



**ADB Working Paper Series**

**Asia in Global Governance: A Case  
for Decentralized Institutions**

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No. 157  
October 2009

**Asian Development Bank Institute**

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Suggested citation:

Kawai, M., P. A. Petri, and E. Sisli-Ciamarra. 2009. Asia in Global Governance: A Case for Decentralized Institutions. ADBI Working Paper 157. Tokyo: Asian Development Bank Institute. Available: <http://www.adbi.org/working-paper/2009/10/20/3353.asia.global.governance/>.

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**Abstract**

The global economic crisis refocused attention on the governance of international economic institutions (IEIs). This study uses the analytical framework of club theory to highlight structural obstacles to reform in international macroeconomic management, development finance, trade, and financial stability. The authors argue that reforms currently being discussed—for example, in voting power in the International Monetary Fund and the World Bank—are important, but not sufficient to make IEIs adaptable to the demands of a rapidly changing world economy. The authors propose transforming IEIs by shifting more decisions from the global to sub-global level. Partially decentralized decision making already exists in some policy areas (for example in regional development banks) and could expand and improve the provision of international public goods.

**JEL Classification: F02, F13, F33, F42**

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## 1. INTRODUCTION

The global economic crisis has refocused attention on the governance of international economic institutions (IEIs), especially the International Monetary Fund (IMF). Although IEIs were invisible in the early stages of the crisis, there is growing agreement that they should be more central in managing and averting crises in the future. The IMF received special attention at the 2009 London Summit, but remains the “third rail” in the politics of many developing countries due to its role in the 1997–1998 Asian crisis. Given the need to restore the IMF’s credibility, much recent work<sup>1</sup> has focused on what Edwin Truman has called the “chairs and shares” issues—concrete changes in the IMF’s management, staffing, and voting structure. Less acute but also difficult challenges face other IEIs such as the World Bank, the World Trade Organization (WTO), and the Financial Stability Board (FSB).

This study examines IEI reforms from an analytical perspective—based on the theory of clubs—that highlights structural challenges in international economic governance. It identifies a “governance trilemma” that makes it difficult for IEIs to be universal, democratic, and effective at the same time. Reforms in chairs and shares are important, but do not resolve the trilemma and are not likely to make IEIs adaptable to the demands of a rapidly changing world economy. More systemic innovations will be needed.

One promising strategy is to transform current IEIs into institutions (or families of institutions) with a partially decentralized decision-making structure. This could be achieved by allowing smaller groups of countries to make decisions within current institutions (an approach called “variable geometry” in some contexts) or by developing closely linked institutions with different memberships. In either case, some authority would shift from the global to sub-global level. This shift would make international decisions more flexible and accountable, making them more like decisions within countries, which typically involve several layers of government. Specific applications to international institutions will be suggested below.

Such decentralized decision making is not hypothetical; it already exists in some international policy areas and its relative importance appears to be rising. The World Bank is complemented by four major regional development banks and several other multilateral banks. World trade agreements are paralleled by many regional ones. And there are sub-global institutions (or ad hoc arrangements) engaged in macroeconomic surveillance and liquidity support. Recent reforms at the IMF suggest further intriguing changes in how—and by whom—loans are negotiated. All these trends, viewed in the present analytical context, point to more flexible and effective directions of governance.

To be sure, decentralized decisions create new challenges: sub-global decisions need to be made globally coherent in order to act as “building blocks” of a global system. This argues for paying close attention to connections within a decentralized structure. But if successfully linked, a partially decentralized system would help the world’s IEIs respond to a wider range of problems more quickly and more effectively. On a global level, IEIs could also focus more sharply on truly global issues.

The value of decentralization rests on its ability to yield public goods that are important to some, but not all, countries. Geographical proximity is one, but not the only, reason for similar preferences for public goods. For example, countries engaged in deep-sea fishing share common concerns related to the oceans and will want to cooperate on arrangements affecting fisheries. Decentralization enhances the productivity of the world’s “public goods industry” and relieves the pressure on global institutions to meet sub-global needs. But narrower public goods should not come at the expense of global ones; the institutional framework should have coherent global *and* sub-global mechanisms as its ultimate goal.

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<sup>1</sup> For example Truman (2008), IMF (2008a, 2008b), Bryant (2008a, 2008b), Cooper and Truman (2007), Dervis and Ozer (2005). A wider range of studies, some addressing structural issues as well as reform options, are collected in Truman (2006).

This requires changes in the functions of the existing global and sub-global institutions and, if needed, the creation of new sub-global institutions.

To keep this analysis manageable, the paper focuses on the “big three” institutions (the IMF, World Bank, and WTO) that address macroeconomic stability, development finance, and trade liberalization, respectively. All three institutions were proposed at the Bretton Woods conference in 1944, although the WTO formally came into existence only fifty years later.<sup>2</sup> We will review criticisms of these organizations and the potential for applying a decentralized decision-making framework to their activities. We will also provide preliminary thoughts on how sub-global bodies may function under the FSB.

In addition to functional institutions, various country groupings (“G forums”) have also become important international actors in recent years. The Group of Seven (G7) (large industrial economies) and the Group of Eight (G8) (with Russia) have been the most active historically, but the Group of Twenty (G20) (G8 plus major emerging economies) has gained prominence as a response group to the global financial and economic crisis.<sup>3</sup> These forums play important leadership and coordinating roles, but are not (so far) IELs with a concrete institutional mission and charter.

## 2. IMPLICATIONS OF CLUB THEORY

IELs are clubs in the sense that they produce goods that are at least partially non-rivalrous (more than one user can consume them) and at least partially excludable (users can be denied access to them). Their most important services include order and predictability in international commerce and finance. Although these services are generally enjoyed by countries without diminishing their value to others, IELs also offer services specifically to members that generate demand for membership.

Club theory<sup>4</sup> has been widely used in economics and political science, including in the analysis of international organizations (Ruggie 1972; Fratianni and Pattison 1982, 2001; Kahler and Lake 2003; Keohane and Nye 2003; Lawrence 2008). We focus on three major insights. First, the provision of club goods fills an important gap: clubs can lead to Pareto-optimal results by supplying public goods under optimizing conditions that are similar to those in market production. Second, the expansion of club membership tends to make clubs less effective: decisions are harder to align as the preferences of members diverge. Third, clubs tend to be relatively inflexible institutions: club charters are usually designed to maintain firm control in the hands of founding members and those who share their preferences.

### 2.1 Provision

Because clubs overcome free-rider problems by sharing costs, they produce services (and hence consumer surplus) that cannot be generated in markets. If a club maximizes the benefits of its members, it can be shown to bring the marginal rate of substitution between the services it provides and normal goods into equality with the marginal rate of transformation among them. Thus, the welfare implications of club decisions are similar to those of market decisions under competition: the relative prices of club goods, as other

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<sup>2</sup> The proposed International Trade Organization was not agreed upon, and the General Agreements on Tariffs and Trade was established instead to manage trade relations. It was replaced with the WTO in 1994.

<sup>3</sup> The Group of Twenty-four (G24) (prominent emerging market economies) and the Group of Seventy-seven (G77) (a more inclusive group of emerging economies) provide additional forums for developing country views. Brazil, Russia, India, and People’s Republic of China (PRC) (the BRICs) have also attracted attention as a forum for the four most powerful emerging economies.

<sup>4</sup> See Sandler and Tschirhart (1980) for a comprehensive survey. Seminal contributions were made by Buchanan (1965).

goods, equal their relative marginal costs of production. Since they operate in the global arena, IEs offer services that are especially unlikely to be produced by markets and their contribution to welfare is potentially very large. But the extent to which they “fill the space” of required public goods may be limited. As discussed below, IEs, unlike smaller government organizations such as municipalities, are less likely to face competitive pressures that lead to efficient production decisions.

## 2.2 Membership

Clubs set criteria for admission and may limit membership. Analytically, they can be expected to equate the net benefit of adding a member to the costs imposed on existing members. Since many international public goods are non-rivalrous, IEs have little reason to limit membership from the production viewpoint, but adding members does increase costs in decision making. Political pressures for inclusion have nevertheless led to steady and substantial growth in the membership of the “big three.”<sup>5</sup>

Expansion tends to increase the heterogeneity of membership. This usually implies demand for a wider range of services and also, as Fratianni and Pattison (2001) point out, increases decision-making costs. Since a member’s welfare depends on the extent to which the club addresses its preferences, its welfare may be lowered if the club becomes more diverse and begins to produce (from the member’s viewpoint) the wrong services. These effects may be especially costly to existing members if the club has an inclusive decision-making structure. For example, if decisions are made by consensus, then each new member gets an effective veto. Expansion has created problems in all three major IEs, and especially in the WTO, which is governed by consensus rather than by qualified voting.

