

# HOW GLOBAL INSTITUTIONS RULE the WORLD



Josep M. Colomer



# HOW GLOBAL INSTITUTIONS RULE THE WORLD

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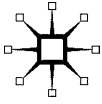
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HOW GLOBAL INSTITUTIONS  
RULE THE WORLD

*Josep M. Colomer*

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Cover Meeting of the Group of Eight at Camp David, United States, May 18–19, 2012. From center-left and around the clock: Yoshihiko Noda, prime minister of Japan; Mario Monti, prime minister of Italy; Stephen Harper, prime minister of Canada; François Hollande, president of France; Barack Obama, president of the United States; David Cameron, prime minister of the United Kingdom; Dmitry Medvedev, prime minister of Russia; Angela Merkel, chancellor of Germany; Herman Van Rompuy, president of the European Union Council; José Manuel Barroso, president of the European Commission.

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## PREFACE

DOES WORLD GOVERNMENT ACTUALLY EXIST? ARE  
THE CURRENT GLOBAL INSTITUTIONS EFFICIENT IN  
MAKING DECISIONS? CAN THEY BE COMPATIBLE  
WITH BASIC DEMOCRATIC PRINCIPLES?

Michael Froman was the Sherpa of United States President Barack Obama a couple of years ago. The original “sherpas” are the guides and porters in the Himalayas who prepare the way to ascend to the “summit.” I met Mike in Washington when he was preparing the annual “summit” meeting of the heads of government of the Group of Twenty, which was going to be held in Los Cabos, a touristic beach resort in Lower California, Mexico, in June 2012. Apparently the Group of Twenty, also known as G-20, has gone beyond its initial purpose as it is now dealing not only with financial and economic matters but also with security, energy, environmental, and many other issues. Asked whether the G-20 has a boundless agenda to deal with all the problems of the world, Mike responded: “The G-20 is a global forum; at any moment, the issues in one country can become global issues that we will need to address.”

The following year, Michael Froman had been appointed the US Trade Representative to negotiate partnerships with a dozen Asian and Latin American countries and with the European Union. The new US Sherpa was Caroline Atkinson. I had similar encounters when she was preparing the summit meetings to be held in Saint Petersburg, Russia, in September 2013, and in Brisbane, Australia, in November 2014. She dismissed the idea that “the G-20 should do a ‘back to basics’ and only worry about the global economy debate.” Caroline argued that the G-20 “can have an important role in setting a global agenda and in affecting the global economy in a larger sense, not just the current and fiscal account deficits but other important areas”; actually, the G-20 should not be only an agenda setter, but “a problem solver,” in her words.

The G-20 is the second circle of the G-8, which gathers the heads of government of the largest economies of the world. The G-8 and the G-20 have been dubbed the world's self-appointed steering committee. In addition to the summits, they hold regular meetings of the ministers of foreign affairs and finance, as well as those of trade, labor, tourism, agriculture, and others. They have created their own Financial Stability Board, based in Basel, Switzerland. The G-8 and G-20 do not have a permanent administrative apparatus, but they rule the world through the state members, the European Union, other world regional unions, and the most relevant global institutions, whose heads are permanent participants in the summit meetings, including the United Nations, the International Monetary Fund, and the World Bank, as well as the World Trade Organization, the International Labor Organization, the Organization for Economic Cooperation and Development, and others.

The G-8 system is the closest thing to a world government that has ever existed. It has established a new world's directorate that—as acknowledged by the two high officers quoted above—deals with boundless agendas, while it effectively implements its decisions through the states and other organizations. There is not a single sovereign government that happens to rule the entire globe. The world is actually ruled by a few dozen of those global bureaus, unions, agencies, funds, banks, corporations, and courts. As we will see, they use different institutional, voting, and decision-making formulas, rely on nonelected experts, and employ diverse mechanisms to try to make high officers accountable. Yet, I will argue in this book that the variety of institutional arrangements is not an indicator of weak capacity of decision-making or of policy enforcement, but it rather reflects the extensive scope of the global institutions' activities and the complexity of the global agenda of issues.

