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Defining Accountability Up: the Global Economic Multilaterals

IN THE SWIRL OF ANTI-GLOBALIZATION RHETORIC AND MOBILIZATION that has besieged the streets of Seattle, Genoa and Washington in recent years, the key global economic institutions – the International Monetary Fund (IMF), the World Bank and the World Trade Organization (WTO) – have been principal targets. Their identification with the liberal economic principles partly explains their rapid transformation from organizations understood only by a small international policy network to regular subjects of the evening news. Another criticism of these organizations has resonated outside the anti-globalization ranks: their lack of democratic accountability. Critics of the global economic multilaterals (GEMs) often paint the paradox in stark terms. The most influential members of the organizations, whether measured in voting shares or informal influence, were liberal democratic polities. In their own governance, however, these central international institutions have, in the eyes of their critics, violated democratic precepts.

This simple juxtaposition of national governments that are democratically accountable with global institutions that are not obscures several important distinctions. First, should emphasis be placed on *democratic* or on *accountability*? Many member governments of the GEMs are not democratic. Even among formally democratic governments, longstanding political institutions may not ensure accountability. For example, elections – a key index of democracy – are no guarantee of the accountability of politicians to their

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electorates.[2] Equally important, electoral institutions are only one part of the institutional panoply of a modern democracy. Contemporary democracies have assigned a large and growing role to non-majoritarian institutions (NMIs), such as the judiciary (whose accountability to electorates and governments varies widely) and central banks, whose independence from direct political control has increased over the past decade.[3] The accountability of international institutions, particularly global ones, may compare favourably to these domestic analogues. Finally, democratic accountability must also be weighed against other criteria for evaluating the performance of polities. Although majoritarian democracies win high scores for accountability to their electorates, consensus democracies outperform them on other criteria of good governance.[4] The rigorous standards of democratic accountability applied by critics of the GEMs may not only be rare in national governments, they may provide the wrong benchmarks for international institutions.

WARRING ANALOGIES: GLOBAL POLITY OR DELEGATED AUTHORITY?

Two distinct measures of democratic accountability have been applied to the GEMs and other global institutions. Although the association is not perfect, these views coincide with European and North American perspectives on supranational governance. For many European observers, arguments applied to the European Union (EU) are readily transposed to the GEMs. The GEMs are, in this view, at the core of an emerging system of global governance, a protopolity, one traceable to the consequences of globalization.[5] As

[2] Bernard Manin, Adam Przeworski and Susan C. Stokes, 'Elections and Representation', in Adam Przeworski, Susan C. Stokes and Bernard Manin (eds), *Democracy, Accountability, and Representation*, Cambridge, Cambridge University Press, 1999, p. 50.

[3] Mark A. Pollack, 'Learning from the Americanists (Again): Theory and Method in the Study of Delegation', *West European Politics*, 25: 1 (2002), pp. 200–19.

[4] Arend Lijphart, *Patterns of Democracy: Government Forms and Performance in Thirty-Six Countries*, New Haven, Yale University Press, 1999; Arend Lijphart, 'The Pros and Cons – But Mainly Pros – of Consensus Democracy', *Acta Politica* (2001–2), pp. 129–39.

[5] David Held, 'The Transformation of Political Community: Rethinking Democracy in the Context of Globalization', in Ian Shapiro and Casiano Hacker-Cordón (eds), *Democracy's Edges*, Cambridge, Cambridge University Press, 1999, p. 103.

globalization diminishes the capabilities of national states, the 'shaky foundations' of international institutions in democratic theory become more apparent.[6] The preferred replacement for existing international governance is less clear in these accounts. Using 'western democracy' as the 'appropriate benchmark', points to 'democratic public law' and 'a community' of all democratic communities for some; constitutionalization for others.[7] These proponents of the democratization of global institutions do not regard the absence of a global political community or demos as an absolute barrier to deploying domestically originated terms, such as 'democracy' or 'constitution', in a global political context. The criteria or benchmarks employed in national regimes are appropriate for the GEMs and other international institutions, even though their institutional expression may be different.

For some sceptics, promotion of a global polity organized along democratic lines is a simple pipe dream. Although they endorse the desirability of democracy at the global level, they contend that it is probably impossible to realize. The scale of global governance may enhance collective abilities to deal with transnational issues, but that advance will only occur at the expense of effective self-government by the citizens of nation-states.[8] Polyglot and culturally diverse national communities will not be able to engage in the type of political discourse that is essential to democratic governance.[9]

[6] Michael Zürn, 'Democratic Governance beyond the Nation-State', in Michael T. Greven and Louis W. Pauly (eds), *Democracy Beyond the State? The European Dilemma and the Emerging Global Order*, Lanham, MD, Rowman & Littlefield, 2000, p. 91.

[7] Michael T. Greven, 'Can the European Union Finally Become a Democracy?', in Greven and Pauly, *Democracy Beyond the State?*, op. cit., pp. 36, 55–6. On democratic public law, see Held, 'The Transformation of Political Community', op. cit., p. 105; on constitutionalism, see Neil Walker, 'The EU and the WTO: Constitutionalism in a New Key', in Gráinne de Búrca and Joanne Scott (eds), *The EU and the WTO: Legal and Constitutional Issues*, Oxford, Hart Publishing, 2001, pp. 31–57 and Ernst-Ulrich Petersmann, 'European and International Constitutional Law: Time for Promoting "Cosmopolitan Democracy" in the WTO', in Búrca and Scott, *The EU and the WTO*, op. cit., pp. 81–110.

[8] Robert A. Dahl, 'Can International Organizations Be Democratic? A Skeptic's View', in Ian Shapiro and Casiano Hacker-Cordón (eds), *Democracy's Edges*, Cambridge, Cambridge University Press, 1999, pp. 19–36.

[9] Will Kymlicka, 'Citizenship in an Era of Globalization: Commentary on Held', in Shapiro and Hacker-Cordón, *Democracy's Edges*, op. cit., pp. 112–26.

