washington, while the IMF has about 2,500 employees, half of them economists. Upon a decision from the G-20, the lending resources of the institutions were increased up to $750 billion for the Fund and $500 billion for the Bank in 2010, amounting in total to about 2 percent of the gross world’s product. The Bank has developed 11,735 projects in 172 countries, while the Fund has given credit to 150 countries at least once, up to 2013. Each of the two institutions regularly releases several dozen billion dollars every year in loans and investments, moving, in total, more financial resources than all but two dozen states and more than half of all states of the world combined. The high number and variety of activities of the Bretton Woods institutions have raised the specter that they can face higher risks of failure and subsequent challenges to their legitimacy; that is, they are sometimes questioned not for doing little, like in the past, but for doing too much.

All along these trajectories, the basic internal rules have remained the same, although flexible adjustments have been adopted. The distribution of quotas of the IMF and the WB among countries has been revised about every five years. The most recent quota formula is based on the country’s GDP (with a 50% weight in the formula), external openness (30%), economic variability (15%), and monetary reserves (5%), but a “compression” factor permits significant adjustments of the subsequent values without reference to strict economic criteria.

For many years, out of the 24 Executive Directors in the Fund and the 25 in the Bank, 5 have been appointed by the great powers: the United States, Great Britain, and France, as well as two losers of the Second World War that joined the institutions later on, Germany and Japan. Three more countries have usually elected their own executive directors by themselves: China, Russia, and Saudi Arabia. In five more “constituencies” a single country has recently enjoyed an absolute majority of votes: Brazil, Canada, India, Italy, and Switzerland. So in practice, out of 187 country members, 13 countries encompassing more than 50 percent of the world’s population and more than 75 percent of the world’s GDP
appoint or elect their own executive director and together hold about 57 percent of total weighted votes.

At the beginning, it was established that many decisions would be made by simple majority of weighted votes. But the number of decisions for which special majorities are required has increased, while the variety of qualified-majority rules (which in the past included 2/3, 3/4, and 4/5) has been simplified. There are now two highly qualified requirements: 70 percent for many financial and operational decisions and 85 percent for major decisions, including those dealing with special drawing rights, changes of quotas, changes of the number of Executive Directors, and other statutory matters. Changes in the Articles of Agreement require a double qualified majority of 60 percent of members and 85 percent of votes based on quotas.

Thus, a relatively large majority of countries may not be able to impose a decision on the great powers, but the great powers may also need broad support from many countries to approve decisions. Specifically, the United States, which holds about 16.75 percent of votes in the Fund and 15.25 percent in the Bank (reduced from up to 45 percent at the foundational moment), can, in fact, veto decisions of major importance (which require 85% of votes), but not most policy and allocative decisions (regulated by 70%). It is usually considered to be as difficult to make decisions in the Fund or the Bank against the United States’ preference as it is for the United States to impose its own decision without broad consent. Similar negotiation power can be attained by the EU countries if the seven constituencies they lead act together, as they can gather nearly one-third of votes in total (although the European Union’s is only about one-fourth of the world’s economy).

These kinds of formulas imply a compromise between high weights coveted by the great powers and the equal rights principle generally favored by the smaller states. As no compromise regarding institutional rules may be completely satisfactory for any of the partners, internal discussion and periodic attempts to revise them can be an enduring feature. By the 14th reform initially approved by the Board of Governors in 2010 and pending ratification, all members of the Executive Board would be elected by constituencies. This would open the possibility for the major members to form new coalitions, expectedly reducing the number of Directors from European countries and increasing those from emerging economies. While the ratification of the reform is not consummated, the so-called BRICS, that is Brazil, Russia, India, China, and South Africa, have threatened with the creation of a new development bank that could ultimately challenge the influence of the Bretton Woods institutions. In
a summit in Durban in 2013 they estimated that it was viable to establish an initial fund of US$50 billion (i.e., equivalent to 4% of the WB and IMF’s funds, although the BRICS economies amount to about 20% of the gross world’s product).

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The basic institutional formulas of the IMF and the WB contrast with both the organizational simplicity of networks for global communication goods, such as those that we analyzed before, and the hierarchical position of the great powers in the UN Security Council. It is the relative complexity, balance, and flexibility of the institutional rules that have made the Bretton Woods institutions particularly able to adapt to changes in the world environment, to survive periods of low performance and to revive with new agendas and challenges. For the efficient provision of collective goods with intermediate degrees of shared and conflicting interstate interests, such as those related to economic, financial, and development issues, weighted votes and highly qualified majority rules can successfully induce multilateral negotiations, consensus, and agreements.
CHAPTER 6

EQUAL VOTE DOES NOT FAVOR
GLOBAL TRADE

Almost everybody in the world could obtain some benefit from free global exchanges of goods, services, and intellectual creations. But trade is not always a harmonious activity, as different groups in different countries are specialized in different products and each can expect to gain competitive commercial advantage regarding other producers. Actually, the ideal for producers in a country might be to have freedom to export their products everywhere and to erect barriers to imports of competitive goods from everywhere else. Yet this cannot be, of course, the rule for every country. Thus, as the issue of trade implies both potential global advantages and relatively high levels of conflict of interests, setting up an organization to promote and surveil world trade can require attuned negotiations, mutual concessions and balanced formulas to obtain success. The current WTO is not such a case.

Rival Trades

Building a global institution to deal with trade issues was a unique endeavor. After the UNO was established at the end of the Second World War, it absorbed as “specialized agencies” some organizations that had existed before and worked with their own institutional rules, including those dealing with health (WHO), labor (ILO), agriculture (FAO), finances (IMF), and development (WB), as we discussed in the previous chapters. Other older, bureau-type organizations, such as those taking care of telecommunications (ITU), post (UPU), and meteorology (WMO), worked efficiently, as we have also seen, with simple structures based on equal vote for every country and technical consensus, which made them easily accepted by the United Nations system even if they
maintained a high degree of autonomy. But a global organization for trade had to be built from scratch. It was not an easy endeavor, and actually not a very successful one.

The first attempt failed. At the initiative of the United States, the United Nations called a conference in 1946 to create an ambitious International Trade Organization (ITO). Initial proposals were presented by the US under secretary of State for Economic Affairs, Will Clayton, who had run the world’s largest cotton exporting firm and was considered to be an “evangelist in the cause of multilateralism.” As he envisioned it, the ITO would deal with every issue related to international trade of merchandise and services, including not only direct trade barriers, but also employment, restrictive business practices, and capital investments.

The intention was that the ITO would join the IMF and the WB as the backbone for multilateral cooperation after the Second World War. It was diagnosed that, together with monetary and fiscal policies, trade wars including the raise of exchange controls and import quotas had greatly contributed to the Great Depression in the 1930s. However, in contrast to the designs of the UNO and the Bretton Woods institutions, which were drafted in advance by the great powers and then sanctioned by the other impending members, the shape of the global organization for trade was, from the beginning, the subject of wider multilateral negotiations.

A preparatory committee for a world trade charter formed by delegates of 23 countries, about half of them underdeveloped, gathered in London and in Geneva to try to build an agreement. But some issues were still open to negotiations among 56 countries in the final conference in Havana, Cuba, in March 1948. Although the organization project was generically inspired by the principle of free trade, multilateral negotiations led to multiple exemptions. In addition to some general exceptions, a majority of 30 underdeveloped countries introduced the possibility of obtaining escapes in favor of new preferences and other forms of discrimination among countries, import tariffs and quotas, exchange controls, restrictive customs requirements, internal taxation and regulations, subsidies to agricultural exports, not externally controlled state trading, and other devices.

Regarding internal decision-making rules, several alternatives had been presented. One postulated equal vote for every country, like in the United Nations General Assembly. Another developed the principle of weighted vote, along the lines of the IMF and the WB, in this case based on each country’s population, foreign trade and national income, which could have approximately reflected the actual bargaining power of each country in any trade arrangement. Yet, in contrast to the IMF and WB agreements, the Havana conference on the International Trade
Organization settled on equal vote for every country, like in the UN General Assembly.

There would be a full-member Conference and an Executive Board formed by eight permanent members of “chief economic importance” (expectedly, the United States, Great Britain, Canada, France, the BeNeLux customs union, India and China, as well as the Soviet Union which actually did not participate in the conference) and ten temporary members elected by the Assembly. This latter formula remotely echoed the structure of the Security Council of the United Nations, but the countries of “chief economic importance” would not have veto power. By the equal vote rule, a decisive majority of board members could be formed by countries holding an extremely tiny proportion of world’s trade.

As was acknowledged by the US main negotiator and defender of the charter, Clair Wilcox, given the voting rules, if issues such as permission for any country to impose a restriction on imports or to establish a new preference “are appealed to the Conference of the ITO, the underdeveloped countries will unquestionably be in a position to outvote the industrial states . . . the breach made by these exceptions would be wide.”

The compromised ITO Charter was signed by delegates of 53 of the 78 members of the United Nations, but they were not committed to ratify. In fact, only Liberia ratified the charter unconditionally, Sweden ratified it conditional on ratification by the United States, and Australia did so on condition of both United States and Great Britain ratifying. All the other countries held back from ratifying the charter until it was clear what the United States and Great Britain would do. In the United States the main opposition came from supporters of free trade, rather than from protectionists.

The US Council of the International Chamber of Commerce issued a “statement of position” on the ITO Charter in which it declared: “It [the Charter of the International Trade Organization] places the United States in a permanent minority position owing to its one-vote-one-country voting procedure. Because of that, membership in the ITO based on this Charter would make it impossible for the United States to engage in an independent course of policy in favor of multilateral trade.”

The US Chamber of Commerce explicitly proposed an agreement on trade operating with a system of weighted voting. Reluctance and opposition to the ITO Charter from free-traders was crucial to eroding support from U.S. congressmen. Also, when the ITO Charter finally arrived to the US Congress it was almost five years after the Bretton Woods and the Dumbarton Oaks conferences, at a time when the United States was already embedded in the Cold War in Europe with the Soviet Union. As
the conflict with the Soviet Union peaked in the following few years, the United States gave up on pressuring for freer trade in order to keep the Western alliance in place and robust. The US Congress never voted on the ITO agreement, and the other countries did not proceed without the greatest trader of the world. So, the project of an ITO faded away.

In parallel, a very modest commercial treaty on commercial tariff reductions had also been discussed in Geneva, Switzerland, in 1947. The 23 countries that were attending developed 123 bilateral agreements, which were all incorporated into a single document: the General Agreement on Tariffs and Trade (GATT). The agreement was conceived to set an example for the broader Havana conference and to be incorporated as an interim accord into the expected ITO’s broader and deeper charter. In spite of its initially small membership, the GATT included countries holding about 85 percent of world trade at the moment. Yet, its initial coverage of issues was minuscule, as it focused only on tariffs on certain industrial products, and implicated governments only “to the fullest extent not inconsistent with existing legislation,” As Clair Wilcox noted, multiple bilateral negotiations introduced “a round of concessions that otherwise [by a single multilateral negotiation] would never have been made.”

The GATT had no real structure, as it was merely a provisional agreement between states, originally concluded for three years, which was further renewed for other short periods. Only since 1960, given the absence of a more ambitious setting, the GATT assumed the status of an international organization. The formula of “plurilateral codes” with escape clauses made contracts enforceable only to countries with strong interest on a particular product, as the other countries could choose to remain outside. Typically, the “principal suppliers” of certain exchangeable goods subscribed to bilateral agreements; then these could be extended to “most favored nations,” but no global contracts were enforced. As stated in the Agreement, “decisions of the contracting parties [sic] shall be taken by a majority of the votes cast.” Officially, thus, the GATT could make decisions by majority rule, but in practice, due to the relatively low number of members, the relatively homogeneous trading interests of most of them, and the narrow scope of issues treated, the GATT mainly worked by consensus—a term, however, that did not appear in the text of the Agreement. Over more than 40 years, the GATT developed a series of negotiation “Rounds” favoring gradual bilateral reductions of trade tariffs.

As the GATT was focused on industrial products, the so-called “Quad group,” formed by the highly industrialized United States, European Community, Canada, and Japan, concentrated on concessions among
themselves. After a while, some underdeveloped, not industrialized countries began to denounce the GATT as a “rich men’s club” and to seek alternative formulas. Under the auspices of the United Nations, a new Conference on Trade and Development (UNCTAD), which was conceived to foster progress in mostly agrarian, underdeveloped countries, was institutionalized in 1964. Its first secretary-general, the Argentinean Raul Prebisch, had been the director of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC or CEPAL for its name in Spanish). He was a theoretician and denouncer of “unequal exchange” relations between developed and underdeveloped countries and a prominent promoter of industrialization by restricting trade and substituting imports with domestic products.

The UNCTAD was conceived as an official organ of the UN General Assembly and pretended to transform the GATT into its committee on tariffs. The UNCTAD attained a Generalized System of Preferences for developing countries’ exports to developed markets. Yet it became a forum for confrontation with the GATT and other international organizations rather than a platform for negotiating binding agreements. As the import-substitution strategy for development proved flawed, the UNCTAD gave up being consequential and gradually evolved into a think tank and data collection entity. Some have recently interpreted its acronym as “Under No Circumstances Take Any Decisions.” Although it continues to hold a Ministerial Conference every four years, virtually all Organization for Economic Co-operation and Development (OECD) member countries have ceased to attend.

**The World Trade Organization**

The failure of the ITO and the rivalry between the industrialized-dominated GATT and the underdeveloped-oriented UNCTAD showed that conflicts of interests on trade issues are considerable and may not be easy to resolve. Yet the GATT’s eight round of trade talks, which was launched by the members’ trade ministers in Punta del Este, Uruguay, in 1986, greatly expanded the negotiation agenda. At Canada’s proposal, the so-called Uruguay Round culminated with the creation of the World Trade Organization in 1995. On the one side, the developed countries added services, trade-related intellectual property rights, and investment rules to the package of liberalization for the new organization. On the other side, the developing countries, which now included a number of Asian countries embracing export-oriented strategies for growth, attained discussion of gradual reductions in agricultural subsidies in developed countries and full access for their own textiles and clothing.
For such ambitious an endeavor, the institutional design of the WTO is particularly misfortunate. This may be due to the fact that, in contrast to serendipitous gatherings like Dumbarton Oaks or Bretton Woods, or the misshaped Havana conference, there was not a foundational moment for institutional design of the WTO. Its basic internal rules were taken from the GATT, which had not been the subject of careful design either, as it had been conceived as a merely provisional, minor agreement.

In the WTO, together with the typical assembly of all members with equal vote, which with the name of Ministerial Conference meets only once every two years, the General Council, which meets every month, is also open to all the delegates, as are the Dispute Settlement Mechanism, the Policy Review body, and other numerous councils and committees. This Assembly-based model of decision-making, by which all members make decisions on all issues on equal footing, is usually justified with the mantra that the WTO is a “member-driven” organization, rather than a managerial one. In practice, it implies that the bodies in charge of performing legislative, executive, and judicial tasks are all fused into a single all-member gathering, which is highly inefficacious in an organization that has attained broad membership and pretends to deal with a high number of complex matters.

Additional barriers on decision-making are erected by other institutional rules. While the GATT established some voting rules, but almost never used them because reaching partial consensus among a few countries on a few issues was not very difficult, the WTO transformed the GATT’s practice into formal norms for general purposes. In spite of the fact that the WTO would deal with more countries and more issues than its predecessor, its agreement stated that it would be “guided by the decisions, procedures and customany practices [sic] followed by the contracting parties to GATT 1947.” Thus, the WTO requires unanimous “consensus in lieu of votes” as a primary rule, which gives every country actual veto power most of the time. Only “where a decision cannot be arrived at by consensus, the matter shall be decided by voting,” it also rules. Highly qualified majorities of two-third and three-fourth would then be wanted. But, in practice, voting rules are not applied even when consensus fails. This is because “consensus is great or even sacred”—another mantra of the organization.

The WTO basically provides a framework for negotiating trade agreements among governments. But in contrast to the escape clauses of the GATT, which permitted subsets of member countries to reach their own agreements on selected issues, the WTO follows the norm of “single undertaking,” which means that each decision must be made on a global package of an indivisible set of issues. Given the decision-making rules,
this makes negotiations vulnerable to vetoes from any special interest group in any single country, which, even if it may be concerned with a single narrow issue, can block the full package, usually on behalf of “national interest.”

All in all, the WTO uses some distinctive institutional rules that strongly hinder its regular working: all-member councils, equal vote for every member, mandatory consensus, and complex packages of issues. After the failure in reaching any significant agreement in the biannual Ministerial Conference in Seattle in 1999, the Director General Mike Moore noted: “Seattle is now recorded as a victory for the anti-globalization movement. Nonsense. We didn’t need their help to fail, it wasn’t process or protest; we did it on our own . . . The WTO didn’t need enemies; it often was its own worst enemy because of its way of working.” Regarding the subsequent failure in the so-called Doha Round, he also remarked: “The irony is that many of the things they [the critics] do not like about the WTO stem from too much democracy, not too little.”

The director general with longest tenure so far, Pascal Lamy, also blamed some major failures of the organization on its “medieval” decision-making process. The adjective, which may have been historically more insightful than it may seem, as we will discuss later in this book, was intentionally derogatory because the decision-making rules have seriously stalled the capacity of the WTO to fulfill its aims. As has been put by the current director general, Roberto Carvalho de Azevedo, “The system is in trouble. The perception in the world is that we have forgotten how to negotiate. The perception is ineffectiveness. The perception is paralysis . . . The world will not wait for the WTO indefinitely.”

**Preferential, Not Global Agreements**

On the basis of WTO data, it can be estimated that the world’s merchandise exports have reached more than 25 percent of gross world product, after having multiplied by 20 since 1950. But there may be an accounting illusion in this estimate as derived from the parallel multiplication of the number of states by three and the number of bordering neighbors by four since the Second World War, which causes former domestic trade to be counted as international after an empire or a country splits. Discounting for this effect, the proportion of flows of trade out of the world’s products may not be much higher now than it was 100 years ago, after costs were reduced by railways, improvements in navigation, telegraphy, unilateral tariff reductions and the gold standard, and before transnational trade fell abysmally during the period leading to the two world wars.
New technological changes in transport and communications since the mid-twentieth century can also largely explain the further increase in transnational trade. In fact, the number of bilateral or regional trade agreements subscribed per year has been almost exactly the same in the 50 years before the First World War, when no formal worldwide organization dealing with trade existed, in the GATT period (1947–1994) and in the WTO period (since 1995): about 2.6 agreements per year. Most of these agreements have created free trade regional areas, including within the British, French, and other colonial empires in the older period, and, more recently, the European Economic Community and the European Free Trade Association, which merged into the European Union, the Southern Common Market (Mercosur), the North American Free Trade Agreement (NAFTA), the Association of South East Asian Nations, and the Southern African Development.

The WTO has failed in promoting any new major global agreement. In 2001, in the aftermath of the 9/11 terrorist attacks in the United States and the subsequent solidarity response, the WTO launched its first trade round of multilateral negotiations at the biennial Ministerial Conference in Doha, Qatar. But negotiations stalled around conflicting demands to suppress agricultural subsidies in developed countries and to further reduce manufacture tariffs in underdeveloped ones. The biennial Ministerial Conference scheduled for 2007 was never held, and the Doha Round was actually suspended thereafter. Only a relatively modest “trade facilitation” agreement to set common customs standards and tackle some bureaucratic barriers at borders was initially approved in 2014.

Facing organizational deadlock, outside options have proliferated. The great commercial powers, unwilling to submit to unanimous decisions by equal vote by small, poor or closed countries, have most recently engaged in a number of bilateral negotiations and preferential trade agreements. They include the Trans-Pacific Partnership (TPP), involving the United States and 11 Asian and Latin American countries, including Japan (but not India or China), which was negotiated since 2010; the Regional Comprehensive Economic Partnership (RCEP), led by China and India, while China also concluded bilateral agreements with Japan, Russia, Brazil, and Turkey, since 2012; the Transatlantic Trade and Investment Partnership (TTIP) between the United States and the European Union since 2013; and the negotiations between the European Union and Japan which started in 2013. Yet, in spite of significant increases of trade above the rates of growth of global output, capital movements and foreign investment have risen faster than trade during the last two decades.

Preferential bilateral and regional pacts cover more sectors and regulate more economic policies than the WTO does. In this way, trade can
be further liberalized by a relatively low number of countries covering the vast part of the world’s economy. But exceptions and exemptions also abound. In contrast to the WTO’s principles, bilateral and regional agreements discriminate against those that are not included. They can foster potentially conflicting trade blocs, particularly regarding China; in fact warnings have risen against ABC, that is, the “Anyone But China” policy that at some moments has seemed to inspire the search for trade partners by other great powers. In any case, the proliferation of trade pacts outside the framework of the WTO may extinguish the remaining expectation of achieving global trade agreements.

The most successful activity of the WTO is its Dispute Settlement Mechanism, which is widely recognized as a neutral, balanced, and effective judge on trade quarrels. Among its most remarkable decisions, there have been several sanctions against the United States over tax breaks for its exporters, duties on imported steel, and subsidies on its cotton farmers. There have also been sanctions against both the United States and the European Union, in separate cases, for governmental subsidies to major aircraft manufacturers, and sanctions against China for imposing quotas and taxes on exports of minerals.

The WTO settlement body has gained some effectiveness from the norm that the demanding party is given legitimate threat to retaliation if the sanctioned party does not comply, for instance by blocking the latter’s exports. Yet its positive performance can also be explained by the use of alternative institutional rules. In contrast to the regular functioning of the Ministerial Conference and the General Council by equal vote and unanimous consensus, cases are adjudicated to the settlement body by simple majority rule. Then a small and odd number of independent adjudicators, acting as a technical panel, make decisions based on law.

* * *

The performance of the WTO can be assessed as follows: It was created much later than other relevant international economic organizations. Although it has widely increased its membership, accepting, in particular, China and Russia in recent years, it still excludes near 40 countries that do belong to the United Nations and to most of its agencies. Its budget and its staff are much smaller than those of most international organizations: only US$212 million per year and 629 people. Most tellingly, the WTO’s level of activity, except for dispute settlements, has been very modest; most important traders have chosen to make deals outside the organization.

Some observers that did not pay much attention to institutional rules postulated that the previous failure of the ITO in the aftermath of the
Second World War should be mainly attributed to changing international circumstances, namely the beginning of the Cold War. But many decades later, in a very different context favoring multilateral cooperation, the WTO has not done much better. It is reasonable to suspect that its disappointing performance is significantly related to an inappropriate institutional design based on equal vote and actual veto power by every member-state.
CHAPTER 7

THE WORLD’S SELF-APPOINTED STEERING COMMITTEE

The Group of Eight (G-8), which includes the eight supposed greatest democracies of the world, has been derided as “the world’s self-appointed steering committee.” In fact, it is much more than an agenda-setting committee, as it involves a “G-8 system” that includes a couple of dozen countries and most international organizations for which the core group builds policy consensus and gives directives and instructions. The G-8 has no permanent organizational structure by itself, but it acts as a new, updated world’s directorate. In comparison to the Big Five’s de facto directorate established at the end of the Second World War by the Security Council of the United Nations, the composition of the Big Eight reflects more accurately the relation of political and economic forces of the current world. Its agenda is also much wider, as it does not focus only on security matters, but addresses all economic, social, environmental, and many other issues that can become relevant. Although its decisions are implemented indirectly, through international organizations and states, its effectiveness is also remarkable. The G-8 system is the closest thing to a world government that has ever existed.

An Early Blueprint

The existing institutional design for global governance began to be revised in the early 1970s, when many world leaders realized that some fundamental international relations had experienced dramatic changes since their foundation at the end of the Second World War. The UNO had been largely stalled by the confrontation between the two most powerful former Allies, the United States and the Soviet Union. The selection of the five great powers holding permanent seats and veto power in
the Security Council did not correspond any longer to the actual rapport of forces in the international arena. At about that time, the US dollar had stopped being convertible to gold and the whole world’s monetary system was unstable, while the oil embargo imposed on the West by the petroleum exporting countries had sky-rocketed its prices and forced gas rationing. Against all odds, and contrary to previous experience, both economic stagnation and price inflation were spreading.

Out of many proposals for change that emerged by then, one of the projects for future global governance that would become more influential was initiated by the Trilateral Commission, a nongovernmental group founded by American banker and philanthropist David Rockefeller in 1973. The commission was created to foster closer cooperation among North America, Western Europe, and Japan, with the further aim of developing greater multilateral cooperation of all the countries of the world, including at that time, in particular, the Communist bloc. The Commission went on to be formed by a few hundred academics, businessmen, politicians, and diplomats from about 40 countries, excluding public office-holders. It mostly proposed agreeable policies regarding economic relations, political, and security concerns. But it also recommended changes to enhance the role of existing international organizations and to create new ones.

In a Trilateral Commission paper titled “The Reform of International Institutions,” issued in 1976, C. Fred Bergsten, Georges Berthoim, and Kinhide Mushakoji envisaged a threefold set of “concentric circles” of decision-making for increasingly “interdependent” countries, which would greatly fit future initiatives. In their vision, the set should include “a small informal core group (which might differ in its precise composition from issue to issue), a broader group of all major countries, and formal implementation of agreed initiatives through existing or new universal institutions.”

This design of threefold interrelations between a core group, a broader group, and universal institutions would largely match the further development of, respectively, the G-8, the G-20, and their dealings with multiple global institutions. Several important institutions, such as the IMF, the WB and the GATT, were going to be reformed at the initiative of the G-8. Others, especially the United Nations Security Council, rather than being reformed would be partly replaced by the action of the G-8 itself. But the “G-8 system” would reach to collaborate with the United Nations too. The current institutional setting of global governance, although it was shaken and reactivated again by further financial and economic crises in the mid-1990s and in the late 2000s, owns much to that early blueprint.
The Core Group

All coordination seriously began with a few secret meetings of the finance ministers of three great powers in December 1971. Only four months had passed since the dollar ceased to be convertible to gold, when the US secretary of the Treasury, George Shultz, the French minister of finance, Valery Giscard d’Estaing, and their colleague from Germany, Helmut Schmidt, met in a room of the Smithsonian Institution, the museum and research complex in the Mall of Washington. It was a meeting without documents or additional officials, but it set the groundwork for further redress of the international monetary system.

Two years later, in March 1973, the same three plus their British colleague, Anthony Barber, met in the ground floor library of the White House, this time together with their under secretary and deputy ministers. In September, the Japanese minister, Kiichi Aichi, joined the group during the meeting of the Board of Governors of the IMF in Kenya. The Group of Five, formed now by the finance ministers and the central bank governors, that is, by both political representatives and independent experts, was scheduled for about three private meetings every year. For a long time they tried to secretly manage floating currency rates after the system of pegged exchange rates to the dollar and gold had disappeared, especially by coordinating the interventions of the central banks.

