The Political Economy of International Organizations

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Efficiency in the sense of a favorable relationship between outputs and inputs cannot be determined for an international organization because it is impossible to generally establish an aggregate preference. Rather it matters how far the preferences of the individual citizens are fulfilled. The extent depends on the interaction among the major decision makers (citizens, government, national representatives and the international organization itself) which is guided by the existing rules. Rules may be suggested which induce the actors to respond to the citizens' preferences, such as competition between suppliers, fiscal equivalence, and direct referenda on international organizations.

1. Output and efficiency

In the media as well as with insiders quite clear views exist about the performance of international organizations. Thus, the United Nations are often claimed to be inefficient, and especially Unesco to produce a huge amount of waste (e.g. Hüfner and Naumann 1986). On the other hand, the financial institutions of the UN, the World Bank and the International Monetary Fund, are often more favorably considered; they are commonly said to perform their tasks quite efficiently.

Various studies have sought to determine the "efficiency" with which international organizations act. However, the term "efficiency" has various meanings and ranges from the narrowly defined input-output rela-

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tional allocation of the resources used by international organizations. A particular unit's efficiency could then be determined by calculating the efficiency losses compared to Pareto-optimality. While this seems to be possible in general terms, an application to specific international organizations would again require a definition and measurement of output. Moreover, the optimizing approach analyzing the allocative efficiency of a particular organization is subject to the "Nirwana" critique (Demsitz 1967): a real life institution is compared to an unattainable ideal (as described, e.g. by Baehr and Gordenker 1984, Franck 1985). Modern Political Economy rightly rejects such an absolute approach. Rather, institutions existing in reality (or which are within reach of being realized) need to be looked at from a comparative perspective. In the case of international organizations the problem arises of how performance can be compared. As no ready output indicators exist which could be used for a comparison between such organizations, the researchers have to either fix indicators according to their own ideas (which may be done in an arbitrary way), or they have to step back and compare some sort of cost-effectiveness indicators or even simply inputs. In either case this procedure is incompatible with the fundamental assumption of the economic approach, namely that the preferences of individuals are the only standard of evaluation.

Within Political Economy there have so far been only a few analyses of international organizations1. Our intention is to show that the dominant approach taking nations as actors can usefully be supplemented or even outperformed by an approach based on methodological individualism. The situation is particularly apt for applying contractual constitution-alm.

The following section 2 argues that an international organization's efficiency cannot be determined as a matter of principle. We thus claim that the problem does not lie on the measurement level - where it is identified to lie by those approaches seeking to quantify efficiency - but much deeper. As a consequence, in section 3 a different approach is

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1 Nor the smaller ones. The performance of the staff may only be evaluated in an approving way. Even the rating "Adequate" is depreciatory and would give a staff member the right of appeal, so even officials who can recognize poor work when they see it and up rating all staff work as "Outstanding" or "Very Good" (Ramsey 1984, p. 391). This is just one instance of the more general phenomenon that organizations established to control other organizations are ineffective, and by their use of resources even lead to further waste (see Downs 1967, 147-150).


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1 There are two definitions of efficiency in economics, the traditional one excluding, and a more recent one including, transaction cost. For the substantial difference see Stephen Margolis (1987). For various efficiency concepts see Luckenbach (1988), and for applications to bureaucratic organizations see Murray (1987).

used, looking at international organizations in terms of a relationship between various principals and agents, also considering possible coalitions among them. Based on this analysis section 4 draws policy conclusions.

2. Efficiency or waste lies in the eye of the beholder

2.1. The impossibility of defining output

Efficiency, or its antonym waste, being a relationship between output and input, can obviously only be determined if the performance, or output, can be identified. If in an organization there is only one output, there is no problem. However, it is a fundamental characteristic of such a complex institution as an international organization that it does not only undertake one activity and pursue one goal, but several different ones. Each member of the organization has different preferences with respect to the relative importance of these activities. To give an example of an international organization, three activities or goals are distinguished, say the pursuit of world peace (P), the promotion of economic growth (G), and the achievement of justice (more equal world income distribution) (J). Consider three members of an international organization \( M_1, M_2, M_3 \) with the following preference orderings:

\[
M_1: P > G > J \\
M_2: G > J > P \\
M_3: J > P > G
\]

