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The Political Economy of International Organizations

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Abstract

We review the literature on the political economy of international organizations (IOs). Considering IOs as products of the preferences of various actors rather than monolithic entities we focus on national politicians, international bureaucrats, interest groups, and voters. By looking into the details of decision-making in IOs the literature shows that a focus on states as the prime actors in IOs overlooks important facets of the empirical reality. Mainly focusing on empirical research, we structure the paper according to the four main actors involved and examine how they influence, use, and shape IOs. We find that IO behavior often reflects the interests of politicians, bureaucrats, and interest groups, while the impact of voters is limited. The final section discusses proposals for reforms addressing this weak representation of voter preferences.

JEL-Codes: F530, D720, D730.

Keywords: international organizations, public choice, International Monetary Fund, European Union.

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I. Introduction

The literature on international organizations (IOs) has for a long time focused primarily on the conditions under which states (should) form or enter IOs and to what extent they benefit from them and the international public goods and services they provide.[1] Both in economics and in political science, decision makers in theoretical models and empirical analyses have almost exclusively been governments or states, rather than different actors with heterogeneous preferences whose interplay leads to outcomes that shape the behavior of these aggregates.[2] In the Public Choice literature – which instead focuses on the interaction of representative rational actors, or groups of actors, including politicians, bureaucrats, lobbyists, and voters – international organizations have long been neglected. Only in the mid-1980s did seminal work by Vaubel (1983, 1986) and Frey (1984) integrate the literature on IOs into the Public Choice framework. They introduced the *international* bureaucrat as an additional player to this literature and explained the creation, functioning, and longevity of international organizations based on these individuals' incentives and their interactions with other focus groups of public choice theory.

Since then the research on international organizations has made great progress. The public choice perspective helped to enrich the IO literature and promoted an increasing amount of research on what we call the political economy of international organizations. This literature has overcome the focus on states and now widely acknowledges that the behavior of IOs is best understood when considering them not as monoliths but as products of the preferences of various actors. Differentiating between economists and political scientists in the study of international organizations has become increasingly difficult, as formal, experimental, and statistical methods to study IOs have become equally prevalent in both disciplines.[3] As such, the literature is characterized by pragmatism and theoretical as well as methodological diversity rather than academic turf wars and quarrels over "isms." The positive, political economy perspective with its focus on various actors with diverse – often conflicting – preferences also

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[1] In the field of economics, Olson and Zeckhauser's (1966) seminal work shows that international collective goods tend to be underprovided, as smaller members of an IO have the incentive to stop contributing before the Pareto-optimal output has been achieved from the group's perspective. This leads to disproportionate burden sharing to the disadvantage of an IO's larger members. Empirically, Olson and Zeckhauser find support for their model regarding burden sharing in the NATO, contributions to the budget of the United Nations, and the provision of foreign aid to underdeveloped countries. Keohane (1984) provides the seminal contribution from a political science perspective. He shows that states have rational interests to form and join international institutions. For the prominent debate on the extent to which IOs matter for international politics see Mearsheimer (1994) as well as the rejoinders by Keohane and Martin (1995), Kupchan and Kupchan (1995), Ruggie (1995), and Wendt (1995).

[2] The "liberal theory of international politics" (Moravcsik 1997) challenges this focus on states and stresses the importance of domestic actors for international institutions.

[3] This is easily illustrated by screening the pages of the interdisciplinary journal *Review of International Organizations* or the articles presented at the yearly conference on the *Political Economy of International Organizations (PEIO)*.

helps to reveal the problems IOs create without viewing them as uniformly good or bad. Much of the literature is centered around the question whose preferences IOs respond to and which actors, in contrast, have difficulties to enforce their interests in IOs. We review the literature on the main actors involved and show that national politicians, international bureaucrats and interests groups are often found to be successful in influencing IOs according to their own particular interests. Voters, however, are among the least influential among the actors that shape IO behavior. As such, the political economy literature on IOs can explain policy outcomes that are opposed by the majority of domestic voters and, accordingly, often views IOs as prime examples of lack of democracy. However as the same perspective also allows to look beyond the aggregate and to analyze how IOs differ from each other and how they change over time this literature also is a valuable source for ideas about how to solve these problems by reforming IOs.

In the remaining pages of this review, we will discuss the evolving economics and political science literature on the interplay between the different groups of actors involved in creating and maintaining international organizations. The literature on the political economy of international organizations has become too vast to cover it in its entirety. This is why our choice as to which organizations, and which studies, to cover is necessarily subjective.[4] We will mainly concentrate on empirical research, and on the major IOs – the United Nations (UN), International Monetary Fund (IMF), World Bank, and European Union – that are most frequently studied in this literature. We structure the remainder of this paper according to the four main actors involved: politicians, international bureaucrats, interest groups, and last, and indeed least, voters. The final section reviews proposals for reform and concludes.

II. Politicians

Public Choice theory assumes that politicians act rationally according to their own interest. This implies that they maximize their ideological and rent-seeking goals subject to the re-election constraint. In doing so they face the choice between not delegating responsibilities, delegating them to national organizations, or delegating them to international organizations.[5]

[4] For alternative accounts see Vaubel (2006, 2013) and Vreeland (2015). Dreher's views on the literature have been substantially shaped by Roland Vaubel's lecture on the Political Economy of International Organizations at the University of Mannheim in 2000/01.

[5] See Hawkins et al. (2006) for a comprehensive contribution about delegation to IOs.

Time-inconsistency, credibility, and the role of IOs in cementing policies

Delegating policies can help overcome problems of time-inconsistency (de Haan and Sturm 1992) and cement politicians' preferred policies beyond their own tenure (Landes and Posner 1975). Governments might want to protect human rights and democratic institutions or attract foreign investments in the long run. Future governments however can reverse domestic institutional changes. Membership in international organizations, however, can signal commitment because of the costs associated with it and can tie governments' hands by additionally increasing the costs of deviating from the IO's preferred policy (Pevehouse 2002). Many IOs monitor their members and have some means to impose sanctions on them. IOs can thereby also help alleviate the "dilemma of the strong state" (Dreher and Voigt 2011): Rational individuals will invest more if the state can signal more credibly that it will not misuse its strength. To the extent that membership in IOs makes the reversal of policies more difficult, politicians can thus use IO membership to cement their preferred institutional arrangements. Indeed, Moravcsik (2000) shows that after World War II national governments created formal international human rights regimes to lock in democratic institutions in order to enforce their political preferences to alternatives in the future. Similarly, according to Pevehouse (2002), membership in regional organizations plays a key role in consolidating nascent democracies. Dreher and Voigt (2011) and Dreher et al. (2015a) find that IO membership reduces political risk and increases foreign direct investment inflows. Gray and Hicks (2014) demonstrate that states with international institutional ties to states with good reputations are themselves assessed more positively (see also Gray 2009, 2013). Baccini and Urpelainen (2014) further extend this finding by showing that participation in international institutions affects a country's credibility both for international and for domestic audiences. For the IMF, Stone (2002) makes the case that one of the key functions of the Fund's lending arrangements is to increase the credibility of policy reforms.

The literature has also shown that politicians take into account their country's domestic institutional structures when deciding on delegation to IOs. Kiesow Cortez and Gutmann (2015), for instance, investigate whether the credibility-seeking motive for joining IOs is more relevant for countries that lack checks and balances domestically. They show that democratic countries enter more international agreements when they lack judicial independence. In a similar vein, Fang and Owen (2011) argue that the commitment function of international organization membership is more valuable for politicians in autocracies compared to those in democracies, given that autocracies lack independent checks and balances. In line with this, they find that autocratic governments more strongly use IMF programs to commit themselves than democratic governments do. Kersting and Kilby (2016b) find that the United States' exercise of influence over the World Bank is stronger when the U.S. government is divided and argue that this is because in these years the administration has less control over bilateral aid. Baccini and Urpelainen (2014) argue that leaders who aim to implement liberal reforms but face domestic opposition and lack international credibility use international institutions to generate additional benefits for domestic constituencies and to increase the credibility of the reforms. Accordingly, they find that countries with new leaders are more likely to start negotiations on preferential trade agreements with the United States and the European Union. Like Moravcsik (2000), they argue that such behavior is especially prevalent among newly established democracies that are aiming to consolidate their democratic transition.

Electoral benefits of IOs

Politicians' trade-off between maximizing the probability of staying in power and pursuing their ideological or rent-seeking goals is crucial for their choice of whether or not to delegate competences (Abbott and Snidal 1998, Voigt and Salzberger 2002). If pursuing their preferred policies also increases the probability of staying in power they have fewer incentives to delegate policies. If these goals are in conflict, politicians can however gain electorally from delegation. In this situation, politicians can use independent agencies as scapegoats for policies that are unpopular with the domestic electorate (Vaubel 1986, Abbott and Snidal 1998). To the extent that IO involvement blurs the division of responsibility between the IO and the government, politicians can partially evade the adverse electoral consequences of these policies. Politicians pretend that unpopular policies have to be implemented as part of an international bargain (Vaubel 1986) or that they have little to no say over the IOs' policies. This helps to mute criticism from the domestic opposition as the common action in an IO makes it difficult to pursue alternative policies. Indeed, several studies argue that many governments participate in IMF loan programs to use the Fund as a scapegoat for unpopular policies that may hurt their constituencies (e.g., Spaventa 1983, Vreeland 1999, Dreher and Vaubel 2004). The finding that the number and the amount of IMF loans are larger after elections is supportive of this conjecture (Przeworski and Vreeland 2000, Dreher and Vaubel 2004).[6]

As delegation prevents "yardstick competition," it can protect politicians from performing worse than politicians in other countries (Vaubel 1986). Risk-averse politicians can in particular be expected to delegate policies with uncertain outcomes (Voigt and Salzberger 2002). They also have incentives to delegate those responsibilities that they do not "own" (Voigt and Salzberger 2002), the more so when this weakens the power of competing domestic lower-level governments and independent public institutions such as courts, central banks, or regulatory agencies.[7] What is more, the allegedly independent advice of

[6] According to Przeworski and Vreeland (2000: 394), an alternative explanation is that governments are "hoping that the stigma of signing an agreement will be forgiven or forgotten before the next elections."
[7] Examples are the European Central Bank and the European Court of Justice.