When Giscard became president of France and Schmidt, chancellor (or prime minister) of Germany, they decided to call a “summit” of the group, formed not only by ministerial officials on finances, but by the heads of state or government, together with their foreign affairs and finance ministers. The French president was the host of the first summit meeting of the group in the eighteenth-century castle of Rambouillet, a former royal house and the official summer presidential residence, near Paris, in November 1975. Italy was also invited as the temporary holder of the rotating presidency of the European Council, but, as the participants decided to hold further meetings, it managed to stay on as a permanent member, thus forming the Group of Six. The chief executives attending were the aforementioned president Giscard d’Estaing of France and chancellor Helmut Schmidt of Germany, as well as president Gerald Ford of the United States, and prime ministers Harold Wilson of Great Britain, Takeo Miki of Japan, and Aldo Moro of Italy, all accompanied by their ministers of foreign affairs and finance. They discussed not only monetary issues, but also international trade and energy problems for recovery from recession, as well as the so-called North–South relations. A specific agreement to limit fluctuations of exchange rates was implemented through the IMF.
Giscard had referred to the previous gatherings of finance ministers as “private, informal meetings of those who really matter in the world.” But already in the first summit, one of the participants, the US secretary of state, Henry Kissinger, wanted the group to become an established decision-making institution, with its own preparatory and follow-up apparatus. One meeting every year by strictly rotating chairmanships and locations across the seven countries has been held ever since (the list of hosting leaders and countries is given in table 7.1).

The official declaration in Rambouillet identified the aim of the new group as the promotion on a global basis of “an open, democratic society, dedicated to individual liberty and social advancement.” Kissinger later stated that “the conference provided a kind of political directoire of the industrial democracies . . . it launched a new era of institutionalized economic and political cooperation among the democracies.”

The gathering became the Group of Seven (G-7) with the addition of Canada, which pointed to its position ahead of Italy in the size of GDP, represented by prime minister Pierre E. Trudeau, in 1976. The group also added the European Union (EU) by inviting the president of the Commission to the summit meetings since 1978. As the Single European Act to complete the internal market was adopted, in 1986, the G-7 also made room for the presidency of the European Council, which was then a rotating office and has been a more durable one since 2010.

As a directorate of industrial democracies, in Kissinger’s expression, the G-7 did not consider dictatorial China’s membership. Yet, at the dissolution of the Soviet Union in 1991 and during the initial period of liberalization, the G-7 held a number of post-summit meetings with the elected leader of the new Russian Federation, Boris Yeltsin, as a “special guest.” At that time, the East European former members of the Soviet-dominated military alliance (Warsaw Pact) were switching sides and the NATO was going to vote on the admission of the Czech Republic, Hungary, and Poland. After Yeltsin was reelected president of Russia in 1996, the US president Bill Clinton made a move. In his own words: “I told Yeltsin that if he would agree to NATO-expansion and the NATO-Russia partnership, I would make a commitment not to station troops or missiles in the new countries prematurely, and to support Russia membership at the new G-8, the World Trade Organization, and other international organizations. We had a deal.”

Yeltsin had found the previous formula of separate meetings with the Seven unacceptable, as “it kept Russia feeling like a student taking an exam.” In the G-7 meeting in Denver, Colorado, in June 1997, Russia was formally accepted as a member of what began then to be called
“Group of Eight.” The Russian president proclaimed: “Russia has been accepted into the elite club of states!”

The deal was implicitly renewed at the first encounter between the US president George W. Bush and the Russian president Vladimir
Putin, in 2001. Putin was reluctant to accept NATO’s new missile plans (after the “premature” period forecasted by Clinton). But both said they found the basis for a relationship of mutual respect and cooperation.

The Russian participation in the summit meetings was confirmed. Yet, the Russian Federation was never incorporated into the regular meetings of the finance ministers of the G-7. In fact, Russia needed major financial bailouts from the IMF in 1996 and 1998. A weakness of the aforementioned deal emerged in 2014 as a consequence of internal crisis in Ukraine—a frontier territory which had been implicitly left under Russia’s area of influence. Proposals to exclude Russia from the G-8 were counterweighted by warnings from Russia of breaking the deal and not respecting the NATO’s membership of some of its former allies and vassals.

The main role of the G-8 is indeed setting the agenda of issues and defining priorities for the world, precisely the tasks for which they have been blamed. But beyond this, it effectively promotes policy coordination and collective management of the world economy through exchanges of information and ideas, deliberation, adjustment of policy differences, concessions and negotiations to build consensus and concrete agreements. The issue content of the Group’s agenda is boundless, as it has gradually encompassed the global economy, food security, energy, nuclear safety, disarmament, terrorism, climate change, and many other major affairs.

In parallel, the initial G-5 formed by finance ministers and central bank governors, which became G-7 in 1987 and currently also includes the heads of the IMF and the WB and the governor of the European Central Bank, maintains regular functioning, as they meet twice a year. In the most recent process, the “system” also involves regular high-level executive meetings of the seven countries’ ministers of foreign affairs, development, employment and labor, health, interior and justice, science, trade, and others, which meet between one and four times per year. This makes the G-8 system the closest thing to a world government that has ever existed.

In the process of enlarging participation, exchange, and influence, the host of the annual meeting of the G-8 began to invite a number of presidents and prime ministers of other countries, especially from Africa, Asia, and Latin America, to hold one-day sessions of dialogues, starting in 2003. The chief executives of more than two dozen countries have attended the G-8 summit meetings as guests at least once. This experience also helped to prefigure the creation of the G-20 in 2008, which will be analyzed below.

The G-8 does not officially have a permanent secretariat, but in practice it has achieved a notable degree of operational capacity. Key to the
process is the regular meetings of the chief executives’ personal representatives, dubbed “Sherpas” (for the guides and porters in the Himalayas who prepare the way to ascend to the “summit”). The Sherpas are usually presidents’ or prime ministers’ chiefs of staff or cabinet secretaries, high officers in finance ministries or close advisors. Some have been appointed to full-time specific posts with diplomatic responsibilities, such as the top official responsible for economic affairs in the foreign ministry.

The stature of the job can be assessed by the fact that many past Sherpas have attained highly visible and effective offices either before or in the aftermath of their tenure. They include, for example, in the United States, George Shultz, who was the president’s Sherpa between being secretary of the Treasury and secretary of state, Robert Zoellick, who would later be president of the WB, and Michael Froman, who would become US Trade Representative at the time of negotiating both the Trans-Pacific and the Transatlantic Partnerships; in France, Raymond Barre, who did the job just before becoming prime minister, Jacques Attali, the further first president of the European Bank for Reconstruction and Development and an inexhaustible writer, and Michel Camdessus, who would become head of the IMF; in Germany, Karl Otto Pöhl, later appointed president of the Bundesbank, and Horst Kohler, who would later be head of the IMF and president of Germany; in Italy, Roberto Ruggiero, later head of the WTO; and in the European Union, Pascal Lamy, who would be chosen for the same job. A number of Sherpas have, thus, later attended again the summit meetings in their new qualifications as ministers or heads of international organizations.

In each country, the Sherpa or personal representative of the chief executive works together with two deputy Sherpas from the presidential or prime ministerial office and from the finance department, plus a few aides. In most of the eight countries, the Sherpa and the deputy Sherpas also form a domestic team or task force with officials from other ministries and agencies such as those dealing with trade, energy, or development. The Sherpas of all countries and their collaborators hold frequent meetings, up to once every month, and are in permanent activity. They have formed working groups, expert groups and durable task force groups on some issues, such as finance, technology, or terrorism.

The nine members of the G-8, including the European Union, exactly correspond to the top nine largest economies of the world, as measured by their nominal gross domestic product, with the exceptions of non-democratic China and democratic Brazil (which would rank second and sixth, respectively, while the ninth position would be for India). The nine gather together only about one sixth of the world’s population (as the two most populated countries, China and India, are not members), but about
two-thirds of the gross world product (about half without counting the whole EU).

**The Second Circle**

Similar to the G-8, the origins of the G-20 lie in a forum for coordination between finance ministers and central bank governors created in reaction to international financial crises. This time the trigger was pulled by turmoil and subsequent bailouts in East Asia, Russia, and Brazil in the 1990s.

The financial G-20 was institutionalized in 1999 by establishing an annual plenary meeting of finance ministers and bank governors at the initiative of Canadian Finance Minister (and future prime minister), Paul Martin, who became its first chairman. Continuity is granted by a “troika” of the rotating chairs of the past, the present, and the following years and by two meetings per year of deputy representatives. Regular participants have also been the heads of the IMF and the WB, as well as the chairs of the advisory International Monetary and Financial Committee and the Joint Development Committee.

The next initiative was triggered by the breakout of a new global financial crisis in September 2008, this time expanding from a housing bubble in the United States. By early October, the French President Nicolas Sarkozy, with the help of his Finance Minister and later IMF head, Christine Lagarde, and the President of the European Commission, Jose-Manuel Durao Barroso, persuaded US President George W. Bush to call a “summit” meeting of the heads of government of the member countries of the financial G-20, as also proposed the British prime minister Gordon Brown. Immediately, Bush and his Treasury Secretary, Henry Paulson, surprisingly showed up at an emergency meeting of the financial G-20 during the IMF annual meeting in Washington. They called the first G-20 summit to be held in Washington in November, only a few days after a new US president had been elected, although not yet inaugurated. The meeting took place in the National Building Museum, a vast construction originally erected to manage pensions to veterans of the Civil War.

The so-called Summit on Financial Markets and the World Economy was conceived as a temporary “G-8 plus” meeting to agree on a set of policies able to “promote international financial stability.” As the agenda turned out to be broader than expected, the attendants decided to keep holding annual summit meetings of the G-20. At the following meeting, in London in April 2009, the participants concerted on
absorbing much of the huge private debt in developed economies by expanding public spending and bailouts. The subsequent fiscal expansion would amount to US$5 trillion, an unprecedented move equivalent to about 7 percent of gross world’s product. The states’ public debt would be assumed under push and surveillance by the global financial institutions.

This circle around the G-8 also has, as the core does, more members than the figures in its name suggests. The G-20 is intended to be formed primarily by the 21 largest economies, including the European Union, as measured by their nominal GDP. There are, however, a few exceptions: three of the largest economies in Europe, Spain, the Netherlands, and Switzerland, are excluded, in favor of two less-developed countries from other regions of the world, Argentina and South Africa (which would rank in the high twenties). The economic criterion of selection is, thus, slightly balanced by a regional criterion. But, in contrast to the foundations of the G-8, the composition of the G-20 does not take the democratic criterion into account, as at least two dictatorial regimes, China and Saudi Arabia, are included in the group.

The two EU members that were not initially counted beseeched to be invited to the first summit. The previous Spanish Prime Minister, Jose Maria Aznar, had envisioned being accepted as member of the G-8, especially after he participated in a meeting with the U.S. President, George W. Bush, the British Prime Minister, Tony Blair, and the Portuguese Prime Minister, Jose-Manuel Durao Barroso, in the Azores Islands, in March 2003, which set the stage for the launching of military action against Iraq a few days later. However, Aznar’s party lost the Spanish election the following year and his G-8 reverie faded away. His successor, José-Luis Rodríguez-Zapatero, badly wanted to secure an invitation to the first summit of the Twenty, to the point that he traveled to China to seek support from President Hu Jintao. In the end, he obtained the support of the French president, Nicolas Sarkozy, who, as France was holding the rotating chair of the European Council at the time, had two seats and ceded one to his neighboring colleague. Both Spain and the Netherlands were allowed “extraordinary presence” at the first summit in Washington. At the time of the following summit of the G-20, in 2009, Spain was by turn the holder of the rotating chair of the European Council and, thus, a regular participant at the meeting, from which it managed to be confirmed for future meetings as “permanent guest.” The Netherlands did not have such luck.

The annual meetings of the G-20 are usually held a few weeks or months after the G-8 meetings, thus becoming a forum for further
deliberation and consensus building. The country holding the chairmanship and hosting the meeting is selected by rotation among five regional groupings, which are named: One (Australia, Canada, Saudi Arabia, United States), Two (India, Russia, South Africa, Turkey), Three, the Latin American members (Argentina, Brazil, Mexico), Four, the European ones (France, Germany, Great Britain, Italy), and Five, the East Asians (China, Indonesia, Japan, Korea). The host of the meeting usually invites a few other countries, typically including the chair of certain regional organizations, in addition to the permanent European Union, such as the Association of Southeast Asian Nations, the African Union, the Partnership for Africa’s Development, the Gulf Cooperation Council, the Economic Cooperation Organization, or the Organization of American States.

The G-20 replicates, to some extent, the operational apparatuses of the previously existing financial G-20 and the summits of the G-8, including its own preparatory and follow-up “troika” and the role of Sherpas and their collaborators. Coordination is also sought through regular meetings of the 20 ministers of foreign affairs, finance, trade, labor, tourism, agriculture, and others, helping the summits to be able to make concrete decisions. The Group’s effectiveness also relies upon regular attendance at the summit meetings of the heads of the most relevant international organizations, that is, the United Nations, the IMF, the WB, as well as, on occasion, the WTO, the ILO, the OECD, and others. The group has created its own Financial Stability Board, based in Basel, Switzerland, which the US secretary of the Treasury, Timothy Geithner, described as “the fourth pillar” of the global economic governance, alongside the IMF, the WB, and the WTO. Very active lobbying groups have also been formed by organizations of business (B-20), labor (L-20), youth (Y-20), civil society (Civil Dialogue C-20), academics, and think tanks (T-20).

There have been predictions that the G-20 would make the G-8 unnecessary. But the core, small group is still more operational than the broader one. The eight chief executives address each other by first name, sit at formal meetings at a round or squared table, keep talking over dinner, as well as in pairs or small groups on sofas and couches, or while walking outdoors. They have developed the ability to be in almost permanent touch, including by talking on the phone. In contrast, about half of the G-20 participants have to rely on translation to communicate with the others. In practice, the G-20 basically enlarges the basis of support and the scope of direct commitments of the G-8. The 21 members of the G-20, including the European Union, gather together
about two-thirds of the world’s population and about 95 percent of the gross world’s product (85% without the whole EU).

**Universal Institutions**

The set of concentric circles around the G-8 is completed by their relations with most international organizations, which have largely become implementing instruments of the world’s directorate. On the one side, the G-8 system gives the international organizations policy consensus and feasible policy frameworks and recommendations. On the other, the international organizations give the G-8 and the G-20 legitimacy and influence as for their near-universal membership, as well as legislative capacity over the member-states.

The transmission mechanisms are not complicated. On one direction, the UN Secretary General is a regular participant at the G-8 and the G-20 summits. The other way around, the UN Security Council usually includes, counting the nonpermanent members, most members of the G-8. In practice, the UNSC has been able to import broad agreements, previously built among the issues including peacekeeping, peace-enforcement, and peace-building (e.g., in Kosovo in 1999, Libya in 2011, and Syria in 2013), international crime, drug trade, terrorism, piracy, contagious diseases, tax heavens, and environmental protection. The General Assembly is regularly briefed by the president by turn of the G-20 before and after the Group’s summits. A Financial Development Council has been established to coordinate policy with the finance G-20, as well as with the WB and the IMF.

Similar relations are established with the issue-specific institutions. The managing director of the IMF and the president of the WB are regular participants at the finance ministers’ and bank governors’ meetings, as well as the summits of the G-8 and the G-20. The G-8 was instrumental in introducing revisions of the Fund’s and Bank’s quotas and distribution of votes since 2010, in order to facilitate higher weight for developing countries. The G-8 also gave a critical push to the decision of the GATT to form the new World Trade Organization, though this might have missed the occasion of a more formal constituent moment, as we have discussed in chapter 6. The other way around, in the boards of the IMF and the Bank the constituencies led by members of the G-8 collect near half the weighted votes, while those led by members of the G-20 manage about two-thirds (not counting the European Union as member).
The most relevant global institutions, that is, the Fund and the Bank, the WTO, the ILO, the International Atomic Energy Agency, as well as the OECD, often have meetings just before the summits in order to provide expert advice, as well as to facilitate further implementation of agreements. As the G-8 and the G-20 do not have permanent administrative structures on their own, the international organizations provide more continuity between the annual meetings of the summits. With this third circle, the G-8 system is able to develop worldwide policy- and decision-making coordination.

A Series of Directorates

The G-8 system is the most recent stance of a series of self-appointed directorates of great powers that have been formed during the last 200 years to try to rule the world. Critical moments for such an endeavor include the end of the Napoleonic Wars, the end of the First World War, the end of the Second World War, and the worldwide economic and financial crisis of the early 1970s, later superseded by the end of the Cold War and by the most recent economic recession. On all these occasions, a small group of four or five powerful countries have taken the initiative to reshape the world’s governance. They have also typically added a few more partners to the core, as well as they forming a second, broader circle with a two-figure number of countries, from which they have been able to try to cover the entire world.

The successive modern world directorates began with the Concert of Europe, which was initially formed after the Treaty of Vienna with the winners of Napoleonic France, that is, Austria, Prussia, Russia, and Great Britain, in 1815. The further cores of world governance, which have been analyzed in the previous chapters, are the Council of the League of Nations, which was established at the Treaty of Versailles by the winners of the First World War: Great Britain, France, Japan, and Italy, which the United States failed to join, in 1918; the Security Council of the United Nations, formed from the winning Allies in the Second World War, that is, the United States, Great Britain, France, the Soviet Union, and China, in 1945; the permanent members of the boards of its most successful agencies, the IMF and the WB, initially corresponding to the Western allies in the Cold War, the United States, Great Britain, France, and the most developed former losers of the Second World War, Germany and Japan, since 1946; and the G-8, which emerged with the same Big Five, that is, the United States, Great Britain, France, Germany, and Japan, from the crisis of 1973. A summary is provided in table 7.2.
Table 7.2  Great Powers, Second Circle, and Universal Membership

<table>
<thead>
<tr>
<th>Concert of Europe</th>
<th>League of Nations</th>
<th>United Nations</th>
<th>IMF/WB</th>
<th>Group of Eight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1815</td>
<td>Council 1918</td>
<td>S. Council 1945</td>
<td>Boards 1946</td>
<td>1975</td>
</tr>
<tr>
<td>Austria</td>
<td>Great Britain</td>
<td>Great Britain</td>
<td>Great Britain</td>
<td>Great Britain</td>
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<tr>
<td>Great Britain</td>
<td>+ Germany</td>
<td>Great Britain</td>
<td>Germany</td>
<td>Germany</td>
</tr>
<tr>
<td>Prussia</td>
<td>+ Soviet Union</td>
<td>Soviet Union</td>
<td>+ Russia</td>
<td>+ Russia</td>
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<tr>
<td>Russia</td>
<td>+ France</td>
<td>France</td>
<td>France</td>
<td>France</td>
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<td>+ Japan</td>
<td>Japan</td>
<td>Japan</td>
<td>Japan</td>
<td>Japan</td>
</tr>
<tr>
<td>+ Italy</td>
<td>Italy</td>
<td>United States</td>
<td>United States</td>
<td>United States</td>
</tr>
<tr>
<td>+ United States</td>
<td>China</td>
<td>+ China</td>
<td>+ S. Arabia</td>
<td>+ Canada + European Union</td>
</tr>
</tbody>
</table>

(a) Core

4–8

(b) Second circle

11

11–22

11–15

24/25

20+

(c) Countries world

25

67

72

75

153–194

Note: The countries marked + were added to the permanent core after its foundation. The WB and the IMF are counted for the members of their boards that are appointed or elected in single-country constituencies, thus securing a permanent seat. The numerical rows at the bottom indicate:

(a) the number of members in the core, which can be considered the great powers of the period,
(b) the number of members in the second circle in the form of a broader council,
(c) the total number of recognized countries in the world.

During the course of the past 200 years, the number of countries in the world has multiplied, while their interdependence has increased dramatically. Nonetheless, this has not changed much the core formula for global governance around a small number of great powers, as they can accumulate most of the world’s economic and military resources and manage to make more effective decisions than a larger board or assembly.
PART II

HOW THEY RULE
CHAPTER 8

DOMESTIC POLITICS DOES NOT MAKE POLICY

What to Do
The politicians’ dilemma of governance in the current world was accurately formulated by the President of the European Commission, at that time President of the Euro-zone and Prime minister of Luxembourg Jean-Claude Juncker. Facing international organizations’ advice to implement further economic reforms in Europe, he said: “We all know what to do, but we don’t know how to get re-elected once we will have done it.”

The fatal mismatch is that politicians like Juncker and many others in the world, while they contribute to making international or global decisions, are not running in elections at that level, but at the state level. Sometimes they do what they know to do in international and global institutions, but then they do not know “how to get re-elected.” Some other times, they are wary of doing what they know to do because they do not look at people’s expectations and demands at the global level, but try to anticipate mostly reactions from voters and taxpayers in their domestic constituencies.

Juncker’s candid confession points out a critical gap between international policy-making and state-based politics. International and global institutions can deliver sound policy, but they lack the political mechanisms to support the same. Meanwhile, the states keep developing lively political activity, but most of them lack the capacity to make effective policy, as the actual scope of many issues expands beyond their borders. So, we have, on the one side, much global policy with little politics and, on the other side, a lot of domestic politics with relatively little policy.

In order to fill the gap of world’s governance, global policy-makers should be made more accountable to the world’s citizens by the design and adoption of appropriate global institutions and rules. Then, international officers and policy-makers would be able to get reappointed
or reelected—in Juncker’s terms—although for different, international offices. The institutional formulas for this endeavor are going to be the focus of the following chapters.

But before that, in this chapter we will survey how state-based politics, in spite of losing capacity to make effective decisions on many relevant issues, keeps vociferating—possibly with the intention of denying its actual languishment. Specifically, we will review the following political effects of globalization and, increasingly, international policy-making: State-based political parties are less capable of presenting differentiated policy proposals and competing in elections on the basis of their alternatives. The governments with better performance are those that, thanks to broad multiparty agreements and consensus politics, do not introduce major policy switches on important economic and social issues. As a consequence of states’ loss of effective power in policy-making, incumbent parties in state governments lose elections with higher frequency than ever before. A few innovative experiences to place state governments in tune with international policy-making focus on the appointment of nonpartisan technical experts with support from broad or grand coalitions of parties.

**Flaws of Party Systems**

During the last few decades, a contradiction between public-policy efficiency and stability and political party competition has been emerging in a number of democratic countries. A well-known analytical model of electoral competition in political science predicted long ago that the rivalry between two major parties would lead to the convergence of their positions around a moderate center—or “the median voter’s preference,” as was made precise in the model. It is undeniable that political and social consensus on major economic and other public policies has increased during the last few decades.

For many years, this was not the case at all. The alternation of single-party governments, which is typical of two-party systems, produced very high levels of policy changes and reversals. In particular, a number of alternations between governments formed by either the Conservative Party or the Labour Party in Great Britain since the end of the Second World War made the British political system the quintessential scene of “adversary politics.”

Two major consequences were identified. First, single-party governments, even if they enjoyed majority seat support in parliament, were frequently based on only a minority of popular votes and tended to be strongly socially or ideologically biased. In other words, they were more
prone to being captured by minority interest and ideological groups and to implement economic and social policies not encompassing broad citizens’ support.

Second, frequent alternations in government of electorally minority and socially and ideologically biased parties produced policy reversals and instability. After every election, existing policies could be altered very radically, including, for a few decades during the postwar period, steel nationalization, trade union regulations, income taxes, regional, housing, urban, and school policies, fields, among others, in which a number of reversals and re-reversals and in some cases, re-re-reversals of policy actually occurred.

Yet, in the most recent period, the range of policies adopted by single-party governments in most two-party systems has dramatically decreased. Even in Great Britain, a coalition cabinet was formed after the election of 2010, for the first time in more than six decades. The new prime minister, David Cameron, declared that the new Conservative-Liberal government “marked a clean break from the past and a new start for the country.” Aligning British politics with more common practices in other parliamentary democracies should also imply introducing fewer policy changes on major issues over time. This seems to be also the case in countries traditionally associated with the British model of political system, such as Australia, Canada, India, and New Zealand, where coalition governments have also formed in recent times.

The degree of policy consensus and long-term stability has been higher in parliamentary regimes that were able to produce multiparty coalition governments for several decades. Germany is a case in point: since the late 1940s there have always been two-party coalition governments, which have involved four different combinations between four parties securing many elements of continuity between successive governments. Another obvious example is Switzerland, where the same four parties have been in government since 1959. In a number of European countries, the intermediate position of a Liberal, Agrarian, Centrist, or Regional party favors the formation of moderate coalitions, whether with a Labour Party or Social Democratic Party on the left or a Conservative Party or Christian Democratic Party on the right. Even grand coalitions between the two larger parties have been common in Austria and Belgium and adopted in critical periods in Germany, Greece, Italy, and the Netherlands.

Generally speaking, the relevant relation between the party system and policy-making looks like this: the lower is the number of political parties in government, the higher the degree of policy change or instability tends to be over time. In multiparty systems favoring coalition governments or interinstitutional agreements, such as those just mentioned,
political parties need to negotiate and agree upon decisions about common policy proposals. Government’s policy outcomes are unlikely to be completely coincident with any of the traditional preferences of the parties involved in order to be supported by a sufficient majority and become law. Intermediate agreements between the parties can settle within relatively moderate, rather “centrist” sets of policy positions. As some parties may be pivotal and be able to negotiate or form coalitions with different partners in different periods, they can introduce elements of policy continuity even if the party composition of successive assemblies and governments changes. Policy-making by broad consensus precludes drastic changes and induces relative policy stability in the mid or long term.

In certain political, journalistic, and badly informed academic circles there has been a lot of conjecture that single-party governments can be more committed to responsible policies, while multiparty coalitions and divided governments may be paralyzed or become more vulnerable to threats and shifts from minor, sometimes extreme parties—as is frequently argued, for instance, regarding Israel. However, all systematic evidence demonstrates that these qualms are ill-founded.

Thanks to recently available datasets of political party electoral manifests for a large number of countries during a long period, it is possible to estimate the relative policy positions and distances between political parties in a large number of mature democracies. Therefore, we can also estimate the average policy position of the parties in government and the degree of policy change between consecutive partisan governments.

My study of 295 elections and subsequent governments in 24 democratic countries since the Second World War confirms the relation previously enunciated: as the number of parties in government increases, the degree of policy instability decreases. In comparison with systems with single-party governments, such as Great Britain or Greece until very recently, a long series of two-party coalition governments, such as those in Germany, tend to reduce policy instability to about half. Three, four, or more parties in government, as in Switzerland, Belgium, or Israel, tend to reduce policy instability to about one-third.

In the United States, a two-party system has also been associated with high policy stability during much longer periods than in Great Britain or other countries. This is the result of broad policy consensus, but also of the separation of powers and checks-and-balances system, which usually requires broad agreements between the presidency and the Congress to approve legislation. In the United States, the number of laws that are approved during a legislative period is relatively low, in comparison with most parliamentary regimes, and the great majority of the relatively small
number of laws that are approved, with a few exceptions, are based on broad agreements.

In other regimes of separation of powers, situations of “divided government” in which the president’s party does not have a majority in the Assembly, tend to promote either broad cooperation and agreements or legislative deadlock and conflict, depending on certain institutional incentives. A study of Latin American presidential regimes for over two decades shows that a high number of parties in presidential coalitions, such as in Brazil and Chile, favors policy stability, while single-party presidents, like in Argentina and Peru, are associated with the highest levels of policy change. It is multiparty coalition presidential cabinets that tend to attain interinstitutional cooperation and the median voter’s support, much more frequently than alternating single-party presidents or governments do.

All in all, rather homogeneous and stable policies are being increasingly adopted both in some systems traditionally favoring adversarial politics, in well-established consensus regimes characterized by multiparty coalition governments, and in certain separation of power regimes. If policy-making tends to be increasingly predictable, and in a growing number of countries big changes on major economic and social issues are largely discarded, one can wonder why high political party competition should be desirable at all—besides, perhaps, for the sake of variety. All things considered, it turns out that effective policy-making is achieved in direct proportion to how political party competition tends to vanish.