A second group of sceptics – to which the author belongs – also believes that certain forms of democratic accountability may be restricted to national political communities. That barrier is of less concern, however, since this group does not view the GEMs as a proto-polity or a fully-fledged system of global governance. The appropriate analogy for these observers is the array of NMIs to which democratic polities delegate important functions. Sol Picciotto, for example, diagnoses the barrier to accountability as systems of 'multi-layered governance' in which specialized organizations at different levels circumvent national governments and build networks that coordinate diverse regulatory activities.[10] Robert O. Keohane and Joseph Nye describe different forms of accountability within democratic polities. For them, the core issue is determining the kinds of accountability that should apply to international institutions.[11]

For members of this group, globalization has not produced a global polity-in-the-making. As Fiona McGillivray remarks bluntly, 'The WTO is not about global governance, it's about the right to trade; as such it's simply a set of rules about multinational negotiations and dispute settlement.'[12] The appropriate benchmark for these institutions is not democratic governance writ large, but a particular slice of democratic governance that has grown in importance in recent decades: specialized regulatory agencies that exercise considerable delegated authority without direct democratic control. Central banks and regulatory agencies present the same challenge to democratic governance as the GEMs. The prescriptive corollary is not rebuilding at the global level a 'version of an already outdated national model of representative democracy'.[13] Rather reformers should aim at mechanisms of accountability for these organizations that are compatible with democratic norms. As principals of the GEMs, democratic governments and their electorates face a central dilemma: how to delegate sufficient authority to render global

[10] Sol Picciotto, 'Democratizing Globalism', in Daniel Drache (ed.), *The Market or the Public Domain?: Global Governance and the Asymmetry of Power*, London, Routledge, 2001, pp. 335–59.

[11] Robert O. Keohane and Joseph Nye, 'Redefining Accountability for Global Governance', in Miles Kahler and David A. Lake (eds), *Governance in a Global Economy: Political Authority in Transition,* Princeton, Princeton University Press, 2003.

[12] Fiona McGillivray, *Democratizing the World Trade Organization*, Stanford, Hoover Institution on War, Revolution, and Peace, Stanford University, 2000, p. 2.

[13] Picciotto, 'Democratizing Globalism', op. cit., p. 339.

institutions effective without having that authority deployed for unintended purposes.

The divide between proponents of an emerging global polity and those who see delegation of authority from national governments to their institutional agents coincides with two other distinctions: input-oriented legitimacy versus output-oriented legitimacy and stakeholders versus shareholders.[14] For those who see the GEMs as centrepieces in an emerging global polity, the principles and processes by which they are governed are of central importance. The direct involvement of stakeholders – those who are directly affected by the GEMs – in their governance becomes an important proxy for democratic governance. The lens of delegation, on the other hand, implies a concentration on the effectiveness of these organizations in advancing the interests of their shareholders, the national governments that 'own' them by authority of treaty.

In this debate over the character of global governance and the appropriate measure and meaning of accountability, one element of democratic governance is seldom awarded the place that it deserves: equality among national governments and citizens, who are the principals of these organizations. Weighted voting at the IMF and the World Bank explicitly awards greater influence to the industrialized countries through their larger quotas. Although the WTO is governed by consensus, in which countries are accorded the same formal weight, it awards the largest share of influence to the major trading powers. Demands by the developing countries for decision-making closer to a 'one country, one vote' model at the international financial institutions (IFIs) – the IMF and the World Bank – would not overcome completely the influence that the major economic powers enjoy. If global institutions fail to serve their purposes, those more influential members can exercise a credible threat to exit and form their own clubs, such as the Group of Seven, the Group of Ten and the Organization for Economic Cooperation and Development (OECD). In any case, one country, one vote is hardly a democratic principle, since it over-weights the citizens of the smaller countries. Equality of representation among principals – whether defined as national governments or individual citizens – is important to both the legitimacy of these organizations, particularly among the

[14] On the distinction between these forms of legitimacy, see Fritz W. Scharpf, *Governing in Europe: Effective and Democratic?*, Oxford, Oxford University Press, 1999.

developing countries. Their claims for more equality of representation may conflict, however, with the claims of nongovernmental organizations (NGOs) for a larger role in GEM governance.

Proposals for rendering the GEMs more accountable to member governments and their electorates, proposals that may undermine accountability in the interests of a particular definition of democracy, lie at the centre of the following discussion. The controversies surrounding accountability and legitimacy are critical to the political future of the GEMs. Suspicion of supranational governance and embrace of market alternatives on the right have been matched by left-wing hostility towards globalization and its promotion by the GEMs. The domestic base of support for these institutions has eroded. Addressing the issue of accountability is essential for rebuilding that support.

MYTHOLOGIES OF GLOBAL GOVERNANCE: NATIONAL GOVERNMENTS AND THE GEMS

If GEMs are instruments of national governments rather than reflections of a global polity, an expansion in the scope of these organizations and their influence over national policies will reflect a calculated response to the demands of globalization rather than aggrandizement by the multilaterals themselves or the emergence of a global polity. The mythology that surrounds the GEMs in antiglobalization rhetoric claims that faceless international bureaucrats exercise increasing sway over a widening range of national policies. Inflated rhetoric reflects an element of political reality: opening national borders to economic and cultural exchange has increased both the number of national policies of concern to other societies and pressure to scrutinize those policies in the interests of economic openness.

For the WTO, this has meant growing attention to 'trade-related' measures that are argued to impede market access. Inclusion of such issues – from intellectual property rights to environmental and consumer protection regulations – on the WTO agenda is controversial. The expansion of the WTO's scope can be exaggerated, however. Although anti-WTO activists allege that there is a campaign to undermine national regulatory regimes, the WTO has not defined the scope of 'trade-related' regulation very broadly. Only a few General

Agreement on Tariffs and Trade (GATT) or WTO panel proceedings have concerned environmental, labour or consumer protection regulations. With regard to exchange rate policy and the industrialized countries, the scope of IMF intervention has actually declined since 1970. The IMF, which once monitored an exchange rate regime of fixed parities and provided large-scale external financing to industrialized countries, no longer does so. The IMF and World Bank participation in financial crisis management has important implications for the economic well-being of the industrialized economies but role has also declined in significance when compared to the 1980s. The scope of IFI policy interventions in developing economies has undoubtedly increased. This 'mission creep', however, influences primarily those governments that seek IFI financing. The central conflict over IMF and World Bank intervention lies less with any overall expansion of their scope than with their use of conditional finance to obtain policy change from a concentrated group of clients in the developing world.