IOs is often considered to be less susceptible to political bias and can thus help politicians to gain credibility.[8] Barnett and Finnemore (2004) argue that the professional expertise that IOs are perceived to have is one important reason why states delegate authority to them. Accordingly, Voigt and Salzberger (2002) hypothesize that governments will choose to delegate more often when the demand for expertise is high.

How IO membership is exploited

Once international organizations have been created or entered and responsibilities have been delegated politicians need to decide whether or not to exert control over the organizations and whether or not to interfere with their daily business. Politicians have few incentives to invest resources to monitor the organizations as they have to invest all the effort but share the potential gains with other member countries (Frey 1984). As in other public good situations, one would thus expect systematic monitoring and control to be in short supply.

When it comes to selective interfering with organizations' day-to-day-business, the calculus is different. Politicians have incentives to exploit their country's membership to further their own interests. Electoral or ideological goals can be promoted by exploiting membership in international organizations at the expense of politicians and voters from other (member or non-member) countries. Dreher et al. (2009a, b) and Vreeland and Dreher (2014) show that governments can exploit membership in one IO to exert leverage over another one. These papers make use of an important result obtained in Kuziemko and Werker (2006). Kuziemko and Werker show that temporary members of the United Nations Security Council (UNSC) receive substantially more foreign aid from the United States in their two years of membership. Vreeland and Dreher (2014) replicate this result for other major Western donors of aid, while Dreher et al. (2009a, b) show that temporary members of the UNSC also receive more programs and projects from the IMF and the World Bank. Additionally, they receive IMF loans with fewer conditions (Dreher et al. 2015), IMF forecasts that are more heavily biased in favor of optimism (Dreher et al. 2008), better World Bank project audits[9] (Kilby and Michaelowa 2016), and more supplemental lending from the World Bank (Kersting and Kilby 2016c). Fleck and Kilby (2006) and Kilby (2006) show that donor interests

[8] Fratianni and Pattison (1982), however, suggest that member governments favor forecasts from international organizations over those from private forecasters because they tend to be optimistic rather than realistic. Aldenhoff (2007) demonstrates such optimism bias in the IMF's growth forecasts. Dreher et al. (2008) provide evidence for a political bias and show that allies of the United States receive lower inflation forecasts from the IMF as domestic elections approach.

[9] Kersting and Kilby (2016b) find that the bias in World Bank project audits is driven by periods of a divided U.S. government. This suggests that pressure the U.S. administration exerts on the World Bank is responsible for the bias.

shape the allocation of funds from the World Bank and the Asian Development Bank (ADB). Kilby (2009) argues that the World Bank's largest shareholder – the United States – interferes selectively with the Bank's enforcement of conditionality. He finds that for countries aligned with the United States there is no discernable link between macroeconomic performance and Bank disbursement, whereas other borrowers face more stringent enforcement. Lim and Vreeland (2013) argue that Japan uses its influence over the ADB to push for loans to temporary UNSC members in order to further its foreign policy goals.[10] More generally, the major shareholders of powerful IOs prefer to have countries that are of extraordinary geostrategic importance in their debt. As Reynaud and Vauday (2009) show, the IMF bows to this pressure and grants larger non-concessional loans to countries that are, albeit temporarily, geopolitically more important.

Such favoritism comes at a cost: Dreher et al. (2013) show that political motivations hurt the performance of World Bank projects if a high-status country already faces economic difficulties. A possible channel is rushed project preparation: Kilby (2013) finds that geopolitical factors reduce the time spent on the preparation of World Bank projects and Kilby (2015) shows that a shorter preparation time is associated with lower project performance. Dreher et al. (2016) show that aid in general is less effective for economic growth when it is given for geopolitical reasons.

As Vreeland and Dreher (2014) describe in some detail, the channels behind this pattern are ample. At least part of the favoritism is independent of the decisions of the IOs' executive boards. Indeed, much of the influence national politicians exert over IOs runs through informal channels. Stone (2011, 2013) argues that "informal governance" – which gives powerful states opportunities to influence the organization's activity beyond formal rules – explains much of IO behavior. Focusing on the IMF, Stone (2008, 2011) shows that the United States and other powerful members use informal channels to intervene in the process of designing IMF programs whenever their stakes are high. For other IOs the evidence is similar. Kilby (2011, 2013) finds that informal influence is at least as significant for the allocation of Asian Development Bank and World Bank loans as formal shareholder influence via the organizations' Executive Boards. Koremenos (2013) contends that powerful states have a preference for unwritten enforcement and punishment provisions because they expect more control when they rely on their informal access to IOs. This preference for informal access is reflected in the design of IOs. According to Marcoux and Urpelainen (2013) influential states do not intend to use many of the provisions that are finally written. They agree to them only because they do not expect them to be binding. Non-compliance

[10] Bland and Kilby (2012) and Hernandez (2013) do not find an effect of UNSC-membership on Inter-American Development Bank lending though.

is, thus, often "by design." Manulak (2016) stresses the importance of preference heterogeneity among politicians representing different countries in designing powerful secretariats. Multiple principals hold informal influence over the day-to-day business of IOs. Powerful states design opaque organizations in order to be able to influence their conduct through informal channels while the more even-handed formal rules provide the organization with legitimacy. Focusing on the design of the UN Environment Programme, Manulak (2016) shows that powerful countries thus have an interest in designing organizations with limited bureaucratic control. Eichenauer and Hug's (2014) model shows that IOs with majority rules tend to get more discretion because a minority that disagrees with IO policy cannot avert delegation. Mikulaschek (2015) argues that the mechanisms at work are not limited to major powers. He finds that European Union (EU) members can negotiate a larger share of the EU's budget when they are temporary members of the UNSC. As these voters hardly serve as swing-voters that major powers might want to bribe in order to increase votes for their preferred resolutions, the result can be explained by EU members who temporarily occupy seats on the UNSC receiving funds in exchange for representing the EU members not present on the Council.

Membership in international organizations can be particularly valuable for politicians at election time. Politicians can use the benefits offered by these organizations to finance expansionary pre-election spending and signal their competence to the electorate by obtaining unusual benefits from the organizations. Dreher and Vaubel (2004), for instance, demonstrate that IMF lending increases prior to national elections. Kersting and Kilby (2016a) show that disbursements of World Bank loans is faster prior to national elections for countries that are aligned with the United States; Dreher and Jensen (2007) find that such countries also receive lighter conditionality under IMF programs. Dreher et al. (2008) show that countries voting with the United States in the UN General Assembly receive lower inflation forecasts as domestic elections approach. Schneider (2013) demonstrates that EU members receive larger budget shares from the European Union prior to national elections, in particular when the expected outcome of the election is close or uncertain.

Domestic institutions affect politicians' trade-off in important ways. Democratic institutions have been shown to shape politicians' incentives to enter international organizations and comply with their rules. To the extent that voters value membership in international organizations and compliance with their rules, governments of democracies, which depend more on electoral outcomes than autocratic rulers, are more likely to enter international organizations and comply with their rules (Mansfield et al. 2002). Rickard (2010) points to substantial variation between democracies. She shows that governments elected under proportional electoral rules are less likely to violate GATT/WTO agreements compared to politicians elected under majoritarian rules. Kiesow Cortez and Gutmann (2015) extend the analysis to international organizations at large. It is well known that politicians spread expenditures more broadly in proportional representation compared to majoritarian voting systems (e.g., Funk and Gathmann 2013). To the extent that membership in IOs or compliance with their rules benefits a broad segment of voters rather than special interest groups, politicians elected under majoritarian electoral rules should therefore be less likely to enter IOs and comply with their rules. Indeed, Kiesow Cortez and Gutmann (2015) find that countries with majoritarian voting systems ratify fewer international agreements. Long-lived democratic institutions, in contrast, are related to higher ratification rates.

IOs as job creators

A further consideration in the creation and daily business of any international organization is how to recruit its staff. The roles of national politicians in controlling international bureaucrats become to some extent blurred as politicians participating in the foundation and development of an IO sometimes expect to be offered a leading position in it later (Frey and Gygi 1990).[11] When the rules of the system are designed by those who later work within the system, it is more likely that the rules of that system will be distorted.

Beyond such individual interests, each country is eager to secure "its" share of the employees of the international organizations that it is a member of (Frey 1997). Having the power to nominate one's own nationals to positions in international organizations gives politicians increased informal access to the organization. Not only are bureaucrats likely to share the cultural background and policy preferences of the politicians selecting them, but those same politicians often have influence over the extension of their tenure. This situation further increases the pressure on bureaucrats to attend to those politicians' interests.

It would, however, be overly simplistic to consider the staff in international organizations merely as an instrument used to further the interests of national politicians. International bureaucrats also appear as actors in their own right. How they contribute to shaping the political economy of international organizations is the focus of the next section.

[11] For example, Walter Hallstein – the first President of the European Commission – in large parts designed the treaty establishing the European Economic Community.

III. International Bureaucrats

One of the prime contributions of the public choice approach to the study of international organizations is the introduction of the international bureaucrat as a player, a move that was essential to understand the political economy of IOs (Frey 1984, Vaubel 1986). Today, it is well established that international bureaucrats play an important role in the behavior of IOs (e.g., Barnett and Finnemore 2004, Copelovitch 2010a, b). The same holds for creating IOs in the first place. In fact, two-thirds of the inter-governmental organizations in existence today have been created relying on input from bureaucrats of other IOs (Shanks et al. 1996, Johnson 2014).

