The Trouble with International Organizations

Even Friedrich Von Hayek argued for the need of international economic organizations to keep nationalistic tendencies in check. A good example of an “effective” international economic organization is the World Trade Organization. It seeks to lower trade barriers around the world. While the WTO has achieved reductions in global trade barriers since WWII, and thereby boosting world economic growth, their progress has slowed. The latest round of WTO talks, the DOHA round, seem to be going nowhere.

The upside to having so many members of the WTO is that when trade barriers are reduced, it benefits the world economy the most. The downside is that decision making becomes increasingly difficult. Without strong leadership from the US or the EU, negotiations won’t move forward. President Obama’s Libya strategy has been labeled as “leading from behind”. His WTO leadership style is more akin to watching from the sidelines not sure which team he’s rooting for.

There seems to be a lack of accountability the further political institutions get from the average person. Just look at the recent arrest of the IMF chief Strauss-Kahn. It appears he has had a long history of sexual deviance both in and out of the workplace. Is that the best guy we can put in charge of lending money to mismanaged governments? No, but he probably isn’t the worst either.

The new interim IMF chief, John Lipsky left JPMorgan in 2006 to go to the IMF. Sure, the big banks have the most to gain by bailing out large governments, but even Lipsky has to be better than former UK Prime Minsiter Gordon Brown whose name was floated this week as a new IMF chief. Thankfully, the new UK government knows better than to allow that to happen. Putting Gordon Brown in charge of the IMF is like putting an alcoholic in charge of your bar, a morbidly obese man in charge of your all you can eat buffet, or putting President Obama in charge of deficit reduction (oh wait we did that – our bad). Gordon Brown skyrocketed UK debt and imperiled their economy for years to come.

Throw in the fact that Iran currently holds the presidency of OPEC, or that Libya was placed on the UN’s human rights council in 2010 and now you can begin to see why the man on the street distrusts international organizations who don’t share their values.

The world’s economy will grow more quickly if we have international rules of the game that apply equally to all countries. The problem is that the devil is in the details (and on Rikers Island).