Globalization, Development, and International Institutions: Normative and Positive Perspectives

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William Easterly, *The Elusive Quest for Growth: Economists' Adventures and Misadventures in the Tropics* (Cambridge: MIT Press, 2001).

Thomas Pogge, *World Poverty and Human Rights* (Cambridge, UK: Polity, 2002).

Joseph E. Stiglitz, *Globalization and Its Discontents* (New York: W. W. Norton, 2002).

Randall Stone, *Lending Credibility: The International Monetary Fund and the Post-Communist Transition* (Princeton: Princeton University Press, 2002).

James Raymond Vreeland, *The IMF and Economic Development* (Cambridge: Cambridge University Press, 2003).

Introduction

At the conclusion of World War II, several international institutions were created to manage the world economy and prevent another Great Depression. These institutions include the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (now called the World Bank), and the General Agreement on Tariffs and Trade (GATT), which was expanded and institutionalized into the World Trade Organization (WTO) in 1995. These institutions have not only persisted for over five decades, but they have also expanded their mandates, changed their missions, and increased their membership. They have, however, become highly contested. As Stiglitz notes, "International bureaucrats—the faceless symbols of the world economic order—are under attack everywhere. . . . Virtually every major meeting of the International Monetary Fund, the World Bank and the World Trade Organization is now the scene of conflict and turmoil."[1]

Their critics come from both the left and right wings of the political spectrum. Anti-globalization forces from the left see them as instruments for the domination of the developing countries by both the rich countries or the forces of international capitalism. Critics from the right view these institutions as usurping the role of the market and easing pressures on developing states to adopt efficient, market-promoting policies. These debates often occur in a highly ideological and polemical fashion; they would benefit from being more informed by social science. By reviewing some of the recent social science literature, this essay addresses three questions: what has been the impact of these institutions on the developing countries, why have they had this impact, and what should be their role in the development process.

Conventional wisdom in international and comparative political economy has held that international institutions,

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like the IMF, World Bank, and WTO (and its predecessor, the GATT), have been largely beneficial for the countries in them. These institutions, it is claimed, constrain the behavior of the most powerful countries and provide information and monitoring capacities that enable states to cooperate.[2] All states involved are better off with these institutions than otherwise. Recently, however, evidence has mounted that these institutions may not be so beneficial for the developing countries.

Discerning the impact of these institutions requires that one address difficult counterfactual questions.[3] Would the developing countries have been better off if these institutions had not existed? Would resources for aid and crisis management have been as plentiful or more so if they had not existed? Would globalization have occurred as fast and extensively, or even faster and deeper, if these international institutions had not been present? Counterfactuals cannot be answered directly because they presume a situation which did not occur and rely on speculation about what this hypothetical world would have been like.[4] Researchers can only make indirect counterfactual speculations. First, longitudinal comparison asks whether a developing country performed as well before it joined the institution (or participated in its programs) as after it did so. This enables the researcher to hold constant many characteristics of the country that do not change over time. Second, cross-sectional comparison asks if countries belonging to the institution (or participating in its programs) fare better or worse than those countries who do not. These comparisons are usually not enough. Part of the problem of knowing what the "right" counterfactual is depends on why countries join. Selection bias arises if the countries are joining or participating for nonrandom reasons which are not held constant. If countries choose to participate only under certain conditions, then the counterfactual experiment must correct for this or its results are likely to be biased. Because selection bias can arise from both observed and unobserved factors, correcting for selection effects is not straightforward. Little of the research on these international institutions addresses all of these methodological issues.

Assessing the impact of these institutions involves addressing this counterfactual. But recent normative scholarship claims that answering this counterfactual is not enough for assessing their role. It proposes different standards for evaluation and raises the contentious question of what standard one should use to assess the responsibility of these institutions for the developing countries. This debate involves the extent of moral obligations that the rich countries and the institutions they created have regarding the poor countries, ranging from a limited "duty of assistance" to a cosmopolitan striving for equality. Combining normative and empirical scholarship may be unusual, but it may be fruitful. As Beitz claims, "reflection about reform of global governance is well advanced in other venues, both academic and political, almost never with the benefit of the moral clarity that might be contributed by an articulate philosophical conception of global political justice."[5]

The paper has eight sections. Following this introduction, I present a brief summary of the main arguments in the books focused on here. Then, I delineate the role these institutions have played in the developing countries. Next, I discuss evidence about the progress that the developing countries have made lately. In the fifth section, I review the four major arguments proposed by theories of international institutions to explain their existence. The sixth section examines reasons why these institutions may have failed to produce as many benefits for the developing world as the theories imply. The next section explores recent normative literature on the role of international institutions. The conclusion returns to the question of institutional reform, bringing the normative and positive analyses together.

These topics are vast and cannot possibly be covered in their entirety. The goals are three: to provide an overview of recent empirical research on the impact of the IMF, World Bank and WTO on the developing countries, to connect this research better to theories about international institutions, and to see if a blending of normative and positive analyses can advance discussions about these institutions. My conclusions are that (1) we need more empirical analyses of these institutions and their impact on the poor countries, (2) given the findings of existing research and changes in the world since they were created, these institutions need reform, and (3) systematic proposals for their reform can be usefully derived from a combination of normative and empirical analysis.

A Brief Review of the Books

This essay is not intended as a traditional book review. It addresses the question of what has been the impact of the major international economic institutions on the developing countries. The books that are its focus are all critical of how the effects of globalization have been managed over the past 20 years. None attacks globalization itself, but each points to different problems with the ways international institutions have affected the developing countries. I briefly sketch the arguments in each book below. But since this is not a traditional book review, I focus on the arguments they make that are relevant to the main theme of this essay.

Stiglitz's *Globalization and Its Discontents* is not intended as a "fair and balanced" account of the IMF; it is an indictment by a policy insider. Stiglitz, a Nobel Prize winner and former chief economist for the World Bank, angrily claims that the IMF has mismanaged the globalization process for the least developed countries (LDCs). Driven by a "market fundamentalist" ideology and special interests ("global finance") in the advanced industrial countries, IMF officials have imposed the wrong policies on the LDCs and worsened their economic and political situations. He argues that the IMF's single-minded concerns about inflation and fiscal rectitude have been inappropriate for many countries and have neglected economic growth and employment. His solutions involve changing "bad habits" within the IMF via increased transparency and accountability and reducing the influence of special interests by giving the LDCs themselves more ownership over the conditions imposed by the IMF.

Easterly's *The Elusive Quest for Growth* is another critical look at the institutions managing development and globalization. Easterly, a former economist at the World Bank, criticizes the search for simple panaceas for development promoted by the Bank. "Neither aid nor investment nor education nor population control nor adjustment lending nor debt forgiveness proved to be the panacea for growth."[6] He documents how political and social factors (for example, corruption, ethnic conflict, inequality) in LDCs compound their economic problems, rendering simple solutions ineffective. His corrective, which must be vague given his attacks on specific panaceas, is to make sure that all groups' incentives are properly structured to promote growth, including those of the international institutions like the World Bank.

In *The IMF and Economic Development,* Vreeland, a political scientist, presents a social scientific analysis of the impact of IMF programs on growth in the LDCs. While many authors have presented such analyses before, only Vreeland has dealt with the major complicating factors that affect such programs. Using a formal and empirical model that accounts for both a government's decision to request an IMF loan and the IMF's decision to grant one, he shows that IMF programs do not promote growth. This result holds when compared with other countries not undergoing such programs, with the same country when it was not under such a program, and when selection bias for entry into the program is taken into account. Vreeland argues that countries often choose to undergo IMF reforms; they are not always forced to do so. Further, governments often choose to distribute the costs of such programs in ways that hurt poor groups, thus worsening inequality in addition to reducing growth. He blames the IMF for loaning to such countries and, like Stiglitz, for imposing conditions that prioritize controlling inflation and government spending. Like Stiglitz, he believes that the IMF should become more transparent, more attentive to the costs of its programs for labor and the poor, and more inclusive of the LDCs' concerns and priorities.

Lending Credibility, by political scientist Randall Stone, also finds fault with the IMF. But Stone is most concerned with the interference produced by the powerful advanced industrial countries, especially the United States. He shows that the IMF can only be successful in its mission to reduce inflation and find macroeconomic stability when powerful countries do not intervene to undermine the Fund's conditionality. Unlike Stigltiz and Vreeland, he argues that reducing inflation and deficits is and should be a priority, a position consistent with the IMF's own mission. Using a formal model to understand IMF interaction with LDC borrowers, he argues that in internationally powerful countries and ones that receive American support, IMF programs tend to fail because they are not credible. These countries receive loans but deviate more often from the IMF's conditions and thus fail to control inflation. Outside interference and politics undermine the IMF; its own policies are sound and effective. He focuses much on issues of compliance, while neglecting questions about why countries ask for loans in the first place. His book's strengths are thus Vreeland's weaknesses, and vice versa. Stone's solution is to push for greater IMF autonomy, almost the exact opposite of Stiglitz's and Vreeland's.

World Poverty and Human Rights is a collection of essays written by a philosopher, Thomas Pogge. It combines normative and empirical analysis to argue that the developed countries and the international institutions they established are harming the poor countries and have an obligation to stop such harmful behavior. In the interdependent world we live in, the advanced industrial countries support an international system that makes coups, civil war and corruption in LDCs not only possible but likely. By upholding a government's privileges to borrow and assign rights for domestic resources—no matter how bad the government is, the rich countries encourage a free for all for control of developing countries. Failure to recognize the rich nations' role in harming the poor countries depends on the "explanatory nationalism" that dominates current research and thinking. Pogge's main innovations are two. He argues that the resource and borrowing privileges conferred by the international system on the leaders of poor states constitute a causal link from rich countries, who maintain that system, to the misery of the poor. Normatively, his claims are innovative because they are founded upon his insistence on negative duties (do no harm) rather than positive ones (do good).

