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## **International Organizations in Development and Global Inequality:**

The example of the World Bank's pension  
policy

Martin Koch\*

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### **Abstract**

Initial models of development debates on how to achieve economic growth have been added to by a focus on social issues such as education and political participation. These debates and discourses about development are shaped by international organizations (IGOs) as they produce reference/action frameworks for actors in development policy. The paper suggests conceptualizing IGOs as *world organizations* considering four dimensions: (1) world semantics; (2) the inner-organizational dynamics within IGOs; (3) external relations of IGOs to their organizational environment; (4) the kind of world order concerning development and global inequality established by IGOs. To illustrate the model the paper explains World Bank's pension policy.

**Keywords:** international organizations, development, IR theory, World Bank  
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\*Faculty of Sociology, University of Bielefeld, Bielefeld, Germany, email: [martin.koch@uni-bielefeld.de](mailto:martin.koch@uni-bielefeld.de)

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UNU World Institute for Development Economics Research (UNU-WIDER)  
Katajanokanlaituri 6 B, 00160 Helsinki, Finland

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## 1 Introduction

Since the late 1970s discourses on development have been remarkably diversified. Initially, paradigms, models, and concepts concentrated on how to best achieve economic growth and how poor countries could catch up with the modern (Western) world. Since the end of the cold war, development is increasingly superposed by concepts of inequality perceived and conceptualized as a global issue that (a) cannot be limited to states or interstate relations, but is a matter of/in world society and (b) cannot be reduced on economic criteria but has to take into account additional social issues of inequality. International governmental organizations (IGOs) are playing a crucial part in the emergence, diffusion and implementation of concepts of development and global inequality. Taking this as a starting point, the paper questions *how and to what extent IGOs influence development and global inequality*—either as arenas in which concepts are developed or as entrepreneurs who actively shape discourses and perceptions of development and global inequality. This paper aims to conceptualize a framework for studying IGOs and their role in development policy and global inequality. The World Bank's pension policy serves as an illustration for the conceptual model.

Although International Relations (IR) theories deal with IGOs since the establishment of the discipline in the 1920s, most theories and approaches either concentrate on states as the objects of analysis or they examine how IGOs affect states. Therefore, the paper argues for a different theoretical access and conceives IGOs as *world organizations* embedded in social environments, i.e. world society. It is the intention of this contribution to theoretically conceptualize IGOs as *world organizations*, by using a system-theoretical frame as introduced by Niklas Luhmann. World organizations are interacting with their (broader) environment that does not solely consist of states but also includes other IGOs, non-governmental organizations (NGOs), enterprises and many others. Here, world organization is not another type of international organization, such as BINGO, QUANGO, GONGO etc.<sup>1</sup> it rather describes a model to conceive IGOs as socially embedded organizations interacting with their environment. Changing the research perspective opens the view to differentiate four characteristics of world organizations: (1) world semantics, (2) inner world (internal organizational dynamics and decision-making procedures), (3) external relations and (4) world order. The system-theoretical concept emphasizes decisions of organizations instead of subjects or actors and conceives organizations as operational closed systems on the basis of decisions. Applying this conceptual shift from actors to decisions offers new and different insights as it does not question and unveil interest or preferences of actors but concentrates on decisions of IGOs that help to analyse the four characteristics of world organizations. The paper shows that development and global inequality are not observable facts but rather constructions of certain meanings that are permanently re-constructed in and by IGOs. By fixing these meanings IGOs construct global inequality as they frame what is to be understood as global inequality and what measures are to be taken and simultaneously to be financed to fight global inequality.

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<sup>1</sup> The literature on IGOs distinguishes a variety of different types, such as business international non-governmental organizations (BINGOs), quasi non-governmental organizations (QUANGOs) or governmentally organized non-governmental organizations (GONGOs).

The paper's argument is organized in four steps. The first part describes the shifts in development concepts in the past decades and concentrates in particular on the period after the cold war when notions of development were overlapped by perceptions of inequality. This change can be traced back within the programmemes and initiatives launched by IGOs (e.g. World Bank, UNDP, IMF, OECD). It will be argued that IGOs are playing a crucial part in the proliferation of concepts and paradigms and they are, thus, vantage points for examining changes within development and global inequality discourses. The second part concentrates on IGOs and examines the value of IR theories to conceptualize IGOs. It will be concluded that those approaches mainly focus on state-IGO relations but neglect to investigate IGOs as organizations in their environmental context. The paper therefore opts for an organizational studies framework. Within this framework a system-theoretical model offers a promising perspective on IGOs as world organizations, helping to analyse how global perceptions and norms establish a new comprehension of global inequality to shape the behavioural frame of actors in the IGO environment. Simultaneously, this model allows an analysis of the inner organizational processes and discourses that generate new perceptions of global inequality. The World Bank and its efforts in old-age security and good governance will serve as an illustration for the theoretical model.

## **2 Paradigms of development**

The history of development aid endures over about 60 years starting with the 'invention of development' (Rist 2008) in Trumans Inaugural Address in 1949 and shows various facets (Rist 2007). It is often clustered in decades (Nuscheler 2006; Menzel 2005), starting with the first decade in the 1940s that is characterized as the phase of formation when the Keynesianism replaced former neoliberal models. The following pioneering phase of the 1950s was based on the Keynesians thoughts and investments in developing countries to stimulate growth (Staples 2006). Simultaneously, scientific disciplines concentrated on development and new disciplines emerged with a special interest in developing countries and development economics (Rist 2008). Development meant economic growth that should follow out of accumulated capital and increasing productivity (Singer and Hoffman 1964). A social, political and mental change should contribute to foster economic growth. However, this concept on development was rather mainstream; Raoul Prebisch and Hans Singer criticized it already in an early stage and argued that it would lead to a deterioration of the terms of trade (Prebisch and Economic Commission for Latin America 1950; Singer and Hoffman 1964; Dosman and Pollock 2006). After the phases of formation and pioneering, the first development decade started in the 1960s when many important development organizations—national and international—were founded like the United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), United States Agency for International Development, Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) (Helleiner 2010). Development policy aimed at import-substituting industrialization and mechanisms to protect national markets on the one hand and an agricultural revolution by using upgraded seed to increase productivity on the other hand. This should lead to an accumulation of capital that has been identified as a central pre-condition for development. The emphasis on economic growth was a core principle so that the initiated reforms were only beneficial for a small number of farmers and entrepreneurs. The majority of peasants were left behind and a redistribution of gains did not take place. In this period, any regime that concentrated on economic growth and productivity had been supported—even if it was non-democratic (Menzel 2005; Rist 2008). The second development decade in the 1970s was shaped by the