This book is conceived for the educated common reader, not only for the academic expert. Everything can be understood without any specialized technical knowledge. I have taken this option precisely because the topic of global governance is of paramount importance for everybody in the current world and I feel that there is underprovision of appropriate publications on the matter for the regular reader. In order to facilitate readership, all sources for data, facts, insights, quotations, and paraphrases are given at the end, in the appendices and in the sources and further reading section, where more interested readers can check the grounds of my narrative and my statements.

The first part of the book addresses *who* the rulers of the world are. We will start with reviewing the oldest bureau-type organizations that deliver network goods such as the calendar, systems of weights and measures,

and standards for transport and communication, some of them for several centuries already. This type of international organization has not attracted much attention from scholars or news-makers, but this is due precisely to their effectiveness in providing vital public goods by simple institutional means.

Then, we will briefly review the failed experience of the League of Nations, the first attempt to establish a real worldwide government dealing with security and all major affairs. The institutional design of the League could not be more mistaken: by trying to make decisions by simple rules as the aforementioned bureaus, and especially by unanimity, it contributed the most to the failure of the first globalization at the beginning of the twentieth century.

The following chapters deal with the most relevant global institutions in the current world. The resilient United Nations was established as the world's directorate by the winners of the Second World War with much more hierarchical formulas than its predecessor. The UN was plagued for a few decades by the Cold War between the United States and the Soviet Union, but it has managed to develop broad multilateral cooperation in the last 20 or so years.

The International Monetary Fund and the World Bank are very powerful and influential in the current world, in great part due to the fact that they managed to preserve their functional independence from the UN system. By using complex institutional formulas such as weighted votes and qualified majorities, the Fund and the Bank have been able to create broad economic policy consensus and adapt to periods of both depression and growth.

In contrast, we will see how the World Trade Organization, which intends to make decisions on equal vote for every country and actual unanimity, has been almost paralyzed for decades and has hardly been able to promote any new world trade agreement.

Finally, we will expand on the G-8 and the G-20, which, as I have put forward, act nowadays as the real world's directorate.

The second part of the book analyzes *how* these global institutions rule. The main point to develop is that, indeed, institutions do matter, and that different institutional formulas are capable of different performances depending on the type of collective goods they intend to provide.

First, I discuss the weakness of current domestic, state-based governments in comparison with less globalized past periods. The inappropriateness of traditional systems based on political party electoral competition in dealing with some of the current global problems is exposed.

Then, several global institutional formulas are discussed in more detail in successive chapters. I start with the forms of representation of countries,

including equal vote, rotation of countries, and weighted votes, which challenge the classical notion of the state's sovereignty.

I also highlight the role of nonelected experts in shaping alternatives and decisions, in contrast to professional politicians and traditional diplomats specialized in general affairs. The appropriate institutional rules and the expertise of high officers permit global institutions, in contrast to relatively common patterns at the state level, to build knowledge-based policy consensus on many relevant subjects.

Finally, I review and discuss specific forms of accountability of the heads and high officers of global institutions.

A very relevant question is whether these institutional formulas and patterns of decision-making can be compatible with a valid notion of democracy. I hold that democracy is an ethical notion that can be compatible with different institutional formulas. As happened with the replacement of city-based direct democracy with state-based representative democracy in early modern times, in the current globalized world the principle of democracy requires new institutional formulas. Democracy is scaling up from states to the global level, and that this change of scale requires paramount changes of rules and basic democratic conceptions. This will be mainly discussed in the last chapter.

In short, the answers to the questions inserted at the frontispiece of this book read as follows: Yes, indeed, world government actually exists, even if it works with very different formulas from what we are used to seeing at state or local levels. Undeniably, most global institutions have greatly improved their effectiveness during the last few decades. The main challenge for making them compatible with an acceptable notion of democracy is the design and choice of appropriate institutional rules.

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## INTRODUCTION



## CHAPTER 1

### WORLD GOVERNMENT IS HERE

The specter of global government has been haunting the world for centuries. For some, its mere evocation raises fears of despotism and imperialistic domination, whereas some idealist thinkers have equated global government with general prosperity and perpetual peace. This book does not deal, however, with alarming fears or with well-intentioned wishes. Its focus of attention is the current, real world. In the following pages I show how world government actually exists, to what degree the current global institutions are efficient in making decisions for the provision of global public goods, and how their institutional rules and procedures can be compatible with some acceptable notion of democracy.