## 2.3 Club Dynamics

Clubs are usually analyzed in a static context, under the implicit assumption that provision and membership are decided once and for all. But international institutions exist for long periods of time, and during this time their membership and external environment are likely to change. The extent to which clubs adapt to changing environments thus becomes increasingly important to their operations over time.

When a new club is created, members have common interests and design services to meet their common needs. (In the simplest club models, decision making is not even considered, since any member is assumed to be representative and thus able to make decisions for a club.) This may be a reasonable approximation of the environment of the Bretton Woods era, when the United States (US), United Kingdom, and France made essentially all major decisions and awarded themselves a majority of the voting shares of global institutions, but is clearly not applicable today.

The founders of clubs recognize that over time their interests could diverge as other members are added and/or their relative power or external environment changes. To make sure that their investments and contributions are nevertheless protected, founders usually adopt rules that limit changes in club policies and vest control in themselves and others who are likely to share their interests. Club charters do this by limiting changes in:

- membership, by setting admission criteria to ensure the alignment of the interests of new members with those of old ones;

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<sup>5</sup> These pressures apply to all international clubs; for example, the European Union (EU) expanded widely into Eastern Europe, and the Asia-Pacific Economic Cooperation (APEC) has included Latin American countries and Russia, and even the G20, just between its November 2008 and April 2009 meetings, expanding from 20 to 29 participants.

- the range of services provided, by requiring supermajority votes on policy changes; and
- the charter itself, by requiring supermajority votes for rule changes.

Charters thus make it difficult for clubs to change the types of services they offer, to admit “different” members, or to reform governance.

As a result of such rules, clubs are less adaptable than firms. A firm is responsible to shareholders in financial terms and is charged with adjusting its products and services to new commercial opportunities. By contrast, as long as a club remains in business, it will continue to produce only those services that benefit its controlling members, even if its assets could be more productively deployed to other services that address non-controlling members or non-member communities. Even if clubs initially satisfy optimality conditions similar to those of firms in markets, they will not do so as they age and, over time, the club’s production structure will diverge from that of a profit-maximizing firm.<sup>6</sup> Because clubs tend to be long-lived,<sup>7</sup> they face increasing efficiency losses as their members’ preferences diverge and environments change. Meanwhile, their governance becomes more contentious and less decisive.

## 2.4 Competition and Adaptation

Despite these rigidities, clubs may produce an optimum array of public goods if certain conditions hold. An interesting analysis of clubs takes particular advantage of their rigidities to argue that efficiencies can emerge from competition among clubs. Tiebout (1956) assumes that different political communities offer stable portfolios of services and use those to compete for members. (The stability of services presumably reflects constraints in municipal charters.) System-wide efficiency is achieved if the number of municipalities exceeds the variety of preferences to be accommodated and each required services can be produced on a reasonable scale. People then sort themselves into homogeneous communities, each of which optimizes the provision of public goods consistent with their preferences. Unfortunately, some public goods have to be produced on a scale that does not permit such competition. This is especially so for international public goods, such as a system of global rules to govern trade.

Clubs not only resist change, but also “take up space” and impede the development of new clubs in their areas of operation. If a new club can become viable only by recruiting the members of an existing club, then existing clubs may prevent the new club from forming, even if the latter would generate greater benefits.<sup>8</sup> Clubs do this by making it just worthwhile for their marginal member to stay, thus depriving new clubs of the contributions of members of existing clubs.

Thus, competition does not help to overcome the rigidity of international clubs, as it might in the case of smaller governing units. Conventional reforms—say, adjustments in voting shares—will not help either, since, at best, they align decisions better with a club’s (changing) median member. We argue that reforms are also needed to facilitate flexible decision making within clubs (or in allied institutions) in order to make them adaptable and effective.

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<sup>6</sup> If clubs were easy to close, these objectives would merge, as the founders could dissolve an inefficient club, liquidate its assets, and distribute its assets back to the owners. However, clubs seldom dissolve this way.

<sup>7</sup> An example of such exceptional longevity is provided by the Organisation for Economic Co-operation and Development (OECD), which was established to oversee the Marshall Plan in 1948. Although this mission ended in 1951, the OECD found new missions and even a new name. In recent years it has become an especially useful platform for groups of countries that seek to find common ground and best practices in structural issues such as subsidies, investment, and competition policy.

<sup>8</sup> It has been argued, for example, that the APEC grouping was formed preemptively to prevent the development of a narrower East Asian economic grouping proposed by some Asian countries at the time.

### 3. INTERNATIONAL INSTITUTIONS AS CLUBS

The IMF, World Bank, and WTO generally conform to the predictions of club theory. Their memberships have expanded several-fold since they were founded, and all have become more heterogeneous through the diverging interests of original members and the addition of new ones. Yet their governance structures and voting shares are relatively unchanged. Given the inflexibility of these institutions, alternative organizations have begun to develop around them. Regional development banks have been created in Latin America, Asia, Africa, and Europe. The various “G forums” cover some of the turf of IEIs as well as provide oversight for them. Regional forums, like the European Union (EU), Association of Southeast Asian Nations (ASEAN), and East Asia Summit, focus on common issues among closely interdependent countries. And some functions, including financial supervision, are being addressed with new institutions, such as the new FSB. These alternative organizations are attractive because they are (for now) smaller and more homogeneous.

#### 3.1 Macroeconomic Stability

The IMF, originally charged with maintaining stability in a fixed exchange rate system, has become a more general agency for maintaining global macroeconomic stability. With rising international capital mobility, its work has shifted to short-term lending to countries with liquidity problems, usually as a result of balance-of-payments crises caused by capital outflows. The widespread failure of financial systems in advanced economies in the current global crisis is likely to transform, or at least expand, the IMF’s mandate once again.

The IMF addresses its mission through surveillance, lending, and technical support.<sup>9</sup> Surveillance involves monitoring economic and financial developments, and offering policy advice in order to prevent or manage crises. The results of global surveillance are published in the World Economic Outlook and Global Financial Stability Report. Bilateral surveillance involves annual consultations with member authorities based on Article IV.<sup>10</sup> Its results are reported in Public Information Notices.<sup>11</sup> Recently, the IMF has begun to publish regional economic outlooks focusing on major regions of the world as part of its regional surveillance efforts. The IMF also provides technical assistance to help countries analyze issues and build capacity in macroeconomic and financial policy.

Until recently, IMF lending was accompanied by rigorous policy conditions on borrowing countries. These loans, made under stand-by agreements (SBAs) lasting for one to two years, were dispersed as borrowers met criteria for monetary, fiscal, and structural targets. The SBAs were backed up in 1997 with a supplemental reserve facility and other facilities designed to provide larger loans with shorter maturities to countries facing a capital account crisis and/or unusual shocks.<sup>12</sup> In the 2008 crisis, the IMF pushed the envelope a step further, introducing a new short-term liquidity facility (SLF) to offer quick, large-scale financing without explicit conditionality. But even the SLF proved ineffective, and in March 2009 it was superseded by a flexible credit line (FCL) facility, which assured pre-qualified

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<sup>9</sup> See <http://www.imf.org/external/work.htm> for details.

<sup>10</sup> For more information on the IMF’s bilateral surveillance activities, see *Decision on Bilateral Surveillance over Members’ Policies* (<http://www.imf.org/external/np/sec/pn/2007/pn0769.htm#decision>).

<sup>11</sup> In this relatively new effort to increase transparency, the IMF needs the consent of the member country to publish the notice. Most countries have been giving their consent.

<sup>12</sup> Other IMF facilities address balance-of-payments problems due to special causes such as structural problems, natural disasters, military conflicts, trade liberalization, and exogenous shocks. Poverty reduction is not an explicit IMF objective, but the IMF can offer concessional interest rates to low-income countries through its Poverty Reduction and Growth Facility.

countries large, flexible, upfront access to resources without ex-post conditions.<sup>13</sup> The SLF and FCL are major departures for the IMF: they offer condition-free loans based on ex-ante qualification criteria.