Just as expansion in the scope of the GEMs has been uneven, the instruments of their influence over national policies have changed little over time and have remained uncertain in effect. Although the WTO incorporates streamlined dispute settlement procedures (only a consensus of members can block its forward momentum), the dispute settlement process relies entirely on actions taken by member governments. As Martin Wolf emphasizes, the WTO has no power of enforcement of its own; despite popular misconceptions, it cannot change domestic laws, change tariff rates or impose sanctions on member governments.[15] In the absence of financial assistance to a member government, the influence of the IMF and the World Bank is limited to surveillance of national macroeconomic policies, technical assistance and policy advice. The effectiveness of conditionality – the exchange of financial support for policy change – is hard to evaluate. The appropriate measure of IFI influence is a difficult counterfactual: whether policy changed from its likely trajectory in the absence of conditionality. When the IMF intervenes in a particular economy, the government is typically in difficult straits, and policy change of some kind is often inevitable. To pretend that the

[15] Martin Wolf, 'What the World Needs from the Multilateral Trading System', in Gary P. Sampson (ed.), *The Role of the World Trade Organization in Global Governance*, Tokyo, United Nations University Press, 2001, p. 196.

IFIs produced the crisis or that the policies implemented were entirely imposed is often a convenient fiction for governments. The evidence rarely supports those assertions, however.[16]

A second argument regarding institutional influence – that liberalization, promoted by the GEMs, will produce a regulatory 'race to the bottom' on the part of national governments – is equally overstated. For a competition in regulatory laxity to occur, certain restrictive conditions must apply. In other instances, economic openness may add to pressure for *greater* regulatory stringency. The race to the bottom has proven to be a powerful and superficially appealing political argument; the evidence for such a race (or even crawl) at the global level is far more limited.[17]

Although the GEMs may not display the issue scope or influence over national policies that would merit the label global governance, their accountability to the governments of member states might still be questioned. Critics of both the left and the right often portray the GEMs as rogue or runaway agencies, pursuing their own ideological or bureaucratic goals rather than the legitimate ends of their member societies. This argument of bureaucratic autonomy and lack of accountability is often muddled with a different argument, particularly on the left: these organizations are accountable, but they are accountable to corporate elites, not to democratic governments.[18] This is an argument for capture rather than bureaucratic drift. Both claims, however, imply that global organizations are not accountable to the national governments that originally delegated authority to them.

Accountability to national governments (or any principal) could be undermined by two important properties of these institutions.

[16] For a review of conditionality and the conditions under which it is likely to be effective, see Miles Kahler, 'External Actors, Conditionality, and the Politics of Adjustment', in Stephan Haggard and Robert Kaufman (eds), *The Politics of Economic Adjustment: International Constraints, Distributive Conflicts, and the State*, Princeton, Princeton University Press, 1992, pp. 89–136.

[17] Miles Kahler, 'Modeling Races to the Bottom', paper presented at the Annual Meeting of the American Political Science Association, Washington, DC, September 1998, pp. 3–6; David Vogel, *Trading Up: Consumer and Environmental Regulation in a Global Economy*, Cambridge, MA, Harvard University Press, 1995.

[18] Belén Balanyá, Ann Doherty, Olivier Hoedeman, Adam Ma'anit and Erik Wesselius, *Europe Inc.: Regional and Global Restructuring and the Rise of Corporate Power*, London, Pluto Press, 2000.

The first is their proprietary control of information that is not accessible to their national masters. Technical expertise or confidential information has often been a threat to democratic control of specialized agencies. A second route to unwanted autonomy lies in the presence of multiple principals who may have divergent preferences over the institution's policies, not an unrealistic assumption for a global organization. The organization's managers can exploit these divisions in order to enhance their autonomy.[19]

Although these concerns about information asymmetries, agency slack and loss of control by principals are not implausible, national governments have been able to set the outlines of GEM policy and to exercise adequate oversight of the organizations. Expertise and proprietary information – particularly unbiased information – are reasons for delegating authority to these organizations, but the GEMs monopolize neither expertise nor information. The major member governments can claim equivalent or superior sources of information; even confidential or politically sensitive information may be shared as readily with other member governments as with the staff of the IMF or the World Bank. The expertise embedded in these organizations is not without parallel in universities, research institutions, or member governments. A shared professional outlook across government bureaucracies and international organizations that limits any divergence in policy preferences between governments and GEMs.

Divisions among member governments are also real, but their effect on member government influence is diminished by the preponderant weight in the GEMs of the major industrialized countries – the United States, Japan and the European Union. In the IFIs, this influence is formalized in a system of weighted voting. In the WTO, consensus rules protect the position of the major economic powers; the scale of their domestic markets also awards them considerable informal sway. Although the developing countries as a group exercise less influence over GEM policies, their leverage can also be significant, amplified by a strong norm of consensus decision-making.[20]

[19] For an excellent examination of agency autonomy in the IMF, see Lisa Martin, 'Agency and Delegation in IMF Conditionality', unpublished paper, Department of Government, Harvard University, 2002.

[20] On decision rules and practices, see Miles Kahler, *Leadership Selection in the Major Multilaterals,* Washington, DC, Institute for International Economics, 2001, pp. 20–4, 53–5.

The influence of national governments over the GEMs is further enhanced by the presence of outside organizational options: clubs of the industrialized countries in the case of the IFIs (the Bank for International Settlements or the Group of Seven (G7), for example), regional trading arrangements in the case of the WTO. These options set up a competition among the GEMs and their rivals that makes deviation from the wishes of their member governments unlikely.[21] Finally, the ability of national governments to delegate authority without creating runaway bureaucracies is increased by the small scale of these organizations. Anti-globalization mythology paints the GEMs as vast bureaucracies. In fact, the WTO staff numbers in the hundreds and is less than one-tenth the size of the World Bank Group (5,700), which itself has a staff less than 25 per cent the size of the European Commission. A more accurate measure of government influence over GEMs is the ratio of GEM staff to national government staff overseeing their work. The WTO ranks the lowest of the three, given large national delegations in Geneva; the World Bank ranks the highest.[22]

The logic traced thus far – the GEMs are instruments of national governments that have been delegated their authority by those governments; national governments are able to ensure accountability to their interests by the GEMs – leads to the following conclusion: to the degree that these organizations display 'accountability deficits', those deficiencies are more likely the result of choices by the most influential national governments than a symptom of the dysfunctions of international bureaucracies. Remedies for an alleged lack of accountability fail to take into account the key source of resistance to reform: national governments. Governments have used delegation to international organizations to skew policy outcomes away from those that are likely in the national political arena. Mechanisms of accountability are shifted to bias policy over time. Particular interests

[21] On the importance of outside options in principal–agent relationships, see John Ferejohn, 'Accountability and Authority: Toward a Theory of Political Accountability', in Przeworski, Stokes and Manin, *Democracy, Accountability, and Representation*, op. cit., pp. 131–53.

