

# THEORIZING INTERNATIONAL ORGANIZATIONS

## An Organizational Theory of International Institutions

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*International institutions research has emphasized the organization but focused on sociological and real political responses while neglecting other approaches. This leaves a fundamental question unanswered: Does the organizational architecture of international institutions affect their ability to carry out their stated mission and the value they provide to actors or states? To that end, we put forth an organization typology. We argue three main points in this paper: First, the organization of institutions matter; organizational architecture provides the mechanisms for institutions to pursue their objectives. Second, not only does organizational architecture matter in carrying out the institutional mandate, but it is a determining variable of whether institutions will successfully execute their mission. Third, the structure of an organization will determine what states seek from an institution. In other words, institutions provide a valuable good or service, which can be determined by the organizational structure of the institution.*

### Introduction

International institutions' research has not emphasized the organization. Scholars have long recognized that some institutions work better than others (Keohane 1998). Despite extensive work on the theory of institutions, theoretical implications, norm diffusion, extensive case studies, and rational choice interaction models, research on international institutions has ignored the organization. Though some have started to consider the “design,” most institutional research is focused on the political dynamics, specific institutions, or issue and case studies to the detriment of a systematic approach to the organization (Koremenos, Lipson, and Snidal 2001, Wendt 2001). This is strange in light of the widespread, and at times, well-founded criticisms leveled at international institutions. And no one has sought to understand whether the organization affects institutional mission or efficacy. Work done in this area, instead of focusing on the organization and either its capabilities or latitude of movement, has focused on cultural and normative issues overlooking issues of organizational architecture (Barnett and Finnemore 1999). Even this presupposes the answer to a fundamental but unanswered

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question: Does the organizational architecture of international institutions affect their ability to carry out their stated mission and the value they provide to actors or states?

We propose a typology where the organization of institutions matters. If organizational structure does not provide the tools and mechanisms necessary to carry out the institution's stated mission, institutional success could be defined as filling up issue space rather than implementing and executing a framework of norms, values, and rules with defined objectives, goals, and outcomes measured against identifiable yard sticks of accomplishment. In other words, organizational architecture provides the mechanisms for institutions to pursue their objectives. The organization tools and mechanisms provided to an institution reveal the implied objective of the institution and give it the capability to meet its purpose. Institutions without the organizational tools and mechanisms to meet their objectives will disappoint their creators. In the words of economists—incentives matter. Second, not only does organizational architecture matter in carrying out the institutional mandate, it is the determining variable of whether institutions will successfully execute their mission. Design of organization is “a conscious, rational choice of the organization form to be used in the pursuit of specific objectives” (Galbraith 1977, p. 9). Organizational variables will either impede or improve institutional efficacy in diffusing norms and promoting adherence among members. More than norms, values, and principles, which are common ingredients in most institutions, the organizational architecture is an important factor in the relative success or failure of an institution when carrying out both its stated and implied missions. If parties already agreed on norms and values and more importantly how to achieve those goals, there would, in most cases, be no need for an institution. Third, the structure of an organization determines what states seek from an institution. In other words, valuable goods or services provide by an institution can be determined by the organizational structure of the institution. If the organizational capacity allows the institution to provide the good or service, then states will seek from that institution the service it provides. The absence of effective institutions within a given issue area will result in states seeking alternative arrangements with other states.

The paper will be organized into four sections. First, we review organizational theory drawing from business, economics, and sociology to better understand how internal mechanisms and management paradigms influence the institution. Since this paper argues organization matters to the functioning of institutions, it is important to understand how and why it matters, as well as the strategic decisions involved dealing with the issue of democracy and diversity. Second, we outline the research methodology describing the rationale for comparing the organizational structures of the UN and the GATT/WTO system. The UN and the GATT/WTO system provide an excellent foundation for comparison due to many exogenous factors that allow the research to focus on their internal functioning. Third, we study WTO and describe how, in terms of organizational theory, this trade institution exists as a legal rational organization. Fourth, we study the United Nations General Assembly (UNGA) and conclude it is a coactivational organization. By studying institutions against an organizational theory matrix, it will be possible to better understand their differences and more importantly how their internal mechanism cause different outcomes.

## **The Organization of Institutions**

Organization matters to institutions and yet has been sparsely dealt with in the study of international institutions. Recent literature has focused on the rational design of institutions as a method to understand their organization (Duffield 2003). This line of institutional research focuses on how actors design institutions designed to serve specific needs or objectives solving problems of mutual cooperation. Other research has focused on the increased legalization of norms, values, and standards within institutions as they pertain to a more rigid conception of the expectations for member compliance (Kahler 2000; Goldstein and Martin 2000; Abbott, Keohane, Moravcsik, Slaughter, and Snidal 2000). Some international institutions have developed more codified approaches to issue and member management in an attempt to increase compliance or acceptance of the given norms. While some research notes institutions have evolved under the “microprocesses of socialization,” this research focuses more on the mutual cooperation between actors given the routinization of activities (Johnston 2001). This sociological approach to the creation of institutions depends more on interaction between parties to establish institutions and their governing organizations. As some have pointed out, this creates divergent paths between hard and soft international law as it pertains to institutions and member adherence (Abbott and Snidal 2000). Institutional work that has sought to include organization as a variable analyzes its importance from a sociological perspective that divorces the value of organizational structure from institutional impact. Institutional constructivism has removed the structural importance of the organization in promoting adherence to agreements or norms and, instead, focuses on the socialization of interdependent actors (Wendt 1992, Barnett and Finnemore 1999). Despite these wide-ranging, and partially true observations about the nature of institutions, they fail to provide an answer to the question: Why do some institutions have greater success in promoting adherence to formal legal obligations, informal norms, and the values of the institution? Based upon their internal incentive structures and mechanism, organizations adapt to their environments and the demands placed upon them (Levitt and March 1988). These observations about the nature of institutions and their members’ relation to them does not provide a structural framework to better understand the operation of an institution and the interaction between actor and institution. One author notes, “assuming that the regime’s regulations were to be renegotiable, participants paid scant attention to the structure of the new organization” (Barton, Goldstein, Josling, and Steinberg 2006). In other words, organizational architecture is an overlooked facet of international institutions. By focusing on the organization of institutions and the incentive structure, it is possible to better understand the impact of institutions and why members react the way they do.