Pogge opines for a reform of global institutions so that they do no harm, or at least less. That these institutions leave the poor better off than a world without them is not enough for him; one must ask if institutions with better effects for the poorest could feasibly be designed at little cost to the rich. His answer is yes, and he provides a number of interesting ideas, including a global fund for democracy, to help the poorest. Like the other authors, Pogge does not call for the dismantling of current international institutions; he calls for their reform and for changes in the behavior of developed countries running them.

The Role of the International Economic Institutions

The roles of the three main institutions have changed over time; in addition, their membership has become nearly universal. All of these institutions were created by the victors in World War II and were intended to help them avoid another global depression. Part of the problem for these institutions lies in their legacy. They were designed to help the developed countries create a cooperative and stable world economy in a nonglobalized world.

The IMF was established to support the fixed exchange rate system created at the Bretton Woods Conference in 1944; its role was to aid countries that were experiencing difficulties in maintaining their fixed exchange rate by providing them with short term loans. It was a lender of last resort and a provider of funds in crisis, enabling countries to avoid competitive devaluations. Ensuring a stable international monetary system to promote trade and growth was its central mission. From an initial membership of 29 countries, it has become almost universal with 184 members.

With the collapse of the Bretton Woods fixed exchange rate system in the early 1970s, this role changed.[7] The IMF dealt less with the developed countries and more with the developing ones. It provided long and short term loans at below-market interest rates for countries in all sorts of economic difficulty, making it less distinct from the World Bank. It began attaching increasing numbers of conditions to those loans ("conditionality"), negotiating with countries to make major changes in their domestic policies and institutions. Promoting economic growth as well as resolving specific crises became its mission, which meant that ever more countries became involved in these so-called structural adjustment programs. Indeed, as Vreeland notes, in 2000 alone the IMF had programs with sixty countries, or more than one-third of the developing world.[8] These changes made the IMF more similar to the World Bank.

Formed after World War II, the Bank concentrated mostly on reconstruction and later on development; in 1960, with the formation of the International Development Association (IDA), the Bank moved further toward economic development programs.[9] Many countries over the years have received both IMF and World Bank loans, often simultaneously.[10] The World Bank also gives interest-free loans and grants (similar to foreign aid) to the poorest developing countries. This aid has been heavily used in Africa; indeed, in 2003, 51 percent of it went to sub-Saharan Africa. This overlap of missions, proliferation of adjustment loans, and expansion of conditionality are central issues today.

The WTO's central mission has been to promote trade liberalization by fostering negotiations among countries to reciprocally lower their trade barriers and providing information about countries' trade policies. Membership in the GATT/WTO has grown importantly over the years, from a mere 23 in 1947 to 146 countries in 2003.[11] Like the IMF and World Bank, the GATT was originally a negotiating forum for the developed countries; its impact on the developing countries has grown slowly over time. The liberalization of trade policy has become an accepted doctrine for most developing countries; barriers in the developing world have fallen significantly since 1980.[12] In addition, the WTO's mission has increasingly involved the connections between domestic policies and trade barriers. With significant lowering of tariffs and quotas, many domestic policies such as intellectual property laws, environmental policy, domestic subsidies, and tax laws, are now seen to affect trade flows and hence to reside within the WTO's jurisdiction. As with conditionality in the monetary domain, the attack on trade barriers has increasingly brought this international institution into contact with domestic politics.

The GATT/WTO system has sponsored numerous trade negotiation rounds over the past fifty years. The most recently concluded negotiations, called the Uruguay Round, ended in late 1994 with the debut of the WTO and accords lowering trade barriers and extending agreements into other areas such as intellectual property and foreign investment. This system relies on reciprocity, attempting to balance countries' gains and losses. The WTO is now conducting the new Doha Round of trade negotiations, which is intended to address the problems of the developing countries more directly.

The Experience of the Developing Countries

Debate over these institutions has arisen from the seeming lack of progress in the developing world. Except for the World Bank, the original and primary mission of these institutions was not promoting growth in the developing world. Nevertheless, since the change in their roles from the 1970s onward, they have increasingly been judged by their impact on the poor. Fairly or not, the question has been whether these institutions have fostered development.[13]

Each of these institutions has promoted the adoption of market-friendly policies, and part of the reaction against them has been connected to these policies. "The widespread recourse of indebted developing countries to structural adjustment loans from the Bretton Woods institutions in the aftermath of the debt crisis of the early 1980s played a pivotal role in the redefinition of trade and industrialization strategies. Prominent among the conditions attached to these loans was the liberalization of policies towards trade and FDI (foreign direct investment). This was in line with the rising influence of pro-market economic doctrines during this period. Under these structural adjustment programs, there was a significant increase in the number of cases of trade and investment liberalization in many developing countries."[14]

But concerns abound over whether trade and capital market liberalization, privatization, deregulation, austerity, and the other elements of the so-called "Washington Consensus" that these institutions advocated promote development in poor countries. If one looks solely at the economic side, progress has been mixed in many developing countries. As Easterly concludes, "there was much lending, little adjustment, and little growth in the 1980s and 1990s" in the developing world.[15] Annual per capita growth for the developing countries averaged 0 percent for the years from 1980 to 1998, whereas from 1960–1979 their growth had averaged about 2.5 percent annually.[16] Poverty remains very high, with roughly 20 percent of the world's population living on less than a dollar a day and more than 45 percent on less than two dollars a day.[17] Because of these conditions, some 18 million people a year die of easily preventable causes, many of them children.[18] A sizable number of these countries were worse off economically in 2000 than they were in the 1980. World Bank data indicate, for instance, that per capita income was lower in 1999 in at least nine countries (for which we have data) than in 1960: Haiti, Nicaragua, Central African Republic, Chad, Ghana, Madagascar, Niger, Rwanda, and Zambia.[19] From 1980 to 2002, twenty countries experienced a decrease in their human development indexes, which include more than just economic growth.[20]

Since 1980 the world's poorest countries have done worse economically than the richest.[21] In the 1980s the high income countries of the Organisation for Economic Co-operation and Development (OECD) grew at 2.5 percent annually and in the 1990s at 1.8 percent; the developing countries grew at 0.7 percent and 1.7 percent, respectively.[22] Moreover, if one excludes East Asia where the growth was extraordinary (5.6 percent in the 1980s and 6.4 percent in the 1990s), the developing countries grew much more slowly than the developed ones. Thus, they have been falling further behind the rich countries, increasing the gap between the two. As Lant Pritchett has shown, over the period 1820 to 1992 the divergence in incomes between the world's rich and poor has grown enormously.[23] In 1820 the richest country had three times the income that the poorest did; in the early 1990s this number was thirty.[24] Much of this divergence is due to the rich countries' rapid growth.[25]

Economic crises among the developing countries have also proliferated after the 1970s. In addition, the debt problems of many developing countries have increased. "Total debt of developing countries increased until 1999 and then stabilized at about $3 trillion as of last year [that is, 2003]. Furthermore, while debt has declined as a proportion of GDP, it remains high at some 40 percent, and the ratio of debt to exports at 113 percent. More importantly, the net resource transfer—the resources available for use after paying interest–has been negative in recent years for all regions. These magnitudes suggest that it is difficult to consider current levels of debt sustainable and helping growth."[26]

The performance of the developing countries has not been uniformly poor, however. From 1960 to 2000, life expectancy increased from 46 to 63 years in the developing world. Child mortality rates were halved in the same period, as were illiteracy rates.[27] Poverty as a percentage of the developing countries' populations has declined recently.[28] Including China, where the declines have been enormous, the percentage of people in the developing countries living on the poverty threshold of $1 a day has fallen from over 28 percent in 1990 to below 22 percent in 2000.[29] The percentage living on $2 a day in the developing world also fell from 61 percent to 54 percent in this period.[30] Unfortunately, the absolute numbers of the desperately poor have not fallen much, if at all, because of high growth population rates.[31]

The developing countries have also upgraded their role in the world economy. They now are producers and exporters of manufactures and not primarily of primary products. In 2000, about 64 percent of low and middle income countries' exports were manufactures, while only 10 percent were agriculture, and their share of world trade in manufactures rose over this period from 9 percent to 26 percent.[32] Especially in East and South Asia, the developing economies have become tightly integrated into the world production and trading system led by multinational corporations. This increase in the value-added and the diversification of developing countries' production and trade has been a boon for many.

This mixed record of economic outcomes has raised questions about the impact of these international economic institutions. But one must pose the counterfactual to assess their impact: would the performance of these countries have been better, the same, or even worse had these institutions not existed?

Theories about the Functions and Benefits of International Institutions

Many international relations scholars have argued that countries should benefit from these institutions. States rationally decide to join them; therefore, they join only if the net benefits are greater than those offered by staying out of the organization. Membership is voluntary. The net utility derived from joining could be negative, but less negative than that incurred by remaining outside the institution. As Gruber has argued, if the most powerful states define the alternatives open to the developing countries and set up multilateral institutions, the developing countries can be better off by joining them than staying outside, but worse off than if the institutions never existed.[33]

The rush lately by all countries to join these institutions suggests that developing countries have found them to be more beneficial than the alternative of staying out, but it does not moot the question of whether they would be better off without any of these multilateral institutions in the first place. Four reasons are often theorized for the existence of these institutions: (1) constraining the great powers, (2) providing information and reducing transaction costs, (3) facilitating reciprocity, and (4) promoting reform in domestic politics.

Constraining the Great Powers

International institutions may exert a constraint on the underlying anarchy of the international system. They make the use of force and power by states to achieve their goals less likely; the rules, norms, and procedures established by these institutions replace to some extent the pursuit of national interest by power. Most importantly, as Ikenberry claims, they help to harness the behavior of the most powerful states.[34] By creating and complying with these institutions, the Great Powers, or hegemon, can reassure other states that they will not take advantage of them. The strongest bind themselves to a set of norms and rules that the other states voluntarily agree to accept.