shortcomings and the missing successes of the first decade, e.g. the transformation of import-substituting industrialization does not work out. Furthermore, the influence of the Soviet Union and China on African and Asian states increased so that the North-South conflict became intersected with the classical East-West conflict. The Prebisch-Singer theorem on the deterioration of terms of trade became relevant again. It advised states (in particular in Latin and South America) to regionalize trade in order to break out of world economic dependencies (Dosman and Pollock 2006). Simultaneously, the membership structure within the UNO changed after decolonialization and the foundation of new states. Some of these states founded the Group of 77<sup>2</sup> and argued for a new economic order that should take into account the needs and interest of the developing countries, e.g. external redistribution of economic gains, increasing development aid, reduction of protectionist mechanisms in industry countries etc. Contrary to the discussions within the UNCTAD, the World Bank developed a new understanding of poverty and concentrated on internal redistribution by recommending agricultural, employment and basic needs reforms that should lead to a reduction of individual poverty. Redistribution and growth was the device (Allen and Anzalone 1981; Crosswell 1981; Ghai, et al. 1977). As a first response, many long-term development projects were launched in this period (Menzel 2005; Rist 2008). The third development period in the 1980s can be characterized by heterogeneity and competitions of three approaches out of which the neoliberal approach on development emerged victorious and predominant. It was strongly pushed by the World Bank and the International Monetary Fund (IMF) (Gilbert and Vines 2000; Harper 1998) and is usually labeled as the Washington Consensus. Instead of basic needs models both organizations proclaimed and supported programmes for structural adjustment, deregulation and privatization that lead to a retreat of the state (Rist 2008; Woods 2000). The main credo was that economic forces lead to overall growth and wealth in the long run. Therefore again, it was mainly the rich elites within developing countries who benefitted most, whereas major parts of the labor force remained in poverty (Ayres 1983; Williamson 2004a; World Bank 1987). This political orientation has been fuelled by the debt crisis in 1982 that increased the competitive forces between countries. The late 1980s and 1990s are often characterized as the lost decade(s) in the history of development because the per capita income growth stagnated in developing countries (Easterly 2001; Nuscheler 2006: 80f).

The breakdown of the Soviet Union led to the dissolution of a predominant conflict line: the East-West conflict. The new situation offered the opportunity for a new world order that could be more peaceful and equitable. However, the post-Cold War era showed that international relations are to the contrary not less but more violent and war-like. The conflict lines were no longer drawn between East and West but inner-state or within a region. At the same time, international organizations dealing with development were convinced that the neoliberal strategy failed and had to be replaced by a paradigm combining governmental control and institutions with economic forces in liberalized trade (Woods 2000). The keyword was *good governance* which indicated the need for reliable and transparent organizations and institutions that control trade. It was, again, in particular developed and

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<sup>2</sup> The Group of 77 (G-77) was established on 15 June 1964 by 77 developing countries signatories of the 'Joint Declaration of the Seventy-Seven Countries' issued at the end of the first session of the UNCTAD in Geneva. Beginning with the first 'Ministerial Meeting of the Group of 77 in Algiers (Algeria) in October 1967, which adopted the Charter of Algiers', a permanent institutional structure gradually developed which led to the creation of Chapters of the Group of 77. The Group of 77 is the largest intergovernmental organization of developing states in the UN, which provides the means for the countries of the South to articulate and promote their collective economic interests and enhance their joint negotiating capacity on all major international economic issues within the United Nations system, and promote South-South co-operation for development.

forced by the World Bank and the IMF and labeled the Post-Washington Consensus in order to indicate the advanced character (Sindzingre 2004; Williamson 2004b; World Bank 1992; 1994). This change in development concepts was accompanied by scientific research that argued for the importance of governments and institutions for international trade. It was the predominant conviction that an invisible hand would not bring optimal results for development, but economic and market forces—on the national and international level—have to be steered and controlled (Stiglitz 1998; Evans 1986; Risse-Kappen 1995). In the following years the Post-Washington Consensus was further developed. The political structure was no longer perceived as an obstacle to trade and developing markets but as a precondition for national and global development—here Southeast-Asian states served as examples (Menzel 2005). In this respect, political institutions offer rules and procedures for people that enable (international) trade. If inequality increases and becomes embedded, it is even harder to enforce good governance because those groups that had been favored tend to maintain those former structures (World Bank 2006). The World Development Report 2006 on ‘Equity and Development’ argued that structurally solid constraints of equal opportunities lead to inequality traps that limit the economic potential of states—inequality is bad for the poor (Ravallion 2005). This redirection can also be seen in development indicators that not only focus on economic criteria but include social variables such as life expectancy or literacy rate, see Human Development Index (Haq 2003). The Millennium Development goals are one of the most visible changes that mark new directions in development policy. Development does not solely focus on economic parameters but takes into account health (in particular the severe situation for children and mothers), education, gender and sustainable development issues. These goals have been developed and are remarkably influenced by a working group of members from World Bank, UNDP, OECD and other NGOs.

Although states have a tremendous effect on development, non-state actors such as IGOs, NGOs and expertise organizations also shape discourses throughout the history of development. Among the various types of actors, IGO play an outstanding role as they have close relations with many development actors. In this regard, they have very intense relations with states—either states delegate certain tasks to IGOs, e.g. to set programmes to fight poverty by offering funding opportunities, or they provide a forum for states to reach agreements and shape an administrative framework for negotiations (Rittberger and Zangl and Kruck 2011; Karns and Mingst 2010). Furthermore, they offer a stage for NGOs and experts to take part in international negotiations, too. These actors use IGOs to articulate their own aims and/or point to global problems and social grievances (Heins 2008). Contrary to NGOs, expertise organizations can offer specialised knowledge or expertise, allowing them to carry out certain functions or tasks. Although this description can also be applied to IGOs and NGOs, expertise organisations exist because of global problems or regulation gaps (unregulated domains that need to be managed in order to reduce ambiguity) that arise from the co-operation between state and non-state actors in world politics. These global problems and regulation gaps are a precondition for their existence. Their power and ability to deal with these problems derives from their impartiality in world politics, as they act on the basis of their expertise rather than on behalf of any interest group (Kennedy 2005). IGOs cooperate with expertise organizations if they are in need of information on a particular issue and scientific consultation.<sup>3</sup>

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<sup>3</sup> In addition, IGOs might use NGOs and expertise organizations too, in order to generate support or justification for a political decision that has already been taken.

IGOs are of particular importance because they set up political programmes to support states and people. In so doing, they give distinction to states and other (national and international, governmental and non-governmental) development organizations that usually adjust their political development agenda according to the respective paradigm. Although there might be other ways to study the emergence of development and global inequality, IGOs are a very promising research object as they are in the centre of the world polity net as concepts of development emerge within and are diffused by IGOs. In some cases IGOs even act as ‘teachers of norms’ (Finnemore 1993) and whatever concept and understanding might arise, it has to be approved and incorporated by IGOs at some point in time otherwise it cannot reach a global dimension. The paper therefore raises the question: how IGOs establish a certain concept of development and to what extent these concepts create some kind of world order. This question entails four dimensions, (1) the organizational semantics of development; (2) the inner-organizational dynamics and decision-making procedures of development within IGOs; (3) external relations of IGOs to their organizational environment (consisting of state and non-state actors such as other IGOs); (4) the establishment of a particular world order in development policy and global inequality. To answer this question we are in need of a theoretical concept to examine the four dimensions. The following chapter introduces different theoretical approaches rooted in IR and argues for an organizational studies model to conceptualize IGOs as organizations.

### **3 Between interstate co-operation and managing international relations**

Since their early years in the nineteenth<sup>h</sup> century IGOs’ main function has been to facilitate and co-ordinate interstate co-operation on particular issues. They were established at interfaces between states to organize peaceful interactions. States were the only members of an IGO and the only relevant actors in international relations. Looking in IR-textbooks today, IGOs’ core function is still described as to support states in negotiating and finding agreements (Archer 2001; Muldoon 2003)—‘[p]ut simply, states create legal rules through international organizations; states break these rules in spite of their commitments’ (Joyner 2005: 104). However, older as well as more recent—in particular empirical—approaches on IGOs have highlighted the ability of IGOs to frame and sometimes shape member states’ behaviour, e.g. the World Bank re-defined the notion of poverty in the 1970s (Ayres 1981: 107) and also engages in global social security policy by developing a multi-pillar pension model (Wodzak and Koch 2010).