Before focusing on the organization of institutions, it is important to define what we mean by institutions, organization, and the differences between them. Institutions are “relatively stable collection of practices and rules defining appropriate behavior for a specific group of actors in specific situations” (March and Olsen 1998). This definition of institutions, or strikingly similar versions, is widely accepted and used by a variety of scholars (March and Olsen 1998, Duffield 2003, Koremenos and Snidal 2003). This definition works well for our purposes because of its applicability to international institutions in general, and the UNGA and the GATT/WTO system specifically. International institutions are collections of routinized behav-

ior comprised of shared values, norms, and standards that “constitute and legitimize political actors and provide them with consistent behavioral rules, conceptions of reality, standards of assessment, affective ties, and endowments, and thereby with a capacity for purposeful action” (March and Olsen 1996). The organization of institutions matter for the “structural frameworks have important consequences for the organizations effectiveness” (Ranson, Hinings, and Greenwood 1980). More specifically, the UNGA and the GATT/WTO system comprise shared values, norms, and standards, which frame members’ actions. However, international institutions may not receive the best inputs. Some argue that international organizations try to expand their technocratic mandate and scope like all bureaucracies, while national governments cede activities that are not likely to affect their domestic responsibilities (Vaubel 1991). The organization of the institution significantly impacts how successfully members adhere to the shared values, norms, and standards of routinized behavior.

Organizations are the mechanisms that create the incentive structures for actors within a given institution. Organizational structure has a significant impact on how an institution evolves, acts, and learns (DeCanio, Dibble, and Amir-Atafi 2000). North has proposed institutions are the game and organizations are its players (North 1993 and 1994). We propose a slightly modified version of this idea. Institutions are the game, organizations are the rules, and actors are the players. If institutions are a collection of “practices and rules,” how a group of players organize to pursue those objectives will impact who joins the institution, what means are used to pursue norms, and the incentive of players. Many institutions pursue similar norms and practices and just as many organize their internal incentive structures differently resulting in a variety of outcomes and player behavior. This introduces an additional layer in the North dichotomy of institutions as the game and organizations as players. Institutions may tell us the game being played, but the organization provides the incentive structure, or the rules of the game, for the players to follow. Without an additional layer of organizing incentive structures between players and institutions, there would be striking similarity in institutional outcome as incentive structures would remain constant between similar norms and practices. Organizations establish patterns of incentives and expectations for their members through which they and the institutions coalesce around larger rules, norms, and practices.<sup>2</sup> To borrow a little more from the sporting analogy, though the object of American football may be to score more points than the other team, consider how rule changes would alter the incentive structures for teams. If teams in American football could lose a player for the remainder of a game for unnecessary roughness, similar to soccer, or if teams received ten points instead of seven for touchdowns, it would alter team strategy. Similarly, the organizational mechanisms of institutions create the incentives for actors and institution alike, providing such tools as the rules of interaction, disciplinary processes, or rewards for behavior. Actors base their decisions on what to seek from institutions and subsequently how to go about obtaining their objective based upon the organizational mechanisms, rules of the game, laid down by the institution. Different organizational mechanisms and structures will bring about different strategies by the actors seeking a specific goal or outcome.

Organizational theories, both the sociological and business varieties, have conceptualized a dichotomous view of the institution. Organizational theorists put forth the view of organizations

2. The authors thank Wayne Sandholtz for pointing this out.

as mechanistic and rational, designed to carry out specific tasks, or as a coalition that requires the cooperation of members to define objectives, assign responsibilities, and execute plans. Theorists have proposed a wide range of names and slightly different definitions, but for the purposes here we will use the terms “legal rationality” and “coactivational” organizations, though other literature will be used to augment similar conceptions of organization.<sup>3</sup> Legal rationality comes from the Weberian theory of organizations (Weber 1947 and Spencer 1971). Though Weber stresses such ideas as the existence of a bureaucratic administrative staff to be a key element of legal rationality, there are a number of key factors of importance. First, legal rational organizations depend on a hierarchy of interests. Weber and others stress that members of the legal rational organization must acknowledge its authority and bind themselves to follow the legal norms of the organization. Second, legal rational organizations depend on legal norms and “official functions bound by rules.” Legal rationality demands members follow the normative-, legal-, and rule-based prescriptions of the organization—not individuals, groups, or outside laws. This reduces the option of political factionalism and increases organizational efficiency and predictability of legal norms. Third, Weber separates owners from the organization administrators so as to secure the “purely objective and independent character . . . that is oriented to the relevant norms.” The separation of bureaucratic administration from the owners allows the organization to pursue purely legal norms and establish what one scholar terms the “rules of relevance” with which it is charged, rather than devolving into a political organization (Brown 1978).