Evidence for this effect is mixed. As the WTO points out, "trade is likely to expand and be more profitable under conditions of certainty and security as to the terms of market access and the rules of trade—precommitment around a set of rules also diminishes the role of power and size in determining outcomes."[35] This motivation is important in trade where countries with large markets, and hence market power, can use this to obtain more favorable trading arrangements in bilateral negotiations with smaller countries.

Nevertheless, critics maintain that developing countries have not gained much from the GATT trade rounds; most of the gains have gone to developed countries. Some scholars even allege that the trade rounds have allowed the developed countries to exploit the developing ones by engaging them in unfair agreements. As Stiglitz says, "previous rounds of trade negotiations [in the GATT/WTO] had protected the interests of the advanced industrial countries—or more accurately, special interests within those countries—without concomitant benefits for the lesser developed countries."[36] The unbalanced outcome of the recent Uruguay trade round is an important issue. "Several computable general equilibrium models have shown that the Uruguay Round results disproportionately benefit developed country gross domestic products (GDPs) compared to developing countries, and that some developing countries would actually suffer a net GDP loss from the Uruguay Round—at least in the short run."[37]

Developing countries have raised concerns about the equity of the outcome of this and other rounds. "With hindsight, many developing country governments perceived the outcome of the Uruguay Round to have been unbalanced. For most developing countries (some did gain), the crux of the unfavourable deal was the limited market access concessions they obtained from developed countries in exchange for the high costs they now realize they incurred in binding themselves to the new multilateral trade rules."[38] Others note that asymmetric outcomes are an intrinsic part of the GATT/WTO bargaining process. "[Trade] rounds have been concluded through power-based bargaining that has yielded asymmetrical contracts favoring the interests of powerful states. The agenda-setting process (the formulation of proposals that are difficult to amend), which takes place between launch and conclusion, has been dominated by powerful states; the extent of that domination has depended upon the extent to which powerful countries have planned to use their power to conclude the round."[39]

The counterfactual one must pose is the following: without the GATT or WTO would the developing countries be better off if they had to negotiate bilaterally with the large, rich countries? Multilateralism seems well suited to giving the developing countries a better outcome than would such bilateral negotiations.[40] "Multilateralism ensures transparency, and provides protection—however inadequate—against the asymmetries of power and influence in the international community."[41] It may not only place some constraints on the behavior of the large, developed countries, but it may also encourage developing countries to realize their common interests and counterbalance the rich countries. By giving them more political voice than otherwise, institutions like the WTO may enhance their capacity to influence outcomes.

Evidence of the constraining power of the IMF or World Bank is less apparent. Decisions in the IMF and World Bank are taken by weighted voting, with the rich countries—and especially the United States—having the lion's share of votes. Since the end of the fixed exchange rate system in the early 1970s, these institutions have basically collected funds from the developed countries and private capital markets to give to the developing ones under increasing conditions. Conditionality has been designed by these institutions with the tacit support of the developed countries, and it has been negotiated with the poor ones. Since the late 1970s few, if any, developed countries have not been subject to IMF programs; only the developing world has. Article IV of the IMF charter requires surveillance of all members and discussion of the problems in their fiscal and monetary policies, but since the late 1970s, de facto this has not applied to the developed countries.[42] The IMF has remarked on its own inefficacy: "Nowhere is the difficulty of conducting surveillance more apparent than in the relations between the IMF and the major industrial countries. Effective oversight over the policies of the largest countries is obviously essential if surveillance is to be uniform and symmetric across the membership, but progress in achieving that goal has been slow and hesitant."[43] It is difficult to argue that the IMF and World Bank constrain the exercise of power by the developed countries. Indeed, these multilateral institutions may enhance the capacity of the rich countries to collectively enforce their will on the poor countries, as Rodrik argues.[44]

Does their existence change the behavior of the rich? Without the two institutions, would the developed countries lend or donate as much as they do now? Does multilateral lending and aid substitute for or complement bilateral giving? Would the least well-off and the most politically insignificant countries be left to fend for themselves if they ran into economic crises, should the World Bank and IMF not exist? And would the terms of any aid or loans given bilaterally be worse for these countries than they are now? Evidence exists that bilateral aid tends to be more oriented toward the political and economic interests of donors than is multilateral aid.[45] Some critics of the IMF and World Bank claim that countries would experience fewer crises since they would be more attentive to their financial situation in the absence of the moral hazard presented by the existence of these multilateral organizations.[46] Others scholars have demonstrated that the distribution of aid and loans even with these institutions is weighted toward the economically better off and the politically more important developing countries.[47] For instance, Stone shows that in lending to the transition countries the IMF gave more and imposed lighter conditions on those states with stronger political ties to the United States.[48] Further, he shows how this political process undermines the credibility of the IMF's position and induces the recipient countries to ignore its conditionality. His research, however, does not really address the question of whether the IMF's presence affected the overall amount of lending or the allocation of those loans, relative to a situation where the Fund did not exist. These counterfactuals are essential for addressing questions about these multilateral institutions, but they are difficult to assess.

Providing information and reducing transaction costs

Following New Institutionalism theories, some argue that a major reason for these institutions is the lowering of transaction costs and the provision of information to facilitate multilateral cooperation in an anarchic world. As Keohane writes, international institutions "facilitate agreements by raising the anticipated costs of violating others' property rights, by altering transaction costs through clustering of issues, and by providing reliable information to members. [They] are relatively efficient institutions, compared to the alternative of having a myriad of unrelated agreements, since their principles, rules, and institutions create linkages among issues that give actors incentives to reach mutually beneficial agreements."[49] For him, international institutions also reduce uncertainty by monitoring the member states' behavior and allowing decentralized enforcement through reciprocity strategies.[50]

Scholars such as Anne Krueger have suggested just such an informational role for the IMF and World Bank.[51] Surveying and reporting on the policy behavior of member countries, providing information about the likelihood of crises, and being a repository of expert information are key roles for these institutions. The Meltzer Commission also emphasizes this role, and the most severe critics on the right imply that the IMF and World Bank should give up all roles except monitoring and providing expert information to member states. Others have noted the expertise role of the IFIs. "The World Bank is widely recognized to have exercised power over development policies far greater than its budget, as a percentage of North/South aid flows, would suggest because of the expertise it houses. . . . This expertise, coupled with its claim to "neutrality" and its "apolitical" technocratic decision-making style, have given the World Bank an authoritative voice with which it has successfully dictated the content, direction, and scope of global development over the past fifty years."[52]

The WTO has also been seen as an information-provision institution. It monitors and reports on the compliance of states with the commitments they have made to each other. This task reassures other member countries and domestic publics about the behavior of their political leaders, making cooperation more likely and sustainable.[53]

Informational arguments suggest that all states gain from participation in such institutions.[54] This mutual gain explains the voluntary participation of states in these multilateral forums. The expectation would be that developing countries join largely for these informational benefits, but there remains the issue of who provides what information for whose benefit. Are the developing countries providing more information than otherwise? Are the principal beneficiaries private investors in the developing countries or in the developed world, other domestic groups, or the institutions themselves? Do the IMF and World Bank provide developing countries with useful information about other members or with expertise that would otherwise be unavailable? These empirical questions have not been examined much.

One central complaint against the IMF and World Bank is that the policy advice they give (especially the "Washington Consensus" advice) has been unhelpful, if not detrimental, since it failed to take into account the circumstances of the developing countries.[55] The claim is that the policy expertise given (or imposed via conditionality) has not been beneficial. For instance, Stiglitz, Bhagwati, and others have all criticized the IMF for pushing the developing countries into opening their capital markets.[56] They have argued that little, if any, economic evidence or theory supports this, the consequences have been negative for most countries, and the main beneficiaries have been private investors in the developed world. As Stiglitz writes, "the [main] problem is that the IMF (and sometimes the other international economic organizations) presents as received doctrines propositions and policy recommendations for which there is not widespread agreement; indeed, in the case of capital market liberalization, there was scant evidence in support and a massive amount of evidence against."[57] Even the advice to open their economies to trade has not been unquestioned. Economic analysis shows that the impact of trade openness on economic growth can be positive but also insignificant.[58]

Easterly's book is also an indictment of the economic policy prescriptions of the Bank and Fund. Each chapter shows how the prevailing wisdom guiding economic policy prescriptions in the IFIs has either been proven wrong or never been attempted to be proven right or wrong. As he concludes, "in part II, we saw that the search for a magic formula to turn poverty into prosperity failed . . . Growth failed to respond to any of these formulas. . ."[59]

Vreeland's book supports these claims about the failed policy advice of the IMF. His research shows that IMF programs lower economic growth and redistribute income away from the most needy; the impact of conditionality is to retard development. As he concludes, this result means that either the IMF's policy prescriptions are incorrect or economic growth and poverty reduction are not the goals of the IMF. Stone's findings counter these; he shows that IMF programs do reduce inflation and return greater macroeconomic stability but only when they are not interfered with by political factors. Thus, even the informational value of the international institutions has been questioned.

Facilitating reciprocity

International institutions facilitate reciprocity strategies among countries in an anarchic environment. Cooperation in anarchy relies on reciprocity, but more cooperation can be sustained if it need not require simultaneous and perfectly balanced exchanges. "International regimes can be thought of in part as arrangements that facilitate nonsimultaneous exchange."[60] Bagwell and Staiger have developed the most rigorous claims about the importance of reciprocity for the international trading system.[61] If countries are sizable economic actors in world markets, then they can use trade policy to manipulate their terms of trade and gain advantages over their trading partners. If these big countries set trade policy unilaterally, they will arrive at an inefficient outcome, sacrificing the gains to be had from mutual trade liberalization. Reciprocity enhanced by the WTO's rules and monitoring can provide a context in which these big countries can achieve more efficient, cooperative outcomes. The main function of international institutions is to make reciprocity credible and feasible.

In the case of the large, rich countries in world trade this motivation seems apparent. The United States, European Union and Japan have used the GATT/WTO to enforce reciprocity strategies and lower their trade barriers. However, there is little evidence that this reciprocity has extended to the developing world. Many developing countries did not join the WTO until recently; most of the developing country members did not reciprocally liberalize their trade in the trade rounds.

