1 Economics and Policy in International Organizations: Introduction

PROLOGUE: A PERSPECTIVE ON THE LITERATURE

In the early twentieth century, John A. Hobson’s *Toward International Government* (1915) reflected hopefully on the prospects for realizing the ideal of a “world community” or of “a society of nations” through the creation of an international organization. That organization would subordinate national advantage to the idea of international cooperation – an idea that Hobson did not fully articulate. Hobson could not have foreseen the evolution of international organizations committed to economic and social cooperation among nations over the twentieth century and the increasingly active role in international affairs that such organizations were to play from the creation of the League of Nations (LON) in 1919 onward.¹

There are now available a plethora of institutional and organizational histories expatiating on the functions and influences of international organizations in the twentieth century.² Some recent studies have proceeded beyond recounting the history of administrative structures and functions to analyzing the nature, scope, and history of international economic cooperation – treating cooperation in connection with a flow of episodes, events, economic crises, and policy responses.³ An abundant literature written by economists has focussed attention on:

¹ We mostly employ the term *international organization* in this book and regard it as synonymous with *international agency, transnational institution, and supranational institution*. All these terms are taken to refer to the institutional structures of intergovernmental or nongovernmental organizations. This broad usage is consistent with literature in the now specialized field of international organization. See Taylor (1990) and Willetts (1990).
² See, for example, Groom and Taylor (1990); Hill (1946); Luard (1966); Northedge (1986); and Walters (1952).
³ Several studies in the field of international monetary cooperation stand out. See Horsefield (1969) and James (1996).
1. the macroeconomic stabilization, financial reconstruction, and enforcement programs of the LON and Bank for International Settlements (BIS) prior to 1939 (Pauly 1996; Santaella 1993; Schloss 1958);

2. the structure, function, and performance of international economic and financial institutions such as the International Monetary Fund (IMF) and World Bank (Black 1987; Gavin and Rodrik 1995; Krueger 1998; and MacBean and Snowden 1981); and

3. the economic rationale for the existence, development, and performance of supranational economic organizations (Frey 1997 and Vaubel and Willetts 1991 on public choice; Kindleberger 1986 on international public goods; and Simmons 1993 on dynamic contracting).

Furthermore, in the 1990s the Brookings Institution instigated a series of studies on the subject of “Integrating National Economies” (Bryant 1995; Kahler 1995). These studies have taken investigation of international economic organizations to a new and more sophisticated level; they consider the myriad of alternative possible forms of cooperation achieved through international organizations, locating each organization in a broad international movement aiming ultimately to coordinate national policies and minimize spillover effects on member nation states. Again, the orientation in all this burgeoning research is structure, function, and performance at the operational level – it is institutional and organizational in character and not ideational or avowedly a study of doctrinal issues.

By comparison with the literature referred to so far, the purpose of this book is not to explain what organizational forms and structures were established or assess their performance. We intend to survey what was contributed in an intellectual sense to economic and social research by the social scientists – especially the economists – who worked in, or attached as consultants to, some of the principal international economic organizations from 1919 to circa 1950. This book aims to expand our understanding of the distinctive research and economic policy advice proffered by economists in international organizations. These organizations include the mostly Geneva-based LON Economic and Financial Section, various branches of the International Labour Organization

1 The problem of managing and coordinating economic policies using international organizations has also been considered in the light of fundamental uncertainty facing international economic policy makers. See Ghosh and Masson (1994). Various definitions, forms, and methods of economic policy coordination have also been the subject of intensive study by economists. See, for example, Frenkel and Goldstein (1996a).
(ILO), the Bank for International Settlements (BIS), and various divisions of the United Nations (UN). As these organizations operated according to a certain set of guiding principles, their economic secretariats, analysts, and advisers were charged with the tasks of putting those principles into practice – of steering the specific organizations in a constructive direction. Apart from a long list of lesser known economists who were engaged in the work of these organizations as full-time employees or consultants (and whose work will be accorded wide coverage in the following chapters), some of the twentieth century’s most eminent economists made significant contributions to the work of international organizations in the 1919–50 period, including: Gustav Cassel; Gottfried Haberler; Michal Kalecki; James Meade; Oskar Morgenstern; Ragnar Nurkse; Bertil Ohlin; Jan Tinbergen, and Jacob Viner. In addition, Irving Fisher and John Maynard Keynes commented on the work of several international organizations in the period under review.