[22] Figures from the mid-1990s in David Henderson, 'International Agencies and Cross-Border Liberalization: The WTO in Context', in Anne O. Krueger (ed.), *The WTO as an International Organization*, Chicago, University of Chicago Press, Table 3.1 and pp. 102–6.

are disenfranchised by design – just as they are by national NMIs. Fiona McGillivray, for example, argues that the over-representation of protectionist interests in domestic politics (in part the result of their ease of organization) is countered by the WTO, which produces outcomes that are closer to the interests of the median voter.[23] Paradoxically, 'opening' the WTO to a wider array of interests in the name of accountability might make negotiation outcomes *less* representative of the interests of the electorate as a whole.[24]

The use of delegation to skew policy outcomes over time is a familiar tactic in domestic politics that is imitated in international institutions. These commitment mechanisms may be defended on the basis of outcomes that represent the electorate's wishes more faithfully than processes that are subject to capture by special interests. On the other hand, the wishes of the electorate may be unclear or may change over time, raising the question of whether large and long-lasting policy biases in the GEMs violate democratic legitimacy. This use of GEMs, other international institutions and NMIs poses the knottiest normative issue regarding delegation and accountability in international institutions.

ACCOUNTABILITY AND ITS COSTS: REFORMING THE GEMS

Three techniques for enhancing accountability of the GEMs are illustrated in the following cases: transparency (more information for those outside the institution), competition (imitation of democratic accountability) and changes in rules of representation (accountability to stakeholders rather than shareholders). These accounts emphasize the preferences and actions of key national governments, in line with the argument that those governments ultimately design the mechanisms of accountability in the GEMs. They also emphasize the costs of accountability and particular mechanisms for improving or changing accountability. Too often accountability has been treated as an absolute value in discussions of international institutions. Here, central dilemmas are outlined, dilemmas that emerge from actual or proposed changes in the GEMs. More accountability may ultimately

23 McGillivray, *Democratizing the World Trade Organization*, op. cit.

24 On the relationship of representation, responsiveness, and accountability, see Manin, Przeworski and Stokes, 'Election and Representation', op. cit.

contribute to both the effectiveness and legitimacy of the GEMs, but that hope must be demonstrated, not assumed.

Transparency and the Audiences for Information

Although the IMF became an apostle of transparency in the wake of financial crises during the 1990s, it was also a convenient target for those who criticized its opaque decision-making and the tight controls that it exercised over member-related information. Initially its transparency agenda was directed to information provision by financial institutions and national governments, enforced by peer pressure and international standard-setting. The IMF promoted reduction in information asymmetries as a central part of the new international financial architecture and a contribution to global financial stability. Although widely applauded, some cautioned that the new world of greater transparency would not prevent an occurrence of international financial crises.[25]

Outside critics argued that similar standards of transparency and accountability should be applied to the Fund itself. The justification was often a pragmatic one. Echoing students of principal–agent relations, internal transparency – ‘greater agent observability’ – was required to win the confidence of principals and cause them to invest more in the IMF. The wider role advocated for the IMF in preventing and managing financial crises therefore implied more openness to outside scrutiny.[26] The flaw in this argument was its assumption that national governments (or the Executive Board that represented them) demanded greater transparency in exchange for commitment to an expanded Fund role. In fact, a major obstacle to enhanced transparency at the GEMs has been the resistance of national governments. Greater transparency conflicted with national cultures of secrecy, often built on fears of domestic accountability exercised by

[25] Barry Eichengreen, *Toward a New International Financial Architecture*, Washington, DC, Institute for International Economics, 1999; Miles Kahler, ‘The New International Financial Architecture and Its Limits’, in Gregory W. Noble and John Ravenhill (eds), *The Asian Financial Crisis and the Structure of Global Finance*, Cambridge, Cambridge University Press, 2000, pp. 235–60.

[26] Ferejohn, ‘Accountability and Authority’, op. cit., pp. 148–9; Eichengreen, *Toward a New International Financial Architecture*, op. cit., p. 114.

political opponents. Blame-shifting to the GEMs also becomes more difficult with greater transparency. National bureaucracies (finance ministries and central banks) that are deeply involved in oversight of the IFIs are unlikely to advocate greater public transparency that would reduce their leverage vis-à-vis bureaucratic and political rivals.

Recommendations for greater internal transparency at the IMF demonstrated the confusion that may result from a simple transfer of domestic mechanisms of accountability to the GEMs. Some reformers pressed for greater accountability through *closer* government oversight of the Fund through a formalization of the Interim Committee, a reform that was eventually implemented. Others, promoting the analogy of a central bank or national regulatory agency, proposed *reducing* direct oversight by national governments. At the same time, they recommended an increase in internal transparency by replacing consensus decision-making with recorded votes and by publishing minutes of Executive Board discussions.[27]

The diagnosis underlying these contradictory prescriptions was often questionable. Although meddling in Fund policies by self-interested national governments was easily documented (most recently in Russia), few observers of the IFIs would place its elimination at the top of a list of desirable Fund reforms. The IMF's foreign policy usefulness is a major incentive for engagement on the part of major powers. Fund governance that is completely independent of such behaviour would lose support in national capitals. The analogy to central bank independence – itself often questioned as an encroachment on democratic accountability – is also dubious. The IMF is not a world central bank. Whether greater transparency at the IMF would serve a stabilizing function in a crisis-prone international financial system is open to doubt. In any case, central banks have not acted in a transparent fashion during financial crises; witness the behaviour of the New York Federal Reserve during the failure of Long Term Capital Management in 1998.

Some reformers hope to enhance accountability by transferring majoritarian democratic principles to the IMF, an attack on consensus decision-making. One of the great strengths of the IMF and its

[27] José De Gregorio, Barry Eichengreen, Takatoshi Ito and Charles Wyplosz, *An Independent and Accountable IMF*, Geneva, International Centre for Monetary and Banking Studies, 1999; Ngaire Woods, 'The Challenge of Good Governance for the IMF and the World Bank Themselves', *World Development*, 28: 5 (2000), pp. 823–41.