Ineffective Governments Lose Elections

In concurrence with the loss of actual decision-making power by state governments in favor of stable policies and the rule of international organizations, government’s political parties are losing elections with higher frequency than ever before. A high number of state-wide elections since the outbreak of the world financial and economic crisis in 2008 have produced unprecedented results, especially regarding the defeat of parties in government.

Outstanding episodes include the following: in Iceland in 2009, the incumbent Independence Party, which had been in power for 18 years, lost a third of its support and went into opposition; in Japan in 2009, the conservative Liberal-Democratic Party, which had been in government 95 percent of the time since the aftermath of the Second World War, lost a third of its votes; four years later, in 2013, its replacement in government, the center-left Democratic Party, lost two-thirds of its votes and
three-fourths of its seats, the worst performance of a ruling party ever; in the United Kingdom in 2010, the incumbent Labour Party obtained its worst result in proportion of votes since the First World War, when it became a government party for the first time; in Hungary in 2010, the Social Democrats in government lost more than half of their previous electoral support; in Ireland in 2011, the Fianna Fail, the most common ruling party since the country’s independence, slipped to third in votes; in Spain in 2011, the incumbent Socialists got their worst result since the reestablishment of democracy in the 1970s; in Greece in 2012, the incumbent Socialists lost 70 percent of their previous support and became third in votes; a new election had to be called six weeks later to try to produce an alternative multiparty majority; in Bulgaria in 2013, the incumbent Conservatives lost one-fourth of its previous support and were replaced by a government led by an independent and formed by both nonpartisan experts and a coalition of parties; in the Czech Republic in 2013 the incumbent three-party center-right coalition lost 45 percent of its previous support while other three parties obtained higher numbers of votes than any of them.

This kind of upheaval is not completely new. All across the nineteenth and the twentieth centuries new financial crises were associated with high rates of prime ministers’ or presidents’ turnover in democratic countries, with a peak during the Great Depression of the 1930s. Specifically, the crisis of the 1990s and the parallel increase in European integration concurred with the end of long periods of single party dominance, such as for the Social Democrats in Sweden and the Christian Democrats in Italy. But further globalization of the economy is decreasing both the capability of state governments to face crises and the subsequent voters’ support to their rulers. It was traditionally assumed that, thanks to the so-called incumbent advantage, it is governments that lose elections rather than the opposition that wins them. However, in more recent years many incumbents are largely missing their traditionally assumed advantage.

My analysis of 40 elections in 35 developed democratic countries since 2008 shows that, on average, the incumbent prime minister’s or president’s party has lost more than 20 percent of the voting support obtained in the immediately previous election (in contrast to an average of about 6% in the previous decade). Also, in about 63 percent of the elections the incumbent prime minister’s or president’s party has been replaced with an opposition party (in contrast to about 30% in previous decades). The statistical analysis shows a significant relation between relative change in electoral support for the incumbent and rate of economic growth. More growth entails relatively better incumbent electoral performance; less
growth or recession, worse electoral performance. Likewise, the negative impact of the level of unemployment is significant for both measures of incumbent electoral performance just mentioned. (The countries included are Australia, Austria, Belgium, Bulgaria, Canada, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom, and United States.)

It is not only that, increasing economic globalization can hurt some of the government’s previous supporters, such as farmers and small businessmen. Austerity policies provoking short-term reductions of public spending and increases of unemployment may also lead people who previously benefitted from state services and jobs to punish the incumbent government. But it is also that voters involved in internationalized economic sectors can now ponder the higher opportunity costs of maintaining support for inefficient or corrupt governments that might have been seen as lesser evils in the past, if in any event the basic policies are not going to change much. While policy consensus is broader than in past decades, a general wave of growing distrust of elected politicians can be observed in many countries in recent periods.

The electoral and political upheaval in which many countries are embedded does not necessarily imply that the anger of voters has been mistakenly directed to state governments with only partial responsibility in the triggering of the crisis and limited capacity to effectively face it. It is precisely the voters’ awareness of the transnational scope of the crisis and the limited responsibility of state governments for economic performance that may move them away from supporting their incumbent governments. If voters feel that state governments are strongly constrained in their policy choices by the directives, agreements, and policy decisions of international organizations, they may consider partisan policy proposals in domestic elections less credible to be transformed into actual policies.

After all, if voters cannot target responsible decision-makers for the economic crisis, why should they refrain from punishing whoever they may have at hand, which are, first of all, the government parties submitted to electoral verdict? This behavior does not necessarily imply that voters are irrational because they may be targeting the wrong actors. Actually, it may rather imply that voters can be rational and even relatively well informed regarding the role of some political actors in the economic crises, but just do not have the appropriate institutional mechanisms for directing their mistrust to more appropriate targets.
The voters’ electoral behavior in many countries during the last few years can be compared to the usual reaction to “firing the coach” in sports when a team underperforms regarding previous achievements and usual expectations. As elaborated, for instance, in the growing discipline of economics of football, firing the coach can be understood as a ritual scapegoating. Sport club members, like voters in our case, can be aware of the fact that a failure, such a team’s or an economy’s underperformance, is due to a number of factors that cannot be fairly simplified as only bad management. But managers and governments are punished, even if many people realize that they are not always fully responsible for all the team’s or the economy’s performance, precisely because voters cannot trust innovative promises for the future anymore. While most governments are severely constrained in their policy choices, regular democratic functioning requires making the managers and the rulers responsive. Voters take the option of making irresponsible governments responsive because the existing institutional setting does not facilitate better targeted decisions.

Nevertheless, as in a typical occurrence in sports regarding the team achievements when a new manager is appointed, the choice of a new prime minister or president may not make a big difference to policy-making and economic performance. In many elections in democratic countries in the last few years voters have offered the prime minister’s or the president’s head in ritual sacrifice. But as a change of chief executive may not improve the government’s capacity for policy-making, further disappointments may still increase the frequency of governments’ turnover and the degree of political instability.

Nonpartisan Government

An outstanding, unforeseen example of nonpartisan, efficient governance in a democratic country in economic crisis was tried to be recently developed in Italy. The Italian innovative experience in the second decade of the current century was particularly challenging because the country was traditionally considered to be an extreme case of partisan politics. For decades, the Italian political parties controlled all public institutions, organizations, companies and agencies, making several analysts talk of a “party-cracy.” Numerous scandals of corruption impelled two editors of the most influential newspaper, Il Corriere, to popularize the appellation of “the caste” for the political class (which is another appellative of Italian origin).

Particularly insightful and transformative were the point of view and the action of the president of the Republic, Giorgio Napolitano, in the
most recent period. In his solemn speech at his second inauguration, in 2013, he noted:

In recent years, well-grounded requests and pressing demands for institutional reform and renewal of politics and parties—which are entwined with an acute financial crisis, with a heavy recession, with a growing social unrest—have not obtained satisfactory solutions: at the end what has prevailed are confrontations, delays, hesitations about the choices to be made, selfish calculations, short-term tactics and instrumentalisms. This is what has condemned the confrontations between the political forces and the parliamentary debates to sterility or minimalist outcomes . . . I am not only referring to the spread of corruption in the various spheres of politics and the administration, but also to those responsible for doing nothing in the field of reforms.

The president of Italy also remarked some obstacles to change: “The fact that in Italy it has spread a sort of horror for any hypothesis of understandings, alliances, mediations, convergences between different political forces, is a sign of a regression, of a spread of the idea that you can do politics without knowing or recognizing the complex problems of governing public life and the implications that derive in terms, precisely, of mediations, arrangements, political alliances.”

During the 1980s, Giorgio Napolitano had been the foreign affairs shadow minister of the Italian Communist Party. For his moderate and realistic stands and diplomatic skills, it was said that his almost-colleague, the US secretary of state Henry Kissinger, called him his “favorite Communist.” Napolitano was elected president of the Republic by the two-chambers of the Italian Parliament in 2006, at 80 years of age, as an independent with very broad multiparty support. Even the Vatican endorsed him as president through its official newspaper, L’Osservatore Romano.

The presidency of the Italian Republic is mostly a ceremonial office, but in comparison with other parliamentary regimes it is allocated some legal powers that Napolitano, from outside the party system, artfully managed to use. In November 2011, the center-right prime minister Silvio Berlusconi lost his ruling majority support in Parliament on a routine budget item when, in reaction to certain scandals and international pressure for reforms, more than half of the legislators refused to take part in the vote. He resigned to the president of the Republic. But Napolitano, instead of dissolving the Parliament and calling an early election, as had been customary in Italy for many years, persuaded most political parties to support his new appointee for prime minister, the independent professor of economics Mario Monti, president of the most prestigious Italian university and former member of the European Commission.
In his first speech, Monti declared: “There are big, big problems, and big political problems in the understanding by the public opinion if these beneficial responses do not materialize.” He formed an expert government without a single member of any political party, including the chairman of NATO’s military committee, a former executive of a leading Italian bank, the leader of a highly regarded pension research institute, and other widely recognized specialists in different fields. Monti’s government was given a rousing vote of confidence by the Italian Parliament. The economic spokesman from the center-left Democratic Party proclaimed that: “The residual empty and formal sovereignty over fiscal discipline in national parliaments should be transferred to Europe.” The new government was also backed by the leaders of the European Union and the President of the United States. For 18 months the Italian government did not enforce any partisan electoral promise, but the budgetary, tax, pension, and other policies approved at the top of the European Union in agreement with the International Monetary Fund.

A new parliamentary election was called on time, in February 2013. About two-thirds of the voters changed their choice of party for the lower chamber regarding the previous election. Yet, the polarization between the center-left and the center-right coalitions, plus the blooming of an antisystem protest party made the formation of a majority in parliament unfeasible. Napolitano had announced that he was retiring at the time, but the parties also failed in supporting a new candidate for president. Then, the two larger political parties, together with Monti, after several failures with other candidates, begged him to allow being reelected president, in spite of his 87 years of age and the absence of precedent for reelecting a president in the history of the Republic.

Napolitano had already appointed a ten-member expert commission to elaborate policy proposals for the future government. As the leader of the center-left party had been unable to build majority support in Parliament 60 days after the election, the day after his reelection president Napolitano nominated a more moderate, younger candidate for prime minister, Enrico Letta, of progressive Christian democratic origins and a former member of the European Parliament. Letta stated that “politics has lost all of its credibility” and called the parties to work together. He formed a government with eight independents, including some from Napolitano’s expert commission, Monti’s group and the director of the [central bank of Italy] OK, nine from the center-left party, and five from the center-right party. The composition of the new government was also highly innovative in Italian terms as one-third of the ministers were women, including one born in Africa. After the experience of Monti’s government, the new prime minister attained removal of Italy from the European Commission’s list of
Southern countries placed under the Excessive Deficit Procedure. Further on, Letta was replaced as prime minister, again without an election, by Matteo Renzi, who took office in the intention to speed up reforms from above. The government was formed again by independent experts and by members of both the center-left and the center-right parties, while this time half of the ministers were women.

The experience of Italy, as well as other comparable recent episodes in traditionally highly partisan regimes, makes one wonder whether democracy can survive without a partisan state government. In fact, the Italian governments of the last few years, although they have always been threatened by spasms from the traditional partisanship, did it better than many of its highly partisan predecessors.

Another intriguing experience took place in Belgium, which was under interim or caretaker federal governments for about half the time of five years, including a world record 18-month absence of government after the 2010 election. This was not a direct consequence of the economic crisis, but was rather mainly due to the country’s territorial division. Nonetheless, the Belgian case was also informative about the conditions of governance under a multilevel institutional structure, such as that of the European Union, which bears notable similarities with other countries heavily submitted to international organizations’ surveillance and control.

The Banality of Power

Nowadays, the absence of partisan state governments may have only a limited impact on governance. In many countries, the decision whether to have right-wing or left-wing parties in government does not make a significant difference in practice. Most public spending is driven by previously committed obligations, including public servant salaries, social security and healthcare, debt interests, and other financial transfers and expenses. Also, most discretionary spending is constrained by long-term programs and a moderate continuity. Technical or caretaker governments, as broad or grand coalitions of multiple political parties also do, are heavily limited in their decisions by the implementation of earlier agreed international obligations, especially with regard to budget and economic policies. Many parliaments do not legislate by themselves any more, but they basically ratify governmental decrees reflecting international directives. Nonparty governance is helped by the role of nonelected and nonpartisan bodies, including the civil service, the central banks, the judicial system, and other numerous independent agencies and bodies, which rely on technical expertise and standard procedures.
Some consequences of this shift of power on the downgrading of domestic politics are highly visible, including the banalization of political campaigning and the higher visibility of politicians’ crude ambition. However, the relation of these recent trends with the increasing globalization of public affairs has not always been remarked.

Any realistic analysis of politics must accept the hypothesis that most politicians are motivated by the seeking of power. An old wise advise is, precisely, that any effective institutional design should use politician’s ambition to make them work for collective interests. As was stated by David Hume long ago: “In contriving any system of government, and fixing the several checks and controls of the constitution, every man ought to be supposed a knave, and to have no other end, in all his actions, but private interest. By his interest we must govern him and, by means of it, make him cooperate to public good, notwithstanding his insatiable avarice and ambition.”

Yet, together with the ambition of power, the seeking of vanity and wealth have also been relevant motivations among political actors, as we are now in a position to realize with even more clarity. Deprived of significant policy achievements, the seeking of private interest and the “insatiable avarice” referred to by Hume emerges clearly.

In many countries of the world, the development of transnational and global processes shows the banality of power; that is, the banality of state-based power regarding many policy issues that were highly relevant in state governments’ agendas just a few decades ago. Many politicians and civil servants exert power in a banal, routine way, without questioning the aims of the orders they receive, especially from the World Bank, the International Monetary Fund, the European Union, and other international organizations. They might as well say that they are acting by obedience, for lack of freedom to choose, as their political responsibility for their actions has vanished. But sometimes the spectacle of politicians keeping their speeches, rhetoric, gestures, and other routines while they ignore or pretend to ignore the background of their colossal impotence can be astonishing.

The professional, personal, and moral quality of politicians is considerably different in different countries. Differences greatly depend on the institutional incentives for their political careers and the worth of private and professional alternatives available. In particular, members of parliaments elected in closed party liststend to be more incompetent and sometimes more corrupt than those that need to compete on personal initiatives. The former are usually appointed and controlled top-down by the party leadership which does not offer any possibility for voters to select among individuals. But the new thing is that in some countries
subject to strong globalizing pulls, even the most competent and honest politicians may feel frustrated and sometimes impotent.

Government parties and incumbent office-holders are punished more by voters in elections than even before because, as any principle of accountability requires, they are being made responsive for the results of their actions, even if they are not responsible for many of them. It could be different if more effective mechanisms for accountability were implemented at international or global levels. But meanwhile, the political show goes on as usual. The customary gesticulation of domestic politicians persists as if nothing happened. Many party officers replicate old grinds and clichés out of context and relevance. Political parties consume themselves in inward-looking curling. Old institutions that have become ineffective survive by becoming a pool for private gains and corruption, by deploying new empty ceremonies or, sometimes, by trying to deal with new issues, which all the same implies the recognition that a general restructuring of the functions of the different levels of government is in place.

* * *

International and global organizations have taken over some of the most fundamental and traditional tasks of many state governments. The opportunity created by growing globalization and the recent financial and economic crisis is furthering the loss of actual sovereignty of many states. To the extent that there is no sovereignty, there is no state. And if there is no state, state democracy is, by far, not what it was or what it could have been.
CHAPTER 9

GLOBAL REPRESENTATION REQUIRES
ROTATION OF COUNTRIES

The Inefficient Principle of Equal Vote

The principle of equal representation, which might give equal vote to every citizen or equal vote to every state, tends to be troubling at the global level. In many global institutions, the principle of equal representation has been successfully replaced with indirect representation of citizens by means of rotation of countries in global councils and boards, the allocation of weighted votes to every country, and the formation of multi-country coalitions.

The principle of universal suffrage by which every citizen has equal vote, as used in democratic state and local governments, does not seem to be easy to apply in worldwide elections. That is, at least, the main reason for which the proposal of “global democracy,” based on a directly elected assembly or Parliament, has been a controversial issue and has been dismissively discarded as impracticable utopia by some authors. Nevertheless, I discuss the possible institutional features of such an assembly: number of seats, electoral system, second chamber of territorial representation, although in a rather speculative manner, in appendix 3. Meanwhile, in the following pages I report a real attempt to directly elect council members of a global organization by open participation of individuals all across the world. The experiment, although it was technically improvable, was not very encouraging for the prospect of a directly elected global council or assembly. Equal vote for every citizen for direct global elections seems to be in principle desirable but difficult to implement.

The second principle, which is based on the notion of state’s sovereignty, gives equal vote to every state. This principle, in contrast to the previous one, is practicable but rather undesirable. First, equal vote per state is patently undemocratic, as it entails huge inequality among
individuals living in different states. The most obvious difference among the current countries of the world is difference of size. The current members of the United Nations have population sizes more than one hundred thousand times larger than others, like elephants and mosquitoes, from China and India to Nauru or Vanuatu. Thus, the principle of “one state, one vote,” which is used as a main organizational criterion by a few global institutions, blatantly contradicts the democratic principle of “one citizen, one vote” that is enshrined in the constitutional order of many states.

It is paradoxical that the “modern” principle of state sovereignty, if it is projected to the level of global governance, implies a return to “medieval” criteria of representation. When every state is given equal vote, the citizens of the world are left divided in groups with extremely different voting rights. The citizens of small states may have extraordinary indirect advantage if their rulers can make decisions at the global level by equal vote, as the minority nobility and clergy had in ancient regime procedures of estate representation. Likewise, the populations of larger states may be heavily underrepresented, as were the members of the majority “third estate” in elections before democracy. Regarding inequality of representation, the modern principle of equal vote per state is analogous to the medieval principle of equal vote per estate.

Additionally, some of the global institutions that include representatives of all countries of the world in every organizational body and give each country equal voting rights do not only contradict a basic democratic principle, but also have trouble in developing effective decision-making. A high number of seats—for up to the nearly 200 countries that are widely recognized in the current world—and the gathering on equal foot of states with disparate sizes and resources is not a good recipe for effective governance. In fact, although almost all global institutions are organized with an assembly of all member-states, most of them rely more heavily upon a technical bureau or an executive council with reduced membership.

At the same time, it is clear that effectiveness in decision-making may require cooperation and acquiescence from broad populations in different areas of the planet. Thus, for good governance, not all states should have the same voting rights, but all of them and their populations should be somehow represented in the processes of decision-making, including in the executive councils.

In order to achieve some broad but manageable territorial variety in the executive bodies of global institutions, two basic institutional means can be used: territorial rotation of state representatives and weighted votes for different states. Almost every global institution employs at least
one of these forms of representation in order to attain both the input of a
diversity of interests and sufficient legitimacy to enforce decisions by the
participating states.

In these institutional contexts, the democratic principle of universal
suffrage by which every citizen has equal vote becomes relevant in order
to create the original legitimacy of state representatives in international
or global institutions. While the members of global councils and boards
are not directly elected, their appointment by democratic states can be
backed by previous electoral processes in which everybody has the right
to participate.

In this chapter I review, first, a unique experiment of global direct
election. Second, I analyze different institutional rules of representation
based on rotation of countries, which, as we will see, may produce vary-
ing performances for different types of global institutions. The rules for
weighted votes will be the subject of Chapter 10.

An Experiment of Direct Global Election

A global organization dealing with Internet technicalities seems, in prin-
ciple, to be particularly well predisposed to hold an open, direct, online
election in which all citizens of the world, or at least all Internet users,
could participate. The Internet is an outstanding case of a network col-
lective good in which the level of conflict of interest among users is very
low. There is no rivalry of direct conflict between internet users; every-
body can benefit from coordinating standards and allocations; the higher
the number of participants, the better the service everyone can enjoy.
At the same time, all problems of communication regarding registra-
tion of voters, candidacies, campaigning and voting could be minimized by
using online means, that is, the same resources on which the participants
are supposed to be intensely interested and adroit.

However, the innovative experimentation with global direct democ-
archy at the Internet Corporation for Assigned Names and Numbers
(ICANN) was disappointing. The ICANN was created as a global non-
profit organization in 1998 for the coordination of global Internet sys-
tems, including the assignment of domain names and addresses—a task
that was previously handled by the US government. The Corporation
provides highly technical services. It also has the mandate to achieve
“broad representation” of the global Internet community and develop
policies “in a bottom up, consensus driven, democratic manner.”

In order to replace the initially appointed members of the Board of
Directors of the ICANN, a plan was considered for the election of a
council which would indirectly appoint the directors. Yet, at clamorous
demands from computer scientists, Internet users and a variety of geeks, the course was reversed in favor of a direct election. Out of the 18 Directors of the Board, nine should be representatives of Internet users from around the world. A direct election of five of the nine was set up for 2000.

Solutions for several crucial problems for such a large-scale election were designed. Any Internet user with an email address could be registered as voter. There would be a primary selection of candidates, partly by a self-appointed nominating committee and partly by registered voters collecting some threshold of endorsements. The five seats would be filled in five different territorial constituencies or regions of the world, covering Asia-Pacific, Europe, North America, Latin America, and Africa, respectively. Voting would be online, in spite of some concerns regarding voter secrecy. The electoral rule would be the so-called alternative vote, by which the voters must order their preferences regarding all the candidates and the winner is based on consensual, majority support. These institutional choices seemed to respond to some skeptical claims about the feasibility of a worldwide election.

Yet, a number of unanticipated problems emerged. While the organizers expected between 10,000 and 20,000 participants, more than 158,000 registered, over 76,000 activated their registration, and, although the actual voters were only about 34,000, partly as a consequence of technical problems, they were still much above the expected number. More than half of both the registered and the actual voters were from Asia, especially from Japan, which raised suspicions of top-down, hierarchically organized recruitment. The possibility that any individual could register with multiple addresses was also acknowledged.

Regarding candidates, up to 156 individuals were nominated, but only 27 finally ran—18 nominated by the committee and 9 endorsed by registered voters. The formal campaign was somehow tamed by calling it “voter education and dialogue process” and preventing the candidates from accessing the names or emails of registered voters. Yet, for a month each candidate had a web page which the organizers periodically updated; thousands of supports were subscribed; numerous nongovernmental organizations participated. The sector-specific type of election and the network type of the collective matter limited the diversity of policy proposals. Some of the issues discussed referred to property rights, speed rights and privacy protection of domain names, the role of private corporations in the ICANN, and emphases on either democracy or e-commerce. A Civil Society Internet Forum launched a critical platform favoring free expression in the public domain over intellectual property rights (and the direct election of the nine user representatives),
thus playing an aggregative role similar to the one that political parties are expected to develop in domestic-level elections.

The five winners of the election were not insiders from the incumbent board. The ones from North America and Europe, an American researcher at Cisco Systems and a German journalist, were those with the highest numbers of endorsements by voters and were considered vociferous critics of the ICANN apparatus. The candidates elected from Asia-Pacific, Latin America, and Africa had been nominated by the committee. But three of the five were signatories of the Civil Society Forum platform, while a fourth had also endorsed it online.

Soon thereafter, the ICANN declared that future direct elections would be scrapped, while the terms of the incumbent, nonelected directors would be lengthened. The elected director from North America, Karl Auerbach, declared that “ICANN killed the concept of public participation… and established instead a paternalistic oligarchy.” In fact, the experiment of holding an online, direct, global election to select half of the ICANN Board Directors was not completed. New rules were set up by which the board is now formed by only 16 members, all appointed by organizations supporting or forming the corporation. There was speculation that the United Nations might take over of ICANN, as well as demands to move its functions into the International Telecommunication Union.

The ICANN keeps holding meetings and processes open to anyone in the world. But its current structure has been challenged by a so-called World Summit of the Information Society, which set up an Internet Governance Forum discussing future experiments. In reaction, the states have gained informal influence through a Governmental Advisory Committee that works close to the board. No more direct global elections are likely to be held soon.

**Territorial Rotation**

In the absence of direct elections of global representatives, alternative procedures for territorial rotation of state representatives can reduce the number of active officials in decision-making bodies. In one procedure, representatives from different countries can be members of a global organization’s council at different moments, by turns. In another, fixed weights or quotas of seats can be given to different regional areas and then the countries within each area can rotate at some pace to fill their seats. As a result of any of these types of rules, almost every country of the world may have the opportunity to have a representative in the council of any major global institution for some time. In many cases,
the single-person office, whether it is called president, secretary general, director general, managing director, or other names, also tends to be filled by rotation across countries from different regions of the world.

Yet, as enormous differences exist among sovereign states with respect to population, resources, and interests in the different types of public goods and various activities undertaken by global institutions, not all world regions or countries may have the same chance to have a turn in the rotating body or office. These procedures do not prevent the emergence of competition among candidates from different countries, especially on issues with clearly identifiable conflicts of interests among countries of the same region. There are also recurrent demands for changes of the rules to give more opportunities to countries or regions that feel underrepresented or unfairly treated. Some of the most relevant cases are reviewed below.

The rigidity of the rules establishing territorial quotas increases with the potential level of conflict of interests in each type of organization. In bureau-type organizations, any particular country’s membership to the council or board may not make a significant difference, due to the near-universal common interest in network goods and the possibility of using them without much collective effort. Systems of regional quotas in the council are used only by some of the oldest bureau-type organizations that deal with issues in which “space” is crucial, such as communications and the weather. In the International Telecommunication Union, the seats of the Council are currently distributed among five regions: the Americas, Western Europe, Eastern Europe and Northern Asia, Africa, and Asia and Australasia. In the World Meteorological Organization, the Council is composed of a number of seats elected by the Plenipotentiary Congress of all members and the presidents of six regional associations: Africa, Asia, South America, North America-Central America and the Caribbean, South-West Pacific, and Europe. Some institutions traditionally combine regional and interest criteria, such as those dealing with civil aviation (ICAO) and maritime navigation (IMO), as these activities have highly unequal importance for different countries.

In organizations dealing with relatively more conflictive issues, countries are represented with rules based on interests. This is the case of the International Labor Organization, where permanent seats in its governing body are granted to countries “of chief industrial importance.” Interest representation also exists in the International Fund for Agricultural Development, where the council is formed with three categories of members: developed, developing, and petroleum-exporting countries.

In organizations addressing highly conflictive issues, a few permanent members hold offices. The International Atomic Energy Agency selects
the members of its Board of Governors with two criteria: the ten states “most advanced in the technology of atomic energy” and the most technologically advanced ones in each of eight regions: North America, Latin America, Western Europe, Eastern Europe, Africa, the Middle East and South Asia, South-East Asia and the Pacific, and Far East.

Regarding the United Nations, as it was instituted that the Security Council would be dominated by a few permanent members with veto power, an oral agreement that was never recorded in any official document established that the nonpermanent members would be selected from different regions of the world. The initial “equitable geographical distribution”—as its proponents named it—of six nonpermanent seats in the Security Council gave one seat to Western Europe, one to Eastern Europe (at that time under Communist control), one to the British Empire, one to the Middle East, and two to Latin America. With this distribution, nevertheless, a number of countries were not integrated in any allotment (including Japan and East Asia). As most colonies formed independent states and became UN members, since 1964 the number of nonpermanent seats of the Security Council was raised to ten and the seats were allotted as follows: two to Western Europe and other states (one more than before), one to Eastern Europe, five to Africa and Asia (three more than the equivalent areas in the previous distribution), and two to Latin America and the Caribbean.

Within each region, countries are informally selected every two years by criteria such as population size, domestic security, troop contributions to peacekeeping operations, financial contributions to the UN budget, and others. From 1946 to 2013, as many as 126 countries were members of the Security Council at least once. The relatively short list of countries that have never held a seat at the Security Council includes distasteful dictatorships (such as Saudi Arabia and North Korea), almost all micro-countries, and the most recent members yet.