Intellectual histories of economic research completed within and for international organizations have been rare and so far piecemeal. To be sure, the career and appointments processes, functions, and powers of economic secretariats have been investigated. The first partly historiographical study of significance appeared in 1986 – Economists in International Agencies: An Exploratory Study (Coats 1986). That work’s primary objective was to assess the role and status of economists as a “professional cadre” in “policy formulation, decisionmaking, and implementation” in various international agencies post-1945 (Ibid., 2). Further, some of the contributed chapters in Coats (1986) outlined the recruitment policies for economists; the place of economists within the agency and how economists’ work infiltrated the policy-making process. Altogether, the intellectual history content in the Coats (1986) volume is largely a by-product. Only the chapter by Sidney Dell (1986: 37ff.) considered the “influential ideas” on the problem of economic development offered by economists working for the UN secretariat from about 1947 onward. The evolution of ideas at the World Bank on the economic development process from the late 1940s is also treated carefully in Mason and Asher (1973: 457–90), although this is a comparatively brief intellectual history in a volume running over 900 pages concentrating on the origins, policies, operations, and impact of the group of institutions constituting the World Bank.

1 On the secretariats see Bailey (1964), Hill (1946), McLean (1980), Menzies (1983), and Meron (1977).
2 The same comment applies to Earlene Craver’s (1986) study of Rockefeller Foundation grants to research work in international organizations over the interwar period.
Two important contributions of standing in the literature provide the background for this book. An obvious prototype is Neil De Marchi’s work (in collaboration with Peter Dohlman) (1991) which produced a programmatic, path-breaking analysis of the work of LON economists in the 1930s. Here the very framing and content of economic research conducted by LON economists is adumbrated. We will have occasion at various points in the following chapters to comment on and extend the insights provided by De Marchi.7 In addition, another model for our study resides in Jacques Polak’s (1995) intellectual history of exchange rate research at the International Monetary Fund (IMF) post-1945.8 Polak’s work examines the development of research on, and policy attitudes toward, exchange rate matters by economists employed by an international organization. He was interested in the content of that research, associated policy advice, and the interaction between economics and policy, while admitting that linkages between economic research at the IMF and actual policy outcomes in nation states “is in no sense simple or direct” (Polak 1995:735). Likewise, we are interested in the substantive ideational content of research and policy advice of economists in international organizations though on a much wider range of subjects. We also agree that the actual impact of ideas on policy cannot easily be estimated.

ECONOMICS AND POLICY IN INTERNATIONAL ORGANIZATIONS: HISTORIOGRAPHICAL ISSUES

That the following chapters focus on economic thought and policy, or economic thought as it relates to matters of practice at the national and international levels, raises some critical historiographical issues. Economists in international organizations from 1919 to 1950 acted as experts in the provision and interpretation of information and in the development of ideas; they were occasionally able to complete fundamental or “pure” economic research which had only remote bearing on immediate policy concerns; they planned operational programs in several fields and they participated in forums for the worldwide exchange of ideas and information on particular policy problems. We prefer to distinguish between all the above activities and economists’ participation in decision making, policy making, and policy implementation as such. The economists whose work we wish to survey only participated indirectly in decision making and policy-making activities. In addition, on many economic

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7 Pauly (1996) has also assessed the analytic content of some early work at the LON on monetary problems. Again, Pauly’s study will be mentioned at various points in this book.
8 See also Polak (1997) for a treatment more along the lines of an institutional and personal history.
and social issues, international organizations had an educative, consult-
ing, and advisory role rather than specific policy-making functions. Nevertheless, the work of their economists was frequently adapted to policy issues and critical episodes in economic policy confronting member nations. Our interest is in how the adaptation process altered the scope, content, and character of economic research in international organizations.