Who works for IOs and why this matters

We begin with an overview of who works for IOs. Given the incentives for national politicians to place their compatriots in IO bureaucracies and given the substantial power asymmetries in international politics it should not come as a surprise that countries are not proportionally represented within the bureaucracies of international organizations, in particular when it comes to leading positions there. As regards the major international financial institutions (IFIs) – both the IMF's Executive Board and the World Bank's Board of Directors – financial contributions and voting power are not proportional to population size but correspond to a country's economic weight. Nationals from the major financiers of the IFIs could thus be expected to dominate their staff. In the IMF and the World Bank only the most economically powerful countries nominate their own Executive Director, while smaller economies are grouped together and represented by a common Director.[12] This is coupled with a well-known informal arrangement between the United States and Europe that led to the fact that to date all Managing Directors of the IMF have been Europeans while all World Bank Presidents have been U.S.-Americans. The economic size of countries is also reflected in the number of nationals working at the IMF (Barro and Lee 2005). Regarding other UN agencies, Thorvaldsdottir (2015) finds that the major donors to these agencies are more than proportionally represented among their bureaucracies. Novosad and Werker (2014) also examine the nationalities of the most senior United Nations Secretariat positions and show that small, rich democracies are most overrepresented there. Parízek (2016) demonstrates that IOs' most powerful members also dominate their secretariats' general staff. He however also finds that, at the same time,

[12] Which of the countries in a group represents the group is also subject to some politics. Vreeland (2011) shows that countries in the Swiss voting bloc in the IMF and the World Bank receive substantially more foreign aid from Switzerland compared to similar countries outside the bloc. On average, Swiss Directorships at the IMF and the World Bank cost each Swiss citizen almost US$10 in foreign aid in 2008. See Willett (2011) for a discussion of these results.

IOs' poorest members are as well overrepresented. He argues that this is because IOs lack legitimacy when their most important client countries are not sufficiently represented among their staff, as well as due to the importance of access to soft information. While the European Central Bank's (ECB) administrative rules aim at broad national representation among its staff from EU member countries, Badinger and Nitsch's (2014) analysis finds no empirical evidence that this policy is adhered to in practice. Rather, the spread of nationals among the ECB's top management is relatively narrow. However, nationals from the same country are overrepresented as managers in adjacent management levels, indicating the importance of national networks.

This overrepresentation based on nationality is consequential. The similarity of the IOs' aid portfolios with those of their major donor increases with the size of the major donor's representation in their staff (Thorvaldsdottir 2015). What is more, countries with more nationals working at the IMF are more likely to receive IMF programs (Barro and Lee 2005). Kaja and Werker (2010) find that developing countries that serve on the World Bank's Board of Directors receive more than double the amount of funding from the International Bank for Reconstruction and Development (IBRD) as compared to countries that are not on the Board. Morrison (2013) finds the same for Board members that receive funding from the International Development Agency (IDA) but also shows that the effect became mitigated and eventually disappeared after an internal reform that made staff ratings of countries' policies more relevant for IDA lending decisions. He argues that World Bank staff were a key driving force behind this reform. In line with these findings, Limodio (2016) shows that countries joining the World Bank board are assigned higher-performing managers than otherwise and argues that this may facilitate project approval and borrowing. Gehring and Schneider (2016) report that the country that provides the European Union's Commissioner for Agriculture receives a significantly higher share of the EU's agricultural budget. Badinger and Nitsch (2014) find that national representation is consequential for the ECB's monetary policy. Bureaucrats are thus not fully independent but react to the preferences of their country of citizenship (which has pushed for the bureaucrat to be hired in the first place). To the extent that the bureaucrats' behavior depends on their governments' preferences it is difficult to empirically distinguish between the preferences of the electing government and those of the bureaucrats. The influence that IO staff exert on behalf of their country of origin is thus a type of "informal influence" (Stone 2011, 2013, Kilby 2013). It often favors – but is not limited to – the world's most powerful countries (Stone 2013). From a general welfare perspective it is problematic when nationality rather than professional background is decisive as the quality of policies might be affected. For example, Bulman et al. (2015) and Limodio (2016) show that

World Bank and Asian Development Bank project managers' track records strongly affect the success of further projects.

Beyond nationality, further characteristics are relevant to the behavior of an IO's staff. The literature shows that IO staff exhibit several distinctive features:[13] Häfliger and Hug (2012) show that employees and volunteers of IOs have values that differ significantly from those of their fellow citizens, even when controlling for socioeconomic characteristics (gender, age religiosity, and education). Relying on the framework of Schwartz and Bilsky (1987) they show that they score lower on "conservation" and "self-transcendence" than the citizens of their home countries; this implies that the values security, tradition and conformity (conservation) as well as universalism, benevolence and hedonism (self-transcendence) matter less for them than for their compatriots (also see Schwartz 1994). Considering this within a collectivism-versus-individualism framework (Triandis et al. 1990) IO staff favor individualist over collectivist values more than a control group from the same country. Hooghe (2005) finds that, on average, support for supranational norms is strong among top officials in the European Commission. Similarly, Vaubel (2009) reports that support for political centralization is higher among EU officials than among citizens.

In addition, several studies show that the staff in many IOs have relatively similar backgrounds. For the World Bank, a 1991 survey quoted in Woods (2006: 53) found that 80 percent of senior Bank staff received their professional training in economics departments based in the United Kingdom or the United States. For the IMF a similar pattern is visible. In the 1990s about 90 percent of all IMF economists with a graduate degree received their Ph.D. from a university based in the United States or Canada (Clark 1996). Of the 983 top-level IMF staff in the more recent dataset gathered by Nelson (2014) almost half had received a graduate degree from a limited number of highly ranked U.S.-American economics departments.[14]

Based on the finding that graduate academic training in economics shapes professional identities (Colander 2005; Kogut and Macpherson 2008), several recent studies focus on the role of the IMF's staff in more detail. These generally agree that "the institution's ideational culture is dominated by a set of 'neoliberal' economic beliefs" (Nelson 2014: 304, see also Woods 2006, Chorev and Babb 2009, Vetterlein 2010). According to these scholars IMF staff are generally supportive of policies that are commonly linked

[13] Anderfuhren-Biget, Häfliger and Hug (2013) summarize the literature on staff values in IOs. Reinalda et al. (2016) provide biographies of a large number of individuals who have worked at IOs as Secretaries-General in the Biographical Dictionary of Secretaries-General of International Organizations (IO BIO).

[14] Note that the World Bank and the IMF have no nationality quotas for the technical staff as the United States rejected this at the time the institutions were created (Woods 2006). Many other IOs have such quotas.

to a “neoliberal” economic mindset such as liberalization, privatization, deregulation and fiscal austerity. Barnett and Finnemore (2004), for instance, argue that IMF staff played a key role in developing the so-called “Washington Consensus” policies. Based on a review of 15 years of IMF documents, Momani (2005) concludes that among IMF staff there is a broad consensus in favor of the monetarist paradigm and an advance towards insularity. Chwieroth (2007) analyzes the professional training of senior IMF staff members to develop an indicator that measures the change in the share of the staff that is supportive of “neoliberal” ideas over time. He finds evidence for an increase over the 1984-1994 period.

The literature provides several explanations for the characteristics that dominate among IO staff. Recruitment patterns obviously play a role (Chwieroth 2010, Nelson 2014). Frey and Gygi (1990) also point to the importance of self-selection into the staff of international organizations. As Frey and Gygi point out, it can, for instance, be expected that people with a favorable view of an organization are more likely to join it. In addition to recruitment and self-selection, it has been proposed that socialization processes and the organizational culture prevalent within IOs also contribute to the formation of beliefs among its staff (Barnett and Finnemore 1999, 2004). The hierarchical structure in most of these organizations provides junior staff with few incentives and limited ability to challenge the views of the more senior staff; this promotes stability in the values held by IO staff and affects their socialization within the organization (Nelson 2014).

Hooghe (1999) explicitly tests this socialization hypothesis and finds that a key predictor of senior EU officials’ views towards European integration is their career path before joining the EU. Officials who previously worked as state employees and whose home country is not federally administered are more likely to prefer intergovernmentalism over supranationalism. She also finds that the national background of EU commission officials shapes their views towards supranationalism more than their professional background and that there is a large group of “institutional pragmatists,” who refuse to choose between supranationalism and intergovernmentalism as the ideal outcome for the EU (Hooghe 2012). In another study Hooghe (2000) finds that partisanship shapes the views that EU Commission officials have vis-à-vis the regulation of capitalism (see also Hooghe 2001). Partisans are likely to hold similar values as their fellow party members in their home country; staff without party membership, in contrast, are more likely to hold values they took up within the European Commission. Hooghe (2005) finds that in general national socialization effects are stronger than socialization within the European Commission (see also Kassim et al. 2013). The latter is observable almost exclusively for employees that began to work for the institution in their twenties. Häfliger and Hug (2012) and Anderfuhren-Biget, Häfliger and Hug (2013) challenge the view that organizational socialization processes matter. They find no effect of tenure in the IO on the values held by staff members. Instead, their data provide evidence for the existence of strong selection effects.

IO staff characteristics and policy outcomes

In addition to analyzing the characteristics of international bureaucrats, research has also examined whether these matter for economic and political outcomes. Much of this research is based on the observation that international bureaucrats often rely on "sympathetic interlocutors" in member countries (Woods 2006: 72). Woods argues that World Bank and IMF staff need to cooperate with national officials to influence domestic policymaking; such cooperation is facilitated when international and national bureaucrats share a common mindset. Based on similar reasoning, Chwieroth (2013) shows that the IMF gives larger loans to countries where government officials and IMF staff have a similar professional background. He attributes this to the staff's informal leeway in designing IMF programs, leading to more favorable treatment of policy teams that are sympathetic to the staff's policy goals. Negotiating large and successful programs facilitates promotion. As success depends on working with government officials who share one's policy goals, Fund staff are interested in working with officials who they trust to share their policy goals. These are the officials that share the values and knowledge acquired during academic – largely US- or UK-based – training. In a similar vein, Nelson (2014) argues that variation in IMF lending in terms of loan size, scope of conditionality, and the issuance of waivers depends on the degree to which IMF economists and officials in the program country share beliefs. He shows that governments with a larger share of "neoliberal" policymakers get larger IMF loans, fewer conditions as well as more waivers that allow the country to continue the program in spite of failing to meet supposedly binding conditions. In sum, governments that have views on economic policymaking similar to those of IMF staff receive preferential treatment.