For distributions of power in other UN organs not involving permanent members, the same five regions just described are used. These are the cases for the selection of the president of the General Assembly, the members of the Economic and Social Council, and the boards of some UN agencies, including those coping with industry (UNIDO) and education (UNESCO). The latter warns in its Rules of Procedure that the choice of the Executive Board is “largely a matter of the diversity of cultures and their geographical origin; skillful negotiations may be needed before a balance is reached among the different regions of the world in a way that will represent the universality of the Organization.” Different regional arrangements are used by other agencies, such as the World Health Organization, whose Executive Board is formed with
members from Africa, the Americas, South-East Asia, Europe, Eastern Mediterranean, and Western Pacific, while the Food and Agriculture Organization elects its council members from Africa, Asia, Europe, Latin America and the Caribbean, Near East, North America, and Southwest Pacific.

Neutral and Third-World Secretary-Generals

Relatively contentious competition among different regions and countries has sometimes emerged for the election of the secretary general of the United Nations. According to the Organization Charter, the General Assembly should vote for the secretary general by two-thirds qualified majority among the candidates recommended by the Security Council. But by the first election, the assembly had already resolved that “it would be desirable for the Council to proffer one candidate only . . . and for debate on the nomination in the General Assembly to be avoided.” In practice, all candidates recommended by the council have been appointed by the assembly by acclamation. Thus, the actual selection is made by the Security Council by the usual rules involving the five permanent members’ veto.

None of the five permanent members has thought about presenting its own candidacy to secretary general, as any of them would most likely be vetoed by some other permanent member. Yet, the number of vetoes cast on other candidates has been very high. During the Cold War years, the first secretary general selected in 1946, Trygve Lie, from Norway, was initially vetoed for reelection by the Soviet Union; he was renewed by the General Assembly without a council recommendation, but he resigned very early in his second term, in 1952. Successive compromises were attained for the selection of three further secretary generals, by choosing, after numerous vetoes, candidates from neutral countries not belonging to the military alliances of the West or the East: Sweden (Dag Hammarskjöld 1953–1961), Austria (Kurt Waldheim 1972–1981), and Peru (Javier Perez de Cuellar 1982–1991). All these elections required several rounds of voting by secret ballot.

In the middle of these Cold War disputes, the Soviet Union proposed to replace the single-person office of secretary general with a “troika” of representatives of the East, the West, and the non-aligned blocs. But the proposal was set aside after a candidate from nonaligned Burma, U Thant, was elected by unanimity. He oversaw the entry into the United Nations of dozens of new Asian and African countries and successfully completed two terms (1961–1971).
In order to build consensus, since 1981 the Security Council has conducted a series of “straw polls” under which members can indicate, even outside official meetings, either “encouragement” or “discouragement” for any number of candidates. Not all preferences have the same value, however, as the expression of “discouragement” by a permanent member implies its veto and, thus, means that the candidate is eliminated in practice. In fact, color-coded ballots have been used to indicate the origin of the vote: “red” for permanent members and “white” for nonpermanent members.

For several years, candidates from multiple regions were presented and seriously considered, which may indicate that the norm of rotation was not generally accepted. Only since 1992, had rotation across regions been more clearly enforced, both regarding candidates and the selected secretaries, who have come only from African and Asian countries: Egypt (Boutros Boutros-Ghali, for only one term 1992–1996), Ghana (Kofi Annan 1997–2006), and South Korea (Ban Ki-moon 2007–2016). In total, the actual office holders have been selected from countries in Western Europe (3), Asia (2), Africa (2), and Latin America (1).

All in all, by means of regional quotas and rotation of countries, some territorial balance has been achieved in the Security Council and in the secretariat general of the United Nations, as well as in agencies of the United Nations and other global institutions. Although some of these offices hold rather formal representation, they are broadly perceived as some kind of compensation for the tenure of permanent members and, in particular, the superlative power of the Big Five directorate.

**Trade and Votes**

Among the major global institutes, only the World Trade Organization (WTO) is alien to any procedure based on territorial quotas, rotation, or weighted votes for compacting universal representation into a few seats. As we have seen in chapter 6, all the WTOs’ 159 members participate in its General Council with equal vote.

Yet, some territorial criterion has been introduced for the choice of the single-person top office. When the organization was founded in 1995, there were no clear rules for the selection of its director general, who was expected to be named by consensus. All the four executive secretaries of the previous GATT (1947–1994) had been Europeans. Despite serious reluctance from the United States, the first director general of the WTO was also European (Renato Ruggiero, from Italy, in 1995–1999). But soon it was agreed that for the following occasion, in 1999, a system of regional rotation inspired by the United Nations rules would be applied.
The first turn was going to be for Asia. But, as trade policy involves a relatively high degree of conflict between developed and underdeveloped countries, no consensus was attained about which Asian country would nominate the candidate. The United States, the European Union, and most developed countries favored New Zealand politician Michael Moore, while most underdeveloped countries and Japan supported the candidacy of Thai banker Supachai Panitchpakdi. The stalemate unfolded by giving each of the two candidates an abridged term of three years (1999–2002 and 2002–2005, respectively).

More formal rules were adopted for the following occasion. The mandate of the director general would return to lasting for four years, renewable once. The selection would continue to be made by the General Council of all members with equal vote, expectedly by consensus. But through a several-month-long process, the chair of the council and two “facilitators,” the chairs of Dispute Settlement and of Trade Policy, would conduct several rounds of consultations about the candidates with all member countries, whether they had a permanent representative in the organization headquarters in Geneva or not. Each member would be asked “What is your preference?” and the “troika” would successively eliminate least preferred candidates until one of them would emerge as the most likely to attract consensus. Only in the exceptional case that sufficient consensus had not been reached by the deadline, the organization members “should consider the possibility of recourse to a vote as a last resort.”

According to the regional rotation norm, in 2005 it should have been the turn of Latin America. Yet four candidates ran, including one from Europe and one from Africa. Two candidates from Latin America, from Brazil and Uruguay (the latter supported by Argentina), who held significant differences regarding free trade policy and implied rivalry regarding the region’s leadership, split the votes of the hemisphere. The European Union countries had a previous session in which they committed themselves to vote in bloc for the French candidate, Pascal Lamy, a former European Commissioner for Trade, who handily won the final round. Lamy was reelected without opposition in 2009.

Up to nine candidates ran for director general of the WTO in 2013. Two from Africa were soon eliminated, as were four from Asia and one of the three Latin Americans in a second round of consultations. The final two contenders were from Brazil and Mexico. This time it was going to be, thus, the real turn for Latin America. Yet policy differences between the two candidates remained important. Both nominees toured the world and presented before the General Council. By secret balloting, China, India, Russia, and most African and Asian countries supported the
Brazilian candidate, Roberto Carvalho de Azevedo, an insider from the organization, who won the contest with 106 out of 159 votes. The other 53 members, including the United States, the European Union countries (again voting in bloc after an internal decision), Japan and South Korea, supported the Mexican candidate, a former Secretary of Trade and Industry who had been chief negotiator of the North American Free Trade Agreement. Although the loser’s supporters collected only one-third of the votes, they manage about three-fourths of world’s exports.

In total, the first five director-generals of the WTO have been selected from countries in Europe (2, but holding the office most of the time), Asia (2, but for abridged terms), and Latin America (1). Africa, which clings to less than 3 percent of world’s exports, but, with 39 country members, holds 25 percent of the votes, has not had its turn yet.
CHAPTER 10

EFFECTIVE DECISIONS ARE MADE BY MEANS OF WEIGHTED VOTES

Weighted Countries

Besides territorial rotation reviewed in the previous chapter, the other basic alternative to the principle of equal vote for every country is weighted vote. As we have seen, in certain global institutions the rotation of countries is applied within territorial regions that are given weights or quotas of seats. Alternatively, more determinant weights for collective representation can be given, not to regions, but to every country on the basis of population, interest in the issue or contribution to the organization. This type of functional representation can certainly be more effective for decision-making than equal vote per country.

Fixed quotas and weights were allocated in some early organizations dealing with issues involving relatively notorious conflicts of interest, such as commodity trade. In traditional international agreements to control fluctuation of prices and supply of commodities such as sugar, coffee, or wheat, there were typically few producer and export countries with intense interest in the issue facing many potential importers and consumers with lower interest. Thus, exporters and importers were given different quotas of votes and within each group votes were weighted according to the importance of each country for the global trade of the commodity.

Currently, the International Fund for Agricultural Development uses a similar formula. Its council is formed by eight members from developed countries, four from oil producers, and six from underdeveloped countries in Africa, Asia, and Latin America. Some votes are divided equally among all members while others are distributed in accordance with the member’s paid contributions.
More complex arrangements are based on different weighted votes for countries that need to form multi-country coalitions to attain seats in a relatively reduced council. Most notably, this type of rule is currently used for the boards of the International Monetary Fund and the World Bank, as well as for their branches: International Finance Corporation, International Development Association and Multilateral Investment Guarantee Agency. The same type of rule is replicated for the boards of the Inter-American, the African and the Asian development banks. As we reviewed, similar arrangements were initially devised for the failed International Trade Organization, but they were replaced with the fatal rule of equal vote in the WTO, which has greatly contributed to the organization’s fiasco.

**Weighting Financial Contributions**

In the IMF and the WB the formula of weighted votes is applied as follows. Each country is given a quota, which results from a complex mathematical formula currently based on the country’s production, openness, variability, and reserves. The quota is denominated in special drawing rights (SDR), which determine each country’s financial contribution and its access limit to financing. The votes in the boards are allocated on the basis of a few “basic” votes (which nowadays are only about 5.5% of total votes) and the just mentioned quotas. Currently, the highest vote shares are in the hands of the United States (16.75% of total in the Fund and 15.25% in the Bank), followed by Japan (6.23% and 8.51%, respectively), Germany (5.81% in the Fund), China (5.5% in the Bank), France and Great Britain (both at 4.29% and 4.02% in each of the two institutions).

The executive boards have 24 seats in the Fund and 25 in the Bank, which have to be filled by the organizations’ 187 or so members. In practice, eight countries appoint or elect their own executive directors to the board of each of the two institutions: the United States, Japan, Germany, Great Britain, France, China, Russia, and Saudi Arabia. The other countries have to form multi-country “constituencies” to share the remaining 16 or 17 executive directors among some of its members.

Most constituencies reflect some geographical or cultural affinity. As they are formed, with relatively minor variants between the Bank and the Fund, mostly by countries from Northern Europe (including Denmark, Sweden and Norway), Central and Eastern Europe (including Belgium and Turkey), peripheral Europe (including the Netherlands and Ukraine), Southern Europe (dominated by Italy), the Caucasus (dominated by Switzerland), the English-speaking Americas (dominated by
Canada), the Hispanic world (including Spain, Mexico, and Venezuela),
the Caribbean and the Northern part of South America (dominated by
Brazil), the Southern Cone (including Argentina and Chile), East-Asia
and the Pacific (including Australia and S. Korea), Southern Asia (domi-
nated by India), South-Eastern Asia (including Indonesia and Malaysia),
the Muslim world (including Iran and Pakistan), the Arab region (includ-
ing Kuwait and Egypt), and two or three from Africa (one including
South Africa and Nigeria, and the others formed by long lists of small or
poor countries).

The formation of multi-country constituencies significantly reduces
inequality in the distribution of votes within the boards. This effect can
be observed by graphing and comparing the relative proportions of votes
for the first 25 countries and for the 25 constituencies in the World Bank
(which are broadly similar to the Fund), as in figure 10.1.

Below the two lines representing relative votes for constituencies and
for countries the reader can visualize the “rank-size distribution” follow-
ing the so-called “Zipf’s law.” As popularized by the American linguist
George K. Zipf, remarkable regularities can be observed in the distribu-
tion of power in many different settings, as for the simplified formula
$S_k = S_1/k$, which means that the size of the unit in rank $k$ in size equals
the size of the first unit divided by $k$. So the size (in our case, the pro-
portion of votes) of the second-largest country would be half the first,
the size of the third country would be one third of the first, and so on.
This regularity has been observed for the distribution of city sizes, sizes of

![Figure 10.1](image-url)
business, frequency of word usage, wealth among individuals, and many other phenomena.

Accordingly, as in the Executive Board of the WB, the United States, the first unit, has a “size” of 15.25 percent of votes, the second unit should have a size of 15.25/2 = 7.63, the third should have a size of 15.25/3 = 5.08, and so on. In fact, the first 24 countries following the United States have somewhat higher values than predicted by the Zipf’s law, and the remaining 24 constituencies, even relatively higher values, as can be observed in figure 10.1, thus producing a less unequal distribution than the Zipf’s law would predict.

The use of qualified-majority rules to make decisions also reduces inequalities in the distribution of power, as it can give relatively small constituencies a decisive role. The actual power of each constituency and country can be calculated as the a priori likelihood that the constituency or country will be necessary to form the appropriate majority to make a decision. The likelihood for each constituency or country to be decisive does not match exactly the country’s or constituency’s proportion of votes.

From early calculations of this type of “power indices” by Chicagoan sociologist James Coleman, a distinction has been made between “power to initiate action” and “power to prevent action.” The first refers to the capacity to make a decision by being decisive to form a winning majority, while the second is the capacity to block a decision by preventing such a winning majority from being formed. As calculated for the Bretton Woods institutions, simple majority rule gives the United States higher power than its voting weight (although still lower than its relative gross domestic product in the world) and the five largest countries together, about the same power as voting weight.

However, the use of qualified-majority rules, such as 70 percent and 85 percent, which are used for more than 40 categories of decisions by the executive boards dealing with financial, operational and membership issues, implies significant redistributions of power. On the one hand, the United States has actual veto power to block decisions submitted to the 85 percent rule, while the largest five countries also have increased blocking power. On the other hand, with qualified-majority rules all the Big Five experience a reduction of their institutional power to make decisions, which effectively tends to equalize power to a considerable extent.

These results were somehow anticipated by the first British executive director of the Bank and the Fund, John M. Keynes, when he stated that a qualified majority rule “would limit the power of the United States with respect to changes it may desire in an existing status as much as it would
increase its power to stop undesired changes.” Both Keynes’ intuition and mathematical calculations fit a common experiential observation by attentive participants in actual decision-making: it is very difficult to make decisions in the Fund or the Bank against the United States or the European Union bloc (as they have strong blocking power), but it is also very difficult for the US or the EU countries to impose their decisions without broad consensus (as their power to make decisions is relatively lower).

Paraphrasing and expanding on a saying for broader international relations, in global institutions working with rules of weighted vote the United States can be considered “the indispensable country.” The European Union can also achieve such a consideration as long as it acts as a unit. But each of them is also insufficient, as institutional decision-making requires the collaboration of multiple no less indispensable partners to make innovative decisions.

The Fund for Europe and the Bank for America

If an organization’s council is selected by weighted votes by all countries, as this procedure already permits broad participation, territorial rotation may be less helpful and not formally implemented. In particular, as the members of the boards of the IMF and the WB are elected by weighted votes giving every country its share of representation, it was established that no territorial rotation would be necessary to fill the top offices of the two institutions: the managing director of the Fund and the president of the Bank. After the triumphal position attained by the United States over Great Britain at the Bretton Woods conference in 1944, it was widely expected that the United States would appoint the heads of the two new institutions.

In case the Americans conceded in splitting, the most logical deal would have been the Fund for the United States, as it was considered the most important institution and the one that received priority in the initial American plan, and the Bank for the Britons, who had been careful in securing access to its resources for its own reconstruction after the war. Harry D. White, the main intellectual designer and diplomatic maker of the IMF, as we saw in chapter 5, was the natural candidate to become its first managing director. Accordingly, he was appointed the US Executive Director of the Fund by President Harry Truman in the expectation of being selected as managing director by the Executive Board. John M. Keynes, in turn, became the British executive director of the two institutions. He hoped to have the opportunity to recommend a candidate for president of the WB.
Yet, the initial American plan was never consummated. By November 1944, a few months after the Bretton Woods conference, the first and lifelong director of the Federal Bureau of Investigation (FBI), J. Edgar Hoover, had warned the White House about the high number of government employees that were acting as espionage agents of the Soviet Union. Hoover had cautioned, in particular, “of the extreme danger to the security of the country in appointing [Harry D.] White” head of the IMF. At the time, President Truman disregarded the allegation. But when the Fund began to operate in March 1947, White was compelled to resign from his position of Executive Director. Lacking an appropriate candidate, the United States conceded in having a non-American as the first managing director of the IMF. Against all odds, Keynes’ candidate, the former minister of Finance of Belgium, Camille Gutt, was appointed. The United States, in turn, nominated the first president of the WB, Eugene Meyer, a former chairman of the Federal Reserve and the owner of The Washington Post.

There has been a lengthy and intense debate about the degree of connection of Harry D. White with the secret services of the Soviet Union. It seems that White had been attracted by the first Communist experiment of changing basic economic system relations, as many American intellectuals did in the 1930s. At work at the treasury department during the early 1940s, he regularly provided sensitive documents and confidential advice to Soviet diplomats in Washington, including information agents. At the time, the United States and the Soviet Union were major partners in the war against the Axis and White claimed that the Soviets should be trusted to the same degree and to the same extent as the other Allies. White’s type of espionage has been called “free-lance” diplomacy, which although it was certainly not accountable to the US government, it was the kind of job that other US officials also did during the Second World War.

It seems well established that Harry D. White did not join underground movements or take direct orders from the Soviet government. No crime was proved in his time. Yet, after his resignation, he was interviewed by the FBI, in August 1947. A few weeks later, still under stress, he suffered a severe heart attack. In October he was summoned by a federal Grand Jury. In August of the following year, White appeared before the standing Committee on Un-American Activities of the House of Representatives (not to be confounded with the Senate Subcommittee on Investigations, chaired by Joseph McCarthy, which was more active in later years). The same series of hearings would lead Alger Hiss—a crucial official in the Dumbarton Oaks conference, as we mentioned before—to be convicted and imprisoned. In his statement before the House Committee, White
ardently proclaimed his allegiance to the American way of life. A few hours later he suffered another heart attack and three days later he passed away.

Three associates of Harry D. White at the Monetary Research section of the treasury department were also accused of spying for the Soviet Union and forced to resign in the following few years. Quite long time later, several testimonies of the Soviet secret services KGB mentioned White as an informer. After a number of cables and secret documents were released in the aftermath of the dissolution of the Soviet Union, a US Senate commission settled on Alger Hiss’s and Harry D. White’s “complicity in espionage.”

**Managing Directors and Presidents**

Both the managing-director of the IMF and the president of the WB are formally appointed by the institution’s Executive Board. The deal to let the Europeans select the former and the Americans the latter was not initially formulated as a regular norm, since, as we have seen, it was rather an emergency decision imposed by unforeseen events. The United States could probably have tried again to appoint the head of the Fund since the 1950s, but at that time the institution was at a low level of activity and the US rulers possibly felt that an attempt to change the informal agreement could put its control over the WB at risk. Over time, the accidental arrangement, in spite of being almost the opposite of the one initially envisaged, has self-reinforced and consolidated.

The IMF office of managing director has been held by French officials most of the time. As Great Britain was somewhat self-excluded and Germany and Italy were for a long time considered losers of the Second World War, France often emerged as the major European option by default. Five of the Fund heads have been French: Pierre-Paul Schweitzer (1963–1973); Jacques de Larosière (1978–1987); Michel Camdessus (1987–2000); Dominique Strauss-Kahn (2007–2011); and Christine Lagarde (since 2011).

Although more than one European candidate ran sometimes, the first seven managing directors were appointed by consensus, including the Belgian previously mentioned (Camille Gutt 1946–1951), two from Sweden (Ivar Rooth 1951–1956, Per Jacobsson 1956–1963), one from the Netherlands (H. Johannes Witteveen 1973–1978), and the first three Frenchmen just listed above.

In the year 2000, the earliest selection after the Cold War, Germany was, for the first time, given its turn. However, the initial German candidate, an insider from the IMF, was considered not to be highly qualified
and in the first meeting of the Executive Board, the United States and other Directors abstained from giving him support. Then, the United States maneuvered from behind the scenes to run a candidate of its own, an American high officer born in Rhodesia who was presented by the Anglophone African constituency in the board. Japan also ran its own candidate. Facing so explicit a threat, Germany was moved to replace the aspirant. The new hope was Horst Kohler, president of the European Bank for Reconstruction and Development (an institution that had been created after the Cold War to help the economic transition in Eastern Europe). Then the other two candidates immediately withdrew and Kohler was appointed by unanimous consensus.

Kohler resigned before his first term to become president of Germany, a largely ceremonial office (from which he would also resign before term).

The subsequent selection of the IMF managing director in 2004 was openly contested, with help from an internal Joint Report by Working Groups of the Fund and the Bank that had voiced demands for more open competition. A self-appointed G11 group of executive directors mostly based on Asian, African, and Latin American countries issued a declaration demanding “a plurality of candidates representing the diversity of members across regions” in order to be able to choose one “regardless of nationality.” Accordingly, while the European countries nominated Rodrigo Rato, former economy minister of Spain, the G11 supported the alternative candidacy of an officer born in the United States, of Egyptian parents and also a French citizen. The European candidate was selected.

Rato resigned only three years later arguing personal reasons. At the second-in-a-row anticipated selection of managing director, in 2007, the Executive Board of the IMF adopted new rules, which included the pledge to make the choice “without geographical preference.” But the European candidate, who was again French, Dominique Strauss-Kahn, a former finance minister, was selected by consensus against a Czech candidate nominated by Russia. The new managing director declared that his successor would have to be chosen “without any reference to his or her nationality.” The then chair of the Eurozone finance ministers, Jean-Claude Juncker, was quoted saying, “Everybody agrees that Strauss-Kahn will probably be the last European to lead the IMF in the foreseeable future.”

Strauss-Kahn resigned before the term after being accused of sexual misbehavior, in 2011. For the subsequent selection, the executive directors of Brazil, Russia, India, China, and South Africa (the so-called BRICS) urged to abandon “the obsolete, unwritten convention” to appoint a European. An alternative Mexican hopeful ran. The European nominee was Christine Lagarde, a former finance minister of France. Both
candidates circled the planet in search of support. Both also promised to increase the number of deputy managing directors, already allotted to the United States, Great Britain, and Japan, with a fourth one for China. But, as usual, no formal voting was cast and Lagarde, the first woman to lead the IMF, was appointed with near-unanimous consensus.

In 2011 the United States hinted at, as on the other previous occasions reported above, not openly backing the European candidate. But had the United States broken the unwritten convention this time, the EU countries would have certainly run a contestant against the American candidate for president of the WB the following year. Over time, the informal but robust agreement between the United States and Europe to allocate the IMF top office to Europeans has been enlarged with Japan, which has been regularly reserved the head of the Asian Development Bank. Together, the constituencies led by countries of these three blocs collect, in very closely matched proportion of their gross world product, about 55 percent of the weighted votes in the Executive Board of the IMF. This makes the victory of alternative candidates unfeasible.

The selection of the president of the WB is usually less intricate. In spite of reiterated demands from the Bank Executive Directors to be presented a shortlist of candidates to choose from, the selection processes have been tightly controlled by the US administration. In fact, even the US Executive Directors at the Bank and the Fund are coordinated by a council chaired by the Secretary of the Treasury and formed by representatives from the State Department, the Federal Reserve Board, and the Export-Import Bank, a kind of control device that is not replicated to the same extent by most other countries.


The territorial imbalance of the WB presidency in favor of the United States has not been shaken, but it has sometimes been questioned during selection processes. In 1986, after Clausen announced that he was not going to accept a second term, the identification of a successor became unexpectedly urgent. It was reported that the Treasury Secretary, James Baker, and the Secretary of State, George Shultz, were concerned that
an impasse in that matter might lead the Europeans to put up a candidate of their own. At least they used this argument to persuade US Representative Barber Conable, who had been voted by his colleagues the “most respected” member of Congress, to accept the post. At the time, four regional vice-presidencies of the Bank were also established, respectively allocated to candidates from Africa, Asia, Latin America, and the package of Europe, North Africa and the Middle East.

More recently, in 2012, non-American candidates ran for the first time for the WB presidency. Initially, the Nigerian finance minister and a former Colombian finance minister announced their intention to make a bid against the US candidate, Jim Yong Kim. The three candidates toured the world to meet heads of government, finance ministers, and central bank governors. They were also formally interviewed by the Bank’s Executive Board. Three days before the selection, the Colombian candidate withdrew in order to facilitate coordination of developing countries around the Nigerian female contender. Yet, once again, the American candidate, Kim, was named without major surprise. The fortuitous old deal between Europe and America to split the leadership of the Fund and the Bank continues to enjoy good health.
CHAPTER 11

EXPERT RULERS REPLACE POLITICIANS AND DIPLOMATS

Competence Over Competition

Expert government already exists. Both national states and international organizations, in spite of, or in parallel to their democratic claims, strongly rely on independent bodies of nonelected experts to receive advice, make decisions, and implement, supervise, and evaluate policies on major issues.

It is still an intriguing question why the rulers of most states have conceded in giving away powers to both state-based and global institutions formed by nonelected experts. It may well be that they mostly do it in order to lighten the agenda, as the increasingly broader scope of real human exchanges overcomes the state rulers’ capability to exert traditional forms of control. State rulers can be aware that they would run high risk if they were made politically responsible for certain processes and decisions that develop beyond their reach. Then, they may prefer to transfer such responsibility to nonelected bodies of experts. Actually, about the same mechanism may explain the establishment of independent bodies of experts at state level and the delegation of state powers to international and global nonelected institutions.

In recent decades, traditional state politics has been shaken by the emergence of new issues, people’s new demands, innovative complex technologies and the expansion of economic relations beyond state limits. Many incumbent rulers and politicians may fear that the political agenda can become too broad and certain matters can be difficult to be managed by usual political means. Faced with new issues, nonspecialized politicians and diplomats may be uncertain regarding the appropriate course of
action in their own political interest. Interinstitutional rivalry between the executive government and the legislative assembly can also lead to insulation of certain functions by transferring authority outside the sovereign in order to prevent the rival’s expansion of powers. Thus, in different contexts, democratically elected politicians can choose to place some issues under jurisdictions alien to political party competition and elections in order to be able to focus on fewer, better controlled affairs. In the last few decades, as social complexity and globalization increase, so does rulers’ delegation to independent and international bodies of experts.

Giving priority to competence over competition is a hallmark of global institutions. Yet the global institutions have not invented “technocratic” rule; they rather use some of the criteria and procedures that were previously developed at state level. The fact is that nowadays, both at state, regional, and global levels, many officials with major legislative, executive, and judicial powers are recruited by procedures not involving competition in elections or affiliation with political parties. In the expectation of being able to produce regularities and adaptive outcomes, independent bodies use explicit criteria of political independence, technical expertise, and honest behavior.

This may approach the ideal phrased by John M. Keynes that dealing with economic problems “should be a matter for specialists-like dentistry; if economists could manage to get themselves thought of as humble, competent people, on a level with dentists, that would be splendid!” The comparison may be not that bad, because, as was widely known and suffered, for a long time dentists made a lot of mistakes, caused much pain to patients, and were the subject of fear and jokes. But it is also true that they—like economists and other social scientists—have made a lot of progress, on the basis of learning from experience and using new technical means, to deliver increasingly better services. The fact is that much of the history of progress in policy-making in the last few decades can be described in terms of the transfer of wider and wider policy areas from politics to expertise.