That world government is already with us in many important respects may appear a dubious statement in the light of the high fragmentation among bureaus, unions, organizations, agencies, and groups that try to deal with global affairs. There are several thousand international associations in the current world, counting federations of nations, regional unions, military alliances, nongovernmental organizations, religious groups, informal networks, private/public arrangements, treaties, and agreements. But only 36 of such entities can be strictly considered “inter-governmental, universal membership organizations” (which are defined as those including at least 60 countries or at least 30 if they are equitably distributed in several continents, with the diversity of membership reflected in their management structures, according to the database of the Union of International Associations). They include, most prominently, the United Nations and its dozen agencies, the World Bank (WB), the International Monetary Fund (IMF), the World Trade Organization (WTO), the International Criminal Court, a number of technical bureaus like the Universal Postal Union or the International Telecommunication Union, as well as other, apparently more informal but highly powerful

mechanisms, such as the Group of Eight (G-8) and the Group of Twenty (G-20).

The degree of internal consistency and effectiveness in delivering public goods of all these global institutions is uneven. Even the most prominent of them have different memberships, as not all officially recognized states are members or can participate directly in their activities. They use different rules for representation and different procedures for decision-making. And states choose to develop international cooperation either within or outside those global institutions to different degrees, depending on the matter at hand and the specific rules enforced.

A centralized, unitary, sovereign world government, thus, does not exist—that is obviously a fact. But the main point I will argue in this book is precisely that the variety of institutional arrangements currently used by different international organizations is not an indicator of weak capacity of decision-making or of policy enforcement at the global level. It reflects, on the contrary, the extensive scope of their activities and the complexity of the global agenda of issues.

In fact, the world is forcefully governed by global institutions, such as those mentioned above, which deal with such vital issues as security, political violence, financial stability, economic and human development, poverty, trade, climate change, crimes against humanity, standards for time, transport and communications, just to mention a few. Governing the whole world on all these and many more issues could not be done efficiently if all the tasks were in the hands of a single body or regime. Governing a world as large and complex as the current one on a large multiplicity of issues requires different institutions and rules.

A major confusion when we consider the strength and importance of the currently existing global institutions derives from comparing them with the archetypical model of a sovereign national state. If the existence of world government were to be measured by the capability of a global central body to directly raise taxes and sustain its own permanent powerful army, as is essential in the building of a new state, certainly, the verdict would be negative. Such a global state does not exist and it is not likely that will ever be built and will endure. Yet, the current global institutions are extremely effective in making decisions on war and peace and on fiscal policy, among many other issues, decisions which are enforced by themselves or by the member-states' apparatuses.

The confusion comes from the ignorance that “state” is not the only form of political community. Other forms, such as the city, empire, federation, and international and global institutions, can and do efficiently manage collective affairs at different levels and in different contexts. In contrast to other forms of polity, the state is defined by its sovereignty,

which implies a single source of legitimacy over a population within a fixed territory with stable borders. In this sense, the form “state” has existed mostly in Western Europe within a historical period that began only about 300 years ago. Yet, even where the original experience of statehood took place, the model of the state as the only monopolistic provider of public goods has reduced relevance, as many of its fundamental endeavors are now largely superseded by the multinational European Union. Most of North America, Russia, and Asia have historically been unacquainted with the West European model of sovereign states, as broad empires and federations have incorporated most of the population in those continents. In many of the former European colonies in Africa, the Arab region, and Latin America, attempts to build sovereign states with closed borders imitating the former metropolis have largely failed, since some of the newly created governments have not actually attained internal monopoly of violence or external sovereignty.

Rather than successful new state building, it is regional integration in very large size areas of economic, security, and political cooperation that have been spreading across the world during the most recent period. The most relevant case is, of course, the building of the European Union, which has reached the point of becoming a permanent, regular member of top global institutions such as the G-8 and the G-20. Other, smaller experiences at different stages of development include the Organization of American States, the African Union and the League of Arab States. They are paralleled by more limited, but robust agreements, including security alliances such as the North Atlantic Treaty Organization (NATO) and the Association of South East Asian Nations (ASEAN), and trade agreements such as the North American Free Trade Agreement, the Southern Common Market (Mercosur), or the Southern African Development Community. Global arrangements—partly relying on states and regional structures—are also increasingly numerous and over time more effective on many issues, as we will review in the following chapters of this book.