(where the symbol > stands for ‘preferred to’). Under these preference patterns and using the simple majority rule the members cannot agree about the relative weights to be attributed to the three activities. Obviously this is a case of the Condorcet paradox producing cycles. There is no non-dictatorial way to define the output or the collective welfare of an international organization based on the preferences of the members. This result applies generally (see Arrow 1951) provided four conditions\(^1\) apply. Output can, of course, be defined if it is done dictatorially by a member having the position of a hegemon in the international system. This case may have obtained when Rome, Britain and the United States were dominating the world, but it is not relevant under present conditions.

The members may agree on what constitutes the output of an international organization if the members’ preferences are sufficiently similar. The activities and goals of international bodies being complex and multi-dimensional, an agreement is possible only if the preferences of the members are practically identical (see Plott 1967, Kramer 1973), a condition which does not apply in reality in view of the inter-country differences with respect to goals and resources. As shown by Sen (1970, p.123-4), Arrow’s impossibility theorem may be generalized to cardinal individual utility functions. If the (three) members \( i = 1,2,3 \) have differing views about what is to be considered output \( X_i \) of an international organization

\[
X_i = f_i(P,G,J)
\]

it is not generally possible to derive aggregate output

\[
X = h(f_1, f_2, f_3) = H(P,G,J)
\]

It follows that the attempt to define and to empirically measure the output and therewith the efficiency of an international organization which would be of relevance to its members\(^1\) is futile: Whether a particular organization is ‘efficient’ or ‘wasteful’ cannot be determined objectively but lies in the eyes of the beholder. Thus, even if the United Nations Headquarters in New York with its thousands of employees did not produce any output except providing a place for representatives of various countries to meet and talk, and even nothing followed from that activity, a UN member can still consider the organization to be ‘efficient’ if that activity is valued sufficiently highly. The counter-argument that this output could be provided at lower cost (without the many thousand employees) does not hold if the particular member for some reason or other believes that the international bureaucracy in the background is needed as a precondition for an international meeting place.

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\(^1\) The Pareto principle, the unrestricted domain of preferences, the independence from irrelevant alternatives, and transitivity.
2.2. Behavior under rules

As the performance of an international organization cannot be uniquely determined if individual preferences are to count, the output oriented analysis must be dropped (all the more as it cannot be empirically handled). A different approach must be sought: the performance of an international organization must be seen to emerge from the action of the relevant decision makers. Such decision makers are the organizations' directors and other groups of employees, the national representatives (delegates), the national finance ministries and bodies extending credits, national parliaments, interest groups and bureaucracies, and individual voters and tax payers. The view thus shifts from the (vain) attempt to determine output to an analysis of the interaction of the decision makers relevant in an international organization. The only way to evaluate and influence performance is to analyze and set the rules under which the interaction takes place (see Buchanan 1977, Frey 1983, Brennan and Buchanan 1986). Particular outcomes are connected with particular rules through the behavior of the decision makers. Provided an adequate theory of behavior is used, rules may be chosen in order to determine the resulting outcome.

It follows that no 'output' or 'efficiency' of an international (or governmental) organization exists independent of the prevailing rules or institutions. When the rules are changed, the concept of 'output' and 'efficiency' changes, given the preferences of the organization's members. Rules must therefore be the cornerstone of any analysis.

In an international environment in which (at least some) countries are sovereign actors, and in which no hegemon or global government exists which can simply force other nations to comply with its wishes, the rules or institutional arrangements may not be imposed from outside. They can only be set by the voluntary consent of all the decision makers engaged in the organizations. Countries would not participate in an international organization if they would not find it advantageous to do so (compared to the alternative of not joining) and are therefore willing to agree with the set of rules. In the case of such organizations the members cannot be forced to accept particular rules because no world government exists having the power of enforcement (see, for a practical example, e.g. Halderman 1981, p.26-28). A unanimous consent about the rules is achievable because each member has to decide behind the veil of ignorance, i.e. without knowing in which position it will be in the future (see e.g. Buchanan and Tullock 1962). While complete uncertainty about the future position usually does not obtain - a rich member may e.g. expect with a high probability to remain rich in the future - the veil of ignorance nevertheless induces the members to take a more objective stance. Short run egoistic interests tend to be set aside in favor of considering several future long run developments. As a consequence, the members, especially those engaged in the foundation of the organization, may be able to find rules which are expected to be advantageous to each one of them. Countries joining the organization later will have smaller range of taking influence on the rules and the structure of the organization.