The second type of organization used for the purposes of this study is the “coactivational” organization. Coactivational organization has been used widely in psychological and neurological research to describe how different parts of the brain respond simultaneously to the same stimuli or how emotional signals are processed between emotional centers (Toro et al. 2008 and Larsen et al. 2003). One psychologist describes a coactivational decision-making model as “allowing activation from different channels to combine in satisfying a single criterion for response initiation” (Miller 1982). Coactivation is prompted by response from numerous actors or decision-making processes that will drive the action process.

Coactivation, however, can also utilize environmental or institutional inputs independent of individual bodies or decision makers. One researcher writes that “through frequent and consistent coactivation, representations of environmental features become associated with goals and behavior” (Ohly et al. 2006). In other words, responses engrained into an environmental or institutional component may become habitual given the proper supports and routinization. As Dow states:

[Coactivation] emphasizes the importance of ongoing behavioral interactions for the study of organizational structure. In the coactivational view, an organization is a communication network which actors or subunits recurrently process sources and information. The organizations structure is inferred from regularities in the behavior of these actors as they are observed over time.

Coactivational organizations depend on “the ongoing behavioral interactions” of members for the formation and promotion of institutional norms and values. A few specific charac-

3. There is a wide literature on this topic with many different names given to similar organization types. Please see Dow 1988, Galbraith 1973, Powell 1990, Astley and Zajac 1991, Hax and Majluf 1981, and Weber 1947 for different organization names, types, and definitions.

teristics define the coactivational organization. First, coactivational organizations depend on continual relational interaction for cooperative action. Organizational behavior flows from the relationships of the organization to members and between members. Therefore, the behavior of organizations depends on the ability of members to formulate decisions from which they both derive utility. Decisions will be made based more upon understanding the “calculus of consent,” rather than an independent, legal-driven logic (Buchanan and Tullock 1962). This creates significant latitude for the creation and use of soft power, and actors acquire respect for the organizations norms, values, and procedures. Actors with the respect of others will receive deferential treatment from its implied use of soft power instead of requiring legal or more coercive types of organizational power. Second, power within a coactivational organization rests with the members comprising the institution allowing larger members to exercise greater influence over other members and the decisions of the institution. Because coactivational organizations depend on “ongoing behavioral interactions,” the determination of power depends on the ability of a member, through either positive or negative means, to influence others and the organization to follow a given course of action (Brass and Burkhardt 1993). Hierarchy in coactivational organizations exists not as members adhering to an institutionalized legal norm but as powerful member over less-powerful members with extensive influence exercised through implicit means (Krackhardt and Hanson 1993). Here power is much more dependent on reputation and networks than formal status (Krackhardt 1990). Third, the coactivational organization is composed of and responsible to its members, not a legal norm, value, or standard. Decisions on organization behavior and the enforcement of norms or values are decisions made collectively by members rather than adhering to legal precedent. In other words, a coactivational organization makes decisions based upon the wishes of its members, the actors it organizes, not from its responsibility to a legal norm (Harmon 1989).

### **Institutional Comparison**

To study the importance of organizational architecture and its impact on institutional efficacy, we will focus on two institutions with different organizational architecture. Before turning to why we chose to compare the UN General Assembly and the GATT/WTO system, it is important to make clear why we did not compare other institutions. First, we sought to avoid comparing different levels of institutions. In other words, it would be a mismatched comparison to study a large multilateral institution with either a regional or bilateral institution. For the purposes of this study, broad multilateral institutions will be considered in lieu of regional or bilateral institutions. Second, we sought institutions that utilized different organizational structures. This excludes institutions that used similar organizational design to carry out their mission. The point of this research is to study the impact of organization on institutional impact; therefore, it was important to try and isolate organization as the dependent variable. Third, we avoided the strong case for each institution. In other words, we chose representative institutions. The UNGA and the GATT/WTO provide a fair basis for organizational comparison between institutions.

In deciding upon the institutions to compare, it is important to compare institutions existing under similar exogenous environments. The UNGA and the GATT/WTO system were

formed as an attempt to spread American-led liberal and democratic values in a post-World War II system, providing a range of similarities that allow for a valid organizational comparison (Burley 1993). First, multilateral treaties signed, ratified, and acknowledged by members establish the institution and the norms, standards, and values members recognize. The GATT/WTO system and the UN, like all institutions, internalize a collection of norms, values, and standards members agree to conform to and abide by, having an impact on both their international relations and domestic policy. States understand membership in the UNGA and the GATT/WTO system demands adherence to agreed-upon standards. Second, the institutions compared have the force and weight of international law behind them. The institutions compared should not exist under different legal standing but should place similarly weighted demands upon its members. Though many international institutions carry the force of international law, many also act as technical advisors or assistance providers. This point of comparison does exclude cooperative-, technical-, or rule-based institutions that do not exist as legal entities or laws between states. Institutions may place the weight of international law on demands for adherence, but organization type will establish a jurisdictional basis for intervention or noninterference (Oxman 2001). Though neither the GATT/WTO system nor UNGA pass or formulate international law as a legislature, members in each state their desire to adhere to the law and norms of the institution. Third, the UNGA and the GATT/WTO system are consensus-seeking institutions. All members agree upon the international law in the founding documents of the UNGA and the GATT/WTO system when joining these respective institutions. The day-to-day management of the UNGA and the GATT/WTO system seeks broad consensus among member states upon resolutions, agreements, technical points, and candidates. As large, multilateral institutions, they require broad-based consensus for ongoing operation rather than fifty plus one majorities to sustain member support. Fourth, though they carry the weight of international law with them, the UNGA and the GATT/WTO system both seek to promote broad normative standards of behavior. Technical institutions may have the weight of international law but be narrowly focused on technical or administrative issues. The UNGA and the GATT/WTO system, in addition to existing as legal bodies, seek to diffuse norms and values to their members and non-members that encompass state policy and international relations.

