Randall W. Stone, Controlling Institutions: International Organizations and the Global Economy


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Global governance and international organisations have taken some serious knocks lately. Indeed, in a recent issue of Governance, David Coen and Tom Pegram argue that “Global governance is not working”. They identify a ‘first generation’ of global governance research that “focused almost exclusively on formal mechanisms of interstate relations within public multilateral institutions. … With these structures apparently in gridlock, observers now regard global governance to be in crisis”. Their ‘second generation’ refocuses on “new forms of public and private global governance as a response to the limitations faced by states in tackling pressing transboundary challenges”, while their ‘third generation … [is] distinguished by a concern for the complexity and dynamism of global public policymaking and delivery in a new century”.1 Similar arguments have also been made in a symposium of Public Administration entitled Global Public Policy and Transnational Administration, edited by Diane Stone and Stella Ladi.2 However, Randall Stone’s analysis in Controlling Institutions is unfortunately stuck somewhere in the middle-to-later phases of Coen and Pegram’s first generation.

The main ‘red thread’ of the book is the argument that all international organisations are characterised by a trade-off between more formalised and legalised decision-making processes, on the one hand, and an accepted safety valve for the most structurally powerful states to manipulate outcomes in favour of their own perceived – especially their most ‘intense’ – interests, policies, alliances and other special relationships, on the other. Less powerful states have a greater voice in the formal and legal processes and therefore can defend their interests in those fora – up to a point. But their greater voice gives them a stake in the process despite losing out on certain major decisions. More powerful states, reluctant to give up their positions when they see their own interest at stake, are happy to allow these formal and legal processes to develop as long as they have a kind of safety valve or virtual opt-out when they decide they want or need it. Stone identifies and analyses how this

process works in different ways in the International Monetary Fund, the World Trade Organisation and the European Union in three case study chapters in Part Two of the book. However, he is mainly a specialist on the IMF, so a more detailed analysis of that organisation is presented in Part Three, looking at access to IMF resources, conditionality under IMF programmes, and various aspects of enforcement.

Stone’s core argument seems at first – I shall return to this below – to be that this trade-off is crucial for the organisational maintenance, development, preservation and even legitimacy of the organisation in question. Less powerful states, without their formal membership and rights to participate in a range of decisions that they believe are more likely to affect them rather than the more powerful states, would be more likely to defect as they would see their influence limited even further outside the organisation(s). At the same time, more powerful states would obviously defect if they could not occasionally (or regularly?) claim to make exceptional demands – although they are aware that to go too far and to do it too often and too openly would also, in undermining the credibility of the organisation, constrain their own capacity to control outcomes in the medium to long term.

In each of the cases, Stone examines how the process works, looking in particular at the role of the United States. In the case of the IMF, the US is in a particularly strong position not so much because of its rather constrained voting power, but rather by its close ties with the management bureaucracy – stemming partly from neoliberal values that are shared among the ‘shareholders’, including ‘financial stabilisation, market openness and liberal economic reform’ – partly from contacts and networks in Washington, DC, where IMF headquarters are located, and partly from more direct forms of pressure coming from US foreign economic policymakers themselves. The Executive Directors act not so much as controllers of outcomes as quasi-participants in the bargaining process itself. They represent particular states or groups of states with their own interests, so individual Executive Directors tend to reflect the overall trade-off, and they generally accept the various compromises coming out of the bargaining process at other levels, especially from management. The WTO works somewhat differently, with a kind of separation of powers between the policymakers and the semi-autonomous, highly legalised Dispute Settlement Mechanism, which has come – despite its procedural drawbacks – to be legitimised and accepted by both more powerful and less powerful states. In the EU, of course, the United States is not a direct participant, and there are several powerful states jockeying for position. Thus informal bargaining processes are even more crucial for the stability and maintenance of the system, as demonstrated in extended Council of Ministers meetings, competition and conflict over initiating policies (originally the preserve of the European Commission), the ambiguous role of the European Parliament and the fact that the EU itself, despite the Single Market and other policy mechanisms, is constitutionally still to a large extent an ‘Europe des États’, as General de Gaulle asserted.

A significant component of Stone’s analysis is a formal model of the trade-off process, developed in Chapter 3. The model would seem to be applicable to all three cases, although as with all such models, translating the process itself – ‘process tracing’ – into measurable and manipulable (often proxy) variables is not always a straightforward task. One wonders if this approach is primarily an acknowledgement of the quasi-hegemonic role of formal and quantitative analysis in the American Political Science establishment, as the model itself does not seem to say more than
the case studies. This has been called “mathiness”, by analogy with “truthiness”, a term coined by American talk show host Stephen Colbert. … Mathiness is a similar use of algebraic symbols and quantitative data to give an appearance of scientific content to ideological [or in this case theoretical and methodological] preconceptions. Nevertheless, although in the opinion of this reviewer the model itself seems superfluous and the case studies far more interesting and insightful in detail, data presented later in the book is often useful and relevant in assessing Stone’s particular interpretations of how the fundamental trade-off works in practice.

As noted earlier, Stone’s basic argument is quite straightforward and even ‘common sense’. The trade-off between formal, institutionalised structures and informal bargaining processes reflecting the relative power of the various actors is not surprising, and the case studies in this book are convincing. However, the argument is by its very nature extremely simple and predictable. Stone, in fact, neglects the sorts of complexities Coen and Pegram call for in their commentary, and therefore misses or underestimates the significance of several of the longer term aspects of the role of international organisations and does not address what this reviewer considers the most important issues of that role as it has been evolving. While Stone’s analysis looks dynamic in the way it sees the trade-off as a continuing process, it can also be seen as static, locking in a time-limited picture and missing the most important aspects of global governance today. This is true for several reasons.