This approach concentrating on rules and the behavior of the relevant decision makers will be applied in the remaining part of the paper. The criterion of 'efficiency' changes from a consideration of technical aspects (X-efficiency, cost comparisons) to one of the fulfillment of individual preferences. This shift is not without difficulty in the case of international organizations, because there is a very large distance between individuals and international organizations.

3. Principals and agents

The relationship between the principal, the individual citizens of a country, and the agent, the international organization, (see Jensen and Meckling 1976; Fama 1980) is therefore decomposed into four parts:

(a) Citizens - government (within a country);
(b) Government - national representatives to an international organization;
(c) National representatives - management of an international organization;
(d) Management - employees within an international organization.

In order to simplify the analysis, the fourth principal-agent relationship is not further analyzed; it is assumed that the bureaucracy of an international organization is a unitary actor. We thus concentrate on the relationship between citizens and the international organization with the government and the national representatives being intermediary actors.
The relationship between the actors identified should not be seen solely in terms of the principal (trying to) impose its will on the agent. There may also exist coalitions among actors with the intention of gaining at the cost of the actor outside the coalition. In the context of international organizations there are two such coalitions which are of particular importance:

(i) The 'political' actors - the government, the national representatives, and the international bureaucrats - may form a coalition against the individual citizens. This is well possible because the voters/taxpayers have little incentive to inform themselves about politics in general, and international organizations in particular, due to the well-known free-riding effect: being well informed constitutes a public good.

(ii) A second coalition may arise along the national-international dimension. The actors involved in international diplomacy - the national representatives and the international organization itself - may form a coalition against the nations as members, i.e. against both the national government and its citizens. Again, such a coalition may be based on an information asymmetry, because the national actors including the government have little incentives, and find it difficult, to become well informed about an international organization's activities. If a country is no hegemom - and by definition this affects almost all of the countries existing - collecting and evaluating information on an international organization has a strong public good aspect, because one country knows that it can change little.

The three principal-agent relationships (a), (b), and (c) relevant in the context of international organizations will now be discussed by analyzing the behavior of individual citizens (subsection 1) and of the national representatives (subsection 2).

3.1. Citizens

In all countries foreign policy is undertaken by government and its public administration. The citizens have little influence on the way international organizations are dealt with. It is but one of the many issues on which elections are decided. In large countries, such as the United States, foreign affairs are generally of little importance in national elections (Alt 1985). Involvements in international organizations being only a small part of foreign policy, the politicians competing for office and attempting to remain in power, have a large discretionary leeway in how they deal with international organizations. Whatever their intended or actual policy towards them is, it at least plays a marginal effect in the electoral contest. In small countries, foreign policy and therewith the policy towards international organizations is of somewhat greater importance but it is still much less relevant for gaining or retaining power than are domestic factors.

Besides formal voting, the individuals may to a limited degree also influence foreign policy decisions through voice, in particular via the press and public opinion surveys (see e.g. Kay 1977 for the views of American citizens concerning the United Nations). This instrument for monitoring the government as agent is, however, again of limited effectiveness. Voice can only be raised when an international organization is obviously not serving the particular citizens' interests (e.g. when it pursues actions in which the citizens' preferences are harmed), or when large scale scandals (e.g. clearly visible cases of 'waste' or mismanagement) occur. Only in these cases may voice raised by citizens (mainly through the media) induce the government to take action (i.e. to try to induce its representatives to appeal for a change in the international organization's behavior). This happened several times in the United States where many voters expressed misgivings about the way their country fared in the United Nations, and there were demands to reduce the financial contributions or even to leave the organization. The government had to react, but most delegates (diplomats) pointed out the great usefulness of the UN to the US, identifying 'national' interests with their own interests.

