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John W. Head, The Future of the Global Economic Organizations: An Evaluation of the Criticisms Leveled at the IMF, the Multilateral Development Banks, and the WTO

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John W. Head, *The Future of the Global Economic Organizations: An Evaluation of the Criticisms Leveled at the IMF, the Multilateral Development Banks, and the WTO*

Stephen Zamora

Abstract

This Article reviews Professor John W. Head's book, *The Future of Global Economic Organizations: An Evaluation of Criticisms Leveled at the IMF, the Multilateral Development Banks, and the WTO*. Developing country advocates argue that international economic regimes reinforce unequal allocations of wealth both internally, within national economies, as well as among nations. Economic conservatives argue that the World Bank and other multilateral development banks are superfluous in an age of international capital mobility. Professor John W. Head analyzes these and other criticisms in his timely and insightful study.

BOOK REVIEW

JOHN W. HEAD, THE FUTURE OF THE GLOBAL ECONOMIC ORGANIZATIONS: AN EVALUATION OF CRITICISMS LEVELED AT THE IMF, THE MULTILATERAL DEVELOPMENT BANKS, AND THE WTO

*Stephen Zamora**

Globalization of the world economy, and the economic interdependence of countries that accompanies it, have been built on the foundation of an international economic regime administered by a network of post-World War II economic organizations. The “Bretton Woods System,”¹ as the core of this regime is known, has provided the framework for an unprecedented increase in trade and investment throughout the world. We are so accustomed to globalization that we do not find it remarkable that many of the products that we use in our daily lives, the media that entertain us, or the ideas that come to us are produced in other countries. We embrace these products and ideas as natural parts of our daily lives.

Economic globalization² is convincing evidence of the success of the international economic regime. Success, however, has also bred harsh criticism. Anti-globalization critics argue that the expanded trade and investment encouraged by the Bretton Woods institutions damage our health and environment in

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1. The Bretton Woods System is named after the New Hampshire resort at which the Articles of Agreement of the International Monetary Fund (“IMF”) and World Bank were signed. The term “Bretton Woods System” is sometimes used as shorthand for the entire structure of international economic organizations—the development banks, the General Agreement on Tariffs and Trade (“GATT”), and the World Trade Organization (“WTO”) and other organizations—that were created in the second half of the Twentieth Century to promote liberal economic goals of expanding trade and foreign investment. See generally Stephen Zamora, *Economic Relations and Development*, in 1 THE UNITED NATIONS LEGAL ORDER 503-76 (Oscar Schacter & Christopher C. Joyner eds., 1995) (describing the Bretton Woods System).

2. For background on economic globalization, see generally Global Policy Forum, *Globalization of the Economy*, <http://www.globalpolicy.org/globaliz/econ/index.htm> (last visited Oct. 29, 2006).

the pursuit of corporate profits.³ Developing country advocates argue that international economic regimes reinforce unequal allocations of wealth both internally, within national economies, as well as among nations.⁴ Economic conservatives argue that the World Bank and other multilateral development banks are superfluous in an age of international capital mobility.⁵ Professor John W. Head analyzes these and other criticisms in his timely and insightful study, *The Future of Global Economic Organizations: An Evaluation of Criticisms Leveled at the IMF, the Multilateral Development Banks, and the WTO*.⁶ The ambitious title is perhaps overly broad: while he touches upon other international economic organizations, as the subtitle suggests, Professor Head focuses on the Bretton Woods sister organizations (the International Monetary Fund (“IMF”) and World Bank), and on their slightly younger first cousin, the World Trade Organization (“WTO”)—born in 1947 as the General Agreement on Tariffs and Trade (“GATT”).⁷ Thanks to their size and worldwide scope, international economic law revolves around these three agencies, and while the IMF, World Bank, and WTO do not monopolize international economic law, their influence carries well beyond the formal scope of their jurisdictions.⁸

As he states in his introduction, Professor Head’s aim is “to offer a useful and competent arm’s-length evaluation, from a legal perspective, of the main criticisms that have been leveled recently at the key GEOs [Global Economic Organizations].”⁹ The statement previews the strengths of the book. An experienced scholar of international economic institutions,¹⁰ Professor Head

3. For a polemical criticism, see generally LORI WALLACH & PATRICK WOODALL, *WHOSE TRADE ORGANIZATION? A COMPREHENSIVE GUIDE TO THE WTO* (2004).

4. See generally BEVERLY MAY CARL, *TRADE AND THE DEVELOPING WORLD IN THE TWENTY-FIRST CENTURY* (2001).

5. See, e.g., ADAM LERRICK, AM. ENTER. INST. FOR PUB. POL’Y RES., *WHY IS THE WORLD BANK STILL LENDING?* (2005), http://www.aei.org/publications/pubID.23440.filter.all/pub_detail.asp (last visited Oct. 29, 2006).

