Editorial

Current Challenges to the Legitimacy of International Economic and Financial Arrangements

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Submitted: 20 July 2022 | Published: 23 August 2022

Abstract

The importance of legitimacy to international arrangements is addressed, as are various approaches to the study of legitimacy. In so doing, attention is paid to important concepts that feature throughout the various contributions, namely legitimacy and illegitimacy, legitimation and delegitimation, audiences and consent, and the form and function of institutional change.

Keywords

delegitimation; institutional change; international arrangements; legitimacy

Issue

This editorial is part of the issue “Legitimacy and Global Economic Ties” edited by Nienke de Deugd (University of Groningen) and Gerda van Roozendaal (University of Groningen).

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1. Introduction

The Presidency of Donald J. Trump has shown how easily the legitimacy of international arrangements can be called into question and how far-reaching the consequences can be. Under Trump, the US retreated from international agreements and commitments and questioned its membership of a number of international organizations (Debre & Dijkstra, 2020).

There is no shared understanding of what legitimacy means at the international level, nor of how it is achieved. Therefore, by taking into account the latest research on international legitimacy, this editorial presents an overview of approaches to studying legitimacy with the twin goals of improving our understanding of the legitimacy of international arrangements, as well as of the consequences of delegitimation for institutional change.

This editorial begins by explaining the importance of and challenges to the legitimacy of international arrangements: a topic taken up by the various individual articles in this thematic issue. Then, the various approaches to the study of legitimacy are discussed. Here, attention is paid to important concepts that feature throughout the various contributions, namely legitimacy and illegitimacy, legitimation and delegitimation, audiences and consent, and institutional change in response to challenges. This editorial will then serve as the background to a variety of articles on the legitimacy of international economic and financial arrangements for this thematic issue of Politics and Governance.

The notion of “international arrangements” as used in this editorial refers to both formal and informal forms of international and transnational collaboration, including organizations, institutions, regimes, agreements, and networks. Throughout this thematic issue, beliefs, values, and norms are used interchangeably, even though they relate in different ways to the formation of attitudes and behaviour.

2. Legitimacy Challenged

While Trump’s Presidency placed the issue of legitimacy at the top of the international agenda, the legitimacy of international arrangements has been scrutinized for
m much longer. As Hooghe et al. (2019) argue, economic liberalization since the 1990s has created intensified international cooperation—for example, through the establishment of the WTO—which was accompanied by increased domestic political contestation over what international cooperation should look like. Intensified international cooperation has brought with it new power distributions, something that, in turn, has given rise to extensive discussion. This has been demonstrated by the debate between radical right-wing nationalist ideas and radical leftist views about the shape that international cooperation should take, and even whether it is warranted at all. These clashes of perception are highlighted by disputes about the legitimacy of trade agreements, of the European Union (EU), and of the funding of international organizations. These disputes have, in turn, led to the delegitimation of international organizations and arrangements (Hooghe et al., 2019, pp. 732–733), such as is the case with the EU investment court system (Diependaele et al., 2019) within the WTO (Elsig, 2007; Howse & Nicolaidis, 2003; Reid, 2020), and within free trade agreements (Theuns, 2019). This trend has been accelerated by the current Covid-19 crisis, where for example, the Trump administration accused the WHO of being too susceptible to influence from China (Jenkins & Jones, 2020, p. 22). In general, the Covid-19 crisis has added further relevance to these issues, as new vulnerabilities have come to the fore, such as dependency on other countries for essential goods and new policies for attracting and regulating investments, to name just a few (see Campbell-Verduyn et al., 2019).