> "In the period until the launch of the Uruguay Round and the formation of the WTO, only the industrial countries were meaningful participants in multilateral trade negotiations. They bargained amongst themselves to reduce trade barriers, while developing countries were largely out of this process and had few obligations to liberalize. The latter availed themselves of the benefits of industrial country liberalization, courtesy of the Most Favored Nation (MFN) principle, but that defined pretty much the limits of their contribution to or benefits from the General Agreement on Tariffs and Trade (GATT). Industrial countries were content with this arrangement, in part because it alleviated the pressure on them to liberalize sensitive sectors such as agriculture and clothing, but perhaps more importantly because the markets of developing countries were not at that stage sufficiently attractive."[62]

This situation is not unexpected. Theories about the value of reciprocity in trade depend on the assumption that the country is a large trader (that is, it can affect prices); for most developing countries, this is not a realistic assumption.[63] "Countries with small markets are just not attractive enough for larger trading partners to engage in meaningful reciprocity negotiations."[64] The 100 largest developing countries (excluding the transition economies) accounted for 29 percent of total world exports in 2003; the United States alone accounted for 10 percent, the EU (excluding intra-EU trade) for 15 percent and Japan for 6.5 percent.[65]

In addition, many of the developing countries received preferential access to developed countries' markets, as noted above. Ironically, this access has reduced their interest in reciprocal multilateral liberalization since it simply reduces their preference margins.[66] "The problem with granting preferential access in goods trade as the payoff to small and poor countries is that it is counterproductive and even perverse. Although preferential access does provide rents in the short run, the empirical evidence suggests that preferences do not provide a basis for sustaining long-run growth.[67] In addition, preferences create an incentive for recipients to have more protectionist regimes.[68] For most of the developing world then, ensuring reciprocity has not been a main function of the trade regime.[69]

Facilitating reform in domestic politics

Some scholars have speculated that joining an international institution and publicly agreeing to abide by its rules, norms, and practices has important domestic political consequences. It can help domestic leaders to alter policies at home that they otherwise would not be able to do. It can help them lock in "good" policies (that is, ones that enhance general welfare) and resist pressures by special interests to adopt "bad" policies (that is, ones that benefit special interests only). Or it can help domestic leaders to activate interest groups to counterbalance other groups' pressures and thus introduce different policies than otherwise.

Several logics exist to support these claims. For some, once leaders join an institution it becomes hard for them to violate its practices since leaders who do so tarnish their international reputations and are less capable of making new agreements; their publics lose from this and are more likely to evict the leader, making noncompliance more costly than otherwise.[70] Others argue that domestic publics receive signals from the monitoring of international institutions and that when the institution sounds a violation alarm, some domestic groups hear this and know their leaders are probably giving in to special interests and become more likely to vote them out of office.[71] For others the key is that achieving cooperative agreements with other countries brings advantages for some domestic groups that otherwise would not be involved in a change of policy; once their interests are engaged through the multilateral process, they can become strong proponents for policy change at home.[72]

Evidence for this binding effect is not extensive in the trade area. Mattoo and Subramanian, for instance, show that the poorest countries (roughly a third of all countries) have not used the WTO to make commitments. "For a vast majority of the poor and small countries, both the proportion of [tariff] bindings in the industrial sector is small and the wedge between actual and committed tariffs is large, indicating that countries have given themselves a large margin of flexibility to reverse their trade policies without facing adverse consequences in the WTO."[73]

Moreover, as others have noted, many of the developing countries chose to liberalize their trade regimes unilaterally.[74] That is, they decided to open their markets before joining the WTO; membership in the WTO was not necessary for them to liberalize. Once they liberalized, however, membership then became more important; it helped to prevent the raising of trade barriers.

The domestic political consequences of IMF and World Bank membership may be important but little research addresses this directly. Vreeland notes that countries underwent IMF programs out of choice as much as necessity. Governments were using the IMF to produce changes in policies that they desired, but unfortunately, these changes did not produce economic growth or poverty reduction. His analysis demonstrates that the programs were used instead to promote the welfare of capital owners, who tend to be the richest groups in developing countries and thus may have further hurt developing countries. Stone's analysis also shows that compliance with the IMF has been variable, and that, especially for important borrowers, domestic binding or compliance has been low. In sum, we do not know what the overall domestic effect of IMF and World Bank membership on countries has been.

Four Sources of the Problems with International Institutions

If the WTO, IMF, and World Bank do not provide the benefits for developing countries that scholars predict they might, what could explain this? Four claims have been advanced. Some argue that these institutions have minimal impact. Others argue that they are captured by either the powerful rich countries or by private producers and investors and so do not focus on the interests of the poor countries. Finally, the problems may lie with the internal organization and dynamics of the institutions themselves and the failure of the member countries to monitor their behavior.

1. No Impact. It may be that these institutions had little or no impact on the developing countries. Their fate could be far more sensitive to other forces, such as globalization and domestic politics.

Because of technological innovation, reduced communications and transportation costs, and policy changes, the developing countries have been increasingly exposed to the world economy.[75] But the capacity of the IMF and World Bank has not grown proportionately, and thus, they are less able to help, especially at times of crisis. "The IFIs seek to fulfill their role of technical and financial support, but the relative size of their financing remains low. They constitute only about 19 per cent of total debt outstanding by developing countries, and only 13 per cent among middle-income countries."[76] The developing countries have thus experienced increasing globalization while the IFIs capacity has not kept up with the rising demand for funds.

The debate over the impact of globalization on the developing countries is too vast to join here, but suffice it to say that many scholars have argued that globalization is having a large effect on such countries (whether it is positive or negative is much debated).[77] Globalization, however, is not disconnected from the WTO, World Bank, and IMF. These institutions were intended to help manage the process of integrating the developing economies into the world one. Nevertheless, the larger point is that globalization may have done more to affect these countries than these international institutions.

Others have attributed the outcomes of the developing countries to their own domestic problems. Political instability, corruption, civil war, lack of the rule of law, and authoritarianism are viewed as the bigger sources of their problems. Recent research touting the importance of domestic political institutions supports this line of argument. Without institutions that protect private property rights for broad segments of the population, growth is unlikely.[78] In this view, reforming domestic institutions is a first priority to promote sustained growth.[79] To the extent that the international institutions have advanced such institutional reform, they have helped the developing world. To the degree they have permitted developing nations to avoid or postpone such domestic change, they have hurt their prospects for development. From this perspective, it is essential not to attribute too much impact to the three international economic institutions. Much as realists in international relations maintain, these institutions may be more epiphenomenal; whatever impact they have, if any, is derived from their role in some larger political or economic structure.

2. Capture by the Powerful Developed Countries. For many scholars, Realists and others, these institutions were created by and for the interests of the large, rich countries. They were established at American initiative during its hegemony following World War II. American and European dominance in these organizations has been sealed by their sizable market power and their de facto control over the institutions' operations. Serving the interests of the advanced industrial nations has meant either that the interests of the poor countries were at best neglected and at worst damaged. "There are thus serious problems with the current structure and processes of global governance. Foremost among these is the vast inequality in the power and capacity of different nation states. At the root of this is the inequality in the economic power of different nations. The industrialized countries have far higher per capita incomes, which translates into economic clout in negotiations to shape global governance. They are the source of much-needed markets, foreign investments, financial capital, and technology. The ownership and control of these vital assets gives them immense economic power. This creates a built-in tendency for the process of global governance to be in the interests of powerful players, especially in rich nations."[80] In this view, the international institutions have not helped much since they are oriented to promote the interests of the developed countries.

This bias operates in a number of ways in each organization. World Bank aid has been questioned. It has been heavily used in sub-Saharan Africa, but this region has done least well. Scholars have argued that this aid has been used to prop up authoritarian governments and to continue with failed policies longer than they otherwise could have.[81] The link between the amount of aid a country received and its growth rate remains disputed; many find that aid alone has no significant impact on economic growth.[82] But aid flows have not been allocated to the neediest countries. Studies show that donor interests, both economic and foreign policy ones, often dictate which countries receive what aid, and when.[83] Countries with poor governments and policies may for other reasons receive large allocations of aid; the priorities of rich donors may undermine the developmental impact of aid.

According to other scholars, policy recommendations the developing countries were given reflected the experiences and interests of the rich countries. Trade liberalization promoted by the WTO and IMF occurred too quickly and without (enough) concern for finding alternative means for the poor countries to fund their budgets and develop social safety nets. For others, the problem is more how the agenda is set and how negotiating power is distributed. In the WTO, Steinberg shows the enormous power of the rich countries. "The secretariat's bias in favor of great powers has been largely a result of who staffs it and the shadow of power under which it works. From its founding until 1999, every GATT and WTO Director-General was from Canada, Europe, or the United States, and most of the senior staff of the GATT/WTO secretariat have been nationals of powerful countries. Secretariat officials' . . . actions have usually been heavily influenced or even suggested by representatives of the most powerful states. For example . . . the package of proposals that became the basis for the final stages of negotiation in the Uruguay Round. . .was largely a collection of proposals prepared by and developed and negotiated between the EC and the United States."[84]

IMF and World Bank conditionality programs mandating capital market liberalization, privatization and governmental austerity programs often ran aground because the developing countries did not have the financial or legal institutions to support such policies. These policies might work in the context of the developed world where these institutions existed. An example of this is Russia, which Stiglitz and Stone discuss in detail. They show that American government officials pushed the IMF to loan and continue loaning large sums to Russia, that the IMF promoted policy changes that the Russian political economy could not handle, and finally that American pressure undercut the ability of the IMF to induce Russia to reform. "The officials who applied Washington Consensus policies failed to appreciate the social context of the transition economies";[85] privatization in the absence of a legal framework of corporate governance only helped cause economic and political problems. Stone, who presents a more optimistic picture of the IMF largely because his central focus is on reducing inflation and not increasing growth or equality, shows that American influence on the IMF is pervasive and pernicious. In the Russian case, for instance, he claims that the IMF made some mistakes (for example, in advising capital market liberalization in 1996, which was pushed by the Americans) but that most of the problems came not from IMF advice but from Russia's failure to listen to the IMF. American pressure on the IMF and support for Russia were largely to blame for this outcome; Russian politicians knew that the IMF would never carry out their threats since the United States would never let them. Stone's identification of the credibility problems that big country interference with the IMF engenders is a novel and subtle mechanism for rich country influence on the developing world.