Independent bodies of experts on three major issues that occupy central positions in both state-based and global institutional systems are reviewed in the following pages. They are: the civil service, which is entrusted with the mission of implementing executive decisions but also enjoys some policy-making powers in certain domains; the central banks carrying explicit policy mandates out, now with broad international consequences; and the local and global courts that enforce rules of justice. As these bodies are aimed at different goals and work with different criteria, they can well illustrate the importance of nonelection-based expert rule for all facets of governance in the current world.
Nonelected Civil Service

Independent and permanent civil services, not dependent on the government of the day, began to develop at large scale many centuries ago. An early and influential experience was derived from the expansion and organizational structuring of personal servants of the high rulers in the Roman Empire. Following this path, during the Middle Ages and much later, many public office appointments were made by patronage and were often bought and sold in many places in Europe, including England, France, Spain, in some cases until as late as the nineteenth century.

The formal establishment of criteria of selection based on merit and professional competence implied a significant break with these precedents. A first experience owes much to the colonial administration of the British Empire. Especially as anticolonial mood was expanding, the governors in the colonies reacted by relying on the advice of civil service commissions to select and appoint candidates to posts in the local administrations. Following this example, many states created independent bodies, not appointed or subject to dismissal by the government, to oversee hiring and promotions of civil servants and to regulate their employment and working conditions.

Another highly influential initiative for the creation of independent bodies in the public administration came from the push of Napoleon in France. With the aim of creating a centralized, homogeneous administrative apparatus in the context of high political instability, civil servants were to be recruited away from the government, by receiving training in specialized schools of public administration and passing a competitive examination. In France, the highest level of “functionaries” is formed by the “great bodies of the State,” whose members are drafted through a national school of administration. Other countries under heavy influence of the French legal system use similar formulas.

An innovative development in the United States involved the creation of independent regulatory bodies, which are able not only to perform executive functions but to make policy and legislation—for that they are sometimes called a “fourth branch” of government. In contrast to the European focus on trying to make a previously existing bureaucracy more professional and competent, in America, where there was not an extensive monarchical administration on its soil, the government can appoint an independent board which recruits its own staff with professional criteria.

A seminal experience along this line was the Interstate Commerce Commission (ICC), which originally was only an advisory body to Congress and the courts, but it was soon granted independent powers.
This commission was created to regulate the railroads, with the understanding that technical specialists would do the job better than politicians would and that its permanent condition would prevent policy breaks derived from unpredictable political elections. The ICC was eventually given powers to also regulate motor carriers, inland waterways and oil companies.

Based on such a prototype, dozens of independent agencies isolated from the politicians’ burden to account for their performance have been created in further periods. They are designed to deal with expanding private activities that produce external effects and public evils and with the enforcement of new standards and norms, which otherwise would make the political agenda more complex and less manageable than it is. The set currently includes federal commissions and agencies on trade, communications, securities and exchanges, equal employment opportunity, environmental protection, occupational safety and health, food and drugs, consumer product safety, elections, scientific research, aeronautics and space, and several dozen other bodies.

Typically, the commissioners or board members of these agencies are appointed by the president and ratified by the Senate for long and staggered terms, in order to prevent the opportunity for any temporary political majority to control an entire board. Most independent agencies also require filling commissions or boards by bipartisan agreement. The staff is recruited by targeting very specific skills.

Thus, different countries have followed different paths leading to the creation of independent bodies of administration experts. As the above-reviewed experiences suggest, incumbent rulers and elected politicians may have chosen to give some of their powers away in order to avoid the peril of being overwhelmed by new social demands and complex tasks for which they could barely be accountable with political success. In different circumstances, incumbent governments have faced risks of losing control, whether from social unrest in colonial dominions, danger of disaggregation in vast territories innovatively organized, or just from difficult management of new technical inventions. For these and other similar reasons, they have ceded responsibility to new self-appointed bodies. Similar processes have led state governments to cede power to international and global independent organizations.

According to well-established doctrinal principles, public administration should be conducted by trained professionals according to fixed rules. The evaluation of their work should depend on technical qualifications judged by neutral officials. There are, of course, many problems in making large bureaucracies accountable for the results of their work. The issue of accountability will be discussed in chapter 13. But the point here
is that blaming international organizations for having developed such technical, independent structures cannot find normative support in the practice of most states. Many states have accepted renunciation of some of their powers in favor of international or global jurisdictions for similar reasons to their ceding of power to independent bodies at the state level in previous periods, that is, due to the risk of trying to keep control of the political process when new technical and human relations expand beyond the limits of their scope.

International and global organizations are broadly based on elements and criteria previously developed at the state level regarding the recruitment and decision-powers of nonelected experts. In a number of cases, they have significantly refined and improved received practice and norms. Specifically, expert government is the norm in bureau-type international organizations as has been reviewed in chapter 2. For the provision of global network goods such as transport, communication and measure standards, a technical and administrative secretariat formed by experts in the field does the job well.

For example, the International Telecommunication Union recruits people who can “demonstrate a high level of technical knowledge, possess good analytical skills and a keen interest in and an understanding of policy issues especially in the area of ICT, telecommunications and radio communications, and business administration; be able to work well in a multicultural team; have working experience at national and/or international level, in a field relevant to the ITU’s work,” according to the union’s own rules. In this type of organization, diplomats and politicians are not needed; they would most probably provide disturbance rather than help.

Explicit requirements of expertise are also instituted for some managers and staff of other global institutions. For example, the members of the Executive Board of the World Health Organization must be “technically qualified in the field of health,” according to its constitution. For the International Labor Organization, “the paramount consideration in the filling of any vacancy shall be the necessity to obtain a staff of the highest standards of competence, efficiency and integrity.” The Food and Agriculture Organization conceives its mission as “serving as a knowledge network. We use the expertise of our staff—agronomists, foresters, fisheries and livestock specialists, nutritionists, social scientists, economists, statisticians and other professionals—to collect, analyze and disseminate data that aid development.”

In the World Bank and the International Monetary Fund, the executive directors are not considered representatives of their states, but responsible for the conduct of the general operations of the Bank or the
Fund. As they are not running in elections and cannot be reappointed after their fixed terms, they operate with high levels of independence. The appointment of officers and staff is also “subject to the paramount importance of securing the highest standards of efficiency and of technical competence,” as stated in both organizations’ Articles of Agreement. In his monographic study of the Fund, James R. Vreeland concluded that “The IMF is staffed by some of the world’s best, brightest and well-intentioned economists who forgo lucrative private sector opportunities to dedicate their lives instead to improving the conditions of people in the developing world.”

Sometimes, however, the Bank’s and the Fund’s high officers and staff have been the target of harsh criticism, particularly regarding their lack of local expertise to deal with specifics of particular countries and a general attitude of arrogance. Former chief economist and vice president of the WB, Joseph Stiglitz, acknowledged that economists dispatched in “missions” to different countries “work hard” and “care about the citizens of developing nations.” Yet, Stiglitz shot, while “IMF experts believe they are brighter, more educated, and less politically motivated than the economists in the countries they visit,” the IMF staff “frequently consists of third-rank students from first-rate universities.” Stiglitz claimed that he knew what he was talking about because he had taught at Oxford, MIT, Stanford, Yale, and Princeton universities (before moving to Columbia) and his best students had not been recruited by international financial organizations. Everything is relative, in any case. Even if only for the fact that the number of economists in public offices in the near-200 states of the world is much higher than those at the IMF or the WB, it seems highly unlikely that most of them can be recruited among more qualified, say first- or second-rank students from first-rate universities.

Professor Stiglitz also made the point that in his time at the Bank “the mathematical models the IMF use[d] were frequently flawed or out-of-date.” Yet common sense and overwhelming evidence for any academic who has travelled a little suggest that the most updated models produced by economists and other social scientists in the world’s first-rate universities and research institutes take much longer to arrive and become operational in state administrations all around the world than to be absorbed by international officers in Washington. Again, the levels of expertise and efficiency of high officers and staff in international organizations should be evaluated by comparison with those in the states that delegate powers to the former and frequently ask for their advice or support.

In contrast to the global bureaus in the hands of specialized technicians and the just-mentioned global organizations with experts in different fields, the United Nations is dominated by generalist professional
politicians and diplomats. The Charter of the United Nations states that “the paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity.” Yet, more specific criteria for recruitment of high officers and staff of the United Nations are lower-ranked and less explicit than for other organizations, as they have been updated as for the Standards of Conduct for the International Civil Service and the Staff Regulations and Rules.

In practice, a Joint Inspection Unit of all United Nations organizations reported in 2012 that a number of interviews conducted with members of appointment bodies, managers and staff representatives showed “a lack of confidence in the process [of staff recruitment] by those most closely involved in its implementation.” Less than one-third of interviewees perceived the recruitment process as “free from bias,” a proportion reduced to less than one-fourth among staff and staff representatives.

**Autonomous Central Banks**

New rules to give central banks increasing independence began to be adopted in some countries in the 1970s. The triggering experience was the diffusion of high monetary instability and price inflation after the break of the system based on the gold-convertible dollar that had been adopted at Bretton Woods. Short-term maneuvers to try to overstimulate the economy by governments involved in electoral party competition also backfired, as they provoked higher inflation without significant improvement in employment. Central banks in several countries were instructed by their governments to introduce restrictive monetary policies focused on inflation. But as in many cases such government’s commitments had a credibility level the height of a hen’s feather, ruling politicians eventually conceded in conferring policy-making powers to nonelected banks’ boards.

Most state rulers realized that they actually were not in control of monetary fluctuations anymore, that they could not manipulate the so-called political-business cycle as they were used to doing, and that some traditional policy decisions had a lot of unintended consequences. They then chose the less risky option of deferring responsibility to independent bodies of experts.

For governments, adopting new rules that deprive them of discretionary powers regarding monetary policy implies espousing a self-binding device able to avoid a foreseeable adverse scenario. The politicians promoting or accepting this deal act somehow like the mythical Greek king Ulysses, who tied himself to the mast of a ship so that he could not jump
into the sea and be caught by the sirens. As for ruling politicians, once the songs of easy money are heard, the temptation to change course may be strong and repentance from the commitment may even emerge. But in the long term, the restraining device averts reckless behavior and subsequent misfortune.

Although there is not a single worldwide central bank with exclusive powers on monetary policy, in fact the US Federal Reserve acts as such an institution in great measure. The Fed decisions concerning the amount of US dollars issued and made available have strong consequences all across the world. Other central banks and state governments may be ineffective in controlling their own monetary policy, even if they permit floating exchange rates regarding the dollar. Each state could try to regain some control only by closing its state borders to foreign capital flows, but it would still suffer from its neighbors’ and commercial partners’ volatility.

The degree of autonomy of central banks is relatively limited because they are bound by explicit policy mandates. For one, the US Federal Reserve received in 1977 the mandate to promote “maximum employment, stable prices, and moderate long-term interest rates.” Other mandates slightly differ, although they basically include the same aims. The Bank of England, which was redesigned away from the grip by the Treasury in 1997, gives priority to monetary stability, which means “stable prices as defined by the government’s inflation target,” over other goals of confidence in the currency and financial stability. The Bank of Japan, which was given autonomy in setting monetary policy under lower influence from the ministry of finance in 1997, “is aimed at, through the pursuit of price stability, contributing to the sound development of the national economy.” The European Central Bank, which was created in 1998 to administer the monetary policy of the countries that were going to use the euro, seeks “a year-on-year increase in the Harmonized Index of Consumer Prices for the euro area of below 2 percent,” which should be “maintained over the medium term.”

Thus, different central banks are officially mandated to pursue different goals as determined by their governments or ruling political institutions. These goals imply some political choices that can be altered in different circumstances, as has been widely discussed, in particular, during the recent economic crisis. But as the economy of most countries is increasingly interdependent, the choices by the main central banks, and especially the US Fed, have worldwide consequences, thus pushing for coordination of their actions by global financial institutions.

The real autonomy of a central bank lies in the choice of the appropriate instruments to pursue its mandate goals and be faithful to them. As put by the Chairman of the Board of Governors of the US. Fed, Ben
Bernanke, the chief element is “the ability of central banks to make monetary policy decisions based on what is good for the economy in the long run, independent on short-term considerations.” An independent central bank should rebuke, for instance, tempting governments’ demands to monetize their debt. Within this framework, “the only good central bank is one that can say ‘no’ to politicians,” as it was once proclaimed by *The Economist*.

The institutional structure of the US Federal Reserve, which has inspired recent reforms in other central banks, involves a dual arrangement that reflects the basic principle of federalism. At the general level, the Board of Governors is formed by seven members, who are appointed by the president and confirmed by the Senate. They must yield “a fair representation of the financial, agricultural, industrial and commercial interests and geographical divisions of the country.” The governors are appointed for long, staggered terms of 14 years, which span multiple presidential and senatorial terms and make it unlikely that all of them can fall under control of an enduring partisan majority. But the key monetary policy-making body is the Federal Open Market Committee, which is formed by the Board of Governors plus 5 of 12 regional bank presidents seated in major cities, including the one from the financial center of New York and the others by one year rotation at different intervals. The regional banks, which are providers of financial means, are governed by representatives of private banks and of the general public.

Analogously in regard to its dual structure, the European Central Bank is governed by the Executive Board, which is formed by six members appointed by the European Council (the closest institution to a “presidency” of the European Union) after consulting with the European Parliament, plus the governors of the central banks of the countries using the euro. The members of the board are appointed “from among persons of recognized standing and professional experience in monetary or banking matters.” The governors of the national central banks are divided in groups that are weighted favorably to the countries with higher gross domestic product and financial balance. Independence is supported by the mandate that “neither the European Central Bank, nor a national central bank, nor any member of their decision-making bodies shall seek or take instructions from [European] Community institutions or bodies, from any government of a member state or from any other body,” a norm that the latter institutions must also respect.

Generally, the members of Boards of independent central banks in many countries are appointed by criteria of professional expertise and competence and observance of standards of integrity. As the central banks of the most advanced countries form, in practice, a worldwide network
of decision-makers, their procedures and operations are laid down and regularly reviewed by the International Monetary Fund on the basis of the “Code of Good Practices on Transparency in Monetary and Financial Policies,” which was set up in 1999.

At the global level, the proof of bank independence and competence should also be passed by the WB. As mentioned in chapter 5, the members of the Bank’s Boards of Governors and of Executive Directors usually have professional training and experience in economics and finance. As remarked by a very close observer, Dr. Katherine Marshall, “It is noteworthy how often their priorities and approaches differ markedly from those of diplomats from the same countries, and from those of more multidisciplinary United Nations employees.” Regarding the staff: “The World Bank staff is and needs to be in many respects its strongest asset, as the World Bank is truly a ‘knowledge institution.’ Highly educated (large numbers with PhDs and other advanced degrees), with a broad range of experience, multinational (representing some 120 nations), multidisciplinary, motivated, determined, optimistic, self-confident, and sometimes arrogant... The World Bank staff is made up of many remarkable people—professional, dedicated, diverse, demanding of themselves and others, and hardworking.”

The same author acknowledges that, of course, “not all staff are excellent,” and that the Bank has difficulties in moving personnel whose performance is mediocre or in matching the right people to the right jobs. On balance, though, the WB’s degree of fulfillment of its aspiration to “the highest standards of integrity and technical excellence” should be evaluated—as for all the other independent bodies of experts—by comparison with the aims and performance of state-based institutions formed by professional politicians, political party members, diplomats, and other specialists in general affairs.

**Independent Judiciary**

The independence of the judiciary from the executive government and the legislative assembly is enshrined as an essential element of free, soft, and balanced government since the eighteenth century. In a regime of separation of powers, the judiciary typically enjoys higher levels of independence than the administrative and financial bodies reviewed above. While the latter are bounded by executive policy mandates, and thus, they follow rules, the courts’ mission is, precisely, to interpret rules.

A first step toward giving judges independence can be traced to King William III of England, who established tenure for judges in order to limit the expansive ambitions of parliament. The subsequent British model is
mostly one of self-government by the judges themselves, away from both the executive and the legislative. It has also been basically adopted in former British colonies, such as Australia, Canada, or India.

The French-originated alternative model for ordinary and administrative courts is essentially the same as for the civil service, which has been noted above for its beginnings in Napoleon’s times. Like other civil servants, most judges are recruited through competitive examinations and are given life tenure. This is typically also the formula in most other West European countries.

The case of the United States adds interest to the issue because it has experienced different trade-offs between independence and accountability of the members of the judiciary over time. The federal judges and the justices of the Supreme Court (who are not necessarily judges before being appointed to the court) are appointed by the president and ratified by the Senate, similar to the above-described regulatory agencies. But the selection procedures of state judges have suffered many changes.

Initially, most states selected judges by analogous procedures to the federal one, that is, by appointment by the governor and ratification by the state Senate. But by the early nineteenth century, the emergence of political party competition moved many states to introduce popular elections of judges for short terms, usually with claims to make the judges more accountable. Mississippi was the first state to select all its judges via partisan election in 1832; less than 30 years later, 24 of the 34 states were doing so.

The election of judges, however, was broadly criticized for introducing partisan campaigning, control by party machines, and biased sentences. Most famously, Alexis de Tocqueville observed in his visit to America that “Some state constitutions make the members of the judiciary elective, and they are even subjected to frequent re-elections. I venture to predict that these innovations will sooner or later be attended with fatal consequences; and that it will be found out at some future period that by thus lessening the independence of the judiciary they have attacked not only the judicial power, but the democratic republic itself.”

In order to mitigate the loss of judicial independence that their election provoked, some states tried to introduce nonpartisan ballots in which the candidates for judge did not appear affiliated to any political party. Yet by the beginning of the twentieth century the opinion spread that many judges were corrupt and incompetent. The Dean of Harvard Law School, Roscoe Pound, lectured to the American Bar Association that, “Putting court into politics and impelling judges to become politicians, in many jurisdictions has almost destroyed the traditional respect for the bench.”
A counterreaction, thus followed in the next decades with the aim of giving the judges at the state level more independence, mainly by means of a merit system. Although nowadays a number of states still hold elections for all or some of their judges (in most cases in nonpartisan version), most states have also adopted procedures that imply higher independence. They usually involve the nomination of “well-qualified” candidates by a nonpartisan, broadly appointed commission solely on the basis of merit, which becomes a short list from which the governor may select the appointee.

During the last few decades, many state-based and local courts have increasingly been recognized jurisdiction on activities that traverse borders, including trafficking of arms, artworks, forbidden drugs and human beings, tax evasion and money laundering, hacking and computer viruses, terrorism, and war crimes. For certain crimes against humanity, certain state courts have claimed to have universal jurisdiction. More recently, many states have been creating independent international courts and tribunals and increasingly recognizing their jurisdictions. The delegations of power from state-based courts to global courts have been interpreted as signals of the states’ commitment to participate in international organizations and regimes.

Many of the recent international courts are of regional scope, but there are also innovative experiences at the global level that use well-defined procedures in favor of relatively high independence of judges and magistrates. The International Court of Justice (ICJ), also known as the World Court or the Court of The Hague, for the location of its seat, is the principal judicial organ of the United Nations. Its role is to settle legal disputes among states and contentious cases submitted by states, as well as to give advisory opinions on legal questions submitted by UN agencies. The ICJ is formed by 15 judges, who, according to the court’s statute, “must be elected from among persons of high moral character, who possess the qualifications required in their respective countries for appointment to the highest judicial offices, or are jurisconsults of recognized competence in international law.”

The judges of the ICJ are nominated by the state-members of the United Nations. But nominations must be done after consulting with the country’s highest court of justice, legal faculties and schools of law, national academies and national sections of international academies devoted to the study of law. The members of the Court are elected by absolute majority by the General Assembly and by the Security Council in separate lots. In practice, the so-called “P5 convention” ensures that each of the five permanent members of the Security Council has one judge in the Court. For the other ten judges, a territorial criterion of
selection from different legal systems and regions of the world is usually applied, as for the nonpermanent members of the Security Council and other UN organs discussed in chapter 4. In contrast to the diplomats in these organs, however, the members of the court are not representatives of governments, but independent judges whose first task is to make a solemn declaration that they will exercise their functions impartially and conscientiously.

Justice is nevertheless, a highly conflictive issue, as it involves complaints, disputes, sentences, convictions, acquittals, and penalties, that is, winners and losers to some extent. This reflects in the fact that the ICJ, which is a particularly prominent institution based on experts in the field, has limited jurisdiction, as it is bound to those states declaring explicit consent. Only a little more than one-third of the UN member-states have made such a declaration, including only one of the permanent members of the Security Council, Great Britain. The United States accepts the court’s jurisdiction on a case-by-case basis.

A more recent creation is the International Criminal Court (ICC), which was inaugurated in 2002 as an independent, not UN-based global institution, and also sits in The Hague. It deals with crimes of genocide, against humanity, and of war. The ICC is formed by 18 judges, who, according to the Court’s statute, “shall be chosen from among persons of high moral character, impartiality and integrity who possess the qualifications required in their respective states for appointment to the highest judicial offices.” Candidates also need to have established competence and relevant experience in either criminal law or in relevant areas of international law. The courts seeks “a fair representation of female and male judges.” To be elected a member of the court, every candidate must achieve two-thirds support in the assembly of member-states.

The ICC professes to replace ad hoc international tribunals that were organized in previous periods to prosecute individuals for crimes against humanity, including the Nuremberg Tribunal against German Nazi leaders, in the immediate aftermath of the Second World War, and other tribunals for crimes in the former Yugoslavia, Lebanon, and Rwanda, after the Cold War. Domestic courts have also been partly internationalized by adding foreign judges regarding crimes in East Timor and Cambodia.

The membership of the Court, however, is short of being universal. About 60 percent of the UN member-states have joined the ICC and accept its jurisdiction over their citizens and territories, while most of the remaining countries participate only as nonmembers. The United States refrained from joining after American soldiers operating in a UN peacekeeping mission in East Timor were denied immunity. The most outstanding case judged by the ICC, so far, has been, about Sierra Leone,
whose dictator, Charles Taylor, was condemned in 2012 to 50 years of prison (which is met in the Netherlands). This means that an independent global court sentenced, for the first time, a head of state. The Court declared that “being a head of state [was] an aggravating factor” that justifies a higher sentence.

Although the selection of judges for international courts responds to criteria of competence and independence, it has not escaped from certain degrees of politicking, as the process typically includes negotiations, campaigning and vote-trading among countries. Similar to what happens with partisan elections of judges in the United States, some selections of judges in global courts are contaminated by territorial or ideological rival interests, which may hinder the magistrates’ independence, impartiality, and competence.

Nevertheless, an encompassing survey of those practices published by Ruth Mackenzie and coauthors has identified a trend to distinguish international judge selection from other international political appointments. The authors collected “some evidence that emphasis is being placed less on the authority of states and more on the goal of selecting independent and highly qualified judges, according to pre-determined merit-based judicial selection criteria and through a more formalized judicial selection process.”
CHAPTER 12

POLICY CONSENSUS IS BUILT WITH MORE IDEAS THAN VOTES

Distilling Ideas

In the beginning was the idea. Politicians, high officials, and other policy-makers in both state and global institutions sometimes think that they are designing innovative policy alternatives and finding solutions from scratch. However, as it was pointed out by John Maynard Keynes, many policy ideas that are proudly waved by practitioners have been long and widely analyzed and discussed in academic and intellectual circles before they enter the kingdom of applied decision-making.

In his rather well-known words:

Practical men, who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back . . . The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else.

In many global institutions, the success of ideas in becoming actual policy greatly depends on the appropriate combination of two well-established ways of knowledge: much of the scientific method of inquiry with a little bit of the business-school method of learning by experience. This way of policy-making contrasts with typical patterns of political party confrontation and alternations in government in state-based political systems. Rather than attempts at persuading the public to vote for a political alternative, the scientific method requires the possibility of open experimentation and the exercise of consensus-seeking criticism.
In global politics, the distillation of policy alternatives is the task of the so-called epistemic communities, that is, networks of professionals with recognized expertise and competence in a particular domain. They include social scientists, engineers, natural scientists, and professionals in any other field in which sufficient knowledge, training, and reputation can be brought about. The specialists can identify probable cause-and-effect relationships of complex problems, propose specific policies with predictable consequences, point out salient points for discussion and negotiation, and suggest elements to evaluate further results. This implies something similar to what scientists call the procedure of trial and error, or of conjectures and refutations.

Different degrees of uncertainty regarding the expected results of policy decisions characterize different issues, as we have remarked more than once. The less uncertain issues—such as network public goods basically requiring common standards for communications or measures—can be the subject of technical decisions without significant political controversy, such as bureau-type organizations, as has been repeatedly discussed in this book. The most uncertain issues—such as worldwide finances and trade—may also move rulers and politicians to concede powers to non-elected organizations, although for opposite reasons of risk, as discussed in the previous chapter.

In short, two opposite reasons may move to delegation. On the one side, issues with clear technical solutions may not be appealing for politicians because they do not leave room for political competition; on the other side, issues with excessively uncertain solutions may not be appealing either because competing on them can involve too much risk. In these and all other cases, nonetheless, the same basic scientific criterion can apply: policy proposals can be seen as conjectures put forward for trial, to be eliminated if they clash with actually observed results.

Together with freedom of thought, speech, and experimentation, as basic scientific principles, also the recognition of experience as the impartial arbiter of discussions and controversies can be used for efficient policy-making. Here is where some business school methods may appear. If the degree of uncertainty in determining which policy proposals will succeed and which ones will not succeed is relatively high, nonpartisan policy-makers may examine the case in question, consider and compare alternative courses of action, and participate in collegial discussion in order to offer a set of appropriate recommendations in light of the organization’s objectives.

Indeed transnational and global policy-making involves broad exercises in learning. Thanks to the work of global networks, state governments can learn from others’ experience, try to imitate the successful
cases and emulate the best performances. International organizations play a crucial role in collecting information and in transmitting evaluation of results to advance learning across the world. The diffusion of ideas and information promotes new policy behavior.

To put it precisely: consensual knowledge about the nature and scope of a problem may contribute to consensual policy. Or, in more resounding words: scientific consensus can become the collective consensus of decision-makers. Likewise, policy-makers can learn from failure. The subsequent analysis of unexpected consequences may back better understanding of real processes and support a new policy choice.

This flexibility contrasts with the usual demeanor of many political parties and state governments, which tend to be resistant to recognize that their understanding of new or complex issues may be limited and flawed. Parties and politicians seeking to preserve their missions, offices, and budgets often need a shock to overcome their political-institutional inertia and habit. Competitors in near-permanent campaigning also tend to skip those issues on which they cannot envisage a clear advantage over their rivals. As a consequence, the public agenda and debate often focus on polarized alternatives on a biased selection of issues, which are not always the most important ones for the interests of the citizens which the would-be leaders allegedly aim to serve. An implication of this kind of political process is that while certain inefficient policies can survive for longer periods than average wisdom would advise, political parties alternating in government introduce broad breadth of policy swinging on other issues. All this is in contrast with the infrequent, gradual, and mild adjustments and cadences on major policies that can be observed in international organizations driven by consensus-making processes.

In spite of the appeal and strength of the scientific and critical method, the identification and diffusion of good, well-tested and consensual ideas originally invented by some academic scribbler may not be sufficient for practical policy success. In the above-mentioned passage, Keynes boldly proclaimed that “ideas shape the course of history...the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas.” But he himself realized that even the best ideas face significant resistance to their implementation. “The difficulty lies,” he said in another, no less famous paragraph, “not in the new ideas, but in escaping from the old ones, which ramify, for those brought up as most of us have been, into every corner of our minds.”