In the few countries with institutions of direct democracy, the citizens may influence more strongly their government's policy towards international organizations. An example is Switzerland where there was recently a referendum concerning that issue. On March 18, 1986 the citizens were asked whether Switzerland should join the United Nations as a full member. In the preceding campaign the delegates (up to then having the status of observers only), other diplomats, and moreover the rest of the political establishment - the members of the federal executive and parliament, the top bureaucrats of the federal administration, and

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1 This argument relies on the assumption that the relative competitiveness of international organizations vis-à-vis international markets is the same in large as well as in small countries.
the media - were unanimous in urging entry. Visible opposition was raised only by some marginal groups of voters. All the more surprising was the result of the vote: 75% of the Swiss voters rejected the proposition and not one single canton could muster a majority for it (the rejection rate was in some cantons up to 89%). Only rarely do referenda in Switzerland have such a clear outcome. In the Swiss press the rejection of entry into the UN was heavily criticized. The citizens were accused of being uninformed and incompetent. Political Economy suggests a quite different interpretation. Assuming that the voters are both capable and willing to decide rationally, it must be concluded that the overwhelming majority of Swiss citizens did not expect any net benefit from joining the UN, given the rules which presently apply within the United Nations.

3.2. National representatives

Most studies analyzing the behavior of international organizations (including political economy approaches) take nations to be the relevant actors (e.g. Keohane 1984, Bernholz 1985, Krasner 1985). While such a view may be useful for a range of positive analyses, it is seriously deficient when policy is the issue (see for the example of the Cuban Missile Crisis Allison 1984). In the context of international organizations it is not nations that act but rather country representatives. While they often claim to solely pursue the 'national interest', the economic approach holds that they pursue their own interests. 'National interest' as perceived by the representatives is just one determinant of their behavior; many other, and more selfish, factors influence their behavior.

National representatives are not directly elected by the voters but are appointed by the government or by the heads of the national public administrations, in few cases by the national parliaments. The representatives may be politicians or members of the national bureaucracies (diplomats). These individuals do not have the same interests and are not subject to the same constraints, but they are sufficiently similar to be treated as one group.

Following the economic model, behavior is determined by preferences and constraints. A representative's preference function contains income, prestige, and a peaceful (conflict-free) life as arguments. These are all positively connected with the existence and growth of the international organization to which they are delegated. This positive association is strengthened by a self-selection process, because those politicians and bureaucrats with a favorable view of an international organization are more inclined to apply to, and accept, such an assignment. For those representatives who are appointed 'centre coeur' cognitive dissonance tends to lead to a positive identification with the particular international organization. This positive association is perfectly rational because a politician or bureaucrat who is the delegating decision maker easily identifies the performance of the international organization with the representatives attached to it. Moreover, the national delegates may see the international organization as a possible job provider. It is not rare for national delegates who participate in the foundation and development to be thereafter offered high level jobs in such an organization.

Representatives are subject to a number of constraints:

- Each delegate has to take into account the actions of other national representatives as well as those of the international organization's administration (as far as it exists);
- the representatives of the national administration see to it that the international organizations do not interfere too much with their own functions, and in particular will oppose and prohibit actions of the delegates which tend to make them superfluous. The national ministry of finance is interested in controlling the funds going to the international organizations in order to increase its influence. The delegates are thus subject to financial constraints;
- the national politicians who need to be reelected in order to stay in power make an effort to force the delegates to act in a way the politicians conceive to be popular with the voters. The delegates must respect this demand to act in the so defined 'national interest' because they depend in turn on the politicians to remain in their function. Politicians also try to use international organizations by loading on to them problems which they are unable to solve at the national level (Vaubel 1986), as well as for their personal benefit by employing them as an arena to raise their prominence (e.g. to talk at a general assembly of the UN or other prestigious international organizations; see e.g. Kaufmann 1980, ch.6). The delegates are induced to support such goals.
As a result of this constellation of preferences and constraints national representatives take the following role in the principal-agents relationship they are involved in:

