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A brief analysis of international organizations in the context of economic theory

Essay

Summary

The conflicting perceptions on the power of IOS don't necessarily need to clash. Instead, they can complete one another and even clarify that giving an unequivocal opinion on who is the agent or principal, due to the complexity of the matter, would be at best a myopic inaccuracy.

Keywords: International organisations, politics, theory.

Introduction

The efforts to forge a concise, consistent view on IOs and the range of their autonomy have met some difficulties in the academia. Numerous debates and disputes have arisen in regards to this topic, however, finding a consensus has failed to become feasible due to the ways analysts of IR perceive IOs. As a result, two main theoretical frameworks emerged in order to describe this reality: the economic and constructivist, or sociological, perspective¹. This theoretical dichotomy makes the task of answering whether international organisations are principals or agents rather difficult. The specific type of relationship between states and modern IOs breeds the question of autonomy, and puts the adequacy of the classical, state-centric model of IR into question. Is the state really the only true and fully sovereign entity on the international scene? This paper will consider this polarization in an academic and empirical context.

¹ M. Barnett, M. Finnemore, *Rules for the World: International Organizations in Global Politics*, Cornell 2004, p. 702.

The two frameworks differ on many levels of contextual analysis and offer diverse factors as explanations of causality. The economistic approach, which includes both neorealists and neoliberals, retains a rather skeptical stand towards the possibilities IOs can have or are yet to attain. This theoretical strand doubts that IOs can be powerful entities and the environment organisations exist in is “socially very thin and devoid of social rules, cultural content, or even other actors beyond those constructing the organisation”². Conversely, constructivism offers a broader perception on the behaviour of IOs, taking into account social factors and culture. It believes in the power of IOs and how they can make a difference internationally. Organisations are seen through the lens of social facts³. Weber’s views on bureaucracies fits well in this analysis – he contested that they can have their own goals and priorities. Moreover, he emphasised the fact bureaucracies have substantial control over technology, which gives them a definite advantage and lead to global predominance⁴.

Economistic theory

The classical economistic theory asserts that International Organisations are agents. Even though neoliberals and neorealists disagree on certain matters, both have condoned that IOs exist primarily to serve states’ interests and facilitate international organisations. This is why they are seen as agents⁵. However, it is crucial to remember that realism and liberalism are primarily “theories about states”⁶. This view goes in line with the strict definitions of the principal-agent (P-A) theory, which claims that principals are entities that delegate power to agencies. According to Hawkins et al. the P-A theory asserts that: „Delegation is a conditional grant of authority from a principal to an agent that empowers the latter to act on behalf of the former”⁷.

Significantly, a principal must possess the power to delegate and revoke authority to an agent – thus, both *ex ante* and *ex post* influences are crucial. These two elements are mandatory. In this case, states are the principals delegating power and authority to specific organisations. States, in doing so, realise (or at least hope they realise) their goals through empowering agents, i.e. organisa-

² Ibidem, p. 703.

³ P.J. DiMaggio, Walker W. Powell, *The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields*, “American Sociological Review” 48, No. 2, Apr. 1983, p. 151.

⁴ M. Barnett, M. Finnemore, *Rules for the World...*, p. 706.

⁵ D. Baldwin, *Neorealism and Neoliberalism*, New York 1993.

⁶ M. Barnett, M. Finnemore, *Rules for the World...*, p. 706.

⁷ D. Hawkins et al., *Delegations under anarchy: states, international organizations, and principals-agent theory*, [in:] *Delegation and agency in international organizations*, Cambridge 2006, p. 7.

tions. This allows principals to focus on other tasks. Two conditions must be fulfilled in order for international law to recognise the agency relationship:

The first is where a principal and agent are separate legal entities; while the second is a dual consent requirement, both principal and agent have consented to conferrals on an agent of powers to act on the principal's behalf [...] the establishment of a case of ad hoc agency between an organization and member States will require evidence in a particular case that an organization has accepted the ad hoc conferrals of powers to be exercised on an agency basis, and that member States have consented — either expressly or impliedly—to the organization acting on their behalf on an individual or -collective basis⁸.

It is clear that the dual consent obligates agents and principals to some responsibility. States trust that organisations will work in their best interest, whilst organisations agree to dutifully act on behalf of states to legitimately pursue their goals⁹. Thereupon, according to this theoretical analysis, IOs cannot be principals in IR by definition.

Thus, in the light of the economic perspective, IOs like UN or NATO are not autonomous entities nor independent members of the international life; they are rather institutions of multilateral diplomacy that help states achieve their goals.

Regardless of the epochs and systems, countries have proven to be eminent actors on the international scene. As an example, the lack of consent from Russia and China resulted in UN Security Council failure to give NATO's military authorisation to intervene in the Kosovo conflict. Then, USA pressured NATO into military action, which led to the defeat in Yugoslavia.

Constructivism

Constructivism transpired as a meta-theory that takes into consideration social aspects and is heavily based upon the notion of *longue durée*¹⁰. The meta-theoretical side of constructivism characterises actors as pursuers of materialist utilitarianism and as Stephano Guzzini notes “their action is often rational, but only under conditions not specified by rational choice itself”¹¹.

Constructivists question the theory that IOs can be merely agents. Rather, they see institutions as actors that have the capacity to be autonomous and purposive. Due to the fact that IOs have detached themselves from the states, the chances of the latter to win the battle over global markets significantly plummets¹².

⁸ D. Sarooshi, *International Organizations and their Exercise of Sovereign Powers*, Oxford 2010, p. 33–35.

⁹ Ibidem, p. 35.

¹⁰ S. Guzzini, *Constructivism and the role of institutions in international relations*, [in:] *Rassegna Italiana di Sociologia*, Copenhagen 2003, p. 11.

¹¹ Ibidem.