Executive Board is their ability to act effectively and (by the standards of intergovernmental organizations) expeditiously. Recorded votes and majoritarian decision-making could seriously erode those positive qualities of the organization, producing clear winners and embittered losers over time. A peculiar vision of accountability in this case is allowed to trump other valuable ends.

The agenda of national transparency and code construction that has been adopted by the IMF and its major shareholders represented voluntary measures taken by national governments and did not involve the Fund in additional direct data-gathering and publication. Instead, in its new special data dissemination standard (SDDS) and general data dissemination standard (GDDS) the IMF sought to create standards understood and accepted by both governments (the suppliers) and private financial markets (the principal consumers). The IMF encouraged the release of Public Information Notices (PINs) and Article IV staff reports and established a presumption that documentation for Fund country programmes would be released (although the member in question could still refuse that release).[28]

Peer and market pressures were mobilized in favour of these voluntary measures by governments, but one dimension of increased Fund transparency, its relations with member governments, was left relatively untouched by pressures for reform. The IMF could increase the accountability of national governments to financial markets and to their own electorates by judicious deployment of its private information against wayward clients. However, advocates of the Fund as a financial 'traffic cop' – flashing green, amber and red signals to international investors – encountered resistance from national elites, who would risk political embarrassment, and from crisis managers, who predicted financial crises created by misguided attempts to prevent them. The IMF's value as a gatherer of credible financial information could be undermined in the longer run, as governments doctored information or avoided supplying it to the organization.[29] In response to these fears, the Fund made clear in the wake of the Asian

[28] Current IMF transparency policy is described in International Monetary Fund, 'The Fund's Transparency Policy – Review of the Experience and Next Steps', Washington, DC, 24 May 2002.

[29] Eichengreen, *Toward a New International Financial Architecture*, op. cit., p. 114; Kahler, 'The New International Financial Architecture', op. cit.

financial crisis that any public disclosure of differences with a member government would be very rare. The risks of rupture with an offended government and the prospect of exacerbating financial instability overrode any extension of IMF–member government transparency beyond its existing and largely voluntary boundaries.

Calls for greater transparency and accountability at the IMF produced limited change because the Fund's principals, national governments, were relatively satisfied with their own supply of information from the Fund. Key external audiences, particularly the private financial markets, did not clamour for radical changes in information provision or governance at the IMF. NGOs exerted less influence at the IMF than at other global institutions. One change illustrated the definition of accountability that members of the IMF found most useful. In 2001 the Fund created an Independent Evaluation Office (IEO), designed to operate 'at arm's length' from the Executive Board'.[30] This independent entity, committed to transparency in its own operations, was directed to promote organizational learning by the Fund and to build external credibility. The IEO will seek feedback from 'external stakeholders' on its work programme and on published evaluation reports. The IEO's work programmes have emphasized analysis of recent, controversial cases of IMF intervention, such as Argentina, as well as broader issues (poverty reduction, prolonged use of Fund resources). Its work embodies a key prerequisite to any discussion of accountability: determining whether and how the IMF has influenced government policies and international economic outcomes. Rendering the IMF accountable requires a clear understanding of its policy interventions and their effects in particular circumstances, or, as the first Director of the IEO declared, a quantification of the counterfactual.[31] Only with that understanding can steps be taken to correct past mistakes and reset future policies.

The World Bank has initiated a similar experiment in responsiveness and accountability in keeping with its concentration on project lending. NGOs and citizen groups have accused the Bank and borrowing governments of ignoring the protests and legitimate interests

[30] Information on the IEO can be found at http://www.imf.org/external/np/ieo/index.htm.

[31] 'Independent Evaluations Should Put IMF on a Faster Learning Track', *IMF Survey*, 31: 1 (14 January 2002), p. 3.

of those who are affected by World Bank lending. Environmental groups in particular have aligned themselves with indigenous peoples and local groups in the developing countries to oppose large infrastructure projects financed by the Bank in collaboration with national agencies. The World Bank established its Inspection Panel in 1993 'to provide an independent forum to private citizens who believe that they or their interests have been or could be directly harmed by a project financed by the World Bank.'[32] The Inspection Panel provides direct access to a type of appeals process, one that is situated in the Bank but is not part of the World Bank hierarchy. The Inspection Panel has received 27 formal requests since it began operations in 1994. Like the IMF Independent Evaluation Office, member governments have awarded the Inspection Panel substantial delegated authority and allowed it to distance itself from the Bank's management. Although its role is that of an ombudsman, addressing complaints from those affected by Bank activities, its analysis is directed to the same issue as the IEO: ascertaining the effects of Bank programmes, in this case on particular communities and individuals.

Transparency for whom has been a more pressing issue at the WTO. Developing country governments define internal transparency as ensuring that all members are kept abreast of intergovernmental negotiations and granted access to those negotiations if their interests are at stake. NGOs, on the other hand, see transparency as an avenue of influence in the organization. Their demands have produced a rapid increase in the volume of derestricted documents and a website that provides considerable detail on the progress of negotiations and the findings of dispute settlement panels and the Appellate Body. NGO participation in or observation of formal WTO meetings produces 'widespread anxiety' among most member governments, however, who view such access as a threat to the success of intergovernmental negotiations.[33] Equally sensitive are the dispute settlement proceedings, which have received disproportionate attention from NGOs. The proceedings are quasi-judicial in form, which encourages comparison to international courts that are open to the public, such as the International Court

[32] http://wbln0018,worldbank.org/ipn/ipnweb.nsf/WOverview/overview?operdocument#1 (29 April 2001).

[33] Frank Loy, 'Public Participation in the World Trade Organization', in Sampson, *The World Trade Organization in Global Governance*, op. cit., pp. 126–7.

of Justice and the European Court of Justice. Dispute settlement is also quasi-diplomatic, however. Panel findings are only one part of the process of settling commercial disputes between member governments. The diplomatic dimension of dispute settlement might be less successful in full view of the public and interested NGOs.