These results also indicate that among the driving forces behind IO behavior are the policy preferences of their bureaucrats. Chwieroth (2007) examines this hypothesis more directly and argues that IO bureaucrats do not necessarily depend on like-minded national bureaucrats to pursue their preferred policies. His results show that the proportion of IMF staff that is likely to be sympathetic to "neoliberal" ideas is correlated with increases in capital account openness in countries where IMF programs are in place.[15] What is more, the empirical finding that IMF programs on average tend to increase income inequality in countries may also, at least in part, be due to the free-market liberal policy preferences of the Fund's staff (Vreeland 2002, Oberdaberning 2013, Lang 2016). In regards to the IMF's

[15] Chwieroth (2010) addresses this in more detail.

sister organization, the World Bank, Frey and Schneider (1986) show that most of the Bank's early staff, including its presidents, had a background as professional bankers and were embedded in international banking networks. They argue that the World Bank largely behaves like a bank in much of its operations because its employees place significant importance on their reputation in the international banking community. Morrison (2013) shows that over time the Bank staff's rating of countries' policies, the so-called Country Policy and Institutional Assessment (CPIA), became more important for the Bank's lending decisions. He contends that the staff's interest in improving the allocation of IDA resources with respect to recipient country-policies played a key role in increasing the CPIA's importance.

Yet the international bureaucrats' policy preferences and worldviews do not only explain the functioning of IOs, they also help to explain their dysfunctionality and inactivity. There are various reasons as to why different units of an IO have or develop different perspectives and political preferences. Such intra-organizational "cultural contestation" (Barnett and Finnemore 1999: 724) may lead to bureaucratic pathologies and may paralyze the IO at large.

IO staff maximize budgets

In addition to favoring their home country and using their relative autonomy to pursue preferred policies, IO bureaucrats – just like national bureaucrats – derive some utility from income, prestige, and a conflict-free professional life (Frey and Gygi 1990). They seek to maximize their power and are consequently interested in expanding their budget and responsibilities. According to Vaubel (1986), the division of labor between international organizations and national actors is thus purely supply-driven.[16] The goals of international bureaucrats are most easily met by a growing organization. This is likely to lead to positive growth even if the demand for the IOs' services is constant in the long run. According to Vaubel (2006: 127) IOs "grow even if the demand for their services oscillates around a constant mean" as they use all opportunities for expansion and repudiate all cutbacks (see also Vaubel 1994). This situation is pronounced when the number of principals is high (Olson 1965) and when the financing share of the largest shareholder is small (Vaubel et al. 2007).[17] Indeed, Vaubel et al. (2007) find that staff size decreases with the financing share of the largest contributor of an international organization, as principal-agent problems would predict. Michaelowa and Hefeker's (2005) model suggests that the bureaucratic incentive to maximize the IFIs' budget can have negative consequences for both donor governments and the poor

[16] Focusing on the European Union, Pollack (2003) however argues that the degree of delegation to EU bureaucrats is also driven by the principals' demands.

[17] According to Parkinson's Law (1957), bureaucracies expand even when the demand for their services declines. They are organized interest groups that use their power to grow and avoid decline.

in countries that receive the IFIs' aid. They thus make the case for defining budget constraints and linking aid from IFIs to process-conditionality in order to prevent distortions that in their model result from unconditional aid. Kilby (2000) argues that World Bank staff face bureaucratic "pressures to lend," which come at the expense of development effectiveness. He finds that the World Bank allocates too much staff to new lending and too little staff to supervising existing projects. With the existing allocation the estimated marginal benefit of supervision is 100 times its marginal costs.

As Hawkins and Jacoby (2006) point out, IO staff can decide about whether or not particular tasks fall within their IO's mandate. They argue that IO staff are likely to interpret their mandate rather narrowly in the early years of their IO's operations – when few responsibilities have been delegated and only a small number of countries are members – with a comparably strong incentive to monitor the agent. Over time, however, staff can gradually reinterpret the rules, so that principals have little incentive to intervene, but in ways that sum up to substantial changes. The more responsibilities that have been delegated and the higher the number of member countries, the more staff can exploit differences in preferences among members or develop procedural innovations in accordance with the preferences of its members. And once procedures are established it becomes difficult to revoke them. Through such "mission creep" international bureaucracies expand their remits and increase their budgets (see also Einhorn 2001, Vaubel 2006, 2015, Moschella and Vetterlein 2014).[18] The opposite is much less likely: IOs have been found to be hard, if not impossible, to dissolve. In the words of Haberler (1974: 156) "international institutions may change their names or lose their function but they never die."

The history of the IMF illustrates these arguments. Under the Bretton Woods regime the IMF's role was to oversee the system of pegged exchange rates and to provide short-term lending in the case of misaligned exchange rates and temporary liquidity problems. When in the early 1970s, however, the Bretton Woods system came to an end and the IMF lost a major part of its intended responsibility and, thus, of its *raison d'être*, one could have expected the organization to decline in size and relevance. The fact that the opposite happened demonstrates the importance of considering bureaucratic incentives when seeking to understand IOs. As Barnett and Finnemore (2004) show in great depth the Fund's staff played a key role in reorienting the organization in the new international financial system. It looked to add new fields of operation and found them in the provision of long-term development assistance to middle and low-income countries. The Fund's resources were made available not only for addressing

[18] A variant of the argument is made by Barnett and Finnemore (1999). They argue that budget maximization can also arise due to competition within international organizations, as bargaining over responsibilities, budget, and staff can ultimately lead to a larger budget for the IO at large.

short-term liquidity needs but increasingly also for long-term economic development in a much broader sense. As a consequence, beginning in the 1970s, both the IMF's clientele and the average length of IMF programs grew significantly (Reinhart and Trebesch 2015). Countries that fell back into IMF programs after they had ended (so called recidivism) became the rule rather than the exception (Bird et al. 2004). What is more, over time the IMF also increased the number and scope of the policy conditions it attached to its loans (Dreher 2009a).[19] In the first decades of the IMF's history, conditions focused on monetary policies and exchange rate actions directly related to balance-of-payment problems. In the 1970s and 1980s, however, IMF conditions increasingly began to address fiscal and structural policies and thereby increasingly led to "microconditionality" as the details of fiscal and structural adjustments broadened to include policy areas such as taxes, public expenditure and administration (Polak 1991, Kentikelenis et al. 2016). In spite of occasional attempts by shareholders and senior management to streamline the Fund's conditionality, this trend of an increasing scope of IMF conditionality has not been reverted (Momani 2008, Kentikelenis et al. 2016). Today – as a recent IMF program for Greece exemplifies (IMF 2014) – IMF conditionality can concern virtually all areas of economic policy-making and can exhibit a substantial degree of detail. The incentives of the Fund's staff to increase their responsibilities, budget and power are considered to have played a key role in this development (Babb and Buira 2005). Both Stone (2008) and Copelovitch (2010a) provide empirical evidence for this by showing that whenever the IMF bureaucracy's control over the design of loan programs is high, the number of conditions increases.

The staff-driven "mission creep" argument has, inter alia, also been applied to the World Bank (Einhorn 2001) as well as to the United Nations High Commissioner for Refugees (UNHCR) and to the UN Department for Peacekeeping Operations (Barnett and Finnemore 2004).

IO staff aim for independence

In addition to broadening their responsibilities and expanding their budget, IO staff also have a preference for making decisions as independently from their national principals as possible. International bureaucrats thus use their power to over time maximize this leeway (e.g., Hawkins and Jacoby 2006). According to Barnett and Finnemore (1999) both their rational-legal authority and their technical expertise help them in the process of gaining independence from member states. Johnson (2013) provides empirical evidence by showing that IOs that have been created with more proactive input from international bureaucrats are more insulated from state control. Specifically, organizations created with substantial input from existing

[19] For an overview of the research on IMF conditionality see also Dreher (2009b). For compliance with IMF conditionality, see Vreeland (2006).

IOs' staff are more likely to have access to material resources from beyond their membership, are subject to fewer oversight meetings with their members, and less likely to have government representatives in their decision making body. As governments' institutionalized ability to interfere with the day-to-day work of the organizations restricts the IOs' leeway, bureaucrats aim to restrict such possibilities, through the use of vetoes, recruitment design, and budgetary leeway, among other strategies. According to Johnson and Urpelainen (2014), IO staff can also build in bureaucratic discretion in the design of other IOs, which they often participate in creating. This is possible even if the preferences of the staff and the governments of the countries founding the IO differ, as the governments depend on staff's expertise. Other strategies IOs use to expand their independence include the circumvention of principal control and monitoring by means of "ceremonialist," superficial reporting and creating "dualist" structures, in which one easily visible part does what principals want it to do while the other loosely connected one focuses on the IO's core tasks in a less transparent way (Hawkins and Jacoby 2006). Another key strategy is to increase financial autonomy. IOs constantly strive to attract new donors and aim to diversify their resource base (Reinalda and Verbeek 2004). UNICEF, for instance, receives about half of its budget from non-state actors (Hawkins and Jacoby 2006). The increase in so-called multi-bi aid also diversifies the resource base of IOs and can be used to increase their independence (Reinsberg 2016).

Focusing on the IMF, Stone (2008) and Copelovitch (2010a) connect the two empirical findings that IO behavior reflects the preferences of both staff and powerful principals. While they confirm that the Fund's bureaucracy indeed enjoys a significant amount of discretion, both studies qualify this finding by showing that whenever the political interests of powerful principals are strong (Stone) and aligned (Copelovitch), these member states still have significant control over their agents – in the words of Stone (2008: 616), this creates an instance of "conditional delegation." Taking the World Bank as an example, Morrison (2013) shows how power can shift from member states to the bureaucracy and how international bureaucrats increase their independence by relying on their "technical expertise." He shows that a 1989 reform of the IDA allocation guidelines, which made IDA disbursements conditional on a country's staff-developed performance assessment, significantly increased the staff's influence on allocation decisions and reduced that of the members. The Bank's bureaucracy drove the CPIA's (Country Policy and Institutional Assessment, or Country Performance Rating as it was called until 1998) heightened importance while the Board, representing the member states, had not formally discussed the CPIA system until the early 2000s.