The new facilities of 2008–2009 respond to a long-simmering fault line in the IMF. In the IMF's early years, many members were expected to be both contributors and borrowers, but over time sharp distinctions emerged. Advanced economies that control a majority of IMF shares are now almost exclusively contributors and view the IMF as a guardian of systemic stability (or less charitably, as a guarantor of investments) and a manager of the moral hazard associated with emergency lending. Borrowers, in turn, are middle- or low-income countries with little voting power that depend on the IMF as a financial backstop in a crisis.<sup>14</sup> This division sharpened in the Asian crisis and many potential borrowers—particularly those in East Asia—became unwilling to seek assistance from the IMF. In response to the global crisis of 2008, the IMF's resources were expanded and some borrowing reemerged. This has further intensified the pressure on the IMF to make its facilities more attractive.

These tensions reflect, in part, the sluggish adjustment of IMF governance. Its highest decision-making body is the Board of Governors,<sup>15</sup> comprising one governor and one alternate appointed by constituencies of one or more countries. This board is advised by two ministerial committees. The International Monetary and Financial Committee (IMFC) consists of 24 governors and meets twice a year to provide council on international monetary and financial issues, on amendments to the Articles of Agreement, and on systemic disturbances. Its communiqués guide the IMF's work program for the following six months. The Development Committee, with a composition similar to that of the IMFC, also meets twice each year, and advises the IMF and the World Bank on development, trade, and environmental issues.<sup>16</sup>

The IMF's day-to-day decisions are handled by an Executive Board, to which the Board of Governors has delegated most of its powers.<sup>17</sup> The Executive Board consists of 24 executive directors, of whom five are appointed by countries with large quotas and 19 are elected by groups of countries.<sup>18</sup> It selects the managing director and oversees the IMF's operations. The managing director has been traditionally European, but in 2009 the G20 agreed to a merit-based selection process.

The voting powers of individual countries depend on quotas, which also determine financial commitments and ability to borrow.<sup>19</sup> Quotas are negotiated when a country enters the IMF and depend on variables such as gross domestic product (GDP), international reserves,

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<sup>13</sup> The FCL allows longer repayment periods (3.25–5 years) and imposes no hard cap on access to IMF resources, which will be assessed on a case-by-case basis (the SLF limited access to 500% of quota), and introduces flexibility to draw at any time on the credit line so that it can be used as a precautionary instrument (which was not allowed under the SLF). A similar facility, called the contingent credit line, had been created in 1999 but was never used, and hence was allowed to cease in 2003 due lack of interest among potential borrower members.

<sup>14</sup> For example, Joyce and Sandler (2008) list the IMF's key functions as offering technical assistance, facilitating currency convertibility, providing a commitment device for policies, and creating insurance for correcting balance-of-payments problems without resorting to more costly measures.

<sup>15</sup> For the current IMF organization chart, see: <http://www.imf.org/external/np/obp/orgcht.htm>.

<sup>16</sup> For more information on the IMFC and Development Committee, see <http://www.imf.org/external/np/exr/facts/groups.htm#IC>.

<sup>17</sup> The Board of Governors retains ultimate powers, including electing or appointing executive directors, and approving resolutions on the admittance of new members and the terms and conditions of their membership, the compulsory withdrawal of members, increases in IMF quotas, and amendments of the Articles of Agreement. It is also the ultimate arbiter on issues related to the interpretation of the Articles of Agreement.

<sup>18</sup> The US, Japan, PRC, Saudi Arabia, and the Russian Federation are single-country constituencies.

<sup>19</sup> Under SBAs and extended arrangements, a member can borrow up to 100% of its quota annually and 300% cumulatively, although it may have access to more funds under special circumstances.

current payments, current receipts, and the variability of the receipts.<sup>20</sup> Members are allocated 250 basic votes plus one vote for each 100,000 special drawing rights of quota.<sup>21</sup> Quotas have been increased several times (see Table 1), while basic votes have remained constant, increasing the voting shares of larger countries. Many decisions require simple majorities, but major decisions, including the amendment of the Articles of Agreement, require an 85% majority.<sup>22</sup>

**Table 1: IMF Quota Expansions**

| Quota Review        | Date                    | Increase (%) |
|---------------------|-------------------------|--------------|
| First Quinquennial  | 1950                    | ---          |
| Second Quinquennial | 1955                    | ---          |
| 1958/1959           | February and April 1959 | 60.7         |
| Third Quinquennial  | 1960                    | ---          |
| Fourth Quinquennial | March 1965              | 30.7         |
| Fifth General       | February 1970           | 35.4         |
| Sixth General       | March 1976              | 33.6         |
| Seventh General     | December 1978           | 50.9         |
| Eighth General      | March 1983              | 47.5         |
| Ninth General       | June 1990               | 50           |
| Tenth General       | 1995                    | ---          |
| Eleventh General    | January 1998            | 45           |
| Twelfth General     | 2005                    | ---          |
| Thirteenth General  | 2008                    | ---          |

IMF = International Monetary Fund.

--- no increase.

Source: IMF (2009a).

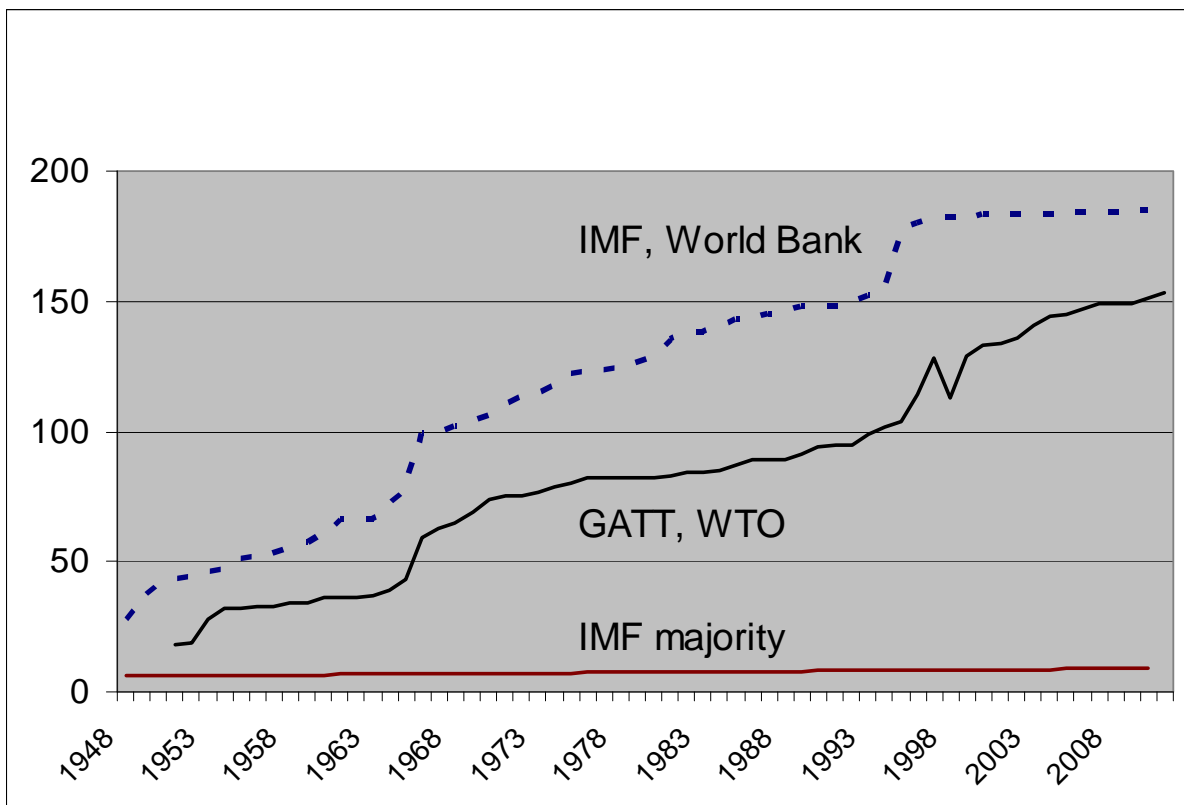
As a result, IMF decisions are controlled by a small number of countries, most of which are original members. Quota revisions have not kept pace with economic change.<sup>23</sup> As Figure 1 shows, only nine of 185 countries control a majority of votes (sufficient for most decisions), up from only three at the launch of the IMF in 1945. Now, as then, the US alone can veto a major decision that requires an 85% super-majority vote as its voting share is 17%.