It would be a serious misapprehension to regard the work of economic researchers engaged by international organizations as being obviously “positive” in the traditional sense of dispassionate provision of analysis without manifest “normative” implications. It is not possible, generally, to disentangle positive and normative levels of discourse in the work we will consider. So much of that work was directed variously by the conventions, principles, and conference resolutions of the governing bodies of the respective organizations. The research considered in the following chapters acted both as an input into assessing what was feasible in relation to a particular policy response and it analyzed the effects of specific courses of action, often by observing and reporting on a range of country experiences and generalizing from these experiences. For example, we may acknowledge Pauly’s (1996: 25) distinction between “operational” and “analytical” dimensions in the contribution of LON economists in the 1920s and 1930s. In the former dimension, LON economists were mere surveillance and reporting officers; they reported on LON- and BIS-sponsored financial reconstruction programs in Europe. In the latter dimension, LON economists conducted putatively pure economic analysis on international finance and business cycles. In general, however, we demonstrate in the following chapters that it is not easy to separate operational and analytical dimensions for the majority of research projects undertaken by economists in the international organizations considered, even where the research outputs were strongly analytical and published in scholarly journals or books.

The economics and policy analysis we survey in this book was didactic in style and sometimes hortatory; it contributed actively to reconciling differences in national policy initiatives or points of view on particular problems facing national policy makers; in some cases it critically appraises these initiatives (or lack of them as the case demanded). LON research in the 1920s in particular, contributed to the development of policy consensuses on a range of economic problems (Pauly 1996: 30–33).9 ILO research over the entire period 1919–50 was openly

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9 Whether consensuses were generally contrived to create an impression of “liberal orthodoxy” on economic policy matters as Pauly claims (p. 17) is debatable. We shall discuss this point more fully below.
6 Historiographical Issues

committed to advocacy, especially, as we shall demonstrate, from the late 1920s. LON research was often transformed into “conventions” conceived as “models” recommended to member governments on a range of policy problems; and those governments were advised to “use these models... as far as they fit with... local conditions” in the process of bilateral negotiations over opportunities for policy harmonization (Loveday 1938b: 790). While economists and other social scientists engaged in work for international organizations in the period under review were deeply involved in policy discussion, they did not always explicitly admit to such involvement. Some tended to stress the “objective,” “scientific,” and mere “intelligence gathering” aspects of their work. The “economic work of the League of Nations” up to 1927 was officially described as the output of “disinterested and technical experts” and wholly “scientific in character” (LON 1927b: 3, 40). Moreover, LON economists attempted to

study the various problems selected... as profoundly and as widely as conditions permitted, and to interpret and express the results of the enquiries with scientific accuracy. But the final digestion of the facts collected has been left to the financial press and popular economic writers (Ibid., 40).

As one participant observed of the ILO’s research output:

this work would... go on no further than the simple collection and coordination of material. The solution of the various problems must lie either with the different Governments, in which case it would be purely national, or with the economic organization of the League of Nations, which can convene diplomatic conferences for the adoption of international arrangements (Oudegeest 1929: 2).

Later, Lewis Lorwin, economic adviser to the ILO, wrote an article on the “ILO and World Economic Policy” (1936) which expressly underscored the value-laden content of research at the ILO. That economists in international organizations were setting research agendas; frequently reflecting on the relationship between their research and policy problems; and developing independent conceptions of the main features of

10 Of course we shall not be the first to make this point. See the official ILO history, Alcock (1971: 99-117). Our contribution will be to subject the relevant economic research to more thorough exposition and scrutiny from the perspective of the discipline of economics.

11 See, for example, Thomas (1921b: 29–31). J.B. Condliffe (1938: 803), sometime LON secretariat member and later to act as an ILO consultant, viewed LON researchers as “international civil servants... [working in] a clearing house between civil services of various countries.”
those problems, meant that they were in one way or another reflecting constantly on the role of the state, including supranational organizations, in economic life at the national and international levels respectively. Such reflection ipso facto infused their work with value judgements. In assessing this work, we will notice parallels with the limited work on economic thought in national governments, except we shall be considering the work of economists in what may be regarded as international intergovernmental agencies.