The study of the performance of different global institutions suggests that psychological resistance to new ideas is more heavily supported by certain institutional settings prone to entrench vested interests and make change difficult. Other decision rules, in contrast, are more prone
to intellectual exchanges, persuasion, critical revisions, and consensual agreements. In the quote at the beginning of this chapter, Keynes claimed that “the world is ruled by little else” than by ideas. But this “little else” can make the difference for certain ideas to either prevail or be rejected. The crucial “little else” is— you guess—the decision-making rules. They are very different for different global institutions and can largely explain the different institutions’ capacity to absorb new ideas and apply them to policy-making.

In the scientific world, the institutions that are the basis of success are research institutes, university departments, think tanks, and academic societies that sustain laboratories, organize conferences, publish journals, and promote research collaboration and a variety of transnational contacts, communications, and exchanges. Just to quote Keynes once more, in the absence of such institutionalization, “it is astonishing what foolish things one can temporarily believe if one thinks too long alone, particularly in economics along with the other moral sciences.” In the policy-making world, it is no less astonishing what foolish things some state governments can temporarily do if they operate isolated, do not use scientific and critical methods for policy-making, but rather political party stickiness and permanent confrontation, and do not learn from other countries’ and global organizations’ experience.

The variety of internal decision rules in global institutions is associated with a variety of achievements in the design, choice, and adaption of successful public policies. We review some of them in the following pages.

**Nonobjection Compromises**

Consensus-building should not be confounded with the often paralyzing constraints that are imposed by rules such as equal vote per country or the formal enforcement of unanimity. For example, a “nonobjection” procedure for consensual decisions is used by certain committees of the United Nations dealing with sanctions, participation of nongovernmental organizations, and other affairs. This procedure, which is based on the rule of equal vote per country, promotes a kind of passive consensus which is able to reach decisions only on a relatively low number of relatively lowly salient or less conflictive issues.

The procedure was introduced for the first time during the 1964–1965 session of the General Assembly, where, on the basis of claims for state sovereignty, every country has equal vote. France, the Soviet Union, and other member-states had refused to pay for peacekeeping operations in the Middle East and the Congo and, according to the Charter of the
United Nations, as their arrears in the payment of their financial contributions to the organization exceeded the amount due for two years, they should be deprived of vote in the General Assembly. However, at the suggestion of Secretary General U Thant and “in order to avoid such a confrontation,” the General Assembly decided to consider only issues that “could be disposed of without objection,” that is, by unanimous, passive consensus. A couple of resolutions were adopted during that session on the basis of such a procedure, while the regular rules, where the vote of certain countries can make a difference, were used from the following year forward by implicitly condoning the above-mentioned debts on special missions.

Nowadays, a similar type of passive consensus can be achieved in some UN committees through a more formal procedure. This includes circulating potential decisions to all members, who can raise objections within a defined period, sometimes as short as 48 hours. Only if no objection is received on time, the decision is deemed to be approved by consensus by all the members of the committee.

A more extreme case, which has already been surveyed in previous chapters, is the WTO. As in this organization every country also has an equal vote, its requirement of “consensus in lieu of votes” and the consideration of consensus as “sacred” implies that, in practice, only unanimous decisions can be made. In fact, every state, whether large and open or small and closed, has veto power and can block any collective decision.

The only caveat is that a state’s absence or silence can be taken as denoting assent to a decision made by the other participants. In a footnote of the WTO’s foundational agreement it is specified that consensus means that “no member, present at the meeting when the decision is taken, formally objects to the proposed decision.” This possibility to make non-unanimous decisions seems to be open for issues of relatively low relevance for countries not sharing the collective decision. Nevertheless, the higher the number of members of an organization, the higher is the likelihood of at least one member opposing a decision. In practice, as we discussed, the WTO suffers from nearly permanent deadlock.

**The Sense of the Meeting**

Policy consensus based on exchange of ideas, expression of doubts, discussion, persuasion, sharing information, and learning from experience is facilitated by institutional rules different from those just mentioned. Prominent cases are the global economic institutions that use weighted votes and qualified majority rules, such as the International Monetary Fund, the World Bank, their branches, and the regional development banks.
Since their first year of functioning, the IMF and the WB adopted the rule that in both the Board of Governors representing all countries, the reduced Board of Executive Directors formed on the basis of weighted votes and multi-country coalitions, and all committees and subcommittees: “The Chairman shall ordinarily ascertain the sense of the meeting in lieu of a formal vote.” Although it was later advised that in ascertaining the sense of the meeting the chairman should take account of weighted votes, in practice almost all decisions are taken without formal vote.

Policy consensus in the Fund and the Bank is based, first of all, on the specialization and clear definition of the issues in the agenda, as well as on the technical expertise of most executive directors, who tend to share knowledge and values given by their origins in finance ministries, central banks, and similar settings. Yet the institutional process of decision-making appears to be crucial. The Executive Board meets three times a week; the directors have daily interactions, including many additional informal meetings; and they develop collegial relationships. Persuasiveness, tact, sense of timing, turn out to be instrumental for consensus-building. As perceived by some participants, they act as if they were playing a repeated game of strategic decisions, which, in accordance with standard game theory, fosters sustained cooperation and makes defectors ineffective in the long term. On a rare, recent occasion in which one Executive Director abstained from ratifying a previous commitment, he was publicly derided as “a long-time Fund critic who had ruffled feathers in the past and was ‘barely tolerated.’”

Although they are appointed by the state-members, the executive directors do not obey any imperative mandate from them or the correlated governors. Those who are based on multi-country constituencies tend not to act on behalf of any single country, and, thus, with even higher autonomy. Former IMF managing director Jacques de Larosiere (1978–1987) noted: “I have always been impressed by the quality of the exchange of ideas and the consensus building that characterizes multinational chairs (comprising countries at very different stages of economic development).” As stated by some directors, they tend to give priority to their “fiduciary duties” with the organization over occasional instructions that can arrive from their original country’s government. Disagreements with would-be mandates founded on national interests are not uncommon. To a large extent, all participants derive their decision-power from the organization’s decision-making process itself.

In the IMF and the WB, blocs or permanent coalitions of countries tend to be avoided, as coinciding or conflicting interests and the evaluation of expected benefits and costs may change with the issue. Generally, decisions are made not only on the basis of a majority of weighted votes,
which could be formed by a few large and wealthy countries, but also by a majority of executive directors. Those with high numbers of votes are cautious about exploiting their strength, while those with fewer votes are cautious not to oppose for insubstantial reasons.

In practice, the executive boards of the Bretton Woods institutions often use a form of implicit approval voting or even of ordinal ballot. The executive directors may indicate not only their favorite solution, but also their second-best or third-best preferences that they would or might find acceptable. Then the final decision is chosen among those proposals that are most widely shared as acceptable. On certain issues making a decision may take months of long deliberations and exchanges. At some point, the participants can turn to the longest-serving board member or “dean” for guidance. The chairman is expressly allocated the task of summing up the discussion and offering a proposal to be approved. Also, the participation of the managing director can help. As stated by another of them, Michel Camdessus (1987–2000): “The Managing-Director’s role isn’t so much to frequently adopt an antagonistic position but to help create consensus with the membership, even if consensus appears suboptimal from the technical perspective of management and staff. Building consensus is another way of building confidence, one of the IMF’s key missions.”

In contrast to the previously mentioned form of passive consensus by nonobjection, this form of active consensus can be considered superior in several respects. First, it is able to identify the scientific consensus and make it a policy decision; it also encourages critical revisions based on experience and the subsequent evolution of consensual knowledge within the existing institutional channels. Second, it allows the participants to develop stronger identification with the policy decision as a whole, even when dissent may be registered on details, which greatly facilitates its further transmission to the executive apparatuses and the state members for implementation.

Finally, new forms of consensus-building have also developed in the G-8 system. The core group effectively promotes policy coordination through exchanges of information and ideas, deliberation and negotiations to attain concrete agreements. The summit meetings of the G-8 and of the G-20 receive highly qualified advice and elaborated policy proposals from the Sherpas, the G-8, and the G-20 meetings of specialized ministers, the high officers and staff of international organizations, and the parallel networks of interest and civil society groups.

In contrast to some of the organizations reviewed above, the ability of the world’s directorate to build worldwide policy consensus is not based on a focus on highly specialized issues, but rather on the broadness of an agenda not reined in by rigid ideology. As the G-8 and G-20 deal
with economic and financial affairs, energy, terrorism, climate change, and many other issues, the participants shift alignments across issues and form separate coalitions at different moments. Mutual accommodation and support-trading develop among countries and regions on different issue areas. No decision is ever adopted by any kind of vote. In contrast to standing and opposed blocs, such as West-East or North-South, which had plagued the United Nations and other international settings, shifting coalitions in the G-8 and the G-20 inject fresh air into global governance.

Consensus-building makes the core G-8 able to give directives, instructions, and recommendations to the broader G-20 and to more stable and permanently structured international organizations. Also, the UN Security Council, the International Monetary Fund, the World Bank, the World Trade Organization, the International Labor Organization, the International Atomic Energy Agency and other organizations frequently benefit from broad agreements that have been previously reached at the world’s directorate.
CHAPTER 13

NONELECTORAL ACCOUNTABILITY IS BASED ON PERFORMANCE AND VALUES

Nonelectoral Means of Accountability

The enormous powers that the rulers of the world have accumulated by means of effective global institutions can raise fears of abuses and sheer domination. The basic democratic mechanism that exists at state and local levels for the selection, control, and evaluation of rulers—elections—is widely considered not viable at the global level. This is basically attributed to a question of scale, which means that world governance not only involves high numbers of people but also too much heterogeneity of values and interests, as we pondered before and will discuss again in Chapter 14.

Nevertheless, a good institutional design for global governance should respond to the same aims as governance at any other level does: it should permit the selection of competent and honest rulers, favor effective decision-making, and make the rulers accountable. As in previous chapters we have examined the mechanisms to advance the first two aims, namely inclusiveness and effectiveness, in the following pages we focus on the third: the means to make global rulers responsible for the results of their decisions and behavior.

Decision-makers in global institutions are held to explicit goals and policy mandates compliance with which they must be controlled, made responsible, and sanctioned if it is the case. In fact, as we will see, many global rulers are accountable, and in some respects they are more accountable than most rulers of democratic states, as the latter are not submitted to imperative mandates and thus have more room for discretionary behavior. Global rulers render account, though, by different means than those by which representatives at state level can be subject to scrutiny and control.
In the absence of elections, the basic mechanisms of accountability at the global level operate ex-post; that is, global rulers can be examined, evaluated, and sanctioned only after they have made decisions, on the basis of the outcomes and consequences of their choices and behavior. Ex-post accountability cannot prevent a predictably harmful action or change an actual blunder or its consequences. But it can exert effects on future actions, as the anticipation of sanctions may induce critical revisions of past performances, favor better decisions, and reduce the probability of repeating the same mistakes.

The rulers, high officers, and staff of global institutions are made accountable by both internal and external mechanisms. Three basic elements of accountability, which will be examined below, can be distinguished:

*Information and transparency.* Most global institutions have greatly improved their performance in this respect during the last few decades. This is a result both of new pressures in favor of freedom from states, markets, nongovernmental organizations, the media, and the organizations’ own staff, which have been favored by more cooperative international settings, and of the availability of new technical and organizational means.

*Evaluation and revision of policies.* Internal evaluation offices, as well as scrutiny by state members and the public opinion, are making most global institutions increasingly accountable for the results and consequences of their decisions. A few cases of independent evaluation, self-critical revision, and rectification of public policies will be reviewed below.

*Standards and sanctions.* Heads of global institutions, as well as higher offices and staff, can be judged and sanctioned for standard criminal behavior, including by the global courts, as well as for their degree of compliance with specific institutional norms and codes of conduct. They are sacked with relatively low frequency, but a few dramatic examples will illustrate how these mechanisms can work.

All in all, in spite of not being submitted to periodical elections, the rulers of the world can anticipate judgment of their decisions and behavior by external pressures and internal bodies’ instruments. These mechanisms of accountability can induce them to choose those policies and conduct that, in their estimate, will be positively evaluated. The fundamental tenets of democratic governance can be respected by nonelectoral means.
Transparency and Evaluation

Transparency of information and evaluation of performance have blossomed in most global institutions during the last few decades. This is mostly due to the effect of two changes: the global spread of freedom after the end of the Cold War, and the people’s access to Internet and electronic communications almost everywhere.

For the United Nations, in particular, the fall of the Berlin Wall and the dissolution of the Soviet Union brought about the beginning of a new era of higher multilateral cooperation and more effective activity in multiple fields and regions of the world, as we have discussed in [Chapter 4]. The permanent fear and pervasive secrecy that had prevailed in international relations for decades waned considerably. Before long, in 1993, the General Assembly backed the “establishment of a transparent and effective system of accountability and responsibility” for the UN system itself.

A number of innovative bodies and procedures have been introduced during the last 20 or so years for enhancing information and transparency, the evaluation of programs, and the appraisal of officers by their performance and the fulfillment of standards of conduct. The Office of Internal Oversight Services (OIOS) was established in 1994 as an independent office for monitoring, internal audit, inspection, evaluation, and investigation. Yet, almost 20 years after its creation, in 2013, UN Under-Secretary General for OIOS, Carman Lapointe, summarized that “Evaluation has yet to become a fully robust and comprehensive function and integral to how a program works.”

More recent innovations include the creation of several other bodies: the Independent Audit Advisory Committee, which assists the General Assembly in its oversight responsibilities; the Ethics Office, which is helped by a whistleblower policy to protect staff members who report misconduct; the Internal Justice System for dispute resolution; and several norms and regulations. Facing such complexity, the Joint Inspection Unit noted in 2013 that “a number of United Nations system organizations responsibility continues to be fragmented. As a result, investigations are being conducted by non-professional investigators...[who] are not independent but are a part of management, and there is an uneven application of investigation standards within the organization.”

More straightforwardly, Secretary General Ban Ki-moon initiated the biennial submission of a comprehensive personal report on accountability to the General Assembly in 2007. Successive reports have focused on reviewing the UN governance and oversight, the assessment of internal controls and results-based management, and the introduction of
new measures to strengthen accountability. From that same moment the Secretary General and most senior officials also began to publicly disclose their financial assets.

Other global institutions have also adopted a variety of measures to enhance accountability in the most recent period. One of those with longer history of openness and transparency is the ILO, largely due to its unique governance structure involving representatives of workers’ and employers’ organizations, together with governments, which is prone to independent transmissions of information. Nevertheless, and similar to other institutions during these years, it has also established a new Central Evaluation unit, a new Ethics Officer to fight against fraud and dishonesty, and a policy of Public Information Disclosure to make information on policies, strategies, and operations overtly available, starting in 2005. The World Bank has been particularly concerned about the effects of some of its missions and operations. An Independent Evaluation Group had operated since the early 1970s. In 1993, the Bank created an independent Inspection Panel to respond to complaints from people and communities who may have been adversely affected by WB-funded projects, such as people in livelihoods displaced or resettled by infrastructure works, indigenous groups or natural habitats. More recently, it has also created an Integrity Vice Presidency to investigate fraud and corruption allegations in Bank-financed projects at the initiative of the Bank’s staff, citizens, or other interested parties. An innovative App gives immediate access to project information since 2012. These overtures have accompanied the Bank’s diversification of its sectors of activity, where previously complaints against the institution’s opacity had proliferated, including by its own staff.

The WB has also introduced new reforms favoring transparency during the most recent period. Most prominently, “a major shift in the Bank’s approach to information disclosure, transparency, sharing of knowledge, and accountability,” in the words of its president, Robert Zoellick, was introduced in 2010. While the Bank’s website had already been a worldwide indispensable reference for clients, policy-makers, and researchers for decades, the new policy opened a broader range of information, especially regarding the board’s discussion on new projects and their implementation. With retrospective effects, all documents possessed by the Bank were made available to the public via its external website, including minutes of meetings, key decisions on missions, periodical reports, and performance reviews. The only documents withheld so far, are notes and messages issued during deliberative processes, and security, personal and financial information on participants in the Bank’s tasks. This very same
paragraph, as well as a number of other data presented in this book, have benefited from the Bank’s recent Access to Information Policy.

Similarly, the International Monetary Fund began to publish board documents in 1994. It introduced a new Code of Good Practices on Transparency in Monetary and Financial Policies in 1999, in order to make the options and conditions of its members publicly available. A Transparency Decision by the Executive Board, by which the member countries’ policies and data are made public, and the creation of an Independent Evaluation Office (IEO) with unrestricted access to the Fund documents were approved in 2001. After ten years of independent evaluations of prolonged uses of IMF resources, fiscal adjustments and other conditionality programs, and the IMF governance, Managing Director Christine Lagarde praised the IEO for carrying out the mandate of “ruthless truth telling.” She noted that while “not many organizations would tolerate such an entity,” for the IMF the independent evaluation function “is critical to both credibility and effectiveness.”

Nearly all member countries have agreed to release information on the IMF’s assessment of their economic and financial situation as a Public Information Notice. The state governments’ letters, memoranda, and requests for reviews by the Fund are also made public, together with the Fund-supported programs, since 2011. The IMF also has its own Ethics Office which undertakes investigations on misconduct. After dealing with a few cases of alleged unethical behavior, the IMF set out Applicable Standards of Conduct for its managing director, a separate code of conduct for its executive directors, and a code of conduct and rules for financial disclosure for all staff updated with new standards in 2012.

Besides their own internal mechanisms, both the WB and the IMF are mainly accountable to their member-state governments, as well as to the G-8 and the G-20, which are actively engaged in their work and even in some of their internal procedures (such as enlargements of subscription rights and quotas).

The members’ governments of the Bank, the Fund, the G-8, and the G-20, or at least those with democratic credentials, are supposedly ultimately accountable to their electorates or populations. The two Bretton Woods institutions, nevertheless, develop their own broad interactions favoring transparency and external surveillance with forums of business associations, religious groups, labor unions, local communities, nongovernmental organizations, philanthropic foundations, and think tanks. They also receive and respond to thousands of queries from citizens from across the world. All in all, hardly any current state government can match their level of transparency and information.
Also, the G-20 has recently developed an Accountability Assessment Framework to evaluate the degree of fulfillment of successive commitments and inform future action plans. In particular, it launched a Framework for Strong, Sustainable and Balanced Growth to evaluate the effectiveness of policy actions undertaken in response to the financial crisis that exploded in 2008. Specific evaluations refer to fiscal, monetary and exchange rate, structural, and trade, financial sector, and development policies.

Internal and external evaluation of policies, programs, missions, and general performance has become, thus, a hallmark of most global institutions. A few illustrative cases of policy evaluation and revision are reviewed in the following pages. They refer to some of the most ambitious endeavors undertaken: peacekeeping missions of the United Nations and criteria for economic policy forwarded at different moments by the WB and the IMF. A few cases of sanctions for ethical misconduct will also be approached.

**Evaluating Peacemaking**

As we have mentioned, the United Nations has developed a complex organizational system for the oversight and evaluation of its personnel, programs, and missions. Annual assessments of senior manager and staff performance are made public every year since 1996. Every two years, program performance is also reported, including an assessment of the degree of progress toward objectives and expected accomplishments. A number of reports have focused on anticorruption, international crime, arms traffic, nuclear weapons, refugees, aid, world trade, environment, and other major issues. Most prominent among the organization’s activities are the peace-making and peacekeeping operations, which are also regularly reviewed.

For the year 2012, the Office of Internal Oversight Service (OIOS) delivered to the General Assembly its annual report, which was also made available to the public, over ten peacekeeping missions in Congo, Liberia, Cote d’Ivoire, Haiti, South Sudan, Iraq, Afghanistan, Darfur, Timor-Leste, and Somalia, as well as the Office for the Middle East Peace Process. The office issued 160 evaluations regarding governance, risk management, and internal control of those missions, of which 19 percent were qualified as satisfactory, 62 percent as partially satisfactory, and 19 percent as unsatisfactory.

By way of example, the case of Congo is illustrative. What is currently called the Democratic Republic of Congo, the former Zaire, attained independence from Belgium in 1960, a dreadful episode that was followed
by a bloody civil war. The so-called Second Congo War, which began in 1998 and involved numerous armed rival groups, became the world’s deadliest conflict in 50 years. Hundreds of thousands of people died, especially of diseases mostly induced by forced displacements, including huge numbers of children.

The first UN peacekeepers arrived in 2001; they attained the signing of peace accords in 2003, as well as the approval of a constitution and the holding of multiparty elections in 2006. Nearly every UN agency sent its delegation. Thousands of adult and child soldiers and combatants were demobilized and reintegrated into economic activity; some vital infrastructures were rebuilt. Noteworthy levels of violence, however, persisted, which the United Nations claimed to be sponsored by neighboring countries, particularly Rwanda.

As an example of internal evaluation, the following summary was included in the OIOS report on the UN Stabilization Mission activities during the year 2012: “The Mission had contributed to a more stable Democratic Republic of the Congo and had supported the national army and police despite facing challenges. In addition, the Mission had played a critical enabling role for the Government, the international community and civil society in the Democratic Republic of the Congo and had paid particular attention to gender issues and human rights. However, progress in security sector reform had been slow and the benchmarks for exit appeared unlikely to be met in the near future.” In February 2013 a UN-backed accord called the Peace, Security and Cooperation Framework for the Democratic Republic of Congo was signed by 11 African countries.

On a different note, the 2013 annual report also expanded—with more nuances—on the evaluation of the mission in Haiti, which suffered from a dissimilar scale of conflict. The United Nations had maintained a multifaceted mission with over 10,000 personnel since 2004. According to the report on activities during 2012:

The Mission had demonstrated tremendous resilience in providing logistical support and facilitating coordinated emergency relief following the 2010 earthquake, while recovering from its own losses. MINUSTAH [United Nations Stabilization Mission in Haiti, for its acronym in French] had established post-earthquake security, effectively provided electoral support and facilitated humanitarian assistance. However, public appreciation of MINUSTAH and its achievements was diminished by a mismatch between the population’s expectations of the Mission, a cholera outbreak and allegations of sexual exploitation and abuse. Challenges remained in the areas of institutional capacity-building (including in the Haitian national police), rule of law and human rights.
As these examples show, a number of major achievements, failures, and pending tasks in prominent UN missions are regularly identified and evaluated. The examination of results in retrospect should prevent the reproduction of mistakes and help make more attuned decisions in the future.

Revised Consensus in Washington

Policy consensus is built on the basis of ideas and experience, as we discussed in Chapter 12. Therefore, consensus evolves as the evaluation of experience may induce revisions and changes on policy goals and instruments. The so-called Washington consensus has been a major case in point of successive self-critical evaluations leading to significant policy changes.

The expression “Washington consensus” was coined by English economist John Williamson in 1990 to summarize a set of policy recommendations that had been advanced by the WB and the IMF to deal with the debt of Latin American states during the 1980s. Conceptual shaping and support had also been provided by several bodies of the US administration and a number of think tanks, mostly situated on the famous K Street that passes from Georgetown through a portion of downtown Washington.

The first occasion was a conference at the Institute for International Economics in which Hungarian economist Bela Balassa proposed a number of conditional decisions for condoning substantial parts of such debt and promoting economic growth in the region. Williamson pondered, in retrospect, if it would have been preferable to use expressions such as “universal convergence” or “one-world consensus” rather than “Washington consensus.” But although consensus was far wider than only Washington, it was not universal.

As stated by Williamson, the objectives of economic policy were standard: growth, low inflation, a viable balance of payments, and an equitable income distribution. The policy instruments to attain those goals were frequently summarized as a market economy, openness to the world, and macroeconomic discipline; or, more stingly, as privatization, liberalization, and stabilization; or even with the labels “neoliberalism” and “market fundamentalism.” However, the precision and wording that Williamson took from discussions and operations at the global financial institutions and the US administration implied a notable sense of nuance and caution.

A list of ten recommendations included the following:

- fiscal discipline, which averted large and sustained public deficits;
- switching public expenditures from subsidies to cover the losses of inefficient state enterprises toward education, health, and infrastructure investment;
• broad tax base, moderate marginal tax rates and taxes on the interest from flight capital;
• positive but moderate interest rate;
• a nongrossly overvalued currency with a competitive real exchange rate to promote exports rather than import substitution;
• liberalization of imports of intermediate inputs while imposing a moderate general tariff able to favor diversification of the domestic industry;
• free entry of foreign direct investment, but not general liberalization of international capital flows;
• privatization of financial government burdens;
• deregulation of controls and prices for the establishment of firms and new investments, while eliminating opportunities for corruption;
• and secure property rights.

The main intention was, rather obviously, to favor increasing international and global economic exchanges, which could distribute benefits broadly if they were able to promote specialization of diverse areas and countries in different advantageous activities.

The success of the Bank and the Fund recommendations in a number of countries in Latin America, East Asia, and Eastern Europe, where the WB and the IMF operated with specific missions was modest, to say the least. In some cases big public finance crises exploded, as we reported before.

Of course no country adopted the entire package at once, but rather disparate selections of policies. This was mostly due to the fact that the lag effect of major policy changes is much longer than the foresight of politicians running in periodic elections. Cumulative experience showed that effective stabilization of the main macroeconomic variables could be, as expected, a necessary or at least favorable condition for promoting growth in a new context of international relations, but it may not be a sufficient condition for such an ambitious endeavor. After a number of reforms, the table was set with the appropriate cutlery and other equipment, but many of the expected guests bringing the food did not show up. As was put by Williamson himself, “entrepreneurs may adopt a wait-and-see policy after stabilization rather than promptly committing themselves to the risks involved in new investment.” In particular, it was broadly acknowledged that free mobility of short-term capital in search of immediate returns could jeopardize the potential benefits of long-term productive investments.

Self-critical revisions of the initial Washington-consensus package of policies led to designing “second and third generation” sets of reforms.
They involved several new emphases, basically focusing on institutions and on the social consequences of certain economic reforms.

The word “governance” had been first introduced in a WB report on the conditions for growth in Sub-Saharan Africa in 1989, which argued for “a public service that is efficient, a judicial system that is reliable, and an administration that is accountable to the public.” The G-7 also highlighted the need for developing countries to introduce not only market-based economic policies, but “respect for human rights and for the law... democratic pluralism and open systems of administration, accountable to the public.” As was remarked in the G-7 economic declaration in 1991, “good governance not only promotes development at home, but helps to attract external finance and investment from all sources.”

The initial set of policies shaped by the Washington consensus was largely based on standard economic theory, including some well-recognizable Keynesian contributions. The new approach was in tune with more recent academic advances in development and institutional economics, which hit too on certain branches of political science and other disciplines. New sets of academic scribblers of a few years back had their ideas digested and recycled by global policy-makers. A number of major publications of the World Bank resoundingly echoed the new drums, including public reports with telling titles such as Governance and Development (1992), The State in a Changing World (1997), Beyond the Washington Consensus: Institutions Matter (1998), or Reforming Public Institutions and Strengthening Governance: A World Bank Strategy (2003).

Soon it was noted, however, that the building of sound economic and political institutions tends to be a long-term process, which can be precipitated by major political upheavals but may not produce short-term effects on annual rates of economic growth for a considerable period.

A new emphasis was put, thus, on other policies focusing on the social costs of structural adjustments, in the expectation that new priorities would be able to generate more visible consequences. Sometimes, the new approach was advertised as an enlargement of excessively narrow previous objectives, as it would now include “growth plus equity.” Yet the new focus implied the setting of more modest goals and an inclination for experimenting with a diversity of policies at a local- or microlevel with uncertain results.