<sup>20</sup> See: <http://www.imf.org/external/np/pp/2007/eng/071107.pdf> for a discussion of the quota formulae and the data used to implement the quota formulae.

<sup>21</sup> For a breakdown of IMF member quotas and voting power, see <http://www.imf.org/external/np/sec/memdir/members.htm>.

<sup>22</sup> In addition to an 85% majority, 60 positive votes are required.

<sup>23</sup> The IMF's Board of Governors conducts general quota reviews every five years. Any proposed change to quotas must be approved by an 85% majority.

**Figure 1: Membership Growth**

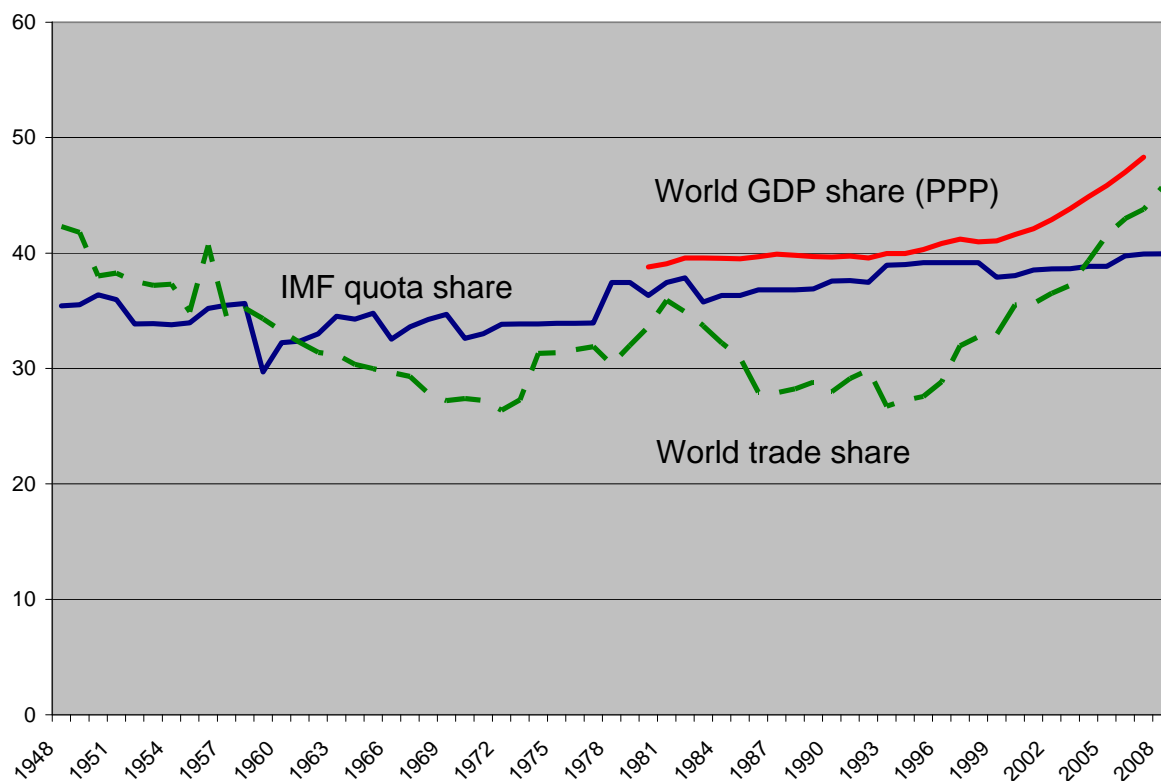
GATT = General Agreement on Tariffs and Trade, IMF = International Monetary Fund, WTO = World Trade Organization.

Sources: World Bank. International Bank for Reconstruction and Development (IBRD) Members (available <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/BODEXT/0,,contentMDK:20122865~menuPK:64020025~pagePK:64020054~piPK:64020408~theSitePK:278036~isCURL:Y,00.html> [accessed 20 April 2009]); WTO. The 128 Countries that had Signed GATT by 1994 (available [http://www.wto.org/english/thewto\\_e/gattmem\\_e.htm](http://www.wto.org/english/thewto_e/gattmem_e.htm) [accessed 20 April 2009]).

Voting shares today are especially low for rapidly growing emerging market countries, such as Brazil, People's Republic of China (PRC), and India. Kelkar et al. (2005) note, for example, that these three countries had 19% fewer votes than Belgium, Italy, and Netherlands collectively, although they had 21% more nominal GDP, 400% more purchasing power GDP, and 2,800% more population than the second group.

Figure 2 shows the evolution of the shares of developing and emerging economies in IMF quotas, and in global trade and GDP (in terms of purchasing power), two rough indicators of their importance in the world economy. After an early period of decline (a period dominated by the acceleration of European growth), the trade share of developing and emerging economies has risen more rapidly than their share in IMF quotas. This contrast is even clearer for their share in world GDP. Figure 3 shows similar data for Asia's rapidly growing economies. The figure clearly suggests that their rising weight in the global economy has not been reflected in IMF quotas.

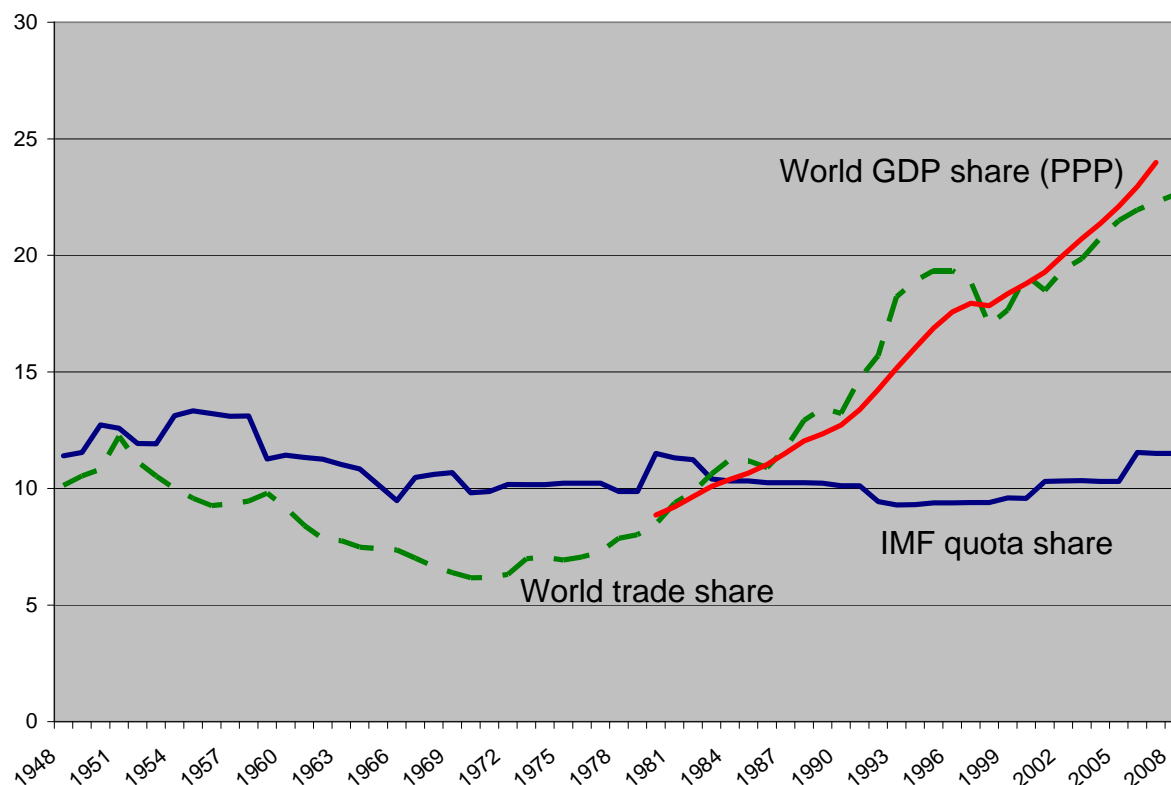
**Figure 2: Developing and Emerging Economies' Shares in IMF Quotas and in World Trade and GDP (%)**



GDP = gross domestic product, IMF = International Monetary Fund, PPP = purchasing power parity.

Sources: IMF quota share and world trade share based on IMF (2009b), world GDP share (PPP) based on IMF World Economic Outlook Database, April 2009 (available <http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/index.aspx> [accessed May 2009]).