According to Donald Winch (1969:19), to pose the existence of a relationship between economic thought and economic policy “entails both an over-optimistic conception of the technocratic status of economics, and a naïve view of the processes of political decisionmaking.” This remark is made in the context of reviewing the interconnections between economics and policy for the most part where the debate on national economic policies in the Anglo-American situation held center stage. Winch’s view deserves to be emphasized from the outset in our study. First, strict unequivocal disciplinary segregation between economics/economists and other social sciences/scientists cannot be made for the period, or for the international organizations, under review. Economists as a professional group played a leading part in research secretariats, and they were assisted by statisticians, sociologists, and political scientists, all of whom from time to time contributed to economic thought and policy discussion. Second, it would indeed be naively ambitious to posit and then demonstrate a strong relationship between economic thought and decision-making outcomes (for example, the conference resolutions, declarations, and recommendations of international organizations). We may infer from specific policy pronouncements some connection to antecedent research by the secretariat and economic advisors in the organizations. This study will not attempt generally to estimate the impact of economic ideas and economic research on practice, that is, on international policy outcomes. Rather, the historiographical objectives in this book are delimited by the following questions:

1. What was distinctive, innovative, and significant in a doctrinal history sense, about research on economic and social policy issues in the international organizations over the 1919–50 period?
2. What policy questions stimulated the research undertaken and what policy positions flowed from research findings?

12 See, for example, some of the work presented by economists working in, or for, international organizations at the Sixth International Studies Conference convened by the LON (International Institute of Intellectual Cooperation 1934; see also LON 1927b).
13 Broad historical work on economists in national governments has a longer pedigree. See for example Coats (1981).
8. **The Ideational Context of Research**

3. What intellectual influences acted on that research?
4. How did shifts in the prevailing orthodoxy on particular problems, especially the contemporary orthodoxy in the economics discipline, affect research in these organizations? Did that research reflect changes in academic economics, anticipate, or lead it?
5. What limitations may be identified in the economics as practiced by researchers in these organizations?

We intend to complement Winch’s (1969) pioneering study of “economics and policy,” adding an international dimension that was clearly missing in his work on the interwar period. Winch adopted a strong “Anglo-American focus” (p. 13). Accordingly, he concentrated on Anglo-American economic thought which possessed distinguishing characteristics from French, German, and Scandinavian thought. To anticipate one of our themes in the following chapters – economic thought and policy in international organizations has a strong internationalist orientation that sometimes and on some critical policy issues, differed significantly from the prevailing, contemporary Anglo-American stream of economic thought. Reasons for these differences will be canvassed in the following chapters. Suffice it to note at this point that the cosmopolitan group of economists working at the LON, ILO, BIS, and UN between 1919 and 1950, together with the multifaceted, rich flow of information used in their international-comparative work, accounted for the distinctiveness of their research outputs.14

Much has been written in recent years on the “internationalization” of the economics discipline (Coats 1997). On Winch’s (1969: 14) reading, economics “as a professional pursuit has become a more truly international discipline since the last war” that is, since 1945. In a formal academic sense, this view may be accurate. However, the explicit priority for effecting substantial economic research at the ILO (and LON) before 1940 required recruitment of individuals with “economic training” from a wide range of institutions and from as many member states as possible (Thomas 1921b: 24). Following a meeting of representatives of national economic councils and economic research institutes held by the LON in 1931, a recommendation was made to employ more “qualified” economists in the LON secretariat (McClure 1933: 319). It was keenly understood that any biases deriving from the nationality of economics could be overcome by recruiting a cosmopolitan group (in terms of

14 According to Henry Clay (1939: 575) the “usefulness” of the LON “as a centre of comparative economic studies” had not been negatively affected by the “political misfortunes” besetting that organization by 1939.
nationality) and perhaps therefore a doctrinally diverse group as well.\footnote{For some broad remarks on the “experience” and “international character” of the LON Economic and Financial Section’s secretariat see LON (1930b: 15–16).} In this special manner, the work of those with “economic training” in international organizations from the 1920s contributed to the internationalization of economics as a truly professional pursuit, well before Winch identified such a trend in the late 1940s. Doubtless we shall attempt to trace the national origins and international transmission of economic ideas on particular economic policy issues as the research unfolded in each organization.