IO staff aim for monopolies

Independence from principals can be further maximized if IOs become the only available supplier of certain tasks. Frey (2008) thus expects international organizations to aim to hold a monopoly in their respective fields. In contrast to a competitive environment with a large "agent pool," which enables control via screening and selection, for the principals it will be more difficult to effectively sanction the IO when they have few or no other options to pursue their preferred policy (Hawkins and Jacoby 2006). Hawkins and Jacoby (2006) point to the example of the United Nations, where delays in budget payments by the United States are notorious. These delays would arguably be more effective in evoking change if there were alternative IOs that the United States could engage with to pursue its preferred policies. According to Frey (2008) competition between IOs can even lead to an over-supply of international goods. As an example he cites the liberalization of capital controls, which was promoted by the EU, the OECD, and the IMF because all of them aimed to control the issue area.

As IOs have no interest in competing with other IOs with similar fields of operation, international bureaucracies thus engage in shaping their competitive environment (Reinsberg 2016). One such strategy is to form cartels (Vaubel 1986). Indeed, employing public choice theory, the IOs' eagerness for cooperation is easy to explain. In the 1980s, the IMF and the World Bank started to become rivals for adjustment lending. In some cases the Bank supported countries in spite of negative Fund evaluations. The Fund therefore faced the risk of losing its clients if the Bank marketed its macroeconomic programs with softer conditionality. To avoid this kind of competition and contradictory advice the IMF tried to press for more cooperation on structural adjustment (Polak 1994). The IFIs started to send members of their staff to the other organization's mission teams in countries they have shared interests in. Today, it is common practice that they negotiate with each other before they start negotiating with a potential borrower, so that an IMF program became a pre-condition for the Bank's structural adjustment lending. This joint lending helps to obfuscate responsibility in case of failure: The more actors that are involved, the more difficult it is to evaluate and criticize the effects of a single actor. Competition between the IFIs is thus prevented and the Fund and the Bank can continue working in the same area – with significant overlap in their tasks – instead of re-focusing on their core responsibilities.

Another strategy is the building of alliances with third parties (Hawkins and Jacoby 2006). Over time many IOs increase their "permeability" to such non-principal actors to rally support when they face cuts in budget, staff or responsibilities by their principals. This helps increase their independence from these principals. Hawkins and Jacoby (2006) use the European Court of Justice (ECJ) as an example: it empowered individuals to bring cases of violation of European laws to national courts and encouraged these courts to bring the cases to the ECJ. What is more, Barnett and Finnemore (2004) expect international bureaucrats to also aim for control over the resources that go to rival organizations.

IO staff aim for legitimacy

A further aspect that is arguably important to a conflict-free life of international bureaucrats is a widespread perception that the IOs they work for are considered legitimate. In addition to being an end in itself, legitimacy is also needed to ensure the IO's functioning and to generate material resources (Hurd 1999, Barnett and Coleman 2005). Indeed, much of the rational-legal authority that IOs embody is derived from the perceived legitimacy of the IOs' policies (Barnett and Finnemore 1999). Especially as IOs often rely on persuasion rather than force, legitimacy is a crucial immaterial resource (Johnson 2013).

Scholars have noted that the pressures for legitimization of IOs have increased over time (O'Brien et al. 2000, Zürn 2014). Zürn (2014), for instance, observes a "politicization" of global governance as a consequence of the rising power of international organizations. Their activities and decisions have increasingly become an object of controversial public discussions. The IFIs in particular have been confronted with increasing criticism from a public that has questioned the legitimacy of their actions. A first culmination of this phenomenon was the 1999 protest against the WTO in the "Battle of Seattle." The conventional wisdom is that IOs have reacted to such criticisms and have taken measures to bolster their perceived legitimacy.

One major strategy employed by IOs is to grant access and participation rights to civil society organizations. Focusing on the Bretton Woods organizations, O'Brien et al. (2000: 4) argue that these IOs have responded to the civil society's criticism by "coopting" them; IOs integrated hostile groups into their governance structure to mute their open opposition. In a similar vein, Kissling and Steffek (2008) conclude that the WTO's perceived lack of legitimacy was a key driving force behind the organization's reforms that expanded participation rights of civil society organizations. Tallberg et al. (2014) develop an index measuring the extent of access that transnational actors have to different IOs and find considerable evidence for an "opening up" of most IOs in the last decades. Although in general there is only weak support for the hypothesis that the increasing access of transnational actors is driven by organizational self-legitimization efforts (Tallberg et al. 2014: 766), the evidence presented in Tallberg et al. (2013: 138) suggests that the motivation to prevent public criticism did matter at least for the opening up of international economic organizations in the last two decades.

Another effort was to increase organizational transparency to gain more legitimacy in the eyes of the public. In the major IOs that emerged after the Second World War a "culture of secrecy" (Grigorescu 2013) was established and the public sharing of information was rare. In the early 1990s, however, several

IOs began to allow more transparency. The first major IO that implemented a more transparent public information policy was the World Bank in 1993; several UN agencies and other development banks followed suit in the mid-1990s. The IMF started to publish documents of consultations with member states and the so-called “Letters of Intent” that outline the conditions for its loans after its controversial role in the Asian crisis in 1997, when pressures for more transparency intensified (Saul 2002).

In addition to increasing openness towards transnational actors and transparency, over time IOs have also gradually embraced the norms of fair state participation, fair voting, and transnational parliamentary oversight (Grigorescu 2015). Many of these reforms, which, according to Grigorescu (2015), were a result of “normative pressures,” arguably were intended to improve the IOs' legitimacy in the eyes of the public.

Legitimacy also derives from effectiveness – so called “output legitimacy” (Scharpf 1999). In an empirical analysis focused on the UN, Dellmuth and Tallberg (2015), for instance, find that institutional performance drives citizen confidence in the UN and increases the organization’s social legitimacy. IO bureaucrats thus have an incentive to be seen to be doing “a good job.” This can, for instance, explain why Dreher et al. (2008) find that the IMF’s inflation forecasts are systematically biased downwards for countries with larger outstanding IMF loans. The IMF engages in “defensive forecasting” because it is interested in a good reputation as an effective promoter of monetary stability. In a similar vein, Reynaud and Fratzscher (2011) also observe “defensive surveillance” by the IMF. Countries with larger outstanding IMF loans receive systematically more favorable economic assessments in the Fund’s Public Information Notices.

IV. Interest Groups

Interest Groups and IOs cooperate

Over time as international organizations’ political power has increased, so have the incentives for a wide range of interest groups (IGs) to influence IO behavior. The last decades have thus seen a consistently increasing amount of interaction between IGs and IOs (Tallberg et al. 2013, 2014). Our definition of IGs is broad and includes business lobbyists and labor unions as well as research institutions and (international) non-governmental organizations (INGOs/NGOs). Obviously this covers a broad spectrum of actors within which important differences exist. According to Busby (2007), for instance, NGOs and advocacy networks are primarily motivated by normative goals and broad notions of right and wrong rather that the special, material self-interests of business lobbies and labor unions (see also Keck and Sikkink 1998, Werker and

Ahmed 2008). Parts of the literature treat NGOs and special interest groups separately. Nevertheless from a principal-agent perspective they are all non-principal, non-state, third-party actors and exhibit sufficient empirical and theoretical similarities for us to consider them in tandem (Hawkins and Jacoby 2006, Beyers et al. 2008, Bloodgood 2011, Tallberg et al. 2014).[20]

Today, all these types of IGs cooperate with decision-makers in IOs in order to further their interests – be they material or immaterial, personal or political, special or normative. They consider IOs as increasingly important addressees of their lobbying activities. In addition to the fact that IOs are increasingly powerful and address an increasingly wide range of issue areas, a key incentive for cooperating with IOs is that interest groups often find it easier to obtain favors from international organizations compared to national agencies (Vaubel 1986, 2006). This is because the political costs to provide such favors are lower given that the voters' information costs are higher when international organizations are involved in the transfer. Information costs also play a role for the politicians controlling the agencies (Vaubel 1986). As IOs are farther removed from national politicians compared to national agencies they are more likely to be "captured" by special interest groups. This is even more so as voters are more likely to hold politicians to account for scandals involving national agencies, but much less so for those involving international agencies. Furthermore, international bureaucrats, which as the previous section demonstrated also have significant power over IOs, do not have to be reelected and are thus more accessible to organized interest groups than national politicians (Vaubel 2004). Gartzke and Naoi (2011: 593) argue in analogy and stress that the influence of special interests on IOs is also harder to regulate than in states because "issue-linkages are prevalent across institutions with overlapping memberships and jurisdictions."

IO decision-makers themselves also face incentives to cooperate with such actors, often making this relationship mutually beneficial. In addition to the aforementioned interest of IOs to use cooperation with some IGs to increase their own legitimacy, IOs and principal governments also benefit from the resources and services provided by these groups (e.g., Steffek 2013). Chief among them are information, expertise, and their support in enforcing and monitoring their policy positions in issue areas where preferences align (e.g., Keck and Sikkink 1998, Hawkins and Jacoby 2006, Bloodgood 2011).[21] Focusing on the European Union, Klüver (2013) accordingly theorizes the interaction between interest groups and an

[20] We thus follow the definition of Tallberg et al. (2014: 742) who define them as "private nonprofit or for-profit actors that operate in relation to IOs."

[21] In an empirical application to the case of the United Nations Framework Convention on Climate Change (UNFCCC), Böhmelt (2013), however, finds no support for the hypothesis that information provision explains why IOs let civil society participate in negotiations.

IO as an “exchange relationship.” In her model IGs demand influence from the European Union, while the European institutions demand policy-relevant information, as well as the support of citizens and economically powerful actors from IGs. Empirically, she shows that the degree to which IGs are able to provide the European Union with these resources is related to the amount of access the EU grants to IGs. Similarly, Tallberg et al. (2015) find that NGOs are most likely to succeed in influencing IO policy making when they exchange information for access.

In summary, there are various reasons why IOs cooperate with IGs. The competing explanations are comprehensively reflected in the theoretical framework presented in Tallberg et al. (2013). They argue that the access of transnational actors to IOs can be explained by a combination of three major factors: the IO's “functional demand" for the actors’ resources, “strategic legitimation” of the IO with the help of civil society actors, and “norm socialization,” which occurs when IOs take up domestic democratic norms. Their empirical analysis suggests that strategic legitimation contributes least to explaining the variation across and within IOs. In fact, only for the IFIs – which have been criticized most harshly by various NGOs – does the IOs’ interest in enhancing their legitimacy with the help of IGs have some explanatory power. Tallberg et al. (2014) specify this further and find that IO openness is driven by IOs’ demand for IG resources and services as well as the level of democracy among an IO’s members, while IG access is decisively constrained by the sovereignty costs that governments experience from increasing IG participation.