Before progressing further into the organizational analysis and comparison of UNGA and the GATT/WTO system, it is important to stress this research does not render judgment on the value, importance, or necessity of either institution. Nor does it analyze the norms, values, or standards promoted by the respective institutions. In other words, this paper will not analyze whether GATT/WTO system free trade policies have promoted economic growth in lesser-developed countries, or whether human rights law has been equally and effectively applied around the world through the UN's work. The focus of this research is to study whether or not the organization of institutions matters, not to judge the organizations or determine which is better than the other. In fact, both organizational types presented can succeed depending on the goals of the institution. The success or efficacy of the institution must be judged against its goals, and the resultant organization type must provide a framework in which to achieve those ends. As one author notes, "emphasis is centered directly on the selection of rules, or institutions, that will, in turn limit the behavior of the person who operate within them" (Buchanan

1990). We argue here that the organization of institutions significantly impacts efficacy in bringing about member adherence to stated values and norm diffusion.

The organization of institutions builds an incentive structure that results in varying degrees of compliance with the institutions based upon the perceived value to the member. The organizational architecture of the institution establishes the mechanisms that create the incentives for players to adhere to or ignore institutional norms, values, and rules. As one author notes:

An international organization's performance or output cannot be prescribed by outside intervention (by a planner); the only way to influence performance is to set the rules under which the interaction takes place. . . . Particular outcomes are connected with particular rules by the behavior of the decision makers. Provided an adequate theory of behavior is used, rules may be suggested in order to determine the resulting outcome (Frey and Gygi 1991).

In other words, a well-designed organizational architecture is a necessary but not sufficient condition for the success of an institution. This necessary finding stems from two factors: First, no matter how well designed the organizational structure, men will continue to manage the institutions; and second, poorly designed organizations need to overcome both institutional and management shortcomings. Though not impossible by any means, the greater the number of obstacles to institutional success the lower the probability of success. These organizational mechanisms significantly impact an institutions efficacy.

### **Classifying Organizations**

The legal rational and the coactivational are dichotomous conceptions of the organization that exist within a range of institutions. Legal rational and coactivational organizations provide different structural mechanisms and procedures whereby members operate, which creates divergent incentive structures for actors and institutions to pursue their objectives within a given framework (Galbraith 1973 and Galbraith 1977). Furthermore, economic research demonstrates in a wide variety of settings that actors pursue their objectives with different strategies under different incentive structures and institutions (Frey 1997 and Marmolo 1999). Research on institutional, public choice, and constitutional economics shows the rules of the game matter to players and shows the efficacy of how institutions achieve objectives (North 1993 and 1994). A few brief points about classifying organizations are necessary before continuing. First, the success of an institution must be evaluated based upon on its efficacy in promoting the explicit objectives of the institution and not on implicit or third-party formulations of success. Institutions should be evaluated on what they define as their objective, not what others say it could or should be. In other words, if an institution lacks a mandate and the organizational mechanism to address a certain issue, it cannot be criticized for its failure to remedy the situation. Second, organizational classification of institutions does not imply praise or criticism, only analysis of underlying structures that cause different behavior of institutions and their members. Third, the organizational characteristics presented below exist on a continuum rather than as discrete choices. Organizations will possess a range of organizational characteristics allowing them to be classified as either legal rational or coactivational.

These wide-ranging literatures provide a number of insights into incentive structures, organizational mechanisms, and institutional design. The cost of membership matters. As has been noted previously, the costs of membership are varied in nature and in the context described here involve financial and nonmonetary values such as isolation or condemnation (Mendoza 2003). Cost may also include both upfront or start-up costs and the ongoing maintenance costs involved with membership. As a lengthy research strain of economic theory indicates, people and institutions alike assign value to a good or service received based upon the cost paid (Jones 2002). If the cost in both monetary and nonmonetary terms is high, members will assign a high value to the good or service and work hard to ensure they receive the expected benefits. Furthermore, they will pressure others to make similar contributions to the cost of the institution, and they will attach a higher intrinsic value to membership as even information bears an implied cost (Tallberg 2006). Additionally, the benefit of membership matters. Similar to costs, benefits of membership are varied in nature and frequently involve nonmonetary benefits such as prestige or importance. Likewise, benefits may be immediate or long term and more perceived than real, but institutional benefits matter to members (Berger et al. 2008). For instance, if benefits to the member are small or accrue to all members regardless of cost, then members will be less willing to bear a high cost of membership and the temptation to free ride will increase (Hoekman 2005). Furthermore, the fundamental relationship between the costs and the benefits of membership will imply that states receive more benefits than the costs (Siebert 1997). If states do not profit from membership they may not continue to remain members or active. Lastly, enforcement matters to the operation of organizations. Enforcement applies to both positive incentives and negative outcomes, such as additional benefits or recognition for members that behave well and admonishment or discipline for those that do not adhere to either their obligations or norms of the institution. Research has indicated in the absence of credible enforcement mechanisms or an “appropriate set of procedural rules to guide their response to the unanticipated,” actors will be less likely to adhere to a guiding set of norms (Persson and Tabellini 2000 and Lorenz 1999). Enforcement should strive for equal treatment of members, otherwise the institution will lose credibility and decrease its ability to make additional demands on members and lessen the value of membership through reduced benefits or free riding. As previous research has noted, the League of Nations suffered from the free rider problem by nations and they looked elsewhere to try and solve problems (Sobel 1994). Predictable organizational mechanisms less prone to political manipulation will engender higher levels of trust among members, rather than institutions where members witness others receiving preferential treatment.