Nowadays, domestic fiscal and monetary policies are not producing as much of an impact on the real economy as they did a few decades ago, largely due to the high level of internationalization of the economy. Relatively moderate taxation, stimulus packages, low interest rates, and devaluation of currency create opportunities for increasing investment, demand, and exports. But whether domestic or foreign economic agents
take benefit from these opportunities highly depend on their relative productivity and competitiveness. In many relatively developed countries immersed in worldwide economic relations, conventional economic policies currently have less than moderate effects when they are circumscribed within the boundaries of the state. The global financial institutions thus had incentives to shift their focus from guiding domestic economic management to conditional direct action. The new priorities of the WB and the IMF greatly transferred the core of the action from state governments advised by global institutions to the global institutions themselves.

Of the several social goals, fighting extreme poverty, in particular, has become very successful. The Bank estimates that the proportion of world inhabitants surviving on less than US$1.25 per day has fallen from 40 to 20 percent by 2013. Most recently, the WB has adopted as its main goals to end extreme poverty in a generation and to push for greater equity.

What has been called “Augmented Washington Consensus” is the result not of drastic shifts, but of cumulative learning from failures and successes, rectifications, and incremental additions. By gaining knowledge from experience and varying its focuses through a several-decades long journey, the WB, as well as the IMF, have substantially reformulated their main objectives and have proven their capability to survive, to remain operative and influential, and thrive in its augmented global role.

Firing the President

Sacking the head of an international organization does not occur frequently. The most usual mechanism for replacing top and high officers is limitation of terms. In the United Nations, the secretary general is not formally limited to any number of five-year terms, but the actual norm is not to hold office for more than two terms. Both the president of the World Bank and the managing director of the International Monetary Fund are formally limited to two terms of five years. Other restrictions apply: the Banks’ president can be dismissed at any moment by the Board of Executive Directors. The Fund’s managing director has to be less than 65 years of age and cannot stay in office beyond his or her seventieth birthday. Similarly, the Director General of the World Trade Organization can hold office for only two four-year terms. Members of councils and boards are also subject to temporal limits in their mandates.

Yet a few cases of conflict that led to the ouster of top single-person officers before the end of term can illustrate the use of standards and sanctions as an element of accountability in global institutions.
One of the episodes that obtained loudest public echo was at the World Bank a few years ago. In the process of increasing transparency and accountability referred to above, the WB had adopted a new Code of Conduct and formed an Ethics Committee in 2003. Two years later, the US nominated and the Bank’s Executive Board appointed a new Bank president, Paul Wolfowitz, who had been US deputy secretary of defense in the process toward the invasion of Iraq by the United States and its allies a couple of years before.

In May 2005, during the negotiation of his contract, Wolfowitz declared a conflict of interest with a Bank employee, Shaha Riza, who was his long-time companion. Riza was ten years Wolfowitz’s junior, but she was over 50 years old and at an advanced stage in her career, as she had been employed full-time at the Bank for seven years. A native of Libya and British citizen, Riza was working at the Bank’s Middle East and North Africa department, which was usually outside the direct supervision of the president.

At the time, the Bank acknowledged having reviewed 19 cases of potential conflict between spouses of declared partners for corrective action. The Ethics Committee informally recommended to Wolfowitz that Riza be temporarily reassigned on external service under pay by the Bank and, due to the potential disruption of her career that this might cause, be considered an in situ promotion with increase in salary. Subsequently, she was seconded by the Bureau of Near Eastern Affairs of the US Department of State, which is located exactly one block from the WB. The Bank’s Ethics Committee, which was not directly involved in the specifics of the agreement, closed the case in October 2005.

Yet by early 2006 all high officers of the Bank received an anonymous email message denouncing “important ethical lapses of a corrupt nature by the President of the World Bank,” namely to have signed overpaid contracts for three of his new top aides and for Shaha Riza. A whistle-blower’s second message accused Paul Wolfowitz of having “acted with reckless disregard for his fiduciary duties to the Bank, basic principles of Human Resources management, and the reputation of the Bank, by providing outlandish compensation packages to the people closest to him.” The Bank’s Ethics Committee dismissed the case. But the email messages were soon published by the magazine *U.S. News & World Report* and from this, by many other media.

Members of the bank staff initiated a campaign against President Wolfowitz, which included not only allegations of improper behavior, especially of his overpaid aides, but, most prominently, the accusation of trying to run the Bank in closer coordination with the priorities of the United States foreign policy of the moment. Actually, Wolfowitz had
planned to expand Bank-funded projects in occupied Iraq, which could have been contrary to the Bank’s prohibition of financing projects in countries at war, from which he soon backpedaled. In private, Wolfowitz accused the Bank’s vice president for Human Resources, Xavier Coll of the leak to the press. According to Coll’s notes of his meeting with the president: “At the end of the conversation Mr. Wolfowitz became increasingly agitated and said that he was ‘tired of people…attacking him’ and ‘you should get your friends to stop it…If they fuck me or Shaha, I have enough of them to fuck them too,’” naming several senior bank staff.

Soon the Executive Board appointed an ad hoc group to deal with the conflict, which implied some recognition that the existing mechanisms—namely the Ethics Committee, entirely formed by staff members—were not appropriate for certain crises such as this. The new group comprised three staff and four external members. Meanwhile, the Bank staff association called for Wolfowitz’ resignation, as did the governments of Germany and France (who had already opposed Wolfowitz during his job on Iraq at the US administration), other member governments, a number of Bank’s former high officers, and some major newspapers. After the ad hoc group delivered its report dealing with potential “conflict of interest, ethical, reputational, and other relevant standards,” the Executive Board underlined its concern on whether, after so long and noisy a scandal, “Mr. Wolfowitz will be able to provide the leadership needed to ensure that the Bank continues to operate to the fullest extent possible.”

Although Wolfowitz hired a high-profile lawyer, he eventually resigned, on May 17, 2007, about two years after his appointment. The Executive Board issued a previously negotiated statement in which it was accepted that, due to the informal and unspecific advice initially received from the Ethics Committee, Wolfowitz had “acted ethically and in good faith.” The Board also insightfully acknowledged that “a number of mistakes were made by a number of individuals in handling the matter under consideration,” and that the Bank would need to improve its ethical procedures. According to the Washington Post report, on the day of Wolfowitz’s resignation “staff members described a celebratory mood inside the World Bank’s headquarters near the White House, with people embracing, singing songs and hoisting flutes of champagne.”

Six months later, the WB adopted a new Code of Conduct for board officials, as well as new Principles and Ethical Standards for the president, the executive directors and other board officials. A new Office of Ethics and Business Conduct for the staff was also set up.

The Wolfowitz ouster was tainted with intense political tones at a moment of high unpopularity of US foreign policy abroad. But it was not unique. Two cases of accidental early dismissal have also occurred at
the top of the International Monetary Fund in recent years. Like the case at the Bank just referred, both involved former state-based politicians, rather than bankers or international officials, and both were directly or indirectly related to romantic affairs, although the Fund operated by different ways and procedures than the Bank.

Managing Director Rodrigo Rato, a former economy minister of Spain, quit after only three years in the job, arguing personal reasons. He was living single in the neighborhood of Kalorama, away from his children in Madrid, and had a new partner in Spain. Rato would eventually preside over the fall of the largest Spanish bank, Bankia, for which he would be legally charged with fraud and other crimes. He was selected as one of the five “Worst CEOs of 2012” by the magazine Businessweek.

Dominique Strauss-Kahn, a former finance minister of France, left the same job at the IMF just a few weeks before his expected resignation to run for president of France, in 2011. A resident in the neighborhood of Georgetown, he was accused of sexually attacking a woman in a hotel during a brief visit to New York City. He would also be charged with “aggravated pimping” in France. Two years later, Strauss-Kahn divorced his wife. While his political career was ruined, he became a board member of a bank subsidiary of the Russian state oil company and of the Russian Direct Investment Fund.

These few examples suggest that the heads of global institutions, as other high officers and staff, can be judged and sanctioned for their degree of compliance with institutional norms, ethical standards, and codes of conduct. Although they do not run in competitive mass elections, some rulers of the world are considerably constrained by term limits, public scrutiny, and internal organizational control.
CONCLUSION
CHAPTER 14

CAN GLOBAL DEMOCRACY EXIST?

Democracy Is Just a Principle

A frequent claim from political pundits, activists, and domestic politicians is that global institutions suffer a “democratic deficit.” One might imagine that such a claim would be based on a comparative democratic surplus or at least a right democratic balance of state-based institutions. However, it is also widely believed that state democracy experiences high democratic deficit as compared to an ideal notion of democracy. State-based representative democracy also suffers a high deficit regarding the original democratic experience of people’s direct government in ancient and medieval cities. This leaves us with a clear dilemma: either democracy almost never exists in reality nowadays, neither at the global or the state levels, or it does and the democratic principle is compatible with different institutional formulas.

In order to discuss the reality or viability of global democracy, it may be helpful to remember that, for a very long time, democracy was considered to be viable only in small and homogeneous communities and not in larger scale units such as most early modern states. This was certainly the classical Greek doctrine. Philosopher Plato believed that a political community should be small in order to be “consistent with unity” of purpose among its members. Likewise, Aristotle observed that “all cities which have a reputation for good government have a limit of population.”

Still at the dawn of modern liberal and representative regimes, democracy was a concept difficult to recycle. In the late eighteenth century, Bordeaux provincial Charles-Louis de Montesquieu asserted that “in a small republic, the public good is more strongly felt, better known, and closer to each citizen.” Similarly, the Genevan Jean-Jacques Rousseau stated that a democratic government presupposes “a very small community, where the people can readily be got together and where each citizen
can with ease know all the rest,” while, in contrast, “the larger the country, the less the liberty.”

When he was discussing the possible institutional formulas for the new large polity which was going to be named the United States of America, the Virginian James Madison made a cautious distinction between “democracy” and “republic.” The first, “a pure democracy,” would require a small number of citizens “who assemble and administer the government in person.” The second, “republic,” was conceived as a representative government in which some elected officers assemble and administer the government on behalf of the citizens. The expression “representative democracy,” which would become standard during the twentieth century, was considered a contradiction in terms.

By the mid-nineteenth century, the Norman Alexis de Tocqueville, while visiting the very large United States, still noted that “small nations have always been the cradle of political liberty; and the fact that many of them have lost their liberty by becoming larger shows that their freedom was more a consequence of their small size than of the character of the people.” As late as the second half of the twentieth century, distinguished political scientist Robert Dahl reserved the term “democracy” for an ideal political regime that would be completely responsive to all its citizens. He coined, instead, the term “polyarchy” for really existing regimes based on competitive elections by broad suffrage.

Yet the table was completely turned over in more recent times. A number of notable scholars (including Dahl himself) now claim that global democracy would not be “viable” because democracy requires competitive election of representatives through political party candidacies and this kind of event seems to be unreachable on a grand scale. While some time ago representative government based on party elections was not considered real democracy, now global democracy is dismissed because it may not be able to replicate those forms of representative government.

In fact, the notion that democracy must be strictly based on political parties and competitive elections is heavily linked to the modern notion of sovereign state. Most modern states, as they began to be built in Europe a few centuries ago, were considered to be too large and complex in comparison with ancient and medieval self-governed cities. This moved early modern constitutional-designers to discard direct democracy based on the people’s assembly as a regular way to make public decisions in large settings, as we have seen.

In order to face the troubles of diversity for viable governance, many states have tried to build a relatively homogeneous nation within each of their territories. This usually implies drastic reductions of people’s
diversity of interests and values by means of assimilation of different
groups to certain cultural patterns through laws, coercion, schools and
myths, as well as exclusion of those that are not assimilated. Multinational
federations and similar formulas have implemented softer forms of accom-
dmodation and multiple representation. But, generally speaking, modern
state-based democracy has largely relied on the presumption that, under a
sufficient degree of people’s homogeneity, aggregative mechanisms such
as parties and elections can produce enforceable decisions within a single
sovereign body. This was, especially, the repeatedly pursued, although
never completely fulfilled model of the democratic nation-state. Yet, the
point is that democracy, nation, and state are different concepts that do
not necessarily go together.

Let me exemplify the confusion between democracy and state with a
minor but illustrating episode. A few years ago, former French diplomat
and international scholar Jean-Marie Guéhenno published an interesting
book in French with the title La fin de la démocratie, that is, The end of
democracy (first edition in 1993). The author emphasized “the territo-
rial foundation of political modernity,” wondered “whether there can be
a democracy without a nation,” and rather concluded that it was not, as
democracy, due to increasing transnational relations, “has lost its foun-
dation, and it floats, free of all moorings, cast adrift like a prefabricated
building carried away by floodwaters.” Guéhenno, as many other twen-
tieth century participant observers in real politics, could not conceive
democracy out of the nation-state. This feeling was possibly stronger in
France, which is the closest case to the ideal model of democratic nation-
state, than anywhere else. A very positive review of the book in The
Economist noted, nevertheless, that “The only large oddity is the title.
Mr Guéhenno never quite explains why his analysis points to the end
of democracy.” The confusion was solved in the English edition of the
book, which, without any explanation, just changed the title into The

“Democracy” can be conceived not as necessarily linked to the state
or to any specific institutional formula, but rather as an ethical prin-
ciple of governance and an evaluative reference for different institutional
rules and procedures. In this approach, democracy can be defined as a
form of government based on social consent, which entails the values
and aims of freedom, effective decision-making, and officers’ account-
ability. Just to make sure that conventional distinctions can apply, one
can check that no definition of nondemocratic state, even if it is based on
a narrower definition of democracy, would fit this definition that I am
proposing here. In particular, from the typical definition of “minimum”
democracy, a nondemocratic or dictatorial regime lacks both freedom
and rulers’ accountability; thus, it could not be confused with any variant of the above definition of democracy.

Seen in this light, the democratic principle can be operationalized with different institutional formulas, including consensual deliberation, committee voting, the people’s assembly, political party election of representatives, as well as several means for the selection and accountability of the rulers of the world who have been reviewed in this book. Actually very different democratic forms of making enforceable collective decisions are used in disparate settings such as meetings and assemblies of housing condominiums, neighborhood associations, school and university boards and delegates, professional organizations, corporation boards, workers’ unions, juries, tribunals, or literary or academic award committees. Each of these groups or organizations uses different rules and procedures, depending on the complexity of the issues under consideration and the potential conflict of interests or values among the participants. But it can be judged that all of them make decisions by democratic means. The same can apply to governments of cities, counties, regions, states, federations, continental unions, or the global world.

In the following pages I review major changes of institutional rules in the process of scaling up the democratic criterion from direct democracy in ancient and medieval cities to representative democracy in modern states and to accountable democracy in the global world. The review of how current global institutions work which has been presented in this book will conclude with a provisional verdict in favor of the viability of global democracy in the current world.

**Direct Democracy in City-Republics**

In contrast to the current practices in democratic states, in ancient and medieval democratic cities the people made direct decisions on public policy. In ancient Nordic tribes, in classic Athens and Rome, in medieval Venice, Florence, and other self-governed cities in the North of the Italian peninsula and the Alps, in a number of municipalities in Southern France before the Revolution, in colonies in the Americas before independence, as in the current Swiss cantons, the main political institution was, or is, the people’s assembly. Note that the term “city-state,” which has been persistently used to refer to some of those fundamental historical experiences, is highly mistaken, as the form “state” did not exist properly at the time. The more apt term “city-republic” has in fact gained acceptance and has become standard in the academic literature in recent times.

In Athens, like in most Greek cities, just to take the most classical example, the people’s assembly voted directly on all major issues of war
and peace, treaties, the navy, finances, public works, corn supply, and other legislation. It had also judicial powers in civil, criminal, public, and private cases. The typical meeting gathered together all adult male citizens, numbering in the several thousands, about once a week, to make decisions within a single day. The people’s assembly was the main institutional body of the democratic system.

Yet, experts and mandated delegates were also important components of the overall institutional arrangement. The assembly of Athens was organized by the Council of 500, which set the agenda of issues to be taken into consideration. It also relied on the advice of financial and engineering experts who shaped the alternatives to be submitted to vote. The members of the Council, as well as other numerous officers, were chosen by lots, not by competitive elections, for short periods of one or two years, which generated broad rotation of office-holders among all the territorial, professional, and age groups of the city.

Let us remark that the selection of public officers by lots or “lottery” was an appropriate formula precisely because the assembly made decisions by broad consensus or unanimity, on the assumption that the identification of a common interest should not be too difficult a task. In other settings with broad policy consensus, such as some current global institutions, the selection of delegates by turns and the subsequent rotation of people in public offices can have about the same effects as lotteries.

Actually lots, and not elections, were a fundamental feature for Aristotle to build his seminal concept of democracy, which included the possibility of “ruling and being ruled by turns.” Aristotle introduced a sharp distinction by which “the appointment of magistrates by lot is thought to be democratic and the election of them oligarchic.” By “democratic” he meant self-governed by the people, while “aristocratic” pointed to the idea of government by the few best, which could also lead to a perverse form of oligarchy. Likewise, for Montesquieu, as well as for Rousseau, “the suffrage by lot is natural to democracy.”

In short, in the ancient, city-based, direct democracy, the people, first, voted on policy, and second, selected delegates by lots to implement their decisions. The officers were not representatives of the people, but only mandatories to execute the assembly’s imperative instructions. The officers rendered counts of their job—which sometimes could include diplomatic missions or war expeditions—and could be sanctioned for their performance.

As we will discuss, some institutional features of ancient, city-based democracy—such as instructions and imperative mandates on policy, rotation, or lots to select high officers, the role of experts, accountability based on performance—have more in common with certain rules
currently used in global institutions than with the standard model of representative democracy by political party elections which is typical in modern states.

The experience of self-governed cities relied on a crucial common characteristic of all the aforementioned cases: they were political communities of small size with relatively high degrees of internal harmony, as defined by the economic and ethnic characteristics of their members. These conditions permitted self-government with simple and soft institutional formulas, because it was not difficult to form a majority and develop broad social consensus in support of many collective decisions.

The end of these experiences was usually due to increasing internal social complexity or external enlargement of the relevant space. Athens was destroyed by foreign invasions by the Spartans and the Persians. The expanding Roman Empire could not be efficiently managed by the traditional assemblies meeting in the forum of the city, as for most citizens living away participation was not feasible. In Venice and Florence, the traditional predominance of the artisans’ guild was defied, and the pattern of relatively peaceful fusion of old and new people in society weakened. In many Renaissance cities, political factionalism, family feuds, and class conflicts proliferated. New institutional formulas were introduced with high creativity, in order to avert domination by a few powerful families and to promote more circulation of the appointees, including multiple stages of lots and approval ballots and restrictions regarding reelection and office accumulation. But in most cases, the republican form of self-government was replaced with authoritarian or aristocratic rules, which eventually became supports to the building of new larger states. In the Americas, the colonial order was also shaken to give way to a few large federations, like the United States and Brazil, and a number of new would-be sovereign states of disparate sizes and achievements.

In many of the aforementioned cases, the association between popular participation in increasing complex societies and rising instability was inescapable. People’s direct vote, factions or parties, and institutional stability are a difficult combination. That is how classical, direct democracy was discarded as a viable form of government in favor of new larger, more complex polities for some long time.

**Representative Democracy in States**

In contrast to the main tenet in direct democracy, in modern democratic states the people do not make binding decisions on public policy. Contrariwise to the sequence in ancient city-based democracy, in state-based representative democracy the people, first, elect representatives
without any imperative mandate on public policy, and second, the elected representatives choose policy with vast discretionary latitude. In contrast to city-based direct democracy, the typical electoral process in modern states does not permit legally binding pledges or electoral promises. The representatives are not revocable and cannot be recalled on the basis of their policy performance. The basic mechanism for accountability is the following election, which has to deal with both past performances and new future promises at the same time.

It was not always the case. When late medieval and early modern kings in Europe began to summon meetings of representatives from different sectors of society, which would grow up to become modern parliaments, the delegates had decision powers on major issues, especially taxation and war and peace. Nevertheless, the provincial elections to the French Estates General in late eighteenth century, which would trigger the Revolution, involved very detailed instructions to the deputies, as every district supported the election by elaborating a “book of grievances” (cahier de doléances). In New England and other colonies in North America, the elected legislatures were also subject to the people’s explicit vows until a few years after independence.

Yet, by about the same time, the members of the older and more institutionalized Parliament of England began to claim not to be committed to any explicit mandate. One of them, Edmund Burke, made what would become the classical statement of the independence of representatives. After he had been elected in Bristol, he addressed his electors this rather condescending way: “That of constituents is a weighty and respectable opinion, which a representative ought always to rejoice to hear, and which he ought always most seriously to consider. But authoritative instructions, mandates issued, which a member is bound blindly and implicitly to obey, to vote, and to argue for... arise from a fundamental mistake of the whole order and tenor of our constitution.”

Burke used typical arguments for the independence of the House of Commons from the Crown—that its members should act according to their own judgment and conscience—in order to argue in favor of independence of the House from its voters. Revealingly, the move was covered with the new modern myth of national unity and sovereignty. As stated by Burke and later replicated with different words in almost every state democratic constitution: “Parliament is a deliberative assembly of one nation, with one interest, that of the whole,” not a collection of representatives from diverse local interests (emphasis in the original). Once elected, Burke considered himself not a member of Bristol any more, but a member of national parliament. Yet, as we will discuss, this statement in favor of parliament national unity would become difficult to continue
being consistent with the emergence and central role of political parties, which, in fact, would transform parliaments into a collection of representatives from diverse social and ideological interests.

The transition from direct democracy with selection of mandated delegates to indirect democracy with election of representatives who would act merely on behalf of the voters was widely experienced as a democratic loss. By the early nineteenth century, the two models were associated with “the liberty of the ancients” and “the liberty of the moderns,” respectively. The coiner of this dual expression, Benjamin Constant, was himself a character with two markedly different sides. On the one side, he was a member of the French Chamber of Deputies and influential constitution-maker across Europe, so exerting direct political participation and the liberty of the ancients. On the other side, he was a passionate lover, including of the influential activist in Paris salons Madame de Stael, and author of a barely veiled autobiographical romantic novel, Adolphe. In the latter, the protagonist defines love as “that ecstasy of the senses, that involuntary intoxication, that forgetting of all worldly interests, of all duties.”

Constant noted that the ancients were nearly always sovereign in public affairs but slave in all their private relations, while the moderns, deprived of decision power in public affairs, aim to be secure in their enjoyment of private life—which in his view mostly included commerce and love. For Constant, the trade-off might have been beneficial for both the ancients and the moderns, as he estimated that “when the ancients sacrificed individual independence in order to keep their political rights, they were sacrificing less to obtain more; whereas for us [the moderns] it would be giving more to obtain less.”

With this approximation Constant astutely pointed out a fundamental condition for social consent of any political-institutional regime: provided benefits must compensate for losses. All is a question of perception, of course, as benefits and losses imply subjective emotions. His warning is also valid for any possible form of global democracy. If losses are located in the realm of political participation, as is the case with institutional arrangements covering increasingly larger areas and population, compensation must be obtained in the realm of economic opportunities and private liberty. This was the direction of change initially trailed by modern representative democracy, while global democracy seems to be pursuing further steps in the same direction.

This should not be, nevertheless, a Faustian bargain by which the entire public affairs soul would be lost. Benjamin Constant vehemently warned: “The danger for modern liberty is that we, absorbed in the enjoyment of our private independence and the pursuit of our particular interests,
might surrender to the people who resort too easily our right to share in political power. The holders of authority encourage us to do just that. They are so ready to spare us every sort of trouble except the trouble of obeying and paying!"

Thus, under representative democracy, the people enjoying their liberty “should also exercise an active and constant surveillance over their representatives, and reserve for themselves the right to discard them if they betray their trust, and to revoke any powers they have abused.” This advice for close accountability of rulers has, however, proven to be the most difficult one to implement.

**Party Democracy’s Unfulfilled Promises**

The main promise of representative democracy, which appeared as a modern, broad suffrage-based version of classical aristocracy, was the selection of the best rulers. But the emergence of political parties as the main actors in the process of elections and government formation has largely disappointed that kind of expectation.

In countries holding regular elections by broad local consensus during the late eighteenth and most of the nineteenth century, such as Great Britain, France, or the United States, political parties were equated with factions, that is, they were viewed with suspicion as destroyers of previously existing social agreements. Factions and parties were accused of inducing polarization, making representation more biased, and in general, decreasing voters’ satisfaction with political decisions. Actually, the mere intention to take a political or partisan “position” implies division and discord, as it is made with reference to some alternative position.

Gradually, a tension was developing between the recurring suspicion of partisan divisions and the seeming inevitability of partisan organization to promote aggregation of disparate interests and values in large and complex societies. Parties were eventually conceived of as unavoidable evils, although they never persuaded every one of their desirability. But as parties evolved from mere coordinated candidacies and parliamentary groupings into compact organizations, they were increasingly perceived as a new oligarchy—the perverse form of aristocracy, in classical terms.

One of the first analysts of such an evolution, German sociologist Robert Michels, acidly noted that it was party organization “which gives birth to the dominion of the elected over the electors, of the mandataries over the mandators, of the delegates over the delegators . . . We find everywhere that the power of the elected leaders over the electing masses is almost unlimited.”
More recent developments have confirmed and expanded such a diagnosis. In party democracies, rather than people choosing their preferred policies or their delegates or representatives, it is professional politicians who decide by means of a competitive struggle for the people’s votes. Real decision power tends to shift from the people to parliaments and governments and from these to party directorates.

Nowadays many political parties can largely rely on big donors or state subsidies, as well as on marketing and electioneering professionals and the media, rather than on mass organizations and movements representing broad social groups. Party bosses, members of parliament, and high government officers have increasingly become professional politicians, that is people with scarcely proven alternative professional skills who, in many cases, are not much more than specialists in general affairs and public relations. Partisan affiliates holding public offices usually benefit from legal irresponsibility or immunity.

Although partisan differences in policy proposals can still be significant on some issues, the controversial category of “political class,” which implies that most politicians, whatever their party affiliation, share some common interests, is gaining acceptance. Like litigating lawyers, politicians, in fact, compete in defense of opposite causes and they become winners or losers on different occasions. However, like lawyers getting together in professional and bar associations, politicians also share common interests that are promoted and defended in relatively closed clusters with difficult access.

The ultimate proof of the pudding of good government is in the policy-making. Political parties running in elections and exerting in government do not usually deliver with levels of transparency and evaluation of their own performance similar to the ones that we have seen in some global institutions. Rarely, a political party develops understandable analyses supported by systematic data of the expected causal mechanisms by which every proposed policy may produce the desired outcomes. As such, political parties hardly ever present self-critical reviews of their legislative and executive performance leading to explicit corrections and improvements.

Most frequently, if a party in government loses an election because it has failed in the management of important collective issues, or it has not been able to deliver in a sufficiently satisfactory manner, it just waits in opposition to its next turn. Self-praised party’s or personal “ideological consistency” basically means lack of empirically grounded knowledge, absence of self-critical revision of decisions for their actual results, stickiness to previous prejudgments, seeking confrontation rather than policy
consensus, and inexistence of reconsideration of the desirability of certain goals in the light of the likely consequences of the chosen means.

When efficient policy-making fails, the promise of the rule of the best is unfulfilled. Most scholarship on democracy has converged around a “minimalist” conception which implies scaling back from foundational democratic promises. The most essential evaluative criterion being left to the really existing representative democracy is merely that, in contrast to civil wars and dictatorships, the rulers can be dismissed by the ruled without bloodshed, to be put in Karl Popper’s words.