¹² T. Łoś-Nowak, *Organizacje w stosunkach międzynarodowych*, Wrocław 2004, p. 50.

The conflicting theories stem from the explosion of IOs. While thinking about the modern state, one frequently associates ‘disappearing’, “weakening” or even “collapse” with it, whilst IOs are perceived as the factors contributing to this loss of position. They start to take over the status of the most important actor in IR, which was typically assigned to the state. Nowadays, IOs tend to articulate their sovereignty more often¹³ and have become self-regulating, powerful entities that do what they think is best for them, but not necessarily for their creators. This applies especially to universal organisations, but also big non-governmental organisations and transnational corporations.

Typically, IOs seek to grow and constantly develop. They achieve this by using their resources. As Dan Sarooshi (International Organizations and their Exercise of Sovereign Powers) states: If an organisation is big, it has the capacity to expedite the process of its growth and thus, achieve their goals. That said, consequently, it can be deduced that the larger the organisation, the more dangerous it can be in regards to the states interests.

The contingency theory paradigm elucidates that the efficacy of IOs depends on how well they fit the “characteristics of the organization, such as its structure, to contingencies that reflect the situation of the organization. Contingencies include the environment, organizational size, and organizational strategy”¹⁴.

When states delegate authority to IOs, there is no guarantee that organisations will act in line with their fiduciary duty to carry out the tasks given to them¹⁵. This can lead to perilous situations, both on the domestic and international scene. Barnett¹⁶ highlights the possibility of IOs acting in a pathological way, which is detrimental to the interests of the state. As Hawkins et al. notes: [...] many IOs once served their purposes of their creators but were subsequently hijacked by other political actors to pursue undesirable ends. IOs become double agents, betraying their original purposes in serving new masters¹⁷.

When an organisation acquires too much authority, it is likely states won’t be able to control them as efficiently. They become self-regulating entities and this is one of the reasons why some analysts accuse them of being “imperialist tools of the powerful, exploiting poor and disadvantaged countries for the benefit of the West”¹⁸.

On the other hand, the purposes of IOs don’t have to be power-driven and selfish. Interestingly, the doctrine of sovereignty has been recently eclipsed by the evolving theory called *contingent sovereignty*, which declares that sovereign rights are not absolute¹⁹.

¹³ Ibidem, p. 12.

¹⁴ Donaldson Lex., Chapter 1: *Core Paradigm and Theoretical Integration*, [in:] *The Contingency Theory of Organizations*, Thousand Oaks 2001.

¹⁵ D. Sarooshi, *International Organizations and their Exercise...*, p. 35.

¹⁶ M. Barnett, M. Finnemore, *Rules for the World...*, p. 715.

¹⁷ D. Hawkins, et al., *Delegations under anarchy...*, p. 4.

¹⁸ Ibidem, p. 3.

¹⁹ P. Stewart, *The Role of the U.S. Government in Humanitarian Intervention* Portland, Oregon.

The EU can serve as the perfect example to demonstrate the political unruliness and increasing influence of IOs. According to the Polish Member of Parliament Krystyna Pawłowicz, The Treaty of Accession breaches the Polish Constitution. She asserted that once entering the EU, Poland changed its sovereign – it is no longer the nation, but EU due to the fact that ostensibly 70–90% of economic decisions are made by Brussels²⁰.

Conclusion

It is not easy to unambiguously answer the question whether IOs are more or less important than states nowadays because it is a problem related to the nature of modern IR. The theoretical polarisation on IOS and their actual autonomy upends the classical economists' view and introduces an unprecedented shift in the international scene. In comparison to constructivism, the economical framework appears narrow and, in relation to IR's complex network, even simplified. Undoubtedly, as the example of EU (and NATO) showed, a contingency exists that IOS may wield more power than expected. Academic data provides miscellaneous examples that underpin the constructivist theory, making their views persuasive, believable and well-grounded. However, at the same time, the ontologically perceived international system unambiguously demonstrates/proves that non-state actors play a major role, but states still remain the most important. The Kosovo conflict substantiates this argument. (Nevertheless, the principal-agent theory can be an appropriate tool when it comes to assessing the existing contradictory claims).

It is important to note that/Significantly, not all IOs have the same amount of autonomy because they all have a different purpose. Furthermore, the spectrum of their activities is not uniform, but rather differs on the level of independence they have attained²¹. Similarly, goals of states also vary. Keeping these heterogeneities in mind creates a more clear image of the realities of IR.

Concluding, the conflicting perceptions on the power of IOS don't necessarily need to clash. Instead, they can complete one another and even clarify that giving an unequivocal opinion on who is the agent or principal, due to the complexity of the matter, would be at best a myopic inaccuracy.

²⁰ <http://wiadomosci.wp.pl/kat,1342,title,Krystyna-Pawlowicz-UE-jest-gorsza-od-komunizmu,wid,15696716,wiadomosc.html?ticaid=116b3d>, [accessed: 3.01.2018].

²¹ D. Hawkins, et al., *Delegations under anarchy...*, p. 4.

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Krótką analiza organizacji międzynarodowych w kontekście teorii ekonomicznych

Streszczenie

W przedstawionym eseju prezentuje się zagadnienie władzy i jej wpływu w ramach głównych organizacji międzynarodowych. Ważne jest, czy władza w tych organizacjach nie jest pod wpływem jakiś czynników zewnętrznych, czy ma ją sama z siebie. Zróżnicowane postrzeganie władzy międzynarodowej nie musi kolidować ze sobą, zamiast tego może się wzajemnie uzupełniać. Trudno jednoznacznie odpowiedzieć, kto jest przedstawicielem głównych organizacji światowych, z powodu kompleksowości materii.

Słowa kluczowe: organizacje międzynarodowe, polityka, teoria.