**THE IDEATIONAL CONTEXT OF RESEARCH IN INTERNATIONAL ORGANIZATIONS FROM 1919**

Following creation of the LON, the Financial, Economics, and Statistics Section of the LON and the secretariat of the ILO (then a semiautonomous agency of the LON) undertook a wide range of economic research projects. In the opinion of one observer reflecting on the work undertaken during the 1920s, the LON “considered practically all the major world problems of economics.”\footnote{E.C. Wendelin, “Subject Index to the Economic and Financial Documents of the League of Nations” (1932), quoted in McClure (1933: xxiii). International conferences convoked and organized by the LON, or sponsored by the LON, initially provided the background and rationale for some of the research. The following three conferences in the 1920s were of some importance: 1. International Financial Conference, Brussels 1920; 2. International Economic Conference, Genoa 1922; and 3. World Economic Conference, Geneva 1927. On the relevance of these conferences to economic research at the LON see LON (1927b) and McClure (1933: 209–44).} Initially, the economic context and impetus for economic research at the LON was European financial reconstruction, but it quickly broadened to joint LON/ILO research on unemployment and international business cycles. The complete research effort from the early 1920s was cast in the background preamble to the founding LON constitution: “to promote international cooperation and to achieve international peace and security” (LON 1927b: 3). The Economic and Financial Organization (Branch) of the LON secretariat and its research economists used this broad background objective as a guide to justify all their projects, including economic surveillance and operational activities (Hill 1946). Furthermore, the 1920 Brussels Financial Conference was “unanimous...in believing that national action is not by itself sufficient. International co-operation...must continue and develop” (LON 1920: 11). In principle the term *cooperation* covered the entire spectrum of interaction among member states designed to create the preconditions for concerted action in response to cross-border economic and social spillovers. An early director of LON economic research...
remarked that international organizations promised “pacific communal co-operation of all nations irrespective of differences in their economic systems”; they had the potential to “devise and apply a set of principles which will restrict the uncontrollable action of individual States in imposing economic policies which react injuriously upon the interests of other countries” (Salter 1928:6).17 In practice, cooperation in the early 1920s amounted to intensive consultation over monetary arrangements and financial reconstruction in Europe through the LON; it involved confidential interchange of information between central banks and assessments of monetary conditions, rates of discount, stability of exchange rates, gold movements, and so on. These matters and the creation of politically autonomous central banks preoccupied LON economists. Eventually, information sharing and cooperation between various national authorities extended to the full range of monetary, fiscal, trade, labor, and social policy problems facing member states.

The idea of economic and social cooperation for those engaged by international organizations in the period under review was a symbol for a desire to manage deeper underlying economic processes at the international level. The economists perceived increasing interdependence and economic interaction between nation states that was not adequately supported by transnational, coordinated policy making. And the economic interdependencies could at least be analyzed, if not fully managed, by appropriate institutional arrangements such as multilateral organizations. Researchers for these organizations sought to develop insights into the possibilities for policy harmonization among nations on a range of economic problems; they analyzed differences between nations in the treatment of these problems. Recognition of economic interdependencies and on investigating demonstrable net gains from creating a truly international policy regime for managing cross-border policy spillovers soon advanced well beyond monetary matters. However, cooperation rather than planned economic integration (to use a modern, late twentieth-century term) was the goal; it was a voluntary form of “cooperation which brought peoples and governments together fructuously while not denying their diversity, their individuality and, above all, their sovereignty” (Groom 1988:20).18

International economic and social cooperation provided an exceedingly broad background against which all international agency research

17 Per Jacobsson (1928: 53) perceived even greater potential in the Geneva World Economic Conference of 1927: It “boldly drew up new lines on which to move toward a more rational economic organization on the basis of whole-hearted international collaboration.” LON economics was seen as a crucial element in creating a “rational” basis for collaboration.

18 See also Goodrich (1947: 19–20).