3. The Importance of Legitimacy

According to Beetham (1998), “[l]egitimacy refers to the rightfulness of a power holder or system of rule.” The legitimacy of international arrangements is of pivotal importance to their functioning, as Buchanan and Keohane (2006, p. 407) point out, because international institutions encourage cooperation while at the same time posing limits on (democratic) societies. What international cooperation offers is the promise of dealing with shared problems effectively and transparently and, increasingly, the prospect of doing so democratically—thereby showing its relevance to states and other stakeholders (Dingwerth et al., 2020; Tallberg & Zürn, 2019). This way, international organizations can convince states to follow the agreed-upon rules (Tallberg & Zürn, 2019, p. 582). However, states are not the only stakeholders in international arrangements. The notion of audiences (including constituencies and observers) is often used to capture the wide variety of actors involved and affected (Bexell & Jönsson, 2018; Tallberg & Zürn, 2019). Besides states, constituencies also involve individuals in states, those that represent the states, perhaps the staff of the arrangements, and maybe even those involved in global private and hybrid arrangements. The notion of observers (outside the authority-relationship characterizing an arrangement) refers to civil society actors, media, and non-member states (Bexell & Jönsson, 2018, pp. 124–132).

Securing legitimacy is seen as a long-term investment rather than an instrument to fulfill short-term needs. This long-term investment means that in the eyes of those extending legitimacy to an organization, there is continued support even if an organization (in the short-term) does not act in the self-interest of those concerned (Tallberg & Zürn, 2019, p. 587). As Bäckstrand and Söderbaum (2018) show, it is created (and reduced) through a variety of means, such as behavioural (e.g., opinion polls, taken by the institution itself, or lobbying activities to support the arrangement, as done by others), institutional (e.g., including outside actors), and discursive practices (e.g., through the targeted spread of information).

As Zaum (2017) and Tallberg and Zürn (2019, p. 582) point out, the costs of support through legitimacy are lower than the costs of creating and maintaining support through material benefits or coercion, and besides that, international organizations often lack such means to provide benefits of enforcement. In other words, legitimacy also matters because international organizations do not usually have the resources to reward or punish their members to enforce compliance. Rather, for an organization to function and its members to adhere to the rules of the game, it needs to be regarded as legitimate (Zaum, 2017, pp. 1111–1112).

4. Approaches to Legitimacy

This editorial seeks to select standards that can provide a framework to assess the legitimacy of an international arrangement. Traditionally, two broad approaches to legitimacy are distinguished in the literature. Firstly, the sociological approach (also referred to as the empirical or descriptive approach), whose origins lie in the work of the German sociologist Max Weber, defines legitimacy in terms of whether people believe an arrangement to be legitimate. Second, there is a normative, philosophical approach, referring to the question of whether an arrangement has the right to rule (Beetham, 2013, pp. 4–9; Buchanan & Keohane, 2006; Dietz et al., 2019, pp. 751–752).

An example of this first approach is offered by Tallberg and Zürn (2019) in a recent special issue of The Review of International Organizations, devoted to the legitimacy of international organizations. Tallberg and Zürn propose an empirical approach and define legitimacy as “beliefs of audiences that an IO’s authority is appropriately exercised, and legitimation as a process of justification and contestation intended to shape such beliefs” (Tallberg & Zürn, 2019, p. 583). The focus of Tallberg and Zürn is on developing a framework that should help us understand how international organizations obtain support and lose legitimacy, namely through their own features (authority, procedure, and...
performance), thus affecting the process by which legitimation takes place. These features have consequences for how organizations present themselves to their audiences and how their audiences discuss them, which subsequently affects whether the audience believes the organization is legitimate. Dingwerth et al. (2020) have studied how and why international organizations increasingly use democratic narratives, concluding that organizations that are more subject to media scrutiny and to protest by those affected by their policies are more responsive to the need for democratic legitimation. Along broadly similar lines, Hooghe et al. (2019) look at the role of national political contestation in processes that lead to a situation of non-legitimacy. An example of this approach is also found in this thematic issue’s article by Metinsony (2022), where it is shown how the International Monetary Fund (IMF) loses legitimacy when taking responsibility for labour market reforms. What these studies have in common is that a decrease in the legitimacy of international arrangements is equated with a lack of support from those affected by them.