Taking these examples into account it can be summarized that IGOs have become important actors in world politics establishing a certain level of global order for state and non-state actors. Although IR-theories differ greatly in analyzing state-IGO relations they share a common understanding of IGOs as ‘an association of States, established by agreement among its members and possessing a permanent system of set of organs, whose task it is to pursue objectives of common interest by means of co-operation among its members’ (Virally 1981: 15). It can be concluded that IGO-definitions concentrate on the legal relations between states and on formal criteria of IGOs (like the minimum number of states that are members of an IGO). Herewith they do define the *international* but not the *organizational* character or the organizational character is just perceived in a trivial sense that states *organize* their actions and interactions within IGOs. With this preliminary observation in mind the paper goes on to discuss how IR-theories conceptualize IGOs and their ability to become autonomous actors.

Still, many—mainly (neo-)realist—approaches suspect that IGOs have little influence on international relations. They are important only insofar as they offer opportunities for states to enforce their interests. They are conceived by (neo-)realists as operative tools for states, these ‘institutions largely mirror the distribution of power in the system’ (Mearsheimer 1994-95: 13). That means IGOs do not have any influence on international politics; quite to the contrary ‘the most powerful states in the system create and shape institutions so that they can maintain their share of world power, or even increase it’ (Mearsheimer 1994-95: 13).<sup>4</sup> Other approaches argue, that IGOs offer an arena for states to reach agreements. Therefore IGOs shape an administrative framework for negotiations (i.e. venue, organizational procedures, agenda-setting etc.), IGOs are therefore regarded as ‘[...] permanent institutions of conference diplomacy in which states may exchange information, condemn or justify certain actions and co-ordinate their national political strategies’ (Rittberger et al. 2006: 6). This perception is shared by neo-institutional approaches. Although neo-institutional approaches assume that IGOs can operate as actors in the international system, e.g. by monitoring and sanctioning states’ behaviour (Keohane and Nye 1972; Krasner 1995), they do not accredit IGOs with a similar quality of autonomy as they claim for states. They argue that in fact, the decisions are still made by states—and solely by states—under the umbrella of an IGO (Rittberger et al 1997). In comparison to these models, constructivist and global governance approaches perceive IGOs as actors on the international stage whereas their acting part is disputable. They are either supporting actors, such as in principal-agent-models<sup>5</sup> or they are protagonists in their own rights establishing some sort of global order. The character of IGOs in global governance approaches varies and is often linked to the notion of norms<sup>6</sup> highlighted in constructivist approaches. Those approaches emphasize a two-sided role of IGOs. On the one hand they institutionalize and maintain norms by giving non-state actors an arena to articulate their concerns. On the other hand IGOs gradually act more independently and help enforce or create norms that shape behavioural patterns for states. In this respect, IGOs act as norm entrepreneurs (Ayres 1983), contribute to norm diffusion (Finnemore 1993), in some cases they monitor states by implementing norms (Quester 1970) or in rarely particular cases they sanction non-conforming states behaviour (Hazelzet 2004; Barton et al. 2006). Furthermore, they act as experts, as legitimating organs or as dispute settlement actors (Dai 2007). This brief overview shows that IR-approaches mainly concentrate on the relationship between states and IGOs and analyse to what extent one could exert influence on the behaviour of the other and vice versa. This concentration on states and state-IGO relations

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<sup>4</sup> This instrumental metaphor of IGOs can also be found in Marxist approaches. Marxist approaches perceive that the basic division of the world is not the division in states but in classes – in particular the bourgeoisie and the proletariat. Against this background IGOs are perceived as means for the world’s bourgeoisie to suppress and exploit the proletariat (Berki 1971).

<sup>5</sup> Principal-agent approaches are dealing with the question of how states (as principals) can use IGOs (as agents) to deal with interstate problems. In this concept, states delegate tasks to IGOs, which they are not able or willing to fulfill themselves. ‘In this framework, member governments establish the goals that IGOs will pursue and then allow the IGO to pursue those goals with little interference most of the time’ (Nielson and Tierney 2003: 245). However, principal-agent-models focus on IGOs as actors in their own right as a problem that needs to be solved by better control. They scrutinize the tools principals can employ ‘to rein errant behaviour by IGO agents’ (Nielson and Tierney 2003: 242). Such a theoretical understanding underlines that IGOs can gain autonomy through delegation but autonomy is seen as defective and deviant from expected behaviour. Therefore, principal-agent approaches analyze the possibilities and means states have or can apply to ensure that IGOs act the way they intend (Hawkins et al. 2006).

<sup>6</sup> Norms are defined as ‘shared expectations about appropriate behaviour held by a community of actors. Unlike ideas which may be held privately, norms are shared and social; they are not just subjective but intersubjective’ (Finnemore 1996: 22). This does not require that norms are legally binding or can be sanctioned. It is decisive that norms are shared expectations about what adequate behaviour is and what is not.



obstructs the view of IGOs as purposeful actors that are not exclusively bound to states but also have relations to non-state actors such as other IGOs, NGOs, epistemic communities etc. In this respect IGOs have to be analysed as organizations with certain interest and agendas on the one hand and as multiple entities embedded in and influenced by a wider context on the other. But this perspective is usually not captured by IR approaches.

Therefore, a theoretical perspective from organizational studies should be applied to shift the focus to IGOs rather than on state-IGO relations. The use of insights from organizational studies in IR is not (exceptionally) a revolutionary idea. Ness and Brechin (1988) tried to bridge the gap between IR and organization studies and conceived IGOs as ‘live collectivities interacting with their environments, and they contain members who seek to use the organization for their own ends, often struggling with others over the organizational character’ (Ness and Brechin 1988: 247). Probably the most elaborated theoretical concept to analyse IGOs as actors is developed by Barnett and Finnemore (1999, 2004), who focus on IGOs as bureaucracies in a Weberian sense and ask how they gain authority and how they use their power (Barnett and Finnemore 1999, 2004). Although these approaches offer some useful insights and describe how IR could be enriched by organization studies, they do not conceive IGOs as organizations. Either the approaches use only basic notions from organizational studies and translate these notions to IGOs without offering a theoretical concept, or they provide a conceptual approach to study the authority and power of IGOs, but limit their analysis to IGOs as bureaucracies. Therefore, a theoretical framework to examine IGOs, their internal operations, and external relations is still lacking. The following part argues that an open-system perspective, as developed within the modern system theory by Niklas Luhmann, can be used as a theoretical frame to explain how IGOs generate new concepts of development and inequality.

## **4 IGOs as world organizations**

This chapter introduces the field of organization studies (OS) and sketches the analytical value of an open-system perspective. In a second step the system-theoretical approach to organizations and its applicability to IGOs will be explained. Against the system-theoretical background IGOs can be conceived as organizations in world society—this paper uses the notion world organizations to emphasize the distinct approach to IGOs.