**Figure 3: Developing Asia's Shares in IMF Quotas and in World Trade and GDP (%)**



GDP = gross domestic product, IMF = International Monetary Fund, PPP = purchasing power parity.

Sources: IMF quota share and world trade share based on IMF (2009b), world GDP share (PPP) based on IMF World Economic Outlook Database, April 2009 (available: <http://www.imf.org/external/pubs/ft/weo/2009/01/weodata/index.aspx> [accessed May 2009]).

Reform proposals have centered on changing the quota formulas (Cooper 2000, Bryant 2008a, Kelkar et al. 2005). In April 2008 the IMF Board recommended increasing quotas for 54 members (mostly emerging-market countries),<sup>24</sup> tripling basic votes, fixing the ratio of basic votes to total votes in the future, and adding two more alternate directors for African countries. But the effect of these changes will be modest: for example, while the combined voting share of the PRC, India, Republic of Korea, Brazil, and Mexico will rise from 8.2% to 10.7%, it will still lag behind their combined 11.9% share of world GDP.<sup>25</sup>

Sub-global cooperation in macroeconomics is emerging in two ways. One path involves “variable geometry” within the IMF: in a sharp break with practice, in 2008 the IMF involved several stakeholders in designing and negotiating programs in Eastern European and Nordic countries (Takagi 2009). These partners, including the European Central Bank (ECB), EU, and Nordic countries, roughly matched the IMF’s lending commitments. The full implications of this approach are unclear; they could represent special cases, reflecting Europe’s dominant role in the IMF, or, if systematically applied, could offer a new model for building flexible partnerships for delivering broader services.

A second path involves cooperation outside the IMF. The ECB, of course, has taken over managing key macroeconomic functions for the Eurozone countries. But in addition, several countries have provided liquidity support bilaterally (notably the US to Mexico in 1994, and to

<sup>24</sup> See Bryant (2008a) for a discussion of the proposed quota formula.

<sup>25</sup> See Linn, Bryant, and Bradford (2008). Since these proposals are amendments to the Articles of Agreement, they will require legislative approval in several member countries.

Brazil, Republic of Korea, Mexico, and Singapore in 2008). Finally, parallel multilateral institutions are also emerging. The most prominent is the Chiang Mai Initiative (CMI), encompassing bilateral swap agreements of US\$84 billion among the ASEAN+3 countries<sup>26</sup>. In recent meetings, these economies agreed to convert CMI into a multilateral, self-managed, reserve-pooling arrangement, called the CMI Multilateralized (CMIM),<sup>27</sup> to provide US\$120 billion for the CMIM, and to establish a surveillance unit to monitor economic developments in participating countries. For now, a country must participate in an IMF program to draw on more than 20% of the facility, but the link could be relaxed once the surveillance unit gains experience and credibility.

### 3.2 Development Finance

The World Bank Group supplies the global public good of development through low-cost loans and technical assistance to middle- and low-income countries. It comprises the International Bank for Reconstruction and Development; the International Development Association, for assisting the poorest countries with interest-free, long-term loans;<sup>28</sup> the International Finance Corporation, for investing in private projects; and the Multilateral Investment Guarantee Agency, for providing political risk insurance. The World Bank's "investment operations" provide loans (market-based or concessionary) to sectors based on agreed outputs and performance targets. The World Bank's "development policy operations" provide untied budget support for policy reform. The World Bank also lends in the case of adverse developments<sup>29</sup> and, through special development policy loans, for reforms in countries approaching or in crisis. Like the IMF, the World Bank provides technical support and drafts periodic Country Assistance Strategies to identify development challenges, especially as they affect poverty.

The World Bank's governance parallels that of the IMF. The World Bank is owned by the same 185 countries and is run by a Board of Governors appointed by them (usually ministers of finance or development). The Board of Governors delegates many responsibilities to executive directors, who oversee policies, lending operations, and the administrative budget, and appoint the president.<sup>30</sup> As in the IMF, the five largest shareholders each appoint an executive director and the other 180 members elect 19 executive directors. Voting shares are the same as in the IMF.

A decentralized decision structure is well established in development finance. The World Bank's work is paralleled by four regional development banks: the African Development Bank, the Asian Development Bank (ADB), the European Bank for Reconstruction and Development, and the Inter-American Development Bank. These are further complemented by smaller sub-regional banks. The Meltzer Commission (Meltzer 2000) envisioned an especially large role for these institutions—eventually for them to handle all lending—but noted that their current activities often overlap with those of the World Bank. The 2009 London Summit committed to general capital increases in the regional banks, perhaps signaling a longer-term increase in their relative role in global development finance.

The ownership structure of the regional development banks includes global as well as regional members. For example, ADB has 67 members, of which 48 are from Asia and the Pacific and 19 from other regions. Regional members contribute 63.4% of subscribed capital

<sup>26</sup> ASEAN member countries (Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam) plus PRC, Japan, and Republic of Korea.

<sup>27</sup> Under the CMIM, each country would manage its reserves independently, but an amount committed to the CMIM would be earmarked for CMIM use.

<sup>28</sup> These carry a small service charge of 0.75% on funds paid out.

<sup>29</sup> The deferred drawdown option.

<sup>30</sup> See <http://go.worldbank.org/9Q8KOMQPE0> for more details and a list of current members of the Executive Board.

and have a 65% share of voting power. The largest regional member, Japan, contributes 15.6% of the capital and holds 12.75% of votes. The largest non-regional member, the US, has capital and voting shares equal to Japan's. Governance is similar to that of the IMF, with a Board of Governors delegating day-to-day responsibilities to a 12-person Board of Directors, of whom two thirds are from the region. The president must be from the region and has always been Japanese.<sup>31</sup>

### 3.3 Trade Liberalization

The services provided by the WTO focus on facilitating global negotiations and monitoring the world trading system. The WTO's ongoing work program includes trade policy reviews to monitor compliance with WTO obligations and offering services for dispute settlement. Under the WTO and its predecessor, the General Agreement on Tariffs and Trade (GATT), eight rounds of international agreements have been conducted. Each round has become longer and more complicated. While the early rounds were completed within one year, the fourth lasted two years, the fifth four years, and the sixth six years. The seventh and most recently completed, the Uruguay Round, took nine years to negotiate. The current Doha Development Agenda was launched in 2001 and is in a stalemate at this writing. Although the WTO director general and participants often reaffirm their intent to conclude the round, the current global economic downturn is only likely to make progress more difficult.

The governance of the WTO is very different from those of the IMF and the World Bank. The WTO has no board or executive body. It is member-driven and consensus-based; decisions are facilitated by councils and committees. At different times, various smaller groups of countries have conducted negotiations in an effort to achieve breakthroughs that might be acceptable to a wider membership. The ministerial conference meets once every two years and makes decisions on multilateral trade agreements. Day-to-day work between meetings is managed by a small secretariat which supports a general council, the Dispute Settlement Body, and a Trade Policy Review Body.

At the same time, a sub-global framework for trade is rapidly emerging. Partly because of the stalemate in the Doha Round, bilateral and regional trade arrangements have grown exponentially (ADB 2008), and now include major agreements in Europe, North America, Latin America, the Gulf countries, and between ASEAN and various countries. Many countries participate in overlapping agreements and pursue regional and extra-regional agreements at the same time. Although these initiatives are theoretically subject to GATT Article XXIV (which requires the full liberalization of substantially all trade), they have been negotiated without any WTO involvement. While analytical studies (Baldwin 2006) show large benefits from consolidating regional agreements into a coherent global system, at this writing there are no serious negotiations underway to connect regional arrangements.

### 3.4 Financial System Stability

An important factor behind the global financial crisis is the lack of a global financial regulatory and supervisory framework. Such a system would regulate, monitor, and supervise the cross-border activities of systemically important financial institutions, as well as instruments and markets that affect systemic stability. No such system currently exists. The Financial Stability Forum, launched in 1999, has sought to encourage information exchange and international cooperation in financial supervision and surveillance, but has left regulatory functions to a division of labor between home and host authorities. Supervisory colleges have been set up to monitor and supervise the cross-border activities of large financial institutions, but their effectiveness remains untested, especially in the event of

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<sup>31</sup> For more information on ADB's organizational structure, see <http://www.adb.org/About/membership.asp>; <http://www.adb.org/GOV/default.asp>; and <http://www.adb.org/BOD/default.asp>.

disagreements among regulators. A better global financial regulatory and supervisory system is needed to encompass the varied interests of a growing number of players and to address the challenges raised by systemically important financial institutions that operate in many jurisdictions. A partially decentralized approach may provide a way to establish such a regime in light of large initial differences in regional financial systems.