In the first place, Stone’s analysis is still rooted in the first generation of global governance and international organisation studies. Although he does not address this issue directly, and only alludes to it at the end, Stone is ultimately concerned with making international organisations work in a more effective way. There is a normative dimension here, and it is not in the affirmation that IOs only work well because of the trade-off, but in the belief expressed in the penultimate sentence that “The evidence appears to support the theoretical prediction that international governance improves when the distribution of power becomes more egalitarian” (p. 224). This seems to conflict, for example, with his assertion on p. 216 that if other countries raise the barriers to US influence – especially if US structural power declines in a globalising world – then the US will pull back its commitment, leading to ‘institutional decline’. In other words, in a more egalitarian environment will organisational effectiveness improve or decline? The analysis here is highly ambiguous.

Second, Stone presents the trade-off as if it were not merely dysfunctional but surprising. This reflects a fundamental problem with some main assumptions of International Relations theory – that is, that there is a fundamental ‘levels of analysis distinction’ that makes world politics different from domestic politics. But a familiarity with pressure and interest group theory, public policy analysis, bargaining approaches, pluralism and neopluralism, corporatism and neocorporatism, elite theory, capture theory and the like might suggest that such a trade-off is not only a normal state of affairs but rather a condition for political processes to work in the first place. Indeed, it could be argued that the cases Stone examines demonstrate that this is even truer in an international system characterised by Waltzian anarchy.

However, this leads to a further conundrum. To what extent are states themselves the Waltzian ‘unit actors’ the interaction of which determines outcomes? Stone from time to time refers obliquely to the roles of private actors, especially in shaping state

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3 John Kay, ‘Economists should keep to the facts, not feelings’, Financial Times, 7 October 2015.
actors’ conceptions of what is in the ‘national interest’ of states and what states’ policy priorities might be, but he does not follow this up. Moreover, non-state actors—often in regular interaction with actors in a Slaughterian ‘disaggregated state’—may be the true ‘independent variables’ in an analysis of how states and IOs really operate. Stone is both trapped in the neorealist world of states being the only relevant unit actors with regard to IOs and yet at the same time seeing institutionalised global governance as the normatively optimal or at least (in Herbert Simon’s term) ‘satisficing’ best alternative. But in a world without a structurally differentiated, relatively autonomous overarching state-like governance structure, it may well be that it is necessary to move beyond neorealism and consider Coen and Pegram’s second and third generation analytical frameworks.4

Indeed, the recent history of the international organisations Stone examines suggests that the further development of such organisations into an effective global governance structure is unlikely, even moving in the opposite direction. Biermann et al., for example, refer to the ‘fragmentation of global governance architectures’ as the dominant trend in the 21st century.5 The IMF, as Stone notes but does not follow up sufficiently, as a result of its imposition of conditionality (often at the behest of the United States), especially in the wake of the Asian financial crisis of the late 1990s, is today treated with caution in the developing world, with the result that weak states often prefer to pay back existing IMF loans as quickly as possible if they are so able, and to avoid new ones. As a result, the organisation has turned back to Europe—its original remit in the 1940s—but has limited clout there, as shown recently by its less than successful attempt to introduce the option of debt relief into the 2015 Greek bailout crisis negotiations. The WTO, although its Dispute Settlement Mechanism is still relatively efficient and respected, has found the Doha Round to be a non-starter and the proliferation of preferential trade agreements, from the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership to myriad bilateral and minilateral pacts, to be the wave of the present, perhaps of the future. And the European Union is caught up in the Eurozone and migrant crises, along with the aftermath of the referendum on British membership and the problematic process of Brexit, challenging the very cooperative core of the union itself.

These developments are not merely the result of a lack of egalitarian structures in international organisations. They are the result of the increasing governance quagmire brought about by globalisation and its complex ramifications—from the increasing integration of financial markets and institutions to the expansion of complex international production chains, the inability of even relatively powerful national governments to structure the world political economy according to their perceived interests and priorities, the looming crises not only of the Washington Consensus or neoliberal approach to economic and financial policy but also of fragmented international security and increasing ‘imperial overstretch’ not just by the United States under the Obama Doctrine but also by so-called ‘rising Powers’ like China pursuing hodgepodge policies like the new silk road and declining Powers like

Russia intervening in the Ukraine and Syria. International organisations generally are useful in limited circumstances but their position is increasingly precarious.

Nevertheless, Stone’s trade-off may be the IOs’ best hope for the foreseeable future. If they are to increase their state-like structural differentiation and relative autonomy as political institutions, perhaps their best bet is to become more—not less—adept at the kind of political bargaining and interest jockeying Stone identifies but in effect deplores. However, they may also have to become more like domestic policy institutions and processes, co-opting economic sectors, interest groups, transnational networks and the like. Of course, in that endeavour they may be increasingly vulnerable to capture—and to trying to impose reverse capture on the private sector actors and national regulators with whom they will increasingly be interacting. In other words, Stone is right as far as he goes, but he only scratches the surface. Unfortunately his trade-off analysis is both oversimplified and out of date. International organisations are still important parts of the wider system, but they have lost their global governance lustre and have not yet found an alternative role.