### **4.1 IGOs from an open-system perspective**

Contrary to IR, scholars from OS concentrate on questions that deal with the function of organizations and the embeddedness of organizations in their environment. They offer a wide range of approaches to examine the function of organizations in a society with respect to its surrounding environment (Scott 1992: 8-15). Scott distinguishes three levels of analysis for organizations, the behaviour of individual participants in organizations, the organizational structure and the interplay of its units, and the ‘organization recognized as a collective actor functioning in a larger system of relations’ (Scott 1992: 15). This article concentrates mainly on the second and third level of analysis because it is interested in the decision-making process within IGOs and interrelations between IGOs and their environment. Furthermore, Scott studies organizations from three different perspectives. He distinguishes a rational system perspective, a natural system perspective, and an open system perspective (Scott

1992: 21-26, 2004). From a rational system perspective, organizations are perceived as collective entities. They are oriented to pursue concrete goals and thus design a highly formalized social structure aimed at the pursuit of organizational goals (Scott 1992: 29-50). From a natural system perspective, organizations are seen as organic systems, that is collectivities whose participants pretend to follow formal organizational goals, but in general, there is only one shared organizational goal: the survival of system (Scott 1992: 51-75). In contrast to the rational and natural systems perspective, an open-system perspective conceives organizations not as closed system separated from their environment but as 'open to and dependent on flows of personnel, resources, and information from outside' (Scott 1992: 76-94). The organization is shaped, supported and infiltrated by the environment, which is the basic source for systems survival because it consists of the necessary resources and elements the organization needs to exist.<sup>7</sup> The organization is not conceived as a monolithic entity but it is 'a coalition of groups and interests, each attempting to obtain something from the collectivity by interacting with others' (Pfeffer and Salancik 1978: 36). Participants join and leave the organization or engage in ongoing exchanges with the organization depending on the bargain they can strike. From this perspective, organizations and their participants cannot be assumed to hold common goals or even to routinely seek the survival of the organization; rather, organizations are systems of independent activities '[s]ome of these activities are tightly connected; others are loosely coupled' (Scott 1992: 25).

There are some IR approaches that make use of organizational concepts. However, these approaches concentrate either on the behaviour of participants within IGOs, or their influence on decision-making processes—such as bureaucratic politics approaches that focus on executive heads or the role of media on IGO decision-making (Cox and Jacobson 1973; Cox 1999; Cox and Jacobson 1999). Other approaches implicitly apply a rational or natural perspective of IGOs (Keohane 1989; Mitrany 1948; Barnett and Finnemore 2004). Here, the paper suggests an open-system perspective to scrutinize IGOs. This perspective provides useful insights concerning inner-organizational dynamics: organizations are perceived as consisting of coalitions with different interests trying to use the organization for their own ends. This concept is beneficial for analyzing the relationship between member states, their representatives and IGO administrative members. There are many empirical examples showing that member states build coalitions and counter-coalitions; for example in so-called green-room negotiations within the WTO (Cass 2005) or as governance behind closed doors (Clegg 2012). Simultaneously, the open-systems-perspective allows for an examination of how IGOs' independent organs function as sub-organizations—like the secretariats, dispute settlement or monitoring organs—that can frame or even shape decisions in IGOs. Furthermore, the open-systems perspective helps to resolve the complex relationship between an IGO and its environment. The environment is not limited to states but also contains, for example, other IGOs, (I)NGO, companies, enterprises and the like. IGOs are embedded in their environment and the environment affects them, for example the International Labour Organization (ILO) addresses standards and norms not just to member states, but also to non-state actors such as enterprises. At the same time, the environment could influence IGOs, for example by providing information as Transparency International does for the World Bank on national corruption. They can call the legitimacy of IGOs into question and can organize protest against it, like NGOs did at the WTO-Millennium Conference in Seattle 1999 (Mason 2004).

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<sup>7</sup> This includes the function of legitimization. In some theoretical approaches the environment legitimates the organization therefore the organization has to adjust to environmental demands in order to survive (Meyer and Rowan 1977).

To fully appreciate these theoretical considerations, IGOs have to be conceptualized as organizations that differ in many ways from individual-based organizations concerning their inner-organizational structure and the relations with their environment (Ahrne and Brunsson 2008).<sup>8</sup> Most obviously, the membership in IGOs differs from that in formal organizations like enterprises or administrations. In terms of formal definitions, states are the only members of IGOs. Besides formal members, IGOs consist of secretariats and individuals in independent organs that are also members. As already mentioned, some empirical as well as theoretical studies in IR prove that secretariats and IGO bureaucracies exert some influence on member states (Cox and Jacobson 1973; Cox 1999; Barnett and Finnemore 2004). This article does not assert that both forms are equal, but they are both meaningful parts of IGOs membership. Membership, therefore, can be differentiated into political and administrative members. Political members are represented on different levels: the *state* as the most formal level of membership comprises all citizens; the *government* as the group of individuals approving decisions and proposals as well as implementing rules and norms in domestic politics; the *states' representatives* as the individuals directly involved in an IGO and acting on behalf of a state. The administrative members are the secretariats and other independent organs established within IGOs. The distinguishing character of administrative membership is their formally defined independence.<sup>9</sup> Their loyalty does not belong to a state (although every administrative member is also a citizen of a member state) but to the rules and norms of their IGO. They are—contrary to states' delegates or ambassadors—exclusively bound to their job description and not to an instruction of a political member (Koch 2009).

The open-system perspective builds on the assumption that organizations need their environment because it provides those elements the organization requires to produce any output. The environment comprises the whole amount of information. The concept *environment* is somehow vague and unclear. Contrary to membership, belonging to the environment is not clearly defined and depends first and foremost on the observed (international) organization (Scott 1992; 2002). In general, the notion organizational environment means 'everything outside the organization' (Mintzberg 1979: 267). The environment is the counterpart of the organization, which means that a definition of the organization (an IGO) also provides an understanding of its environment. The border between an organization and its environment is marked by the organizational membership (March and Simon 1958). From the perspective of an organization, the environment contains a vast array of information—more information than the organization can perceive and process. Therefore organizations make choices and select certain aspects to which they respond (Hedberg 1981: 8), for example the IMF is an important part of the World Bank's environment but it is probably less important for the World Tourism Organization. Furthermore, the environment changes depending on the changing preferences of IGOs. For example since the 1990s the World Bank has put social policy issues onto its agenda, which were formerly covered by the ILO (see section 5). Although the environment is difficult to assess, some potential actors can be identified that are usually relevant for IGOs. It can be

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<sup>8</sup> Ahrne and Brunsson (2008) define those organizations having other organizations as their members as meta-organizations. In this respect a state is a particular form of organization and IGOs are meta-organizations.

<sup>9</sup> It should not be claimed that administrative members have no political conviction or consciousness but there is (formally) no political power that instructs administrative members to behave in a certain manner, e.g. formally the director-general is independent and cannot receive instructions from any government however there are examples where a director-general is usually nominated by a certain state – for example the Director-General of the World Bank who is traditionally assigned by the USA.

assumed that states, or more precisely, inner-state actors, are part of the environment. They hold particular expectations concerning an IGO; they pose demands or try to influence their national governments. Beside states and inner-state actors, other IGOs as well as national and international NGOs can be a meaningful part of an IGO-environment. They can pose their demands and are (gradually) able to affect IGOs' decisions (Gilbert and Vines 2000; Phillips 2009; Wade 2004; Weaver 2008). Furthermore, experts and consultants can be part of IGO-environment, too, because they possess knowledge and expertise in certain relevant fields (Kennedy 2005).

The goal of organizations is to make their environment more predictable and thereby reduce uncertainty for their members. This description of the organization-environment relations proves perfectly true for IGOs and their environment. If one would describe the general task of IGOs, it would be to generate collectively binding decisions for member states. In the words of Ahrne and Brunsson, the environment of a state becomes organized and ordered, '(m)eta-organization thus replace an 'environmental order' of some kind with an organizational order' (Ahrne and Brunsson 2008: 64).