Just like IOs themselves, interest groups have over time addressed an increasing number of policy issues. Their access to IOs has recently increased in virtually all policy fields (Tallberg et al. 2013, 2014). Nevertheless there is variation between different areas. Issue emergence as a consequence of interest group activity depends on a variety of factors (Carpenter 2007). Keck and Sikkink (1998), for instance, argue that issue areas in which the responsibility for harmful action is clear and where the legal equality of opportunity is violated will see more activity by advocacy groups. In line with the “functional demand” hypothesis, Tallberg et al. (2014) also argue that issue areas that require local implementation and special knowledge at the societal level favor IO openness towards IGs. Similarly, IGs enjoy more access to IOs when there is greater information uncertainty and technical complexity because in such issue areas IO staff value the information that IGs provide more (Keck and Sikkink 1998, Klüver 2013). Issue areas that incur high sovereignty costs for member states, however, should exhibit less IG activity. In line with this Tallberg et al. (2014) find that transnational actors have most access to IOs when it comes to human rights and relatively little access when finance and security are concerned.

Interest Group strategies and functions

The strategies that interest groups employ to pursue their goals are diverse and their advocacy has different targets. International bureaucrats, national representatives and politicians, the private sector, and the general public all interact with IGs (Keck and Sikkink 1998, Tarrow 2005). Based on the idea that information is a key resource that IOs demand from IGs, it has been suggested that IGs exploit this need and strategically use and provide information and expertise to achieve their goals (Keck and Sikkink 1998, Stroup and Murdie 2012). In addition to selecting the content of the information provided, IGs also engage in "strategic framing" of policy issues (Busby 2007). In doing so they play an important role in shaping the way international policy challenges are presented and approached (Joachim 2003). Another information-related strategy is the so-called "naming and shaming" (Hafner-Burton 2008). For instance, conducting research on violations of international laws and norms and publicizing the results is one of the most popular tactics employed by NGOs. IOs may benefit from this if IGs monitor compliance with the standards that the IOs themselves aim to enforce (Keck and Sikkink 1998, Carpenter 2007). Through such monitoring IGs can hold governments to account. But not all IGs restrict themselves to solely monitoring compliance with standards; some also engage in agenda-setting and in advocating standards they want IOs to promote (Cowles 1995). The International Campaign to Ban Landmines (ICBL) is a prominent example (see Price 1998). This coalition of NGOs, formed in 1992, is widely credited with being the decisive driving force behind the Ottawa Mine Ban Treaty. In 1997, the ICBL received the Nobel Peace Prize for their work. Today, 162 states are party to the treaty, which designates the Secretary-General of the UN as its depositary and has been binding international law since 1999. This example also points to another widely used strategy. Many IGs join forces to increase their leverage. As a consequence, "transnational advocacy networks" emerge (Keck and Sikkink 1998). These "voluntary, reciprocal, and horizontal patterns of communication and exchange" (Keck and Sikkink 1998: 8) provide single actors with the advantage of allowing international cooperation between national advocacy groups, increasing their resource base as well as multiplying their links amongst each other and to IO decision-makers and stakeholders (see also Kekk and Sikkink 1999, Klüver 2013). In the words of Klüver (2013: 207) "lobbying is a collective enterprise."

Which of these strategies IGs employ depends on a range of factors. Important constraints include sovereignty costs for member states and autonomy costs for international bureaucrats. It is thus not surprising that IGs have been found to have more access to IOs when it comes to monitoring and enforcement while they have much less access in the form of direct participation in IO decision-making (Tallberg et al. 2013). In line with this, Tallberg et al. (2013) found that while some IOs grant deep access to few IGs and others grant shallow access to many IGs, almost no IO grants deep access to many actors. Additionally, it has been shown that the strategies IGs employ also depend on their country of origin: Stroup and Murdie (2012) argue that the state plays an important role in shaping the behavior of non-state IGs. The state's impact on non-state actors at least partially runs through donors (Berkovitch and Gordon 2008).

Interest Groups are successful in influencing the IMF and the EU

Evidence supporting the notion that IGs have a significant influence on IOs abounds. Several studies have demonstrated the influence IGs have had on IOs in certain issue areas – such as the proliferation of human rights norms (e.g., Risse et al. 1999, Berkovitch and Gordon 2008, Hafner-Burton 2008). Others have examined the role that IGs play for major individual IOs. While there is research on IG influence on many different IOs (for the World Bank see, e.g., Pallas 2013, Malik and Stone 2015; for the WTO see, e.g., Fattore 2012), from a political economy perspective a particularly large amount of recent empirical research focuses on the IMF and the European Union. We briefly discuss some of this research in turn.[22]

Regarding IMF lending, Gould (2003) was among the first to systematically study the influence of special interests. In line with the "functional demand" argument sketched above, she argues that for the success of its programs the Fund requires the financial support of supplementary financiers – most importantly from commercial banks. When the IMF designs the program, these banks exploit their bargaining power to influence conditionality. In accordance with her argument, Gould (2003, 2006) shows that commercial banks succeed in pushing the IMF to include "bank-friendly" conditions that, for instance, require the borrowing country to pay back loans to commercial banks' creditors.

Whereas Gould claims that private creditors influence the IMF directly, Oatley and Yackee (2004) argue that this influence also runs through domestic interest groups within the United States. They find that the IMF gives larger loans to countries if they are more heavily indebted to U.S. commercial banks, but fail to find a significant relationship as far as banks based in other countries are concerned. According to their explanation, U.S. policymakers are pressured by U.S. commercial banks to use their privileged access to IMF decision-making to represent the banks' interests in the Fund.

Broz and Hawes's (2006) and Broz's (2011) findings lend further support to the conjecture that interest groups substantially influence the IMF. Countries with larger exposure to U.S. banks are more likely to receive IMF programs and their loans are, on average, larger. What is more, their analysis of U.S.

[22] Steinwand and Stone (2008) provide a more detailed account of the IMF. See Vaubel (2008) for a more detailed political economy perspective on the European Union.

Congress votes shows that members of Congress are more likely to vote in favor of IMF quota increases, the more campaign contributions they receive from U.S. banks. Broz (2008) expands the latter finding by showing that members of the U.S. Congress with larger campaign contributions from banks that engage in international lending are more likely to support increases in U.S. contributions to IFIs more generally (e.g., the IMF, the World Bank, and the Asian Development Bank).

Based on these findings, Copelovitch (2010a) tests his "common agency" argument, hypothesizing that both IMF staff and member governments, which in turn are influenced by domestic financial interests, jointly control the IMF's lending decisions. He finds that IMF loans tend to be larger when bank exposure from the five most powerful IMF members is of similar size. He argues that heterogeneity in bank exposure from these countries leads to distributional conflicts in the Fund's Executive Board and, consequently, smaller loans.

According to Vaubel (2006), the European Union is an example of an international organization particularly oriented to cater to special interests, indicated by the large number of registered lobbyists and a substantial share of its budget devoted to their interests. Indeed, as the European institutions gained fields of responsibility, the number of European interest groups increased significantly and today some 30,000 lobbyists are estimated to work to influence the European Union (Coen and Richardson 2009, The Guardian 2014). This makes Brussels, which is home to about the same number of European Commission officials, the city with the second largest concentration of lobbyists in the world, after Washington, DC. Similarly, Klüver (2013: 202) considers the EU as "a particularly promising opportunity structure to interest groups due to its multiple access points and its general openness towards interest groups which is driven by the desire to enhance the legitimacy of the European Union."[23] Her empirical analysis suggests that IGs have a significant impact on the legislative process in the EU, influencing both policy formulation and decision-making. Others find similar results. Coen (2007) provides a comprehensive review of the empirical and theoretical literature on lobbying in the EU and argues that EU institutions are characterized by "élite pluralism" because of their close cooperation with large firms. Eising (2007, 2009) finds that the EU's multi-level institutional structure that offers multiple access opportunities, the information large firms dispose of and the substantial resources they can commit to lobbying enables large firms to become important interlocutors of the European institutions. Among the studies that focus on particular policy issues, Cowles (1995), for instance, examines the process leading to the creation of the European single market in 1992. She finds that the European Round Table of

[23] For a comparison of lobbying in the United States versus the European Union see Mahoney (2008).

Industrialists (ERT), a lobby group representing the major European multinational corporations, acted as an important agenda-setter for the project of creating a single market, beginning already in the early 1980s. Meetings between the ERT and senior officials, politicizing the issue through high-profile projects, as well as influencing the policy preferences of government leaders were key pillars of the ERT's success (see also Sandholtz and Zysman 1989). The collective volume edited by Coen and Richardson (2009) looks at the role interest groups play in European policy-making in areas such as health policy (Greer 2009), tobacco advertising (Boessen and Maarse 2009), food regulation (Grant and Stocker 2009), social policy (Treib and Falkner 2009), and trade policy (Woll 2009), and finds evidence for lobbying success in all these areas.

V. Voters

From a normative point of view, the behavior of IOs should first and foremost reflect the preferences of citizens. The positive perspective on IOs allows us to examine the extent to which this is actually the case. The dominant view in the literature is that voters have a severely limited influence on IO behavior and at times thus face IO decisions reflecting other actors' interests that are antagonistic to their own.[24]

The delegation chain gets longer

A key challenge for citizens seeking to influence international organizations is that they cannot directly hold the IOs' decision-makers to account. Instead they face a long chain of delegation between them and the IO executive. Typically, this chain involves four principal-agent relationships. In a first step, citizens elect national parliamentarians – and in presidential systems also the head of the executive. Second, the parliamentarians – or the president – appoint a national executive. This executive, in turn, chooses national delegates that it sends to the IOs' intergovernmental bodies. As this governing body delegates tasks to the IO's staff, a fourth principal-agent relationship emerges (Vaubel 2006). In sum, "[t]he executive of the international organization is farther removed from control by the ultimate principals – the citizens and voters – than any other political actor" (Vaubel 2006: 126).