Legal rational and coactivational organizations affect the costs, benefits, and norm enforcement in a few ways. First, legal rational organizations are responsible to enforce agreed upon institutional norms by independent administrators or adjudicators, whereas coactivational organizations seek to enforce institutional norms provided a necessary coalition can be assembled. In other words, coactivational organizations require political coalition building, whereas a legal rational organization provides for independent organization based decision making of enforcement activity, which applies more equally to all members. This does not exclude coactivational organizations from disciplining or condemning members or behavior, but

only that this will stem from a political process requiring coalition building among members willing to pursue action. Legal rational organization utilize adjudication procedures where persuasion, coercion, and disciplining divorced from political wrangling by actors and focused upon independent determination of whether the legal breach occurred and whether it requires sanctioning and to what degree. This also implies coactivational organizations will serve generalist membership institutions better by providing a forum for loosely affiliated parties. Legal rational organizations with their increased sanctioning powers will lend themselves better to membership groups willing to accept discipline from an institution with independent power formalized around agreed upon norms or legislation.

Second, legal rational organizations increase the probability that members share costs equitably, where as coactivational organizations have less ability to ensure equitable division of costs and demand more concessions. Legal rational organizations can more credibly request that members make concessions if all members make similar concessions and return to ask members for additional concessions. Members that see other members making concessions, paying their required costs, or submitting to enforcement action, will be more inclined to reciprocate based upon the organizational predictability. In return, this reduces uncertainty of institutional behavior and with it increases compliance (Galbraith 1977). Coactivational organizations reduce their ability to demand concessions or raise costs if they cannot equitably apply costs and benefits to all members or enforce agreed upon decisions. As long as all members are committed to the norms and rules of the institution and cooperation is high, probability is higher of norm diffusion. However, members that witness other members free riding, refusing to make concessions, or submitting to enforcement action will be less inclined to reciprocate in a coactivational organization if they believe that decisions are made based upon member power or politics rather than in mutual recognition and respect of the law (Cook, Emerson, and Gilmore 1983).

Third, legal rational organization increases the probability of adherence to institutional norms by having the ability to divide and exclude benefits, whereas coactivational organizations have less ability to restrict the benefits to members. Research indicates “responses to sanctions depend on the strength of sanctions, monitoring capacities, and the efficacy of cost and intragroup control” (Heckathorn 1990). Legal rational organizations, though frequently taking less drastic measures to work toward norm compliance, have at their disposal the ability to divide and exclude benefits. The division of benefits implies multiple benefits flow to members and an organization may have the ability to restrict member access to certain types of benefits. Excludability implies the organization can reduce or stop a general or specific benefit to a member, and it does not accrue to the member simply by either being a member or without harming other members. A coactivational organization has less ability to divide or exclude benefits to members for a variety of reasons. Discipline by the institution of a wayward member, will require a broad coalition of members to act against the rebellious actor. Many coactivational organizations provide general membership benefits which accrue to members simply through membership regardless of standing or behavior. This again creates uncertainty and causes unpredictable reaction with different types of winners and loser throughout the members (Mizuchi and Potts 1998).

The GATT/WTO system and UNGA provide case studies of the differences between the legal rational and the coactivational organization. The GATT/WTO system and UNGA represent two types of organizations, which subsequently cause members to pursue their objectives differently under organization specific constraints and allows the institutions to place different demands upon their members. This matters to states and scholars for two reasons. First, organizational type defines the strategy set available to members of an institution acting within a given organization framework. Members formulate strategy to obtain an outcome based upon the rules. Second, many outside observers misunderstand the organizational importance to the operational capabilities of international institutions. Institutions can only accomplish tasks based upon organizational mechanisms that allow them to act or provide necessary incentives.

### **The World Trade Organization**

The World Trade Organization (GATT/WTO system) is a legal rational organization. Formed as a series of multilateral trade treaties known as the General Agreement on Tariffs and Trade (GATT), it culminated in the formation of a permanent trade institution known as the GATT/WTO system (Trebilock and Howse 1999). GATT was formed as a contractual agreement between states and evolved over time with much planning into a permanent international institution with a permanent bureaucracy, research, and dispute resolution departments (Finger 1991). Conflict arises within the GATT/WTO system based upon the organizational complexities of consulting with an increasing number of members (Blackhurst 2000). From its conception, GATT and the GATT/WTO system engaged in practices that defined the institution as a legal rational organization. First, membership was not automatic to any state and required significant upfront costs to join and significant maintenance costs of membership (Jackson 1997). Beginning with the Geneva Round in 1947 with twenty-three countries, GATT required extensive concessions for membership and with each successive round of negotiations, further trade liberalization. Countries seeking to join GATT and subsequently the GATT/WTO system, made significant upfront concessions in order to join, with future agreements making deeper and significant cuts in economic protection which extracted high political and economic costs. For some countries, joining the GATT/WTO system involved substantial transitional adjustment costs falling heavily on lower income countries (Hoekman 2005). The average tariff cut from the 1947 Geneva Round to the Uruguay Round ranged between 34 and 38 percent (Jackson 1997). The GATT/WTO system required significant upfront concessions from states in most cases to join and ongoing maintenance costs in the form of commitments to abide by their agreements or potential further concessions in the form of ongoing trade rounds.