6. JOHN W. HEAD, *THE FUTURE OF THE GLOBAL ECONOMIC ORGANIZATIONS: AN EVALUATION OF CRITICISMS LEVELED AT THE IMF, THE MULTILATERAL DEVELOPMENT BANKS, AND THE WTO* (2005).

7. See WTO, *The 128 Countries That Had Signed GATT By 1994*, http://www.wto.org/english/thewto_e/gattmem_e.htm (last visited Oct. 29, 2006).

8. As Professor Head notes, “the influence of the GEOs is so great that they demand a rigorous and intelligent scrutiny.” HEAD, *supra* note 6, at 5.

9. *Id.* at xiv.

10. The author is well qualified to evaluate international economic organizations. Before entering academic life at the University of Kansas, Professor Head was a lawyer

is well equipped to provide an informed and unbiased view of their operation. While he recognizes historical underpinnings and political context, Professor Head is careful to point out that this is a *legal* analysis: "I shall eschew an assessment of the GEOs on economic grounds."¹¹ Although he emphasizes legal analysis, the interface of law, economics, and public policy is wide, and his book promises to be a useful commentary for academics in social sciences as well as law, in addition to providing background and insight for policymakers.

Professor Head's approach to this subject is a model of transparency. First, as he admits in his introductory chapter, the discussion is formed by a personal ideological perspective: "I am an internationalist . . . I believe international cooperative efforts—through multilateral organizations, agreements, and initiatives—hold the best hope for civilization to navigate through the difficulties of our current age."¹² The disclaimer makes us aware at the outset that he is not likely to call for the dismantling of the GEOs, and this is, indeed, one of his principal conclusions.¹³ He then goes about the business of categorizing the criticisms of each agency, and of evaluating each criticism in an objective and realistic way.

Professor Head's analysis in this book is highly formulaic—in Chapter One, he ticks off a list of criticisms (twenty-five "key complaints") that have been leveled at the featured GEOs. For each institution, he separates the criticisms into two categories: those involving policies and operations, and those that deal with the character, control, and scope of each GEO's jurisdictional reach. Thus, he lists the first criticism of IMF policies and operations as follows: "Criticism #I-1—*Bad Medicine*. 'The IMF prescribes economic and financial policies that fail to cure, and that indeed often make sicker, its borrowing member countries and the entire world economy.'¹⁴ He goes on to list IMF Criticism #I-2, IMF Criticism #I-3, etc., before advancing to similar lists for the Multilateral Development Banks ("MDBs," i.e. the

with the Asian Development Bank, and he has also served as a consultant to the International Monetary Fund. He has published widely on both substantive and procedural subjects of international economic law.

11. HEAD, *supra* note 6, at 6.

12. *Id.* at 6.

13. *Id.* at 214-15.

14. *Id.* at 7.

World Bank and the regional development banks) and the WTO.¹⁵

This formulaic approach is one of the book's strengths, because it allows Professor Head, as well as the reader, to compare analyses across institutional lines. Commentators on international economic law tend to specialize within one discipline—specialists in international trade law rarely direct their attention to international monetary law, and vice versa.¹⁶ By listing similar criticisms of GEOs, the book permits us to compare the criticisms and performances of different GEOs, while allowing the author to identify and develop overarching themes, such as an inclination to “mission creep” (i.e., the tendency for a GEO to expand the scope of its jurisdiction), or the existence of a “democracy deficit” (i.e., disparate treatment for members of GEOs depending on their level of economic power).¹⁷

Conforming to a formulaic style, however, is also a shortcoming. In categorizing types of criticisms, Professor Head follows a macro-policy approach; there are few case studies or anecdotal examples about how the policies have been applied in an individual matter by the GEO in question. He focuses more on legal process (decision-making, dispute resolution, policy implications) than he does on detailed discussion of substantive legal norms of the regimes under discussion. Given the range of subjects encompassed in this book, it would be very difficult to provide meaningful discussions of specific substantive norms. But while the formula provides us with a clear map to circumnavigate the GEOs, it doesn't always make the trip as exciting as we might like it to be. “Exciting” is seldom applied as an adjective to describe international economic law norms, but these subjects can be interesting, if not exciting, in the way they are applied in specific cases; in teaching these concepts, it is often the analysis of the application of a specific norm that gives flavor to the discussion. That flavor is sometimes lacking here, although that is probably an unfair criticism. Professor Head has not under-

15. *Id.* at 7-10.

16. There are rare commentators whose breadth of knowledge and experience in international economic law rise above the curse of specialization, of course. One of these is Professor Andreas Lowenfeld, whose command of both international trade law and international monetary law is well displayed in his treatise *International Economic Law*.