Competition and Leadership Selection

Reformers have often overlooked one mechanism for reinforcing accountability at the GEMs: selection of the top leadership in the organizations. In a democratic context, the ability to sanction leaders who diverge from the electorate's preferences is a central avenue of accountability; replacement of incompetent CEOs at private corporations serves the same purpose. In successive episodes of selection during the 1990s, the IMF and the WTO were embroiled in contentious battles over the choice of managing director or director-general.[34] One striking feature of these conflicts, however, has been the low priority assigned to leadership accountability as a criterion for selecting top management. Selecting leaders who are aligned with member government policy preferences might be expected to dominate the behaviour of government representatives. Instead, most governments have supported candidates on the basis of national or regional loyalties. Although indices of identity might be taken as a proxy for future behaviour, little evidence exists that such markers are good predictors of future management actions.

Dominance of the nationality principle – maximizing fellow nationals in top positions – in selection contests points to other ways in which the selection process has failed to enhance accountability. Procedures for selecting leaders in these organizations were unusually opaque to those outside the organizations and to many national representatives within. The criteria guiding the selection were seldom specified clearly. Accountability mechanisms that are widely employed in other organizations, public and private, have not been implemented in the GEMs. For example, reappointment of a managing director, president, or director-general has never required a formal performance review of top management.

[34] This account is based on Kahler, *Leadership Selection*, op. cit.

The WTO's selection of a director-general in 1998–99 was a partial exception to the past practice of closed selections driven by the nationality principle. The contest also demonstrated the dangers of open competition for the organization. The most powerful players at the WTO, the United States and the EU, equivocated in their choice of a candidate. In the absence of strong leadership from the United States or the EU, the field included candidates from two developing countries (Morocco and Thailand) and two OECD members (New Zealand and Canada). Support for the candidates, apart from consistent Asian support for Supachai Panitchpakdi of Thailand, did not cohere consistently along national or regional lines. Supachai, however, was clearly viewed as the candidate of most large developing economies, whose governments were discontented with implementation of the Uruguay Round agreements.

Selection of the WTO director-general in 1998–99 came closer to an open and competitive selection process than ever before. Although the 'electors' remained national governments, candidates campaigned among politicians and interest groups in key capitals. For example, Mike Moore captured the Clinton administration's support in part because of the positive impression he made on US labour. In best democratic fashion, candidates were accused of promising patronage positions within the WTO to their supporting governments. Unfortunately, openness and competition – a selection free-for-all – did not produce agreement on a candidate who was more representative of and accountable to the WTO membership. Instead, in the final stages of the leadership contest, the deeply polarized supporters of finalists Moore and Supachai produced a lengthy deadlock. Many member governments rejected resort to a vote, even though such recourse was stipulated under WTO rules.

The unsatisfactory device of term sharing finally broke the impasse: Moore and Supachai would each serve three years as director-general without reappointment or extension of their terms. Since the shortened terms cover no more than a fraction of a new trade round, accountability of the director-general for negotiation results was undermined. Competitive deadlock also created persistent bitterness between the two camps that would spill over into other settings. The stalemate delayed selection of a new director-general and impeded preparations for the Seattle ministerial meeting. An absence of active leadership during 1998 and much of 1999 contributed to the WTO debacle in Seattle in December 1999.

The WTO breakdown underlined the shortcomings of a majoritarian model of decision-making in the GEMs. Openness and competition in the selection process – characteristics endorsed by the proponents of accountability – created division and deadlock. Simple transfer of a majoritarian model of democratic accountability neglects other values in governance that are equally important. Transparency and heightened competition may contribute to the legitimacy of these organizations in the longer term, but they may also discourage talented candidates for top leadership positions. Consensus decision-making, on the other hand, may sacrifice some transparency and accountability, in favour of avoiding conflict that damages other arenas of foreign relations. Polarized coalitions may win clear-cut victories at the cost of undermining organizational efficiency and legitimacy by creating clear losing coalitions. These competing values deserve equal attention when contemplating changes that are purported to enhance transparency and accountability. Selection procedures can be made more transparent through means less polarizing and public.

GEMs, NGOs and Government Gatekeepers

A final dilemma of accountability is perhaps the most difficult politically for the GEMs: incorporating nongovernmental actors into their decision-making. Robert O. Keohane has noted that the politics of accountability often involve 'struggles over who should be accepted as principal'.[35] It reflects directly on the issues of equality of representation among national governments, which pits rich countries against poor and large countries against small. Few would deny that the citizens of member states are principals of these organizations; they are simply not the proximate principals. By delegating authority to the GEMs, national governments have established a different arena of policy-making that is at least one step removed from the national political arena. As already described, that arena may be skewed to favour certain types of expertise or interest in order to promote the purposes of the organization. Nongovernmental organizations, noting the

[35] Robert O. Keohane, 'Global Governance and Democratic Accountability', in David Held and Mathias Koenig-Archibugi (eds), *Taming Globalization: Frontiers of Governance*, Cambridge, Polity Press, 2003, p. 140.

expanded scope of these organizations (particularly the WTO), have argued that this bias in policy-making is no longer legitimate and have attempted to circumvent their own government gatekeepers. At the centre of the controversy is this self-initiated reduction in the chain of delegation by NGOs (over the opposition of interests that have benefited from the existing policy bias), based on claims by NGOs to represent their national societies and an emerging international civil society. More fundamentally, conflict centres on the jealously guarded role of national governments as gatekeepers between their own societies and the GEMs.

NGO engagement with the GEMs has deepened on so many fronts that the new international policy-making process has been labelled 'complex multilateralism' or 'contested issue networks'.[36] Although NGO engagement has affected all of the GEMs, NGOs have devoted most attention to the WTO, given its expanded scope and its perceived impact on a range of domestic regulatory issues. Ironically, post-war plans for an International Trade Organization (ITO), designed as the companion to the Bretton Woods IFIs, had envisaged that nongovernmental interests would maintain 'regular contact' with its secretariat.[37] After the failure of the ITO, its successor, the GATT, became a negotiating forum dominated by the trade ministries of the major industrialized economies. The club model of organization that emerged at the GATT offered little space for active participation by either the developing countries or 'non-trade-related' political organizations in the industrialized countries. Since most developing countries avoided trade liberalization and deeper engagement with the international economy, however, their 'special and differential' participation was seldom a point of conflict. Labour, environmental, and consumer protection groups also viewed the GATT as peripheral to their interests during these decades.