Pressure from the rich countries has been seen as causing the international institutions at times to provide unhelpful advice as well as to shift the agenda and negotiating outcomes away from those favorable to the developing world. Bhagwati notes that "the rush to abandon controls on capital flows . . . was hardly a consequence of finance ministers and other policy makers in the developing countries suddenly acknowledging the folly of their ways. It reflected instead external pressures . . . from both the IMF and the U.S. Treasury."[86] Thacker shows that the United States exerts a great deal of influence over which countries get IMF loans.[87] Countries voting similarly to the United States in the United Nations do better at the IMF. The literature on foreign aid also suggests that a country's relationship to powerful sponsors makes a difference. Countries tend to get more aid from all sources the more ties they have to powerful, rich countries, especially the once-colonial powers. Loans, aid, and advice may respond to the pressures of the most powerful developed countries, while trade agreements may promote the agendas and interests of these rich countries, but are these effects more or less likely when multilateral institutions exist than when these relations must be negotiated bilaterally?

3. Capture by Private Producers and Investors. Some have argued that the mission of the WTO, IMF, and World Bank have been increasingly dominated by the interests of private producers and investors.[88] Sometimes their influence over these institutions operates through the power of the United States and European governments, and other times it operates independently or even at cross purposes from the developed countries' interests. The impression given is that these commercial and financial interests have hijacked the agenda of these institutions and have turned them into enforcers of open access to the markets of the poor countries. Furthermore, globalization has increased the influence of these private actors. "The governance structure of the global financial system has also been transformed. As private financial flows have come to dwarf official flows, the role and influence of private actors such as banks, hedge funds, equity funds and rating agencies has increased substantially. As a result, these private financial agencies now exert tremendous power over the economic policies of developing countries, especially the emerging market economies."[89]

Stiglitz claims that "financial interests have dominated the thinking at the IMF, [and] commercial interests have had an equally dominant role at the WTO."[90] Even Bhagwati, who holds one of the most positive views about globalization, indicts the "Wall Street-U.S. Treasury complex" for many of the undesirable policies promoted by the international institutions and resultant problems they created for the developing countries.[91] Is there strong evidence for this? One area that many scholars have pointed to is the WTO's promotion of trade-related aspects of intellectual property rights (TRIPs), especially in drugs and pharmaceuticals. As Bhagwati claims, "the multinationals have, through their interest-driven lobbying, helped set the rules in the world trading, intellectual property, aid and other regimes that are occasionally harmful to the interest of the poor countries."[92] He notes that a key example of this harmful effect has been in intellectual property protection where "the pharmaceutical and software companies muscled their way into the WTO and turned it into a royalty-collection agency because the WTO can apply trade sanctions."[93] He goes on to describe how the industries lobbied to get their views onto the American trade policy agenda and then used the United States government to force this onto the WTO and the developing countries.[94]

The impact of private actors seems most well-documented in the case of the IMF. Gould's research, for example, shows that the number and nature of conditionality in the IMF have responded increasingly to private investors. Their influence has grown because such investors play such a prominent role in international financing. As she claims,

> many of the controversial changes in the terms of Fund conditionality agreements reflect the interests and preferences of supplementary financiers. The Fund often provides only a fraction of the amount of financing that a borrowing country needs in order to balance its payments that year and implement the Fund's recommended program. Both the Fund and the borrower rely (often explicitly) on outside financing to supplement the Fund's financing. This reliance gives the supplementary financiers some leverage over the design of Fund programs. The supplementary financiers, in turn, want to influence the design of Fund programs because these programs help them ensure that borrowers are using their financing in the ways they prefer.[95]

Perhaps international economic institutions like the IMF, World Bank, and WTO are a means for private actors to affect policies in the developing countries, particularly when globalization is high. Scholars "have pointed out that liberal international regimes improve the bargaining power of private investors vis-à-vis governments and other groups in society."[96] Again, the counterfactual deserves consideration: would the developing countries have been more or less subject to the pressure of private capital if these institutions had not existed?

4. Internal Dysfunctions and Failure of Accountability. Some scholars have been sensitive to the internal dynamics of the institutions themselves. They claim these organizations have developed their own internal logics, which may not serve the interests of the poor (or rich) countries. Effective control over them by either the advanced industrial countries or the developing ones may be difficult; long chains of delegation allow them much slack and make adequate monitoring of their behavior costly.[97] Principal-agent models suggest such outcomes are especially likely when multiple principals (that is, countries) try to control a single agent (that is, the institution); in these situations, the ability of the bureaucracy to play off different countries' interests and to avoid monitoring is maximized. Unlike the previous explanations that treated international institutions as mere servants of either powerful states or private producers and investors, this claim gives the organizations broad independence and wide latitude for autonomous action.

Vaubel has been one of the foremost proponents of this view.[98] He produces evidence showing that bureaucratic incentives within the IMF and other international institutions lead to policies and practices inappropriate for their stated purposes. Concerns over career advancement and budget size induce actors within these agencies to focus on making loans and giving aid, but not on monitoring the results. Giving more loans and aid is always preferred to giving fewer, and recipients know this and use it to extract more. "If both institutions [that is, the IMF and World Bank] are left to themselves, they will likely revert to internal bureaucratic politics determining loans. The act of making loans will be rewarded rather than the act of helping the poor in each country."[99]

As noted by Barnett and Finnemore, the IR literature has tended to take a benign view of international organizations, viewing them as instruments for facilitating cooperation and making efficient agreements.[100] But "IOs often produce undesirable and even self-defeating outcomes repeatedly, without punishment much less dismantlement . . . In this view, decisions are not made after a rational decision process but rather through a competitive bargaining process over turf, budgets, and staff that may benefit parts of the organization at the expense of overall goals."[101] For instance, they point to the case of the World Bank: "Many scholars and journalists, and even the current head of the World Bank, have noticed that the bank has accumulated a rather distinctive record of 'failures' but continues to operate with the same criteria and has shown a marked lack of interest in evaluating the effectiveness of its own projects."[102] A series of internal problems could be responsible thus for the performance of these institutions vis-à-vis the developing countries.

These four problems are not exclusive or exhaustive. Enumerating them is important. Figuring out which problems affect which institutions seems important and understudied. Moreover, the type of reform desired depends on the problem. For example, Stone recommends further insulation of the IMF from the pressures of the donors, especially the United States. He wants the IMF to be more like an independent central bank. Insulation is desirable if the main problem is that they are too easily pressured by the rich countries or by private investors. Stiglitz, among others, however, has the opposite view. He thinks they should be more transparent and open to developing-country influence. Studies of bureaucracy in general see insulation as necessary, if undesirable, outside influences are strong and leaders are tempted to yield to them; but they see insulation as the problem itself if the bureaucracy's unaccountability and standard operating procedures are the failings. If the IMF's problem results mainly from its own internal organization and logic, then further insulation is only going to worsen the problem. Without further systematic evidence about the sources of these institutions' main problems in delivering benefits to the developing countries, reform proposals may do more harm than good.

In sum, today's international economic institutions seem to be falling short of the goals that theories expect of them, and the reasons seem numerous. The current state of our knowledge does not warrant advocating the abolition of these international institutions, however. They appear to provide some benefits to the poor countries over the most likely counterfactual scenarios. But they probably could be reformed to provide even greater benefits.

International Justice and Institutions: Normative Perspectives

Empirical assessments of the impact of international institutions on the developing countries provide a baseline for discussion of the role that these institutions should play. It bears a moment to ask about the normative side of this question: should, and to what extent should, these institutions be responsible for addressing the interests of the developing world? Discussions of international distributive justice have multiplied lately as globalization has spread and the divergence between the fortunes of the rich and poor seems to have grown.[103]

The debate over the extent to which distributive justice concerns apply is a large and important one, and this essay is not the place to reiterate it. I do not desire to take a stance in this debate, but rather to expose what the debate has to offer for thinking about the role that the international institutions should play. I discuss the cosmopolitan perspective more because it seems to have more to say about these institutions. This debate revolves around the question of how far the moral obligations of the rich extend. Rawls has famously argued that distributive justice (and especially his difference principle) does not apply globally; it only extends domestically to "well-ordered" societies.[104] As Nagel claims, "the ideal of a just world for Rawls would have to be the ideal of a world of internally just states."[105] For "burdened societies," which include most of the developing world, the well-ordered countries have only a "duty of assistance." The meaning of this duty is not clear, but it is not a claim to distributive justice. For Rawls, the main problem of burdened societies is not wealth or resources;

it is their political and social culture.[106] The duty of assistance seems to call most for improving the observation of human rights in these countries and not in rectifying their economic policies or reducing inequalities. Furthermore, once the world's poor have become free and equal citizens within a reasonably liberal society, this duty is fulfilled; it does not require that countries reach a certain standard of living or a low level of inequality.[107]

Since promoting human rights and creating well-ordered liberal societies have not been central missions of these three international institutions, it is unclear how Rawls would judge them.[108] Although he recognizes the existence of negotiated international arrangements governing matters such as trade and finance, Rawls pays very little attention to the extent of their influence in the economic and political lives of domestic societies, and does not seriously consider the extent to which they constitute a phenomenon at the international level analogous to that of the "basic structure" of domestic societies.[109]

In contrast, the cosmopolitan perspective on global justice makes three important points.[110] First, distributive justice must be conceived globally, not just nationally. Second, the counterfactual assessment of these institutions used in empirical analysis is not sufficient to evaluate their performance on global distributive justice grounds. Third, because of these claims, research into development and international institutions must be changed.