17. HEAD, *supra* note 6, at 66, 84-91, 120-21, 146-50, 172, 193-201.

taken to criticize international economic norms per se, but rather to evaluate the institutions. An occupational hazard of such an enterprise is to focus on legal process, with substantive norms kept in the background.

Chapter Two is a very useful overview of the historical background of the IMF, the World Bank (and its sister MDBs), and the WTO. Subchapters announce “nutshells” of each—very broad overviews of the institutions. These discussions are balanced, and include citations to other literature. The text—both here and elsewhere—would have benefited from slightly more comprehensive citations to helpful secondary sources.¹⁸

Chapters Three, Four, and Five evaluate the criticisms directed at the IMF, those directed at the MDBs, and those directed at the WTO. These chapters repeat the list of complaints, or criticisms, leveled at each institution or set of institutions. The evaluation of the criticisms is balanced and fair. Not surprisingly, Professor Head agrees with some criticisms and rejects others—in his characteristic openness, he lists “criticisms I generally dismiss” and “criticisms I generally endorse” in each chapter, giving reasons for each. As an illustration, here is one example of his approach. In Chapter Three, he addresses Criticism #I-5, the “democracy deficit.”¹⁹ This criticism states that the IMF is “controlled by a handful of rich countries . . . [and] is an unaccountable autocracy in which the people most affected by its operations have far too little chance to participate.”²⁰ He relies heavily on the writings of Professor Daniel Bradlow, who has argued that the countries most likely to need the IMF’s resources have the least say in the development of IMF policies, making them undemocratic.²¹ Professor Head points out that this criticism is also connected with Criticism #I-7, asymmetry of obliga-

18. For instance, in his discussion of the history of the WTO, Professor Head’s readers may have benefited from reference to MITSUO MATSUSHITA, THOMAS J. SCHOENBAUM & PETROS C. MAVROIDIS, *THE WORLD TRADE ORGANIZATION: LAW, PRACTICE, AND POLICY* (2006) and JOHN H. JACKSON, *SOVEREIGNTY, THE WTO AND CHANGING FUNDAMENTALS OF INTERNATIONAL LAW* (2006). Likewise, when discussing the IMF, readers could have been directed to MARY ELIZABETH JOHNSON, *THE INTERNATIONAL MONETARY FUND 1944-1992 A RESEARCH GUIDE* (1993) and *THE INTERNATIONAL MONETARY FUND OVERVIEW, ISSUES AND BIBLIOGRAPHY* (Elisabeth P. McLellan ed., 2002).

19. HEAD, *supra* note 6, at 84-91.

20. *Id.* 7-8.

21. See Daniel B. Bradlow, *Rapidly Changing Functions and Slowly Evolving Structures: The Troubling Case of the IMF*, 94 AM. SOC’Y INT’L L. PROC. 152, 153 (2000).

tions. He notes that the IMF has created an Independent Evaluation Office (“IEO”) to evaluate IMF operations independently of the IMF Executive Board or of the administration. While commending the move, he points out the “independent” IEO is not really independent, since its director is named by the IMF management, and it is staffed by employees subject to IMF approval.²² Professor Head finds that the IEO falls short of being “an external organ broadly representative in character, empowered to exercise a fully objective review of IMF operations and to issue binding orders if it judges those operations to be improper or *ultra vires*.”²³ He concludes that the criticism of the undemocratic nature of the IMF is generally valid, and while the IMF has attempted to ameliorate the “democracy deficit,” it should do more to “make the IMF itself, and the countries that control it, more accountable to all people whose lives the IMF affects”²⁴

Chapter Four, dealing with MDBs, is the book’s strongest chapter, reflecting the fact that Professor Head is a former development bank lawyer. Of his twenty-five “key criticisms,” twelve are leveled at the MDBs. After evaluating each of them, he concludes that seven of the criticisms are valid: environmental degradation, human rights shortcomings, weakness in staffing and management, secrecy and opaqueness, the democracy deficit, narrowness of economic focus, and asymmetry of obligations.²⁵ As in the previous chapters, he proceeds to suggest a number of reforms to address these criticisms. Many of these reforms are specific and non-threatening, and they reflect Professor Head’s careful approach (and his experience working in the field).

Chapter Five, dealing with the WTO, is a very useful overview of criticisms of an organization that has grown in size and importance. This chapter will be the least edifying for an expert who has followed international trade controversies closely, but it is a highly useful summary for most of us who understand the basics of the international trade law regime but who only delve into the area periodically. He points to the failure of the free trade movement to maximize the welfare of societies in general,

22. HEAD, *supra* note 6 at 86-91.

23. *Id.* at 87.

24. *Id.* at 91.

25. *Id.* at 181-201.

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