Hurd formulates a critique on the model designed by Tallberg and Zürn and points to the lack of attention to the role of politics by arguing that such a “narrow” approach makes “legitimation...a tool of social control”—something that should be remedied by bringing in politics in the study of legitimacy (Hurd, 2019, pp. 719–720). In Hurd’s view, more attention should be paid to what international organizations do and how they perform on the output side than the framework of Tallberg and Zürn allows. As Hurd (2019) maintains, it is not the way in which an international organization manages to increase its legitimacy (and with it the compliance to its rules) that counts. Rather, an organization should earn its legitimacy by having a positive impact on those affected by its policies. Hurd argues that an a-political view of legitimacy “risks being more of a marketing strategy than an engagement with its substantive effects in the world” (Hurd, 2019, p. 725). Put differently:

The legitimacy dynamics around international organizations are no doubt in part attributable to IOs’ internal structure, media strategies, channels of participation and voice, and other features. But they are also certainly connected to how they affect the distribution of resources, power, and opportunities for people. (Hurd, 2019, p. 727)

Hurd’s line of reasoning echoes the critique of Beetham (2013) on Weberian approaches. Beetham argues that the focus on beliefs in the conception of legitimacy and the process by which the creation of legitimacy takes place (i.e., legitimation) is fraught with problems. Beetham (2013, p. 9) argues that by employing a sociological approach, social scientists might equate a regime’s legitimacy to the marketing abilities of the powerful. In a similar vein, Zaum (2017, pp. 1115–1116) points to the resources that international organizations have at their disposal to co-create constituent’s beliefs. In this thematic issue, Linsi’s (2022) study illustrates the influence of economic narratives on individual beliefs. However, what matters, according to Beetham, is that “[a] given power relationship is not legitimate because people believe in its legitimacy, but because it can be justified in terms of their beliefs” (2013, p. 11, emphasis in the original).

Many studies about the legitimacy of international arrangements are examples of the second approach to the concept. As pointed out, this normative, philosophical approach revolves around the development of normative standards to help assess the legitimacy of a regime, irrespective of whether people believe in said legitimacy—and even though the immediate motive to discuss norms may be the audience’s decreasing belief in the legitimacy of such an arrangement. They engage in assessing legitimacy along a yardstick of norms. It links how an arrangement performs to the question of how it should perform. Examples of such studies are provided by Howse and Nicolaides, who suggest that reforms of the WTO should take into account “institutional sensitivity, political inclusiveness, and top-down empowerment” (2003, p. 76), and by Diependaele et al. (2019) on the EU’s investment arbitration facility. Other examples of a normative approach to international arrangements come from Buchanan and Keohane (2006), who focus on the question of whether an institution has the right to rule. Building upon their work, Scherz (2019) has developed a model to assess the legitimacy of international institutions that takes into account the different degrees of political power the institutions concerned exercise.

The main criticism levelled against the use of a normative yardstick to assess legitimacy is that it uses a “universalizing claim: it is not the principles that happen to pertain in a given society that are sufficient, but those that any rational person, upon considered and unbiased reflection, would have to agree to” (Beetham, 2013, p. 5). As Beetham (pp. 13–14) argues, this leads to a situation where it is not the prevailing societal norms that count, but rather where universal norms are developed without taking the context of a given society into account. And this context is precisely what makes the topic of legitimacy interesting to a social scientist.

Choosing certain normative yardsticks is not detached from the social context in which a researcher operates. Similarly, empirical approaches also reserve a role for norms. Reid (2020, p. 92) points to the conflation that often occurs between the two forms of legitimacy as they tend to be related. While the empirical tradition aims for a value-free concept of legitimacy, it is far from that, as Kocken (2008) points out. In the field of international relations, the (sometimes implicit) norm is that international collaboration and protection of the international system are seen as intrinsically valuable (Hurd, 2019, p. 727). In addition, while employing an empirical approach, Tallberg and Zürn (2019, p. 587) recognize,
for example, that norms produced in society inform the beliefs of actors.