(a) As *principals* towards the international organization they are supposed to monitor, national representatives act in a loose way. They tend to be favorably disposed to whatever ‘their’ international organization undertakes, and they make little or no effort to actively control it. Rather, they are interested in portraying ‘their’ organization in as good a light as possible. If they succeed, they benefit in terms of the prestige of the international organization to which they are attached (which is good for their further diplomatic career), and on the other hand they get direct and indirect benefits from ‘their’ organization. This stance is strengthened by the knowledge that a national representative has extremely low means of changing the behavior of a (usually large) international organization. Each one is well aware that any interference runs the danger of provoking a distributional struggle between the member states with negative consequences for the organization’s prestige. This even applies when the national representative is aware of what he or she considers to be a clear case of inefficiency. Interfering with the purpose of remedial action is very likely to come into conflict with the interests of the other member states (of whom, e.g. the inefficient bureaucrats responsible are citizens). The counteraction of these other countries, as well as of the international bureaucracy itself, may threaten both the benefits which the national representative provides to its own national government and public administration, as well as the benefits he or she reaps for him- or herself.

(b) As *agents* vis-à-vis the national governments as their principal, the international representatives enjoy considerable leeway. The national government is not able to induce the representatives to follow strictly what the government finds to be in its interest. Indeed, based on their great informational advantage, they may systematically deviate from the government’s goals without much danger. In particular, they act so as to induce the government to grant ever increasing funds to ‘their’ organization and they advocate foreign policies which further the growth and importance of the international organization they are attached to.

4. Policy

Our discussion has shown that the relationship between the citizens and international organizations is not only indirect but that the intervening principal-agents relationships are rather ineffective: (a) The citizens have little say on what policy their government pursues with respect to international organizations. (b) The national representatives have a large discretionary room, enabling them to deviate from the government’s goals, and to push for more funds and an extended role for ‘their’ international organization. As a result of the largely ineffective principal-agent relationship between citizens and international organizations, the latter act to a considerable extent independently of, and often contrary to, the preferences of the citizens as voters and taxpayers.

What has been said applies under the existing *rules* which govern the politico-economic process in (average, Western) representative democracies. A change in these rules affects the behavior of the actors identified and therewith the extent to which international organizations care for the citizens’ preferences. As the example of the Swiss referendum on the UN has shown, the introduction of elements of direct democracy may change policy in a rather dramatic way: While in Switzerland the government, the politicians, and the national representatives strongly wanted to join this international organization (and would have done so if it were a representative democracy), the citizens found their interests to differ and overwhelmingly refused to join. As a consequence, Switzerland is not a member of the UN.

The fulfillment of individuals’ preferences being the normative founding stone of economics, the question now arises what *rules* would serve the citizens’ interests (see Buchanan 1964). International organizations may be induced to take the citizens’ preferences into account by establishing appropriate rules in two areas:

The first is to induce the national representatives to fight for the interests of the consumers/taxpayers, and to restrict them to pursuing their own interests. This can be achieved by introducing the rule that the delegates are to be elected by the citizens, or at least by parliament in a public session. Another possibility would be to regulate the career pattern of national representatives by rewarding them for pursuing the citizens’ interests, and punishing them for not doing so. Such a compensation scheme is, however, extremely difficult to devise. The individuals
also want to make sure that the national interest groups do not exert undue influence on the delegates. This may be achieved by imposing rules on the national political process to restrict their activity, or, preferably, by supporting the formation of otherwise unorganized groups (see Frey 1983, ch.7).