Although it seems reasonable to differentiate between IGOs and their environments, one has to bear in mind that those identified as members of an IGO can be part of its environment as well. Membership cannot be understood as a fixed characteristic but as a role in the organization (Pfeffer and Salancik 1978: 30). It is not an individual or a state as a subject belonging to an IGO; rather, it is the states' or individuals' role and function in and for the IGO that draws the distinction between organization and environment. A state, for example, can be a member of the WTO as well as of the IMF, the ILO, the UN or the NAFTA. Even if these IGOs share some similarities, they deal with different issues and every IGO is part of the environment of the other. In other words, only those activities, behaviours and decision-making powers that are part of the members' role define the organizational border. Each and every activity and behaviour that is not embedded in organizational processes is part of the environment. In this respect it seems reasonable to focus on the activities and communication in IGOs rather than on specific actors or sets of actors.

## **4.2 The system-theoretical approach**

Coming from an open-system perspective, a system-theoretical model to study IGOs seems to be extremely useful because it shifts its analytical focus from actors to the communication of decisions.<sup>10</sup> The modern system-theory as developed by Niklas Luhmann identifies a process-oriented mechanism on the basis of decisions and decision-making.

The modern system-theory is first and foremost a societal theory that aims to describe and analyse society. It divides three levels of social systems: society, organization and interaction (Luhmann 2003b: 2). Social systems are characterized as everything that differentiates between the self and the environment. Further differentiations are realized by re-inducting the differentiation between the self and its environment within the respective system. That means there may be subsystems within a system that have system-internal as well as system-external

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<sup>10</sup> Whether modern system-theory can be clustered under an open-system perspective is disputable because system-theory perceives organizations as closed systems that are, however, open to their environment and can be affected by their environment. In this respect, organizational closure is a precondition for its openness (Luhmann 2000: 71).

environments. These subsystems operate as systems within a system. On every level the system-theory perceives communications as the basic, irreducible element that build up the social systems (Luhmann 2003b: 16-17). In this respect, society can only be perceived as world society because communications do not come to a halt at national borders.

Concerning Luhmann, organizations are societal systems that operate via decisions or more precisely via the communication of decisions. Organizations do nothing other than make decisions. Should there be nothing to decide organizations would decide to disband. Decisions are the only operational element of an organization. Decisions are generated by former decisions and decisional premises.<sup>11</sup> Every organizational output is a result of decisions or a decision itself whereas decisions have the temporality of an event that disappears in the moment of its appearance (Mingers 2003: 109-111). In this respect, the organizational boundaries are constructed by decisions and they are reconstructed permanently because the organization goes on in the production of decisions that link to the boundary decision. Thus, the system-theory neither concentrates on individuals or coalition of individuals in organizations nor on actions (see Scott 1992: 25) but on decisions (Luhmann 2003b: 137-75). Therefore members are less important elements to be studied in organizations but the decision to become a member, which implies that organizational objectives and values are shared and not questioned. To observe and analyse an organization is to focus on their decisions and their decisional premises, i.e. those premises framing a decision that is to be chosen. The concentration on decisions has a long history in organizational studies (March and Simon 1958; Cyert and March 1963) but even theories highlighting the decision-making processes cannot conceive decisions without referring to the individual member.<sup>12</sup>

Organization's central function is to absorb uncertainty that exists because the organization constructs (via decisions) an environment that consists of a huge amount of data and potential irritations. The organizational environment is hereby not understood as a given but as the counterpart of the system. Any system can logically only exist because of its environment that contains everything but the system. Every decision an organization makes produces a surplus of potentially accessible decisions. Therefore any decision contains information only for the organization that again offers a range of potential accesses and forces the organization to reduce complexity by making further decisions. Insofar every decision is a reduction of ambiguity because it makes a commitment to a certain option while putting other possible options aside. The reached decision is simultaneously the starting point for further decisions. That means the decisions of every organization are recursively linked to former decisions and open up a horizon for further decisions to be connected with. Thus, organizations are self-referential systems because organizations construct and re-construct themselves by decisions. Since the variety of possible 'decision communication' is high, organizations need to reduce complexity while, at the same time, ensuring that decisions can connect to previous decisions in the system. The connectivity of decisions ensures that communication does not come to a

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<sup>11</sup> Decisional premises are those decisions that are the basis of further decisions and are not questioned or re-decided by every new decision, e.g. the organizational structure, communication processes, administrative procedures etc. (Luhmann 1991: 342).

<sup>12</sup> Luhmann's notion of decisions is unique insofar as it has a strong link to the concept of communication—decision is understood as the communication of decision (Luhmann 2000: 46)—that is a three-step-process information, utterance and understanding whereas each step is a selection from a range of possibilities. Information describes the pure content of the message, utterance is the form in which the message is transferred, and understanding is the meaning that the message generates in the receiver (including misunderstandings) (Luhmann 2003b: 140-142).

halt. Under these conditions organizations achieve operative closure vis-à-vis their environment (Luhmann 1991; 1993; 1999).<sup>13</sup> Another consequence of the system-theoretical approach is that organizations are perceived as changing permanently because they produce decisions unremittingly and (potentially) change with every new decision. Therefore organizational *change* is typical observation whereas stability needs to be explained.

Taking this concept of operative closure serious, the environment cannot influence organizations because organizational operations are self-referential, i.e. they just refer to former decisions and decisional premises and are independent from environmental activities. Against this background organizations cannot be influenced by their environment and vice versa. Organizational operations are exclusively relevant for the organization. However, the organizational operative closure is the relevant precondition for the organizational ability to perceive irritations of their environment that can be transformed in organizational decisions in order to absorb complexity (Luhmann 2003b: 187-194). Otherwise it would be impossible to assess whether a communication/decision is part of the environment or organization and a differentiation between both would be blurred. Although organizations cannot interact with their environment they can observe their environment, make sense of their observation and process them in their decisions. Exactly in this respect the modern system-theory fits into the open-system perspective, organizations can be open to their environment and observe irritations because they are operatively closed (Luhmann 2000: 71).

### **4.3 Introducing world organizations: a reconceptualization of IGOs**

After this preparatory work the system-theoretical approach can be applied to reconceptualize IGOs, which differ from other formal organizations first and foremost because of their membership structure. Besides having states as their formal members, each IGO has an administration that can influence or predetermine IGOs' decisions. From a system-theoretical point of view both are members of an IGO whereas the motives might be different. But the essential point is that both participate (because of their decision to become and be a member of the IGO) in organizational decision-making processes. This decision marks the organizational entry of every member and indicates that the member accepts the organizational principles and norms. As soon as a member declares not to accept the organizational principle, its norms or rules, the membership status is automatically called into question. As a consequence, states withdraw their membership when their self-performance contradicts organizational principles.<sup>14</sup>

Against this theoretical background the paper suggest conceptualizing IGOs as world organizations. IGOs are embedded in an environment, i.e. the world society,<sup>15</sup> and might be irritated by its environment. World organization is therefore not another type of international organization such as QUANGO, GONGO, BINGO etc. (see footnote 1), but rather a way how to conceive IGOs by differentiating four characteristics of world organizations: world semantics, representation of world, external relations and world order. This perspective seems

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<sup>13</sup> Luhmann calls the self-production via decisions and the operative closure of organizations *autopoiesis* (Luhmann 2003a).

<sup>14</sup> Although this is not a typical scenario for IGOs it sometimes happens as for example North Korea quitted its IAEA-membership in 1994 because it does not accept controls of its nuclear facilities.