All these processes involving ever larger areas of human exchanges have been made possible by crucial technological innovations, especially regarding war, transports, and communication. The skeleton of traditional empires was formed by roads, canals, ships, harbors, railways, and highways. But more recently, aviation, telegraphy, telephony, and the Internet have enlarged the territorial scope of military operations, trade, migrations, and information. The art of government at a distance has multiplied the size of viable public institutions.

Several authors have extrapolated the tendency toward increasingly larger sizes of governments and found only a 50 percent probability of

a single world government by a date placed between 2200 and 3800 (depending on the author), if size is measured by territory, and as late as 4300 if size is equated to the proportion of the world's population.

Yet, while these exercises assume that, like the typical state, all collective issues can be handled up by a single centralized institution, the efficient provision of public goods actually requires diverse territorial scales. The provision of collective goods and rules for security, communication, markets, climate change, can be very large, indeed global, as it actually is already, much earlier than predicted by those exercises in projection, while other goods such as public education, health policy or personal services may still be provided at smaller scales.

Global governance implies that each public good can be provided in an area of efficiency encompassing its consumers, which contrasts, of course, with the traditional model of the sovereign state pretending that one size fits all, and, as in the Greek myth of Procrustes, those not fitting the one-size bed are amputated.

In the framework of multiple levels, overlapping institutions all across the world, no authority rules with exclusive powers. Each level of government and each specialized global institution deals with different sets of issues and can make final decisions on some of them.

The different levels of government also cooperate and share power. Most relevant for the democratic legitimacy of the rulers of the world is the fact that the existing local and state democracies support the selection of high officers in global institutions. The other way around, global institutions also rule, in part, indirectly through large regional organizations, multinational federations and unions, and state and local governments. In this way, representatives and officers based on competitive elections do participate, albeit indirectly, in the actual ruling of the world.

### **Institutions Matter, Also at Global Level**

Institutions indeed do matter, at the global level as much as they do at domestic levels. The main challenge for the efficient provision of public goods and effective governance at global scale is the design and choice of the appropriate institutional rules and procedures, which is the focus of this book. Institutions define the territorial areas in which markets can develop, public goods can be provided, and democracy can be exerted. They also establish the rules for selecting leaders and for making collective, enforceable decisions.

It was the lack of suitable global institutions that contributed the most to the failure of the so-called first globalization, which developed at the beginning of the twentieth century. A little more than 100 years ago,

the relative levels of transnational circulation of persons, goods, services, and capital were not very different from the current ones. By that time, an inhabitant of, say, London could order by telephone any quantity of the various products of the whole earth to be delivered upon his doorstep, adventure his assets in new enterprises of any quarter of the world, and travel to any country or climate without passport or other formality while bearing coins or bills of almost any currency without expecting any grievance or interference.

The first globalization took place under the protection of the Pax Britannica, that is, the control of routes, territories, and population by the first imperial power of the time, rather than within effective inter-governmental organizations or formal rules. But the larger European states were colonial rivals and unilaterally sought the conquest of large populations and protected markets both in the continent and in the rest of the world. The atrocious First World War, the destructive Russian Revolution, the failure of the League of Nations—which will be analyzed in chapter 3—the subsequent outburst of rival state nationalisms and economic protectionism, the rise of violent Fascism and Nazism, and the devastating Second World War, were successive episodes of global collapse.

A new period of increasingly larger human exchanges and globalization of affairs has developed since the mid- and especially the late twentieth century, this time in a more institutionalized setting favoring stability and efficiency. Although the outcome of the Second World War, as well as the end of the Cold War created the image of a new Pax Americana, most successes have been attained by means of broad multilateral cooperation. While the United States has asserted itself as “the indispensable nation”—an expression that was popularized by US secretary of state, Madeleine Albright, in the 1990s—in the current world most successful global endeavors require the collaboration of multiple, no less indispensable partners.

The main focus of the following analyses is the internal rules and procedures that global institutions use for decision-making. In order to assess the institutions' performance, several indicators are taken into account, including, in particular: (1) broadness of membership, (2) level of activity, and (3) the frequency and importance of outside deals. More precise measurements of institutional performance should be the subject of further research, but for now we have to rely on less systematic, although sufficiently compelling assessments.