For Vaubel (2006) the length of this delegation chain leads to principal-agent problems. As IOs are farther away from citizens, use languages many citizens do not understand, reduce the possibility to

[24] Citizens seem to share this view: Vaubel (2006: 128) cites a 1995 Eurobarometer survey, according to which 40 percent of the respondents think they have no influence on European Union institutions' decisions, while the same holds for only 29 percent when it comes to decisions by the respondents' own governments. The gap is narrower in more recent (2014) Eurobarometer surveys, where 50 percent of the respondents are satisfied with democracy in their home country, while 44 percent are satisfied with democracy in the European Union.

compare policy outcomes ("yardstick competition"), and lack transparency because direct parliamentary control is absent, information is costly (see also Vaubel 2013). This leads to rational ignorance of the IOs' activities and thus makes it difficult for citizens to hold IOs to account. According to Vaubel (2004, 2015) the fact that international bureaucrats typically have higher after-tax salaries than national bureaucrats points to limited democratic control. In a similar vein, Nielson and Tierney (2003) argue that agency slack increases with the length of the delegation chain as there can be slippage at each link. As agents have few incentives to respond to demands other than to those that come from their direct principals, they argue that "leapfrogging" intermediate links are unlikely to succeed.

What is more, the multi-level nature of the delegation chain increases the number of agents with self-interests. The greater the number of self-interested agents in a delegation chain, the higher the probability that their preferences will be antagonistic to those of the ultimate principal and that they are reflected in the ultimate agent's behavior. At the same time the number of self-interested agents also increases the number of access points for special interest groups and the likelihood that they will succeed in affecting IO decisions. As the preceding sections have shown, all of these actors are successful in using their influence in such a way that IO behavior reflects their special interests.

Others claim that the length of the delegation chain itself is not the problem (Nye 2001, Lake and McCubbins 2006). Nye (2001), referring to the U.S. Supreme Court and the Federal Reserve Board, argues that chains of democratic accountability are sometimes long and indirect even in well-functioning democracies. Lake and McCubbins (2006) show that information and transparency plays a key role. According to their model, multi-stage delegation is not necessarily problematic in itself if principals are well-enough informed. The more important difference between national and international delegation, they argue, is that IOs have "collective principals" (see also Hawkins et al. 2006, Nielson and Tierney 2003). Initially, national governments sum preferences from voters and subsequently, the IO sums preferences from multiple governments that pool their sovereignty. The problem arises as the first "summation point" is likely to produce different ideal policies than the second one, because the IO's decision-making structure needs to take into account preferences from other states that the national structure does not consider.[25] According to Nielson and Tierney (2003), a rising number of actors that form the collective principal intensifies the problem as it makes coordination more complicated and increases agency slippage.

[25] In the words of Grant and Keohane (2005: 40): "[e]ven democratic states will act in a biased way toward noncitizens."

Arguably, any federal political system faces this challenge. Institutions such as the U.S. Senate or the German Bundesrat also sum preferences that have already been summed at a lower level where the preferences of other states (“Länder,” respectively) were initially not taken into account. Most federal polities, however, supplement such institutions with parliaments representing the entire citizenry (the U.S. House of Representatives and the German Bundestag, for example). With the notable exception of the European Union, whose parliament consists of parliamentarians that citizens directly elect, the major international organizations do not have such parliamentary bodies: They are governed inter-governmentally.

IOs are governed by executives

In the words of Keohane and Nye (2000) national executives such as cabinet ministers or their representatives – defense ministers in the North Atlantic Treaty Organization, finance ministers in the IMF, and central bankers in the Bank of International Settlement – can be seen as forming a “club.” Elected parliamentarians and the public are largely excluded from decision-making and often not well-informed about the negotiations between these executives. This mode of decision-making found in most IOs – called “executive multilateralism” by Zürn (2004: 262) – takes place without legislatures and is “beyond the reach of the normal democratic channels of influence” used by democratic states. In addition, as argued above, these executives have self-interests which may deviate from their voters’ preferences. If intergovernmental decision-making processes in IOs are not transparent and exclude parliamentarians and the public, voters cannot effectively hold their national executives to account in cases where their preferences are inadequately represented.

Several studies have examined the extent to which national executives follow their voters’ preferences in IOs. Potrafke (2009), for instance, shows that an elected government’s ideology is related to the country’s voting behavior in the UN General Assembly. Milner and Tingley (2013) find that the United States’ low level of multilateral aid giving (relative to its GDP) corresponds to the public’s weak support for multilateralism. Dreher and Jensen (2013) find that domestic political changes have a substantial impact on United Nations voting, implying that leaders can shift the foreign policy positions of their country. The evidence provided in Mattes et al. (2015) supports the view that new national leaders who represent different societal interests change their governments’ behavior in IOs accordingly. The foreign policy preferences of democracies, however, are less responsive to changes in government. According to Dreher and Yu (2016), leaders’ foreign education plays a role in how their country votes in the UN General Assembly. Leaders studying abroad develop an “affinity to their” host country, and thus vote more in line with it. However, they also need to show that they are at sufficient distance to their former host country, and thus demonstrate “allegiance” to their own by voting against their former host, particularly at election time.

Some IO members have disproportional power

Arguably, this intergovernmental mode of decision-making is particularly deleterious for the political influence of individual voters on IOs if the way they reach decisions privileges citizens from some countries over citizens from others. The major IOs that exist today have different decision-making structures (and none of them strictly weights the national representatives’ voting power by population size). In the UN General Assembly every member state has one vote and decisions are made either by a simple or two-thirds majority, depending on the topic. This *one country, one vote* structure creates a situation where population size and the voting power of an individual citizen are inversely related. In theory, a two-thirds majority could account for only 7.8 percent of the world’s population (Schwartzberg 2003). In the UN Security Council, only nine (out of 15) governments can decide on resolutions binding for all UN member countries and the permanent members’ veto rights skew the distribution of power in favor of five countries at the expense of all others. The IMF and the World Bank both use a quota system that determines the relative voting power of each member. The quota formula is based on a country’s GDP, its economic openness and variability as well as its international reserves, privileging economically larger countries. It assigns the United States and European countries together about half the voting power and makes the United States the only country with a veto power over important decisions (IMF 2016). Most other major IOs rely on the *one country, one vote* rule.[26]

In addition to these differences in the institutional representation of voters and their governments, scholars have examined the extent to which individual countries are able to influence IO behavior through both formal and informal channels. The United States’ disproportionally large influence on decision-making at the IMF, for instance, is empirically well established. Multiple studies show that the Fund’s lending decisions reflect the geopolitical preferences of the United States: As already discussed above, countries receive more IMF loans if they vote in line with the United States in the UN General Assembly (Thacker 1999, Barro and Lee 2005), if they receive more U.S. aid (Stone 2008), and if they are temporary members of the UN Security Council (Dreher et al. 2009a). Fewer IMF conditions accompany loans to countries that are politically closer to the U.S. (Dreher and Jensen 2007). Indeed, Stone (2008)

[26] In the Council of the European Union – the Union’s intergovernmental body – votes must represent 55% of member states and 65% of the EU’s population since the Treaty of Lisbon came into effect. This system of “degressive proportionality” is a compromise between the *one country, one vote* system and the democratic norm of equal representation of voters.

finds that the U.S. intervenes in IMF decision-making to constrain conditionality for important countries. Based on his "informal governance" model discussed above, Stone argues that the United States does so by exploiting its powerful position at the IMF, which results from the IMF being located in the U.S., the facts that the U.S. issues the international reserve currency, maintains a large diplomatic corps, and is home to a number of important private financial institutions (see also Stone 2013). As regards the World Bank, Kaja and Werker (2010) contend that countries that serve on the Bank's Board of Executive Directors receive more funding from the IBRD (see above) primarily because of informal boardroom norms and the executive directors' relationship with World Bank staff (see also Fleck and Kilby 2006, Kersting and Kilby 2016b, Michaelowa and Kilby 2016). Similar patterns are visible with respect to the Asian Development Bank, where the United States, Japan, and other G7 countries appear to influence the organization through informal and formal channels (Kilby 2011). In sum, the evidence suggests that very few powerful countries, in particular the United States, have disproportionally strong control over the major IOs and thus weaken the influence of other governments and, by extension, that of their voters.[27]

IOs undermine domestic democracy

In light of all this evidence, it is not surprising that "[i]nternational organizations are widely believed to undermine domestic democracy" (Keohane et al. 2009: 1). Referring to a term coined by Marquand (1979) and initially applied to the EU, many scholars argue that international organizations in general suffer from a "democratic deficit" (e.g., Nye 2001). At the core of the argument is the view that citizens who are directly affected by the decisions of IOs have only limited opportunities to hold them to account (Grigorescu 2013: 177). As the preferences of a number of other actors are reflected in IO decision-making, this may result in situations where the IOs' decisions are antagonistic to the preferences of the majority of the affected citizens. For Gartzke and Naoi (2011: 592), therefore, "broadening the role of multilateral organizations in domestic politics necessarily involves the risk of making democracies less representative." Indeed, IMF loan programs have been shown to reduce political and economic differences in outcomes between democracies and autocracies: Nooruddin and Simmons (2006) show that democracies reduce their spending on education and health under IMF programs such that the difference in expenditure on public services between democracies and non-democracies disappears. The IMF's influence, thus, appears to reduce the role played by domestic politics. In a similar vein, Lang (2016) argues that democracies' responsiveness to their citizens' preferences can weaken to the extent that

[27] Johnson's (2011) results suggest that voters are aware of these disproportionalities in influence. She shows that individuals tend to question the legitimacy of an IO more if they have unfavorable views of the states that control it.

powerful, “democratically deficient” IOs interfere in domestic decision-making. While democracy is generally associated with lower levels of inequality, Lang (2016) shows that IMF programs increase income inequality in democracies but not in non-democracies. These findings show that the influence of IOs can lead to economic outcomes that deviate from those produced by democracies alone – possibly because IOs are indeed “less responsive to the wishes of voters” (Vaubel 2004: 319) than democratic institutions.