<sup>15</sup> According to Luhmann, world society is the system of all communications. Its boundaries are unambiguous, therefore the environment contains all noncommunicative events and states of affairs (Luhmann 2003b: 410).

highly useful for analyzing IGOs<sup>16</sup> as world organizations for at least four reasons: First, many world organization directly refer to the *world* as they describe themselves as the World Health Organization, the World Trade Organization or the World Bank. Even if world organizations do not label themselves as world organization they usually have secondary reference to *their* world, such as the UN—‘United Nations—it’s your world’. By analyzing world semantics the specific *worlds* of world organizations can be unveiled and compared. The investigation of world semantics furthermore shows how world organizations conceive themselves in and in relation to their world, how they pretend to interact in/with their environment and how they serve or support their world. In particular organizations working in development have specific perceptions of their world and what development means in this context.

Second, the system-theoretical approach provides useful insights concerning the inner-organizational dynamics and structures. The system-theoretical model concentrates on the decision, their decisional premises as well as former and following decisions to which a decision can be linked. The system-theoretical approach suggests shifting the attention from actors to decisions and questions the preconditions to make this specific decision, i.e. decisional premises and former decisions. Whatever happens within a world organization, every action, every political measure, every document or proposal, it has to be communicated in the form of decisions. A decision is a selection of a certain option and simultaneously a rejection of other options that might have been taken otherwise. However, decisions do not occur and exist as singularities, they are part of decisional chains and only matter in their decisional context that refers to former decisions and allows the connectivity of following decisions. World organizations identify their decisions and the decisions they connect to. Those decisions that are of particular importance are treaties, contracts, agreements, final documents, policy proposals etc.. These are organizational decisions that offer a connection point for further decisions. Decisional premises are those decisions that simplify decision-making within world organizations, e.g. routines, procedural standards, structural settings, communication channels etc. However, this is not to say that member states do not have motives or interests in participating in a world organization or using it for particular ends. There might be various reasons for a member state or an administrative member to decide on a certain option but these reasons and intentions are ‘unmarked spaces’ (Spencer Brown 1971; Luhmann 2000: 92-96) and cannot be analysed in detail. Meanwhile decisions are context-sensitive operations that allow an understanding of other organizational decisions, so any decision can be refined and traced back by former decisions that presuppose the decision. This idea is beneficial for analyzing how decisions within a world organization are made and how these decisions are used and processed in connecting decisions. Thereby relations between actors within world organization, such as member states and their representatives as well as administrative members and organs, might be analysed.

Third, the perspective offers a theoretical toolbox that helps to resolve the external relations of world organizations. The concept of the environment is not limited to states but contains other IGOs, (I)NGO, companies, enterprises and the like. The environment of world organizations, i.e. the world, contains everything outside and has to be specified by world organizations via decisions. The environment cannot interfere with a world organization

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<sup>16</sup> Here, this analysis solely concentrates on those IGOs with a universal membership which is per definition not limited to a region or other functional or status-specific limitations, such as ASEAN, EU or OPEC, OECD and the like. However, this is not a limitation of world organizations because IGOs with non-universal membership could be analyzed according to the four dimensions, too.

however its environment, which can be observed in its decisions, can irritate a world organization. Although world organization and their environment cannot interact, world organizations can observe its (relevant) environment and try to make sense of its observations and process them in subsequent decisions (Luhmann 2003a; Weick 1979). Independently of the irritation within an environment, only those irritations are important that are reflected in organizational decisions. Thus, the environment depends on the observation of a world organization that can be detected via its decisions, e.g. policy programmes and measures typically reflect a need for a world organization to respond to an external demand. However these external demands are only meaningful because the world organization identifies them as being relevant. In this respect, the environment is constructed and permanently re-constructed by and within world organization's decisions. However, how and to what extent a world organization observes its environment is an empirical question. That means for example, world organizations address norms not just to member states but also to non-state actors for example enterprises when it comes to social or environmental norms. At the same time world organizations' action might have an influence on their environment and vice versa, e.g. INGOs had some influences on the WTO since the Millennium Conference in Seattle 1999. As a response to the protests and excesses of anti-globalization activists and NGOs in 1999, the next conference in Doha 2001 was prepared in exclusion from public participation to impede protests. At the same time, the WTO plays a more active role in its interactions and contacts with NGOs, e.g. NGOs' members are invited to take part in informal meetings and work with member states' delegations and secretariat officers.

Finally, system-theory can be linked to global governance approaches as it explains how world organizations contribute to, and establish, a certain kind of world order. World organizations are dependent on reciprocal interpretation and interaction with their environment. They collect data and interpret information in order to gain a better understanding, improve their organizational knowledge—with respect to future decisions and output—and ensure their survival within the environment (Daft and Huber 1987: 9f; Daft and Weick 1984: 286). 'Organizational interpretation is formally defined as the process of translating events and developing shared understanding and conceptual schemes [...]' (Daft and Weick 1984: 286). The goal of organizations, viewed as sense-making systems, is to make their environment more understandable and thereby reduce ambiguity and uncertainty for their members. This description of the organization-environment relations proves perfectly true for world organizations and their environment. It is the general task of world organizations (and IGOs) to generate collectively binding decisions for member states but also as an action framework for other non-state actors. However, the uncertainty within the environment is a construction of the world organization. Every decision absorbs uncertainty of former decisions and produces new uncertainty because the future is uncertain as long as the world organization has not decided.

## **5 Making global inequality: the case of the World Bank**

Global governance approaches have convincingly shown that IGOs and NGOs establish internationally accepted norms, which are also distributed and monitored by IGOs. System-theory can be applied as an approach to examine how global norms evolve and change within world organizations and how world organizations process external irritations within decision-making processes. The World Bank and its endeavours in old-age security and good



governance serve as an illustration (Wodsak 2007).<sup>17</sup> However, it has to be admitted that a thorough empirical analysis is needed to underpin the conceptual value of the theoretical frame; here just an illustration can be offered.

The World Bank has been perceived for a long time as being responsible for economic and lending policies, only, whereas for example social policy issues fall into the realm of other IGOs such as the International Labour Organization (ILO). In the late 1980s and early 1990s the World Bank began to put social policy issues on its agenda and created in the mid 1990s a Social Protection Unit. Herewith, the World Bank extended its ambitions as a global development bank that fights poverty and inequality, which has not solely economic but social policy implications, too. In 1995, the World Bank published a report on ‘Averting the Old Crisis: Policies to Protect the Old and Promote Growth’ and suggested a three pillar model consisting of a minimized public pillar providing a social pension, a fully funded, privately managed pillar that provides an income-smoothing function; and a additional voluntary saving as a third pillar (World Bank 1995). These recommendations on establishing a three-pillar pension model have been addressed to states—in particular to lending states—for at least two reasons. First, the three-pillar model does not put too much pressure on state finances and make financial costs calculable—even in a long term. Second and more important, the World Bank established a model to fight old age poverty and diminish social inequalities that might arise in countries when the age structure changes. In this respect, the three-pillar model can also be perceived as a contribution for national stability—in particular in transition and developing countries (Wodsak 2007).