Second, GATT and the GATT/WTO system set as the core reason for existence their role as a fair arbiter in dispute resolution. Recognizing the inevitability of conflict over trade agreements, GATT and the GATT/WTO system put language into their founding documents regarding the importance of conflict resolution and established mechanisms that would assist in dispute resolution allowing for issue linkage in negotiations which helped reach a resolution (Alvarez 2002). The importance of dispute resolution within the GATT and GATT/WTO system framework of legal rational organizations makes explicit a few incentives. Commenting on the evolution of the WTO into a more adjudicative role one researcher notes “the result

has been a new judicial culture in the WTO that favors making law—a role for the Appellate Body far different from what was expected by its creators” (Barton, Goldstein, Josling, and Steinberg 2006).

First, institutions act to prevent free riding and create the organizational mechanisms that will permit dispute resolution, decreasing the incentive to free ride (Olson 1965 and Goldstein 1993). By stressing the importance of dispute resolution and acting as arbiter in international trade, GATT and the GATT/WTO system demonstrated the importance of adhering to agreements and maintaining commitments.

Second, the specific rules created by GATT and the GATT/WTO system provided for an independent panel to hear arguments about the case, which gave subsequent agreements, resolutions, or decisions reached by the panel credibility. Due to the legal nature of the proceedings and its protection from power or political based decision making by the appointed panel, a wide range of states pursued dispute resolution through appointed panels frequently extracting significant concessions from larger and richer states based upon the merits of the case not the relative power of the country. The credibility of the decision-making process engendered trust in the organization that allowed states to offer concessions and make large economic changes domestically based upon the predictability of dispute resolution and the accrual of benefits. States believe that should they lose a trade case, they would both benefit from active membership, and they would at some point benefit from an adverse ruling against another member (Busch and Reinhardt 2003). This allowed states to tie their hands by demanding concessions from domestic constituents, because they believed they would receive similar concessions from other states (Reinhardt 2003).

Third, the GATT/WTO system is a decentralized organization that depends on members to police, enforce, and execute the binding agreements of all members acting solely as the arbiter. Decentralization under a legal rational organization type creates self-policing enforcement mechanism that guards against cheating. By helping actors manage the uncertainties they face and giving weaker states the ability to pursue litigation against more powerful states, the GATT/WTO system engenders trust and predictability (Koremenos, Lipson, and Snidal 2001). The legal rational mechanisms designed by GATT and the GATT/WTO system establish the credibility between members to trust the dispute resolution process extracting significant concessions giving members the ability to make similar demands upon domestic political constituents.

Fourth, GATT and the GATT/WTO system provided for the possibility that disputes between members would not be resolved prior to a panel decision and allowed for unilateral retaliation under a certain economic threshold based upon the amount of damage in the case. In addition to the high up front and ongoing costs of membership, GATT and GATT/WTO system specifically allowed for retaliatory action after a panel ruling concerning a dispute between members. Though most disputes are settled prior to a panel ruling, GATT and the GATT/WTO system allow states to impose economic sanctions based upon the value of damage sustained (Busch 2000). This has given rise to the theory that some states may, for political reasons, prefer the economic sanction to concession though this has not occurred frequently (Jackson 2004). In fact, states have demonstrated a preference for settlement prior to a panel ruling with greater

concessions during this period (Busch and Rienhardt 2001). The main factor for settlement appears to be the reluctance of states to receive a negative ruling and the subsequent loss of prestige rather than the economic damage it may incur. In other words, more than the quantifiable economic damage resulting from a negative ruling, states feared the loss of reputation more.

Benefits will not be deeply discussed here, because GATT and the GATT/WTO system do not control the benefits of membership. GATT and the GATT/WTO system provide a forum for dispute resolution and adjudication; benefits accrue to the member through higher trade levels based upon its membership and ongoing adherence to the legal norms in the GATT/WTO system. Procedural administration of justice appears to impact member behavior and organizational support (Moorman, Blakely, and Niehoff 1998). One comment can be made about the benefits of GATT and GATT/WTO system membership. Research indicates GATT/WTO system membership does provide an economic benefit, though some debate remains about this point (Rose 2003; Wei and Subramanian 2003; and Goldstein, Rivers, and Tomz 2007), states appear to desire GATT/WTO system membership for the prestige it bestows upon them as much for the potential economic benefits. This may explain why states desire settlement over litigation, making greater concessions during the discovery phase, so they can avoid a resultant loss of stature in the possibility of an adverse ruling.