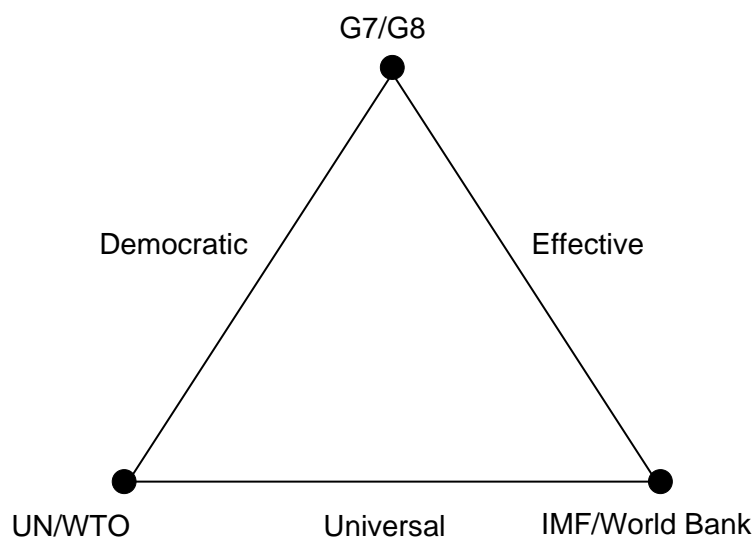
## 4. GOVERNANCE REFORM OF IEIs

### 4.1 The Governance Trilemma

There is broad agreement that IEIs need to become: (i) more democratic, (ii) more effective in delivering the public goods expected from them, and, for political reasons, (iii) universal, by accepting all countries that take on reasonable obligations of membership. Unfortunately, these requirements add up to a “trilemma:” achieving any one makes achieving the others more difficult. Major international institutions have succeeded in being at times democratic (responsive to individual members), effective (able to act and adapt), and universal (globally inclusive), but none are generally all three at the same time.

The trilemma is illustrated in Figure 4. The triangle corner of institutions that are both universal and democratic is populated by several global institutions, including the WTO and the United Nations. These institutions typically fall short on the scale of effectiveness—they have difficulty making and implementing decisions. The corner of democratic and effective institutions is exemplified by institutions such as the G7/G8, but these fail on the measure of universality.<sup>32</sup> And the corner of universal and effective institutions is illustrated by the IMF and the World Bank, which can act quickly and decisively, as they did, for example, in the 1997–1998 Asian financial crisis, but do not use open, democratic processes to arrive at decisions.

**Figure 4: The Governance Trilemma**



G7 = Group of Seven, G8 = Group of Eight, IMF = International Monetary Fund, UN = United Nations, WTO = World Trade.

Source: Authors' own rendition.

<sup>32</sup> Keohane and Nye (2003) suggest that within universal institutions, small clubs typically emerge in order to promote and control the institution's policies. For such groups to be effective, they have to undermine the institution's democratic process.

The tensions captured in the governance trilemma have led to underinvestment in international organizations and a shortage in international public goods. The resources of IEs have become small compared to those routinely available to governments for financial interventions and to private institutions for speculative investments. (The scale of the new commitments made at the 2009 London Summit is one indicator of this shortfall.) IEs have also become less responsive to their members—to developing countries in delivering policies on technology transfer and international investment, and to advanced countries in addressing environment, labor, and human rights issues. Over time, the number of international institutions has grown and each has expanded substantially, but the global benefits derived from these institutions have arguably diminished.

## 4.2 Institutional Families as a Solution

Are there ways to make international economic governance at once universal, democratic, and flexible, that is, to resolve the trilemma of Figure 4? In this paper we explore one possible solution, that of replacing monolithic IEs with multi-layered decision-making bodies. The architecture might consist of “institutional families,” in which global IEs act as central institutions that coordinate related, but relatively independent decision-making bodies. This is akin to the concept of “functional federalism” advocated on a national level and in Europe to improve flexibility in the provision of public goods (Casella and Frey 1992).

In the language of club theory, this innovation would seek to reinvigorate competition among smaller clubs to supply services that are not supplied by large ones. These new clubs should be more fluid than the existing ones; for example, entry and exit could be encouraged by a framework that specifically supports limited cooperative arrangements within existing clubs. The new clubs could target new users or subsets of members of old clubs. The key point is that they would produce services that differ from those demanded by the members that dominate decision making in existing IEs. Will global institutions agree to such innovations? They may, provided that they see significant threats from continued rigidity (as the IMF did in 2008) and benefits from adjustment. Organizations that deliver public goods (and in particular their leaders and staff) typically benefit from their production by gaining funding and influence.

One approach to creating a multilayered decision-making structure is to create mechanisms within established IEs to enable coalitions to reach agreements on special policy needs. An example is offered by the IMF’s General Agreements to Borrow and New Agreements to Borrow to create a platform by willing richer members to provide additional financial resources for countries in need. Another example is found in the Organisation for Economic Co-operation and Development’s (OECD) efforts to provide a platform that can be used by interested countries to formulate policies on various issues, ranging from trade credit to investment. A further example is provided by “trust funds” established by groups of countries within the World Bank and regional development banks. These agreements would be subject to rules that ensure the consistency of initiatives with the IEI’s overall objectives and operations. But the projects themselves would be designed, managed, and funded by a coalition, perhaps with agreed co-financing from a central facility established for that purpose.

A second approach is to create independent institutions linked to parent IEs by rules and procedures that ensure global consistency. An example of a similar approach can be found in development finance, where the World Bank acts as a global development bank and the Inter-American Development Bank, ADB, African Development Bank, and European Bank for Reconstruction and Development act as regional development banks. Although there are no set rules to ensure consistency among these institutions—at least for now—the overlapping shareholder governments can help to ensure global consistency. Another example of such a rule is GATT Article XXIV, which establishes conditions for regional trade agreements. But in practice, the WTO has not attempted to build a community of trade

agreements using Article XXIV; it has been almost entirely preoccupied with promoting and managing global agreements and negotiations, and has not supported, or even monitored, free trade agreement (FTA) negotiations. A more coherent system would require a balanced approach toward the sub-global and global tracks, and stronger links between them.

Institutional designs that integrate global and sub-global decision making can enhance the provision of public services in at least three different ways. First, institutional families can share infrastructure and administrative functions, such as human and financial resources, lending, contracting, research, and evaluation. The financial track record of an institutional family will also help in accessing capital markets, if needed. Second, institutional families can facilitate new initiatives by reducing the commitment and cost involved in undertaking them—in other words, by facilitating entry into and exit from new areas of operation. New initiatives can start quickly by building on the infrastructure of an existing organization, and old ones can disappear by transferring excess resources to other, continuing functions. Finally, institutional families can improve the coherence of the various services offered by smaller groups by adopting mechanisms that minimize inconsistencies and duplication.

## 5. APPLICATIONS AND PROPOSALS

The global decision-making framework we envision would consist of global and sub-global institutions and principles that define the division of labor between them. This framework is illustrated in Table 2 for the four functional areas considered in this study.

**Table 2: Institutional Families in Global Economic Governance**

| <b>Function</b>                   | <b>Global Institutions</b>   | <b>Sub-global Examples</b>  |
|-----------------------------------|--|---|
| <b>Macroeconomic cooperation</b>  | IMF<br><i>Surveillance, systemic stability, crisis lending</i>               | Chiang Mai Initiative Multilateralized<br><i>Regional surveillance, stability, crisis lending, moral hazard</i> |
| <b>Development finance</b>        | World Bank<br><i>Global public goods: poverty, environment</i>               | Regional banks<br><i>Open regional priorities, infrastructure</i>   |
| <b>Trade liberalization</b>       | WTO<br><i>Global disciplines, dispute resolution, Article XXIV</i>           | RTAs<br><i>Deeper, wider agreements</i>   |
| <b>Financial system stability</b> | Financial Stability Board<br><i>Global standards, colleges of regulators</i> | Asian Financial Stability Dialogue<br><i>Region-specific regulatory initiatives</i>                             |

IMF = International Monetary Fund, RTA = regional trade agreement, WTO = World Trade Organization.

Since some institutions already exist in most cells of Table 2, we call attention to existing institutions that might be strengthened, as well as to new ones to be developed. The goal is a framework that supports decentralization and links sub-global decisions with global ones.