1. Distributive Justice Is Global. The first claim of the cosmopolitan view is that distributive justice must be conceived on a global level, not just a national one; it is universal. Theory and factual conditions lead to this position. Rejecting Rawls and other "nationalist" theories, theorists of global justice argue that no consistent logical argument can be sustained that limits justice to the domestic sphere.[111] Barry's notion of justice as impartiality is a main foundation for this view.[112] But Pogge also advances the power of moral universalism. He claims that "Rawls runs afoul of moral universalism . . . [since] he fails to meet the burden of showing that his applying different moral principles to national and global institutional schemes does not amount to arbitrary discrimination in favor of affluent societies and against the global poor."[113]

Using Rawls' own idea of the "basic structure," Buchanan in a recent critique shows that a global basic structure exists, which is composed of "regional and international economic agreements (including General Agreement on Tariffs and Trade, North American Free Trade Agreement, and various European Union treaties), international financial regimes (including the International Monetary Fund, the World Bank, and various treaties governing currency exchange mechanisms), an increasingly global system of private property rights, including intellectual property rights that are of growing importance as technology spreads across the globe, and a set of international and regional legal institutions and agencies that play an important role in determining the character of all of the preceding elements of the global basic structure."[114] If this structure exists, then "like a domestic basic structure, the global basic structure in part determines the prospects not only of individuals but of groups, including peoples in Rawls's sense. It is therefore unjustifiable to ignore the global basic structure in a moral theory of international law—to proceed either as if societies are economically self-sufficient and distributionally autonomous . . . or as if whatever distributional effects the global structure has are equitable and hence not in need of being addressed by a theory of international distributive justice."[115] Theoretically, moral universalism and justice as impartiality both imply that theories of domestic justice have global reach.

Other theorists make this argument by relying on factual claims. Globalization itself creates the need for a global theory of justice. The increasing integration of national economies into a global one means that all countries are increasingly affected by what goes on in the others. We are now "one world" to use Peter Singer's phrase; gone are the days of the Westphalian system of individual states.[116] States are not separate, self-contained units that can implement autonomously their own principles of justice; their internal situation is affected by international factors. "These institutional interconnections—an important aspect of globalization—render obsolete the idea that countries can peacefully disagree about justice, each committing itself to a conception of justice appropriate to its history, culture, [etc.] In the contemporary world, human lives are profoundly affected by non-domestic social institutions—by global rules of governance, trade and diplomacy, for instance . . . in light of . . . these changed circumstances, then we must aspire to a single, universal criterion of justice which all persons and peoples can accept as the basis for moral judgments about the global order."[117]

Furthermore, the argument that the advanced, industrial countries are not responsible for the developing countries' problems because these problems were caused by factors internal to the developing nations is untenable in such a world. As Beitz says, "it is not even clear that the question [about the relative importance of domestic versus international causes of development] is intelligible as it arises for contemporary developing societies which are enmeshed in the global division of labor: a society's integration into the world economy, reflected in its trade relations, dependence on foreign capital markets, and vulnerability to the policies of international financial institutions can have deep and lasting consequences for the domestic economic and political structure. Under these circumstances, it may not even be possible to distinguish between domestic and international influences on a society's economic condition."[118]

Pogge goes further and shows in two specific ways how the international system directly affects economic and political outcomes in the developing world. He identifies the "international resource privilege" and the "international borrowing privilege" as critical forces in shaping developing countries; furthermore, he shows that they are sustained by the current global system and the developed countries' interests in that system. These forces harm the developing countries, and the rich countries are responsible for these privileges.

Pogge proceeds in three steps. In the current international system, any group that controls the preponderance of the means of coercion in a country is internationally recognized as the legitimate government, no matter how it came to power, how it exercises power or whom it represents. Once recognized, this government has the legal power to confer domestic and global ownership rights to all of the country's resources. It possesses the right to sell the country's resources and to borrow money for whatever purposes it decides. Given this situation, all domestic groups are thereby encouraged to lay claim to the leadership of a country, thus providing powerful incentives toward coups and civil wars. These privileges often mean that a country's resources are sold off and it borrows heavily to the benefit of a few individuals and the long-term detriment of the public. As Pogge claims, these "two aspects of the global economic order, imposed by the wealthy societies and cherished also by the authoritarian rulers and corrupt elites in the poorer countries, contribute substantially to the persistence of severe poverty. . . . These global factors thereby strongly affect the overall incidence of oppression and poverty and also, through their greater impact on the resource-rich countries, international differentials in oppression and poverty."[119] The advanced industrial countries and the international institutions they set up are then responsible not only because they maintain the current international system and its rules but also because they freely buy the goods sold by such corrupt and unelected governments and offer them loans. Thus for theoretical and empirical reasons, distributive justice must be cosmopolitan in scope; and the role of international institutions must be scrutinized from such a moral perspective.

Rawls and his defenders do not accept this position.[120] While space does not permit recapitulating the debate, they have made two strong counterarguments. They maintain that the principles of justice do not extend across peoples. A central part of their argument is that states are valuable. Justice is relevant only within states because individuals within them consent to be governed by certain principles and agree to be coerced, if need be, into doing so. The individualistic perspective of cosmopolitanism is wrong; it greatly "underrates the moral significance of political communities."[121] As Rawls says, "an important role for government, however arbitrary a society's boundaries may appear from a historical point of view, is to be the effective agent of a people as they take responsibility for their territory and the size of their population, as well as for maintaining the land's environmental integrity."[122] Not only this, in well-ordered societies self-government creates and depends on "common sympathies" and strong reciprocal moral obligations. "Citizens have powerful obligations of mutual concern and respect to one another because the political institutions for which they are all responsible determine patterns of opportunities and rewards for all."[123] Justice in this perspective is relevant only domestically.

As a second point, they maintain that domestic factors, not international ones, are the source of the plight of the developing countries. Domestic defects have prevented some of the developing countries from moving forward, and these domestic problems are unrelated to the rich countries. The rich countries have neither caused harm in the developing ones, nor can they rectify problems in the poor countries. There is no basic structure that links the fates of the developed and developing nations. If one accepts the position of the Rawlsians and "nationalists", then the next two points are irrelevant; the only obligation of the international institutions is the duty of assistance, as discussed above.

2. Current Counterfactual Assessments are Insufficient. Another element of cosmopolitan normative argument concerns the evaluation of the IMF, World Bank and WTO. Above, we evaluated the institutions on the basis of the counterfactuals that arise from comparison cross-nationally and longitudinally. Did these institutions leave the developing countries better off than they would have been in a world without their presence? Pogge and Singer, among others, reject this standard of evaluation (for slightly different reasons). For them, a positive answer to this counterfactual is *not* sufficient to conclude that the present international system is a moral one. To decide whether these institutions are just requires more.

For them, another question must be asked: could one design another international system or reform the current international institutions so as to provide greater benefits for the poor countries at very low cost to the developed countries? This moral standard follows that proposed by Singer more than thirty years ago.[124] Singer's "two conclusions [then were] the strong one that affluent people's not contributing money or time to voluntary international aid agencies is immoral, in the same way that a bystander's failing to save a drowning child would be immoral, and the stronger one that noncontribution to such agencies only ceases to be wrong when one has reduced oneself to a level such that any further sacrifice would actually be worse for those whom one is trying to help."[125] The right standard for judging these institutions is whether reforms in them could be easily made that would provide greater benefits for the poor at minimal cost to the rich. For Singer, the rich countries have a *positive* duty to help the poor and one that is very extensive.

For Pogge, the counterfactual is similar but his case rests on the *negative* duty that the rich countries are obligated to stop taking actions that hurt the poor. This normative case again rests on empirical evidence. As noted above, poverty and inequality globally remain widespread, and in some views they are increasing. Furthermore, as noted above, the wealthiest countries have been getting wealthier and often doing so even faster than the poor ones. This means that the rich countries have even more resources with which to help the poor, and the poor because they are so poor can be helped easily. The poorest 2.8 billion people, or 46 percent of humankind, have 1.2 percent of aggregate world income now; the richest countries with 900 million in population have almost 80 percent of world income.[126] Achieving the UN Millennium Summit goals, which include halving the number living on $1 a day or less, would cost about $40–60 billion a year in extra aid, which is less than 1 percent of the rich countries' total annual income.[127] Hence, he claims that for very little the rich countries could dramatically help the poor, and thus concludes that the current international order requires reform.

For the international institutions, the issue is whether they could be changed in ways that would improve the lives of the absolute poor without much impact on the developed countries. Pogge, Singer, Beitz, and others claim the answer is a resounding yes. "What matters for a moral economic assessment of an economic order under which many are starving is whether there is a feasible institutional alternative under which such starvation would not occur."[128] These scholars do not see the counterfactual used in empirical analysis as morally compelling. "Suppose poverty and poverty deaths are actually less now than they would be if the WTO had not been concluded. It is tempting to infer that the new regime is then benefiting the poor, since it treats them better than the old one would have done. But this reasoning fails by unjustifiably taking the continuation of the old regime as the neutral baseline. . ."[129]

The problem lies not with the developing countries for accepting the WTO, since they have little choice, but with the WTO and the developed countries for crafting the regime so that it does not help the poor more. The developed countries could have negotiated a different WTO agreement, one fairer to the poor with little cost to themselves. "Perhaps even more millions who would have died from poverty-related causes had [the WTO regime not existed] have in fact survived [with the WTO in place]. Governments [in the rich countries] cannot use this benefit to justify the harm they caused, because they could have avoided most of this harm, without losing the benefit, by making the WTO treaty less burdensome on the developing countries. They did not do this because they sought to maximize [their] gains from the agreement."[130]

Relinquishing a small portion of their gains, he claims, the developed countries at low cost could have fashioned a WTO providing many more benefits to the poor. The same is said to be true for the IMF and World Bank, where if the developed countries and the institutions themselves did not bargain for maximum advantage, the developing countries could do better. The proliferation of conditionality that Gould documents in the IMF is one example; the imposition of austerity by the IMF leading to slow or negative growth and rising domestic inequality that Vreeland documents is another. Furthermore, refusing to give aid to or loan to governments that come to power through coups or other nondemocratic means might alleviate the problems generated by the international resource and borrowing privileges. As Pogge concludes, "our present global economic order produces a stable pattern of widespread malnutrition and starvation among the poor, with some 18 million persons dying each year from poverty-related causes, and there are likely to be feasible alternative regimes that would not produce such similarly severe deprivations."[131] In arriving at a normative assessment of the IMF, World Bank, and WTO, Pogge among others claims that one might need to use a standard of moral judgment that is different from the usual counterfactual that scholars employ in positive analysis.