The GATT/WTO system as a legal rational organization facilitates through dispute resolution, panel adjudication, and permitted retaliation adherence to the norm of free trade and its stated rules. However, given the clear pre-conditions for joining, this indicates the GATT/WTO system is not striving for total inclusion but for conditioned membership. This insures even the most diverse actors in the GATT/WTO system are bound by the same standards and make the internal democratic process not contingent on a democratic self-understanding of the member states but on the prescribed “rules of the game” enforced by an outside arbiter. In the absence of these organizational mechanisms that create incentives for adherence, the GATT/WTO system would probably have lower compliance rates.

### **The United Nations General Assembly**

The United Nations General Assembly (UNGA) is a coactivational organization.<sup>4</sup> This organizational structure is being debated; more specifically, its ability to meet new challenges is in question (Annan 2005, Economist 2005, and Economist 2005b).<sup>5</sup> Formed after World War II, the founders conceived of UNGA as an institution that would adhere to certain general principles and correct the shortcomings of the League of Nations but would not bind itself to the formation of a world government (Sobel 1994). The primary function as defined in the founding documents of UNGA was to create a forum for open interaction of nations in order to prevent a Third World War, which becomes explicitly clear when looking at the structure of the UN Security Council. Franklin Roosevelt said of the UN, “We are not thinking of a super-state with its own police force and other paraphernalia of coercive power” (Ruggie 1978). The founding documents provide weak organizational control for UNGA to enforce adherence,

4. The UNGA also resembles a voluntary association as described in Harris (1998), but we deemed it better to label the organization coactivational for various reasons

5. Coactivation merely by its linguistic basis implies that it requires action taken in conjunction with others to bring about a specific outcome.

instead focusing UNGA on such concepts as “the general principles of cooperation,” “make recommendations,” and “encourage the progressive development of international law” (UN Charter). The UN calls on members to “settle their international disputes by peaceful means” but provides no organizational body or mechanism that will assist in that goal, by positive or negative means. Though UNGA documents and its founders clearly describe its expected role in international affairs, many policy makers and academics expect it to assume the different responsibilities even though it does not possess the requisite organizational capacity. Therefore, the efficacy of UNGA, or any institution, must be evaluated based upon on its organizational capacity to promote the stated purpose of its norms, values, and rules of the organization and not on outside formulations of success. The stated purpose of UNGA is to promote “general principles of cooperation” and “make recommendations” with the coactivational organization architecture designed to further those objectives.

The structure of a coactivational organization is evident throughout UNGA. First, UNGA rendered membership automatic to states contingent only upon domestic government issues (UN 1955 and 1960). States received membership automatically, either upon request or after independence, and only in the case of Taiwan has membership been refused. UNGA required no concessions for membership other than a general recognition of the charter documents recognizing the importance of a variety of issues including human rights. In a coactivational organization, the value of membership declines relative to the number of members in the organization, because as additional members join, the ability for institutional action decreases due to the additional members. Joining UNGA became a right rather than a privilege with obligations and duties. Consequently, the value of UNGA membership declines as institutional objectives are watered down to make them palatable to the new members. At the same time, structural and administrative components increase with more members creating further challenges to membership (Blau 1970).

Second, UNGA set forth an objective of providing a forum for the states of the world to convene. Dispute resolution and the enforcement of norms, values, or standards played no organization role in the formation of UNGA. Though this provides an organizational focus, it does not provide a forum to manage their “cooperation problems when numbers are large” in the absence of enforcement mechanisms (Koremenos, Lipson, and Snidal 2001). UNGA established general norms of behavior for member states but did not create organizational incentives and mechanisms that effectively promoted these norms through admonition, discipline, or encouragement. In fact, UN documents note that “the General Assembly could only point the road; it could not lay down directives,” (UN 1956). UNGA was created as a forum for states to convene and discuss problems. The argument has been made that UNGA holds a subordinate role to the UN Security Council and in one aspect this is correct. The UN Charter documents clearly delineate the roles of UNGA to the UN Security Council; it does not, however, provide for an organizational mechanism to resolve problems or enforce solutions outside of the UNGA proclamations of the desirability of world peace (Weiss 2003). This only occurs upon a coalition of Security Council members to impose an outcome on another state, which has not occurred with any predictable regularity given the strict veto system in this organ. Many of the early discussions within UNGA revolved around its ability to discuss “internal” issues

relating to a member. Some states argued this went against Article 2 Paragraph 7, which called for non-interference in members' internal affairs, though others argued if the issue concerned a matter under UNGA documents or treaties, then UNGA did have the ability to discuss it. This would explain why large amounts of conflict within UNGA concern agenda setting and member admission (UN 1955b and 1956b). The coactivational organization depended on numerous parties to act upon information and did not create institutional or environmental mechanisms designed to enforce compliance. Coactivation requires that information be received and acted upon by numerous parties or centers which may or may not act upon the stimulus promptly. Institutional and environmental factors do not appear ready to enforce compliance requiring broad cooperation from numerous parties within a coactivational organization.