Because of the relationship between the two approaches to legitimacy, concentrating on both or on one but at the same time referring to the other, is common. It is, for example, employed by Reid (2020) and Dietz et al. (2019). Reid uses Bodansky’s distinction between normative and descriptive legitimacy to assess the legitimacy of the WTO and EU in the area of trade and environment. Dietz et al., in their study about the investor-state arbitration of the EU, refer to Beetham’s three criteria. One could argue that Beetham’s (2013) approach to legitimacy is an example of a sociological approach that integrates norms explicitly. Legitimacy in this approach concerns “beliefs held by those who are subject to and/or participate in a given political institution” (Agné, 2018, p. 20). In his plea for a social-scientific approach to legitimacy that moves away from the Weberian concept, Beetham (2013, pp. 16–17) emphasizes three criteria for power to be considered legitimate. Criterion 1: “It conforms to established rules” (Beetham, 2013, p. 16), meaning that the actions an organization undertakes should be in line with the established legal framework. When it is not, something should be considered illegitimate. Criterion 2: “The rules can be justified by reference to beliefs shared by both dominant and subordinate” (Beetham, 2013, p. 16). This mix helps to move away from the danger that the beliefs expressed are only a reflection of those of the powerful, and at the same time, it understands that beliefs are rooted within a “given society” and cannot be considered universal without taking into account time and place, as philosophers tend to think: “For the moral and political philosopher, power is legitimate where the rules governing it are justifiable according to rationally defensible normative principles” (Beetham, 2013, p. 5). Shared beliefs need to be found in perceiving the power holders as “a valid source of authority,” the “qualities” of those in power, and in serving the “general interest” (Beetham, 2013, p. 17). Finally, criterion 3 states that “there is evidence of consent by the subordinate to the particular power relation” (Beetham, 2013, p. 16). Such consent confers legitimacy to the powerful in the form of, for example, mass mobilization or taking part in consultations (Beetham, 2013, pp. 93–94). This is an important criterion as it is a demonstration of commitment (for whatever reason) of those participating in a power relationship—something that is important for the relationship itself, while at the same time giving a signal to those who are not part of this specific relationship. As Beetham (2013, p. 12) says, actions “confer legitimacy.” That this approach can help to assess legitimacy on an international level, taking into account the particularities of the role of states and their relationship, is further explored in the article by de Deugd and van Roozendaal (2022).

As Zaum (2017, pp. 1110–1111) maintains, shared beliefs that lead to legitimation can come about in three functional forms. It concerns beliefs about what output should look like and whether this is attained effectively by an arrangement. Here, the notion that deserves special attention is that of the performance of an arrangement. Or, as Tallberg and Zürn (2019, pp. 592–593) put it, does it deliver in terms of, for example, effectiveness? And does it contribute to the creation and distribution of welfare? Secondly, it refers to the process by which power holders are selected, how decisions are formulated and agreed upon, and how participation is being shaped. Tallberg and Zürn (2019, pp. 591–593) also refer to democratic performance, meaning the decisions made in terms of, for example, democratic quality. The third form referred to by Zaum (2017, p. 1111) concerns structural legitimation. This is a more abstract notion about whether the arrangement or organization is seen (by those it serves and the wider audience [including non-member states and non-governmental organizations]) as the organization best designed to deal with a given set of issues. More than procedural legitimation, it has an essential nature in the sense that an arrangement’s “general organizational features” allows for legitimacy (Suchman, 1995, p. 581). There are different ways in which shared beliefs can be established. Dietz et al. (2019), for example, establish shared beliefs by reviewing the normative issues that are contested and addressed in the public debates. However, for Beetham (2013, Chapter 3), shared beliefs should be established by looking at sources and content of such beliefs such as tradition or “the people.” Additionally, expressed consent can be found in, for example, public debates.