3. The "Nationalist" Research Agenda Must Change. Pogge labels much of the current research on the developing countries as "nationalist." He argues that there is a research bias in the field such that domestic and local factors are more likely to be identified as causes of poverty and underdevelopment than global ones. "That research into poverty turns up national or local factors is due not the world but to how these inquiries are focused: on the differential evolution of poverty in various developing countries and regions. . . . It would be an analogous mistake to conclude, from the fact that comparative poverty research uncovers national and local factors, that the existing global economic order is a not a causal contributor to poverty."[132] Pogge thus criticizes this "explanatory nationalism" and calls for more research into the *global* sources of poverty.

Comparative research into poverty and growth should thus include international variables. For instance, economists and political scientists have run many growth regressions, based largely on economic models and including mainly national-level variables. Pogge's recommendation would be to add international variables like the participation of countries in the WTO, IMF, or World Bank and their programs. He would applaud Vreeland's research, while calling for an even broader approach. He recognizes that many of these international factors are constant; the international resource privilege has existed since the Treaty of Westphalia (1648), for example. But the interaction of such factors with national-level ones that vary can increase one's leverage on these problems. "Corruption in Nigeria is not just a local phenomenon rooted in tribal culture and traditions, but encouraged and sustained by the international resource privilege. . . . This correlation has a 'nationalist' explanation: national resource abundance causes bad government and flawed institutions by encouraging coups and civil wars . . . But this nationalist explanation crucially relies on a global background factor, the international resource privilege, without which a poor country's generous resource endowment would not handicap its progress toward democratic government and economic growth."[133]

His research advice is not just to add or take account of international factors but also to examine them in interaction with domestic ones. Maybe the impact of resource endowments on growth depends on the existence of the international resource privilege.[134] When these international factors vary either over time or across countries, their inclusion and interaction with domestic factors is good advice. After all, in this globalized world, conducting research on countries integrated into the global system without taking account of those global linkages is a strategy that can mislead. His research advice is simple and feasible in many cases: avoid the "explanatory nationalist" bias by including international variables and their interactions with domestic ones in order to properly assess the sources of poverty and development.

Conclusions: What Is to Be Done?

What do we know about the impact of the major international economic institutions, the IMF, World Bank, and the WTO, on the developing countries? Have these institutions improved the lives of the poor in these countries? Have they made the developing countries better off than they would have been in the absence of these global institutions? Is this counterfactual the appropriate standard to evaluate them by? What is the moral obligation of the rich countries and their international institutions to the poor ones? Should the institutions be reformed to better fulfill their "duty of assistance" to the poor? Or is a better standard for their evaluation one that asks whether the institutions could be reformed at low cost to the rich countries so that they would provide more benefits to the poor ones? How do normative and positive analyses together shed light on these institutions?

In terms of the four major functions that theories of international institutions identify, these three global institutions seem to have failed to live up to the expectations of these theories in their impact on the developing countries. They have had a difficult time constraining the large, developed countries; most of the time these countries have bargained hard to maximize their advantage vis-à-vis the developing nations. Perhaps they have left the developing countries better off than if they had to negotiate bilaterally for access to trade, aid, and loans, but it seems as if these institutions could have bargained less hard with the developing countries at little cost to themselves or the developed countries and thus provided more benefits for the poor.

The IMF, World Bank, and WTO have certainly helped provide monitoring and information. But the monitoring and information provision have been asymmetric; it is the developing countries that are monitored and provide more information than otherwise. This action, however, may make the developed countries and private investors more likely to trade with, invest in, and provide loans to the poor countries, but the terms of these agreements have often imposed multiple and powerful conditions on the developing countries that may have impeded their growth.

Facilitating reciprocity has been a central function attributed to international institutions. For these three organizations, reciprocity vis-à-vis the developing world has not been a central mission; trade agreements have often been very asymmetric and the aid and lending programs are one way. Finally, the ability to alter domestic politics by creating support or locking it in for reform has been less studied, but seems to clearly have had an impact. The impact of the international institutions on the developing countries and their domestic situation has been powerful but not always benign.

The difficulties faced by the international institutions in providing benefits for the developing countries have arisen from at least four sources. It may be the case that globalization has simply overwhelmed these institutions and that their impact is minor compared to other factors, especially with a large and open world economy, and it is likely that domestic weaknesses account for part of their poor performance. But their problems may also lie in the pressures exerted by the large, developed countries and private producers and investors. Both of these groups have shaped the functioning of the WTO, IMF, and World Bank. The powerful, rich countries have bargained hard within these institutions to advance their own interests. Private producers and investors have directly and indirectly affected the performance of the institutions through their central role in the world economy. All of these institutions were established to support and facilitate private trade and capital flows, not to supplant them. Finally, one cannot overlook the claim that part of the problems arises from the internal organization and procedures of the institutions themselves. Making loans and imposing conditions may be more important for career advancement than measuring the impact of these activities on the developing nations.

Positive, empirical research asks the question of whether the developing world would have been better or worse off with the presence of these international institutions than without them. The evidence suggests that even though problems abound with the institutions, one cannot rule out the counterfactual: without these institutions many developing countries could be worse off as they faced bilateral negotiations with the most powerful countries. Thus, advocating their abolition is premature.

Nevertheless, one has to ask if this question is the right one. Arguments from one stream of moral philosophers imply that it is not. Cosmopolitan versions of global distributive justice see this question as insufficient. They propose one ask whether these institutions could be reformed at low cost to the wealthy countries to provide more benefits to the poor. Are these institutions the best feasible ones that could help the developing countries without imposing large costs on the developed ones?

By many accounts, the answer is negative. A number of feasible and low cost reforms could be enacted that would render these institutions much more helpful to the poor at limited cost to the rich. Pogge makes such a case for the WTO.[135] By the standards posed in global distributive justice arguments, reforming the international institutions is imperative. Interestingly, normative and positive analyses sometimes agree; some international economists such as Bhagwati and Stiglitz propose similar reforms.

In addition to policy implications, several ramifications for future research arise from the arguments surveyed here. Pogge's point about the "nationalist" research agenda in the field is salient. His prescription that we include more international factors in research on the sources of poverty and economic and political development is not unfamiliar and seems a worthy one. Including global factors and their interactions with domestic ones in comparative studies is an important step that cannot be emphasized enough.

The field would benefit from more research on the actual effects of international institutions, rather than debates about whether they are autonomous agents. More empirical research on the ways in which these institutions function and on the forces that prevent them from functioning as our theories predict is essential. This is particularly the case vis-à-vis the developing countries, many of whom do not have the capacity to evaluate the impact of these institutions on their fortunes. "Identifying who gains and who loses from existing policies is important both to determine the need for policy change and to build support for such change. For example, documenting how specific OECD policies hurt the poor both at home and in developing countries can have a powerful effect on mobilizing support for welfare improving reforms. . . . Building coalitions with NGOs and other groups that care about development is vital in generating the political momentum that is needed to improve access in sensitive sectors and improve the rules of the game in the WTO."[136] Generating greater academic knowledge thus may contribute vastly to producing better policy and outcomes, which may be a moral imperative given the grave problems of the developing countries.

Notes

1 Stiglitz 2002, 3.

2 For example, Keohane 1984; Ikenberry 2001.

3 Counterfactuals are defined as "subjunctive conditionals in which the antecedent is known . . . to be false" (Tetlock and Belkin 1996, 4). A critical issue is how can one know what would have happened if the antecedent was false, that is, if factor X, which was present, had not been present. This problem of cotenability, identified by Elster (1978) early on, remains crucial: counterfactuals require connecting principles that sustain but do not require the conditional claim, and these connecting principles must specify all else that would have to be true for the false conditional claim to have been true.

4 Tetlock and Belkin 1996.

5 Beitz 2005, 26.

6 Easterly 2001b, 143.

7 Boughton 2001.

8 Vreeland 2003, 1.

9 In fiscal 2003, IBRD provided loans totaling $11.2 billion in support of 99 projects in 37 countries. In 2003, the grant arm of the Bank, the International Development Association (IDA), provided $7.3 billion in financing for 141 projects in 55 low-income countries (World Bank *Annual Report* 2004).

10 In the fourteen years between 1980 and 1994, Ghana received nineteen adjustment loans from the IMF and World Bank; Argentina, fifteen; Peru, eight; and Zambia, twelve (Easterly 2001a, 104–5).

11 WTO, World Trade Report 2003.

12 Studies show that WTO membership by developing countries has had little, if any, impact on the level of either their trade flows or their trade barriers (Rose 2002; Rose 2004; Milner with Kubota 2005; Subramanian and Wei 2003; Özden and Reinhardt 2002; Özden and Reinhardt 2004). Many developing countries were members of the GATT but retained very high trade barriers.

13 Defining development itself is an issue. Sen (2000) provides an excellent discussion and a rationale for a broad conception.

14 International Labor Organization 2004, 33.

15 Easterly 2001a, 102–3.

16 Easterly 2001b; Easterly 2001a, 101.

17 Chen and Ravaillon 2005, table 2.

18 Pogge 2002, 2.

19 This data from World Bank WDI 2003 is measured in 1995 $ using the chain method. Using constant dollar purchasing power parity data from the World Bank, the number of countries whose GNP per capita was lower in 2000 than in 1975 rises to 37, most in Africa, then Latin America and the Middle East. Even this calculation is likely to understate the problem; the worst off countries are most likely not to have any data, for example, Afghanistan, North Korea, Yemen, and Somalia.