The second way to achieve that international organizations act according to individual preferences is via rules which facilitate their control. In addition to the possibility to hold a citizens’ referendum on whether to join or leave, the following rules which are to govern the international organization’s behavior are of prime importance:

1. *Competition* is to be allowed, and possibly created, so that the international organization is forced to serve the individuals’ interests. Competition may not only exist from rival international organizations but also from alternative institutional arrangements for providing internationally produced goods. While at first sight such competitive institutions seem rarely to exist, there are in fact many instances in which several international organizations are active in the same field, and in which there is at least some competitive pressure. Examples are the Red Cross and Amnesty International (a non-governmental international organization) which are both active in the care and bringing about the release of political prisoners; the United Nations General Assembly and the Summit Meetings where the heads of governments of industrial nations meet for consultations; or ad hoc banking consortia which are active in international public debt negotiations together with the UN’s financial institutions. In all these cases, competition is weak and always tends to be restricted by the international organizations involved, it nevertheless forces the international actors to perform better than otherwise. The citizens have an interest that rules are established which prevent the restriction of such competitions and, above all, do not give a monopolistic position to any one international organization.

2. *Exit* is to be made easy. Such rules weaken the possibility of the international organization’s administration to disregard the interests of the citizens of any member state. However, the citizens of a particular country would not profit from too lenient exit rules, because in that case the international organization threatens to break down due to free riding in so far as it produces international public goods. This consideration only applies in the case of true public goods; however, administrators of international organizations have an incentive to define as public a wide range of goods which do not share the characteristics of non-excludability and non-rivalry. The more international private goods are produced, the more lenient the exit rules should be formulated from the point of view of individuals.

3. *Output* is to be partitionable. Such a rule allows the delegates of a member country to support those undertakings which are beneficial to the residents of his (her) country, and to resist those that are harmful. In the extreme, this rule makes it possible to ‘exit in steps’, as has, for instance, been done by the United States and France in the United Nations (see e.g. Brinkmann 1978, Koch 1984, 1987).

Conversely, it is in the individuals’ interest to prevent the international organization from confronting the member countries with an all or none budget proposal. As has been shown by Niskanen (1971) in his theory of bureaucracy, fixing the options between which can be decided gives an organization the possibility to exploit the willingness to pay of those demanding its services, and enables it to expand its budget far beyond what is desired by the demanders.

4. There is to be *fiscal equivalence* (see Olson 1969, 1986): those nations with a larger financial contribution should also have a larger say (i.e. a higher ‘voting power’ according to the Shapley/Shubik or Bangaft index, see Dreyer and Schotter 1980) in how the money is to be used. If this equivalence is not guaranteed, an inefficient use of the scarce resources is programmed. A country, for instance, which makes only a minor financial contribution but which has the same voting power as all the other contributors, is rational to always vote for the expansion of the budget, even if it benefits only little therefrom (e.g. only by the fact that some nationals are additionally employed).

In the financial organizations of the UN system the rules on the distribution of votes and the voting rules are more in the spirit of fiscal equivalence than in other UN-organizations. This may explain why the World Bank and IMF are often considered to be efficient. In the International Monetary Fund, each member country receives 250 basic votes (but these make up only 4% of the total vote), and one vote for each 100,000 units of special drawing rights contributed. The resulting distribution of contributions and of the voting power is shown for selected countries in the table.
Table: Distribution of financial contribution and voting power in the International Monetary Fund for selected countries (April 1989):

<table>
<thead>
<tr>
<th>Member state</th>
<th>Quota: General and SDR Departments, percentage of total</th>
<th>Voting Power: General and SDR Departments, percentage of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. United States</td>
<td>19.92</td>
<td>19.14</td>
</tr>
<tr>
<td>2. United Kingdom</td>
<td>6.88</td>
<td>6.63</td>
</tr>
<tr>
<td>3. Federal Republic of Germany</td>
<td>6.00</td>
<td>5.79</td>
</tr>
<tr>
<td>4. France</td>
<td>4.98</td>
<td>4.81</td>
</tr>
<tr>
<td>5. Japan</td>
<td>4.69</td>
<td>4.53</td>
</tr>
<tr>
<td>6. Saudi Arabia</td>
<td>3.56</td>
<td>3.44</td>
</tr>
<tr>
<td>7. Italy</td>
<td>3.23</td>
<td>3.16</td>
</tr>
<tr>
<td>8. China</td>
<td>2.66</td>
<td>2.58</td>
</tr>
<tr>
<td>9. India</td>
<td>2.52</td>
<td>2.47</td>
</tr>
<tr>
<td>10. Netherlands</td>
<td>2.45</td>
<td>2.41</td>
</tr>
</tbody>
</table>

Cumulative shares in percent for the first ten nations 56.89 54.96


As may be seen, the United States, for instance, contribute 19.9% of the budget, and have a voting share of 19.1%. In the World Bank the situation is quite similar. The United States contribute 23% of the total subscriptions, and have a voting share of 20.8%.