## 5.1 IMF Family

The role of the IMF in the context of the current global financial crisis makes reform especially urgent. As noted, this requires not only changes in the voting shares and management of the IMF, but also initiatives to resolve its deeper structural tensions. In 2009, for example, the IMF faces large demands for risky lending in Eastern Europe and the Baltic states, due to the region's indebtedness to foreign banks (mostly from Western Europe), while the emerging economies of East Asia have strong reserve positions and are generally reluctant to turn to the IMF for support.

The geographical tensions faced by the IMF reflect, in part, differential patterns of economic linkages. If regional macroeconomic or financial spillovers are intense relative to global ones, regions will have a large stake in resolving them. In such cases, regional institutions or facilities can be effective "first responders," offering more timely interventions and greater accountability. Global interventions may also be necessary for global insurance. But these could be a second layer of response, complementing regional interventions.

A decentralized strategy could also minimize the possibility (and frequent charge) that the IMF will react too slowly in a crisis because it represents the interests of other regions, or because it is trying to contain moral hazard elsewhere. Regional interventions could rely on the region's ability to gather information and contain moral hazard with minimum conditionality. They would also create incentives for policy makers to assume greater responsibility for anticipating and averting cross-border risks within their regions.

Recent IMF innovations to involve outside stakeholders represent a sharp departure from earlier practice, where major lending decisions were made by the IMF alone, even when the World Bank was involved in parallel operations. Similarly, the CMIM represents an important "bottom up" initiative toward decentralization. The CMIM is an important experiment in the ability of regions to enhance stability while making interventions more palatable and effective.

Further decentralization could be achieved by:

- Institutionalizing the involvement of co-lenders in IMF programs. Such arrangements could be subject to limits (say, each participating stakeholder would have to commit to financing at least 20% of a loan), as well as to usual board approvals. But they should be designed to encourage cooperation between the IMF and other stakeholders, especially regional partners such as the ECB and the CMIM.
- Strengthening regional institutions that can underwrite macroeconomic stability as "first responders," including, in particular, the CMIM, and welcoming them into the institutional framework of IMF support.
- Expanding cooperation between the IMF and other institutions in surveillance. The oversight of government policies, especially of influential members, is difficult for any official organization. This is an important reason for sharing the information they collect with official agencies such as the ECB, ASEAN, and the CMIM, and with the private sector. Differences in interpretation can then provide checks on analytical outputs.

Ideally, such a system would bring greater resources to the task of maintaining international macroeconomic stability, as well as provide more ways for collecting information and for organizing responses to crises that occur in different parts of the world.

## 5.2 World Bank Family

The challenge in development finance is to develop a flexible and coherent division of labor and appropriate connections among existing organizations. The Meltzer report (2000) notwithstanding, there is a rationale for a global development lending facility. Some types of development finance address explicitly global goals (in particular, global externalities and other global priorities) which would not be adequately financed or prioritized by regional institutions. These ought to be handled by the World Bank. But that leaves many other types of lending that could be more efficiently administered regionally, as the Meltzer report argued.

The World Bank's global mission would include lending for projects that address broad, global objectives, such as the United Nations' Millennium Development Goals. It would also include lending to alleviate negative global externalities, such as climate change, global energy and food shortages, and global epidemics. And the World Bank would also remain the logical site for activities with great economies-of-scale, such as providing an administrative infrastructure for development finance and serving as a "knowledge bank" to collect and disseminate research findings.<sup>33</sup>

Regional development banks are best positioned to address sub-global development challenges, particularly for the provision of regional public goods to be shared by countries with common interests. Their lending could benefit from a region's pooled knowledge, expertise, and financial resources, complemented by global knowledge and expertise provided by the World Bank. An example would be investments for regional infrastructure or regional financial markets, which would require an institutional framework that permits a group of countries to join together to approve and manage activities. Regional development banks can function as trusted facilitators to make this happen, with the World Bank invited as a co-financier or a knowledge partner as needed.

A coherent framework for such activities would provide opportunities for global and regional lenders to pursue different policies, while applying guidelines and rules that ensure common operational practices, encourage collaboration (for example, on regional development projects that have poverty alleviating elements), and provide for frequent exchange of information and expertise, including personnel.

Further decentralization could be achieved by:

- Strengthening regional development banks by increasing their capital, permitting their missions to be set more independently by members, and providing greater voice to regional members in managing regional institutions.
- Drawing sharper distinctions between the global objectives of the World Bank—with a focus on global public goods—and the more region-focused missions of regional development banks.
- Expanding the capabilities of the World Bank to support regional banks, for example, via research, infrastructure, and possibly co-lending for regional initiatives.

Ideally, this structure will enable the World Bank to act not only as a guardian of global public goods, but also as a supporter of regional public goods provision through cooperation with regional development banks. The World Bank could aid regional efforts by augmenting

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<sup>33</sup> The Meltzer report (2000) also envisioned limiting the World Bank's role to these intrinsically global public goods. However, that report saw little need for development finance beyond such public goods. In our view, such decisions should be left to groups of member countries. They could interpret public goods differently and may support projects, such as regional technology development, that would not be funded by a universal membership.

regional knowledge, expertise, and resources (say, through funds dedicated for co-lending for regional projects).

### 5.3 WTO Family

Even if a successful outcome to the Doha Round is eventually achieved (at this writing, an unlikely outcome), global negotiations in the WTO are approaching limits. New rounds of negotiations are unlikely to be undertaken under the present system. At the same time, regional trade agreements continue to proliferate. As Baldwin (2006) has argued, there is much urgency in engaging the WTO in the regional arrangements that trade negotiations now increasingly follow.

Baldwin proposes reestablishing WTO control over the regional negotiations process. He suggests that the WTO: (i) generate analysis on the process of regional agreements, (ii) launch negotiations to consolidate regional agreements, and (iii) provide a forum for the “spoke” countries of hub-and-spoke systems in order to encourage broader agreements.

These are important goals, but we argue that the WTO could go a step further, and play a direct role in the administration of regional agreements. Such a role would make it more relevant to the international trade system and help it gain greater influence in the development and administration of international agreements. Such interactions could begin between the WTO and major regional trading arrangements (such as ASEAN, European Free Trade Association, and Mercado Comun del Cono Sur [Southern Cone Common Market] [MERCOSUR]) to directly address the challenge of aligning FTA practices with global rules. It would take innovative adjustments in the WTO and regional institutions to achieve collaboration. But there are important, symmetrical benefits from such cooperation: regional institutions could profit from the expertise, infrastructure, and credibility of the WTO, while the WTO could advance the broad interests of its membership by participating in the design and administration of regional initiatives.

Further decentralization could be achieved by:

- Establishing a new function within the WTO to support and integrate “limited trade liberalization,” i.e., agreements that cover limited sectors and countries. This function would support regional FTA negotiations and facilitate and monitor their implementation.
- Developing a realistic framework of rules for limited trade liberalization. This effort would expand and strengthen Article XXIV to permit a broader range of limited agreements, while ensuring that these avoid injuring non-members. Ideally, these rules will lead to new trade-creating agreements such as the 1996 Information Technology Agreement.
- Creating a framework to consolidate sectoral and regional agreements into global agreements.
- Encouraging regional groups to adopt multilateral-friendly approaches, including lower most-favored-nation tariffs, simple rules of origin (such as the 40% regional content rule adopted by ASEAN), and regular consultations with non-regional partners on trade and investment issues.

In the Asian context, these initiatives would target the consolidation of Asian trade agreements into a single Asia-wide FTA, and the connection of the resulting FTA with North American Free Trade Agreement (NAFTA), EU, MERCOSUR, and other regional agreements.<sup>34</sup> Through such initiatives, the WTO family would support new liberalization initiatives along with stronger efforts to streamline and consolidate past agreements that were negotiated independently from each other.

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<sup>34</sup> See Kawai and Wignaraja (2009).

## 5.4 FSB Family

The global financial crisis has highlighted the lack of an international framework for monitoring, regulating, and supervising the cross-border activities of systemically important financial firms. The new FSB—a successor to the Financial Stability Forum—established by the 2009 London Summit is intended to create such an institutional framework.<sup>35</sup> The FSB has been charged with assessing the vulnerabilities affecting the global financial system, identifying and overseeing actions needed to address these, and promoting coordination and information exchange among authorities responsible for financial stability. In collaboration with the IMF, it is also charged with providing early warning of macroeconomic and financial risks and proposing actions to remedy them.