The report has been written by a team of economists and financial experts exclusively and addressed mainly aspects of financial sustainability and effects on states’ economy. After publishing it the World Bank decided to disseminate the report as widely as possible in order to persuade states to accept the pension reform model and to implement it accordingly. Besides states, non-state actors such as other IGOs, NGOs and social policy experts had been addressed and convinced to increase the pervasion of the report and three-pillar pension model. The distribution and advertisement strategy worked out and IGOs like the Organisation for Economic Co-operation and Development (OECD) and the Asian Development Bank (ADB) followed the World Bank model on old age security that has also been applied in some countries such as Sierra Leone and Kazakhstan. Although, the three-pillar model has been widely accepted, not least because of the large amount of resources the World Bank spends on its marketing strategy, the arguments the World Bank presented were also criticized by IGOs, NGOs and within the epistemic communities (Wodsak and Koch 2010). The main lines of criticism concerned the methodology, the pro-funding message of the report as part of a neo-liberal agenda and the Bank’s analysis of the effects of different pension arrangements. Due to the permanent criticism and the World Bank’s impression that the criticisms did not adequately present the Bank’s approach, the Chief Economist at the Bank decided to revise the Averting Report. As a consequence the social protection unit has been expanded to a department that was responsible for the preparation of a new report in 2005 titled ‘Old-Age Income Support in the 21<sup>st</sup> Century’ to clarify and update its view on pensions. The social protection department revised and extended its three-pillar model into a five-pillar model and incorporated criticisms. Whereas the Averting Report clearly argued for a funded system as the desirable outcome, the five-pillar model is more flexible in design and weighting of each pillar. This tendency can also be detected in other World Bank publications

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<sup>17</sup> The following explanations on the World Bank and its policies on old age security are mainly based on two articles by Veronika Wodsak (2007) and Veronika Wodsak and Martin Koch (2010).

that are more conciliatory in their wording towards opposing views. However, the World Bank published several reports that were more in favour of a flexible five-pillar model it can still be concluded that the World Bank emphasizes funding systems over other measures (World Bank 2005; Wodsak and Koch 2010). The new model on pension reforms is more flexible and uses more conciliatory wording. It is therefore less vulnerable and the World Bank cannot be accused of favouring a neo-liberal model because the five-pillar offers alternative models and diversifies the risks. But more interestingly, this example makes clear how, and to what extent, IGOs rely on NGOs and epistemic communities. After the new report was published and accepted, the World Bank carried out and financed more than 200 pension reform projects all over the world. Each of these projects and the final reports refer to the multi-pillar pension reform model of the World Bank. Herewith, the projects emphasize the relevance of the multi-pillar pension model in the 2005 report as a core decision that offers connectivity for further decisions in the form of projects.

This example can serve as a useful illustration for world organizations and the analytical value of this reconceptualization on IGOs. Whereas IR approaches could explain relations between states and IGOs and influences that one would exert on the other (see above), the concept of world organizations gives a rather differentiated picture according to the four dimensions. First of all, it tells something about the semantics of the World Bank and its claim of ‘banking the poor’ (Ayres 1983). The World Bank perceives itself as a development bank that tries to reduce poverty. Poverty is seen as a human characteristic, people, not states, are poor. This perception can be detected from the World Development Reports of 2006, 2007 and 2008 but it is also explicitly formulated as a task statement ‘Our focus is helping the poorest people in the poorest countries’ (World Bank 2007).<sup>18</sup> Although the World Bank emphasizes individual poverty, its measures and policies rarely refer to persons but to states. Thus, old age security is less an issue for poor people but it is relevant for states and in particular states’ finances. Therefore, the World Bank puts more emphasis on voluntary savings whereas the public funding pillar is rather marginalized. The purpose is to enhance the economic development of states in the first place which then, in theory, will be followed by higher standards of living. Second and contrary to other world organizations, the World Bank is not dominated by interstate negotiations—however these also take place—but the formal decision-making organ within the World Bank is the Board of Directors that consists of the President of the World Bank and 25 Executive Directors. The World Bank has established a weighted system of voting power according to the shares it holds in the World Bank’s capital stock (Cogan 2009).<sup>19</sup> Regarding the example—and here it becomes quite obvious that a case-study is needed to shed further light on the internal decision-making—it can be seen that the World Bank reacted to external criticisms by establishing a social protection department to revise the report. The World Bank could have responded in very different ways, e.g. it could simply ignore external demands, in particular if some states already implemented the three-pillar model. The Bank decided to revise its report however, the changes were rather structural and marginal. It changed the three-pillar into a five-pillar model but these changes did not affect the prefunding message of the report. Furthermore, this example illustrates the benefit of system theory. Whereas IR theories would have concentrated either on the influence between states and IGOs, the system-theoretical model

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<sup>18</sup> This can also be detected from the pictures the World Bank uses to illustrate its reports. These pictures usually show men and women in a non-OECD world while they are fishing and farming or children sitting in school (World Bank 2007).

<sup>19</sup> The USA, which is the only veto power, has the greatest voting power which is 3.5 times higher than the voting power of Germany, 10-times higher than Australia and 800-times higher than El Salvador.

takes world organizations as organizations seriously and analyses how and what irritations of the environment are processed internally in the form of a decision, e.g. the decision to revise the Averting Report, the decision to react on external criticisms, the decision to assign the social protection department to work on the report and not—as before—to put it in the hands of economists and financial experts. Furthermore, this example illustrates that as soon as a decision is reached within a world organization, further decisions usually relate to the former one—either by accepting the decision and connecting further decisions or by rejecting the former decision (like the three-pillar pension reform model in 2005) and making a new decision that clearly marks the revision of the former decision and emphasizes the redirection. Third, conceiving the World Bank embedded in a larger environment consisting of states and non-state actors opens up a horizon for a variety of external demands and irritations the World Bank is facing. IR-theories tend to underestimate this variety of demands but would rather concentrate on state-IGO relations. The example shows that the success of the World Bank and its initiative on old age security relies heavily on its environment which also consists of non-state actors like NGOs, social security experts and academics and other IGOs. Although some states already adopted the three-pillar model the World Bank has been constantly under fire and in this respect, has been forced to revise its model. Relations between the World Bank and NGOs do not have to be conflictive but can be co-operative and complementary such as the co-operation between the World Bank and Transparency International. Since the late 1990s the World Bank put the fight against corruption high on the agenda. In particular s the Bank has made some efforts in recent years to reduce corruption and combine lending agreements on the condition of efforts in good governance (Grigorescu 2003) and some studies prove that foreign aid can have an impact on growth in states with good financial and economic policies (Burnside and Dollar 2000; Quibria 2006). The fight against corruption relies to a large extent on information the World Bank gathers to assess whether and in which realm a state is corrupt. In this particular sector, the World Bank increasingly uses data and information gathered and processed by Transparency International (TI). In order to assess whether states abide by good governance and fight corruption the World Bank depends on information by TI (Cogan 2009). Finally, the discussion within the World Bank on old age security and old age poverty illustrates that the World Bank wanted to establish a model that is not just accepted by (lending) states but an old-age security model that is rather universally accepted and cherished. Although many studies show how global norms shape the behaviour of states (for example: Blackmon 2008; Gutner 2005; Kanbur and Vines 2000; Marquette 2003; Nielson and Tierney 2003; Park 2010; Peet 2009; Pogge 2010; Wade 2004), the system-theoretical model explains that inequality is less a factum that can be observed and fought, it is a construction by the World Bank. Inequality and the distribution of money, health and other social issues is a production of decisions that are contingent. In this case the World Bank perceived a risk, i.e. old age poverty that results from low old-age pensions that might affect states and states' finances. It was and is one central goal of the World Bank to alleviate this risk for states. However, this goal and the related political projects define and produce to a certain degree, the observation of old age poverty as a *world problem* for states, IGOs, NGOs and the epistemic communities alike. Lending states, for example, are only eligible for credits of the World Bank if they reveal how the applied credit for a project will fight old age poverty and help to construct a pension system according to the World Banks multi-pillar pension model. Even NGOs refer to the World Bank and its multi-pillar pension model and thereby display World Banks' perceptions of old age poverty and old age security. Herewith, the World Bank in particular generates old age poverty as a world problem independent of whether it is perceived as such by (lending) states, NGOs or IGOs or not. Every decision of the World Bank underpins the manifestation of old age security as a world problem, furthermore every external reference to