(5) The ‘government’ or ‘board of managers’ of international organizations is to be elected by popular vote. This may be done either directly (this may e.g. be envisaged for the commissioners of the European Community) or by some more indirect procedure. Such a voting rule would give the leaders of an international organization an incentive to pay attention to the preferences of the populations of the member nations.

These rules with which to induce international organizations to care for the wishes of national citizens are not exhaustive. Others may well be imagined and designed. What mattered was to show that several effective avenues exist. The question remains, of course, of how to put such rules into reality. As has been pointed out at the very beginning, in a democratic setting such rules may not simply be imposed but may only be arrived at behind the (partial) veil of uncertainty in a constitutional context. The fact that the constitutions in different democratic countries differ so considerably with respect to the voters’ rights in national decisions concerning international organizations shows that there is indeed a choice among such rules. The differences existing among the constitutions of international organizations show moreover that a choice is possible in that respect too. The economist’s task is to analyze the properties of rules which lead to citizens’ preferences being met by international organizations, and to suggest ways to put them into reality. The voters and taxpayers have to be informed about the effective rules which may be introduced, but in a democracy it is, after all, they themselves who have to decide.

5. Concluding remarks

Efficiency in the sense of a favorable relationship between outputs produced and inputs cannot be determined for international organizations. The reason is usually seen in the difficulty of empirically measuring output but it is argued here that the reason is much more fundamental, namely the impossibility to generally establish an aggregate preference for the various outputs produced. As a consequence, the question of the (relative) efficiency of international organizations has to be formulated in a quite different way. In line with the basic normative assumption of economics, it has to be asked to what extent an international organization meets the preferences of the individual citizens of the member countries. (One could, if one so wished, also state that an international organization is ‘efficient’ if it fulfills the citizens’ wishes, given the resource constraints.)

*This does not mean that the situation would be better in an authoritarian system. While, by definition, rules may be imposed there, the rules which are imposed are certainly different from the ones meeting the citizens’ wishes. Indeed, an authoritarian government can go much further in disregarding the populations’s preferences and will try to impose rules which mainly further government politicians’ private interests.*
The extent to which citizens’ preferences are fulfilled by an international organization is determined by the interaction of four major decision makers: the voters/taxpayers, the (national) government, the national representatives to the international organization, and by the directors and employees of the organization itself. This interaction is guided by three relationships (citizen-government; government-national representatives; national representatives-international organization) which refer not only to the control of the respective agents by the principals but which may also consist in coalitions (in particular of the ‘politicians’ against the citizens, and/or the ‘international’ against the national actors). The analysis reveals that the intervening actors - the government and the national representatives - enjoy considerable discretionary leeway, i.e. they have the possibility to pursue many activities disregarding, and even contradicting, the wishes of the citizens.

There exist many different rules with which the decision makers dealing with international organizations can be induced to follow more closely the preferences of the individuals, among them the establishment of competition in the position of internationally produced goods, easing the countries to give up membership in an international organization, as well as approaching fiscal equivalence between financial contributions and voting rights. These rules regulating the behavior of international organizations will only be adopted if the voters can exert pressure on their respective governments to favor such rules, and if the governments are able to induce their representatives to act accordingly. The citizens may exert a more direct influence on international institutions if the rule of direct referendum exists. In any case, the rules cannot be imposed but the economist as policy adviser may propagate the establishment of such rules. The more democratic the underlying conditions are, the better are the chances that the citizens recognize the benefits gained from such rules and will be able to put them into reality. ‘Efficiency’ in the sense of responding to the wishes of the population must thus not be viewed as a technocratic, but rather as a politico-economic concept.

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