For Beetham (2013), the legitimation of power is very different when comparing the national and the international level. First of all, power overlaps with legitimacy at the international level, as there are hardly any other means by which power can be exercised. In addition, subject and audience conflates at the international level, where states design the frameworks to which they are also audiences. However, with the increased prominence of non-governmental organizations (NGOs), audiences have broadened over time. Thirdly, when taking into account the three conditions specifically, international organizations need to act in accordance with the international legal structure, their actions should address common goals and take into account procedures established, and states need to comply with the rules, or at least they should not act against them. However, in an international environment, rules have more than one interpretation, and the underlying norms suffer from a conflict between the need to cooperate and the need to secure sovereignty; they also suffer from unfair procedures, with some states being more powerful than others, and citizens being under-represented (other than through the representation by states). Also, compliance on the international level means legitimacy (but non-compliance may not matter that much in the absence of coercive power of international arrangements; Beetham, 2013, pp. 269–274).
5. How a Loss of Legitimacy Can Be Addressed by International Arrangements

As Lenz and Viola argue, there appears to be an implicit assumption in much of the organizational legitimacy literature that “incongruence between societal values and an organization’s procedures, purpose, and performance will lead to a loss of legitimacy and, consequently, to pressures for institutional change” (2017, p. 941). According to what Lenz and Viola call the “congruence model” and in line with the views espoused by Beetham on the matter, organizations should be sensitive to a (perceived) loss of legitimacy. After all, such a loss of legitimacy might well lead to reduction in support for the organization concerned. This holds true, especially in cases where organizations lack the power that comes with coercive measures or cases where organizations are functioning sub-optimally. In order to regain support, legitimacy can be reestablished through reform so that incongruence will transform into congruence (Lenz & Viola, 2017, p. 943).

To the congruence model with its roots in institutionalist scholarship, Lenz and Viola add the element of perception, which they take from cognitive psychology literature (2017, p. 941). The question of how legitimacy is perceived is crucial to understanding how congruence/incongruence is assessed and to what extent the need for organizational reform is felt (Lenz & Viola, 2017, p. 947). As Lenz and Viola maintain, judgments regarding legitimacy can be “sticky” (2017, p. 952)—implying that change is not always or not necessarily forthcoming. For example, this can be the case for well-established institutions: The older an organization is, the more likely it is to be perceived as legitimate—and the less likely it is to undergo institutional change to try and increase congruence (Lenz & Viola, 2017, pp. 955–956).

In those cases where the legitimacy of an organization is under threat, and this non-legitimacy is indeed assessed as such by the recipients, then the resultant process of institutional reform is beset with its own peculiarities, as is shown in this thematic issue’s articles by Pircher (2022), Verbeek (2022), and Langford and Fransen (2022). Resultant processes of reform may not necessarily improve an institution but rather support compliance to a set of external demands (Zaum, 2017, p. 1124). In a process of what Campbell (2004, p. 43) has defined as symbolic change and what Dietz et al. (2019, p. 754) call symbolic closure, arrangements may well engage in reforms that fall in the category of “form over function” (Zaum, 2017, p. 1125).

Still, this does not exclude the possibility that this method of preserving or enhancing legitimacy will lead to more substantive changes in the long run (Campbell, 2004, p. 43), even though that may not be their primary purpose.

6. A Thematic Issue of Politics and Governance

The debate about the legitimacy of international arrangements is inviting both state and non-state actors alike to develop new responses, or stimulating them to return to old ones. The thematic issue of Politics and Governance focuses on the analysis of how—from a social science perspective—legitimacy questions affect international economic and financial arrangements and if, and how, such legitimacy questions lead to institutional change. It builds upon the ideas about the legitimacy crisis that many international arrangements face, explores sociological approaches to study legitimacy, and applies these to several empirical cases. Such exploration is relevant, as pointed out by Tallberg and Zürn (2019, p. 582), who argue that the way international organizations create and sustain legitimacy is still underdeveloped.