As the club model of organization weakened in the 1990s, demands for changes in governance of the new WTO came from two

[36] Robert O'Brien, Anne Marie Goetz, Jan Aart Scholte and Marc Williams, *Contesting Global Governance: Multilateral Economic Institutions and Global Social Movements*, Cambridge, Cambridge University Press, 2000, p. 207; Keohane and Nye, 'Redefining Accountability for Global Governance', op. cit. O'Brien et al. provides an excellent series of case studies of NGO involvement with the GEMs.

[37] Loy, 'Public Participation in the World Trade Organization', op. cit., p. 116. The designers of the ITO may have had in mind the quasi-corporatist model of the International Labour Organization (ILO), founded immediately after the First World War.

different but equally persistent sets of actors. Although the WTO incorporated a strengthened Dispute Settlement Understanding (DSU), its internal governance had not been reformed to deal with either increased participation from a large number of new member governments (developing and transitional economies) or involvement by NGOs that were often deeply suspicious of WTO operations and hostile to its core agenda.

Conflict over openness and accountability at the WTO revealed a new underlying fault line in the politics surrounding the GEMs. Since the WTO had only a small secretariat and a member-driven agenda, bureaucratic opposition within the organization was not a plausible explanation for resistance to NGO demands. The major points of resistance were two: established trade bureaucracies in the major industrialized states, who resisted NGO attempts to broaden the WTO agenda (but not *all* attempts to broaden the agenda) and, most significantly and vehemently, developing country governments, now deeply engaged with the global trade regime and the new organization that governed it.

Reformers who argued for opening the WTO to greater participation by NGOs advanced a clear governing principle: 'those who believe that they have an interest in the outcome of decisions should have an opportunity to be part of the decision-making process.'[38] The WTO had ventured into issue-areas that impinged on domestic regulatory regimes. The NGOs who supported those regulatory goals claimed a right to be heard at the WTO, balancing the pro-liberalization bias of commercial interests – governmental and non-governmental – that had traditionally been represented in Geneva.

For trade experts and trade ministries in the industrialized countries, the new issues raised by the NGOs were peripheral to the core concerns of the WTO – reducing barriers to economic exchange in the interests of their national economies and global economic welfare. In their view, the criterion for participation should be expertise: if a dispute settlement panel dealt with environmental or scientific issues, the WTO should consult with available experts, whether based in NGOs or elsewhere. If NGOs were to be heard in WTO negotiations or dispute settlement proceedings 'as of right', then other groups could not be excluded, further slowing the WTO's cumbersome decision-making. Funding for dispute settlement

[38] Ibid., p. 128.

proceedings would require a substantial increase to deal with the prospective increase in participants.[39] Specialists in trade policy also questioned the legitimacy of NGOs on democratic grounds. The question 'accountable to whom?' that the NGOs had applied to the GEMs was used to question the NGOs' right of representation.[40]

Developing country governments were even more resistant to NGO inclusion in WTO decision-making. For both rich and poor countries, NGO demands often ran counter to national economic interests as defined by trade bureaucracies and their business allies. The developing countries, however, viewed any expansion of the WTO agenda with particular suspicion. In their view, the 'old' agenda – removing trade barriers to the exports in the industrialized countries – had not been completed. Labour rights and environmental protection, they feared, would become new impositions on their over-taxed political institutions, requirements backed by a threat of trade sanctions. Like supporters of liberalized trade in the north, they saw protectionists behind many NGO critics of the WTO, interests that were happy to use the vocabulary of democracy and accountability to obstruct the removal of trade barriers.

Skewed representation among the most prominent and influential NGOs also heightened developing country resistance. The centre of support for NGOs backing environmental, labour and consumer protection lay overwhelmingly in the industrialized countries. Successful NGOs in the developing countries often relied on a 'boomerang effect' that used influential NGO allies in the north to exert leverage on their own national governments.[41] The budgets and resources of the major NGOs 'far exceed those that many – if not most – of the member states of the WTO can bring to bear on either policymaking or litigation'.[42] For the developing countries, then, incorporating the NGOs into WTO decision-making would represent an additional tilt in organizational power towards the industrialized countries.[43] By circumventing the chain of delegation from

[39] Wolf, 'What the World Needs', op. cit., p. 199.

[40] Ibid., pp. 197–8; O'Brien et al., *Contesting Global Governance*, op. cit., pp. 200–1.

[41] Margaret E. Keck and Kathryn Sikkink, *Activists Beyond Border: Advocacy Networks in International Politics*, Ithaca, Cornell University Press, 1998.

[42] Claude E. Barfield, *Free Trade, Sovereignty, Democracy: The Future of the World Trade Organization*, Washington, DC, AEI Press, 2001, p. 88.

[43] Loy, 'Public Participation in the World Trade Organization', op. cit., p. 124.

national politics, the NGOs would permit the industrialized world a form of double counting in its representation at the WTO. Far more important than NGO participation for developing country spokesmen is the 'blatant under-representation' of the poorest developing countries at the WTO, governments that lack the resources to participate fully and to benefit from the global trading system.[44] Demands for greater influence from one group of aspirant principals, the NGOs, have collided with claims by the developing countries for more equitable representation and participation.

On one issue, the WTO's Appellate Body has advanced towards the position of the NGOs. In overturning the panel finding in an important environmental proceeding, the Appellate Body found that interested nongovernmental parties could file *amicus curiae* briefs, which panels could accept or reject. In the event that a panel does not accept such briefs, however, it is likely that a friendly government (an 'interested party') could incorporate NGO positions in their own filings with a panel. At the same time, the Appellate Body reaffirmed that the WTO Charter permitted only member governments to initiate or participate in a dispute settlement proceeding.[45]

CONCLUSIONS: DILEMMAS OF ACCOUNTABILITY IN THE GEMs

Debates over accountability in the GEMs are important for reasons international and domestic. The institutional supports for international cooperation are typically undersupplied. A perceived lack of accountability on the part of global institutions may discourage additional, necessary delegations of authority to international institutions. Echoing Philippe Schmitter, we should also ask that these institutions not contribute to the malaise of national democratic governance by operating in a 'remote, secretive, unintelligible, and

[44] McGillivray, *Democratizing the World Trade Organization*, op. cit., p. 3; Rubens Ricupero, 'Rebuilding Confidence in the Multilateral Trading System: Closing the "Legitimacy Gap"', in Sampson, *The World Trade Organization in Global Governance*, op. cit., pp. 47–9.