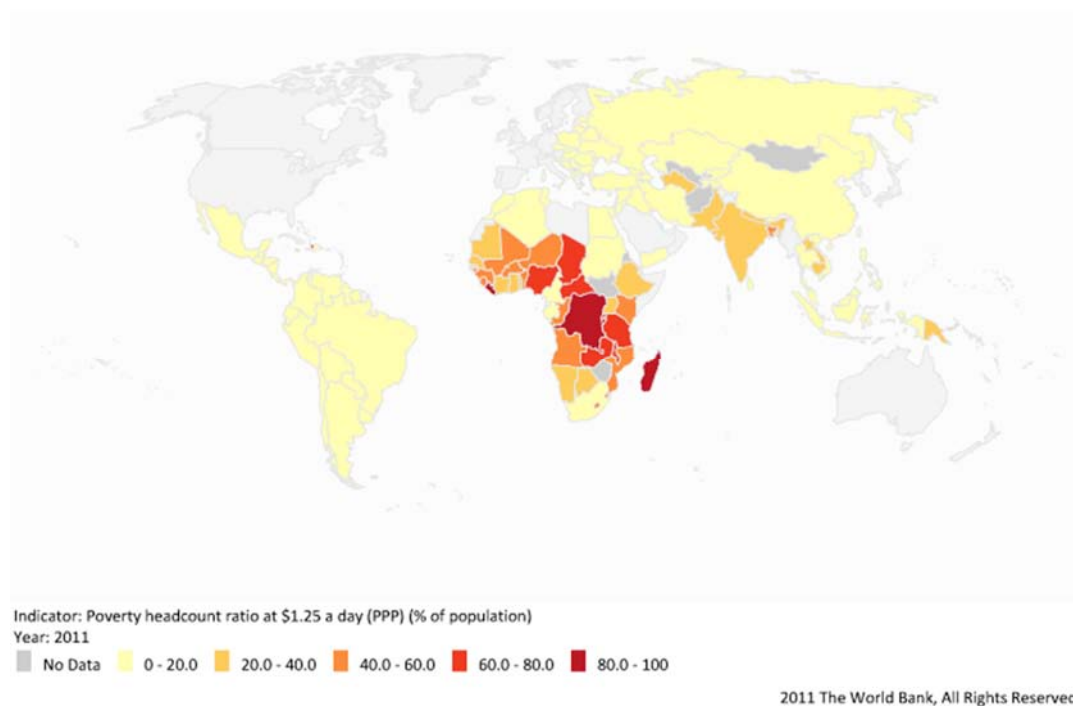
the World Bank's multi-pillar pension model—even critical references—confirm the ‘old age security’-problem.

A further example to illustrate the World Bank's ability to shape discourses of development and global inequality can be seen in its initiative of alleviating poverty that inherently connected with the overall idea of development. Since its foundation in 1944 the World Bank has followed a development agenda, starting with the support to Europe that helped it recover from the consequences of the Second World War. The fight against poverty was initiated by McNamara, who changed the focus of the Bank's agenda to go beyond infrastructure and set up projects to deal with basic human needs and poverty reduction, creating an economic environment that particularly the poorest people would benefit from. In his Nairobi speech in 1973, he proposed the term ‘absolute poverty’ and defined this as a condition of deprivation that falls below any rational definition of human decency. The idea also marks a matter of great urgency—which until now is reflected in debates about the successes and failures of fighting poverty (Berger 2007; Mahendra et al. 2006; Nayak and Basu 2005; Ravallion 2009). Much of the debate about poverty and how to measure poverty has been dominated by economists at the World Bank. Moreover, great parts of the global academic archive that allocates knowledge about development and poverty are embedded in the discourse(s) of the United Nations, particularly the United Nations Development Programme (UNDP) and the World Bank. Their experts are both major voices in the constant (re)definitions of poverty and influential agents in justifying governance practices of global agencies. As agenda-setters they have helped to develop policies to combat poverty; in their function as academics and knowledge-contributors they have shaped the understanding of poverty in the context of development. This observation of the double role that many academics have played is important insofar as the debate about development and poverty has never been a purely academic one, but always been inherently connected to the concrete actions of global development agencies. Most of the literature about development—whether in accordance with or critical of this expertise—has referred to the writings of such academics. Even those thinkers that are philosophically detached from an actual involvement in politics, like Nancy Fraser, Martha Nussbaum or Thomas Pogge, have not failed to acknowledge the near-monopoly of defining poverty that IGOs like the World Bank have come to have (Pogge 2007; Moellendorf 2009). This, in turn, shows how closely interlinked the development discourse of major IGOs is with the understanding of poverty. In the context of development and poverty, the concepts introduced by the World Bank have been highly influential, particularly when it comes to equating poverty with income, measurable quantities that allow for cross-country as well as within-country comparisons and assessments (Freistein and Koch 2012).

Furthermore, the ability to compare countries according to numbers developed by the World Bank can be seen as a central driving force of globalization, since it thus becomes possible to link (or even equal) all of the world's countries according to a certain understanding of poverty. Herewith, the World Bank equalizes unequal countries as it compares their status of poverty. Poverty might vary in different countries or have various facets but measuring poverty with numbers and statistics according to a certain poverty threshold (be it US\$1, US\$1.25, or even US\$2) makes unequal countries comparable (Freistein and Koch 2012). It clusters countries and provokes linkages between countries and regions that do not necessarily have anything in common, e.g. the group of countries described as ‘heavily indebted poor countries’ or countries that are sharing the same headcount poverty ratio, such as Namibia, Ghana and India, whereas others nearly disappear such as North America, Europe, Japan or Australia (see Figure 1). In this vein, Woods highlighted that and how the

World Bank and the IMF as globalizers (Woods 2006) have shaped a perception of poverty and development across countries through its lending policy.

Figure 1: Poverty headcount ration US\$1.25 per day



Source: World Bank, data from 2011 (<http://www.worldbank.org/en/topic/poverty>).

## 6 Conclusion

The paper examines how IGOs seen as world organizations can shape the discourse on development and how the meaning of development emerged in a larger discourse on global inequality. In the first step the paper briefly describes the changing paradigms of development and concludes that IGOs have shaped the changing patterns remarkably. Taking this into account the paper argues in the following part that although IR theories are usually perceived as the theoretical portfolio to conceptualize IGOs, these theories and approaches focus on states and state-IGO relations but neglect to analyse IGOs as researchable objects. Therefore, the paper suggests a theoretical shift to organizational studies, internal dynamics as well as interactions among IGOs and their environment. In particular a system-theoretical concept offers a valuable concept to conceptualize IGOs as world organizations. In the final part, the paper briefly exemplifies how the World Bank constructs and shapes global discourses on global inequality (namely the multi-pillar pension model and its poverty measurements) and to what extent the Bank responds to external criticisms.

Although the paper offers some clues about how to approach world organizations and the construction of global inequality at least two desiderate remain. First, the theoretical applicability of the system-theory is rather briefly sketched here and needs to be elaborated in-depth in order to offer a conceptual tool for global inter-organizational analysis. Secondly, besides theoretical explanations a thorough empirical investigation is needed to carve out territories for the analysis of world organizations. This concept would introduce with the four

dimensions a preliminary model to compare world organizations in development. Elaborating the model and carrying out empirical case studies might also provide further answers to discussion about (in)justice and development (Subramanian 2008) as well as how (not) to count the poor (Ravallion 2010; Reddy and Pogge 2010).

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