**The Promise of Global Democracy**

When applied to the global world, the concern about the territorial foundation of political community—as was raised, for instance, by Guenneno in the aforementioned book—has an easy answer: there is only one territory, the entire earth. The provision of global collective goods, such as standards and networks for transport and communication, eradication of poverty, financial stability, free trade, environment protection, prevention of wars, persecution of terrorism, and crimes against humanity, is of universal interest and every human being can obtain direct or indirect benefit from it.

This can also answer some worries about the possible lack of “sense of community” among the inhabitants of the earth, as increasing travels, commerce, cultural, and communication exchanges make people aware of their shared interests and values with other people all across the world. In contrast to the pretension by every new modern state of building a culturally homogeneous nation within its territory, global government does not require suppressing or diminishing previously existing national and local attachments, as it does not necessitate getting rid of other types of non-territorially based cultural attachments, such as those based on race, religion, or language. Some time ago, “world citizen” was synonymous with uprootedness or reluctance to traditional national divisions; currently, it is one of several simultaneous allegiances that many million individuals can genuinely adopt.

The only common sense that is needed is the one of having sufficient common interests and values with other people in the world. This is, in fact, widely felt by employees in exporting traders, transnational companies, or big banks; consumers of international pop music, movies, or sports; travelling tourists, students, or businesspeople; emigrating workers, professionals, and retirees; and youth navigating the web, communicating through social networks, speaking multiple languages, or being
concerned with human rights, poverty, or violent crimes. The sense of multiple belonging, which is already widespread across states and nations, fits globalization very well.

On this basis and in the light of some experiences, the presumption that global elections with broad suffrage would be unviable may be a dubious statement. The European Parliament, for instance, is democratically elected within a union comprising more than 500 million people, more than two dozen states, several thousand cities, and more than 20 official languages. The levels of participation are similar to those in midterm elections for the United States Congress. Alternative anecdotal evidence, such as the failed attempt to open a direct, nonpartisan election of representatives to the council of the Internet Corporation, which was commented in a previous chapter, may teach a warning lesson about the difficult implications of this type of endeavor. But the point is that the same type of arguments that can be raised to claim that democratic elections are not viable on such a large scale as the global world was raised not so long ago to claim that democracy was not viable at such a large scale as the new modern states and federations.

Actually, local and state-based electoral democracy is and ought to be a rocky foundation for the selection of representatives and high officers in global institutions. Even if traditional states are losing much of their sovereign powers and cannot fulfill their foundational claim to be self-sufficient in providing certain collective goods to their populations, the democratic electoral mechanisms they implement can be indispensable for legitimating the filling of some offices in global boards, councils, and assemblies. Rules and procedures for country representation that we have reviewed in previous chapters, such as permanent membership, rotation, and weighted votes, can obtain democratic legitimacy as long as they work on the basis of previous democratic selection of representatives at local or state level.

Besides, global institutions can be democratic, even highly democratic, although they do not work by means of political parties or other factional associations. In fact, organized factions are not only unnecessary for global policy-making, but, as was the case in classical city democracy, they could be downright harmful. Instead of conflicts exacerbated by factionalism, caucuses, political parties, and so on, global democracy prefers policy consensus and agreements, which can be efficiently achieved by expert discussion, self-criticism, and evaluation of the experience.

As we have seen, expertise and learning in conditions of liberty and responsibility can produce consensus policy, as well as critical revision and improvement of policy-making in the mid and long term. In fact, efficient policy is and can be delivered by accountable expert government
at higher degrees than by regimes based on people’s assembly, electoral democracy, or nonaccountable dictatorship.

In contrast to representative democracy based on states, global institutions hold policy imperative mandates, which are based on foundational charters, the main goals of the institutions and broad consensual support by decision-makers. In contrast to typical state representatives, global officers and staff are bound to those mandates, have limited discretion to choose the appropriate means to pursue the mandated aims, and must account for the results of their work.

A crucial point is, as I remarked more than once, that global rulers need to be not only competent, but also accountable. In order to be compatible with basic democratic principles, the holding of global public offices must be systematically scrutinized, evaluated, and sanctioned according to well-established standards of efficiency and conduct. As we have seen in the previous pages, all major global institutions have introduced some advanced forms of transparency, evaluation, and accountability in recent periods.

If democracy is nothing but a set of rules for the solution of conflicts without bloodshed—as typically put for state-based representative democracy—most existing global institutions are as democratic as anyone else—and, in addition, they perform considerably well in the provision of collective goods. They will be able to rule with social consent as long as—analogously to what was asked at the beginning of representative democracy about 200 years ago—the losses in participation are compensated with good results in the realms of economic opportunities and private liberty.

World government does exist. It is not a single sovereign institution able to rule over the entire globe on all issues. It is a more complex structure formed by a double net of institutions: one with multiple territorial jurisdictions, from local to state to continental to global levels, and another set of specialized institutions at the global level dealing with different issues with different rules. Most global institutions have greatly improved their effectiveness during the last few decades. By reviewing them, we have identified a few major unsolved issues. Among the most prominent ones we may mention some uncomfortable overlap between the Security Council of the United Nations and the G-8; the ineffectiveness of the organization for new global agreements on free trade; and the limits of global judicial courts. The regular participation of a few nondemocratic regimes in the highest councils or boards of major institutions is inconsistent with some of the aims they are bound to pursue. Some overrepresentation of European countries can also be corrected.
Thus, there are still important things to do in order to attain an efficient multilevel, multipurpose and responsible world government. Yet, the basic formulas for representation and decision-making that have been and can be adopted at global level have been largely clarified through the pages of this book. They basically include:

- qualified country representation by turns and weights;
- expert rule;
- policy consensus;
- imperative mandates;
- and rulers’ accountability.

The solution to scale democracy up from the city level to the state level was the design and adoption of new institutional formulas. This is the same type of solution to pursue in order to scale democracy up to the global level in the current world.
APPENDIX 1: SIZE OF GLOBAL INSTITUTIONS

<table>
<thead>
<tr>
<th>Institution</th>
<th>Staff</th>
<th>Spending (US$ million/year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Nations Regular</td>
<td>42,887</td>
<td>2,811</td>
</tr>
<tr>
<td>Peacekeepers</td>
<td>117,905</td>
<td>7,800</td>
</tr>
<tr>
<td>Undp, Unfpa, Unicef</td>
<td>17,982</td>
<td>10,400</td>
</tr>
<tr>
<td>World Bank Group</td>
<td>+10,000</td>
<td>59,000</td>
</tr>
<tr>
<td>International Monetary Fund</td>
<td>2,503</td>
<td>143,000</td>
</tr>
<tr>
<td>Food and Agriculture Organization</td>
<td>3,576</td>
<td>2,400</td>
</tr>
<tr>
<td>World Health Organization</td>
<td>+7,000</td>
<td>2,000</td>
</tr>
<tr>
<td>International Labor Organization</td>
<td>2,700</td>
<td>861</td>
</tr>
<tr>
<td>UN Education Science Culture</td>
<td>2,000</td>
<td>653</td>
</tr>
<tr>
<td>International Atomic Energy Agency</td>
<td>2,300</td>
<td>433</td>
</tr>
<tr>
<td>World Trade Organization</td>
<td>629</td>
<td>212</td>
</tr>
<tr>
<td>International Telecommunication Organization</td>
<td>750</td>
<td>UN</td>
</tr>
<tr>
<td>International Civil Aviation Organization</td>
<td>3,000</td>
<td>98</td>
</tr>
<tr>
<td>Internet Corporation Assigned Names Numbers</td>
<td>202</td>
<td>70</td>
</tr>
<tr>
<td>International Maritime Organization</td>
<td>300</td>
<td>47</td>
</tr>
<tr>
<td>International Standards Organization</td>
<td>654</td>
<td>40</td>
</tr>
<tr>
<td>+ others</td>
<td>nd</td>
<td>nd</td>
</tr>
<tr>
<td>Estimate total</td>
<td>~ 250,000</td>
<td>~ $ 250,000 million</td>
</tr>
</tbody>
</table>
APPENDIX 2: RULES AND PROCEDURES OF GLOBAL INSTITUTIONS
<table>
<thead>
<tr>
<th>Issue Institution</th>
<th>Year</th>
<th>Assembly Members</th>
<th>Meeting</th>
<th>Vote</th>
<th>Rule</th>
<th>Council Members</th>
<th>Meeting</th>
<th>Vote</th>
<th>Rule</th>
<th>President/Secretariat Selected by</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telecom. ITU</td>
<td>1865</td>
<td>193</td>
<td>4 years</td>
<td>Equal</td>
<td>Maj</td>
<td>46 - g</td>
<td>1 year</td>
<td>no</td>
<td></td>
<td>/SG Assembly</td>
</tr>
<tr>
<td>Weather WMO</td>
<td>1873</td>
<td>191</td>
<td>4 years</td>
<td>no</td>
<td>37 - g</td>
<td>1 year</td>
<td>no</td>
<td></td>
<td></td>
<td>P Assembly</td>
</tr>
<tr>
<td>Post UPU</td>
<td>1874</td>
<td>192</td>
<td>4 years</td>
<td>Equal</td>
<td>40</td>
<td>1 year</td>
<td>no</td>
<td></td>
<td></td>
<td>DG Assembly</td>
</tr>
<tr>
<td>Measures BIPM</td>
<td>1875</td>
<td>55+37</td>
<td>4 years</td>
<td>no</td>
<td>18</td>
<td>1 year</td>
<td>no</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standards ISO</td>
<td>1947</td>
<td>162</td>
<td>1 year</td>
<td>no</td>
<td>20</td>
<td>6 months</td>
<td>no</td>
<td></td>
<td></td>
<td>/SG Council</td>
</tr>
<tr>
<td>Air space ICAO</td>
<td>1947</td>
<td>191</td>
<td>3 years</td>
<td>Equal</td>
<td>Maj</td>
<td>36 - g - i</td>
<td>1 year</td>
<td>no</td>
<td></td>
<td>/SG Council</td>
</tr>
<tr>
<td>Navigation IMO</td>
<td>1958</td>
<td>171</td>
<td>2 years</td>
<td>Equal</td>
<td>Maj</td>
<td>40 - g - i</td>
<td>1 year</td>
<td>no</td>
<td></td>
<td>/SG Council+Ass.</td>
</tr>
<tr>
<td>Internet ICCAN</td>
<td>1998</td>
<td>111</td>
<td>1 year</td>
<td>no</td>
<td>16 - g</td>
<td>1 month</td>
<td>QualMaj</td>
<td></td>
<td></td>
<td>O Council</td>
</tr>
<tr>
<td>Agriculture FAO</td>
<td>1945</td>
<td>191</td>
<td>2 years</td>
<td>Equal</td>
<td>Maj</td>
<td>49 - g</td>
<td>5/2years</td>
<td>Equal</td>
<td>Maj</td>
<td>DG Assembly</td>
</tr>
<tr>
<td>Agriculture IFAD</td>
<td>1977</td>
<td>166</td>
<td>1 year</td>
<td>Weight</td>
<td>QualMaj</td>
<td>18 - g - i</td>
<td>3/year</td>
<td>Weight</td>
<td>QualMaj</td>
<td>P Assembly</td>
</tr>
<tr>
<td>Industry UNIDO</td>
<td>1966</td>
<td>172</td>
<td>2 years</td>
<td>Equal</td>
<td>QualMaj</td>
<td>53 - g</td>
<td>1 year</td>
<td>Equal</td>
<td>QualMaj</td>
<td>DG Ass+Council</td>
</tr>
<tr>
<td>Tourism UNWTO</td>
<td>1925</td>
<td>154</td>
<td>2 years</td>
<td>Equal</td>
<td>Maj</td>
<td>31 - g</td>
<td>6 months</td>
<td>Equal</td>
<td>Maj</td>
<td>SG Ass+Council</td>
</tr>
<tr>
<td>Labor ILO</td>
<td>1919</td>
<td>185</td>
<td>1 year</td>
<td>Equal</td>
<td>x3  QualMaj</td>
<td>56 - 10p</td>
<td>3/year</td>
<td>Equal</td>
<td>QualMaj</td>
<td>DG Assembly</td>
</tr>
<tr>
<td>Intell. Property  WIPO</td>
<td>1886</td>
<td>185</td>
<td>6month</td>
<td>Equal</td>
<td>Maj</td>
<td>46</td>
<td>1 year</td>
<td>Equal</td>
<td>Maj</td>
<td>DG Ass+Council</td>
</tr>
<tr>
<td>Education UNESCO</td>
<td>1946</td>
<td>195+8</td>
<td>2 years</td>
<td>Equal</td>
<td>Maj</td>
<td>58 - g</td>
<td>6 months</td>
<td>Equal</td>
<td>Maj</td>
<td>DG Ass+Council</td>
</tr>
<tr>
<td>Health WHO</td>
<td>1907</td>
<td>194</td>
<td>1 year</td>
<td>Equal</td>
<td>QualMaj</td>
<td>34 - g</td>
<td>6 months</td>
<td>no</td>
<td></td>
<td>DG Ass+Council</td>
</tr>
<tr>
<td>Development WB/IBRD1945</td>
<td>188</td>
<td>1 year</td>
<td>Weight</td>
<td>QualMaj</td>
<td>25–5p</td>
<td>pmt</td>
<td>Weight</td>
<td>QualMaj</td>
<td>P Council</td>
<td></td>
</tr>
<tr>
<td>Development IDA</td>
<td>1960</td>
<td>172</td>
<td>1 year</td>
<td>Weight</td>
<td>QualMaj</td>
<td>25–5p</td>
<td>pmt</td>
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<td>Weight</td>
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<td>Equal</td>
<td>QualM</td>
<td>54 -g 1 year</td>
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<td>QualM</td>
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**Note:** Members: In Council, some members are selected by geo-geography or i-issues criteria; a number of them can be p-permanents. Meeting: periodicity of regular meetings. Voting rule refers to substantive decisions, not including procedural ones (which are typically made by simple majority) or membership and change of constitution (which usually require qualified majority): Maj: Simple Majority rule; QualMaj: Qualified majority. P: President; SG: Secretary General; DG: Director General; MD: Manager Director; GM: General Manager.

**Source:** Author’s elaboration with data from the *Max Planck Encyclopedia of Public International Law* (2012) and the institutions’ websites, as visited in March 2013.

**Institutions:**
- BIPM: Bureau International des Poids et Mesures.
- FAO: Food and Agriculture Organization.
- IAEA: International Atomic Energy Agency.
- ICAO: International Civil Aviation Organization.
- ICCAN: Internet Corporation for Assigned Names and Numbers.
- ICJ: International Court of Justice.
- IFAD: International Fund for Agricultural Development.
- ILO: International Labor Organization.
- IMF: International Monetary Fund.
IMO: International Maritime Organization.
ITU: International Telecommunications Union.
League: League of Nations.
MIGA: Multilateral Investment Guarantee Agency.
UPU: Universal Postal Union.
WHO: World Health Organization.
WMO: World Meteorological Organization.
WTO: World Trade Organization.
APPENDIX 3: WHAT A WORLD ASSEMBLY COULD LOOK LIKE

In order to assess the viability of a directly elected global assembly, it may be helpful to try and imagine what its basic features would be. Skeptic authors have claimed that democracy defined according to traditional attributes at the state level may not be feasible at the global level in a very large and complex world. As long as democracy may require direct elections of representatives in a world assembly by broad suffrage, it may be “unviable” on a grand scale. This presumption is at least dubious on empirical grounds. For instance, the parliament of India is directly elected within a multiethnic federation comprising over 1.2 billion people, three dozen states and territories and two dozen official and scheduled languages, while the European Parliament is directly elected within a union comprising more than 500 million people, more than two dozen states and more than 20 official languages; the levels of participation are similar to those in midterm elections for the United States Congress.

Given that numerous institutional designs are conceivable, I will try to identify some institutional features that can appear as viable in terms of size and degree of complexity. In the following, I specifically discuss the size and the basic electoral rules of an elected global assembly. I consider two models on empirical grounds by projecting from the relations among institutional formulas that have been observed as viable and durable at state and federation levels. The most viable and potentially satisfactory model seems to be a bicameral assembly formed by: a lower chamber with about 2,000 seats (of which about one-fourth would be elected in single-member districts and about three-fourths in multimember districts of proportional representation with moderate magnitude) and an upper chamber of territorial representation based on about 700 territorial units all across the world (basically corresponding to the current near 200 independent states plus about 500 regional governments).

First, an important decision is the number of seats that such a global assembly should gather. The best approximation to calculate the size of
a directly elected lower chamber of the assembly in a democratic country is to take
the cube root of the population. As for most countries, the number of inhabitants
amounts to millions, that is some figures with six zeroes, the cube root must be in
the hundreds, that is some figure with two zeroes. For example, as Spain has about
45,000,000 inhabitants, the cube root of this number closely approaches the 350 seats
of its lower chamber of parliament \( (45,000,000^{\frac{1}{3}} = 355) \). For most democratic
countries, this is the best fit.

The relation is lower for very small countries, such as some islands in the Caribbean or
the Pacific Ocean, as well as for regional or local legislatures. By analogy, it could be
speculated that a very large global assembly would need, in contrast, a relatively
greater proportion of seats. But not to make things more difficult, let us stay at the
cube root relation.

For a world that will approach 8 billion people by 2025, a round number would be an
assembly with 2,000 seats \( (8,000,000,000^{\frac{1}{3}} = 2,000) \). This is indeed a large size.
No democratic assembly approaches this number, as the largest ones, such as the
European Parliament and the British House of Commons, are below 1,000. The closest
and highest number is the China National People’s Congress, which is formed of near 3,000
seats. This is, nevertheless, a figure-head assembly in a nondemocratic
country, which meets for only two weeks a year and has almost nopower
regarding the ruling party. A global assembly of 2,000 members would
allocate one seat to every 4 million people, on average, which is higher
but not much higher than the 2 million people and the three-fourths
of a million in the current lower chambers of India and the United States,
respectively. Let us, thus, assume that such a global large assembly with a
high number of specialized committees and a reduced standing commit-
tee could do the job.

How could this assembly be elected? There is a relation between the
number of territorial governments in large federations and the number of
assembly seats of the assembly elected in every district. An extreme case
is the United States, which has the largest number of territorial govern-
ments in any country (50 states) and the smallest magnitude of electoral
districts (one seat). All the other countries have lower values for territorial
governments (as low as one for unitary countries) and equal or higher
values for electoral districts (as most democracies use rules of propor-
tional representation). Just to mention a relatively extreme case on the
other side: the Netherlands, which is a unitary country with no regional
decentralization, elects all the 150 seats of its House of Representatives in
a single, very large nationwide district.

Durable democratic regimes are based on a trade-off between these
two variables, the number of territorial units and the average magnitude
of the electoral district, with values depending on the size of the country. For every country’s size, the lower the number of territorial governments, the larger the average magnitude of the electoral district and vice versa.

The logic of this relation is that a varied population can be aggregated into a single polity both on a territorial basis and through pluralistic politics permitted by large electoral districts. A large number of territorial political units in a federal structure can be the basis for a large, aggregative “union,” while an assembly based on proportional representation and multipartism can also be aggregative because it can lead to the formation of some broad government multiparty “coalition.” Both “union” and “coalition” can keep a large, diverse country together by using democratic means of governance. Yet in the quantitative trade-off between the values of the variables for the two institutional mechanisms, the number of territorial governments has more weight than the number of seats per district, especially for large countries.

For this relation to make sense at global level, it must be assumed that there would be an upper chamber of territorial representation based on recognized territorial governments. We can thus construct a hypothetical institutional design for a global assembly with two chambers: a lower chamber with about 2,000 seats based on worldwide distributed electoral districts and an upper chamber with delegates of recognized territorial governments.

At least two possibilities would exist. First, if the recognized territorial units of the world were the currently existing independent countries, as they are represented in the United Nations—approximately 200—, then, according to the empirical trade-off observable in federal and decentralized countries, I would estimate the average electoral district of the lower chamber should have about 25 seats. Yet 2,000 seats in districts with about 25 seats each would mean that the world would be divided in 80 electoral districts, a number considerably lower than the number of independent countries. Most countries would have to share electoral districts with other countries. The lower chamber would have much fewer electoral districts than the upper chamber of territorial representation would have basic units, which may not favor adequate representation.

An alternative is to consider as recognized territorial governments not only the nearly 200 countries that have representation in the General Assembly of the United Nations, but also the nearly 500 regional legislatures that exist in federal or decentralized countries (including, for example, the 50 states in the U.S., the 36 states and union territories in India, the 26 states in Brazil, the 16 länder in Germany, and so on). This results in the much higher number of about 700 territorial governments.
According to the above-postulated empirical relationship, the magnitude of the electoral district would, therefore, be much smaller: only three seats. For 2,000 seats there would be 667 electoral districts, which is very close to the number of territorial units in the upper chamber. Essentially, every state and region would work both as an electoral district for the lower chamber and as a unit for territorial representation in the upper chamber.

A possible apportionment for the lower chamber could imply, for example, approximately 500 districts based on all nonindependent regions and smaller independent states could elect one seat each, while about 150 larger districts representing most independent states could elect close to 10 seats each in average, with room for variance depending on the size of the country (>500 + 150 ≈ 667; 550×1 +150×10 ≈ 2,000). These values may also mirror the current variety of electoral systems at the country level, for while a few old, large democratic countries of mostly Anglo tradition use single-member districts, most current democracies use rules of proportional representation, the average district magnitude for all democracies being at about 11.

According to the well-established quantitative relation among assembly size, electoral district magnitude, and number of parties for state-based assemblies known as “the seat-product”, such an assembly would elect about nine parties. The effective number of parties, which weights the absolute number of parties by their relative size, would be a little higher than four. These values are not very distant from the averages in current democratic regimes, although it can be presumed that worldwide party federations would be looser than the typical state-based parties.

This note has explored some basic institutional features of a directly elected world assembly in contrast to previous exercises that focused mostly on the design of an indirectly elected world parliamentary assembly formed by state parliamentarians. All in all, the basic values for a worldwide assembly could be:

- Lower chamber size: approximately 2,000 seats.
- Lower chamber average district magnitude: approximately three seats (about 550 districts with one seat each and about 150 districts with multiple seats).
- Number of electoral districts for the lower chamber and number of territorial units in the upper chamber: approximately 700.
- Expected number of parties in the lower chamber: about nine.
- Effective number of parties in the lower chamber: about four.

The above analysis suggests relatively moderate values for both the size of the assembly’s two chambers and for the size of the electoral districts,
which are of similar order of magnitude to assemblies and electoral districts in the largest democratic countries, federations, and unions. These findings may support the viability of a directly elected global assembly in the current world. Further work could deal with the apportionment of the seats of the lower chamber across districts by applying existing formulas at state and federation level. Other issues, such as the powers of such an assembly, its internal decision rules, or the process for its establishment, rest beyond the scope of the present endeavor.

Note

The following basic formulas are based on the analysis of institutions in state and federation:

The cube root relationship between population and assembly size:

\[ \text{Pop}^{1/3} = S \]

Source: Taagepera (1972), refined in Taagepera and Shugart (1989). My result for a world of about 8 billion people revises and updates Rein Taagepera’s calculations from his seminal 1972 article, where he takes into account not total population but literate adults and therefore predicts an assembly of 1700 members for a world population of 4 billion.

The trade-off between territorial units and electoral district magnitude for a given assembly size:

\[ S = 62 \text{ R}^{1/2} \text{M}^{1/4} \]

Source: Colomer (2014).

The seat–product relationship for absolute number of parties:

\[ P = (MS)^{1/4} \]

The seat–product relationship for effective numbers of parties:

\[ \text{EP} = (MS)^{1/6} \]


The effective number of parties:

\[ \text{EP} = 1/ \sum p_i^2 \]

Where:
  Pop: Country’s population.
  S: Size or number of seats of the assembly.
  M: Magnitude or average number of seats per electoral district.
  R: Number of regional or subnational legislatures.
  P: Number of parties.
  EP: Effective number of parties.
  p: each party’s proportion of all seats.

Other sources:
Data for the number of countries and regions are compiled in Colomer (2007).
The average values of electoral systems across the world are based on Bormann and Golder (2013).
SOURCES AND FURTHER READING

Preface

Quotes from Michael Froman and Caroline Atkinson are from meetings organized by Matthew Goodman at the Center for Strategic and International Studies, in Washington, DC, on June 20, 2012, July 12, 2013, and March 5, 2014.

Chapter 1

Projections of world government sizes are presented by Rein Taagepera, “Expansion and Contraction Patterns of Large Polities” (International Studies Quarterly 41, 1997).

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Chapter 3

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Chapter 5


The private instruction to the IMF’s executive directors on the relations with the United Nations is from “Note by the General Counsel on Staff Travel to Iraq in Present Circumstances” (SM/03/170, May 7, 2003).

The comparison with states’ expenditures is based on top values for the IMF (US$143 billion in 2011), the International Bank for Reconstruction and Development (US$44.2 billion in 2010) and the International Development Association (US$14.8 billion in 2012), so about US$200 billion in total, and data for the 120 countries with lower expenditures in the most recent year available (2011 in most cases), which amount to about US$178 billion in total, as collected for 221 countries by the CIA World Factbook.

For many decades the resources of the IMF and the World Bank have expanded together with the world economy, remaining relatively stable at around 1.8 percent of the gross world product. The initial funds were US$8.8 billion for the Fund and US$10 billion for the Bank (US$18.8 billion in total), while the gross world product in nominal terms was US$1,098 billion in 1950 (data from Angus Maddison, *Historical Statistics of the World Economy*, deflated from value given in US$1990), that is, about 1.7 percent (18.8/1,098 * 100). At a decision from the G-20, the funds were increased up to US$750 billion for the Fund and US$500 billion for the Bank in 2010 (US$1,250 billion in total), while the gross world product was US$66,363 billion on the same year 2010; that is, about 1.9 percent (1,250/66,363 * 100).

**Chapter 6**


Mike Moore’s quoted remarks are from his book a World without Walls. Freedom, Development, Free Trade and Global Governance (Cambridge 2003, pp.17, 98, 101); Roberto Azevedo’s quotation is from his inaugural speech, September 9, 2013.


Also: Website of the organization: www.wto.org, as well as nongovernmental group site: http://www.new-rules.org. Numerical calculations by the author with data from the WTO.

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.g20.utoronto.ca, whose director John Kirton, has also produced a high number of publications. Other informative sources include Robert D. Putnam and Nicholas Bayne, Hanging Together. Cooperation and Conflict in Seven-Power Summits (Sage 1987); Peter Hajnal, The G8 System and the G20. Evolution, Role and Documentation (Aldershot 2007); Hugo Dobson, The Group of 7/8 (Routledge 2007); Colin I. Bradford and Wonhyuk Lim, eds., Global Leadership in Transition. Making the G20 More Effective and Responsive (Brookings 2011); and Andrew F. Cooper and Ramesh Thakur, The Group of Twenty (G20) (Routledge 2013).


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The calculations of proportions of world’s trade are by the author with data from the WTO.

Chapter 10

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Chapter 12


Chapter 13

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Appendices

1
Source: Author’s elaboration with data from the organizations’ websites and annual reports for the most recent year available, between 2011 and 2013.

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Source: Author’s elaboration with data from the Max Planck Encyclopedia of Public International Law (2012) and the institutions’ websites, as visited in March 2013.
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