VI. Conclusions and Proposals for Reform

The literature discussed thus far shows that there is overwhelming theoretical and empirical evidence that IO behavior reflects the preferences of a large and diverse set of actors. National politicians, international bureaucrats, and interest groups use and influence IOs in various ways in order to satisfy their particular interests. As these interests are often antagonistic to the preferences of voters and as the influence on IO decision-making of voters themselves is found to be severely limited, IOs do not always act in the voters’ interest. In an ideal world, however, IOs would act exclusively in the interest of their ‘ultimate principal’, provide public goods and increase general welfare. They would not follow the self-serving, narrow interests of (intermediate) agents, and interest groups. This is why a sizeable part of the literature on IOs has proposed reforms that focus on how IOs can be made more responsive to citizens’ demands. Before we conclude we cover this part of the literature by presenting the most prominent of these proposals.

According to Dahl (1999: 32), “international organizations are not and are not likely to be democratic.” Citizens face a “democratic dilemma” when deciding whether they want to delegate authority from their state to an international organization (Dahl 1994). Delegation may increase the effectiveness of governance as some matters in the globalized world economy are beyond national governments’ capacity to govern. This, however, comes at the cost of decreasing citizen participation and, thus, the degree to which citizens can influence governance. In light of this trade-off, Dahl’s (1999) advice is to limit the authority of IOs.

Grant and Keohane (2005) are also skeptical that IOs will achieve similar forms of democracy typically found at the national level. According to them, the analogy with domestic democracy and the focus on participatory forms of democracy is misplaced for IOs. Instead, they argue, accountability is key. Accountability, as they define it, comes in various types (hierarchical, supervisory, fiscal, legal, market, peer, and public reputational accountability) and includes “nondemocratic accountability mechanisms.” Instead of focusing on democratic control, they advocate for the application of various accountability mechanisms to IOs in order to control abuses of power.

Common to most reform proposals, whether they address accountability mechanisms or global democracy, is the call to increase IO transparency. Transparency and the public availability of information are prerequisites for all forms of accountability and for an effective control of the agent by the principal (Grant and Keohane 2005, Lake and McCubbins 2006). Without it IO decision-making is more shielded from public scrutiny and "informal governance" is facilitated. In general, there is widespread agreement among scholars that IO transparency has increased since the early 1990s (Florini 2003, Grigorescu 2015). Most major IOs now have an active public information policy. There are, however, still important differences across IOs (Grigorescu 2007, 2010).

Another area that has seen significant reforms in recent decades is the access civil society organizations and other non-state actors enjoy to international organizations. As discussed above, both the number of these actors and the degree to which they are involved in IOs has strongly increased since the 1990s (Werker and Ahmed 2008, Tallberg et al. 2014). Proponents of the so-called "stakeholder" model of democracy, in particular, argue that the increasing access of these actors to IOs allows them to hold IOs accountable and enables an increasing amount of affected citizens to become involved or at least represented in global governance (e.g., Steffek et al. 2008, Bexell et al. 2010, Vabulas 2013). This makes it more likely that IO decisions take account of the preferences of citizens. Critics of the argument however, stress that this stakeholder model undermines political equality as some citizens are better represented than others and that many of the groups' representatives are not democratically elected (e.g., Saward 2011, Macdonald 2012, Marchetti 2012). Agné et al. (2015) show that stakeholders themselves do not see their increasing involvement in IOs as strengthening IOs' democratic legitimacy. Lang (2016), however, shows that the inequality-increasing effect of IMF programs is negatively associated with the access that transnational actors have to the Fund.

Other scholars have proposed that competition among IOs should be strengthened to increase their responsiveness to citizen interests. By enabling multiple IOs to compete and making national exits from IOs easier, IOs would have more incentives to perform better and follow their ultimate principals' preferences more closely (Frey and Gygi 1990).[28] Frey (2008) thus proposes the establishment of an "international competition agency" that facilitates entry into the market for IOs and promotes competition among them. In their view, this should be complemented with enshrining "international competition rules" in international law and establishing an independent "international competition court" that enforces them as well as a scientific "international monitoring institute" that analyzes trends in IO

[28] Frey and Gygi (1990) also propose making IO output partitionable so that national delegates could resist IO policies they find harmful for their country, making an "exit in steps" possible.

competition. Furthermore, citizens could be allowed to “buy” the services of IOs by means of tradable vouchers, creating a market that reflects the voters’ preferences. Similarly, they could also be encouraged to contribute financially to IOs, which would incentivize IOs to convince their donors that their money is well spent (Frey 2008). For the European case, Vaubel (1999) proposes that citizens should elect a “Senate for Intergovernmental Competition” with the task of promoting competition among European governments and vetoing collusions among them that come at the expense of their citizens.

Perhaps the largest number of proposals concern the voting system in the intergovernmental bodies of major IOs. Some call for a reform of the quota system in the World Bank and the IMF, as this way of allocating voting power most obviously contradicts the democratic principle of equal voting (e.g., Buira 2005). Frey and Gygi (1990), however, support this system of “fiscal equivalence” that gives countries with larger financial contributions more influence over the way these resources are used (see also Olson 1969). According to Frey and Gygi (1990), countries with small contributions but large voting power would otherwise constantly vote for budget expansion. Proposals for reforming the IFIs and other UN agencies include weighting voting power by population size, but they also suggest considering the level of domestic democracy, GDP, national contributions to the UN, contributions to global public goods, military capabilities, and other national characteristics (e.g., Newcombe 1983, Schwartzberg 2003, 2004, Dervis 2005, Strand and Rapkin 2011). Focusing on the UNSC, Vreeland and Dreher (2014) suggest abolishing the term limits of the Council’s temporary members and letting each region elect their own representative. This would strengthen the delegates’ accountability to the electorate by making their continued service subject to a reelection constraint.

A similar but farther-reaching proposal than moving towards national representation on the basis of population size is the establishment of international parliamentary assemblies. Elected delegates in such bodies represent individuals directly, rather than states or governments. While in recent decades the number of IOs with parliamentary assemblies steadily increased, most major IOs still have none (Grigorescu 2015). The European Parliament is arguably the most powerful among extant international parliamentary assemblies. In 2005, the European Parliament adopted a resolution that calls for the establishment of a UN Parliamentary Assembly and its current President, Martin Schulz, recently stated that the “European Parliament may serve as a model for how a UN Parliamentary Assembly could develop over time. What once began as an advisory body composed of national parliamentarians is a directly elected legislature today” (EP 2005, Euractiv 2013). This is in line with the proposals of several IO scholars, who also suggest establishing such an institution alongside existing IOs and gradually increasing the range of its responsibilities (e.g., Falk and Strauss 2001, Heinrich 2010).

Some scholars go beyond demanding the parliamentary representation of voters at the IO level and instead call for introducing elements of direct democracy. Frey and Gygi (1990) propose allowing citizens to elect national IO delegates. Vaubel (1999) wants citizens to directly elect the Senate for Intergovernmental Competition he proposes. Frey and Stutzer (2006) propose the selection of a random sample of trustees out of the group of voters. This large group of trustees would be given the right to vote on all matters concerning changes in an IO's constitution. Furthermore, trustees would be able to vote executives out of office and demand votes on issues of content.[29] Frey (2008) also considers the option to hold popular referenda on major IO decisions.

At the most far-reaching end of the spectrum of proposed reforms are the calls for the establishment of a cosmopolitan democracy. Such an institutional arrangement would replicate domestic democratic institutions at the global level and include establishing a global parliament, global elections, an international judicative, and the global, constitutional rule of law, etc. (Held 1995, Archibugi 2008). According to the model's most prominent advocates – Archibugi and Held (2011: 444) – "IOs would then become the core institutions of a cosmopolitan democracy." In their view, recent reforms have increased transparency, accountability, and representativeness in global governance and, thus, suggest that transformations in the direction of cosmopolitan democracy are possible.

In our view, all of these reform proposals have some merit as they all aim to address the issue our literature review identified as the key problem of IOs from a political economy perspective: IOs' responsiveness to the preferences of voters is weak. While we agree that the voters' impact on global governance should be strengthened, this review does not enable us to conclude which of the proposed reforms is most *desirable*. It does, however, tell us something about how *feasible* these reforms are. By revealing the plethora of vested interests of the actors involved, the political economy perspective on IOs exposes the full range of obstacles that need to be overcome when aiming to reform international organizations. Against this backdrop, reducing the power of IOs is a particularly challenging endeavor. And in case one comes to the conclusion that the world would be better off without some IOs, one should note that, as we summarized above, dissolving an IO seems all but impossible. One should thus exercise particular care when deliberating to found a new one. While change is thus more likely to come from reforms of existing IOs, the sudden implementation of far-reaching reforms that benefit voters is an unlikely scenario to the extent that other involved actors lose influence. Instead, reforming IOs appears more promising if the focus is on incremental adjustments that successively increase voters' impact. The

[29] See Tullock (2006) for a critique of this proposal.

true choice, however, might not be between IOs that are immune to particular interests and the IOs in existence today. Rather, IOs seem bound to be imperfect. After all, national politicians and other stakeholders might only be willing to create and fund IOs when they expect sufficient gains from doing so (Vreeland and Dreher 2014). While this should not prevent attempts to reform IOs at the margin, we might be willing to accept some IOs' imperfections in order to derive benefits that overall exceed the costs.

In conclusion, the political economy perspective on international organizations offers a detailed, nuanced and pragmatic understanding of governance in the globalized world. By looking into the details of decision-making in international organizations the literature shows that a focus on states as the prime actors in IOs overlooks important facets of the empirical reality. Instead, many different actors influence, use, and shape IOs – and some are more successful than others. Appreciating this complexity contributes to a deeper understanding of the role and functioning of IOs and allows us to note nuances that are often ignored. There is not only one type of IO. IOs differ markedly from each other, they change substantially over time, and they behave differently with regards to different policy issues and in relation to different actors. This view also allows a pragmatic approach to the study of IOs. It is distinctive for research on the political economy of international organizations that economics and political science research is no longer easily separable and that the debate is no longer centered on testing a limited number of dominant views about how the world functions against each other. It is the same pragmatism that also enables scholars to avoid viewing international organizations as intrinsically good or bad. Instead, much of the positive research is well-suited as a basis for ideas on how IOs can be reformed to enhance them in a normative sense.

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