In this thematic issue, attention is paid first to the question of how legitimacy is shaped. From a sociological perspective, Linsi (2022) addresses not just the role of material factors but also the role of ideational factors as drivers of the major shift away from the restriction and regulation toward the promotion and attraction of inward foreign direct investments that occurred in the 1990s. Arguably, economic narratives can play an important role in determining what individuals perceive as legitimate. In turn, this element of legitimacy influences what individuals believe to be in their best interest. By thus taking into account both material and ideational elements in the study of legitimacy, the author argues for theoretically more comprehensive approaches to understanding institutional changes in international political economy.

Focusing on the ongoing legitimacy crisis in the global investment treaty regime and the system of investor-state dispute settlement (ISDS), Verbeek (2022) analyses why—even in the face of significant contestation—the EU has not moved away from the ISDS system. As the author showcases, several factors are at play here, including the belief on the part of the European Commission that the lack of legitimacy of the ISDS system is caused by its procedural features rather than by more fundamental issues regarding its social purpose. With the EU still firmly set on its neoliberal path, attempts to remedy the underlying causes of the legitimacy gap are a non-starter.

de Deugd and van Roozendaal (2022) move the discussion to the link between legitimacy and compliance. They address the various agreements that have been concluded between the EU and Ukraine and focus on the role of labour standards therein. While these agreements contain the commitment to enhance (the protection of) core labour standards and express and adhere to shared beliefs, progress in this area has been slow, demonstrating a lack of compliance. As the authors show, this lack of compliance with the terms of the treaties may well be connected to the fact that commitment to the improvement of labour standards is regarded—as merely symbolic. All this
might change now that Ukraine has requested accession to the EU.

Decreasing public and political support may lead to more than symbolic policy changes, as shown by the article of Pircher (2022). In response to the Covid crisis, the EU was forced to make swift decisions on procurement, resulting in less involvement of different parties and thereby creating a legitimacy deficit in the implementation phase. As Pircher shows, this, in turn, is expected to affect the legitimacy of the EU procurement policies in a sociological sense, as it allows for more diversity in implementation on national levels, which consequently may lead to corruption.

International organizations might contradict their own legitimacy claims in their policy formulations, as discussed in the next contribution. Metinsoy (2022) suggests that the IMF builds its legitimacy claims on being a “technocratic” organization that is “above” (geopolitical) concerns and designs policies solely in accordance with “macro-economic indicators” in a country. In her article, Metinsoy provides evidence that US-allied left-wing governments receive both a higher number and stricter labour conditions than non-allied and right-wing and centrist governments, irrespective of their prior labour institutions. This is problematic at several levels in addition to being contradictory to original legitimacy claims. First of all, in terms of output legitimacy, increased inequality and decreased protection of workers’ rights compromises the broad support for IMF policies. Secondly, from a procedural legitimacy perspective, the formulation of policies based on the informal influence of a powerful state contradicts the “transparent” and macroeconomic-based policy formulation claims. Finally, from a normative perspective, because these governments were probably elected on a different platform, policy prescriptions of the IMF that run counter to the demands of their constituencies are hard to justify.

Finally, the emergence of new initiatives in the face of a crisis of legitimacy of older arrangements is dealt with by Langford and Fransen (2022). Following the delegitimation of Northern-oriented transnational economic governance, new initiatives—backed by Southern actors—have emerged. As the authors argue, based on an India-based transnational governance initiative focused on labour and environmental regulation of tea production, the emergence of such new initiatives in an era of polycentric trade requires a careful balancing act between the preferences, perspectives, and beliefs of different actors from different geographies in order to attain legitimacy.

All in all, through the exploration of questions surrounding the sociological legitimacy of international arrangements and the consequences for institutional change, the different ways in which international arrangements can maintain legitimacy or have their legitimacy threatened, the various approaches to (re)building legitimacy, and the effects of a lack of legitimacy on the role and function of institutions are highlighted.

Acknowledgments

The authors would like to thank Biswajit Dhar, Benjamin Leruth, Stefan Couperus, and the contributors to the thematic issue for their comments and suggestions.

Conflict of Interests

The authors declare no conflict of interest.

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