[45] WTO, 'United States – Prohibition of Certain Shrimp and Shrimp Products: Report of the Appellate Body', AB-1998-4, 12 October 1998.

unaccountable fashion'.[46] Spillovers of this kind from the global to the national level are corrosive of democratic rule.

In considering the issues of transparency at the IMF, competition in leadership selection at the WTO, and engagement with NGOs at the WTO (an experience that could be replicated with some variation at the other GEMs), the central role of government gatekeepers becomes apparent. The ability of governments to engage and co-opt nongovernmental actors has been documented in the context of international environmental negotiations and in other global settings. The pattern of delegation, accountability and participation in the GEMs is not primarily the result of inadvertence or agency deviation; it is the result of design by member governments. Changes will also require government acquiescence or action. Conflict over these issues of governance typically involves bureaucratic insiders in the member governments on the one hand and nongovernmental outsiders (often based in the same societies) on the other, even though the conflict is played out in a global setting.

Neither of the 'warring analogies' described earlier fully captures the new pattern of policy-making at the GEMs. These remain institutions created of, by, and for national governments. They are technical, specialized instruments of those governments. As their authority expands, however, nongovernmental actors seek to influence their activities directly, avoiding the intermediation of their own national representatives. That pattern, so disturbing to veterans of these organizations, is not likely to disappear. How those interested parties – whether interest groups or, occasionally, the wider public – are incorporated into the practices of these organizations will be a central issue in evaluating their accountability, even if national governments are largely successful in ensuring GEM accountability to themselves. The different mechanisms through which the GEMs are or may become accountable to others remain 'under construction'.

Each of the issues and cases has illustrated key dilemmas of accountability that are often overlooked by reformers. Transparency – rendering information more readily accessible – has been the easiest agenda for governments to advance. Nevertheless, information that might embarrass a government at the hands of its

[46] Philippe Schmitter, *How to Democratize the European Union . . . and Why Bother?*, Lanham, MD, Rowman & Littlefield Publishers, 2000, p. 116.

domestic opponents has remained carefully guarded at the IMF; the WTO has resisted moves that would allow public oversight of negotiating sessions or dispute settlement proceedings for the same reason. By and large, the GEMs have been able to increase available information in order to enhance their public accountability and at the same time to avoid excessive transparency that would impair their core negotiating missions. Although 'opaque' decision-making at the GEMs has been criticized, these are not large and impenetrable bureaucracies, for their larger members at least.

The most recent leadership selection at the WTO revealed the risks of increased competition as a means to greater accountability. The contest between Supachai and Moore had many of the hallmarks of a domestic electoral contest, with an audience that extended beyond government agencies. Competition, which increased the transparency of the process and elicited additional information on the candidates, also imposed significant costs on the WTO. Institutional reformers have often argued for accountability practices at the GEMs that borrow from majoritarian democracies. The critical, perhaps essential, quality of consensus – also the hallmark of successful democracies – is too often slighted. In its last leadership selection, the WTO did ignore the value of consensus, and it paid a heavy price.

The most difficult accountability issues are raised by claims to direct participation in the work of the GEMs by nongovernmental actors. Few clear guidelines exist at the global level for enfranchising those who are not member governments. Issues of representation and internal accountability are profound and divisive among governments and nongovernmental organizations. Should groups that have democratic access to their national governments be allowed a second chance to influence policy through direct access to these organizations? Should governments that do not allow democratic access to their policy-making be subject to different requirements of transparency and accountability within the organization (a distinction that has never been made by the GEMs)? Allowing access to GEM decision-making without considering such criteria for participation could result in a more open, but less legitimate decision-making process, one in which powerful governments weigh even more heavily and the marginalized become the disenfranchised.

The issue of accountability to whom, which is most often framed by the NGOs, conflicts with another agenda of representation promoted by the developing countries. The weighting of influence within these organizations toward the industrialized countries has been challenged as a violation of democratic accountability, if all citizens of the world are taken as equal. More often, however, governments of the developing world have framed their representation demands in terms of equality of governments, a return to the old model of consensus decision-making that has plagued the WTO. One country, one vote is no more a principle of democratic accountability than weighted voting. Whether any system of revised representation can overcome the de facto influence of the largest economies within these organizations is unlikely. Internal transparency, however, would reduce the sense of exclusion and powerlessness felt by many smaller developing countries. Any measures to increase participation by NGOs based in the industrialized countries should be paired with additional steps to ensure that their participation does not further tilt these organizations against poor countries with inadequate capabilities or representation.

Each of these dilemmas can be resolved hypothetically in a manner that increases accountability without a steep trade-off against other important values – decision-making efficiency, consensus and effectiveness in achieving organizational goals – that also contribute to organizational legitimacy. Informational asymmetries can be reduced by 'accountability agencies', staffed by those who are removed from the influence of an organization's management. The IMF's IEO and the World Bank Inspection Panel represent first initiatives of this kind. Competitive analysis from outside experts – which could be institutionalized – also enhances accountability. Reformed leadership selection practices could incorporate both openness to nongovernmental judgements on candidates and restrained competition that elicits more information on a broader slate of candidates. Nongovernmental participation could be subjected to stringent standards of accountability – 'accountability all the way down' – requiring greater transparency and representational evidence from those who request access to the GEMs. Internal transparency should be defined in ways that empower the smaller and poorer members of the GEMs, and NGO involvement should be calibrated to prevent reinforcement of the preponderant influence of the rich countries.

Delegation and accountability in modern democracy remain larger issues that are reflected in the global economic institutions.

The GEMs are part of a proliferation of NMIs that have become an important feature of contemporary democratic governance. Paradoxically, as democratic governance has spread across the globe, democracies have turned to institutions that limit or violate democratic practices by design. As commitment devices, these institutions purposely bias policy and establish barriers to change for future governments and electorates. The GEMs do the same: under the GATT and the WTO, tariffs are bound by international agreement to prevent backsliding by future governments; governments assume similar commitments to liberalizing current account transactions under Article IV of the IMF. The World Bank is unlikely to fund projects or programmes that undermine economic openness or set back economic development. To the degree that the bias chosen decades ago is now the subject of political controversy, the instruments of that bias – whether domestic or international – will also remain at the centre of those controversies.