The effectiveness of the FSB will ultimately depend on the quality of supervision and regulation in national and regional financial systems. In the US, for example, new steps will be required to consolidate what is still a highly fragmented regulatory and supervisory system. In Europe too, a new, EU-wide supervisory framework will be needed. More generally, since the FSB includes a limited number of economies, its work will need to be extended across many other countries through parallel regional efforts.

A partially decentralized architecture for the FSB could be developed by organizing regional forums such as the Asian Financial Stability Dialogue around the FSB, as proposed by ADB (2008). Such institutions could play valuable roles by translating FSB initiatives into a regional context and then helping to implement them. They could also help to collect regional inputs for the FSB process and, more fundamentally, orchestrate efforts to integrate and deepen regional financial markets.

## 6. CONCLUSIONS

Club theory provides a framework for examining the challenges of global cooperation. It suggests, in particular, that while clubs present effective solutions to problems common to reasonably homogeneous members, they become inflexible and ineffective as their membership grows large and diverse. As currently structured, the IEs conform to these predictions and are not meeting the public goods requirements of the world economy.

Partially decentralized decision making offers a promising solution. The concept of institutional families—global institutions built from regional or otherwise differentiated building blocks—offers a way to put decentralization into practice. Under such a system, decisions would be made by different groups of countries, but would be governed by common rules and standards and would benefit from a shared infrastructure. Such “federalism” has served governments well in other contexts and has begun to emerge also in the existing framework of international organizations.

Crisis stimulates innovation. The opportunity created by the current crisis should be used not merely to change the “chairs and shares” of existing institutions, but also to make them more flexible once and for all. The newly emerging arrangements for global financial stability may also build on such principles. Institutional reform needs to look beyond the causes of the present crisis as it is impossible to predict those of the next one. New, unanticipated challenges will inevitably come, and partial decentralization offers a tool for coping with them in real time.

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<sup>35</sup> Membership of the FSB has been expanded to include all G20 members and a few others.

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**APPENDIX: IMF VOTES AS OF APRIL 2008**

|                         |         |                      |        |                      |       |
|-------------------------|---------|----------------------|--------|----------------------|-------|
| United States           | 371,743 | Poland               | 13,940 | Kazakhstan           | 3,907 |
| Japan                   | 133,378 | Finland              | 12,888 | Croatia              | 3,901 |
| Germany                 | 130,332 | Algeria              | 12,797 | Slovak Republic      | 3,825 |
| France                  | 107,635 | Turkey               | 12,163 | Trinidad and Tobago  | 3,606 |
| United Kingdom          | 107,635 | Iraq                 | 12,134 | Viet Nam             | 3,541 |
| China, People's Rep. of | 81,151  | Libya                | 11,487 | Côte d'Ivoire        | 3,502 |
| Italy                   | 70,805  | Thailand             | 11,069 | Uruguay              | 3,315 |
| Saudi Arabia            | 70,105  | Hungary              | 10,634 | Ecuador              | 3,273 |
| Canada                  | 63,942  | Pakistan             | 10,587 | Syrian Arab Republic | 3,186 |
| Russian Federation      | 59,704  | Romania              | 10,552 | Tunisia              | 3,115 |
| Netherlands             | 51,874  | Egypt                | 9,687  | Angola               | 3,113 |
| Belgium                 | 46,302  | Israel               | 9,532  | Luxembourg           | 3,041 |
| India                   | 41,832  | New Zealand          | 9,196  | Uzbekistan           | 3,006 |
| Switzerland             | 34,835  | Philippines          | 9,049  | Jamaica              | 2,985 |
| Australia               | 32,614  | Portugal             | 8,924  | Kenya                | 2,964 |
| Mexico                  | 31,778  | Singapore            | 8,875  | Qatar                | 2,888 |
| Spain                   | 30,739  | Chile                | 8,811  | Myanmar              | 2,834 |
| Brazil                  | 30,611  | Ireland              | 8,634  | Yemen                | 2,685 |
| Korea, Rep. of          | 29,523  | Greece               | 8,480  | Slovenia             | 2,567 |
| Venezuela               | 26,841  | Czech Republic       | 8,443  | Dominican Republic   | 2,439 |
| Sweden                  | 24,205  | Colombia             | 7,990  | Brunei Darussalam    | 2,402 |
| Argentina               | 21,421  | Bulgaria             | 6,652  | Guatemala            | 2,352 |
| Indonesia               | 21,043  | Peru                 | 6,634  | Panama               | 2,316 |
| Austria                 | 18,973  | United Arab Emirates | 6,367  | Lebanon              | 2,280 |
| South Africa            | 18,935  | Morocco              | 6,132  | Tanzania             | 2,239 |
| Nigeria                 | 17,782  | Bangladesh           | 5,583  | Oman                 | 2,190 |
| Norway                  | 16,967  | Congo                | 5,580  | Cameroon             | 2,107 |
| Denmark                 | 16,678  | Zambia               | 5,141  | Uganda               | 2,055 |
| Iran                    | 15,222  | Republic of Serbia   | 4,927  | Bolivia              | 1,965 |
| Malaysia                | 15,116  | Sri Lanka            | 4,384  | El Salvador          | 1,963 |
| Kuwait                  | 14,061  | Belarus              | 4,114  | Jordan               | 1,955 |
| Ukraine                 | 13,970  | Ghana                | 3,940  | Sudan                | 1,947 |

|                        |       |                        |       |                            |     |
|------------------------|-------|------------------------|-------|----------------------------|-----|
| Bosnia and Herzegovina | 1,941 | Armenia                | 1,170 | Gambia                     | 561 |
| Costa Rica             | 1,891 | Guyana                 | 1,159 | Montenegro                 | 525 |
| Afghanistan            | 1,869 | Kyrgyz Republic        | 1,138 | Belize                     | 438 |
| Senegal                | 1,868 | Cambodia               | 1,125 | San Marino                 | 420 |
| Azerbaijan             | 1,859 | Tajikistan             | 1,120 | Vanuatu                    | 420 |
| Gabon                  | 1,793 | Congo                  | 1,096 | Eritrea                    | 409 |
| Georgia                | 1,753 | Haiti                  | 1,069 | Djibouti                   | 409 |
| Lithuania              | 1,692 | Rwanda                 | 1,051 | St. Lucia                  | 403 |
| Cyprus                 | 1,646 | Burundi                | 1,020 | Guinea-Bissau              | 392 |
| Namibia                | 1,615 | Turkmenistan           | 1,002 | Antigua and Barbuda        | 385 |
| Bahrain                | 1,600 | Togo                   | 984   | Grenada                    | 367 |
| Ethiopia               | 1,587 | Nepal                  | 963   | Samoa                      | 366 |
| Papua New Guinea       | 1,566 | Fiji Islands           | 953   | Solomon Islands            | 354 |
| Bahamas, The           | 1,553 | Malawi                 | 944   | Cape Verde                 | 346 |
| Nicaragua              | 1,550 | Macedonia              | 939   | St. Kitts and Nevis        | 339 |
| Honduras               | 1,545 | Barbados               | 925   | Comoros                    | 339 |
| Liberia                | 1,542 | Niger                  | 908   | Seychelles                 | 338 |
| Latvia                 | 1,518 | Estonia                | 902   | St. Vincent, Grenadines    | 333 |
| Moldova                | 1,482 | Botswana               | 880   | Timor-Leste                | 332 |
| Madagascar             | 1,472 | Benin                  | 869   | Dominica                   | 332 |
| Iceland                | 1,426 | Burkina Faso           | 852   | Maldives                   | 332 |
| Mozambique             | 1,386 | Chad                   | 810   | São Tomé and Príncipe      | 324 |
| Guinea                 | 1,321 | Central African Rep.   | 807   | Tonga                      | 319 |
| Sierra Leone           | 1,287 | Lao People's Dem. Rep. | 779   | Bhutan                     | 313 |
| Malta                  | 1,270 | Mongolia               | 761   | Kiribati                   | 306 |
| Mauritius              | 1,266 | Swaziland              | 757   | Micronesia, Fed. States of | 301 |
| Paraguay               | 1,249 | Albania                | 737   | Marshall Islands           | 285 |
| Mali                   | 1,183 | Lesotho                | 599   | Palau                      | 28  |
| Suriname               | 1,171 | Equatorial Guinea      | 576   |                            |     |

Source: IMF (2009b).