Third, UNGA states as primary the norm of non-interference and state sovereignty. Non-interference, as used by UNGA, implies a practice where it does not involve itself in the domestic politics or practices of a member state except under extreme circumstances. State sovereignty implies UNGA will not impugn the territorial or policy sovereignty of a member state except under extreme circumstances. Many issues in which UNGA or a subsidiary body does have technical expertise or experience can only be utilized if a member state requests assistance from UNGA. Consequently, UNGA finds itself in a paradox; if states do not adhere to their UNGA member obligations, does this permit UNGA or other members to violate the accepted norms of state sovereignty and non-interference in order to bring about adherence by the rebellious member? In other words, though a large number of UNGA norms and treaties to which members agree to abide by directly concern domestic affairs, UNGA defends non-interference and state sovereignty. This places UNGA in a difficult position of expecting state adherence to international norms while preaching non-interference in domestic affairs. Collective authority, when exercised by an organization such as UNGA, must generate trust to receive the continued support of a populous (Warren 1996). Furthermore, UNGA did not in its founding documents or later on create an organization with powers independent of its members. Therefore, the basis for action for UNGA rests with political coalition building and interaction rather than in either independent action of an organization or adjudication of disputes brought by members as has occurred throughout its history (Holcombe and Sobel 1996). This weakens UNGA's organizational ability to increase adherence and increases uncertainty in its members. Informal networks (Krackhardt 1992 and Karackhardt and Hanson 2003) become the zenith of power and influence instead of formal procedures. The mechanisms of hard power become less important in prompting compliance, and the less-tangible forms of soft power become dominant in coactivational organizations. States that have persuasive influence or soft power can have an impact on the behavior of others through bringing about coactive behavior to either engage or refrain from harming others or the institution.

Fourth, the benefits of UNGA membership are ambiguous and non-excludable. The benefits of UNGA membership are ambiguous because it primarily brings prestige and political approval. These authors know of no tangible benefit dependent upon UNGA membership. Though the argument may be raised that certain aid projects depend on UNGA membership, this claim is dubious. As every country is automatically an UNGA member upon request, there is no case when this does not apply—except Afghanistan prior to September 2001. Furthermore, aid is

not contingent upon UNGA membership but rather upon need,<sup>6</sup> except in cases where UNGA subordinate agencies are refused entry or aid deliveries. The benefits that do accrue are non-excludable, because one cannot deny benefits if they accrue simply because of membership or where the organization does not provide benefits. UNGA member states receive the political prestige and tangible benefits of membership simply by being members, not by their dogmatic adherence to UNGA norms, policies, or rules. Many states receive sanctioning of their policies not through official sanctioning mechanisms, but through political coalition building against their policies. Some states will build ongoing coalitions against another state as a demonstration of disapproval (Voeten 2000 and Voeten 2004). The regulators are those subjected to the regulations. Even if UNGA or other members disapprove of a member's behavior in some area, they face limited ability to obtain redress through the UNGA and frequently pursue the matter in another forum. The UNGA organizational structure needs to be understood in the context of its organizational capabilities and design, as a forum for very loose state interaction and discussion based and designed on the post-World War II demands, but not as a legal institution being able to force its members into adherence. Coactive organizations depend on their members to bring about the behavior or action they wish to see from each other and the institution. Stimulus may prompt different reactions from different parties but within a coactivational organization there is no adjudicatory or enforcement power in the absence of members. Consequently, members understand there is little risk of formal sanction from the institution, and the costs and benefits become much more generalized for all parties. Only if numerous parties coalesce to coactivate a response to stimulus may costs, benefits, or sanctions be laid upon a member party.

However, there is a historical development of UNGA from a small circle of founding states to an all-encompassing world forum, which in turn creates other aspirations and ideas in its members, which are not in line with its organizational design. The loss of the East-West power equilibrium (Mearsheimer 2001) left the world in search for a new stabilizing and ordering world system; this caused many people to look to UNGA to fulfill this role (Held 1997). The stated purpose of UNGA and its coactivational organizational capacity however, prevent it from playing a strong role in preventing civil wars or nuclear proliferation. This does not mean UNGA has failed or is irrelevant, only that its role should be understood in the light of its explicit purpose of promoting "the development of international law" and "general principals of cooperation" and not in acting as global policeman of government. The reaction of UNGA toward ethnic conflict or nuclear proliferation is not a question of their unwillingness to react but more a consequence of their inability to do so, given the organizational structure. As UN general secretary Kofi Annan is quoted (The Economist 2005c), "With 191 member states it's not easy to get an agreement."

## **Conclusion**

Organizations matter to institutions, because they create the incentive structures for actors and dictate their action. If institutions are collections of norms, values, and standards that frame behavior for actors, then organizations are rules, which define how the institution will seek their shared values, norms, and standards. The organizational mechanisms are more than mere

6. Even countries which do not follow the UN Human Rights Convention receive aid as well as areas held by rebel groups when they need it.

details of an institution; they are one of the most important determinants of how an institution will evolve and increase ability to adhere to its norms, values, and standards. The legal rational organization conception creates an organization in a position to enforce stated norms and values. The coactivational organization exists as a relational organization that depends on broad coalitions of members to bring about action or enforcement. Criticism of these institutions should be tempered by a healthy understanding of their divergent organization types and how the resulting capabilities and mechanisms allow them to promote norms and adherence among members. Institutions can only do what they are designed to do, not what critics claim they should be doing. A strong empirical research program that tests the ability of different organizational forms when coupled with issue areas could provide evidence as to the importance on institutions. The capabilities of institutions to execute their mission have an impact on their ultimate success providing an empirical basis for testing.

Organizational theory can bring great insight to the study and analysis of institutions and provide a better framework for the study of the structural mechanisms that frame actor and institutional relations. Our discussion of the UNGA and the GATT/WTO system has shown how much of the work and the success of these institutions is contingent on their organizational design and without further discussing it may oppose some of the unreasonable criticism directed at these institutions based on the background of their organizational design.

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