Whether this practical model of global governance involving multiple institutions and a variety of procedural arrangements is compatible with some acceptable notion of democracy is more disputable, although indeed

a question to discuss. Nowadays, we tend to think of democracy first and foremost in terms of competitive political party elections with universal adult suffrage. By that definition, global democracy looks pretty hopeless. Yet, this and other definitions with similar attributes are not the only possible ways to make sense of the democratic form of government.

Actually, the cradle of democracy in ancient Athens, to refer to the most prominent example, did not make use of elections. Ancient, local democracy was based on people's direct decisions on policy alternatives and the subsequent selection of delegates (typically by lots or turns) to implement the agora's mandate.

The alternative notion that democracy must be based on parties and competitive elections is heavily linked to the modern notion of state, which has been addressed above. Most modern states are relatively large and complex in comparison with ancient and medieval cities, which discard direct democracy as a regular way to make decisions. Many states have drastically reduced people's diversity of interests and values by building relatively homogeneous nations. State democracy has been largely based on the presumption that, under a sufficient degree of national homogeneity, aggregative mechanisms such as parties and elections can produce enforceable decisions on a single sovereign body. Yet, the building of federations based on various states or nations already implied the acknowledgement that multiple levels of government and indirect selection of some upper rulers may be needed to make broader aggregations feasible.

Thus, democracy already scaled up before, from direct democracy in ancient and medieval cities, to representative democracy in modern nation states and federations. That change of scale implied paramount changes of institutional rules. Likewise, democracy can be scaled up in the current world to the global level, which also requires the adoption and acceptance of new rules and procedures to make this new upper level of governance effective and legitimate.

### **Wide-Ranging Institutional Diversity**

Many global organizations have attained relatively high rates of success by using specific combinations of institutional rules and procedures. Only a few of them respect the notion of state sovereignty and give each state the same seats or voting rights independent of their size, population, or amount of resources to contribute to global governance. Alternative, more efficient formulas of representation at the global level include rotation of countries in councils and boards, the allocation of weighted votes to every country, and the formation of multi-country coalitions.

Most global institutions are not ruled by professional politicians or traditional diplomats. Most global bureaus providing standards and network goods, as well as major economic organizations dealing with finance and development, rely on independent bodies of nonelected experts to make decisions on major issues. Many officials are recruited with criteria of political independence, technical expertise and honest behavior. Generally, global institutions tend to make policy by consensual knowledge, rather than by voting on political party alternatives.

Yet, world politics displays huge institutional variety. In order to make sense of this, it is important to realize that the fundamental activities of international organizations entail the provision of large-scale collective goods involving different degrees of interstate conflict of interest, whether security, justice, financial stability, economic promotion, communication networks, standards for weights and measures, or others. The effectiveness of international organizations in fulfilling their aims strongly depends on the fit between the type of collective goods they are intended to provide and the formulas chosen for their institutional design.

Several types of global collective goods can be distinguished for the different coordination and cooperative efforts that their provision may require. First, “network” goods provide higher potential benefits to each user the higher the number of users; they do not involve significant conflicts of interests among states. This happens, for instance, with standards such as the calendar or weights and measures, as well as with agreements for a number of communication media, including the post, aerial traveling or the Internet, which will be reviewed in chapter 2.

This type of global goods is served by simple bureau-type organizations. The assembly composed by all member-states holds infrequent meetings in which decisions are made by near-unanimous consensus. The main body is the permanent professional secretariat, which implements the decisions consistent with the assembly’s mandate and the achievement of the institution’s goals. In fact, the specific organizational forms for the provision of this type of goods are relatively indifferent, as the technical solution is a focal point—such as a standard for a measure or a medium of communication—on which everybody can converge. As we will see with a few prominent cases, great powers, neutral countries and small gatherings of scientists and technicians efficiently provide global standards for time, weights, measures, and communication networks.

Due to the importance of the services provided and the relative ease in agreeing on standards, these are the oldest and some of the more durable international organizations currently existing, some for a few centuries already. Cooperation is more likely to be initiated by larger