20 UNDP 2004, 132.
21 Easterly 2001a, 60.
22 World Bank 2004, 43.
23 Pritchett 1997.
24 Easterly 2001a, 62.
25 The debate over whether inequality is falling or rising is too extensive to reproduce here. The answer depends on how it is measured (for example, Sala-i-Martin 2002a and Sala-i-Martin 2002b).
26 Loser 2004, 2.
27 UNDP 2004, 129.
28 Pogge and Reddy (2005) dispute these poverty figures, claiming they understate absolute poverty greatly.
29 World Bank 2004, 46. Even excluding China, this ratio fell from 27 percent to 23 percent. China joined the IMF and World Bank in 1980 and used their facilities often for the first fifteen years or so. It acceded to the WTO in 2003.
30 World Bank 2004, 46.
31 See Aisbett (2005) for a discussion of different interpretations of the data on globalization and poverty.
32 World Bank 2004, 40.
33 Gruber 2000.
34 Ikenberry 2001.
35 WTO 2003, xviii.
36 Stiglitz 2002, 61.
37 Steinberg 2002, 366.
38 ILO 2004, 33.
39 Steinberg 2002, 341.
40 If the large countries compete for access to the small countries' markets in a bilateral system, the small may find advantages. The recent Mercosur negotiations with the EU for a PTA have had an impact on the US position in its negotiations with the Mercosur countries for the Free Trade Area of the Americas.
41 ILO 2004, 6.
42 It is not clear that the IMF would tolerate some of the recurrent practices of the developed countries; many have run persistent government budget and current account deficits of a magnitude that the IMF condemns in the developing countries.
43 Boughton 2001, 135–36.
44 Rodrik 1996.
45 For example, Maizels and Nissanke 1984; Lumsdaine 1993; Milner 2004.
46 For example, Meltzer 2000. Moral hazard is a situation in which doing something for someone changes their incentives to help themselves. The common example is home insurance; when owners have insurance that fully replaces their house, they may be less attentive to making sure it does not burn down.
47 For example, Alesina and Dollar 2000.
48 Stone 2002.
49 Keohane 1984, 97.
50 These arguments tend to overlook the distributional effects of institutions, and to focus on the mutual gains from cooperation within the institution. See Martin and Simmons 1998.
51 Krueger 1998.
52 Barnett and Finnemore 1999, 709–10.
53 For example, Mansfield, Milner and Rosendorff 2002; Milner, Rosendorff and Mansfield, 2004.
54 Keohane is ambivalent, arguing throughout much of the book that membership is voluntary and rational, meaning members should be better off than otherwise if they join and remain. But in his final chapter, he notes that these institutions reflect the interests of the rich countries, and that while the poor countries gain from them, they might gain more if they were reformed (1984, 256).
55 "Many critics of the IMF's handling of the Asian financial crises have argued that the IMF inappropriately applied a standardized formula of budget cuts plus high interest rates to combat rapid currency depreciation without appreciating the unique and local causes of this depreciation. These governments were not profligate spenders, and austerity policies did little to reassure investors, yet the IMF prescribed roughly the same remedy that it had in Latin America. The result, by the IMF's later admission, was to make matters worse" (Barnett and Finnemore 1999, 721).
56 Stiglitz 2002, chap. 3; Bhagwati 2004, 204.
57 Stiglitz 2002, 220.
58 For example, Sachs and Warner 1995; Frankel and Romer 1999; Rodriguez and Rodrik 2001; UNCTAD 2004.
59 Stiglitz 2002, 143.
60 Keohane 1984, 129.
61 Bagwell and Staiger 2002.
62 Mattoo and Subramanian 2004, 6.
63 Mattoo and Subramanian (2004) survey 62 small and poor countries, which account for about one-third of the world's total countries but they individually account for less than 0.05 percent of world trade, and collectively for only 1.1 percent of global trade. China is the only developing country that has a significant share of the world market; its share of world exports has risen from less than 1 percent in 1980 to 6 percent in 2003.
64 Mattoo and Subramanian 2004, 11.
65 WTO, International Trade Statistics, 2004.
66 Mattoo and Subramanian 2004, 19.
67 Romalis 2003.
68 Özden and Reinhardt 2004.
69 The IMF and World Bank do not seem to play much of a role in enforcing reciprocity. As noted before, they obtain their funds and mandates from the developed countries and do their lending and

aid giving in the developing world. The symmetric treatment of rich and poor countries is not evident.

70 E.g., McGillivray and Smith 2000.

71 For example, Mansfield, Milner and Rosendorff 2002.

72 For example, Gilligan 1997; Bailey, Goldstein and Weingast 1997.

73 Mattoo and Subramanian 2004, 11.

74 For example, Milner with Kubota 2005.

75 Their trade dependence has grown significantly from approximately 50 percent in 1960 to over 80 percent in 2000, or nearly a 60 percent increase, for the about 80 developing countries accounting for more than 70 percent of world population.

76 UNCTAD, Ext Debt #24, 2004, 2.

77 For example, Rodrik 1997; Kaufman and Segura-Ubiergo 2001; Adsera and Boix 2002; Mosley 2003.

78 For example, Acemoglu, Johnson, and Robinson 2001; Acemoglu, Johnson, and Robinson 2002; Rodrik, Subramanian, and Trebbi 2002; Easterly and Levine 2002.

79 For example, Acemoglu, Johnson, and Robinson 2001; Acemoglu, Johnson, and Robinson 2002; Rodrik, Subramanian, and Trebbi 2002; Easterly and Levine 2002. The causes of differential growth may lie in international politics. The way in which the great powers colonized the developing countries centuries ago is strongly related to their growth prospect now. It is not easy to disentangle domestic and international factors.

80 ILO, 2004, 76.

81 For example, Bueno de Mesquita and Root 2002; Van de Walle 2001.

82 For example, Burnside and Dollar 2000; Easterly 2003.

83 For example, Schraeder et al. 1998; McKinlay and Little 1977; McKinlay and Little 1978; Alesina and Dollar 2000.

84 Steinberg 2002, 356.

85 Stiglitz 2002, 160.

86 Bhagwati 2004, 204.

87 Thacker 1999.

88 The articles of agreement of the IBRD and the IMF give as one of their main purposes the promotion of private foreign investment in the developing countries. So it is not a surprise that the two institutions are susceptible to pressures from private investors.

89 ILO 2004, 35.

90 Stiglitz 2002, 216.

91 Bhagwati 2004, 205.

92 Bhagwati 2004, 182.

93 Bhagwati 2004, 182.

94 Chaudhuri, Goldberg, and Jia (2003) show in a sophisticated counterfactual analysis that in a key segment of the pharmaceuticals market in India, the losses to Indian consumers are far greater than the increased profits of foreign producers from the introduction of TRIPs.

95 Gould 2004, ch8, p. 1. For Gould, supplementary financiers are both public and private actors.

96 Keohane 1984, 253.

97 For example, Vreeland 2003, 157.

98 Vaubel 1986; Vaubel 1996.

99 Easterly 2001a, 290.

100 Barnett and Finnemore 1999, 701.

101 Barnett and Finnemore 1999, 701, 717.

102 Barnett and Finnemore 1999, 723.

103 Other normative standards besides justice can be used to evaluate these institutions; examples are accountability and legitimacy (Grant and Keohane 2005) and democracy (Kuper 2004).

104 Rawls 1999.

105 Nagel 2005, 115.

106 Rawls 1999, 108, 117.

107 Rawls 1999, 119. As Beitz (2005, 21) says, Rawls's argument "yields a reason why citizens in rich countries should support policies aimed at helping at least some poor societies to improve the living standards of their people. Rawls does not understand these as reasons of distributive justice, but he does not appear to regard them as reasons of beneficence either. The puzzle is to say what kinds of reasons they are."

108 Others, such Risse (2004a, b), have tried to work out Rawls's argument in more detail. In Risse's view, the duty of assistance means that the rich countries only need to help the burdened ones to develop the domestic institutions necessary for growth.

109 I thank Charles Beitz for this formulation.

110 The cosmopolitan perspective is not a unified theory (Beitz 2005). "Cosmopolitans can be utilitarians, or liberal egalitarians, or even libertarian defenders of laissez faire, provided they think these moral standards of equal treatment apply in principle to our relations to all other persons, not just to our fellow citizens" (Nagel 2005, 119).

111 Beitz (1979 and 1999) has an excellent discussion of these theories, to which I refer the reader for more details. "Rawls holds that the relatively egalitarian conception of distributive justice characteristic of liberal political theory—and found in one form (as the "difference principle") in his other works—has no international parallel: although he thinks that the duty of assistance would accomplish many of the same results, there is no general requirement to reduce inequalities among individuals living in societies with different endowments of natural or human resources, different histories, or different cultures. There are no international duties of distributive justice, strictly speaking." (Beitz 1999, 276).

112 Barry 1995.
113 Pogge 2002, 108.
114 Buchanan 2000, 705.
115 Buchanan 2000, 706.
116 Singer 2002.
117 Pogge 2002, 33.
118 Beitz 2000, 690.
119 Pogge 2002, 115.
120 Caney (2001) and Blake (2001) nicely summarize objections to the cosmopolitan perspective.
121 Macedo 2004, 1729.
122 Rawls 1999, 8.
123 Macedo 2004, 1730.
124 Singer 1972.
125 Cullity 1994, 100.
126 Pogge 2002, 2.
127 Singer 2002: 184; Pogge 2002, 7.
128 Pogge 2002, 13.
129 Pogge 2002, 16.
130 Pogge 2002, 18–19.
131 Pogge 2002, 176.
132 Pogge 2002,14.
133 Pogge 2002, 114.
134 But even this suffers from the problem that the international factor here is constant both across countries and time. For any such unvarying background factor, assessing its impact is going to be difficult, if not impossible.
135 Pogge 2002, 162.
136 Hoekman 2002, 26.

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